HDFC

# ANNUAL REPORT
# 2024

Housing Development
Finance Corporation Plc

# ANNUAL REPORT
# 2024

بسم الله الرحمن الرحيم

HDFC Plc.
Annual Report 2024

Published: April 2025

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

# CONTENTS

**Definition**

Annual Report 2024 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 2024. 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 success.

# CHAIRPERSON'S STATEMENT

Dear Shareholders and Stakeholders,

On behalf of the Board of Directors, I am delighted to present the Annual Report and audited financial statements of Housing Development Finance Corporation Plc, Maldives (HDFC) for the year ended December 31, 2024. This report emphasizes HDFC's overall performance, which encompasses significant achievements related to its financial status and corporate governance.

The Maldivian housing sector in 2024 was shaped by broader economic conditions, the expansion of social housing initiatives, and rising material costs. However, it faced significant challenges, including growing demand for accommodation, high construction costs, and limited land availability. As property prices continued to rise, affordable housing became an increasingly critical issue for many citizens.

Meanwhile, the Maldivian economy demonstrated strong resilience, achieving a GDP growth rate of 5.5 percent, largely driven by a robust recovery in tourism, real estate, and construction. Despite 12.9 percent growth in the construction sector, rising costs, labor shortages, and economic disruptions posed ongoing challenges. Public debt rose due to increased spending on infrastructure and social support, contributing to a higher cost of living, particularly impacting low-income households. The IMF emphasizes the need for fiscal reforms to address these vulnerabilities. Looking ahead to 2025, the Maldives' economy is expected to grow between 4.7 percent and 6.4 percent, supported by tourism, construction, and real estate, though inflation remains a key concern, particularly in housing and utilities.

The HDFC ended the fiscal year with a profit of MVR 99.47 million and an increase of 13 percent compared to the previous year with close control of operating expenses. With a strong position, the Board declared an interim dividend of MVR 2.45 per share.

Our net interest income increased moderately throughout the year, reaching MVR 100.23 million in total. Net income from Shariah products contributed considerably to portfolio growth, indicating the confidence of customers in the operations of our Shariah Window (AMNA).

With HDFC's expansion into the market beyond two decades, we are confident in our ability to maintain consistent, high-quality performance. Our long-term success is sustained by our profound expertise in mortgage financing, the ability to adapt to changing market dynamics, a strong balance sheet, and prudent risk management practices. In the past year, we have made significant progress in our digital transformation journey by utilizing technology to improve operational efficiency through mobility, strengthening our brand and venturing, and supporting scalable growth. We have also focused on market visibility. To optimize internal capabilities and align with our evolving business strategy, strategic organizational restructuring initiatives were implemented. Additionally, in order to establish a workforce that is future-ready and resilient, we have prioritized staff training and development. By continuously investing in portfolio diversification, strategic partnerships, and digitalization, HDFC is well-positioned to capitalize on market opportunities and provide sustained value to our shareholders.

At the heart of HDFC's operations and culture is the commitment to maintaining the highest standards of corporate governance. By adhering to regulatory compliance, adhering to ethical business practices, and implementing transparent policies, HDFC guarantees accountability, fairness, and integrity in all of its operations. This steadfast dedication strengthens stakeholder confidence and establishes the groundwork for operational excellence and long-term sustainability.

Our journey has reached a significant milestone with our renewed emphasis on operational expansion, which is achieved through enhanced digitalization and increased resource allocation. Our objective is to optimize our services, enhance operational efficiency, and expedite our processes by investing in digital platforms, automation, and advanced technologies. This transformation will not only improve internal workflows but also substantially improve customer experience by facilitating faster service delivery and seamless, personalized interactions. Ultimately, our digital advancements will ensure that we satisfy the evolving market demands, thereby strengthening our position in the industry and fostering long-term growth and customer loyalty, through a customer-centric approach.

This year, we have effectively accomplished our objective and made substantial strides in our digitalization endeavors. The board recognizes the critical role of advanced technology in the contemporary world and values the trajectory we are pursuing.

The Board will persist in offering strategic direction as we strive to achieve new levels of success in the future. We will continue to be dedicated to the creation of enduring value for all stakeholders and the meaningful contribution to the socioeconomic development of the Maldives, governed by responsible corporate practices, sustainability, and innovation.

On behalf of the Board, I would like to express our sincere gratitude to the former Chairperson, Mr. Hamid Sodique, for his unwavering commitment to excellence and strategic leadership, which have been instrumental in the continued success and development of our company.

We also express our sincere appreciation to Ms. Amena Arif and Mr. Mohamed Rasheed for their exceptional service and strategic contributions, which have significantly advanced the organization’s goals and strengthened its long-term prospects.

On behalf of the Board, I am pleased to extend our cordial welcome to the new Directors who have been appointed to the Board in the past year. Their diverse knowledge and expertise will undoubtedly be invaluable in driving the company's continued success.

As we bid farewell to Ms. Raheema Saleem, the Board and I extend our sincere gratitude and appreciation for her outstanding contributions and unwavering dedication throughout her tenure as Managing Director. Her leadership has played a vital role in shaping the company's growth.

The Board and I are also delighted to welcome Mr. Ahmed Zeenad as the new Managing Director. With his leadership and expertise, we are confident that HDFC will continue to reach new heights, fostering a culture of innovation, excellence, and sustained growth.

We sincerely appreciate the continued support and dedication of our shareholders, regulatory authorities, team members, and customers. Together, we will ensure HDFC's continued success by promoting sustained growth and resilience in the years to come.

**Dr. Mohamed Shafeeq**
Chairperson

# MANAGING DIRECTOR'S REPORT

Dear Shareholders,

In 2024, the corporation marked its 20th anniversary, highlighting its resilience and dedication to providing home financing for Maldivians. Over the past two decades, HDFC has been pivotal in offering housing finance solutions and remains a key player in the Maldives' financial sector. As we embark on a new decade, the Corporation remains steadfast in its core mission of promoting homeownership and continues to demonstrate its capacity to evolve and adapt to the needs of its customers and changing the economic landscape.

The Maldivian economy experienced a growth rate of 5.5 percent in 2024, driven primarily by the robust performance of the tourism sector with record tourist arrivals in 2024. However, the economy encountered significant challenges due to fiscal imbalances and widening trade deficit, resulting from decline in fish exports and increase in import of goods. Furthermore, high import levels and increased external debt repayments weakened official foreign reserves significantly. Despite facing challenges in the local economy, HDFC concluded 2024 with a stronger financial performance compared to the previous year.

**Performance Highlights**

Our strong financial result is a result of our continued commitment to sound business practices and serving our customers with the highest professional standards. Our net profit for 2024 increased by 13% to MVR 99.47 million. Additionally, our operating income rose to MVR 153 million from MVR 139 million, representing a 9% growth compared to the previous year. We reviewed our impairment provisioning model to better account for potential impairment losses stemming from uncertainties in the economic environment. This has resulted in an impairment allowance of MVR 13 million for potential impairment losses, up from MVR 11 million in the previous year. It is worth noting that we have reversed the portfolio shrinkage, achieving a 0.5% growth in the net portfolio through marketing efforts and our proactive approach in serving and maintaining our customers. We are optimistic that our ongoing initiatives to improve brand recognition and offer diverse solutions to our customers will contribute to the steady and sustainable growth of our portfolio in the future.

**Looking Ahead**

As we start a new decade of operations, it is with great satisfaction that we acknowledge our role in assisting thousands of families in achieving their dream of homeownership. To further continue this journey, we reviewed our strategic priorities in the last quarter of 2024 and approved our strategic plan for 2025-2029. The plan focuses on 5 priorities - financial growth, customer satisfaction, brand visibility, organizational transformation and resource development. These priorities will ensure ambitious growth of the portfolio while maintaining asset quality. During 2025, we will introduce new products that will cater to a broader market with a focus on diversification. We will continue improving and simplifying our process for a better customer journey by investing in technology that will modernize our operations and processes. We will also continue our marketing activities to enhance our brand visibility throughout Maldives and making HDFC as the most trusted housing finance brand in the country.

Last year we initiated work on the proposed offer for sale of the company's shares held by international shareholders. This initiative is intended to expand our investor base by fostering public participation. We are optimistic that transitioning to a more diversified ownership structure will enable us to achieve greater commitment, improved transparency, increased value creation, a better governance structure, and potentially deliver stronger returns to investors.

**Appreciation**

First, I would like to thank our customers for their loyalty and trusting us with their homeownership journey with us. We remain strongly committed to support your future homeownership aspirations.

I also extend my sincere appreciation to hard working staff of HDFC and members of the Board for their continued support and cooperation. Your support and commitment allow us to fulfill our promises to our customers.

**Ahmed Zeenad**
Managing Director

# MILESTONES

**2004**
Incorporated as a 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**
Privatized 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

**2024**
*Two decades of successful and sustainable housing finance*

# 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 28th 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 23rd 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**<br>**MANAGING DIRECTOR** | Dr. Mohamed Shafeeq<br>Mr. Ahmed Zeenad |
| **AUDITORS** | KPMG (External Auditors)<br>Ernst & Young (Internal Auditors) |
| **LEGAL COUNCIL**<br>**COMPANY SECRETARY** | Mazlan & Murad Law Associates<br>Mr. Adam Athif |
| **REGISTERED ADDRESS** | H. Mialani, 4th Floor,<br>Sosun Magu, Male'<br>Republic of Maldives<br>Phone: (960) 333 8810 / 331 5896 / 331 5897<br>Fax: 331 5138<br>Website: www.hdfc.com.mv<br>Email: info@hdfc.com.mv |

## VISION

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

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:

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

# 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 specialized housing finance institution, HDFC is faced with numerous challenges in offering affordable financing solutions to customers. However, with 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.

To cater to different customer segments, the company has structured its housing finance products into three main categories: Home Construction, Home Purchase, and Home Renovation. The following products are offered to our customers under the three main categories.

## HOME CONSTRUCTION LOAN

A loan specifically designed to provide property owners with the necessary funding for home construction projects. The loan offers a flexible tenure of up to 25 years, based on the customer's financial strength. The company offers competitive interest rates that vary based on the level of equity contribution, with lower rates available for higher equity inputs. A fixed rate is also applied to full property rentals.

## HOME PURCHASE LOAN

A loan that is designed to provide funding for purchasing an apartment by mortgaging the property. It offers a limit of up to MVR 10 million, with a maximum tenure of 25 years. Interest rates vary based on collateral arrangements, with lower rates offered when the pension is pledged as collateral. A standard rate applies to full property rentals, and a minimum equity contribution of 20% is required.

## HOME IMPROVEMENT LOAN

A loan that covers essential property repairs and upgrades, such as painting, kitchen and sanitary fittings, furniture, additional rooms, lift and CCTV installations. It offers up to MVR 2.5 million, with a maximum tenure of 15 years. The interest rate is set at 11.00% per annum. Existing customers are exempt from fulfilling the equity requirement, whereas new customers must meet this requirement.

## HOME TOP UP

A loan that is designed for customers who have already obtained a home construction loan and are seeking improved terms. The refinance option offers a lower interest rate than the customer's existing rate, subject to assessment of income capacity and equity contribution. The maximum loan tenure available under this facility is 25 years, providing long-term repayment flexibility. A primary mortgage on the property under construction is required as security for the facility.

## SOE HIYAA

A home purchase loan tailored for employees of State-Owned Enterprises (SOE). It offers a substantial limit of up to MVR 3 million, with a maximum tenure of 25 years, excluding a grace period of 12 to 36 months. The interest rate is competitively set at 10.00% per annum, and a minimum equity contribution of 20% is required. This product is designed to support SOE staff in acquiring residential properties by providing favorable and long-term financing options.

## YOUTH LOAN

A home purchase loan dedicated to young individuals seeking residential properties. It offers up to MVR 1 million, with a tenure of 30 years excluding a grace period of 12 to 36 months. The interest rate is competitively set at 10.50 percent per annum, and a minimum equity contribution of 20 percent is required. This product aims to support young people in achieving their homeownership dreams by providing accessible and long-term financing options.

## LEASE BUYOUT

A credit facility offered to customers seeking to buy out a lease under a long-term agreement. The loan is available at a fixed interest rate of 12.25% and offers a repayment period of up to 10 years, allowing for manageable long-term planning. Customers can apply for financing up to a maximum amount of MVR 5 million, making it a suitable option for substantial lease acquisitions.

## MUSHARAKA MUTHANAQISA

A financing facility provided by HDFC-AMNA is a Shariah-compliant diminishing partnership between customer and HDFC-AMNA for various purposes including purchasing land, constructing a home, or acquiring an apartment for residential or rental use.

For construction projects, the facility provides financing of up to MVR 10 million, with a maximum tenure of 25 years and an initial grace period of 12–24 months. Profit-sharing ratios are determined by the equity contribution, starting at 11.75% per annum for a 15% equity contribution and decreasing to 11.00% per annum for a 30% equity contribution

.

In positive outer island areas, the financing limit is up to MVR 2.5 million with similar terms and rates. For other outer islands, the limit is up to MVR 1.2 million, with the same tenure and grace period options.

For property purchases, the facility offers financing of up to MVR 10 million, with a maximum tenure of 25 years. Profit-sharing rates are set at 11.00% per annum without collateralizing the pension and 10.42% per annum with collateralizing the pension. A minimum equity contribution of 20% is required to establish the partnership.

This comprehensive financing facility ensures that property owners have access to the necessary financing for their construction and purchase projects while adhering to Shariah principles.

## MURAABAHA FINANCING FACILITY

A Financing Facility offered by HDFC Amna is structured in accordance with Shariah principles. Under this arrangement, HDFC Amna purchases goods identified by the customer based on mutual agreement and resells them at an agreed profit margin. The facility provides financing limits of up to MVR 2.5 million, with a maximum tenure of 15 years.

All profit margins reflect the agreed markup at the outset and remain fixed throughout the financing term. A 12-month grace period is offered, during which no additional profit is accrued.

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 Acount (RSA) as owners contribution at 10.42% pa.

**SALARY BENEFIT SCHEME**

Monthly installment would be deducted at source for the staff of organizations selected by HDFC at 11% pa. Maximum deduction would be less tha 60% of the salary.

Since Maldives is a 100% Muslim country, there is a strong preference towards Shariah-compliant products among customers. It is observed that the public demand for Islamic financing has grown substantially over the last few years. Islamic finance plays an important role in providing ethical and interest-free solutions that align with Islamic principles. It offers an alternative that ensures financial transactions are consistent with the values of fairness, transparency, and social responsibility, making it a crucial option for individuals seeking financial products that align with their religious values. The increasing demand for such facilities underscores the importance of offering Shariah-compliant financing to meet the evolving needs of the market.

# SHAREHOLDING STRUCTURE

| | NAME | NUMBER OF SHARE(S) HELD | VALUE OF SHARE(S) HELD | |
|---|---|---|---|---|
| | Government of Maldives | 7,809,290 | 78,092,900 | 49% |
| | International Finance Corporation | 2,868,750 | 28,687,500 | 18% |
| | Asian Development Bank | 2,868,750 | 28,687,500 | 18% |
| | HDFC Bank Ltd (India) | 2,390,620 | 23,906,200 | 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** | **100%** |

# BOARD OF DIRECTORS

| | | |
|---|---|---|
| **NOMINEE DIRECTOR** | Dr. Mohamed Shafeeq (Chairperson)<br>Ms. Zidna Ibrahim<br>Ms. Kohe Noor Binte Mahmoodul Hasan<br>Mr. Ajay Agarwal | Government of Maldives<br>Government of Maldives<br>Asian Development Bank<br>HDFC Bank Ltd. |
| **ALTERNATE DIRECTOR** | Mr. Mohamed Zuhair<br>Mr. Asif Saeed Cheema | Government of Maldives<br>Asian Development Bank |
| **INDEPENDENT DIRECTOR** | Mr. Ahmed Asad Hashim | |
| **MANAGING DIRECTOR** | Mr. Ahmed Zeenad | |

# BOARD OF DIRECTORS

**DR. MOHAMED SHAFEEQ**
Chairman
Non-Executive

**MS. ZIDNA IBRAHIM**
Nominee Director
Non-Executive
Government of Maldives

**MS. KOHE NOOR B. M. HASAN**
Nominee Director
Non-Executive
Asian Development Bank

**MR. AJAY AGARWAL**
Nominee Director
Non-Executive
HDFC Bank Ltd

**MR. AHMED ASAD HASHIM**
Independent Director
Non-Executive

**MR. AHMED ZEENAD**
Managing Director

**MR. MOHAMED ZUHAIR**
Alternate Director,
Government of Maldives

**MR. ASIF SAEED CHEEMA**
Alternate Director,
Asian Development Bank

## DR. MOHAMED SHAFEEQ

Nominee Director, Chairperson
Government of Maldives

Appointed as Nominee Director by the Government of Maldives on 02nd December 2024.

**BOARD COMMITTEES**
Board Credit Committee
IPO Committee (Chairperson)

**QUALIFICATION & EXPERIENCE**

Dr. Mohamed Shafeeq served as the Minister of Finance for the Republic of Maldives, overseeing Fiscal policy, Budgeting, Treasury and Debt management. He played a significant role in the State Internal Audit function, the National Tender Board, and the formulation of State Procurement Policies. In addition, he also held the presidency of the National Pay Commission. Represented the Maldives as governor at international financial institutions, including the World Bank Group, ADB, IsDB, AIIB, and Common Fund for Commodities, focusing on technical and investment aspects of the government under the resource mobilization mandate.

Dr. Shafeeq held the position of Chief Financial Officer (CFO) at the Housing Development Finance Corporation Plc (HDFC). He is skilled in the areas of strategic planning, governance, taxation, budgeting, financial, credit and investment analysis, and special emphasis on corporate training.

Dr. Shafeeq is a fellow member of Association of Chartered Certified Accountants (ACCA UK) and Institute of Chartered Accountants of the Maldives, and he has a DBA, MBA, and BA (Hons.) in Accounting and Finance. He is a certified valuer and licensed Auditor and is versed with the Concepts of Islamic Accounting and Reporting. He has devoted more than two decades to academia, where he has served as a mentor and lecturer. As a registered mentor at Oxford Brookes University, UK., he has made a significant contribution to the Maldives' advancement of professional skills and academic excellence. Furthermore, he has provided business consultancy services to a range of projects which include renewable energy and Islamic Finance.

**OTHER APPOINTMENTS**

Currently, Dr. Shafeeq is serving as the Chief Executive Officer (CEO) of Maldives Industrial Development Free Zone. 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. ZIDNA IBRAHIM

Nominee Director, Non-Executive
Government of Maldives

Appointed as Nominee Director on
03rd September 2024

**BOARD COMMITTEES**
Nomination & Remuneration Committee
(Chairperson)
Board Credit Committee

**QUALIFICATION & EXPERIENCE**

Ms. Zidna holds dual Masters in Global Business from University of Sunderland, UK and SEGi University, Malaysia, and a Bachelor's Degree in Business Management from University of Mysore, India.

With over 10 years of experience, Ms. Zidna has worked in the fields of Strategic Planning, Organizational Restructuring and Reforms, Human Resource Management, Financial Management, Education, Policy Formulation and Policy Advisory work at various levels and committees. She has also worked as an Assistant Professor at Maldives Business School, Corporate Director, Financial Executive, and Acting Secretary General of Human Rights Commission of the Maldives, Human Resources Director and Acting Director General at Ministry of Housing and Urban Development.

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. KOHE NOOR B.M. HASSAN

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

Appointed as Nominee Director by ADB on 9th August 2019.

**BOARD COMMITTEES**

Audit & Risk Management Committee
Nomination & Remuneration Committee
IPO Committee

**QUALIFICATION & EXPERIENCE**

Ms. Kohe has over two decades of experience as a senior commercial lawyer in leading international law firms. She was Reed Smith's first female partner in Singapore; Ms. Kohe was recently appointed as the Honorary Consul of the Republic of Ghana in Singapore. She is the Co-Founder and CEO M Kapital Consulting. 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, Ms. Kohe volunteers actively and has diverse interests. At the national level, Ms. Kohe lends her expertise to several statutory boards including the Central Provident Fund Board, and Nanyang Polytechnic.

At the business level, Ms. Kohe sits on the boards of the Singapore National Employers' Federation and Singapore Malay Chamber of Commerce and Industries, director of Singapore Co-operation Enterprise ("SCE") (a subsidiary of Enterprise Singapore). Most recently, she was appointed as the company auditor for AMP CO Ltd in Japan.

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

Appointed as Nominee Director by HDFC Bank Ltd. on 17th January 2024.

**BOARD COMMITTEES**
Audit & Risk Management Committee
Nomination & Remuneration Committee
Board Credit Committee

### 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 span of 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.

## MR. AHMED ASAD HASHIM

Independent Director

Appointed as Independent Director on 21st November 2024.

**BOARD COMMITTEES**
Audit and Risk Management (Chairperson)
Nomination & Remuneration Committee
Board Credit Committee (Chairperson)

**QUALIFICATION & EXPERIENCE**

Mr. Asad is a finance professional with more than 21 years of experience in the field. Proficient in developing and utilizing complex financial methodologies and accounting models to formulate and implement business strategies. In depth practical knowledge and experience in core finance and accounting with demonstrative capacity to successfully improve bottom line profitability and further corporate objectives. An energetic and ambitious leader, his focus is on facilitating and delivering business success through digital innovations and transformation through finance.

Mr. Asad is also an esteemed Fellow Member of ACCA and an associate member of CPA (Australia).

**OTHER APPOINTMENTS**

Chief Financial Officer of Maldives Airports Company Ltd.

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. 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.

## MOHAMED ZUHAIR

Alternate Director, Non-Executive
Government of Maldives

Appointed as 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 over30 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 Ministry 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 a significant contribution 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.

## ASIF SAEED CHEEMA

Alternate Director, Non-Executive
Asian Development Bank

Appointed as Alternate Director by the Asian Development Bank on $5^{th}$ 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 Directpr in Corporate Finance and Investment Banking. He also contributes 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.

