



SDFC
SME Development
Finance Corporation

Annual Report 2024



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CORPORATE INFORMATION

| | |
|---------------------------|--|
| Name of the Company: | SME Development Finance Corporation Private Limited (SDFC) |
| Company Registration No: | C00592019 |
| Type of Business: | Financing Business |
| Registered Address: | Ministry of Economic Development, H. Pamela Building, K. Male' |
| Authorized Share Capital: | MVR 1,500,000,000 |
| Shareholding Structure: | Government of Maldives (85% of shares) Male' City Council (5% of shares) Addu City Council (5% of shares) Fuvamulah City Council (5% of shares) |

SDFC at a Glance

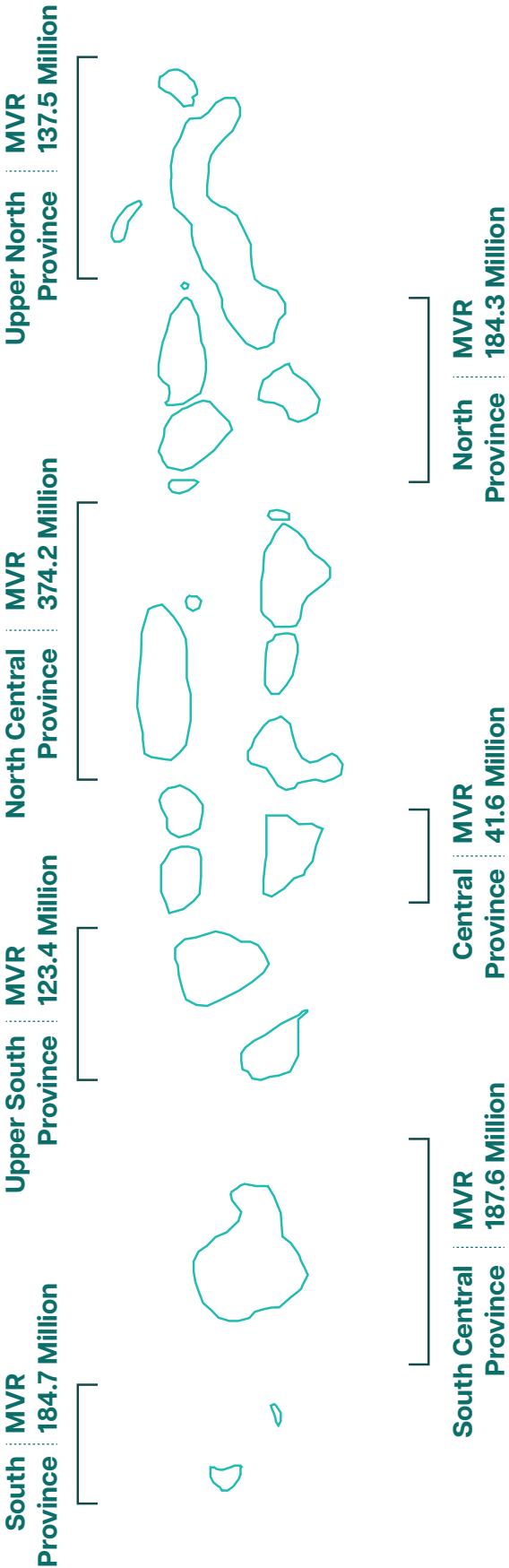
180+ ISLANDS
NO. OF ISLANDS SERVICED

20 ATOLLS
NO. OF ATOLLS SERVICED

3800+
LOANS DISBURSED
MVR 2.78 BILLION

MVR 1.23 BILLION
FINANCED TOWARDS ATOLL

**The above figures are inclusive of Capital and Administered Portfolio*



Who We Are & What We Stand For

Our Purpose:



Vision

The leading financial institution assisting and supporting the development of MSMEs in the Maldives for achieving inclusive, broad-based, and robust economic growth.



Mission

Support emergence and growth of MSMEs by providing solutions that cater to the financing needs of MSMEs and are widely accessible to MSMEs across the country.



Philosophy

At SDFC, our corporate philosophy is centered around the steadfast belief that our customers are at the heart of everything we do. We recognize the vital role they play in shaping our success and driving our growth. Our aim is to uphold close and collaborative partnerships with our customers, delivering exceptional and specialized financial services that exceed their expectations.

