

QUARTERLY REPORT

Q 03/2020

Housing Development Finance Corporation PLC.



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www.hdfc.com.mv

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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 MVR1.7 billion and assets worth over MVR2 billion.

HDFC has generated profit of MVR 70.6 million at the end of Q3 representing 0.65% growth compared to the previous period Q2. During Quarter 3 MVR 23.5 million profit was generated. HDFC total assets reached to MVR 2.0 billion and housing loan/facility portfolio has reached to MVR 1.8 billion.

The COVID-19 is and will continue to inflict commotion on the global front and the uncertainties surrounding the financial institutions to maintain stability in delivering the required outcome to shareholders will be challenging. 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 months 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 is working on strengthening the operations resilience through close monitoring and understanding the difficulties faced by our customers in repayments and providing feedback and solution on a regular basis. The reporting frequency to board 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, further review of an extension to these schemes are being considered on a case to case basis.

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

Project Name	Completion %	Estimated completion date
Apollo Holdings Pvt Ltd	96%	December 2020
Ensis AIRA apartments	54%	March 2021
Ensis Hulhumaa Apartments	73%	September 2020
Rainbow Oceanfront	97%	August 2020
The Gardens by JAAH	93%	January 2021
FW construction apartments	88%	December 2020
Jawahir 11	94%	September 2020
Fitron Residences	67%	June 2021

The construction industry is the second most highly affected industry in addition to tourism in the Maldives due to Covid-19 pandemic. According to MMA imports of construction related items declined by 16% in comparison with the corresponding period of last year. This was due to shuttering of the manufacturing lines as well temporary disruption of shipping from sources. This has resulted in a significant deviation from the envisaged completion deadlines envisaged. Furthermore, the delay was further aggravated due to emergency lockdown and restriction placed on the import of labor by the Government.

EMPLOYMENT DATA

1 July 2020-30 September 2020	Local	Expatriate	Total
No. of staff at beginning	40	-	40
No. of staff resigned/terminated	-	-	-
No. of staff employed	-	-	-
Total	40	-	40

Note: No change in staff numbers in Q3

STAFF DEVELOPMENT

- 02 staff participated in a virtual meeting conducted by MIRA on Withholding Tax Return filing.
- All staff of Accounts Department participated in an In-house user training organized by IT department on FMS Portal Test Phase – Transfer Slip.
- 02 staff participated in a virtual inception workshop organized by Ministry of Environment on Financial Programme for Energy Efficient Buildings.
- 02 staff participated in a Webinar organized by National Bureau of Statistics on the Releasing of key findings: Household characteristics, employment, and income.

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).

	Provision	Compliance Status	Details
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 MD are two separate individuals in the Company.
Roles of the Chairman and MD	1.5	Complied	The roles of the Chairman and the MD are separated. The Chairman is appointed for a period of 1 year on rotation.
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 • IPO 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.

	Provision	Compliance Status	Details
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.
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.

	Provision	Compliance Status	Details
<i>Systems to raise concerns</i>	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
<i>Investor and Media Relationship</i>	9.1	Complied	HDFC always maintains a close relationship with the media and investors and acts as a responsible Corporate Citizen.
<i>Quarterly Newsletter</i>	9.2	Complied	HDFC discloses its business and other undertakings and events through its quarterly reports.
<i>Sustainability Reporting</i>	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 at 30 September 2020

BOARD ACTIVITIES

July - September	No. of Meeting	Date
Board Meeting was held virtually (Zoom)	One	25 July 2020
Annual General Meeting	One	25 July 2020

CHANGES IN THE MEMBERS OF THE BOARD

No change in the Board of Directors

MAJOR DECISIONS MADE BY THE BOARD

- Finalization of the Chairman for 01 year

MAJOR DECISIONS MADE AT THE AGM

- Approval and adoption of the Audited Financial statements for the year ended 31 December 2019
- Approval and adoption of the Annual Report for the year ended 31 December 2019
- Declaration and confirmation of the dividend for the year 2019
- Approval of External, Internal Auditors and Shariah Compliance Auditors and finalization of their remuneration
- Announcement in change in directorship

AUDIT COMMITTEE

July - September	No. of Meeting	Date
Audit Committee Meeting was held virtually (Zoom)	One	16 July 2020

MAJOR DECISIONS MADE BY THE AUDIT COMMITTEE

- Reviewed the Q4/2019 Internal Audit Report.
- Finalised the remuneration of Auditors for 2020.
- Reviewed the liquidity status of the Company.