# COMMITTEES

| | | |
|---|---|---|
| **AUDIT & RISK MANAGEMENT COMMITTEE** | Mr. Ahmed Asad Hashim | (Chairperson) |
| | Ms. Kohe Noor Binte Mahmoodul Hasan | Member |
| | Mr. Ajay Agarwal | Member |
| **NOMINATION & REMUNERATION COMMITTEE** | Ms. Zidna Ibrahim | (Chairperson) |
| | Ms. Kohe Noor Binte Mahmoodul Hasan | Member |
| | Mr. Ajay Agarwal | Member |
| | Mr. Ahmed Asad Hashim | Member |
| **BOARD CREDIT COMMITTEE** | Mr. Ahmed Asad Hashim | (Chairperson) |
| | Dr. Mohamed Shafeeq | Member |
| | Ms. Zidna Ibrahim | Member |
| | Mr. Ajay Agarwal | Member |
| **IPO COMMITTEE** | Dr. Mohamed Shafeeq | (Chairperson) |
| | Ms. Kohe Noor Binte Mahmoodul Hasan | Member |
| | Mr. Ajay Agarwal | Member |
| | Ms. Aishath Shizna | Member |
| **SHARIAH ADVISORY COMMITTEE** | Dr. Ibrahim Zakariyya Moosa | (Chairperson) |
| | Associate Professor Dr. Rusni Hassan | Member |
| | Dr. Aishath Muneeza | Member |
| | Mr. Ahmed Sameen | Secretary |

# MANAGEMENT TEAM

## MR. AHMED ZEENAD

Managing Director
Appointed in 2024

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.

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.

## MS. AISHATH SHIZNA

Chief Financial Officer
Appointed in 2024

Ms. Shizna has over 15 years of progressive experience in the finance and insurance industries. A Chartered Certified Accountant, she is a Fellow of both ACCA and CA Maldives, reflecting her strong professional standing.

In addition, she holds an MBA from the University of the West of England and a professional certification from the Malaysian Insurance Institute, enhancing her technical acumen and strategic capabilities.

Prior to her current role, Ms. Shizna served as an Independent Director on the Board of HDFC, where she contributed to strategic decision-making and governance oversight. She also held the position of Financial Controller at Allied Insurance, where she led the finance operation.

Ms. Shizna plays a significant role in advancing the accounting profession in the Maldives through her involvement in CA Maldives' committees. Additionally, she contributes to national development as a Council Member of the National Sports Council, offering strategic financial guidance.

## MR. MOHAMED FATHY

Head of Information 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. ADAM ATHIF

Head of Corporate Services & Company Secretary
Appointed in 2021

Mr. Adam Athif, appointed as the Head of Administration and Company Secretary at HDFC in 2021, has 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 overseeing the administrative functions and serve as the Company Secretary at HDFC.

## MR. AHMED ANWAR

Senior Manager - Recovery
Appointed in 2021

Mr. Ahmed Anwar, appointed as the Recovery Manager at HDFC in 2021, boasts 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. MOHAMED NAWAZ HASSAN

Senior Manager - Credit & Islamic Finance
Anti-Money Laundering Officer
Appointed 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.

## MS. FATHIMATH SAADHA

Senior Manager - Human Resources
Appointed in 2023

Ms. Saadha holds a Master's degree in Business Administration, equipping her with a strong foundation in strategic planning, organizational management, and leadership.

With over a decade of dedicated service at Housing Development Finance Corporation (HDFC), she has extensive experience working across various departments, gaining a holistic understanding of the organization's operations and goals.

Currently, Ms. Saadha oversees the Human Resources (HR) function at HDFC, where she plays a pivotal role in shaping and managing the company's talent strategies.

## 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

Manager - Risk and Audit
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 NASIR

Manager - Finance
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.

# 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 31st, 2024.

This year, our primary focus remained on enhancing our FinTech capabilities to streamline internal operations and deliver a more seamless and responsive customer experience. Recognizing the pivotal role technology plays in shaping the future of financial services, we invested in digital infrastructure, process automation, and data-driven decision-making tools. These initiatives not only improved operational efficiency but also enabled us to better understand and serve our customers' evolving needs. Our efforts were aligned with a broader strategic vision to strengthen our digital foundation, support scalable growth, and foster innovation across the organization.

## WORLD ECONOMY REVIEW

The world economy is currently facing significant challenges, with various factors contributing to instability and uncertainty. The global trade growth in 2024 was expected to be half the average in the decade before the pandemic. According to the World Bank, global growth rate was projected to slow in 2024 in the world economy for the third consecutive year from 2.6 percent to 2.4 percent. However, it is expected to hold steady in 2024 and then edge up in the next couple of years. It is anticipated that output and productivity will grow faster, and inflation will decrease. This can be achieved by strengthening monetary policy frameworks and improving fiscal policies.

The United Nations anticipates slower global economic growth in 2025. Many large countries are expected to experience slow growth, while emerging markets and developing economies are projected to see steady growth. Therefore, a mixed outlook is expected for the global economy in 2025, with both challenges and opportunities ahead.

## MALDIVES ECONOMY

The Maldives faces several developmental challenges, including land scarcity, a lack of land-based mineral resources, limitations in agriculture, and vulnerability to natural disasters, climate change, and other environmental risks. With a population of 500,000, allocating land for housing remains a major socioeconomic challenge. Additionally, the country has been significantly affected by global conflicts, economic downturns, and climate-related crises, which have frequently disrupted its economic stability. Notable events such as the 2004 tsunami, the 2008 global financial crisis, and the recent COVID-19 pandemic have underscored the urgent need for economic diversification. These challenges have highlighted the importance of adopting more resilient and sustainable development strategies to ensure long-term viability and growth.

Despite facing multiple challenges, Maldives has shown resilience and agility, rebounding from economic downturn. According to MMA reports, real GDP growth is estimated to have increased in annual terms during the last quarter of 2024. In the third quarter, real GDP was seen accelerating to 6.5 percent. However, at the end of 2024, the MMA revised the GDP growth forecast to 5.5 percent.

## HOUSING FINANCE INDUSTRY – STRUCTURE & DEVELOPMENT

The housing industry plays a critical role in national economic development, closely linked to sectors such as construction, real estate, and various socioeconomic factors. Its growth directly impacts the GDP, employment opportunities, and consumer spending patterns. Therefore, a strong, efficient, and resilient housing finance market is essential for supporting sustainable economic growth and enhancing living standards, ultimately contributing to national development.

The demand for housing continues to increase, particularly in densely populated urban centers, as urbanization accelerates and household income increases. This demand is met by a wide range of supply-side actors, including construction companies, private developers, and builders from various regions across the country. However, due to limited availability of land in the urban areas, it is increasingly difficult to meet the housing needs without strategic planning and financing mechanisms.

In the Maldives, the housing sector has experienced a surge in demand, driven by population growth, rapid migration, and rising income levels of certain group of people. The government, private real estate developers, and state-owned enterprises (SOEs) are actively competing in the market to provide housing for various income groups, further driving demand. Despite this, housing supply fails to meet the growing demand, contributing to rising property prices and affordability challenges for many citizens and remaining insufficient to meet the needs of the population.

As a result, HDFC is expected to expand its portfolio to meet the growing demand, driven by the rising supply of housing projects requiring financial assistance. By providing innovative financing solutions and collaborating with both public and private sector stakeholders, HDFC can help ensure that the supply of affordable housing keeps pace with rising demand, contributing to broader economic stability and social well-being.

## COMPETITION & CHALLENGES AHEAD

One of the key challenges we face in the current financial landscape is the increasing competition on home financing, which, while lucrative in larger markets, presents unique constraints in the Maldivian context. Although several banks and financial institutions offer a wide range of home financing products, the overall size of the market remains limited. This is further compounded by the rise of government-led social housing schemes, which, while beneficial to the public, create added pressure on financial institutions to remain competitive in pricing and product offerings.

In addition to that, ongoing economic uncertainity has impacted customer affordability and risk appetite, creating further challenges in loan disbursement and repayment. Structural inefficiencies and the lack of adequate workspace also pose operational challenges, particularly when scaling services or expanding physical outreach. Navigating these multifaceted challenges requires agility, innovation, and a deep understanding of both market trends and the socio-economic realities influencing customer behavior.

Despite these challenges, there are significant opportunities that can be leveraged to strengthen our position in the market. Product diversification has remained one of our key strategic priorities, with a focus on expanding our offerings beyond conventional home financing to meet evolving market demands and customer expectations.

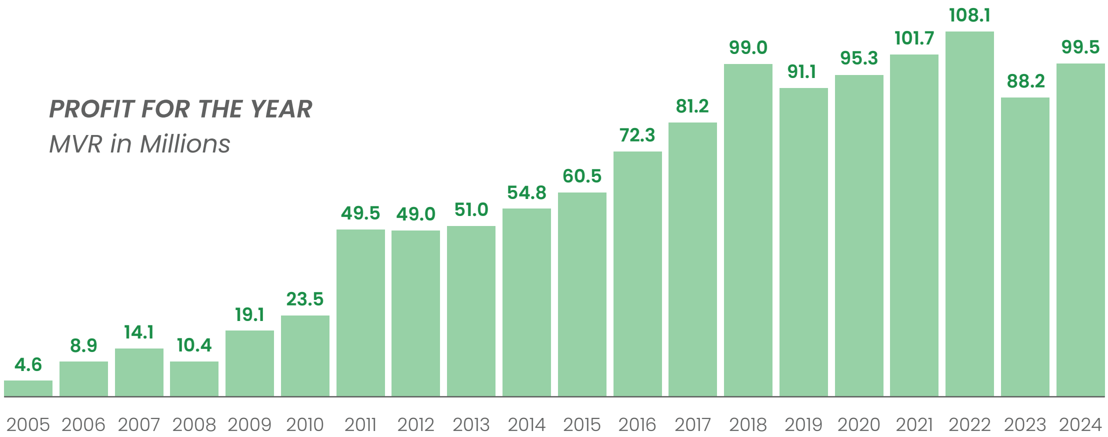
Optimizing resources through strategic organizational transformation empowers our workforce, drives operational excellence, and enhances our competitive advantage through improved organizational effectiveness. By investing in employee learning and development, and streamlining internal processes through clearly defined reporting lines, we aim to foster a culture of accountability and engagement. These initiatives not only contribute to higher employee satisfaction but also support talent retention and long-term institutional growth.

Moreover, forming strategic partnerships and alliances with key stakeholders including real estate developers, government agencies, and technology experts will enable us to enhance our product offerings, drive innovation, and support long-term sustainable growth.

## OPERATIONAL PERFORMANCE IN 2024

For the financial year ended 31st December 2024, the company delivered a strong performance, marked by higher operating income and improved profitability. However, total assets declined from MVR 2,215.31 million to MVR 2,140.54 million, primarily due to natural run-off and modest growth in the conventional portfolio, demonstrating resilience in a dynamic economic environment. Additionally, the cost-to-income ratio increased to 10.32%, up from 9.59% in 2023, mainly due to increased staff-related expenses, office infrastructure upgrades, and the rollout of an ERP system, reflecting the company's ongoing investment in operational efficiency and future readiness. Strong liquidity levels were sustained throughout the year, reflecting the confidence and trust HDFC has consistently built over time.

The company's continued focus on sustainable growth, prudent risk management, and customer-centric strategies played a significant role in achieving these results.




In 2024, the company reported a net profit of MVR 99.47 million, a substantial increase from MVR 88.22 million in 2023. This remarkable growth was primarily driven by elevated operating income. The strategic initiatives undertaken throughout the year have significantly contributed to this financial success, showcasing the company's ability to adapt and thrive in a dynamic market environment.

Earnings per share surged to MVR 6.24, up from MVR 5.54, underscoring another year of consistent value creation for shareholders. This achievement not only reflects the company's robust financial health but also its commitment to delivering sustainable growth and maximizing shareholder returns.

## FINANCIAL PERFORMANCE HIGHLIGHTS – MVR IN MILLIONS

| Particulars | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Total Assets | 2,084.83 | 2,363.77 | 2,415.88 | 2,215.31 | 2,140.54 |
| Shareholders' Equity | 658.37 | 720.19 | 765.30 | 853.52 | 878.88 |
| Facilities to Customers (Net) | 1,834.85 | 1,716.39 | 1,636.35 | 1,595.58 | 1,603.82 |
| Customer EMI Deposits | 80.31 | 78.52 | 81.40 | 81.83 | 87.56 |
| Borrowings | 624.55 | 605.32 | 594.02 | 446.63 | 350.17 |

## EARNINGS – MVR IN MILLIONS

| Particulars | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Total Income | 228.97 | 227.79 | 224.86 | 223.32 | 224.49 |
| Net Interest Income | 104.03 | 100.91 | 98.91 | 98.75 | 100.23 |
| Net Income on Shari'ah Product | 37.66 | 37.44 | 33.94 | 34.75 | 46.52 |
| Total Operating Income | 145.46 | 143.49 | 139.46 | 139.63 | 152.84 |
| Total Operating Expenses | 16.82 | 17.69 | 19.81 | 21.42 | 23.17 |
| Profit Before Tax | 116.07 | 120.87 | 124.55 | 104.66 | 117.75 |
| Profit After Tax | 95.33 | 101.67 | 108.06 | 88.22 | 99.47 |

## PERFORMANCE INDICATORS – MVR IN MILLIONS

| Particulars | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Net Asset Value Per Share | 41.31 | 45.19 | 48.02 | 53.55 | 55.15 |
| Earnings Per Share (EPS) | 5.98 | 6.38 | 6.78 | 5.54 | 6.24 |
| Dividend Per Share | 1.25 | 2.50 | 2.70 | 2.20 | 2.45 |
| Debt/Equity (Times) | 2.17 | 2.28 | 2.16 | 1.60 | 1.44 |
| Interest Cover (Times) | 2.39 | 2.43 | 2.46 | 2.25 | 2.64 |
| Dividend Payout (%) | 21% | 39% | 40% | 40% | 39% |
| ROE (%) | 14% | 14% | 14% | 10% | 11% |

* During the year 2023, the company registered a share split of 1:10 and the comparative figures have been restated to reflect the effect of the share split.

## PORTFOLIO DETAILS

The organization offers mortgage financing and facilities for construction, development, expansion and renovation of existing residential properties. The company has amassed a loan portfolio with a cumulative value of MVR 1.68 billion as of 2024 by enhancing disbursements and approvals with redesigned products and promotional offers.

The Islamic window (Amna) comprised 39.08% of the housing portfolio as of December 31, 2024, amounting to MVR 656.23 million.

The company remains committed to expanding its lending base while maintaining a conservative risk appetite.

### *INCOME*

Total income for the year ended 31st December 2024 amounted to MVR 224.49 million, representing a modest increase from MVR 223.32 million in the previous year. This overall growth was largely driven by the strong performance of Shari'ah-compliant products, which recorded an 11.87% year-on-year increase in total income, reaching MVR 81.76 million. This notable growth reflects the rising market demand for Islamic finance solutions and the company's strategic emphasis on expanding its Shari'ah-compliant portfolio to cater to evolving customer preferences and enhance financial inclusion.

Conversely, interest income generated from conventional products experienced a 5.19% decline, largely due to the natural depletion of the loan book and subdued growth within the conventional segment. This shift underscores a broader transition in customer preference, as well as the company's deliberate focus on developing alternative financing solutions.

### *FEE INCOME*

In addition to core financing activities, fee-based income and other operating income continued to provide stable and consistent contributions to overall revenue. These income streams reinforced the company's diversified earnings structure and highlighted the strength of its underlying business model, which is designed to remain resilient amid shifting market dynamics.

### *OPERATING EXPENSES*

Total operating expenses for the year 2024 amounted to MVR 23.17 million, representing an increase from MVR 21.41 million recorded in 2023. This year-over-year rise was primarily driven by higher personnel-related expenditures, reflecting ongoing investments in human capital to support business growth and enhance service delivery. Additionally, expenditures related to the enhancement of office facilities contributed to the rise, reflecting the company's efforts to create a more modern and efficient work environment aligned with its operational and growth objectives.

A significant portion of the operational focus during the year was directed toward strengthening internal processes and boosting efficiency. In line with this objective, the company implemented a comprehensive enterprise resource planning (ERP) system. This strategic investment is expected to streamline operations, enhance data integration across departments, and support better decision-making through improved access to real-time information.

While the increase in operating expenses reflects necessary investments in infrastructure and workforce capabilities, these initiatives are aligned with the company's long-term strategy to build a more agile, efficient, and scalable operational foundation. The company remains committed to prudent cost management while ensuring the necessary resources are in place to support sustainable growth and deliver enhanced value to stakeholders.

### *RECOGNITION OF PROVISION FOR IMPAIRMENT*

During the year, the company adopted a more prudent and forward-looking approach to credit risk management by revising key components of its Expected Credit Loss (ECL) model, in full alignment with IFRS 9 requirements. This refinement was undertaken to improve the accuracy, sensitivity, and timeliness of the company's credit risk assessments, thereby strengthening its ability to identify and respond to potential credit exposures.

As a result of these enhancements, a provision of MVR 13.19 million was recognized for the impairment of loans and advances, representing a 13% increase compared to the provision recorded in 2023. While this increase reflects a more conservative risk posture, it also demonstrates the company's commitment to maintaining a resilient financial position, safeguarding stakeholder interests, and supporting sustainable long-term growth through robust internal controls and responsible lending practices.

### *REVERSAL OF MODIFICATION LOSS ON LOANS AND ADVANCES*

The company recorded a reversal of previously recognized losses on loans and advances, amounting to MVR 1.26 million. This contrasts with a modification loss of MVR 2.21 million recognized in the prior year, reflecting improved loan restructuring outcomes and more favorable credit conditions.

### *SHORT-TERM INVESTMENTS*

The company continues to maintain a liquid and strategically diversified short-term investment portfolio to ensure adequate liquidity coverage and risk-adjusted returns. These investments play a key role in strengthening the company's liquidity position while contributing moderately to income stability.

As of December 31, 2024, the organization's holdings in short term investments comprised MVR 467.97 million in Government of Maldives-issued Treasury Bills, General Investment Accounts and Wakala facilities in Maldives Islamic Bank and fixed deposits in Habib bank. The duration of these short-term investments varies from 1 to 12 months.

### *DEBT INSTRUMENTS AND BORROWINGS*

To finance its operations and strengthen its capital structure, the organization secures funds through the issuance of debt instruments to the market and the acquisition of term loans from commercial banks, adhering to predetermined conditions such as interest rates, loan terms, and durations. Over the course of the year, the company achieved a 7.08% reduction in its debt securities issued and a 21.60% decrease in the amount of funds borrowed. As of December 31, 2024, the total debt instruments and borrowings amount to MVR 848.31 million.

### *OTHER LIABILITIES*

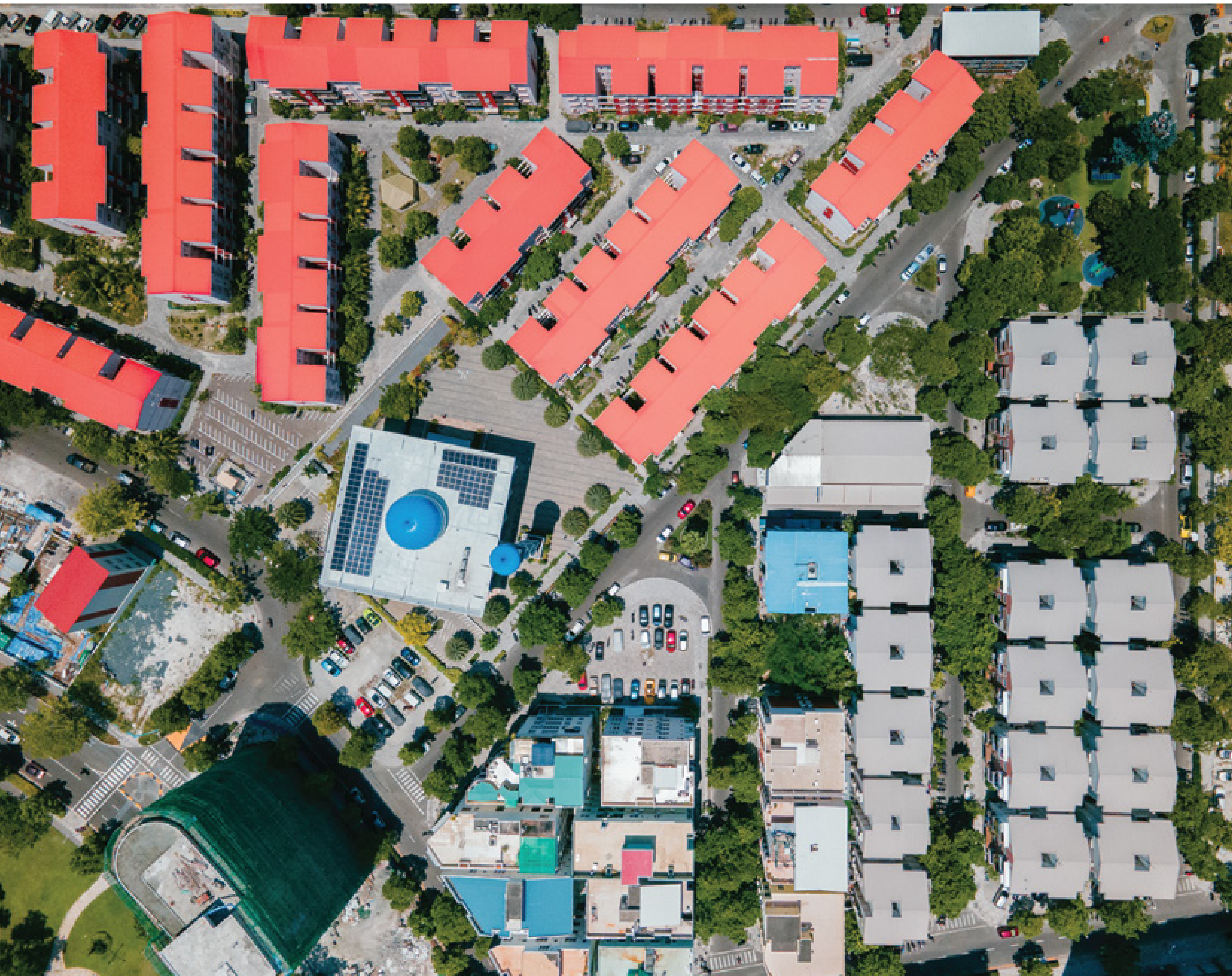
Other liabilities primarily comprise government social housing funds managed by HDFC, covering both conventional and Islamic collection schemes, as well as various social housing programs. HDFC administers these funds on behalf of the government and receives a management fee for its services, with the funds remaining payable to the government upon request. As of December 31, 2024, the total amount of social housing funds under management stood at MVR 218.50 million, reflecting the company’s ongoing role in supporting national housing initiatives.

### *MANAGED FACILITIES*

To superintend and manage social housing programs, the organization works in conjunction with the government. The Ministry of Consutruction, Housing, and Infrastructure assigns funds to the organization in its capacity as a custodian. As of December 2024, HDFC is responsible for the management of the subsequent six social housing initiatives.

