

QUARTERLY REPORT

Q 01/2021

Housing Development Finance Corporation PLC.



Housing Development Finance Corporation Plc.

www.hdfc.com.mv

1. STATEMENT OF COMPLIANCE.....	2
2. DEVELOPMENT OF THE COMPANY	2
3. COMPANY’S SHARE STRUCTURE.....	4
4. CORPORATE GOVERNANCE COMPLIANCE	5
5. FINANCIAL HIGHLIGHTS.....	12
6. FINANCIAL STATEMENTS	14
7. SHARIA COMPLIANCE	19

1. Statement of Compliance

This report is prepared in compliance with the Minimum Criteria for Periodic Reporting set in Capital Market Development Authority's (CMDA) circular for Listed Companies.

2. Development of the Company

PROGRESS

Housing Development Finance Corporation Plc. (HDFC) is a company incorporated as a state-owned enterprise on January 28, 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 International Shareholders represented by the International Finance Corporation (IFC of World Bank Group), Asian Development Bank and HDFC Investments Ltd. of India, jointly holding 51% of shares. HDFC is the only specialized housing finance institution in the Maldives.

Today the Company's loan portfolio stands over MVR1.79 billion and assets worth over MVR2.09 billion.

HDFC has generated a profit of MVR 91.3 million at the end of the year 2020. During Quarter 1 of 2021, the company made a net profit of MVR 23.4 million which was an increase of 8% compared to Quarter 4 of 2020.

The COVID-19 is and will continue to inflict commotion on the global front affecting businesses and the way they operate. As we navigate through the Covid-19 pandemic, the uncertainties surrounding the financial institutions to maintain stability in delivering the required outcome to shareholders continues to be a challenge. The government and authorities are actively engaged in initiatives to combat the virus and minimize the effects of it on the businesses and the economy. Fragile economies like Maldives where the livelihood is highly dependent on imports and tourism as expected is to be hit the hardest.

HDFC having extended a 06-month moratorium on the repayment of housing loans issued as part of the economic recovery plan, aimed to minimize the financial impact on individuals has had its own set of ramifications to the company. Be it cash flow management or working from home.

To absorb any future shocks, HDFC has strengthened the operations resilience through establishment of close monitoring system and understanding the difficulties faced by our customers in repayments and providing feedback and payment resolutions on a regular basis. The reporting frequency to board as well as shareholders has been enhanced to give a more realistic and current information.

Similarly, the moratorium was also offered for loans issued under housing schemes conducted by the Ministry of Housing and Urban Development and HDFC, a further extension to these schemes were provided until the end of December 2020.

The progresses of the end-user financing projects are as follows: -

Project Name	Completion %	Estimated completion date
Ensis AIRA apartments	63%	September 2021
The Gardens by JAAH	95%	December 2021
Fitron Residences	93%	June 2021

The construction industry is the second most highly affected industry in addition to tourism in the Maldives due to Covid-19 pandemic. Almost all the projects targeted completion dates had to be significantly pushed further due to aggravated economic conditions of the country because of the lockdown during emergency. The fragile and the inherent nature of the Maldives economy necessitates import of all materials that are required by the construction industry including labor to be imported and any disruption to any of the constituent of the supply chain, has a rippling affect across the industry, which tend to leave a lasting consequence and necessitate ample expertise and time to recover.

Even though borders have opened, and economy is recovering, the process of returning to normalcy is expected to be a slow process which will have its own challenges to overcome in going forward.

EMPLOYMENT DATA

1 January 2021-31 March 2021	Local	Expatriate	Total
No. of staff at beginning	39	-	39
No. of staff resigned/terminated	6	-	6
No. of staff employed	5	-	5
Total	38		38

STAFF DEVELOPMENT

- Refresher training was held for all staff during once during Quarter 1.
- Staff Development Classes conducted 3 times during Quarter 1.
- Induction sessions were held for new staff once during Quarter 1.

3. Company's Share Structure

SHAREHOLDERS

Housing Development Finance Corporation PLC.'s main shareholders include Government of Maldives (GOM) with 49% shares, Asian Development Bank (ADB) 18%; International Finance Corporation (IFC) 18% and HDFC Investments Ltd. of India with 15% along with 10 initial shareholders including the MD. The Company's Shareholding structure is as follows.