Our Values:

Integrity

Integrity forms the foundation of SDFC's operations. The institution is committed to upholding the highest standards of honesty, transparency, and ethical conduct in all business dealings. This commitment ensures the establishment of trust, the safeguarding of customer data and privacy, and the honoring of all contractual and fiduciary obligations, thereby fostering sustainable, long-term relationships.

Innovation

SDFC prioritizes innovation as a strategic imperative. Recognizing the evolving nature of the financial sector, the institution promotes a culture that encourages creativity, adaptability, and the development of forward-thinking solutions. This approach supports the design and delivery of products and services that address emerging customer needs and market trends.

Customer Commitment

SDFC is dedicated to building enduring relationships with its customers based on trust, transparency, and service excellence. By aligning offerings with client needs and incorporating feedback into its operations, the institution ensures the delivery of high-quality, responsive, and relevant financial solutions that drive customer satisfaction and retention.

Employee Development

SDFC acknowledges its workforce as a key driver of organizational success. The institution invests in the continuous professional development of its employees to foster innovation, maintain service excellence, and enhance its capacity to respond to market demands with specialized financial solutions.

Leadership & Strategy

Statement on Behalf of The Board of Directors



Ms. Fathimath Azma

Non- Executive Director

On behalf of the Board of Directors, I am honoured to present the Annual Report of SME Development Finance Corporation for the financial year 2024.

Financial Milestone

I am pleased to report that the Corporation has concluded the year with a profit after tax of MVR 45.21 million, marking the first time in our history that we have achieved such a financial milestone. In light of this remarkable achievement, the Board has proposed a dividend payout of MVR 2.5 million. As our majority shareholder, the Government of Maldives stands to receive MVR 2.1 million from this dividend distribution.

Reflecting on Five Years of Progress

As we reflect on the past five years, it is important to acknowledge the remarkable strides we have made as a company. Despite the rapidly evolving economic landscape, we have remained steadfast in our commitment to supporting MSMEs, driving innovation, and fostering resilience within our ecosystem.

Over these years, we have witnessed significant progress, both within our organization and in the broader economy. As the global economic environment underwent substantial transformations, we adapted and responded to the shifting needs of the market, ultimately positioning ourselves as a key player in enabling growth and development in the SME Sector in the Maldives.

Our focus on empowering MSMEs has never wavered. During this period, we have seen growth in sectors such as tourism, agriculture, and fisheries industries that form the backbone of our economy. By supporting businesses in these sectors, we've not only contributed to their growth but also helped diversify the economic base, which has proven invaluable as markets continue to evolve.

To support the government's socio-economic agenda, we introduced products to the market, including conventional loans, shariah compliant facilities and grant scheme. These products were designed to meet the evolving needs of local businesses and were carefully structured to ensure we delivered on the objectives of the Government of Maldives, particularly in fostering economic resilience, supporting employment, and enhancing access to finance for underserved segments

Notably, SDFC introduced “Fashaa Madhadhu” loan product in collaboration with the Ministry of Economic Development & Trade (MoEDT) and Ministry of Social and Family Development (MoSFD) to provide accessible financing options for women who are marginalized from typical conventional banking systems. This enabled SDFC to contribute to fulfilment of government pledge on empowering women entrepreneurs.

The Board of Directors played an active and instrumental role in the development and rollout of these products. Their time, strategic insights, and oversight ensured that the initiatives were aligned with national priorities and the long-term vision of the corporation. From product design to policy review and risk assessment, board members provided valuable contributions at every stage of the process.

Throughout the year, we also collaborated closely with various government ministries and agencies, reinforcing our role as a strategic partner in delivering government-backed initiatives. These collaborations enabled us to better understand sectoral needs and tailor our financial solutions to maximize impact, particularly in key sectors such as tourism, agriculture, and fisheries.