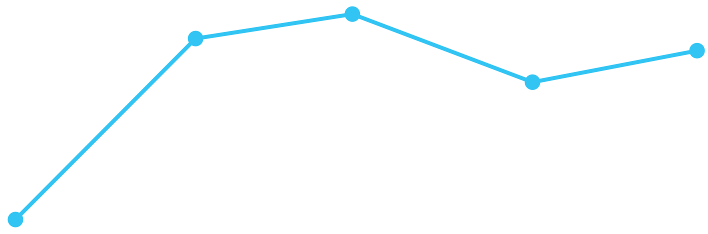
1. **GED Islamic Fund**
2. **MHI Islamic Fund**
3. **MHUD Conventional Fund**
4. **704 – Conventional Fund**
5. **CMEC – Conventional Fund**
6. **Gedhoruveriya Loan – Conventional Fund**

Ministry of Construction, Housing and Infrastructure



***DECLARATION OF DIVIDEND***

Maximizing shareholder returns continues to be the central objective of the organization’s dividend policy, reflecting our commitment to delivering consistent and sustainable value to our investors. Following a comprehensive review of the company's financial and operational performance during the year, the Board of Directors has declared a dividend of MVR 39.05 million, equivalent to MVR 2.45 per share, based on a nominal share value of MVR 10. This represents a dividend payout ratio of 39%, reflecting the company’s commitment to rewarding shareholders while supporting future growth.



| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| **Dividend per Share** | 19.92 | 39.84 | 43.03 | 35.06 | 39.05 |

## ASSET LIABILITY COMMITTEE (ALCO)

The organization complies with the Board approved Asset and Liability Management (ALM) policy, which specifies the prudential gap limits, tolerance thresholds, and reporting procedures. It is assessed and modified periodically to adhere to regulatory obligations or to align with the changes in the economic landscape. Weekly meetings of the ALCO are dedicated to addressing matters within its purview.

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

HDFC has consistently prioritized accessing long-term, low-cost funding sources to meet its capital requirements, rather than relying on expensive short-term instruments. Over the years, the Company has strengthened its exposure to diversified and cost-effective borrowing avenues to maintain a robust and resilient funding mix. Funding has been secured through a variety of international and domestic channels, including term loans, Bonds, Sukuk for long-term liquidity, and Wakala instruments for shorter-term needs.

In terms of liquidity management, HDFC has maintained healthy on-balance sheet liquidity over the years and has progressively reduced its reliance on short-term funding sources such as Wakala. This prudent approach has contributed to mitigating asset-liability mismatches, particularly within near-term maturity buckets. Despite the challenging operating environment, HDFC remains confident in its ability to sustain a strong liquidity position going forward.

The Company's liquidity profile is expected to remain favourable, underpinned by adequate unutilized lines of credit and the availability of secured funding against collateral. At the same time, HDFC will continue to preserve liquidity buffers to support growth initiatives. The Company remains committed to accessing both local and international markets, selecting the most advantageous funding options as market conditions evolve, particularly in light of tightening credit conditions and upward interest rate trends.

***HUMAN RESOURCES DEVELOPMENT***

Our HR strategy is centered around aligning the capabilities of our workforce with the organization's broader strategic objectives. By fostering a culture of engagement, inclusivity, and continuous development, we are ensuring that our team remains motivated, empowered, and ready to contribute to the company's success. We are committed to transforming our organizational structure, strengthening skills across all levels, and adapting to the evolving dynamics of the modern work environment. Key initiatives include enhancing workplace flexibility and fostering a culture of learning that encourages personal and professional growth. Through these efforts, 25 training programs were conducted to create a positive, adaptable, and high-performing workplace that drives long-term success and sustainability.

With the implementation of our new strategic direction and talent acquisition strategy, our team has expanded to 46 employees, ensuring we have the right talent to meet our operational objectives. Throughout the year, various professional development programs were conducted to foster employee skills, leadership capabilities, and enhance professional growth.

***EXPOSURE AND MARKETING***

In 2024, We strengthened our brand visibility and market engagement through a series of strategic initiatives. One of the key highlights was our participation in the Maldives Living Expo as the official Housing Finance Partner. This platform provided an opportunity to introduce the HDFC Affordability Calculator, a tool designed to empower customers with a clearer understanding of their home financing options.

To ensure our brand remains fresh and relevant, we undertook a partial rebranding that refined the overall look and feel of HDFC. This initiative was also reflected in the revamp of our physical office space, where we enhanced the customer service area with a more open and modern aesthetic, aligning our physical presence with our renewed brand direction.

We maintained a strong digital presence throughout the year, actively utilizing social media and other online platforms to promote our products and services. These efforts supported our commitment to remain connected, relevant, and accessible to our evolving customer base.

In celebration of our 20-year anniversary, we launched a special Islamic Finance promotion, offering customers home financing at a special rate. This initiative not only marked a significant milestone for the company but also reinforced our commitment to inclusive and innovative financial solutions.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

In the year, we strengthened our CSR strategy by supporting key organizations that positively impact the community. We made donations to *Kuda Kudhinge Hiyaa* and to the Care Society. These contributions are part of our ongoing commitment to social inclusivity and supporting vulnerable groups. Through these initiatives, HDFC aims to drive positive changes and improve the quality of life for those in need.

## CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

In 2024, HDFC made significant strides in enhancing its customer relationship management (CRM) practices.

### *INTRODUCTION OF CHATBOT*

HDFC introduced an AI-powered chatbot, on its website to provide instant assistance to customers. The chatbot is configured to divert customer queries easily to relevant departments and manage conversation history and tickets regarding customer queries.

### *INTRODUCTION OF AFFORDABILITY CALCULATOR*

HDFC also introduced an affordability calculator to help customers understand their eligibility for home financing products. The affordability calculator helped customers to make informed decisions. Customers can evaluate their financial standing and eligibility for loans and other services, leading to better financial planning. This tool empowers customers to make more informed choices about their financial options.


HDFC
Lets calculate your Housing Finance affordability!
Let's Get Started

***MODERNIZING THE CUSTOMER SERVICE AREAS***

An initiative which aims to enhance the customer service experience by revamping the Service areas. The customer experience was improved by redesigning, which aimed to create a modern, welcoming environment that would make customers feel more comfortable and appreciated when they visited a well-designed service area.

Additionally, distinct areas were designated for meetings and information exchanges to ensure that customer interactions were more efficient and organized. The efficiency of this process results in more satisfactory outcomes for consumers and faster resolutions.

***REVIEW OF PROCESSES AND SOPS***

HDFC undertook a comprehensive review of its processes and standard operating procedures (SOPs) related to customer engagement. Standardizing procedures ensure that all customers receive the same high level of service.

These initiatives reflect HDFC's commitment to leveraging technology and innovation to improve customer relationships and drive business growth.

## PREVENTION OF SEXUAL HARASSMENT 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 from various backgrounds within the organization. Specifics pertaining to the matter in 2024 are as follows:


## WHISTLEBLOWING, FRAUD, BRIBERY AND FINANCIAL CRIME

HDFC has established procedures to enable employees and contractors to disclose suspicious fraudulent activities or misconduct related to financial reporting or other matters. This practice promotes ethical conduct and transparency in the organization.

The management continuously evaluates the Anti-Money Laundering system to ensure compliance with the relevant regulations. HDFC demonstrates a proactive approach to prevent financial crimes by prioritizing continuous staff training and due diligence.

HDFC strives to safeguard itself and its consumers against financial crime risks through the implementation of these measures.

## INSURANCE OF COMPANY ASSETS

Insurance of company assets is a crucial element of risk management strategy. It serves as a significant shield against unforeseen circumstances that may result in the destruction or damage of valuable assets, equipment or stock.

HDFC possesses comprehensive insurance coverage to alleviate the financial burdens associated with its operations, as it considers such coverage to be essential.

These proactive strategies minimize operational disruptions and enhance confidence among our stakeholders.

## MANAGING UNCERTAINITIES (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 and have been implementing it across all functions. Our risk management framework enables us to manage and mitigate 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 and 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

Our corporate governance practices reflect our unwavering commitment to sustainable and ethical business standards. At HDFC, we uphold fairness, accountability, and transparency in all our interactions with stakeholders, including the community, shareholders, employees, and consumers.

These guiding principles shape our decision-making, ensuring a balance between short-term profitability and long-term sustainability while adhering to the highest ethical and legal standards. By prioritizing good governance, we have built credibility, attracted investment, and secured our organization's enduring success.


## BOARD MEETINGS / ANNUAL GENERAL MEETING

An Annual General Meeting, and Eight (8) Meetings of the board of directors were held during the year. The meetings were conducted in a hybrid model to promote maximum participation and engagement and encourage constructive feedback.

## PROPOSED IPO - OFFER FOR SALE

The IPO process resumed following the Shareholders and Board's decision to explore the company's potential for going public through an Offer for Sale The process, initially paused in during the COVID pandemic.

Key advisors from the previous IPO process were re-engaged. Regulatory consultations were conducted with the Maldives Stock Exchange and CMDA with the Board's approval. The shareholders are looking at the necessary amendments to the Articles and Memorandum of Association. The prospectus finalization is at present in the final phase, and the due diligence required to process the proposed offer for sale has been completed.

The company is in the process of finalizing an IPO offering of upto 4,781,250 shares. The marketing strategy and roadshow preparations have been finalized. The book-building process is ongoing.

The timing of the IPO is being evaluated in light of the present economic situation in the country.

## APPOINTMENT OF AUDITORS

Ernst and Young (EY) has been approved as the Internal Auditor and Shariah Auditor for Year 2025 by the Board of Directors.

The resolution regarding the selection and compensation of Statutory Auditor for the year 2025 will be presented to the shareholders for ratification at the Annual General Meeting.

## ANTI-MONEY LAUNDERING AND COMBATING THE FINANCE TERRORISM

Money laundering and terrorism financing have significant negative impacts on financial systems and the economy. They undermine the integrity and trustworthiness of financial institutions, distort economic data, and contribute to increased global security risks. These activities also result in heavier regulatory burdens for financial entities, as authorities implement stricter compliance requirements to detect and prevent illicit transactions. Money laundering involves the process of concealing the origins of illegally obtained funds by moving them through legitimate financial channels, making the money appear legal.

HDFC adheres to the provisions of the Prevention of Money Laundering and Financing of Terrorism Act, Law No.10/2014. The organization has a designated staff as the Anti-Money Laundering (AML) officer in accordance with this legislation. He is directly accountable to the Maldives Monetary Authority (MMA). Additionally, both management and employees are required to adhere to a comprehensive AML program designed to prevent the misuse of HDFC's products and services for money laundering.

To ensure the efficient execution of the 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.

Furthermore, to develop and strengthen internal procedures for reporting transactions to the Financial Intelligence Unit (FIU), one-on-one training sessions were conducted to enhance staff knowledge in key areas, including payment handling and the reporting of suspicious transactions.

The number of reported cases has shown a notable decline, decreasing by 33 percent compared to the previous year. In 2024, a total of nine (9) cases have been reported to the MMA-FIU.

## RIGHT TO INFORMATION ACT

At HDFC, we strive to disclose all the information and policies to ensure transparency and accountability. In accordance with clause 37 of the Right to Information Act, HDFC actively discloses all the information required by the public. In 2024, under the Right to Information Act, a total of 5 RTI were attended and responded to.

## COMPLIANCE

HDFC has designated an Independent Compliance Officer at the managerial level to oversee audits and ensure regulatory compliance. In 2019, a Risk and Audit Manager (R-150) was appointed in accordance with regulations to conduct independent assessments, ensuring the company's domestic and international transactions adhere to statutory, regulatory, and internal standards. Periodic compliance reports are presented to the Board meeting to update the Board of Directors on the level of compliance.

## IMPROVING CREDIT UNDERWRITING GUIDELINES

At HDFC, we regularly review our credit underwriting guidelines to ensure their effectiveness and efficiency, aiming to optimize processes and adapt to the evolving market.

## STRENGTHENING RECOVERIES FOR BETTER ASSET MANAGEMENT

In 2024, we continued to uphold our dedication to sustainable asset management and responsible lending. These efforts are crucial for maintaining financial stability, enabling ongoing support for homeownership, and contributing to the Maldives' broader economic prosperity. Through effective loan recovery strategies and innovative initiatives, we aim to empower individuals and families while fostering resilience and inclusive growth across the nation. We are focusing on implementing digital recovery channels, automation of monitoring, and cross-functional recovery teams.

Our approach to loan recovery in 2024 is multifaceted, emphasizing both proactive measures and efficient resolution of delinquent facilities. Key priorities and strategies include:

- **Proactive Prevention:** We continue to prioritize early intervention and customer engagement to prevent loans from becoming non-performing. This involves diligent monitoring of accounts, timely communication with borrowers, and offering support to those facing genuine financial difficulties.

- **Enhanced Recovery Procedures:** Our recovery procedures are designed to be both effective and fair. We adhere to the guidelines outlined in our recovery manual, ensuring that all actions are conducted in a professional and compliant manner. This includes issuing timely and clear reminders to customers in default, conducting thorough site visits to assess borrower situations and maintaining accurate and up-to-date records of all recovery efforts.

- **Empathy-Driven Recovery:** For borrowers facing temporary financial distress, we offer loan restructuring plans, which have lowered default rates by 12% in pilot programs. These align with IFC guidelines on responsible lending.

- **NPA Management:** Proactive monitoring and early intervention strategies maintain our NPA ratio below the South Asian average of 8%, ensuring portfolio stability.

- **Strategic Partnerships and Community Impact:** Local developers are vital to cooperative housing in the Maldives. Hence, we collaborate with these companies to expand affordable housing access.

- **Technical Expertise:** We provide guidance on sustainable construction practices, including compliance with Maldives' Environmental Protection Agency (EPA) standards, reducing project delays by 15 percent.

- **Enhanced Accessibility:** To reach the residents in the islands who lack access to banking system, we have established Digital onboarding platforms and support from local councils.

- **Legal Proceedings and Enforcement Status:** In 2024, legal proceedings improved with new foreclosure guidelines requiring court-appointed, mutually agreed valuators, enhancing fairness and transparency. Though still time-consuming, these changes led to more effective recoveries, supported by faster hearings and streamlined enforcement under updated court protocols.

## HDFC-AMNA WINDOW

HDFC-Amna, established a decade ago, has experienced remarkable growth and is now a cornerstone of the company's housing portfolio. Representing 39% of the total portfolio, Amna's success features the strong confidence clients have in the organization's commitment to Shariah compliance. This growth is a testament to the company's dedication to adhering to Islamic principles in its business practices. The Amna report will offer a comprehensive overview of its operations.

## DIGITAL TRANSFORMATION

A clear strategic vision drives the organization's digital transformation, positioning it as a key driver in innovation. The primary focus has been on enhancing customer experience through the development of a customer portal that provides access to all services digitally. This shift allows customers to interact seamlessly with the company, accessing services more efficiently and conveniently. Additionally, the organization is committed to the continual refinement of internal processes to optimize operational efficiency and productivity. At the same time, it invests in advanced digital capabilities to stay responsive to the rapidly evolving market and technological advancements. With a strong digital infrastructure, the organization ensures streamlined operations, mitigates risks, accelerates the implementation of new digital initiatives, and fosters flexibility and continuous improvement. This ongoing commitment is crucial to the organization's mission

## KEY CHANGES

Significant changes have been made to the company's strategic direction and leadership this year. Below are the key updates.

- Resignation of Independent Director Mr. Mohamed Ahmed in January 2024.
- Appointment of Mr. Ajay Agarwal in January 2024.
- Resignation of former Managing Director in February 2024.
- Resignation of Head of Credit in March 2024.
- Appointment of new Managing Director in March 2024.
- Resignation of Nominee Director Mr. Mohamed Rasheed in August 2024.
- Resignation of Nominee Director Mr. Hamid Sodique in August 2024.
- Appointment of Director Ms. Zidna Ibrahim in September 2024.
- Resignation of Independent Director Ms. Aishath Shizna in October 2024.
- Appointment of new Chief Financial Officer in October 2024.
- Resignation of Nominee Director Ms. Amena Arif in November 2024.
- Appointment of Independent Director Mr. Ahmed Asad Hashim in November 2024.
- Appointment of Nominee Director Dr. Mohamed Shafeeq in December 2024.
- Appointment of new chairman to the Board.
- Developed Strategic Action Plan 2025-2029.

## LITIGATIONS

As of the date of publication of this report, there is no on-going litigation by, or against HDFC, or any of its directors.

## DECLARATION OF INTEREST

In accordance with the Company's Code of Conduct, all board directors must 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.

## APPROACHING THE FUTURE

As we embark on a new year, our focus remains accelerating financial growth, prioritizing customer-centric strategies, building a strong brand identity, enhancing organizational structure, investing in employee development, and advancing digital transformation.

Our organization strives to enhance financial growth through diversification and the introduction of new products and maturities. Introducing innovative products tailored to evolving customer needs will enhance our competitive advantage, while optimizing product maturity will ensure a balanced cash flow and sustained profitability. This strategic approach will lead us to resilience and continued success in a dynamic business environment.

We prioritize a customer-focused approach, delivering seamless service through personalized experiences, efficiency, and innovation. Our commitment to excellence ensures convenience, satisfaction, and lasting relationships. Additionally, we aim to build a recognizable business identity and a strong digital presence, ensuring our brand stands out in the market. Through strategic marketing and consistent online engagement, we will enhance visibility and foster deeper connections with our audience.

We will focus on establishing a clear, well-defined organizational structure with clearly outlined roles and responsibilities, promoting transparency and accountability. By prioritizing employee engagement through regular feedback, recognition, and professional development, we aim to foster a motivated and committed workforce. Reducing turnover will be a central focus, with targeted initiatives to enhance job satisfaction and career progression. Along with that, we will cultivate a culture of continuous improvement, encouraging innovation and collaboration at every level.

It will enhance operational efficiency, increase productivity, and ensure sustainable, long-term growth for the organization.

We will create a future-ready, digitalized workspace that leverages cutting-edge technologies to enhance collaboration, efficiency, and innovation. By equipping our workforce with the necessary tools and skills, we will empower employees to thrive in a dynamic environment. Continuous learning and development will ensure that our team remains flexible and capable of driving success in the digital age.

Overall, these efforts will ensure that HDFC is ready to adapt to changing market conditions, remain competitive, and drive long-term success. Through continuous improvement, innovation, and a commitment to excellence, we are positioning ourselves for sustained growth, fostering a culture of agility, and creating lasting value for both our customers and stakeholders. We are confident that, with these foundations in place, our future is poised for success and stability.

## 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 31,2024, 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 fraud 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.
7. 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

As the company celebrates 20 successful years in the market, its achievements are a direct result of the invaluable guidance and steadfast support provided by regulators throughout this journey.

The success of any organization is primarily attributed to the strength of its team, and ours has consistently demonstrated exceptional performance. Despite facing challenges and leadership transitions, our team has remained resilient, displaying a steadfast commitment and a proactive approach to achieving results. Their ability to deliver outstanding outcomes, even with a limited team size, is truly commendable and unparalleled.

I would also like to express my sincere gratitude to our valued customers, whose unwavering loyalty has been the cornerstone of our success over the past 20 years. As we move forward, we anticipate both opportunities and challenges ahead. We are preparing for a significant transition with the upcoming offer for sale, which promises exciting prospects for the future. With the grace of Allah and through continued collaboration as a unified team, we are confident in our ability to navigate this new phase and move forward on our journey toward greater success.

On behalf of the Board,

**Dr. Mohamed Shafeeq**
Chairperson

# AMNA REPORT

**DRIVEN BY BELIEF, WE DARE TO BUILD**

Operating for over 13 years, HDFC AMNA has grown to become a leading provider of Islamic housing finance, currently accounting for 39% of HDFC's overall housing portfolio.

## AMNA IN BRIEF

HDFC’s Islamic window, AMNA, continued to demonstrate strong growth and resilience in 2024, reaffirming its position as a key player in the Maldivian Islamic finance sector. This performance is particularly notable amidst persistent global economic uncertainties and market competition.

### Market share and Portfolio Strength

AMNA currently manages 39% of HDFC’s total housing loan portfolio reaching a value of MVR 656.23 million by year end. This demonstrates notable growth over previous years and highlights a strong and growing preference among customers for AMNA facilities.

### Operational Efficiency

In 2024, AMNA processed 66 applications, totaling over MVR 357 million. Of these, 47 applications worth more than MVR 180 million were approved. AMNA's total disbursements for 2024 amounted to MVR 129.4 million. These figures are comparatively higher than those of 2023, reflecting AMNA’s growth and increased effectiveness in processing and approving Islamic home financing applications.

### Strategic Growth and Innovation

AMNA continues to build upon the momentum of newly introduced Shariah-compliant products such as SOE Hiyaa and Lease Buy Out, targeting specific market segments and enabling tailored solutions.

### Shariah Compliance and Governance

AMNA remains steadfast in its adherence to Shariah principles, demonstrated through:

- Segregated AMNA Funds: Ensuring full separation from non-compliant sources.
- Independent Shariah Advisory Committee: Offering continuous oversight and guidance.
- Shariah-compliant agreements and services: Upholding ethical practices across all transactions.

By integrating strategic growth, robust financial management, and unwavering Shariah compliance, AMNA is well-positioned for continued expansion and impact. The AMNA team extends its heartfelt gratitude to the Board of Directors, Management, and Employees of HDFC for their ongoing support, which continues to fuel AMNA’s success in the Islamic finance landscape.

## 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 a competent workforce.
- 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
- Compliance

### OUR COMMITMENTS

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

## AMNA CORPORATE INFORMATION

**Sharia Advisory Committee Members:**
Dr. Zakariya Moosa (Chairman)
Professor Rusni binti Hassan (Member)
Dr. Aishath Muneeza (Member)
Mr. Ahmed Sameen (Secretary)

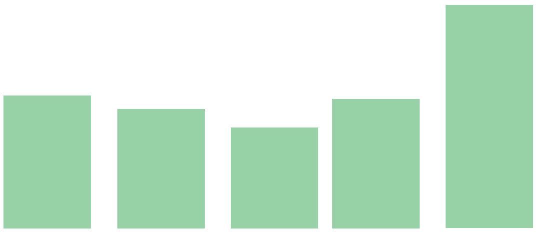
**Auditor:**
EY (Sharia Audit)

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

## FINANCIAL PERFORMANCE

HDFC-AMNA consistently demonstrated steady financial performance with notable improvements in both revenue and profitability in the most recent year. Total revenue increased to MVR 81.76 million in 2024, representing an 11.87% year-on-year growth from MVR 73.09 million in 2023. Net income also recorded a substantial rise, reaching MVR 46.52 million in 2024, an increase of 33.5% compared to MVR 34.75 million in the previous year.