Shareholding Structure

	Name	Capacity	No. of Share(s) held	Face Value of a share in MVR	Value of share(s) held in MVR
1.	Government of Maldives 49%	Shareholder	780,928	100	78,092,800.00
2.	International Finance Corporation 18%	Shareholder	286,875	100	28,687,500.00
3.	Asian Development Bank 18%	Shareholder	286,875	100	28,687,500.00
4.	HDFC Investments Ltd. (India) 15%	Shareholder	239,062	100	23,906,200.00
5.	Mr. Ibrahim Naeem	Shareholder	1	100	100.00

6.	Ms. Raheema Saleem	Shareholder	1	100	100.00
7.	Mr. Hamid Yoosuf	Shareholder	1	100	100.00
8.	Mr. Mohamed Shahudy	Shareholder	1	100	100.00
9.	Ms. Aishath Rasheeda	Shareholder	1	100	100.00
10.	Mr. Mohamed Fathy	Shareholder	1	100	100.00
11.	Mr. Mohamed Hamdan Fahumy	Shareholder	1	100	100.00
12.	Mr. Ahmed Anwar	Shareholder	1	100	100.00
13.	Mr. Nahid Idrees	Shareholder	1	100	100.00
14.	Expat MD (if any)		1	100	100.00
TOTAL				1,593,750	159,375,000.0

4. Corporate Governance Compliance

	Provision	Compliance Status	Details
Effective Board	1.1	Complied	The Board comprises of 6 Directors, of which 5 are Non- Executive Directors with one Executive Director (with no voting power).
Composition of the BOD	1.2	Complied	There are two female Directors on HDFC PLC.'s Board. None of the Directors hold Directorship in more than 3 public Companies.
Nomination/re- election of Directors	1.3	Complied	GOM have appointed two Alternate Directors, while ADB has appointed one Alternate Director. GOM representations on the Board are informed by the Ministry of Finance and Treasury. There is no Public Director on the Board of HDFC PLC. Since HDFC's shares are not listed.
Separation of Chairman and MD	1.4	Complied	The Chairman and the Managing Director are two separate individuals in the Company.
Roles of the Chairman and MD	1.5	Complied	The roles of the Chairman and the Managing Director are separated. The Chairman is appointed for a period of 1 year on rotation.

	Provision	Compliance Status	Details
Duties of the Board	1.6	Complied	Board Directors roles are stated separately in the charter.
Training	1.7	Complied	Director & Company Secretary participated in trainings organized by CMDA in 2018 and IFRS9 sessions were conducted for Board of Directors
Committees	1.8	Complied	Board Committees are; <ul style="list-style-type: none"> • Audit Committee • Nomination & Remuneration Committee • Credit Risk Management Committee
Remuneration policy	2.1	Complied	The Company has a remuneration policy in place.
Evaluation of the BOD Performance	2.2	Complied	Evaluation of the Board is done by respective Shareholders.
Board remuneration Disclosure	2.3	Complied	HDFC does not pay a fixed remuneration to its non-executive directors. Executive Directors and top management remuneration are disclosed in the company's Annual Report.
Board Member Remuneration Disclosure	2.4	Complied	There is no fixed remuneration given to the individual board director. HDFC gives a sitting fee to each member who attends the Board and its Committees, which is disclosed as a total for the year in the Annual Report.
Management constituents	3.1	Complied	Members who comprise the management team are Managing Director, AGM -Finance, AGM-IT, AGM - Credit, AGM Admin and Manager Islamic Finance
Roles and Responsibilities of the Management	3.2	Complied	The HR department has drawn job descriptions for each employee of the Company. The Board provides the management constant advice and guidance. Further, the Board has given performance goals to the MD, which are cascaded down to the management.
Internal Audit	4.1	Complied	Internal Audit findings are reported directly to the Audit Committee. KPMG is the Internal Auditor for 2020.
External Audit	4.2	Complied	The Audit Committee makes recommendations on selecting an External Auditor to the Company, which is taken to the AGM for the Shareholders approval. PWC is the Statutory Auditor for 2020.