BOARD COMPOSITION

The Board composition of nominee directors as at 30 September 2020 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

Mr. Mohamed Mauroof Jameel
Director

22 September 2016

Ms. Aminath Sheena Musthafa
Director

11 April 2019

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

Mr. Mohamed Mauroof Jameel
Director

Ms. Aminath Sheena Musthafa
Director

ATTENDEES TO THE AUDIT COMMITTEE

- **Mr. Conrad D'Souza**
Chairman/ Director
- **Mr. Nihal Senanayake Welikala**
Director
- **Mr. Mohamed Mauroof Jameel**
Director

5. Financial Highlights

FINANCIAL HIGHLIGHTS (UNAUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2020

(all amounts are in MVR)

Performance	Quarter 3 2020	Quarter 2 2020
Total Revenue	47,699,539	48,644,839
Total Expenses	(19,709,100)	(20,398,332)
Net Profit	23,490,652	23,339,881
Earnings Per Share	14.74	14.64
Net Assets Per Share	1,293.17	1,285.36
Cash Flow Per Share	46.08	34.64

Financial Ratios	Quarter 3 2020	Quarter 2 2020
Asset Cover Ratio	1.93	2.08
Debt-Equity Ratio	1.69	1.77
Debt Service Coverage Ratio	0.03	0.03
Interest Service Coverage Ratio	2.25	2.16
Outstanding Redeemable Preference Shares	NA	NA
Capital Redemption Reserve	NA	NA
Reserves	15,000,000	15,000,000

NOTES ON ISSUERS OF DEBT SECURITIES

PREVIOUS DUE PAYMENT DATES FOR THE DEBT SECURITIES

Debt Securities	Date of Payment	Remarks
Bond Issue No - 2	30-Jun-20	Settled
Bond Issue No - 3	04-Jun-20	Settled
Sukuk Issue No - 1	27-Jul-20	Settled
Sukuk Issue No - 2	17-Apr-20	Settled
Sukuk Issue No - 3	04-Jun-20	Settled

NEXT DUE PAYMENT DATES FOR THE DEBT SECURITIES

Debt Securities	Date of Payment	Remarks
Bond Issue No - 2	31-Dec-20	To be Settled
Bond Issue No - 3	04-Dec-20	To be Settled
Sukuk Issue No - 1	27-Jan-21	To be Settled
Sukuk Issue No - 2	17-Oct-20	To be Settled
Sukuk Issue No - 3	04-Dec-20	To be Settled

6. Financial Statements

INCOME STATEMENT (UNAUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2020

	Quarter 3	Quarter 2
(all amounts are in MVR)	30-Sep-20	30-Jun-20
Gross income	47,699,539	48,644,839
Interest income	37,886,605	38,600,362
Interest expense	(12,464,393)	(13,097,414)
Net interest income	25,422,213	25,502,949
Net income on Shari'ah products	8,241,579	8,464,181
Fee income	557,202	602,082
Other income	1,014,153	978,214
	9,812,934	10,044,477
Operating income	35,235,147	35,547,426
Provision for Impairment loss on loans and advances (made)/ Reversal	(3,700,000)	(3,700,000)
Personnel expenses	(2,482,401)	(2,861,706)
Other operating expenses	(1,062,307)	(739,213)
Profit before tax	27,990,439	28,246,507
Tax expense	(4,499,787)	(4,906,626)
Profit for the period	23,490,652	23,339,881
Earnings Per Share - basic	14.74	14.64



Mohamed Shafeeq

Assistant General Manager (Finance)



Raheema Saleem

Managing Director

STATEMENT OF FINANCIAL POSITION (UNAUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2020

	Quarter 3	Quarter 2
(all amounts are in MVR)	30-Sep-20	30-Jun-20
ASSETS		
Cash and short term funds	73,444,430	55,212,530
Financial Assets Held to Maturity	126,969,597	169,985,133
Loans and Advances to Customers	1,837,796,663	1,800,067,411
Property, Plant and Equipment	1,091,516	1,159,078
Right-of-use assets	9,838,535	9,838,535
Intangible assets	307,182	367,640
Deferred tax asset	5,820,179	5,820,179
Other assets	5,714,061	6,098,101
TOTAL ASSETS	2,060,982,165	2,048,548,609
LIABILITIES		
Deposits from customers	84,113,876	86,256,655
Borrowings	1,069,284,134	1,076,976,690
Other liabilities	273,944,430	275,166,191
Total Liabilities	1,427,342,440	1,438,399,536
EQUITY		
Share capital	159,375,000	159,375,000
Retained earnings	459,264,725	435,774,073
General Reserve	15,000,000	15,000,000
Total shareholders' equity	633,639,725	610,149,073
TOTAL EQUITY AND LIABILITIES	2,060,982,165	2,048,548,609