The AMNA portfolio has shown consistent growth over the years. Following a temporary decline from 2020 to 2022 due to the COVID-19 pandemic, the portfolio rebounded strongly, reaching MVR 656.23 million in 2024, reflecting a 14.5% year-on-year increase compared to 2023.



| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| **Portfolio** | 563.05 | 555.79 | 548.87 | 573.18 | 656.23 |

*MVR in millions*

## LIQUIDITY

HDFC AMNA has actively managed its liquidity by raising funds through Wakala and Mudarabah Sukuk instruments over the years. The proceeds from these instruments are used to support Shari'ah-compliant mortgage housing operations, in strict accordance with Shari'ah principles. Any excess liquidity is strategically invested in the most suitable Shari'ah-compliant investment opportunities. Sukuk were issued to strengthen long-term liquidity, while Wakala instruments were utilized for shorter-term funding needs. Each Sukuk has a tenure of 10 years, with profits distributed semi-annually from the allotment date until maturity.

As a result, HDFC AMNA has maintained a strong and stable liquidity position, ensuring the ability to meet both operational and strategic funding requirements while upholding its commitment to Shari'ah compliance. .

## ASSET QUALITY

In 2024, AMNA's portfolio reported a Non-Performing Assets (NPA) ratio of 3%. Maintaining a close and proactive oversight of credit facilities remains a key priority, particularly in the face of challenging economic conditions. AMNA's robust risk management framework, combined with its unwavering commitment to ethical and responsible business practices, ensures that credit quality is carefully preserved.

## SHARIA AUDIT AND COMPLIANCE REVIEW

HDFC-AMNA continued a rigorous Shariah compliance program throughout the year. In 2024, AMNA undertook a comprehensive review and revision of its Shariah Governance Manual, culminating in the launch of SGM 3.0. This update aligned AMNA's practices with the latest regulatory expectations and incorporated enhancements from the MMA Shariah Governance Framework 2022. Key improvements include clearer segregation of roles, refined Shariah audit and review procedures, and the formalization of product screening, charity, and disclosure protocols. The revised manual was developed through cross-functional collaboration, reviewed by the Shariah Advisory Committee, and approved by the Board to ensure both operational efficiency and Shariah compliance.

As part of the Shariah Governance Framework, an external Shariah audit was carried out by EY, with findings presented to the Board and reviewed by the Shariah Committee.

Key areas reviewed included:

- **Credit approval processes**
- **Financing documentation**
- **Sources and uses of funds**

Multiple Shariah reviews were conducted to ensure ongoing compliance, and any discrepancies were addressed in accordance with Shariah Advisory Committee directives.

The audit and oversight functions are aligned with MMA's 2022 Shariah Framework, which strengthens Shariah risk management, audit, and review standards across the sector. AMNA's Audit & Compliance Committee continues to supervise all business operations to ensure alignment with both internal policies and external regulatory requirements.

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, 9 meetings were held.

## CHARITY AND COMMUNITY COMMITMENT

All earnings that do not comply with Shariah principles are allocated to charity, based on the guidance and approval of the Shariah Advisory Committee. In 2024, non-Shariah-compliant earnings amounted to MVR 35,278.06, primarily due to late payment fees from customers. These funds were maintained in a separate account and subsequently donated to charitable causes after receiving approval from the Committee.

| Year | Amount Spent on Charity (MVR) |
|---|---:|
| 2024 | 35,278.06 |
| 2023 | 66,573.20 |
| 2022 | 27,543.99 |
| 2021 | 83,737.98 |
| 2017 - 2020 | 67,395.98 |
| 2012 - 2016 | 38,500.00 |

In line with HDFC's commitment to social responsibility, the charity amount distributed in 2024 was contributed to *Kuda Kudhinge Hiyaa*, supporting initiatives for the differently abled community. Additionally, under HDFC's CSR activities, a further MVR 70,000 was donated MVR 35,000 each to the Care Society and the Ministry of Social and Family.

The Shariah Advisory Committee has reviewed and approved the charity list for 2024, ensuring that all charitable contributions align with Islamic values and community priorities.

## BUSINESS ZAKAT

Businesses are obligated to pay Zakat as a form of wealth purification. HDFC AMNA calculates the business Zakat in accordance with the AMNA policy, subject to approval from the Shariah Advisory Committee. For the fiscal year 2024 (Zakat on 2023 earnings), MVR 565,621 was paid as business Zakat.

## FUTURE OUTLOOK

Building on the strong foundation and positive momentum of 2024, AMNA enters 2025 with renewed optimism and strategic clarity. With the Maldivian economy displaying resilience and a steady growth trajectory, AMNA is well-positioned to capitalize on emerging opportunities in housing finance and beyond. The increasing awareness and preference for Shariah-compliant financial solutions continue to shape a favorable environment for innovation and expansion.

In 2025, AMNA's focus will remain centered on delivering value to customers, enhancing stakeholder confidence, and strengthening its leadership in Islamic finance. Our roadmap includes introducing Shariah Compliant modes of financing to meet the demands of customers in a more streamlined and efficient manner, expanding digital delivery channels, and optimizing customer journeys for both individuals and businesses. AMNA also aims to scale up its footprint in underserved segments, ensuring inclusive access to ethical financial services across the nation.

We will continue to prioritize portfolio quality, supported by robust risk management, strengthened governance frameworks, and strategic diversification across sectors. Our approach to financing will be both cautious and visionary, aligning with national development priorities and community aspirations.

As the Islamic finance landscape evolves, AMNA is committed to staying at the forefront—innovating with purpose, growing with integrity, and serving with excellence. We envision AMNA as a driving force in the Maldives' transition toward a fully Shariah-compliant financial ecosystem, contributing meaningfully to national progress and financial inclusion.

## APPRECIATION

AMNA expresses heartfelt gratitude to the Board of Directors of HDFC, regulatory bodies, and stakeholders for their continued trust and guidance throughout 2024. We also extend sincere thanks to our customers, whose unwavering support and belief in our mission have been the foundation of our success.

Special appreciation is due to our dedicated management and staff, whose resilience, passion, and commitment have driven AMNA's achievements. We look forward to working together to reach greater heights in 2025 and beyond.

Above all, we thank Allah Almighty for His countless blessings, guidance, and support throughout this journey. May peace and blessings be upon our beloved Prophet Muhammad ﷺ, his family, and his followers. Ameen.

## SHARIAH COMMITEE’S REPORT

In the Name of Allah, the Most Beneficent, the Most Merciful

In compliance with the Shariah Governance Manual of HDFC, endorsed by the Board of Directors, we are pleased to submit the following report for the financial year ended 31st December 2024.

We have reviewed the principles and contracts governing the transactions and operations introduced by HDFC Amna during the period under review. Our review also included ensuring compliance with Shariah rulings issued by the Shariah Advisory Council of the Maldives Monetary Authority (MMA), as well as with the Shariah decisions issued by this Committee.

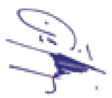
The management of HDFC Amna is responsible for ensuring that all business activities are carried out in accordance with Shariah principles. Our role is to provide an independent opinion, based on the information provided by the company, and to report our findings to the stakeholders.

As part of our supervisory responsibilities, we have assessed the activities of the Shariah Review and Shariah Audit functions. This process involved the examination on a test basis of various transactions, their supporting documentation, and the procedures followed by HDFC Amna.

In our opinion:

1. The contracts, transactions, and activities undertaken by HDFC Amna during the financial year ended 31st December 2024 were generally in compliance with Shariah principles, and any SNC event detected during the period has been reviewed and duly reported and rectified as per SGF.
2. Where applicable, the issuance and use of Sukuk proceeds, including the payment of profits and the charging of losses, were conducted in accordance with the prospectus issued by this Committee and in compliance with Shariah principles.
3. Earnings received from penalties and other non-Shariah-compliant sources were segregated in a separate account and directed to charitable causes as per the Charity Policy.
4. The calculation and payment of business Zakat for the year was performed in compliance with Shariah principles and as per the AMNA Zakat Policy approved by the Committee.

We, the undersigned members of the Shariah Committee of HDFC Amna, do hereby confirm that the operations of HDFC Amna for the year ended 31st December 2024 have been conducted in accordance with Shariah principles.



**Dr. Ibrahim Zakariyya Moosa**
Chairperson of the Shariah Advisory Committee

# CORPORATE GOVERNANCE

Corporate governance encompasses the policies, procedures, and regulations that govern, supervise, and guide an organization. Good corporate governance is characterized by a comprehensive and systematic decision-making process that establishes crystal-clear responsibilities in order to optimize organizational performance. Transparency and accountability in decision-making processes, diversity, safeguarding the rights of stakeholders, and implementing sufficient internal control mechanisms and processes are among the components of effective corporate governance.

The financial industry's nature and complexity, as well as the necessity to safeguard stakeholders, particularly customers, necessitate that financial institutions establish substantially more stringent corporate governance practices.

The Board and management of Housing Development Finance Corporation Plc are dedicated to upholding a stringent corporate governance code that is enforced throughout the organization's systems, procedures, and practices. The objective of this commitment is to improve efficacy, effectiveness, and long-term sustainable value creation. The corporate governance framework of the company is founded on fundamental principles that direct the Board's governance strategy.

- Ensure that all transactions are conducted in a transparent manner.
- The disclosure of all pertinent information in accordance with the applicable regulations.
- Adherence to all relevant laws and regulations.
- Ensure accountability and responsibility when dealing with stakeholders.
- Dedication to conducting business in a transparent and ethical manner.

The Company has established a code of conduct that explicitly addresses the necessity for ethical conduct that is founded on good governance, as well as issues of confidentiality, conflict of interest, and integrity. All members of the Board, Senior Management, and other company personnel are subject to this code of conduct. It is clear that HDFC places a high value on good governance, as evidenced by the transparent ownership structure, management, and accounting practices. The Board recognizes the importance of ensuring ethical standards through its processes and practices in order to promote a sound governance framework. In addition, HDFC is dedicated to adhering to stringent disclosure standards, which encompass transparency and disclosure in financial reporting, in order to ensure that investors and stakeholders are kept informed and informed on a regular basis.

To improve good governance practices and integrate them into the regulatory framework, financial institutions must proactively and promptly adjust to the dynamic and competitive environment. In order to guarantee that it adheres to the most effective financing strategies and is supported by robust institutional frameworks that provide the most favorable interest to its stakeholders, HDFC conducts a comprehensive review of its governance framework. Therefore, the HDFC board is comprised of independent directors to ensure that the board's decisions are made with objectivity, transparency, and impartiality.

We at HDFC are committed to upholding the highest standards of governance and fostering an environment that fosters the development of commendable ethical principles, including individual and organizational integrity and respect for others. In order to exhibit responsible corporate citizenship, we comply with the regulatory requirements, voluntary codes, and internal elements of corporate governance that are relevant to this corporation. This encompasses the subsequent regulations.

## REGULATORY REQUIREMENTS

- Company Act 7/2023
- MIRA Business Profit Tax Act 5/2011
- CMDA Corporate Governance Code (September 2021)
- Information Act 1/2014
- MMA Directions are issued to non-banking financial institutions.
- Prevention of Money Laundering and Financing of Terrorism Act 10/2014
- 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 (2022/R-258)
- Regulation on Financing of Business (2021/R-152)
- Regulation on Capital Adequacy (2015/R-132)
- Regulation on single borrower and large exposure limits (2015/R-150)
- Regulation on limits on loans to related persons (2015/R-1511)
- Regulation on transactions with related person (2015/R-1731)
- Regulation on Asset Classification, provisioning, and suspension of interests (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)
- CMDA Sukuk Regulation (2013/R-53)
- Regulation on Islamic Banking (2011)
- 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

With a clearly defined delegation of authority, the Housing Development Finance Corporation maintains a well-defined governance structure. Governance processes ensure that we execute this strategy in order to generate value for ourselves and our stakeholders, both in the present and in the future. The Board of Directors, as the Company's governing entity, provides the highest level of decision-making authority. The Board's roles are delegated to the Executive Management, Management Committees, Advisory Committees, and Board Committees. The Board directs and approves strategies which are executed by the Executive Management and Management Committees.

The organization has been adhering to the corporate governance standards mandated by the aforementioned regulatory framework.

## 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 constructively challenge the Management and create sustained value by bringing diversity to Board deliberations, thereby meaningfully contributing to the Company's leadership. A clear division of responsibilities of the Board ensures that no Director has unfettered powers in decision-making. The Board's responsibilities are clearly delineated to prevent any Director from exercising unrestricted decision-making authority. The Board is responsible for monitoring and holding corporate management accountable for the Company's operational performance, financial performance, and effective internal control systems. Management is open and transparent with the Board, bringing all significant matters to its attention. These interactions are conducted with mutual respect and candor.

## BOARD COMPOSITION

The overall composition of the board appropriately reflects a fair level of independence, transparency, and gender diversity, as evidenced by the range of expertise, experience, and skills. The ratio of non-executives to executive directors is adequately balanced, with the Managing Director serving as the sole executive director. The presence of two independent directors guarantees that all issues are thoroughly considered prior to resolution, thereby contributing value to the final decisions.

The Board is composed of 05 nominee directors in a non-executive capacity, who are representatives of the four major shareholders: the Government of Maldives, International Finance Corporation, Asian Development Bank, and HDFC Bank Ltd of India. The Government of Maldives maintains two seats on the Board, while the remaining three are represented by one Director. In a comparable structure, each shareholder is entitled to designate an alternate director. Two Independent Directors have been incorporated into the company's composition to represent the minority shareholding, as mandated by the MMA Corporate Governance regulation for other financial institutions. A satisfactory balance in representation has been achieved, with two of the directors being women, thereby addressing gender diversity required under the CMDA CG Code.

## CHAIRMANSHIP & MANAGING DIRECTOR

The Chairmanship of the Board and Managing Director roles are explicitly defined, and they are respectively held by two individuals. The position of Chairman was held by two individuals in 2024. Dr. Mohamed Shafeeq was appointed as the Chairman of the Board effective December 11, 2024, succeeding Mr. Hamid Sodique, who served as chairman at the outset of the year. A Chairman is elected by the Directors of HDFC to preside over all Board meetings and General Meetings for a period of one year in accordance with the Corporate Governance of HDFC. Nevertheless, the Chairman is restricted from serving as the Chair of any of the Board's Sub Committees. In the event of an equal number of votes, the Chairman does not possess any casting or second voting powers at any Board meeting.

The Chairman's obligation is to ensure that the proceedings are conducted in a manner that fosters open dialogue, diversity, and participation. Furthermore, the Chairman is accountable for finalizing the agenda and ensuring that the meeting minutes accurately reflect the discussions that took place during the meeting, with the input of the Managing Director and Company Secretary.

Sustainable organizational growth necessitates the cultivation of harmony and the involvement in thought-provoking dialogues that promote the long-term interests of the organization and all stakeholders.

## INDEPENDENT DIRECTORS

HDFC maintains one-fourth of the Board as Independent Directors in accordance with the mandatory requirements of the MMA CG Regulation. At the time of reporting, the current composition has only one independent director. However, the process is currently underway to fill the vacancy resulting from the resignation of one of the Independent Directors.

## CONFLICT OF INTEREST

Members of the Board of Directors are required to disclose any current or potential conflicts of interest and decline to engage in discussions or vote on such matters in order to act in the best interests of the company.

In conjunction with periodic examinations and self-disclosures, the assessment of potential conflicts of interest is conducted annually. Furthermore, the Annual Report's annotations to the audited accounts disclose transactions involving related parties.

In order to demonstrate its dedication to transparent and independent operations, HDFC has implemented a formal policy that mandates the disclosure of all current and potential conflicts of interest by the Board.

## ROLES, RESPONSIBILITIES AND POWERS OF THE BOARD

The Board is granted the roles and responsibilities and the powers reserved in the Board Charter to serve as the final decision-making authority on any matter related to the Company, subject to the restrictions outlined in the Board Charter or any other applicable laws or regulations. To make appropriate financial decisions in accordance with the current laws and regulations, as well as the approved Manuals of HDFC. To establish policies and guidelines that will oversee all Corporation activities and guarantee that the most opportune business initiatives are implemented 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 a 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 interests that the directors or management may have in the discharge of their duties and responsibilities regarding 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 Shareholder's 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 the Companies Act of Maldives 07/2023, and the provisions under the constitutional documents and MMA CG Regulatory requirements.

Details are on the table below.

| Name | Capacity | Appointed / Resigned | Date |
|---|---|---|---|
| Mr. Ahmed Zeenad | Managing Director | Appointed | 18 Mar 2024 |
| Dr. Mohamed Shafeeq | Director (Chairperson) | Appointed | 02 Dec 2024 |
| Mr. Hamid Sodique | Director | Resigned | 08 Aug 2024 |
| Mr. Mohamed Ahmed | Independent Director | Resigned | 07 Jan 2024 |
| Mr. Mohamed Ahmed | Independent Director | Resigned | 08 Aug 2024 |
| Mr. Ajay Agarwal | Director | Appointed | 17 Jan 2024 |
| Ms. Amena Arif | Director | Resigned | 29 Nov 2024 |
| Ms. Aishath Shizna | Independent Director | Resigned | 31 Oct 2024 |
| Ms. Zidhna Ibrahim | Independent Director | Appointed | 03 Sep 2024 |
| Mr. Ahmed Asad Hashim | Independent Director | Appointed | 21 Nov 2024 |


## SHAREHOLDERS' MEETINGS

The Annual General Meeting (AGM) of Year 2023 was held on 26th May 2024 in the Maldives. All the major Shareholders joined the meeting required to meet the quorum.

Summary of the main decisions taken at the AGM:

- Approved and adopted the Audited Annual Accounts and the Corporation for the Financial Year ended December 31, 2023
- Endorsed the Dividend proposal for financial year 2023.
- Approved the Auditors financial year 2024 and their remuneration.
- Recorded the resignation(s) and appointment(s) of Directors.

## BOARD MEETINGS AND ATTENDANCE

In accordance with the MMA CG Regulation (No:2020/R-59), the Board convenes a minimum of four times annually, with each meeting occurring within a quarter. These meetings address specific issues in addition to standard items, such as the performance brief of the quarter and compliance requirements.

All of the meetings are conducted in the Maldives. At the same time, in order to facilitate the most extensive participation, virtual/hybrid meetings have been scheduled for Directors who represent international shareholders. Meetings are conducted according to a well-organized agenda, with the Managing Director, Executive team, and Chairman of the Board contributing input to finalize the agenda items. Directors are provided with supplementary documents in advance. Throughout the year, eight meetings were conducted. Detailed information regarding the composition and meetings is as follows:

| Name | Capacity | Appointed | Attendance |
|---|---|---|---|
| Dr. Mohamed Shafeeq [1] | Chairperson | 02/12/2024 | ● |
| Mr. Hamid Sodique [2] | Director - GOM | 01/07/2021 | ●●●●● |
| Ms. Kohe Hassan | Director - ADB | 09/08/2019 | ●●●●●●●● |
| Ms. Amena Arif [3] | Director - IFC | 30/11/2021 | ●●●●●○○ |
| Mr. Ajay Agarwal [4] | Director - HDFC | 17/01/2024 | ●●●●●●●● |
| Mr. Mohamed Rasheed [5] | Director - GOM | 20/04/2023 | ●●●●● |
| Ms. Zidna Ibrahim [6] | Director - GOM | 03/09/2024 | ●● |
| Mr. Ahmed Asad Hashim [7] | Director - GOM | 21/11/2024 | ● |
| Ms. Aishath Shizna [8] | Independent Director | 18/07/2017 | ●●●●●● |
| Ms. Raheema Saleem | Managing Director | 26/02/2017 | ●● |
| Mr. Ahmed Zeenad | Managing Director | 18/03/2024 | ●●●●●●●● |

1. Dr. Mohamed Shafeeq appointed effective from – December 2024
2. Mr. Hamid Sodique dismissed effective from - August 2024.
3. Ms. Amena Arif resigned effective from – November 2024
4. Mr. Ajay Agarwal appointed effective from – January 2024
5. Mr. Mohamed Rasheed dismissed effective from – August 2024
6. Ms. Zidhna Ibrahim appointed effective from – September 2024
7. Mr. Ahmed Asad Hashim appointed effective from – November 2024
8. Ms. Aishath Shizna resigned effective from – October 2024

Major activities carried out by the Board in 2024 are:

- Approved the appointment of Chairman to the Board FY 2024-2025.
- Approved the reconstitution of the Board Committees.
- Endorsed the Internal Audit Reports for Q3/2024 & Q1 & Q2/2024.
- Endorsed the Audited Financials FY ended 31st December 2023.
- Approved the Dividend FY 2023.
- Approved the appointment of Managing Director.
- Approved the Audited Financials FY ended 31st December 2023.
- Approved the Auditors FY2024 and their remuneration.
- Approved the appointment of Shariah Committee members.
- Approved Annual Bonus.
- Approved the Broader terms for refinancing facilities.
- Approved the Land and Property Valuation Report.
- Reviewed performance, liquidity, and asset quality report.
- Reviewed and approved the budget revisions proposed for Budget FY 2024.
- Approved the IPO related approvals proposed by the IPO committee.
- Reviewed and took note of the ERP implementation updates.
- Approved engagement for review of ECL model.
- Approved manual updates.
- Reviewed the periodic compliance report.
- Approved the candidate for Independent Director.
- Finalized the short-term strategies FY 2024.
- Reviewed the Risk Assessment Report [H1-2024].
- Approved the appointment of CFO.
- Endorsed the proposed organizational structure.
- Approved the financing limits to outer islands.
- Endorsed the Audited Financial Statement for the period (Jan – June 24).
- Approved the Business Plan and the Budget FY 2025.
- Approved the Strategic Plan [2025 – 2029].
- Approved the Interim Dividend FY 2024.

## BOARD INDUCTION AND TRAINING

HDFC acknowledges the requirement of continuous training and development of the Directors. All the newly appointed directors are effectively prepared to manage their duties and acquire comprehensive knowledge of the business operations; meticulously organized and targeted training is provided for them. Additionally, periodic reports that are shared with Directors or discussions at the Board provide the Directors with information regarding the emerging risks to the business and the dynamic shifts in the economic landscape.