Governance and Board Engagement

Corporate governance has remained fundamental to our operations. Over the years, we have made continuous efforts to comply with the Maldives Monetary Authority's (MMA) Corporate Governance Code and the Privatization & Corporatization Board (PCB) Code. However, there have been challenges along the way. To address these, we have worked closely with the Ministry of Finance and Planning, the representative of Government of Maldives, our majority shareholder, to find solutions that ensure full compliance with the MMA's corporate governance requirements. This collaboration has been instrumental in refining our governance structures.

Board engagement and the implementation of governance best practices remain a top priority. To this end, we have overseen a comprehensive process to evaluate our governance framework, ensuring that it is both robust and aligned with industry standards. These efforts have been instrumental in strengthening our commitment to delivering on our mission and achieving our long-term goals. Throughout the year, we held a total of 52 board meetings, inclusive of respective Board Committee meetings. This ongoing engagement has been critical to maintaining effective governance and steering the corporation towards its strategic objectives.

In alignment with our mission to empower MSMEs and support national development goals, we launched several key initiatives throughout the year. Despite low disbursement of loans within the year 2024 due to the temporary closure of our customer portal, we successfully implemented IFRS 9, marking a significant step in enhancing our financial reporting and risk management practices.

Gratitude to Board and Staff

In closing, I would like to extend my heartfelt gratitude to all our board members, executive management, and employees. Your continued support and unwavering dedication have been instrumental to our shared vision. It is through your collective efforts that our corporation has been propelled forward, even in the face of adversity. Together, we have demonstrated resilience and a strong commitment to our mission of empowering MSMEs and contributing to broader economic growth.

I would like to express my appreciation to Ms. Aishath Fifsheen Ali, our former Managing Director, for her contributions during her tenure. Her efforts in supporting the alignment of corporate operations with strategic objectives and in promoting interdepartmental collaboration are acknowledged with gratitude. We thank her for her service and her role in advancing the development of the MSME sector.

Furthermore, I would also like to give special recognition to Mohamed Shamy Adam, our former Acting Chairperson. Mr. Shamy has been an integral part of our corporation and Board of Directors since its inception. His steady leadership, insightful guidance, and clear instructions have been crucial for the growth and development of our organization. Through his direction, the corporation has remained focused on its core mission while navigating complex challenges. We thank him for his invaluable contributions and for the lasting impact he has had on the success of the corporation.

I would also like to extend my sincere gratitude to our majority shareholder, the Government of Maldives, and the relevant Ministries for their unwavering support in fostering the growth of the MSME sector and for providing the essential assistance that enabled us to operate smoothly throughout the year.

As we look ahead, we remain committed to embracing innovation, fostering strategic partnerships, and leveraging digitalization to enhance our customer service portfolio and improve operational efficiency. Together, we will continue to pursue excellence, adapt to emerging challenges, and unlock new opportunities for growth and success. With the continued dedication of our team, we are poised to achieve even greater heights, and I am confident that we will thrive in the years to come.



Fathimath Azma
Non-Executive Director

Message by Acting Managing Director



Ms. Fathimath Meeza Adam

Acting Managing Director

The year 2024 marked a pivotal moment for SDFC as we celebrated our fifth anniversary. While new loan applications were paused, we strategically focused on reinforcing our operations to ensure long-term sustainability. A core priority was advancing our digital transformation, which streamlined our processes, improved operational efficiency, and enhanced service delivery. We prioritized the completion of financed projects and intensified monitoring and follow-up procedures, ensuring all commitments were met and project outcomes achieved. By refining policies and proactively addressing gaps, we strengthened the effectiveness of our financing programs, bolstering our support for SMEs and paving the way for future growth.

Our recovery efforts were significantly enhanced, yielding notable results in revenue generation. These focused actions played a key role in improving our financial position and reinforcing our commitment to delivering value for our stakeholders.

In line with national economic priorities, our efforts to enhance key government-backed financing programs were unwavering. These initiatives, executed in collaboration with various ministries, were critical in channeling financial support to priority sectors, reinforcing SDFC's role in driving economic progress across the Maldives.

Operational Developments

In our continuous drive for improvement, we revised our credit framework based on historical portfolio insights, addressing recovery challenges and enhancing credit quality. A major update was the alignment of the Credit Risk Grading Matrix with international best practices, strengthening our risk assessment and loan approval process.