	Provision	Compliance Status	Details
Internal Controls	4.3	Complied	The Internal Auditors review the internal controls set within the Company and reports directly to the Audit Committee of the Board.
Company Secretary	5	Complied	The Company Secretary maintains a schedule of the compliances signed by the responsible staff. The compliances are reported to the Board.
Shareholders	6.1	Complied	Shareholders rights are informed through quarterly reports, the Company's website and the AGM.
Shareholder Communication	6.2	Complied	Shareholder communication is conveyed through notices, press releases, press conferences, weekly, monthly reports, quarterly reports, semi-annual reports, annual reports and AGM.
General Meetings	6.3	Complied	The Company's AGM is held annually to inform the company's performance of the past year.
Voting Rights	6.4	Complied	Shareholders are informed on their voting rights by email and letters. Shareholders are permitted to vote in-absentia through proxy voting.
Financial Statements	7.1	Complied	The Company's Financial Statements are prepared in accordance with the International Financial Reporting Standards (IFRS), Audited Balance Sheet And Profit and Loss statements are reviewed and
Non-Financial Statements	7.2	Complied	HDFC ensures the disclosure of current/potential conflicts of interests (if any) and interested third party transactions by the Directors and the Management through its annual report.
Systems to raise concerns	8	Complied	The Board and Management ensure that appropriate processes are in place to enable employees and management to raise their concerns as communicated to the staff and disclosed in the annual report. Additionally, customers and other stakeholder concerns can be raised through the suggestion box placed at the information counter of HDFC's Office, and by writing to the Appeal and Grievance committee that comprises of two local directors and the MD. A Whistle blower policy has been established and adapted.
Investor and Media Relationship	9.1	Complied	HDFC always maintains a close relationship with the media and investors and acts as a responsible Corporate Citizen.
Quarterly Newsletter	9.2	Complied	HDFC discloses its business and other undertakings and events through its quarterly reports.

	Provision	Compliance Status	Details
Sustainability Reporting	10	Complied	HDFC publishes its Sustainability Report as part of the Annual Report. Environmental Impact Assessment Reports are submitted Annually to ADB and other multilateral funding partners.

The Company has no pending tax to MIRA as 31 December 2020

BOARD ACTIVITIES

January - March	No. of Meeting	Date
Board Meeting was held virtually (Zoom)	One	07 th March 2021

CHANGES IN THE MEMBERS OF THE BOARD

No changes

MAJOR DECISIONS MADE BY THE BOARD

- Discussed on the moratorium and implication to portfolio.
- Discussed CG Compliance requirements of MMA.
- Discussed on the Managing Directors' reappointment, appraisal, and targets.
- Discussion on the selection of Independent Directors.
- Discussed on the Dividend FY2020.
- Discussed on opening for new applications.
- Reviewed the IT development progress Report.
- Reviewed the Financial Performance of the Company including major focus on liquidity.
- Reviewed the Non-Performing Accounts (NPA) Report for the period.
- Reviewed the Compliance Report for the period.
- Reconstituted the Board Committees.
- Adopted the Recovery Manual Ver 2.
- Approved the Interim Audited Financials FY2020.
- Approved the recommendation of Q3/Q4 of Internal Audit.
- Approved the Shariah Committee's Report for YE2020.
- Approved the implementation of Cyber Security.

AUDIT COMMITTEE

January - March	No. of Meeting	Date
Audit Committee Meeting was held virtually (Zoom)	One	07 th March 2021

MAJOR DECISIONS MADE BY THE AUDIT COMMITTEE

- Reviewed the Internal Audit Report for Q3 & Q4/2020
- Reviewed the Shariah Committee Report for YE2020

NOMINATION AND REMUNERATION COMMITTEE

January - March	No. of Meeting	Date
Nomination and Remuneration Committee Meeting was held virtually (Zoom)	One	18 th March 2021

MAJOR DECISIONS MADE BY THE NOMINATION AND REMUNERATION COMMITTEE

- Discussion on the Renewal of Managing Directors' Contract, appraisal, and targets.
- Discussion on the selection of 02 Independent Directors
- Discussion on the appraisal of Senior Management

HDFC SHARIAH COMMITTEE (AMNA)

January - March	No. of Meeting	Date
Shariah Committee Meeting	One	24 th February 2021