The Directors are routinely informed of legal and governance-related information and obligations, as well as legislative modifications. The Corporate Directors Training Program, which is administered by the Capital Market Development Authority, is available to new appointees.

## BOARD PERFORMANCE AND EVALUATION

HDFC acknowledges the necessity of conducting an annual performance evaluation of the Board to evaluate the Board's efficacy, focus, quality, and dedication. Each Director is required to conduct a self-assessment and submit it to the Chairman of the Nomination and Remuneration Committee for evaluation. The Board of Directors is presented with a summary report of this assessment. In general, the evaluation findings will concentrate on the following areas: efficiency, efficacy, quality, and contribution.

## BOARD COMMITTEES

In accordance with the Constitutional framework and regulatory governance requirements, the Board of Directors has established a variety of Sub-Committees. The oversight function has been assigned to the committee. Clearly defined criteria of reference have been assigned to them. At the subsequent Board Meeting, the Chair of each sub-committee provides an oral report on the committee's proceedings and decisions. The minutes of the discussions are distributed to all of the Directors of the Board.

The Audit and Risk Management Committee, Nomination and Remuneration Committee, and Board Credit Committee are the current sub-committees of the Board. Furthermore, a Sharia Advisory Committee has been established to provide the Board with guidance on Sharia-related matters. This committee is composed of three distinguished scholars who are not affiliated with the Board. While the Audit Committee is mandated to convene on a quarterly basis, the other committees convene as needed.

### *THE AUDIT & RISK MANAGEMENT COMMITTEE*

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

Responsibilities of the committee includes,

- 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 being reported in 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 2024

| Name | Capacity | Attendance |
|---|---|---|
| Ms. Aishath Shizna [1] | Chairperson | ●●● |
| Mr. Ahmed Asad Hashim [2] | Chairperson | ● |
| Mr. Hamid Sodique [3] | Member | ● |
| Ms. Kohe Hassan | Member | ●●●○ |
| Ms. Amena Arif [4] | Director - HDFC | ●●● |
| Mr. Ajay Agarwal | Director - GOM | ●○○○ |

1. Ms. Aishath Shizna resigned from the Board effective on 31/10/2024
2. Mr. Ahmed Asad Hashim appointed as Chairperson on 11/12/2024
3. Mr. Hamid Sodique dismissed from the Board
4. Ms. Amena Arif resigned from the Board effective on 29/11/2024

Major Activities the Audit and Risk Management Committee held in 2024 are:

- Reviewed the Q3/2023 Internal Report presented by EY.
- Reviewed the Audited Financials FY ended 31st December 2023, and the ML presented by KPMG.
- Finalized the Audited Financials FY ended 31st December 2023.
- Completed the selection of the External, Internal, and Shariah Compliance Auditors for FY2024, as well as their compensation.
- Reviewed the Risk Assessment Report [H1-2024].
- Reviewed the Internal Audit findings for Q1 & Q2 of Y2024.
- Reviewed the Audited Financial Statement & findings of the Management letter for the period ended (Jan-June 2024).

***THE AUDIT & RISK MANAGEMENT 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. During the year 04 meetings were held. Details of composition and the meetings are as follows:

Nomination & Remuneration Committee Members Attendance FY 2024

| Name | Capacity | Attendance |
|---|---|---|
| Mr. Hamid Sodique [1] | Chairperson | ●●●○ |
| Ms. Zidna Ibrahim [2] | Chairperson | N/A |
| Mr. Mohamed Rasheed [3] | Member | ●○○○ |
| Ms. Aishath Shizna [4] | Member | ●●● |
| Ms. Kohe Hassan | Member | ●●○○ |
| Mr. Ajay Agarwal | Member | N/A |
| Ms. Ahmed Asad Hashim [5] | Member | N/A |

1. Mr. Hamid Sodique was dismissed from the Board.
2. Ms. Zidna Ibrahim was appointed as Chairperson from 11/12/2024
3. Mr. Mohamed Rasheed, was dismissed from the Board.
4. Ms. Shizna resigned from the Board.
5. Mr. Ahmed Asad Hashim appointed as member effective from 11/12/2024

Responsibilities of the committee are:

- 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 organization structure.
- Review and endorse HR policies.
- Adopt the 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 carried out by the Nomination and Remuneration Committee in 2024:

- Interviewed the candidates for the post of MD & CFO.
- Finalized and recommended to the Board the candidate for the post of MD.
- Evaluated the performance of EXCO Members.
- Finalized and recommended the Annual Bonus for Staff.

- Reviewed the remuneration of the Board.
- Interview the candidates for the post of CFO.

### *BOARD CREDIT COMMITTEE*

The Board Credit Committee was established in accordance with the Articles of Association 123 of HDFC and Article ll 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 Committee Members:

| Name | Capacity |
|---|---|
| Mr. Mohamed Rasheed [1] | Chairperson |
| Mr. Ahmed Asad Hashim [2] | Chairperson |
| Dr. Mohamed Shafeeq | Member |
| Ms. Zidhna Ibrahim | Member |
| Ms. Aishath Shizna [3] | Member |
| Mr. Hamid Sodique [4] | Member |
| Mr. Ajay Agarwal | Member |

1. Mr. Mohamed Rasheed was dismissed from the Board.
2. Mr. Ahmed Asad Hashim appointed Chairperson effective from 11/12/2024
3. Ms. Shizna resigned fro the Board.
4. Mr. Hamid Sodique was dismissed from the Board.

- Responsibilities of the committee are:
- 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.
- To carry out such other duties that may be

- delegated to the committee by the Board from time to time.
- To 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

Key activities carried out by the Credit Risk Management Committee during the year 2024 are as follows:

- Reviewed and approved three Credit Recommendations presented by the Internal Credit Committee.

### *SHARIAH ADVISORY COMMITTEE*

The Shari'ah Advisory Committee was established by the Board to discharge the responsibilities on Shari'ah Compliance. The Committee met 09 times during the year 2024 to take up issues relating to Shari'ah audit, risk, and other issues. The Shari'ah Committee consists of 03 members who report AMNA related matters to the Board.

| Name | Capacity |
|---|---|
| Dr. Zakariyya Moosa | Chairperson |
| Professor Dr. Rusni Binti Hassan | Member |
| Dr. Aishath Muneeza | Member |

Major Activities Shariah Advisory Committee undertook in 2024 are:

- Approved the Qard Hassan Facility Agreement and Sanction Letter templates.
- Approved the revised Diminishing Musharaka Product Manual Versions 3.0 and 3.1 with updated terms.
- Approved the integration of the Relief Housing Financing Scheme (Qard Hassan Component) into the existing Musharakah Product Manual
- Approved the Memorandum of Understanding for the Relief Housing Scheme Fund.
- Approved the Shariah Committee's Report for 2023, affirming ongoing Shariah compliance practices.
- Approved the Shariah Governance Manual (SGM) Version 3.0, introducing 4 new policies and 4 procedures.
- Approved the Q4 2023, Q1 2024, and Q2 2024 Sukuk Progress Reports.
- Approved the Distribution of Charity Payable for 2023.
- Approved the finalized Shariah Conceptualization Paper.
- Approved marketing materials required for product promotion

## MANAGEMENT COMMITTEES

In addition to the Board Committees, HDFC has also established several Management Committees. These Committees are formed under a Board approved term of reference. The Managing Director act as the Chairman of all Management Committees except Asset Liability Committee (ALCO) which is chaired by the Chief Financial Officer (CFO).

The Management Committees examine matters that are crucial to the Company's operations.

### *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 ALCO duties are:

- Establishment of process to enable the identification, assessment, and management of risks, that could affect the Company's ALM.
- Identification of the Company's risk tolerance levels for yield maximization related to its ALM.
- Evaluation of the adequacy, effectiveness and compliance with the Company's risk management process related to the company's ALM including management's role in that process.
- 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 five (5) key management staff including the Managing Director. The Committee convenes at least once each week and more frequently if necessary.

***MANAGEMENT CREDIT COMMITTEE***

The Board has established a Management Credit Committee with clear instructions to assist the Board of Directors in its oversight of HDFC's policies regarding 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 5 Senior Management members including the Managing Director.

***RECOVERY COMMITTEE***

HDFC has established a Recovery Committee which is responsible for making decisions on non-performing loans recovery and legal procedures related to default loans. In addition, 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 includes 4 senior Management members and the Managing Director.

***REMUNERATION OF DIRECTORS/ EXECUTIVE MANAGEMENT***

**Managing Director (Executive Director)**
The total remuneration paid to the Managing Director including the sitting fee in the year 2024 was MVR 760,364.52

**Executive Management**
Aggregate remuneration paid to the Executive Management excluding Managing Director, in the year 2024 was MVR 1,157,051.27

**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 344,570.00 was paid out in the year 2024 as remuneration.

## STATEMENT OF COMPLIANCE FY 2024

| 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 |

* Replacement of the second Independent Director in progress

# HR REPORT

Empowering Growth: Elevating Our Workforce Through Human Resource Development

## HR STRATEGY

Our Human Resources (HR) strategy is designed to align our workforce capabilities with the organization's strategic goals, encouraging a culture of engagement, inclusivity, and continuous development. By investing in our people, we aim to drive organizational success and create a positive workplace environment.

As we reflect on the past year, our Human Resources team has been instrumental in managing and developing our human capital, acknowledging its crucial importance in propelling our sustained success.

## TRANSFORMING ORGANIZATIONAL STRUCTURE

In the year, we have undertaken a significant transformation of our organizational structure to better align with our strategic objectives and enhance operational efficiency. This transformation involved redefining roles and responsibilities, streamlining communication and developing a culture of collaboration.

## BUILDING OUR TEAM

In the year, our recruitment and talent acquisition strategies have played a vital role in building a strong and capable workforce. We concentrated on filling critical gaps in understaffed areas, ensuring that we have the right talent to meet our operational goals. Our commitment to hiring 100% local employees not only strengthens our connection to the community but also enriches our organizational culture. As of December 31, 2024, our staff has grown to 46 dedicated individuals, with a balanced gender representation that reflects our values of inclusivity and diversity.

## ADAPTING TO AN EVOLVING WORK CULTURE

One of our primary objectives has been to establish a work environment that is conducive to the well-being of employees and the objectives of the organization. Recognizing the evolving needs of our workforce, we have made substantial strides toward modernizing policies and procedures to ensure that our policies are not only compliant with legal requirements and best practices but also promote a positive work environment.

## ENHANCING WORKPLACE FLEXIBILITY

In 2024, we prioritized establishing a more adaptable work environment to align with evolving workplace trends. A key milestone was the introduction of Remote Work, allowing employees greater flexibility while maintaining productivity. This initiative has contributed to improved work-life balance and overall employee satisfaction.

## PERFORMANCE MANAGEMENT AND RECOGNITION

To ensure alignment with our strategic goals, we have implemented a performance appraisal system that evaluates employee contributions against key performance indicators (KPIs). This system not only provides employees with clear expectations but also facilitates constructive feedback and career development discussions, enabling a culture of accountability and excellence.

We celebrate milestones and accomplishments through recognition, reinforcing our commitment to appreciating the contributions that each individual employee makes to our collective success.

## EMPLOYEE ENGAGEMENT AND WELLBEING

We understand that employee engagement is critical to our success. To promote inclusivity, our Recreation Club has organized various activities and events throughout the year. These initiatives promote social interaction, teamwork, and a sense of belonging among employees, contributing to a positive workplace culture.

## LOOKING AHEAD

As we look to the future, our commitment to enhancing our HR practices remains strong. We will continue to invest in recruitment, talent development, and employee engagement initiatives that align with our strategic objectives. A key focus will be on upskilling our employees through targeted training programs that encompass technical skills, compliance, leadership, professional development, and soft skills training. These initiatives will not only enhance individual capabilities but also contribute to overall team effectiveness. We also recognize the critical importance of employee engagement in fostering a positive workplace culture. By prioritizing these areas, we aim to navigate the challenges ahead and seize the opportunities that lie before us, ensuring that our workforce remains engaged, skilled, and contributes to our success.

Partner
HDFC
Do you have any other facilities at any other bank?
No

# TECHNOLOGY REPORT

At HDFC, Information technology has been an integral part in the operations, enabling efficiency and expanding its reach. Over the past few years, we have been investing in technology to streamline our processes and to enhance operational efficiency, customer convenience and accessibility. In response to the increasing housing demand and advancements in technology, we have prioritized modernizing the loan processes, enabling housing finance to be more accessible and efficient. These efforts reflect a commitment to innovation, enhancing service delivery while meeting the evolving customer needs.

## DIGITAL TRANSFORMATION

Our new focus is to create a comprehensive digital environment that involves encompassing customer onboarding, document management, and digital approval system. The integration of these services into the core system aims to facilitate data verification and analysis through automated processes.

A key component of one of the major transformations is the customer portal, which serves as the gateway to the company, that would provide a complete online service. The entire process is being redesigned to enhance customer experience.

The transition to a single technology platform was a significant decision made during the year, to achieve cost benefit goals, seamless integration, compatibility, and scalability. It enabled harmony in the system and maintained high standards of security, compliance and system management.

We opted for an in-house development approach to further support digital transformation through tailored solutions that meet requirements and achieve strategic objectives. This strategy not only enhances operational processes but also enhances overall customer experience.

## SECURITY AND CYBER SECURITY

At HDFC, the protection of physical and digital assets is prioritized. System monitoring capabilities are utilized to detect and respond to potential threats in real-time. Robust firewalls are implemented to safeguard against internal and external threats, preventing unauthorized access while allowing legitimate traffic. Data theft prevention measures, including encryption, access controls, and regular audits, are employed to protect sensitive information. Resilience and preparedness against evolving cybersecurity threats are maintained through regular updates, employee training, and a proactive approach to threat management.

Physical security measures, such as surveillance cameras and access control systems, are in place to protect the premises. Data backup and disaster recovery capabilities are established to ensure business continuity in the event of a cyber-attack or other disasters, with regular backups and a well-defined disaster recovery plan.

## REDUCING CARBON FOOTPRINTS

The adoption of digital document processing has significantly reduced paper consumption, reducing the use and management of physical documents, the quick information retrieval has streamlined our operations and enhanced efficiency. Transition to cloud services has been significant in lowering energy consumption and carbon emissions. By utilizing cloud solutions instead of physical data centers, we have optimized our operational processes and contributed to a more sustainable environment.

We are committed to promoting energy-efficient devices and practices within our organization. This includes the use of low energy consumption devices to support sustainable operations. These efforts have enabled us to reduce our overall energy consumption and carbon footprint.

## TRAINING & SKILL DEVELOPMENT

Employee skill development, particularly for IT personnel, has always been a priority for the company. Seminars and workshops are consistently attended to keep up with the latest technological developments. Regular training sessions on application usage, including the recently changed application environment, firewall and security training, and continuous review of applications to identify the best-suited ones, have been contributing to IT knowledge. Additionally, employees are continuously trained in the necessary tools to perform their duties effectively. As part of the regular routine refresher programs, Security awareness training is also conducted for all IT employees. A dedicated budget has been allocated for research, development, and internal skill enhancement.

## DATA PRIVACY

HDFC is committed to maintaining customer trust and safeguarding their privacy in an era where technology is increasingly used for data exchange and communication. To achieve this, HDFC follows strict data privacy standards, securely stores personal information, and only shares it with authorized entities with the customer's explicit consent. Additionally, HDFC collects only the essential information needed. Transparency is a key principle, as HDFC clearly informs customers about data collection, usage, and sharing to build trust. Strong security measures, such as encryption and secure access controls, are implemented to protect data. HDFC also respects and facilitates customer rights to access, correct, update, and restrict their data. Furthermore, employees are educated on data privacy and security best practices to ensure comprehensive protection.

## OUTLOOK

The company has outlined a long-term strategic plan emphasizing FinTech, automation, third-party integration, and AI-driven data analytics. A key focus is strengthening in-house development to enhance the company's online presence, expand customer support, and reduce reliance on external vendors. This approach ensures technology solutions evolve in alignment with business growth and stakeholder needs while enabling agile responses to market demands.

Customer-centric solutions remain a priority, with automation playing a crucial role in streamlining operations and improving efficiency. Expanding internal capacity for these solutions is essential to meeting evolving customer expectations and maintaining a competitive edge in an increasingly digital landscape.

As the ERP foundation matures, the company is prioritizing investments in AI-driven data analytics to extract valuable insights, enhance decision-making, and optimize customer experience. We believe AI will drive smarter business strategies, improve service offerings, and strengthen the company's position in the financial sector.

# RISK MANAGEMENT REPORT

HDFC maintains a robust and unified risk management framework to proactively safeguard the organization against a wide spectrum of risks, while supporting long-term, sustainable growth.

Risk is embedded in both our operational activities and strategic decision-making process. The effectiveness of our performance depends on our ability to manage risks efficiently at every level of the organization. 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 of 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

At HDFC, we adopt an integrated approach to risk management, as outlined in our Risk Management Policy and Framework. This framework defines our risk culture, governance structure, and clearly established boundaries, including our risk appetite, which sets out the level and types of risk we are prepared to accept in pursuit of our strategic objectives. It ensures that risk-taking activities are aligned with the Company’s vision by continuously monitoring performance against defined risk appetite thresholds.

Risk management is considered as a shared responsibility across all levels of the organization. We follow the Three Lines of Defense model, which clearly separates control functions from risk-taking activities and risk ownership. This structured approach reinforces accountability, promotes transparency, and ensures that risks are effectively identified, assessed, and mitigated throughout the organization.

**First Line of Defense:** Operational departments are responsible for identifying, owning, and managing risks within their respective functions.

**Second Line of Defense:** The risk management function provides oversight and supports the first line by developing frameworks, policies, tools, and guidance to ensure effective risk control.

**Third Line of Defense:** The internal audit function independently evaluates the adequacy and effectiveness of the risk management processes implemented by the first and second lines.

## RISK GOVERNANCE AND MANAGEMENT

Robust risk management is fundamental to the success of the Company and our efforts to maximize 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 RAM through the 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 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.

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 affect 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.

***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.

***OPERATIONAL 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 comprises the operational risk management framework. These 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.

***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.

### *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 financial 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 RISK 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 along with other macro-economic factors that impact the general economy of the country. To resolve the issue of an increased supply of social housing, it is necessary to expand our portfolio through a diversified product range.

# BUSINESS SUSTAINABILITY REPORT

Our dedication to environmental health and safety, active social engagement, and strong business ethics are the foundation of our sustainability focus. Our policies guarantee that these focus areas are in accordance with the United Nations Sustainable Development Goals (SDGs), which incorporate the objectives that bolster our status as a responsible corporate citizen committed to the preservation of the environment and the communities in which we operate. At HDFC, we are of the opinion that financial institutions have a distinctive obligation and a substantial opportunity to facilitate the transition to a more sustainable future. Some of our sustainability initiatives are direct, such as providing financial assistance to those in need, while others are indirect, such as the efficient management of waste and the conservation of energy.

## CORPORATE INFORMATION

| | |
|---|---|
| **Name of the Company** | Housing Development Finance Corporation Plc. |
| **Company Registration Number** | C-0107/2006 |
| **Place of Incorporation** | Male', Republic of Maldives |
| **Year of Incorporation** | 2004 |
| **Corporate Office Address** | H. Mialani, 4th Floor, Sosun Magu, Male', Maldives |
| **Contact Number** | (960) 3338810 / 3315897 / 3315897; Fax: 3315138 |
| **Email** | info@hdfc.com.mv |
| **Website** | www.hdfc.com.mv |
| **Objectives and Activities** | Housing Mortgage Finance Reporting Period - Y2024 |

## ENVIRONMENTAL POLICIES

The increasing climate risks, regulatory pressures, and expanding stakeholder interests and expectations have necessitated that HDFC prioritize environmental sustainability. Therefore, our objective is to effectively manage risks, enhance long-term value, and contribute to the global sustainability goals by incorporating environmental considerations into our strategies, operations, and investment decisions.

## MANAGING ELECTRICITY, WATER & WASTE

The organization has prioritized the implementation of energy-efficient solutions in its infrastructure in order to reduce resource consumption. This encompasses the implementation of energy-efficient light fixtures, which provide enhanced durability and efficiency. Additionally, the replacement of computers and other electronic equipment with inverter-based equipment that satisfies the stringent Energy Star standards is implemented. These modifications are indicative of a dedication to long-term sustainability, which is expected to result in operational cost reductions and improved energy efficiency.

***Electricity Consumption – 88,083 kWh***

Safe and energy-efficient filtered water dispensers are promoted by the organization as a means of promoting sustainable personal consumption. In an effort to mitigate water wastage, we also consistently remind our employees to be mindful of the use of tap water. We have provided staff with glass storage containers in order to adhere to HDFC's strict policy regarding single-use plastic water bottles. They are actively encouraged to utilize recycled water bottles. In addition to promoting a culture of environmental responsibility within the workplace, this endeavor also supports the reduction of the use of plastic.

***Water Consumption – 121.08 CBM***

In order to optimize waste management, the organization has implemented a waste segregation system that divides waste into recyclable, dry, and damp categories. The reduction of electronic waste is achieved through the auction and resale of electronic equipment. Additionally, the management sought to decrease paper consumption by promoting a more sustainable work environment, streamlining processes, and incorporating digital solutions.

## HEALTH AND SAFETY POLICIES

The safety of our personnel in the workplace is a top priority at HDFC, and we therefore implement the health and safety policy. The organization actively promotes participation in wellness seminars and discussion sessions, demonstrating a strong dedication to the well-being of both the mind and body. A Health Insurance Package is also provided to all personnel members by the organization. Facilities for administering first aid are easily accessible, and all departments adhere to rigorous safety protocols. In the course of the year, no employee was involved in any accidents while on duty, which is indicative of our dedication to ensuring a secure work environment.

## EMPLOYMENT POLICIES

The HR strategies demonstrate a strong commitment to the development of a culture that prioritizes employee engagement, inclusivity, and continuous learning. We are committed to the effective utilization of human capital to stimulate long-term growth, resilience, and success by prioritizing our people, thereby enhancing skills, developing knowledge, and building capacity.

Policy reforms that ensure our practices remain future-oriented, adaptable, and adaptive are actively pursued by the organization. Therefore, we have instituted a remote work policy that empowers employees to strike a healthier work-life balance and increases overall productivity.

## TRAINING OPPORTUNITIES

Our training and development initiatives are indicative of our dedication to ongoing learning. Throughout the year, a variety of training programs were implemented to improve technical competencies, leadership capabilities, and professional development. These initiatives have consolidated a culture of professional development and learning at all levels of the organization.