Notably, under a government-led initiative, an interest waiver and tenure extensions of up to 10 years were granted for the Covid Viyafaari Ehee facility, delivering crucial relief to pandemic-impacted SMEs.

Our recovery strategy remained customer-focused, promoting sustainable growth through proactive engagement and tailored restructuring solutions. Additionally, we made enhancements to our lending and recovery processes to ensure resilience and agility in response to evolving market conditions. Moving forward, we are committed to integrating Environmental, Social, and Governance (ESG) principles into our strategies, aligning with global trends and fostering responsible, long-term growth.

Credit Portfolio

Our credit portfolio reflected a strategic and measured approach to lending, with the majority of disbursed loans being issued through Corporation funding. As of 2024, Toursim sector is the leading sector accounting for a total 30% of the total credit portfolio, with the value of MVR521 million. Following closely is the Commerce sector representing 29.4% of the portfolio with a total of MVR509.9 million. The fishing sector secured the third position by dominating 17.5% of the portfolio with a value of MVR303 million. The transport sector represents 12% of the portfolio, diversifying exposure to key areas for regional economic development. These targeted funds were structured to strengthen MSMEs in priority industries, fostering business sustainability and economic growth.

In 2024, we launched several impactful financial products aligned with key government initiatives. These included the Fashaa Madhadhu Loan and the Fashaa Madhadhu Leasing Facility, both designed to expand access to asset-based financing for women-led businesses.

We relaunched the Kandufalhuge Nafaa Loan Program (KNLP) to support the development of reef fisheries, and the RSW Murabaha Facility under our Islamic Window, offering Shariah-compliant financing for Refrigerated Sea Water (RSW) systems in fishing vessels.

Additionally, the Dhanduveri Manfaa Product was introduced to promote sustainable livelihoods and broaden economic participation across diverse sectors.

These products reflect our commitment to fostering inclusive economic growth and providing diverse financing solutions to support the Maldives' most vital industries.

Financial Performance

SDFC maintained financial stability in 2024, ensuring operational efficiency while investing in critical infrastructure upgrades. Our total income grew from MVR 104.3 million in the previous year to MVR 106.3 million in 2024. This growth was supported by an increase in income, which rose from MVR 13.6 million to MVR 16.2 million, reflecting improved service delivery and portfolio performance.

A significant milestone during the year was the initiation of IFRS 9 implementation, an International Financial Reporting Standard mandated for financial institutions. Although the adoption of IFRS 9 had been planned in previous years, challenges in acquiring sufficient historical data delayed full execution. In 2024, however, we successfully commenced implementation, marking a major achievement that strengthens our financial reporting framework and enhances confidence among stakeholders.

Notably, despite the continued implementation of prudent provisioning measures, impairment losses were significantly reduced to MVR 44.9 million compared to MVR 80 million in the previous year, reflecting our strengthened credit policies and enhanced recovery efforts. As a result, SDFC recorded a net operating profit of MVR 61.34 million and a total comprehensive income of MVR 45.2 million, demonstrating a substantial turnaround from the previous year's loss of MVR 21.7 million.

Enhancing Our Digital Infrastructure

A key focus in 2024 was the advancement of our digital platform. Recognizing the evolving financial landscape and the growing demand for accessible financing, we dedicated significant resources to upgrading our systems, which were developments to the customer portal, establishment of a partner portal, integration of the call management system with the portal and integrations with external parties. These enhancements will allow us to better accommodate diverse loan products and ensure that SMEs can access funding more efficiently moving forward.

This investment in technology is not just about improving service delivery—it's about future-proofing our institution to remain agile, customer-centric, and aligned with national economic objectives.

Acknowledging Our Partners, Customers, and Contributors

I thank the Government of Maldives, especially the Ministry of Economic Development and Trade and the Ministry of Finance and Planning, for their vital support in developing inclusive financing policies and ensuring the success of key programs that align with national priorities. I also appreciate the contributions of the Ministry of Fisheries and Ocean Resources, Ministry of Social and Family Development, and the Ministry of Agriculture and Animal Welfare in the effective implementation of these programs.

To our Board of Directors, your leadership has been invaluable, guiding us through a period of transformation. To our employees, your dedication to improving our digital systems and operational efficiency is deeply appreciated.