MAJOR DECISIONS MADE BY HDFC SHARIAH COMMITTEE

- Finalization of Internal Audit Report of Shariah Audit Report 2020
- Discussion on Shariah basis in distributing profit for SUKUK holders during moratorium period.
- Discussion of Shariah Audit Review
- Discussion of Moratorium Period Profit/Rental Collection of Facilities

BOARD COMPOSITION

The Board composition of nominee directors as of 31 March 2021 was

Mr. Conrad D'Souza
Chairman/ Director

15 March 2019

Ms. Raheema Saleem
Managing Director

28 February 2017

Ms. Kohe Noor Binte Mahmoodul Hassan
Director

9 August 2019

Mr. Nihal Senanayake Welikala
Director

2 November 2016

Ms. Aminath Sheena Musthafa
Director

10 April 2018

ATTENDEES TO THE BOARD MEETING

Mr. Conrad D'Souza
Chairman/ Director

Ms. Raheema Saleem
Managing Director

Ms. Kohe Noor Binte Mahmoodul Hassan
Director

Mr. Nihal Senanayake Welikala
Director

Ms. Aminath Sheena Musthafa
Director

ATTENDEES TO THE AUDIT COMMITTEE

- **Mr. Conrad D'Souza**
Member (Chairman of the Committee)
- **Mr. Nihal Senanayake Welikala**
Member
- **Ms. Kohe Hasan**
Member
- **Ms. Aminath Sheena Musthafa**
Member
- **Ms. Raheema Saleem**
Managing Director (By invitation)

ATTENDEES TO THE NOMINATION AND REMUNERATION COMMITTEE

- **Ms. Aminath Sheena Musthafa**
Member (Chairperson of the Committee)
- **Mr. Conrad D'Souza**
Member
- **Ms. Kohe Noor Binte Mahmoodul Hasan**
Member

ATTENDEES TO HDFC SHARIAH COMMITTEE (AMNA)

- **Dr. Ibrahim Zakariyya Moosa**
Chairman of the Committee
- **Prof. Rusni Hassan**
Member
- **Sheikh Ali Zahir bin Saeed Qasim**
Member

Note: All members participated virtually

5. Financial Highlights

FINANCIAL HIGHLIGHTS (UNAUDITED) FOR THE QUARTER ENDED 31 MARCH 2021

(all amounts are in MVR)

Performance	2021 Q1	Quarter 4 2020
Total Revenue	47,864,715	47,553,860
Total Expenses	(19,641,947)	(21,384,772)
Net Profit	23,419,812	21,669,302
Earnings Per Share	14.69	13.60
Net Assets Per Share	1,314.04	1,306.17
Cash Flow Per Share	25.27	31.73

Financial Ratios	2021 Q1	Quarter 4 2020
Asset Cover Ratio	2.22	2.16
Debt-Equity Ratio	1.53	1.61
Debt Service Coverage Ratio	0.03	0.03
Interest Service Coverage Ratio	2.35	2.12
Outstanding Redeemable Preference Shares	NA	NA
Capital Redemption Reserve	NA	NA
Reserves	15,000,000	15,000,000

Note: The modification on moratorium has not been accounted for yet.

NOTES ON ISSUERS OF DEBT SECURITIES

PREVIOUS DUE PAYMENT DATES FOR THE DEBT SECURITIES

Debt Securities	Date of Payment	Remarks
Bond Issue No - 2	01-Jul-20	Settled
Bond Issue No - 3	17-Dec-20	Settled
Sukuk Issue No - 1	26-Jul-20	Settled
Sukuk Issue No - 2	25-Oct-20	Settled
Sukuk Issue No - 3	17-Dec-20	Settled

NEXT DUE PAYMENT DATES FOR THE DEBT SECURITIES

Debt Securities	Date of Payment	Remarks
Bond Issue No - 2	23-Jun-21	To be Settled
Bond Issue No - 3	26-May-21	To be Settled
Sukuk Issue No - 1	26-Jan-21	To be Settled
Sukuk Issue No - 2	25-Apr-21	To be Settled
Sukuk Issue No - 3	17-Jun-21	To be Settled