A total of 25 external training sessions and numerous internal training initiatives were conducted.

## GENDER EQUALITY

Equitable opportunities for both genders are guaranteed by the organization's gender equality policies. As the year concluded, our team consisted of 46 employees, with 26 (57 percent) being female and 20 (43 percent) being male.9 members are in management positions, with 22% of them being female and 78% being male. 1 (25 percent) of the four members of the executive administration were female, while 3 (75 percent) were male. While these figures reflect a significant disparity at the leadership level, they also underscore the potential for further advancement in the pursuit of a more equitable gender distribution in executive and management positions.

## COMMUNITY ENGAGEMENT

HDFC deepened its community engagement through a blend of strategic initiatives and meaningful contributions. We connected with the public at events like the Maldives Living Expo, introducing tools like the HDFC Affordability Calculator to empower homebuyers. Our refreshed brand image and revamped office space further strengthened our accessibility and customer experience. In celebration of our 20th anniversary, we introduced a special Islamic Finance promotion, emphasizing inclusivity in our services. Furthermore, through donations we reaffirmed our commitment to supporting vulnerable communities and driving positive societal change.

## GOVERNANCE POLICIES

In order to guarantee long-term sustainability, we acknowledged the necessity of developing more robust governance policies. From the formulation of our strategy to its execution, we are dedicated to the integration of sustainable principles into every phase of our decision-making process. In order to fulfill this obligation, we have integrated the CMDA Corporate Governance Code and the MMA Corporate Governance Regulation into our framework. In addition, we have incorporated the Shariah Governance Principles to further improve our governance structure in our Islamic Window.

## DISCLOSURE AND TRANSPARENCY

At HDFC, we place a strong emphasis on disclosure and transparency, which are cornerstones of our organization. We ensure full compliance with all regulatory obligations imposed by MMA, CMDA listing disclosures and RTI. In addition, we provide voluntary disclosures to stakeholders to keep them informed. Our website includes key documents such as audited financial reports, annual reports, governance reports, and quarterly reports, all aimed at enhancing transparency and facilitating easy access to information.

## COMPLAINTS

We address customer complaints promptly and resolve grievances with the highest level of professionalism. Complaints are received through the organization's official social media platforms, website, email, and in-person visits. To ensure consistent service quality, we provide clear guidelines and mentorship to our staff, enabling them to handle all interactions with professionalism and courtesy. In addition, we offer training programs to enhance their technical knowledge and deepen their understanding of our products and services.

## 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

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

**FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED**
**31$^{ST}$ DECEMBER 2024**

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

**FOR THE YEAR ENDED 31ST DECEMBER 2024**

**CONTENTS**



KPMG CHARTERED ACCOUNTANTS

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

## Opinion

We have audited the financial statements of Housing Development Finance Corporation PLC ("the Company"), which comprise the statement of financial position as at 31st December 2024, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes to the financial statements, comprising material accounting policies and other explanatory information set out in pages 5 to 65.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st December 2024 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"), together with the ethical requirements relating to the audit of Financial Statements in the Republic of Maldives and we have fulfilled our other ethical responsibilities in accordance with 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)

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| IFRS 9 Financial Instruments requires impairment based on expected credit losses ("ECL").<br><br>High degree of complexity and judgement are involved in estimating expected credit loss of MVR 75,189,641/- against loans and advances as at 31st December 2024. | 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. |

KPMG CHARTERED ACCOUNTANTS

**Key Audit Matters (Continued)**

**1. Allowance for expected credit losses (Continued)**

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| 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.<br><br>Key judgements and estimates in respect of the timing and measurement of ECL include;<br><br>- Judgments over the grouping of loans and advances based on the similar risk characteristics.<br><br>- Allocation of assets to stage 1, 2, or 3 using criteria in accordance with the accounting standard;<br><br>- Accounting interpretations and modelling assumptions used to build the models that calculate the ECL;<br><br>- Completeness and accuracy of data used to calculate the ECL;<br><br>- Inputs and assumptions used to estimate the impact of multiple economic scenarios;<br><br>- Measurements of individually assessed impairment allowance including the assessment of multiple scenarios; and<br><br>- Accuracy and adequacy of the financial statement disclosures. | - Assessing the design, implementation and operating effectiveness of key controls over impairment allowance of loans and advances.<br><br>- Evaluating the management process over identifications contracts to be assessed, evaluation of the inputs, assumptions and adjustments to the ECL.<br><br>- 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.<br><br>- 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.<br><br>- Assessing the completeness, accuracy and relevance of data used for the ECL calculation.<br><br>- 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. |



KPMG ★ CHARTERED ACCOUNTANTS ★

**Other Information**

The Management 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 do not express any form of assurance conclusion thereon.

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

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 process.

**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.



KPMG ★ CHARTERED ACCOUNTANTS ★

**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 management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 those charged with governance, 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 Muaaz**
**Audit License No: IACM-IL-FQ1**
**For and on behalf of KPMG Maldives**

24th April 2025

Male'



KPMG ★ CHARTERED ACCOUNTANTS ★

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

| FOR THE YEAR ENDED 31ST DECEMBER | Note | 2024 MVR | 2023 MVR |
|---|---|---|---|
| Interest income | 6.1 | 136,633,636 | 144,110,421 |
| Interest expense | 6.3 | (36,401,592) | (45,355,915) |
| **Net interest income** | | 100,232,044 | 98,754,506 |
| | | | |
| Net income on shari'ah products | 7 | 46,516,875 | 34,752,146 |
| Fee income | 8 | 4,124,615 | 4,165,890 |
| Other income | 9 | 1,969,396 | 1,953,884 |
| **Total operating income** | | 152,842,930 | 139,626,426 |
| | | | |
| Salaries and personnel expenses | 10 | (13,422,014) | (11,904,237) |
| Recognition of allowance for impairment loss on loans and advances | 11 | (13,186,794) | (11,340,010) |
| Reversal / (recognition) of modification loss on loans and advances | 12 | 1,264,703 | (2,209,324) |
| Other operating expenses | 13 | (9,746,028) | (9,511,604) |
| **Total operating expenses including impairment allowance** | | (35,090,133) | (34,965,175) |
| | | | |
| **Profit before income tax** | | 117,752,797 | 104,661,251 |
| | | | |
| Tax expense | 14 | (18,282,003) | (16,443,469) |
| | | | |
| **Profit for the year** | | 99,470,794 | 88,217,782 |
| | | | |
| Basic earning per share | 15 | 6.24 | 5.54 |

The 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 65. The Report of the Independent Auditors is given on pages 1 to 4.



KPMG CHARTERED ACCOUNTANTS

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

| AS AT 31ST DECEMBER | Notes | 2024 MVR | 2023 MVR |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 16 | 338,946,473 | 285,031,820 |
| Loans and advances | 17 | 1,603,822,730 | 1,595,575,022 |
| Financial assets at amortized cost | 18 | 171,985,156 | 310,676,963 |
| Property, plant and equipment | 19 | 3,435,306 | 2,594,251 |
| Right-of-use assets | 20 | 2,975,248 | 4,276,355 |
| Intangible assets | 21 | 1,513,101 | 2,119,193 |
| Other assets | 22 | 6,557,191 | 6,067,162 |
| Deferred tax asset | 14.4 | 11,301,829 | 8,966,361 |
| **Total asset** | | 2,140,537,034 | 2,215,307,127 |
| **LIABILITIES** | | | |
| Deposits from customers | 23 | 87,555,131 | 81,834,466 |
| Debt securities in issue | 24 | 498,141,897 | 536,084,617 |
| Other borrowed funds | 25 | 350,167,133 | 446,628,834 |
| Other liabilities | 26 | 310,157,576 | 284,416,492 |
| Lease liabilities | 27 | 4,836,212 | 6,299,932 |
| Current tax liabilities | 14.3 | 10,799,525 | 6,524,645 |
| **Total liabilities** | | 1,261,657,474 | 1,361,788,986 |
| **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 | 50,000,000 |
| Retained earnings | | 654,504,560 | 629,143,141 |
| **Total shareholders' equity** | | 878,879,560 | 853,518,141 |
| **Total equity and liabilites** | | 2,140,537,034 | 2,215,307,127 |

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 65. 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 | Ahmed Zeenad | Ahmed Asad Hashim |
| Chief Financial Offficer | Managing Director | Audit Committee Chairman |

24th April 2025

KPMG CHARTERED ACCOUNTANTS

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

**FOR THE YEAR ENDED 31$^{ST}$ DECEMBER 2024**

| | Share capital MVR | General reserve MVR | Capital reserve MVR | Retained earnings MVR | Total Equity MVR |
|---|---|---|---|---|---|
| Balance as at 01$^{st}$ January 2023 | 159,375,000 | 15,000,000 | - | 590,925,359 | 765,300,359 |
| **Comprehensive income for the year** | | | | | |
| 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) | - |
| Balance as at 31$^{st}$ December 2023 | 159,375,000 | 15,000,000 | 50,000,000 | 629,143,141 | 853,518,141 |
| Balance as at 01$^{st}$ January 2024 | 159,375,000 | 15,000,000 | 50,000,000 | 629,143,141 | 853,518,141 |
| **Comprehensive income for the year** | | | | | |
| Profit for the year | - | - | - | 99,470,794 | 99,470,794 |
| **Total comprehensive income for the year** | - | - | - | 99,470,794 | 99,470,794 |
| **Transactions with owners of the Company** | | | | | |
| Dividends **(Note 28.3)** | - | - | - | (74,109,375) | (74,109,375) |
| **Total transaction with owners of the Compan**y | - | - | - | (74,109,375) | (74,109,375) |
| Balance as at 31$^{st}$ December 2024 | 159,375,000 | 15,000,000 | 50,000,000 | 654,504,560 | 878,879,560 |

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



KPMG ★ CHARTERED ACCOUNTANTS ★

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

| FOR THE YEAR ENDED 31ST DECEMBER | Notes | 2024 MVR | 2023 MVR |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before income tax | | 117,752,797 | 104,661,251 |
| ***Adjustments for:*** | | | |
| Depreciation on property, plant and equipment | 19 | 736,360 | 728,053 |
| Depreciation on right-of-use assets | 20 | 789,325 | 1,047,174 |
| Impairment losses made on financial assets | 11 | 13,186,794 | 11,340,010 |
| (Reversal) / Recognition of modification loss on loans and advances | 12 | (1,264,703) | 2,209,324 |
| Amortization of intangible assets | 21 | 606,092 | 311,559 |
| Interest expense on lease liabilities | 6.3 | 488,061 | 601,137 |
| Loss on disposal of property, plant and equipment | 13 | 1,046 | 3,290 |
| Reversal of the interest income of stage 3 customers | 17.2 | (120,421) | 212,524 |
| Interest expenses and amna investors' profit share | | 71,226,382 | 83,090,707 |
| Interest / profit income from shari'ah products | | (204,154,032) | (214,775,120) |
| Operating loss before working capital changes | | (752,299) | (10,570,091) |
| ***Changes in working capital:*** | | | |
| (Increase) / decrease in loans and advances to customers | | (17,023,499) | 23,519,184 |
| (Increase) / decrease in other assets | | (490,029) | 1,214,819 |
| Decrease in other liabilities | | (11,799,721) | (74,091,916) |
| Increase in deposits from customers | | 5,418,037 | 3,872,204 |
| Cash used in operating activities | | (24,647,511) | (56,055,800) |
| Interest / profit received | | 202,975,340 | 217,576,383 |
| Interest / profit paid | | (74,257,738) | (86,026,117) |
| Income tax paid | 14.3 | (16,342,591) | (19,467,179) |
| Net cash generated from operating activities | | 87,727,500 | 56,027,287 |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | 19 | (1,580,057) | (447,268) |
| Net investment made in investment measured at amortized cost | | 136,844,620 | (104,720,568) |
| Purchases of intangible assets | 21 | - | (496,867) |
| Proceed from disposal of property, plant and equipment | | 1,596 | 5,306 |
| Net cash generated from / (used in) investing activities | | 135,266,159 | (105,659,397) |
| **Cash flows from financing activities** | | | |
| Repayments of debt securities in issue | | (38,697,346) | (25,058,784) |
| Repayments of other borrowed funds | | (93,610,770) | (278,128,903) |
| Proceeds from other borrowed funds | | 749,618 | 126,498,800 |
| Dividend paid | | (36,568,570) | (35,990,980) |
| Repayment of lease liabilities | 27 | (951,938) | (838,863) |
| Net cash used in financing activities | | (169,079,006) | (213,518,730) |
| **Net increase / (decrease) in cash and cash equivalents** | | 53,914,653 | (263,150,840) |
| **Cash and cash equivalents at beginning of the year** | | 285,031,820 | 548,182,660 |
| **Cash and cash equivalents at end of the year** | 16 | 338,946,473 | 285,031,820 |

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



KPMG ★ CHARTERED ACCOUNTANTS ★

## 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 and presently governed under new Companies Act No. 07 of 2023.

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, India.) The registered office of the Company is at 4th Floor, H. Mialani, Sosun Magu, Male', Republic of Maldives. The Company is engaged in the business of granting housing loans for residential and commercial purpose.

## 2. BASIS OF PREPARATION

### (a) Statement of Compliance

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

### (b) Basis of Measurement

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

### (c) Functional and Presentation Currency

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

### (d) Use of Estimates and Judgements

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

### A. Judgements

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



KPMG ★ CHARTERED ACCOUNTANTS ★

## 2. BASIS OF PREPARATION (CONTINUED)

### (d) Use of Estimates and Judgements (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 4.2.4)

#### B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31st December 2024 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 does not have changes in material accounting policies in the current annual reporting period.

## 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.



KPMG ★ CHARTERED ACCOUNTANTS ★

## 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:



KPMG
CHARTERED ACCOUNTANTS

## 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.



KPMG
CHARTERED ACCOUNTANTS

## 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.

***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:



KPMG ★ CHARTERED ACCOUNTANTS ★

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 4.2. Financial assets and liabilities (Continued)

#### 4.2.4. Financial assets (Continued)

**(i) Classification (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.

***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 'Profit and Interest 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.



KPMG ★ CHARTERED ACCOUNTANTS ★

## 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.



KPMG ★ CHARTERED ACCOUNTANTS ★

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 4.2. Financial assets and liabilities (Continued)

### 4.2.4. Financial assets (Continued)

**(iii) Impairment (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 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;



KPMG
CHARTERED ACCOUNTANTS

## 4. 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 recognisation; 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.



KPMG ★ CHARTERED ACCOUNTANTS ★

## 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.

#### (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.



KPMG ★ CHARTERED ACCOUNTANTS ★

## 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 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.



KPMG
CHARTERED ACCOUNTANTS

## 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.

### 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. Property, plant and equipment

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

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

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

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

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

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



KPMG CHARTERED ACCOUNTANTS

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 4.5. Impairment of non-financial assets

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

### 4.6. Intangible assets

Intangible assets acquired by the Company are stated at cost less accumulated amortization and impairment losses. The carrying amount of intangible asset is reviewed annually and adjusted for permanent impairment where it is considered necessary. Amortization methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

**Subsequent Expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embedded in the specific asset to which it relates. All other expenditure is recognized in profit or loss when incurred.

**Amortization**

Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of the assets unless such lives are indefinite. The estimated useful lives are as follows:

| | |
|---|---|
| Computer Software | Over 4 years |

### 4.7. Leases

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

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



KPMG
CHARTERED ACCOUNTANTS

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 4.7. Leases (Continued)

**(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.



KPMG ★ CHARTERED ACCOUNTANTS ★

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 4.7. Leases (Continued)

#### (i) As a lessee (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.

### 4.8. 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.

### 4.9. 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.



KPMG ★ CHARTERED ACCOUNTANTS ★

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 4.9. 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.

### 4.10. Customer deposits

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

### 4.11. 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.

### 4.12. Trade and other payables

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

### 4.13. Share Capital

Ordinary shares are classified as equity.

### 4.14. Dividends

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

### 4.15. 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) formerly Ministry of Housing and Infrastructure (MHI). These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Company.



KPMG
CHARTERED ACCOUNTANTS

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 4.16. 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.

### 4.17. 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.



KPMG
CHARTERED ACCOUNTANTS

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 4.18. 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.

### 4.19. 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.

### 4.20. 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 30.2.2

| 31st December 2024 | Amounts expected to be recovered or settled | | |
|---|---|---|---|
| Assets | Within 12 months of the reporting period (MVR) | After 12 months of the reporting period (MVR) | Total (MVR) |
| Cash and cash equivalents | 388,946,473 | - | 388,946,473 |
| Financial assets at amortised cost | 171,985,156 | - | 171,985,156 |
| Loans and advances | 116,682,826 | 1,503,462,758 | 1,603,822,730 |
| Property, plant and equipment | - | 3,435,306 | 3,435,306 |
| Intangible assets | - | 1,513,101 | 1,513,101 |
| Right-of-use assets | - | 2,975,248 | 2,975,248 |
| Deferred tax assets | - | 11,301,829 | 11,301,829 |
| Other assets | - | 6,557,191 | 6,557,191 |
| **Total assets** | **677,614,455** | **1,462,922,579** | **2,140,537,034** |



KPMG ★ CHARTERED ACCOUNTANTS ★

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 4.20. Presentation of statement of financial position in order of liquidity (Continued)

| 31st December 2024 | Amounts expected to be recovered or settled | | |
|---|---|---|---|
| **Liabilities** | **Within 12 months of the reporting period (MVR)** | **After 12 months of the reporting period (MVR)** | **Total (MVR)** |
| Deposits from customers | 11,733,153 | 75,821,978 | 87,555,131 |
| Debt securities in issue | 49,223,385 | 448,918,512 | 498,141,897 |
| Other borrowed funds | 115,637,226 | 234,529,907 | 350,167,133 |
| Other liabilities | - | 310,157,576 | 310,157,576 |
| Lease liabilities | 1,074,043 | 3,762,169 | 4,836,212 |
| Current tax liabilities | 10,799,525 | - | 10,799,525 |
| **Total liabilities** | **188,467,332** | **1,073,190,142** | **1,261,657,474** |

**After 12 months of the reporting period**

| 31st December 2023 | Amounts expected to be recovered or settled | | |
|---|---|---|---|
| **Assets** | **Within 12 months of the reporting period (MVR)** | **After 12 months of the reporting period (MVR)** | **Total (MVR)** |
| 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** |

| **Liabilities** | | | |
|---|---|---|---|
| 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** |



KPMG
CHARTERED ACCOUNTANTS

## 5. ACCOUNTING STANDARDS EFFECTIVE BUT NOT YET EFFECTIVE

A number of amendments to International Accounting Standards are effective for annual period beginning after 01st January 2024 and earlier adoption is permitted; however, the Company has not adopted or early adopted following amended standards in preparing these financial statements.

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

- Classification and measurement of financial instruments (Amendments to IFRS 9 and IFRS 7).
- Lack of Exchangeability (Amendments to IAS 21).
- Presentation and Disclosure in Financial Statements (IFRS 18).
- Sustainability disclosure (IFRS S1 and S2).



KPMG
CHARTERED ACCOUNTANTS

## 6 NET INTEREST INCOME

| | 2024 MVR | 2023 MVR |
|---|---|---|
| Interest income **(Note 6.1)** | 136,633,636 | 144,110,421 |
| Less: interest expense **(Note 6.3)** | (36,401,592) | (45,355,915) |
| **Net interest income** | 100,232,044 | 98,754,506 |

### 6.1 Interest income calculated using effective interest rate method

| | | |
|---|---|---|
| Loans and advances **(Note 6.2)** | 123,446,380 | 129,262,239 |
| Investments in treasury bills | 13,187,256 | 14,848,182 |
| | 136,633,636 | 144,110,421 |

### 6.2 Interest income from loans and advances

| | | |
|---|---|---|
| Housing loans and advances | 123,115,847 | 128,925,072 |
| Staff loans | 330,533 | 337,167 |
| | 123,446,380 | 129,262,239 |

### 6.3 Interest expenses

| | | |
|---|---|---|
| Other borrowed funds | 26,713,582 | 34,428,759 |
| Debt securities in issue | 8,338,092 | 9,431,518 |
| Deposits from customers | 861,857 | 894,501 |
| Interest on lease liabilities **(Note 27)** | 488,061 | 601,137 |
| | 36,401,592 | 45,355,915 |

## 7 NET INCOME ON SHARI'AH PRODUCTS

| | 2024 MVR | 2023 MVR |
|---|---|---|
| Revenue from housing facilities | 72,603,260 | 65,375,917 |
| Revenue from short term investments | 2,815,205 | 5,288,782 |
| Profit on islamic treasury bill | 3,256,272 | - |
| Fee income | 3,087,036 | 2,423,376 |
| Amna investors' profit share | (35,244,898) | (38,335,929) |
| | 46,516,875 | 34,752,146 |

## 8 FEE INCOME

| | 2024 MVR | 2023 MVR |
|---|---|---|
| Housing loan processing fees | 318,644 | 530,439 |
| Other fee income | 157,885 | 201,212 |
| Management fees | 3,648,086 | 3,434,239 |
| | 4,124,615 | 4,165,890 |

## 9 OTHER INCOME

| | 2024 MVR | 2023 MVR |
|---|---|---|
| Penalty interest | 1,750,318 | 1,797,415 |
| Insurance commissions | 219,078 | 156,469 |
| | 1,969,396 | 1,953,884 |

KPMG ★ CHARTERED ACCOUNTANTS ★

## 10 SALARIES AND PERSONNEL EXPENSES

| | 2024 MVR | 2023 MVR |
|---|---|---|
| Salaries and allowances | 11,726,698 | 10,456,086 |
| Contribution to employees pension fund | 510,422 | 244,440 |
| Employee benefit expense amortization | 144,910 | 144,708 |
| Ramadan allowances and bonus | 797,162 | 881,961 |
| Staff medical insurance | 242,822 | 177,042 |
| | 13,422,014 | 11,904,237 |

## 11 ALLOWANCE FOR IMPAIRMENT LOSS ON LOANS AND ADVANCES

| | 2024 MVR | 2023 MVR |
|---|---|---|
| Allowance recognised during the year **(Note 17.2)** | 13,186,794 | 11,340,010 |

## 12 MODIFICATION LOSS ON LOANS AND ADVANCES

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

| | 2024 MVR | 2023 MVR |
|---|---|---|
| Reversal of Modification loss recognized during the year **(Note 12.1)** | 1,264,703 | 3,662,007 |
| Recognition of the modification loss on the loans and advances **(Note 12.2)** | - | (5,871,331) |
| | 1,264,703 | (2,209,324) |