I am grateful to our customers, the SMEs, for their trust and patience. Our commitment to providing accessible and efficient financing solutions remains unwavering.

Finally, I thank Ms. Aishath Fifsheen Ali, our former Managing Director, for her exceptional leadership, and Mr. Adam Shamy Mohamed, our former Acting Chairperson, for his vision and guidance since the Corporation's inception. I wish them both continued success in their future endeavors.

Looking Forward to 2025

As we step into 2025, we remain committed to our mission of empowering SMEs and driving economic progress. With our enhanced digital capabilities, we are confident that we will be able to serve businesses more effectively and contribute to national development in a meaningful way.

A key focus in the coming year will be enhancing the quality and performance of our credit portfolio, with targeted efforts to strengthen monitoring, recovery, and sustainability across all facilities. In addition, we will prioritize the expansion of our Islamic finance offerings, ensuring that our Shariah-compliant portfolio continues to grow in line with market demand and financial inclusion goals.

Furthermore, we will continue to invest in our digital infrastructure to streamline processes, improve accessibility, and ensure seamless customer experience, positioning us to meet the evolving needs of the business community in the years ahead.

Thank you for your continued trust and support. We look forward to the opportunities ahead.



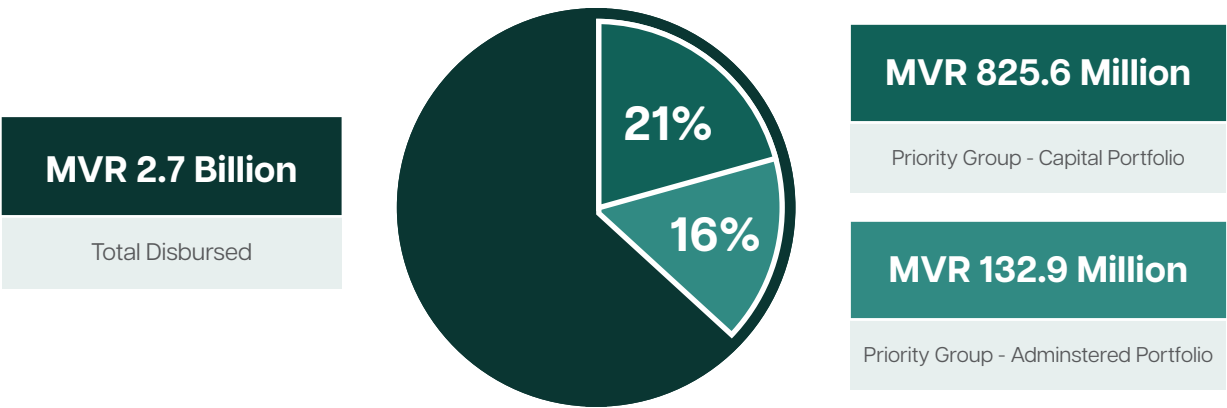
Fathimath Meeza Adam
Acting Managing Director

Our Strategy & Value Creation Model

How we generate long-term value

The Corporation is committed to fostering inclusive and equitable access to finance. Special emphasis is placed on empowering women, youth, and persons with disabilities (PWDs) through a targeted priority group initiative. These groups benefit from an enhanced internal credit rating framework, allowing them to access financing on concessional terms, including favorable interest rates and tailored equity investments.

This initiative reflects the Corporation’s dedication to social equity, financial inclusion, and support for underrepresented groups in economic development. As of December 2024, over 37% of the Corporation’s total portfolio was issued towards businesses led by members of priority group. While 16% was contributed by the administered Portfolio, 21% was by the loans financed by SDFC.



Financial Inclusion & Impact on Communities

The Corporation prioritizes financing in sectors that drive inclusive economic growth and community development. These sectors are selected based on their alignment with national priorities and their capacity to enhance economic growth in terms of productivity, generate new employment opportunity and economic sustainability.

Fisheries Sector

The Corporation has provided financing exceeding MVR 247 million for more than 130 fishing vessels, solidifying its role as a key MSME investor in the fisheries sector. The Corporation has launched multiple products in collaboration with the Ministry of Fisheries and Ocean Resources (MoFOR), to advance areas such as Reef Fishing activities and modernizing the vessels with installation of Refrigerated Sea Water (RSW) systems, boosting storage and product value. As of December 2024, the Corporation has disbursed MVR 950.9 million for the sector with over 68% of the finance made accessible through Administered Portfolio in collaboration with different government agencies.