6. Financial Statements

INCOME STATEMENT (UNAUDITED) FOR THE QUARTER ENDED 31 MARCH 2021

	Quarter 1	Quarter 4 (Revised)
(all amounts are in MVR)	31-Mar-21	31-Dec-20
Gross income	47,864,715	47,553,860
Interest income	36,313,781	37,992,522
Interest expense	(12,031,802)	(12,366,933)
Net interest income	24,281,979	25,625,590
Net income on Shari'ah products	8,657,031	8,404,200
Fee income	1,828,604	327,291
Other income	1,065,299	829,847
	11,550,934	9,561,338
Operating income	35,832,914	35,186,928
Provision for Impairment loss on loans and advances (made)/ Reversal	(3,750,000)	(3,700,000)
Personnel expenses	(2,992,781)	(2,499,553)
Other operating expenses	(867,364)	(2,818,286)
Profit before tax	28,222,768	26,169,089
Tax expense	(4,802,956)	(4,499,787)
Profit for the period	23,419,812	21,669,302
Earnings Per Share - basic	14.69	13.60



Mohamed Shafeeq

Assistant General Manager (Finance)



Raheema Saleem

Managing Director

STATEMENT OF FINANCIAL POSITION (UNAUDITED) FOR THE QUARTER ENDED 31 MARCH 2021

	Quarter 1	Quarter 4 (Revised)
(all amounts are in MVR)	31-Mar-21	31-Dec-20
ASSETS		
Cash and short term funds	40,272,802	50,565,734
Financial Assets Held to Maturity	231,678,468	176,942,661
Loans and Advances to Customers	1,798,361,075	1,830,694,622
Property, Plant and Equipment	1,037,888	1,053,350
Right-of-use assets	8,738,051	8,738,051
Intangible assets	194,247	246,724
Deferred tax asset	6,081,337	6,081,337
Other assets	7,883,738	7,391,939
TOTAL ASSETS	2,094,247,607	2,081,714,419
LIABILITIES		
Deposits from customers	79,032,448	80,289,957
Borrowings	1,038,955,353	1,057,167,319
Other liabilities	295,936,509	287,353,658
Total Liabilities	1,413,924,310	1,424,810,934
EQUITY		
Share capital	159,375,000	159,375,000
Retained earnings	505,948,297	482,528,485
General Reserve	15,000,000	15,000,000
Total shareholders' equity	680,323,297	656,903,485
TOTAL EQUITY AND LIABILITIES	2,094,247,607	2,081,714,419



Mohamed Shafeeq

Assistant General Manager (Finance)



Raheema Saleem

Managing Director

CASH FLOW STATEMENT (UNAUDITED) FOR THE QUARTER ENDED 31 MARCH 2021

(all amounts are in MVR)	Quarter 1 2021 31-Mar-21	Quarter 4 2020 (Revised) 31-Dec-20
Cash Flow from Operating Activities		
Operating Profit	23,419,812	21,669,302
Add: Increase/(Decrease) Impaired losses on loans and advances	3,750,000	3,700,000
Depreciation	153,544	158,605
(Increase)/Decrease in loans and advances to customers	28,583,548	5,467,333
(Increase)/Decrease in Other assets	(491,799)	(1,836,496)
(Increase)/Decrease in Financial Assets held to maturity	(54,735,732)	(49,973,064)
Increase/(Decrease) in due to customers	(1,257,509)	(3,810,762)
Increase/(Decrease) in other liabilities	8,582,776	13,374,819
Net Cash Flow from Operating Activities	8,004,639	(11,250,261)
Cash Flow from Investing Activities		
(Purchase)/sale of Property, Plant and Equipment	(85,605)	490,261
(Purchase) of securities/Proceeds from sale and redemption of securities		-
Net Cash Flow from Investing Activities	(85,605)	490,261
Cash Flow from Financing Activities		
Proceeds from borrowed funds and debt securities	29,712,717	70,327,780
Repayment of borrowed funds and debt securities	(47,924,683)	(82,446,476)
Dividends paid		-
Net Cash flow Financing Activities	(18,211,966)	(12,118,696)
Net Increase in Cash and Cash Equivalent	(10,292,932)	(22,878,696)
Cash and Cash Equivalents at the beginning of the period	50,565,734	73,444,430
Cash and Cash Equivalents at the end of the period	40,272,802	50,565,734

STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE QUARTER ENDED 31 MARCH 2021

(All amounts in Maldivian Rufiyaa)