Mohamed Shafeeq

Assistant General Manager (Finance)



Raheema Saleem

Managing Director

CASH FLOW STATEMENT (UNAUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2020

(all amounts are in MVR)	Quarter 3 2020 30-Sep-20	Quarter 2 2020 30-Jun-20
Cash Flow from Operating Activities		
Operating Profit	23,490,652	23,339,881
Add:		
Increase/(Decrease) Impaired losses on loans and advances	3,700,000	3,700,000
Depreciation	162,278	169,845
(Increase)/Decrease in loans and advances to customers	(41,429,252)	(47,804,305)
(Increase)/Decrease in Other assets	384,040	446,208
(Increase)/Decrease in Financial Assets held to maturity	43,015,536	12,881,654
Increase/(Decrease) in due to customers	(2,142,780)	(3,169,452)
Increase/(Decrease) in other liabilities	(1,221,762)	10,195,475
Net Cash Flow from Operating Activities	25,958,714	(240,693)
Cash Flow from Investing Activities		
(Purchase)/sale of Property, Plant and Equipment	(34,258)	(21,430)
Net Cash Flow from Investing Activities	(34,258)	(21,430)
Cash Flow from Financing Activities		
Proceeds from borrowed funds and debt securities	20,153,163	20,192,329
Repayment of borrowed funds and debt securities	(27,845,718)	(79,667,200)
Net Cash flow Financing Activities	(7,692,555)	(59,474,870)
Net Increase in Cash and Cash Equivalent	18,231,901	(59,736,994)
Cash and Cash Equivalents at the beginning of the period	55,212,530	114,949,523
Cash and Cash Equivalents at the end of the period	73,444,430	55,212,530

STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2020

(All amounts in Maldivian Rufiyaa)

	Share Capital	General Reserve	Retained Earnings	Total
Balance at 1 April 2020	159,375,000	15,000,000	412,434,192	586,809,192
Dividend declared	-	-	-	-
Profit for the period	-	-	23,339,881	23,339,881
Balance at 30 June 2020	159,375,000	15,000,000	435,774,073	610,149,073
Balance at 1 July 2020	159,375,000	15,000,000	435,774,073	610,149,073
Dividend paid	-	-	-	-
Profit for the period	-	-	23,490,652	23,490,652
Balance at 30 September 2020	159,375,000	15,000,000	459,264,725	633,639,725

AMNA STATEMENTS – ISLAMIC WINDOW (UNAUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2020

Income Statement (Unaudited)

For the Quarter ended 30 September 2020

(all amounts are in MVR)	Quarter 3 30-Sep-20	Quarter 2 30-Jun-20
Gross income	16,649,764	16,938,039
Revenue	16,333,987	16,621,612
Investment Charges	(7,843,702)	(7,583,677)
Net investment income	8,490,285	9,037,935
Fees and commissions	315,777	316,426
Operating Income	8,806,062	9,354,361
Facility Loss Provision on Impaired Assets		
Staff Costs	(151,270)	(179,016)
Administration & Operating Expenses	(318,150)	(130,966)
Bank Charges	(930)	(4,106)
Depreciation	(46,898)	(49,085)
Net Operating Expenses	(517,248)	(363,173)
Net Profit	8,288,814	8,991,188

Statement of Financial Position (Unaudited)

For the Quarter ended 30 September 2020

(all amounts are in MVR)	Quarter 3 30-Sep-20	Quarter 2 30-Jun-20
Cash and Short term funds	128,893,914	136,258,731
Mortgage facilities	538,216,536	519,818,104
Non - Current Assets	3,247,560	3,284,558
Other Assets	23,199	23,199
Total Assets	670,381,210	659,384,592
Customer deposits	23,585,350	25,230,404
Wakalah Facilities	173,000,000	173,000,000
Sukuk	238,533,000	238,533,000
Other liabilities	109,957,885	105,605,027
	545,076,235	542,368,431
Equity	125,304,975	117,016,161
Total Equity and Liabilities	670,381,210	659,384,592

STATEMENT OF USE OF PROCEEDS FOR THE QUARTER ENDED 30 SEPTEMBER 2020

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 30 SEPTEMBER 2020

1. After the finalization of Moratorium, adjusting entries were passed to the loans and advances to customers and deposits from customers which reflect to the assets and Liabilities in the Statement of financial position.
2. Due to COVID-19 lockdown, periodic adjustments were made to the company contribution to EPF which reflect to the personal expenses in the Income statement and other liabilities in the Statement of financial position.
3. Error rectified 704 social scheme funds which reflect to the other incomes in the Income statement and other liabilities in the Statement of financial position.

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

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.