Agriculture Sector

To strengthen food security and rural livelihoods, the agriculture sector is also identified as a key area of focus. The Corporation's loan products support small-scale farmers through climate-smart, sustainable, and innovative agricultural practices. These financing tools address land access challenges and provide end-to-end support for the production cycle. As of December 2024, a total of MVR 30.4 million has been disbursed towards the sector with 63% of the finance made accessible through Administered Funds in collaboration with the Ministry of Agriculture and Animal Welfare (MoAAW).



Tourism Sector

Recognizing the tourism sector's contribution to the national GDP, the Corporation supports the development of local tourism infrastructure. The Corporation has contributed financing for 22% of the guesthouses disbursing over MVR 425.5 million, supporting to develop and sustain 4200+ beds of the tourism industry. The Corporation has also disbursed over MVR51.6 million to support the construction and development of Safari Vessels in the country. Further, support extends to complementary services such as diving centers, souvenir shops, and travel agencies with MVR89.4 million disbursed in financial assistance. These efforts align with government strategies to diversify the tourism sector and promote equitable economic participation. As of December 2024, a total of MVR 566.5 million has been disbursed towards the sector with 8% of the finance made accessible through Administered Funds in collaboration with other government agencies.

Manufacturing Sector

Corporation has been making an active effort to reduce the reliance on imports and stimulate domestic production by prioritizing the manufacturing sector. As of December 2024, MVR 137.2 million has been financed for businesses associated in the sector with 21% of the finance made accessible through Administered Funds in collaboration with other government agencies. Notably, there has been a substantial increase in the contribution to startups and self-employed businesses over the course of the year. Funded initiatives include carpentry, tailoring, bakeries, printing, and creative industries, all contributing to the growth and self-sufficiency of the local economy.

Information Technology Sector

As a catalyst for innovation and job creation, Information Technology received focused support. As of December 2024, The Corporation has financed MVR14.66 million towards support of the MSMEs acting in the sectors with 11% of the finance made accessible through Administered Funds in collaboration with other government agencies. These investments aim to enhance digital infrastructure, support tech-driven enterprises, and foster a resilient, innovative-led economy capable of bridging geographic and economic gaps.



Business & Financial Performance

Our Products & Services: Evolving to Meet Customer Needs

Capital Portfolio



Viyafaari Ehee

Viyafaari Ehee product allows MSMEs to support their financial needs which include meeting the short-term working capital requirements and equipment purchase.

Viyafaari Tharaggee

Viyafaari Tharaggee is designed to support existing MSMEs across different sectors by providing financing for business growth, and long-term investment.



Fashaa Viyafaari

Fashaa Viyafaari is a loan financing product focused to support entrepreneurship by funding startups for fixed asset investments and working capital requirements.

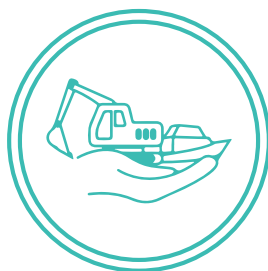
Rashu Fathuru

Rashu Fathuru product focuses on enabling financing assistance on growth of local tourism by enabling startups and MSMEs to establish and expand their presence in the tourism sectors.



Taxi Nafaa

Taxi Nafaa is a loan product aimed towards helping both new and existing taxi drivers via financing for purchase of new vehicles or replacement of existing taxis.



Harumudhaa

Harumudhaa loan facility supports long-term investments in the fisheries, transportation, ICT and manufacturing sectors by financing vessels and others fixed assets including machinery and equipment.



Fannuveri Nafaa

Fannuveri Nafaa products is designed to provide accessible financing that support the sustainability and growth of the creative industry in the Maldives, promoting entrepreneurship among micro businesses, home-based entrepreneurs and freelance professionals.



COVID Viyafaari Ehee Media Package

COVID Viyafaari Ehee Media Package is an exclusive loan product introduced during the COVID-19 pandemic to support registered media outlets to meet their short-term working capital requirements.