	Share Capital	General Reserve	Retained Earnings	Total
Balance at 1 July 2020	159,375,000	15,000,000	434,791,677	609,166,677
Dividend paid	-	-	-	-
Profit for the period	-	-	23,529,622	23,529,622
Balance at 30 September 2020	159,375,000	15,000,000	458,321,298	632,696,298
Balance at 1 October 2020	159,375,000	15,000,000	458,321,298	632,696,298
Dividend paid	-	-	-	-
Profit for the period	-	-	21,719,715	21,719,715
Balance at 31 December 2020	159,375,000	15,000,000	480,041,013	654,416,013

AMNA STATEMENTS – ISLAMIC WINDOW (UNAUDITED) FOR THE QUARTER ENDED 31 MARCH 2021

(all amounts are in MVR)	Quarter 1 31-Mar-21	Quarter 4 31-Dec-20
Gross income	17,215,853	16,949,178
Revenue	16,849,539	16,687,971
Investment Charges	(8,117,385)	(8,100,706)
Net investment income	8,732,154	8,587,265
Fees and commissions	366,314	261,207
Operating Income	9,098,469	8,848,473
Facility Loss Provision on Impaired Assets	(1,125,000)	(1,110,000)
Staff Costs	(172,192)	(151,883)
Administration & Operating Expenses	(139,162)	(785,626)
Bank Charges	(1,730)	(6,068)
Depreciation	(46,063)	(212,654)
Net Operating Expenses	(1,484,147)	(2,266,232)
Net Profit	7,614,321	6,582,241

Statement of Financial Position (Unaudited) For the Quarter ended 31 December 2020

(all amounts are in MVR)	Quarter 1 31-Mar-21	Quarter 4 31-Dec-20
Cash and Short term funds	163,419,095	120,500,210
Mortgage facilities	550,324,324	548,971,427
Non - Current Assets	2,991,056	3,011,438
Other Assets	24,082	24,082
Total Assets	716,758,556	672,507,156
Customer deposits	21,641,029	22,086,680
Wakalah Facilities	173,000,000	173,000,000
Sukuk	238,533,000	238,533,000
Other liabilities	114,292,831	108,399,738
	547,466,860	542,019,417
Equity	169,291,696	130,487,739
Total Equity and Liabilities	716,758,556	672,507,156

STATEMENT OF USE OF PROCEEDS FOR THE QUARTER ENDED 31 MARCH 2021

Statement of Use of Proceeds From Sale of Securities

No.	Security Name	Funds obtained	Funds utilised	Balance	Purpose
1	HDFC Sukuk 1	22,566,000.00	22,566,000.00	-	To fund shari'ah compliant mortgage housing finance
2	HDFC Sukuk 2	89,036,000.00	89,036,000.00	-	To fund shari'ah compliant mortgage housing finance
3	HDFC Sukuk 3	126,931,000.00	126,931,000.00	-	To fund shari'ah compliant mortgage housing finance
4	HDFC Bond 2	81,390,000.00	81,390,000.00	-	To fund mortgage housing finance
5	HDFC Bond 3	80,000,000.00	80,000,000.00	-	To fund mortgage housing finance

STATEMENT FOR THE REVISED ENTRIES (UNAUDITED) FOR THE QUARTER ENDED 31 DECEMBER 2020

1. There was a reduction in net interest income for the revised Q4 due to a change in amortization of loan facilities which reflected in Income Statement and Statement of financial position.
2. There was an increase in other operating expenses due to the adjustment of professional charges.
3. There was an increase in Total Assets due to the Loans and Advances to customers due and Deferred Tax the adjustment.
4. There was a change in Total liabilities due to change in Business profit tax payable.

There were no other major rectification entries passed, and due to the above-mentioned entries Retained earnings has changed.

7. Sharia Compliance

A CMDA registered Sharia Advisor has been appointed as to check and monitor the investment of Sukuk Proceeds and its compliance with the established principles of Sharia. Accordingly, Annual Sharia Audit report inquiries into the disbursement of funds received from the Sukuk, the allocation of profit and charging of losses related to the usage of sukuk proceeds. This is further reviewed by the Sharia Committee in ensuring that the sukuk proceeds are compliant to the Sharia requirements.