**12.1** During the year ended 31st December 2024, the Company has recognized a modification reversal of MVR 1,264,703/- on loans and advances after remeasurement of amortized cost based on expected future cash flows from moratorium interest receivables as at 31st December 2024. (2023 : MVR 3,662,007/-)

**12.2** 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

| | 2024 MVR | 2023 MVR |
|---|---|---|
| Depreciation on right-of-use asset **(Note 20)** | 789,325 | 1,047,174 |
| Professional fees | 1,086,134 | 1,081,928 |
| Listing expenses | 620,251 | 686,373 |
| Amna expenses | 609,337 | 1,532,722 |
| Other expenses | 1,183,608 | 953,962 |
| IPO expenses | 429,006 | 115,650 |
| Depreciation on property, plant and equipment **(Note 19)** | 736,360 | 728,053 |
| Communication expenses | 360,776 | 372,303 |
| Premises, equipment and establishment expenses | 461,750 | 411,396 |
| IT expenses | 1,077,877 | 1,161,104 |
| Board remuneration and meeting expenses | 890,551 | 615,307 |
| Amortization on intangible assets **(Note 21)** | 606,092 | 311,559 |
| Printing and stationary expenses | 113,927 | 195,400 |
| Advertising and marketing expenses | 606,446 | 215,119 |
| Irrecoverable withholding tax | 148 | 23,334 |
| Bank charges | 80,284 | 56,930 |
| Business development expenses | 93,110 | - |
| Loss on disposal of property, plant and equipment | 1,046 | 3,290 |
| | 9,746,028 | 9,511,604 |

KPMG CHARTERED ACCOUNTANTS

**FOR THE YEAR ENDED 31ST DECEMBER 2024**

## 14 TAX EXPENSES

| | 2024 MVR | 2023 MVR |
|---|---|---|
| **Income tax** | | |
| Income tax expense **(Note 14.1)** | 20,617,471 | 17,964,220 |
| **Deferred tax** | | |
| Recognition of temporary differences **(Note 14.4.1)** | (2,335,468) | (1,520,751) |
| | 18,282,003 | 16,443,469 |

### 14.1 Reconciliation between accounting profit and taxable income :

| | 2024 MVR | 2023 MVR |
|---|---|---|
| Profit before tax | 117,752,797 | 104,661,251 |
| Aggregate disallowable items | 101,899,149 | 99,952,388 |
| Aggregate allowable items | (81,702,139) | (84,352,174) |
| Tax free allowance | (500,000) | (500,000) |
| Taxable income for the year | 137,449,807 | 119,761,465 |
| Income tax expense at 15% | 20,617,471 | 17,964,220 |
| Effective income tax rate | 15% | 15% |
| Effective current tax rate **(Note 14.2)** | 15.53% | 15.71% |

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. (2023 : 15%)

### 14.2 Reconciliation of effective income tax rate

| | 2024 % | 2024 MVR | 2023 % | 2023 MVR |
|---|---|---|---|---|
| Profit before income tax | - | 117,752,797 | - | 104,661,251 |
| Income tax for the period | 15% | 17,662,920 | 15% | 15,699,188 |
| Impact from reconciliation of accounting profit to taxable income | 2.51% | 2,954,551 | 2.16% | 2,265,032 |
| Deferred taxation | -1.98% | (2,335,468) | -1.45% | (1,520,751) |
| Total income tax expense **(Note 14)** | **15.53%** | **18,282,003** | **15.71%** | **16,443,469** |

### 14.3 Current tax liabilities

| | 2024 MVR | 2023 MVR |
|---|---|---|
| Balance as at 1st Janauary | 6,524,645 | 8,027,604 |
| Provisions made during the year **(Note 14.1)** | 20,617,471 | 17,964,220 |
| Payments made during the year | (16,342,591) | (19,467,179) |
| Balance as at 31st December | 10,799,525 | 6,524,645 |



KPMG
CHARTERED ACCOUNTANTS

## 14 TAX EXPENSES (CONTINUED)

### 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:

| | 2024 MVR | 2023 MVR |
|---|---|---|
| Balance as at 1st January | 8,966,361 | 7,445,610 |
| **Recognized in profit or loss** | | |
| Deferred tax asset recognized for the year **(Note 14)** | 2,335,468 | 1,520,751 |
| Balance as at 31st December | 11,301,829 | 8,966,361 |

**14.4.2 Movement in deferred tax balances**

| | Property, plant and equipment MVR | Intangible asset MVR | Allowance for impairment on loans and advances MVR | Net deferred tax asset MVR |
|---|---|---|---|---|
| Balance as at 31st December 2023 | 281,482 | (63,320) | 8,748,199 | 8,966,361 |
| Recognized in profit or loss | (164,474) | (30,305) | 2,530,247 | 2,335,468 |
| Balance as at 31st December 2024 | 117,008 | (93,625) | 11,278,446 | 11,301,829 |

## 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.

| | 2024 | 2023 |
|---|---|---|
| Profit attributable to the ordinary shareholders of the Company **(MVR)** | 99,470,794 | 88,217,782 |
| Weighted average number of ordinary shares **(Nos.)** | 15,937,500 | 15,937,500 |
| Basic earning per share **(MVR)** | 6.24 | 5.54 |

## 16 CASH AND CASH EQUIVALENTS

| | 2024 MVR | 2023 MVR |
|---|---|---|
| Cash in hand | 6,500 | 6,500 |
| Balances with other banks | 42,956,980 | 105,146,629 |
| Short term investments **(Note 16.1 and 18.1)** | 100,796,999 | 70,444,110 |
| Investment in treasury bills **(Note 16.2 and 18.1)** | 195,185,994 | 109,434,581 |
| Cash and cash equivalents for the purpose of statement of cash flows | 338,946,473 | 285,031,820 |

**16.1** Short term investments in "General Investments Account" at Maldives Islamic Bank PLC amount to MVR 75,796,999/- (2023 : 70,444,110/-) for a period of 3 months and are entitled for a profit share in the range of 3% to 4% per annum. (2023 : 3% to 4%). Additionally, the Company has invested MVR 25,000,000/- in three months fixed deposit account in Habib Bank Limited which carries annual interest of 3.92% as at 31st December 2024.

**16.2** The Company has invested in both treasury bills and islamic treasury bills in Ministry of Finance amounting to MVR 195,185,994/- (2023 : MVR 109,434,581/-) for a period of 1- 3 months which carry interest/profit rates from 3.5% to 3.87% (2023 : 3.5% to 3.87%)



KPMG ★ CHARTERED ACCOUNTANTS ★

## 17 LOANS AND ADVANCES CARRIED AT AMORTISED COST

| | 2024 MVR | 2023 MVR |
|---|---|---|
| Gross loans and advances **(Note 17.1)** | 1,679,012,371 | 1,658,426,248 |
| Less: impairment loss allowance **(Note 17.2)** | (75,189,641) | (62,851,226) |
| Net loans and advances | 1,603,822,730 | 1,595,575,022 |

### 17.1 Loans and advances - Product wise Analysis

| | 2024 MVR | 2023 MVR |
|---|---|---|
| Conventional housing loans to customers | 1,019,232,665 | 1,081,568,230 |
| Housing loans to staff | 3,550,519 | 3,674,282 |
| Diminishing Musharakah | 393,689,520 | 266,332,189 |
| Murabaha | 223,170 | 289,246 |
| Istisna' | 262,316,497 | 306,562,301 |
| | 1,679,012,371 | 1,658,426,248 |
| Less: Impairment loss allowance **(Note 17.2)** | (75,189,641) | (62,851,226) |
| Net loans and advances | 1,603,822,730 | 1,595,575,022 |

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

### 17.2 Movement of allowance for impairment loss on loans and advances

| | 2024 MVR | 2023 MVR |
|---|---|---|
| Balance as at 1st January | 62,851,226 | 53,381,868 |
| Allowance recognized during the year **(Note 11)** | 13,186,794 | 11,340,010 |
| Allowance recognized for unrecognized interest income on non-performing loans and advances | (120,421) | 212,524 |
| Write-off specific allowance during the year | (727,958) | (2,083,176) |
| Balance as at 31st December | 75,189,641 | 62,851,226 |

## 18 INVESTMENT SECURITIES MEASURED AT AMORTISED COST

| | 2024 MVR | 2023 MVR |
|---|---|---|
| Investments in treasury bills **(Note 18.2)** | 171,985,156 | 209,884,896 |
| Short term investments **(Note 18.3)** | - | 100,792,067 |
| | 171,985,156 | 310,676,963 |

### 18.1 Movement during the year

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Investment in treasury bills MVR | Short term investments MVR | Total MVR | Investment in treasury bills MVR | Short term investments MVR | Total MVR |
| Balance as at 01st January | 319,319,477 | 171,236,177 | 490,555,654 | 565,158,935 | 185,453,764 | 750,612,699 |
| Investment made during the year | 1,288,516,841 | 265,000,000 | 1,553,516,841 | 591,136,589 | 675,000,000 | 1,266,136,589 |
| Interest / profit income for the year | 16,443,529 | 2,815,205 | 19,258,734 | 14,927,495 | 4,514,359 | 19,441,854 |
| Interest / profit received during the year | (17,734,853) | (3,254,383) | (20,989,236) | (17,310,008) | (3,731,946) | (21,041,954) |
| Investment matured during the year | (1,239,373,843) | (335,000,000) | (1,574,373,843) | (834,593,534) | (690,000,000) | (1,524,593,534) |
| Balance as at 31st December | 367,171,151 | 100,796,999 | 467,968,150 | 319,319,477 | 171,236,177 | 490,555,654 |

**18.2** The Company has invested in both treasury bills and islamic treasury bills in Ministry of Finance amounting to MVR 171,985,156/- (2023 : MVR 209,884,896/-) for 6 months to 12 months which carry interest/profit rates from 4.23% to 4.6%. (2023 : 4.23% to 4.6%).

**18.3** As per the Company's policy, short-term investments with a maturity of 90 days or less are classified as cash and cash equivalents, while investments with a maturity of more than 90 days are classified as securities measured at amortized cost. As of the 31st December 2024, the Company holds no short-term investments with maturities exceeding 90 days (2023: MVR 100,792,067/-).

KPMG CHARTERED ACCOUNTANTS

**AS AT 31ST DECEMBER 2024**

## 19 PROPERTY, PLANT AND EQUIPMENT

| | Office equipment MVR | Computer equipment MVR | Vehicles MVR | Furniture and fixtures MVR | Leasehold improvements MVR | Work in progress MVR | Total 2024 MVR |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Balance as at 01st January | 1,210,113 | 5,158,216 | 66,250 | 998,298 | 871,653 | - | 8,304,530 |
| Additions during the year | 98,488 | 418,009 | - | 113,688 | - | 949,872 | 1,580,057 |
| Disposals during the year | (83,978) | - | - | (126,613) | - | - | (210,591) |
| Balance as at 31st December | 1,224,623 | 5,576,225 | 66,250 | 985,373 | 871,653 | 949,872 | 9,673,996 |
| **Accumulated depreciation** | | | | | | | |
| Balance as at 01st January | (819,906) | (3,108,478) | (66,250) | (914,270) | (801,375) | - | (5,710,279) |
| Charge for the year | (88,834) | (589,425) | - | (46,388) | (11,713) | - | (736,360) |
| Disposals during the year | 112,579 | - | - | 95,370 | - | - | 207,949 |
| Balance as at 31st December | (796,161) | (3,697,903) | (66,250) | (865,288) | (813,088) | - | (6,238,690) |
| **Net carrying value** | | | | | | | |
| Balance as at 31st December | 428,462 | 1,878,322 | - | 120,085 | 58,565 | 949,872 | 3,435,306 |

**19.1** During the year ended 31st December 2024, property, plant and equipment with a cost of MVR 6,221,010/- have been fully depreciated and continue to be in use by the Company.

**19.2** Capital work in progress represents the costs incurred for the renovation and structural modifications of the office premises.

**FOR THE YEAR ENDED 31ST DECEMBER 2024**

## 19 PROPERTY, PLANT AND EQUIPMENT

| | Office equipment MVR | Computer equipment MVR | Vehicles MVR | Furniture and fixtures MVR | Leasehold improvements MVR | Total 2023 MVR |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance as at 01st January | 1,136,207 | 5,195,963 | 66,250 | 973,817 | 871,653 | 8,243,890 |
| Additions during the year | 155,567 | 267,220 | - | 24,481 | - | 447,268 |
| Disposals during the year | (81,661) | (304,967) | - | - | - | (386,628) |
| Balance as at 31st December | 1,210,113 | 5,158,216 | 66,250 | 998,298 | 871,653 | 8,304,530 |
| **Accumulated depreciation** | | | | | | |
| Balance as at 01st January | (817,413) | (2,828,292) | (66,250) | (858,640) | (789,662) | (5,360,257) |
| Charge for the year | (84,154) | (576,556) | - | (55,630) | (11,713) | (728,053) |
| Disposal during the year | 81,661 | 296,370 | - | - | - | 378,031 |
| Balance as at 31st December | (819,906) | (3,108,478) | (66,250) | (914,270) | (801,375) | (5,710,279) |
| **Net carrying value** | | | | | | |
| Balance as at 31st December | 390,207 | 2,049,738 | - | 84,028 | 70,278 | 2,594,251 |

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

## 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)**.

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | **Building** | **Total** | **Building** | **Total** |
| | **MVR** | **MVR** | **MVR** | **MVR** |
| **Cost** | | | | |
| Balance as at 01st January | 9,452,650 | 9,452,650 | 10,666,204 | 10,666,204 |
| Modification during the year **(Note 27.2)** | (511,782) | (511,782) | (1,213,554) | (1,213,554) |
| Balance as at 31st December | 8,940,868 | 8,940,868 | 9,452,650 | 9,452,650 |
| **Accumulated depreciation** | | | | |
| Balance as at 01st January | 5,176,295 | 5,176,295 | 4,129,121 | 4,129,121 |
| Charge for the year | 789,325 | 789,325 | 1,047,174 | 1,047,174 |
| Balance as at 31st December | 5,965,620 | 5,965,620 | 5,176,295 | 5,176,295 |
| **Net carrying value** | 2,975,248 | 2,975,248 | 4,276,355 | 4,276,355 |

## 21 INTANGIBLE ASSETS

| | 2024 | | 2023 | | |
|---|---|---|---|---|---|
| | **Computer Software** | **Total** | **Computer software under development** | **Computer software** | **Total** |
| | **MVR** | **MVR** | **MVR** | **MVR** | **MVR** |
| **Cost** | | | | | |
| Balance as at 01st January | 4,135,911 | 4,135,911 | 1,927,500 | 1,711,544 | 3,639,044 |
| Additions during the year | - | - | 496,867 | - | 496,867 |
| Transferred during the year | - | - | (2,424,367) | 2,424,367 | - |
| Balance as at 31st December | 4,135,911 | 4,135,911 | - | 4,135,911 | 4,135,911 |
| **Accumulated amortization** | | | | | |
| Balance as at 01st January | 2,016,718 | 2,016,718 | - | 1,705,159 | 1,705,159 |
| Amortisation for the year | 606,092 | 606,092 | - | 311,559 | 311,559 |
| Balance as at 31st December | 2,622,810 | 2,622,810 | - | 2,016,718 | 2,016,718 |
| **Net carrying value** | 1,513,101 | 1,513,101 | - | 2,119,193 | 2,119,193 |

**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 was developed in 2023. 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

| | **2024** | **2023** |
|---|---|---|
| | **MVR** | **MVR** |
| Pre-payments | 4,034,488 | 4,158,470 |
| Staff loans | 1,834,512 | 1,412,832 |
| Accounts receivable | 688,191 | 495,860 |
| | 6,557,191 | 6,067,162 |

## 23 DEPOSITS FROM CUSTOMERS

| | **2024** | **2023** |
|---|---|---|
| | **MVR** | **MVR** |
| Equated monthly installment deposits | 79,218,454 | 78,134,524 |
| Borrowers deposits | 8,336,677 | 3,699,942 |
| | 87,555,131 | 81,834,466 |

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. (2023: 1% & 2.5%)

**FOR THE YEAR ENDED 31ST DECEMBER 2024**

## 24 DEBT SECURITIES IN ISSUE

| | 2024 MVR | 2023 MVR |
|---|---|---|
| Listed corporate bonds **(Note 24.1)** | 110,137,189 | 124,510,246 |
| Listed sukuk **(Note 24.2)** | 388,004,708 | 411,574,371 |
| | 498,141,897 | 536,084,617 |
| **Maturity analysis of debt securities in issue** | | |
| Payable within one year | 49,222,889 | 22,319,307 |
| Payable after one year | 448,919,008 | 513,765,310 |
| | 498,141,897 | 536,084,617 |

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Listed bonds MVR | Listed sukuk MVR | Total MVR | Listed bonds MVR | Listed sukuk MVR | Total MVR |
| Balance as at 01st January | 124,510,246 | 411,574,371 | 536,084,617 | 152,689,876 | 411,583,905 | 564,273,781 |
| Interest / profit during the year | 8,338,092 | 30,921,935 | 39,260,027 | 9,431,518 | 32,478,439 | 41,909,957 |
| Interest / profit paid during the year | (6,579,803) | (31,925,598) | (38,505,401) | (12,552,364) | (32,487,973) | (45,040,337) |
| Capital Repayments | (16,131,346) | (22,566,000) | (38,697,346) | (25,058,784) | - | (25,058,784) |
| Balance as at 31st December | 110,137,189 | 388,004,708 | 498,141,897 | 124,510,246 | 411,574,371 | 536,084,617 |

### 24.1 Listed 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 2024 equals to MVR 46,813,224/-.

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 2024 equals to MVR 35,016,086/-.

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.

### 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. The sukuk was matured and fully redeemed on 27th January 2024.

**(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.



KPMG ★ CHARTERED ACCOUNTANTS ★

## 25 OTHER BORROWED FUNDS

| | 2024 MVR | 2023 MVR |
|---|---|---|
| Balance as at 01st January | 446,628,834 | 594,024,042 |
| Borrowings during the year | 749,618 | 343,582 |
| Interest / profit charged during the year | 31,104,498 | 40,135,466 |
| Interest / profit paid during the year | (34,705,047) | (35,900,571) |
| Capital repayments during the year | (93,610,770) | (151,973,685) |
| Balance as at 31st December | 350,167,133 | 446,628,834 |

### 25.1 Sources of finance

| | 2024 MVR | 2023 MVR |
|---|---|---|
| Bank of Ceylon Male' Branch **(Note 25.2)** | 91,933,878 | 140,057,856 |
| Bank of Maldives PLC **(Note 25.3)** | 166,170,235 | 190,842,732 |
| Habib Bank Limited **(Note 25.4)** | - | 2,235,623 |
| Wakala facilities **(Note 25.5)** | 66,200,000 | 66,677,037 |
| Pension benefit scheme fund **(Note 25.6)** | 4,857,014 | 4,305,586 |
| State Bank of India Limited **(Note 25.7)** | 21,006,006 | 42,510,000 |
| | 350,167,133 | 446,628,834 |

**Maturity analysis of other borrowed funds**

| | 2024 MVR | 2023 MVR |
|---|---|---|
| Payable within one year | 97,789,593 | 90,143,011 |
| Payable after one year | 252,377,540 | 356,485,823 |
| | 350,167,133 | 446,628,834 |

### 25.2 Bank of Ceylon - Male' Branch

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.

KPMG ★ CHARTERED ACCOUNTANTS ★

## 25 OTHER BORROWED FUNDS (CONTINUED)

### 25.3 Term loans from Bank of Maldives PLC (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 4th 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. The loan was fully paid on 30th June 2024.

### 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.



KPMG CHARTERED ACCOUNTANTS

## 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

| | 2024<br>MVR | 2023<br>MVR |
|---|---|---|
| Ministry of Housing and Infrastructure - GED Islamic fund **(Note 26.1)** | 3,822,970 | 2,542,607 |
| Ministry of Housing and Infrastructure - MHI Islamic fund **(Note 26.2)** | 31,269,764 | 22,543,424 |
| Ministry of Housing and Infrastructure - MHUD Conventional fund **(Note 26.3)** | 9,211,300 | 6,092,837 |
| Ministry of Housing and Infrastructure 704 - Conventional fund **(Note 26.4)** | 95,474,146 | 58,841,253 |
| Ministry of Housing and Infrastructure CMEC - Housing funds **(Note 26.5)** | 11,137,754 | 26,716,775 |
| Ministry of Housing and Infrastructure GED Con - Housing funds **(Note 26.6)** | 67,580,491 | 115,348,199 |
| Social scheme fine receivables | - | 90,975 |
| Insurance premium payable | 6,691,711 | 5,055,555 |
| Amounts received from customers in advance | 15,294,698 | 14,267,604 |
| Accruals and other liabilities | 4,701,701 | 5,502,214 |
| Employees pension contribution | 83,512 | 66,325 |
| Dividends payable | 64,889,529 | 27,348,724 |
| | 310,157,576 | 284,416,492 |

### 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.



KPMG ★ CHARTERED ACCOUNTANTS ★

## 27 LEASE LIABILITES

| | 2024 MVR | 2023 MVR |
|---|---|---|
| Balance as at 01st January | 6,299,932 | 8,352,349 |
| Interest expense for the year **(Note 6.3)** | 488,061 | 601,137 |
| Modification during the year **(Note 27.2)** | (511,782) | (1,213,554) |
| Principal repayment during the year | (951,938) | (838,863) |
| Interest repayment during the year | (488,061) | (601,137) |
| Balance as at 31st December | 4,836,212 | 6,299,932 |

### 27.1 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.

### 27.2 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.

### 27.3 Maturity analysis

| | 2024 | 2023 |
|---|---|---|
| **Current liability** | | |
| Lease liabilities | 1,074,043 | 965,737 |
| **Non current liability** | | |
| Lease Liabilities | 3,762,169 | 5,334,195 |
| *Amounts recognized in Statement of Comprehensive Income* | | |
| - Depreciation on right of used assets | 789,325 | 1,047,174 |
| - Interest on lease liabilities | 488,061 | 601,137 |
| *Amounts recognized in Statement of Cash Flows* | 1,439,999 | 1,440,000 |

### 27.4 Analysis of undiscounted cash flows and interest

| | Future minimum lease payments | | Interest | |
|---|---|---|---|---|
| | 2024 MVR | 2023 MVR | 2024 MVR | 2023 MVR |
| Less than one year | 1,440,000 | 1,461,000 | 365,957 | 495,263 |
| Between one and five years | 3,811,000 | 5,824,000 | 513,921 | 927,570 |
| More than five year | - | 455,000 | - | 17,235 |
| | 5,251,000 | 7,740,000 | 879,878 | 1,440,068 |

## 28 SHARE CAPITAL

### 28.1 Authorized

The authorized share capital comprises of 32,125,000 ordinary shares of MVR. 10/- each (2023 : 32,125,000 ordinary shares of MVR. 10/- each). During the year ended 31st December 2023 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 which 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 2024. (2023 : 15,937,500 of MVR 10/-).

### 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.

A final dividend from the profits earned during the year ended 31st December 2023 of MVR 35,062,500/- was declared on 26th May 2024 and an interim dividend of MVR 39,046,875 was declared on 15th December 2024 from the profits of the year ended 31st December 2024

### 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.

KPMG ★ CHARTERED ACCOUNTANTS ★

## 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) which is MVR 50,000,000/- as the minimume capital reserve. 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 housing 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 period then ended on 31st December 2024 is set out below:

| As at 31st December 2024 | Conventional MVR '000 | Islamic MVR '000 | Unallocated MVR '000 | Total MVR '000 |
|---|---|---|---|---|
| Loans and advances | 981,684 | 622,139 | - | 1,603,823 |
| Cash and cash equivalents | 178,946 | 160,000 | - | 338,946 |
| Non-current assets | - | - | 4,948 | 4,948 |
| Financial assets at amortised cost | 131,985 | 40,000 | - | 171,985 |
| Right-of-use assets | - | - | 2,975 | 2,975 |
| Other assets | - | - | 17,859 | 17,859 |
| Total assets | 1,292,614 | 822,139 | 25,782 | 2,140,537 |

## 29 SEGMENT ANALYSIS (CONTINUED)

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

| **As at 31st December 2024** | **Conventional MVR 000** | **Islamic MVR 000** | **Unallocated MVR 000** | **Total MVR 000** |
|---|---|---|---|---|
| Deposits from customers | 53,961 | 33,594 | - | 87,555 |
| Debt securities in issue | 110,137 | 388,006 | - | 498,141 |
| Other borrowed funds | 283,967 | 66,200 | - | 350,167 |
| Other liabilities | 183,404 | 35,093 | 91,662 | 310,158 |
| Lease liabilities | - | - | 4,836 | 4,836 |
| Current tax liabilities | - | - | 10,800 | 10,800 |
| Total liabilities | 631,469 | 522,893 | 107,298 | 1,261,657 |
| Capital expenditure | - | - | 1,580 | 1,580 |

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

| **For the year ended 31st December 2024** | **Conventional MVR 000** | **Islamic MVR 000** | **Unallocated MVR 000** | **Total MVR 000** |
|---|---|---|---|---|
| External revenues: | | | | |
| - Interest / profit share | 136,634 | 75,418 | - | 212,052 |
| - Fee and commission income | 4,125 | 3,087 | - | 7,212 |
| - Other operating income | 1,969 | - | - | 1,969 |
| Total revenues | 142,728 | 78,506 | - | 221,233 |
| Interest expense / profit share | (36,402) | (35,245) | - | (71,647) |
| Reversal of allowance for impairment loss on loans and advances | (20,514) | 7,327 | - | (13,187) |
| Reversal of modification loss on loans and advances | - | 1,265 | - | 1,265 |
| Depreciation and amortization | - | - | (1,342) | (1,342) |
| Administrative and other operating expenses | (166) | (1,537) | (20,125) | (21,828) |
| Income tax expense | - | - | (18,282) | (18,282) |
| Profit for the year | 85,646 | 50,316 | (39,749) | 96,212 |

Segment information for the reportable segments for the year and 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 held-to-maturity | 310,677 | - | - | 310,677 |
| Right-of-use assets | - | - | 4,276 | 4,276 |
| Other assets | - | - | 15,034 | 15,034 |
| Total assets | 1,521,110 | 670,174 | 24,023 | 2,215,307 |

KPMG ★ CHARTERED ACCOUNTANTS ★

**FOR THE YEAR ENDED 31ST DECEMBER 2024**

## 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 | Unallocated 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

| For the year ended 31st December 2023 | Conventional MVR 000 | Islamic MVR 000 | Unallocated 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) |
| Recognition 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 | - | - | (16,443) | (16,443) |
| Profit for the year | 89,610 | 16,091 | (17,483) | 88,218 |

## 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.



KPMG CHARTERED ACCOUNTANTS

## 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.



KPMG ★ CHARTERED ACCOUNTANTS ★

## 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)<br><br>12 months expected credit losses | (Significant increase in credit risk since the initial recognition)<br><br>Lifetime expected credit losses | (credit impaired assets)<br><br>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 90 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.

#### 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 Expected credit loss measurement (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 2024.

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 68% haircut to the market value of the collateral to estimate force sale values. 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.



KPMG
CHARTERED ACCOUNTANTS

## 30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 30.1 Credit risk (Continued)

### 30.1.2 Expected credit loss measurement (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.

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 2024 are set out below.

| | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|
| GDP growth rate | 4.70% | 4.78% | 4.54% | 4.53% | 4.49% |
| Inflation | 4.49% | 2.15% | 2.00% | 2.00% | 2.00% |
| Unemployment rate | 3.80% | 4.50% | 4.20% | 4.20% | 4.20% |

Source : *https://www.imf.org/en/Publications/WEO/weo-database/2024/April/download-entire-database*

The weightage assigned for each economic scenario at 31st December 2024 as follows:

| | Best | Base | Worst |
|---|---|---|---|
| All portfolios | 11% | 68% | 21% |

Set out below are changes to ECL as at 31st December 2024 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 | 75,304,309 | 75,189,641 | 75,074,885 |
| Inflation | 75,186,054 | 75,189,641 | 75,374,269 |
| Unemployment | 74,091,651 | 75,189,641 | 76,842,428 |

### 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.



KPMG ★ CHARTERED ACCOUNTANTS ★

**FOR THE YEAR ENDED 31ST DECEMBER 2024**

## 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<br>12-month ECL<br>MVR | Stage 2<br>Life time ECL<br>MVR | Stage 3<br>Life time ECL<br>MVR | Total<br>MVR |
|---|---|---|---|---|
| **Loss allowance as at 1st January 2024** | 2,272,341 | 16,702,709 | 43,876,176 | 62,851,226 |
| Transfer from stage 1 to stage 2 | (71,687) | 3,501,332 | - | 3,429,645 |
| Transfer from stage 1 to stage 3 | (25,849) | - | 1,498,565 | 1,472,716 |
| Transfer from stage 2 to stage 1 | 1,523,470 | (10,779,416) | - | (9,255,946) |
| Transfer from stage 2 to stage 3 | - | (4,270,318) | 11,670,932 | 7,400,614 |
| Transfer from stage 3 to stage 1 | 713,550 | - | (8,500,725) | (7,787,175) |
| Transfer from stage 3 to stage 2 | - | 7,108 | (64,329) | (57,221) |
| New financial assets originated | 1,099,885 | 2,535,157 | 811,820 | 4,446,862 |
| Transfer from stage 3 to stage 2 | | | | - |
| Financial assets settled during the year | (35,901) | (338,387) | - | (374,288) |
| Unrecognized interest on stage 3 assets | - | - | (120,422) | (120,422) |
| Write off | - | - | (727,958) | (727,958) |
| Other movements | 8,694,802 | 4,754,976 | 461,810 | 13,911,588 |
| **Loss allowance as at 31st December 2024** | 14,170,611 | 12,113,161 | 48,905,869 | 75,189,641 |

## 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 allowance by MVR 1,625,541/-. The provision was further increased by the increase in the PD rates of stage 3 loans.

The following table further explains changes in the gross carrying amount of the mortgage portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

| **Loans and advances** | **Stage 1** | **Stage 2** | **Stage 3** | |
|---|---|---|---|---|
| | **12-month ECL** | **Life time ECL** | **Life time ECL** | **Total** |
| | **MVR** | **MVR** | **MVR** | **MVR** |
| **Gross carrying amount as at 1st January 2024** | 1,401,788,188 | 166,045,533 | 90,592,527 | 1,658,426,248 |
| *Transfers:* | | | | |
| Transfer from Stage 1 to stage 2 | (38,120,648) | 36,499,232 | - | (1,621,416) |
| Transfer from Stage 1 to stage 3 | (20,302,463) | - | 20,958,751 | 656,288 |
| Transfer from Stage 2 to stage 1 | 109,018,001 | (114,701,468) | - | (5,683,467) |
| Transfer from Stage 2 to stage 3 | - | (28,287,155) | 29,256,408 | 969,253 |
| Transfer from Stage 3 to stage 1 | 27,099,972 | - | (27,881,856) | (781,884) |
| Transfer from Stage 3 to stage 2 | - | 79,806 | (122,021) | (42,215) |
| New financial assets originated | 137,567,497 | 5,796,811 | 1,391,754 | 144,756,062 |
| Financial assets settled during the year | (70,114,219) | (5,011,639) | - | (75,125,858) |
| Write off | - | - | (727,958) | (727,958) |
| Other movements | (41,662,035) | (2,866,168) | 2,715,521 | (41,812,682) |
| **Gross carrying amount as at 31st December 2024** | 1,505,274,293 | 57,554,952 | 116,183,126 | 1,679,012,371 |

**FOR THE YEAR ENDED 31ST DECEMBER 2024**

**30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**30.1 Credit risk (Continued)**

**30.1.3 Loss allowance (Continued)**

| Loss allowance | Stage 1 12-month ECL MVR | Stage 2 Life time ECL MVR | Stage 3 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) |
| Unrecognised interest on stage 3 assets | - | - | 212,524 | 212,524 |
| Write off | - | - | (2,083,176) | (2,083,176) |
| Other movements | (695,315) | (2,882,910) | 6,881,936 | 3,303,711 |
| **Loss allowance at 31st December 2023** | 2,272,341 | 16,702,709 | 43,876,175 | 62,851,226 |

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:



KPMG ★ CHARTERED ACCOUNTANTS ★

## 30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 30.1 Credit risk (Continued)

### 30.1.3 Loss allowance (Continued)

| 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 1 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) |
| Write off | - | - | (2,083,176) | (2,083,176) |
| Other movements | (62,076,232) | (20,798,001) | 18,991,874 | (63,882,359) |
| **Gross carrying amount as at 31st December 2023** | 1,401,788,188 | 166,045,533 | 90,592,527 | 1,658,426,248 |

### 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.



KPMG CHARTERED ACCOUNTANTS

## 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.



KPMG CHARTERED ACCOUNTANTS

**FOR THE YEAR ENDED 31ST DECEMBER 2024**

## 30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 30.1 Credit risk (Continued)

### 30.1.6 Risk limit control and mitigation policies (Continued)

**(a) Collateral (Continued)**

**Collateral information**

| As at 31st December 2024 | Customer loans MVR | Staff loans MVR | Amna assets MVR | Total MVR |
|---|---|---|---|---|
| Loans collaterised by: | | | | |
| - house property | 1,019,232,665 | 3,550,519 | 656,229,187 | 1,679,012,371 |
| Total loans and advances | 1,019,232,665 | 3,550,519 | 656,229,187 | 1,679,012,371 |

| 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 |

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 2024 | 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 | 28% | 1,019,232,665 | 3,666,790,797 | - | - |
| Staff loans | 23% | 3,550,519 | 15,292,322 | - | - |
| Amna assets | 38% | 656,229,187 | 1,736,703,134 | - | - |
| **Total loans and advances** | | 1,679,012,371 | 5,418,786,253 | - | - |

| 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 | 29% | 1,081,568,230 | 3,703,073,537 | - | - |
| Staff loans | 18% | 3,674,282 | 20,585,489 | - | - |
| Amna assets | 39% | 573,183,736 | 1,459,686,225 | - | - |
| **Total loans and advances** | | 1,658,426,248 | 5,183,345,251 | - | - |

**(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.



KPMG ★ CHARTERED ACCOUNTANTS ★

## 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 2024 and 31st December 2023, 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.

• 93.69% of the loans and advances portfolio are considered to be neither past due nor impaired (31st December 2023 : 94.32%);

### 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.

| | 2024<br>MVR | 2023<br>MVR |
|---|---|---|
| Residential - Conventional | 1,022,783,184 | 1,083,479,180 |
| Residential - Islamic | 656,229,187 | 573,183,736 |
| Commercial | - | 1,763,332 |
| Total | 1,679,012,371 | 1,658,426,248 |

### 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 29th August 2024 for the Maldives was CC (Positive) 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).



KPMG
CHARTERED ACCOUNTANTS

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

| | 2024 US$ | 2023 US$ |
|---|---|---|
| **Assets** | | |
| Cash and balances with other banks | 19,348 | 14,819 |
| Total assets | 19,348 | 14,819 |
| **Liabilities** | | |
| Borrowings | - | - |
| Total liabilities | - | - |
| Net on-balance sheet financial position | 19,348 | 14,819 |
| Net | 19,348 | 14,819 |

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 2024 | | As at 31st December 2023 | |
|---|---|---|---|---|
| | Impact on profit US$ | Impact on US$ | Impact on US$ | Impact on US$ |
| US Dollar strengthening by 10% | 195 | - | 150 | - |
| US Dollar weakening by 10% | (192) | - | (147) | - |

### 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.



KPMG
CHARTERED ACCOUNTANTS

**FOR THE YEAR ENDED 31ST DECEMBER 2024**

## 30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 30.2 Market risk (Continued)

### 30.2.2 Interest rate risk (Continued)

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 2024 | 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 cash equivalents | 42,963 | 295,983 | - | - | - | - | 338,946 |
| Financial assets at amortised cost | - | - | 171,985 | - | - | - | 171,985 |
| Loans and advances | 9,323 | 18,924 | 88,435 | 453,284 | 1,033,857 | - | 1,603,823 |
| Other financial assets | - | - | - | - | - | 1,835 | 1,835 |
| **Total financial assets** | 52,286 | 314,907 | 260,420 | 453,284 | 1,033,857 | 1,835 | 2,116,590 |
| **Fiancial liabilities** | | | | | | | |
| Deposits from customers | 935 | 1,868 | 8,930 | 20,835 | 54,987 | - | 87,555 |
| Debt securities in issue | 6,943 | 10,000 | 32,280 | 280,516 | 168,403 | - | 498,142 |
| Other borrowed funds | 2,240 | 22,410 | 90,987 | 189,507 | 45,023 | - | 350,167 |
| Other financial liabilities | - | - | - | - | - | 225,188 | 225,188 |
| Lease liabilities | 93 | 283 | 886 | 3,574 | - | - | 4,836 |
| **Total financial liabilities** | 10,211 | 34,561 | 133,083 | 494,432 | 268,413 | 225,188 | 1,165,888 |
| **Total interest repricing gap** | 42,075 | 280,346 | 127,337 | (41,148) | 765,444 | (223,353) | 950,702 |

## 30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 30.2 Market risk (Continued)

### 30.2.2 Interest rate risk (Continued)

| 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** | 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 |

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 2024 | | As at 31st December 2023 | |
|---|---|---|---|---|
| | 1% increase MVR '000 | 1% decrease MVR '000 | 1% increase MVR '000 | 1% decrease MVR '000 |
| Average for the year | 10,023 | (10,023) | 8,471 | (8,471) |

### 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 cashflows 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 cashflow;
- 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 2024 | 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 | 958 | 1,913 | 9,151 | 22,617 | 61,879 | 96,518 | 87,555 |
| Debt securities in issue | 5,727 | 3,588 | 49,926 | 318,590 | 357,163 | 734,994 | 498,142 |
| Other borrowed funds | 4,481 | 23,957 | 103,367 | 333,134 | 43,013 | 507,952 | 350,167 |
| Other financial liabilities | - | - | 226,644 | - | - | 225,188 | 225,188 |
| Lease liabilities | 131 | 392 | 1,175 | 4,583 | 223 | 6,504 | 4,836 |
| | 11,297 | 29,850 | 390,263 | 678,924 | 462,278 | 1,571,156 | 1,165,888 |
| **Financial assets** | | | | | | | |
| Cash and cash equivalent | 118,157 | 220,789 | - | - | - | 338,946 | 338,946 |
| Financial assets at amortised cost | - | - | 171,985 | - | - | 171,985 | 171,985 |
| Loans and advances | 24,430 | 48,871 | 218,388 | 998,196 | 1,628,705 | 2,918,590 | 1,603,823 |
| Other financial assets | - | - | 1,835 | - | - | 1,835 | 1,835 |
| | 142,587 | 269,660 | 392,208 | 998,196 | 1,628,705 | 3,431,357 | 2,116,590 |
| **Net gap** | 131,290 | 239,810 | 1,945 | 319,272 | 1,166,427 | 1,860,201 | 950,702 |

**FOR THE YEAR ENDED 31ST DECEMBER 2024**

## 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 2023 | 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 | 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 | 521,199 | 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 | 1,422,505 | 1,308,079 |
| **Financial assets** | | | | | | | |
| Cash and cash equivalents | 105,153 | 179,879 | - | - | - | 285,032 | 285,032 |
| Financial assets at amortized 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 |

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.

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 2024 and 31st December 2023. the Company complied with all of the externally imposed capital requirements to which they are subjected.

| | 2024<br>MVR | 2023<br>MVR |
|---|---|---|
| **Capital** | | |
| Share capital | 159,375,000 | 159,375,000 |
| Retained earnings | 654,504,560 | 629,143,141 |
| Reserves | 65,000,000 | 65,000,000 |
| **Total qualifying Capital** | 878,879,560 | 853,518,141 |
| **Total capital** | 878,879,560 | 853,518,141 |
| **Risk-weighted assets** | | |
| On-balance sheet | 918,799,778 | 895,270,291 |
| **Total risk-weighted assets** | 918,799,778 | 895,270,291 |
| **Basel ratio** | 96% | 95% |

## 30 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 30.4 Capital management (Continued)

| Risk-weighted assets | As at 31st December 2024 | |
|---|---|---|
| | Unweighted value MVR | Weighted Value MVR |
| Cash in hand | 6,500 | - |
| Balances with other banks | 42,956,980 | 8,591,396 |
| Short term investments | 295,982,993 | 59,196,599 |
| Financial assets at amortised cost | 171,985,156 | - |
| Loans and advances | 1,679,012,371 | 839,506,186 |
| Prepayments and deposits | 6,557,191 | 6,557,191 |
| Property, plant and equipment and intangible assets | 4,948,407 | 4,948,407 |
| | 2,201,449,598 | 918,799,778 |

The changes in the regulatory capital was mainly due to the profit earned during the year ended 31st December 2024. The decrease in risk-weighted assets reflects the decrease the loan portfolio during period.

| 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 | 179,878,691 | 35,975,738 |
| 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 |
| | 2,264,915,637 | 896,998,794 |

## 31 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

| As at 31st December 2024 | Amortised cost MVR | Total MVR |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 338,946,473 | 338,946,473 |
| Financial assets at amortised cost | 171,985,156 | 171,985,156 |
| Loans and advances | 1,603,822,730 | 1,603,822,730 |
| Other financial assets | 1,834,512 | 1,834,512 |
| **Total financial assets** | 2,116,588,871 | 2,116,588,871 |

| | Amortised cost MVR | Total MVR |
|---|---|---|
| **Financial liabilities** | | |
| Debt securities in issue | 498,141,897 | 498,141,897 |
| Other borrowed funds | 350,167,133 | 350,167,133 |
| Deposits from customers | 87,555,131 | 87,555,131 |
| Other financial liabilities | 294,779,366 | 294,779,366 |
| Lease liabilities | 4,836,212 | 4,836,212 |
| **Total financial liabilities** | 1,235,479,739 | 1,235,479,739 |



KPMG ★ CHARTERED ACCOUNTANTS ★

## 31 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (CONTINUED)

| 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 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 liabilities** | 1,340,930,412 | 1,340,930,412 |

## 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 2024 | | As at 31st December 2023 | |
|---|---|---|---|---|
| | Carrying amount MVR | Fair value MVR | Carrying amount MVR | Fair value MVR |
| **Assets carried at amortised cost** | | | | |
| Cash and cash equivalents | 338,946,473 | 338,946,473 | 285,031,820 | 285,031,820 |
| Financial asset at amortised cost | 171,985,156 | 171,985,156 | 310,676,963 | 310,676,963 |
| Loans and advances to customers | 1,603,822,730 | 1,603,822,730 | 1,595,575,022 | 1,595,575,022 |
| Other financial assets | 1,834,512 | 1,834,512 | 1,412,832 | 1,412,832 |
| | 2,116,588,871 | 2,116,588,871 | 2,192,696,637 | 2,192,696,637 |
| **Liabilities carried at amortised cost** | | | | |
| Deposits from customers | 87,555,131 | 87,555,131 | 81,834,466 | 81,834,466 |
| Debt securities in issue | 498,141,897 | 498,141,897 | 536,084,617 | 536,084,617 |
| Other borrowed funds | 350,167,133 | 350,167,133 | 446,628,834 | 446,628,834 |
| Other financial liabilities | 299,615,578 | 299,615,578 | 276,382,495 | 276,382,495 |
| | 1,235,479,739 | 1,235,479,739 | 1,340,930,412 | 1,340,930,412 |

**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.



KPMG
CHARTERED ACCOUNTANTS

**FOR THE YEAR ENDED 31$^{ST}$ DECEMBER 2024**

## 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

| | 2024<br>MVR | 2023<br>MVR |
|---|---|---|
| Undisbursed loans and other facilities | 153,841,853 | 86,297,320 |

## 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** The Company has transactions with entities directly or indirectly controlled by the Government of Maldives through its authorities, agencies, affiliations and other organizations, collectively referred to as government entities. The Company has transactions with other government related entities including but not limited to investments, granting loans and fund managements.

### 36.2 Key management compensation

| | 2024<br>MVR | 2023<br>MVR |
|---|---|---|
| Executive management salaries | 1,396,719 | 2,455,838 |

### 36.3 Remuneration to Board of Directors

| | 2024<br>MVR | 2023<br>MVR |
|---|---|---|
| Board remuneration and committee sitting fees | 344,570 | 196,000 |

### 36.4 Shareholding structure

The Company's shareholding structure are as follows:

| Shareholder | % | Number of shares | Value of shares<br>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 Bank Limited | 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 29$^{th}$ 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 EVENTS AFTER THE REPORTING PERIOD

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



KPMG ★ CHARTERED ACCOUNTANTS ★

HDFC

www.hdfc.com.mv