Viyafaari Dhirun

Viyafaari Dhirun is a loan product introduced to provide financial assistance for existing businesses facing cash flow constraints and financial difficulties due to the COVID-19 pandemic.



Administered Portfolio

COVID-19 Viyafaari Ehee

COVID-19 Viyafaari Ehee is a loan product developed in collaboration with the Ministry of Economic Development & Trade and Ministry of Finance to provide short-term financial assistance to MSMEs and self-employed individuals to help sustain their business operations during the economic downturn due to the Covid-19 pandemic.

Contingency Funds

Covid Contingency Special Purpose Relief Fund was established in collaboration with Ministry of Finance and Planning (MoFP) and Ministry of Fisheries and Ocean Resources (MoFOR) through which financing was provided to support local fish processing and export businesses in response to the subsequent economic impact on the fisheries industry following the Covid-19 Pandemic.

MIFCO Overdraft Facility

In collaboration with Ministry of Finance and Planning (MoFP), a Special Purpose Fund was created to facilitate a drawdown credit facility, to support fish purchase from local fishermen through Maldives Industrial Fisheries Company (MIFCO) Ltd, following the economic impact on the fisheries sector due to the Covid-19 pandemic.



Dhanduveri Nafaa

Dhanduveri Nafaa promotes sustainable agriculture by providing affordable financing for climate-smart and environmentally friendly farming practices in collaboration with the Ministry of Agriculture and Animal Welfare.



Kandufalhuge Nafaa

Kandufalhuge Nafaa is loan scheme provided in collaboration with the Ministry of Fisheries and Ocean Resources to support the fisheries industry by financing the purchase and installation of RSW system in fishing vessels and to provide advantageous financing options for businesses engaged in the reef fisheries sector.

Fashaa Madhadhu

Fashaa Madhadhu loan product is developed in collaboration with the Ministry of Economic Development & Trade and the Ministry of Social and Family Development to bridge the gap in accessing finance for women entrepreneurs, particularly those who encounter challenges in obtaining financial support through current conventional banking avenues.

Dhanduveri Manfaa

Dhanduveri Manfaa is matching grant scheme developed in collaboration with the Ministry of Agriculture and Animal Welfare, funded by International Fund for Agriculture Development, to provide accessible financing towards greenhouses and climate-smart technologies to support the sustainability and development of the agricultural industry.



Murabahah RSW Financing

Murabahah RSW Financing Scheme is a Shariah-compliant program that provides finance for acquisition and installation of RSW, generator set and solar power systems on fishing vessels. This program is administered in collaboration with Ministry of Fisheries and Ocean Resources, Ministry of Finance, the Lives and Livelihoods Fund (LLF) and Islamic Development Bank.



Fashaa Madhadhu Leasing

Fashaa Madhadhu Leasing is a leasing facility developed in collaboration with the Ministry of Economic Development and Trade to provide accessible financing options towards purchase of fixed assets for women-led businesses to promote women entrepreneurship in the country.



Financial Performance:

Key Metrics & Growth Drivers

Key Financial Ratios

2024 marks a historic year for SME Development Finance Corporation, the Corporation achieved a significant turnaround, as seen by its net profit soaring to MVR 45.2 million from the MVR 21.7 million loss in 2023. This incredible recovery amounts to a remarkable 308% gain from the previous year. Net operating profits of the Corporation soared to MVR 61.3 million, marking an outstanding 152.5% increase compared to MVR 24.3 million in 2023. These significant achievements demonstrate the Corporation's robust financial management, stronger internal efficiencies and sharp operational focus.

The balance sheet remained resilient, with net loans to customers increasing to MVR 1.01 billion; a 1.3% growth that underscores a steady and measured approach to lending. In addition, the Corporation significantly bolstered its liquidity position, with cash and cash equivalents rising by 60.9% to reach MVR 87.46 million, indicating strong cash flow management and preparedness for future investment and operational needs.

While total revenue moderated slightly, the sharp rise in net operating profit and strong liquidity growth confirm that 2024 was a highly successful year operationally. These results provide a solid foundation for sustained growth and continued financial strength going forward.

| Financial Position | 2024 | 2023 | % |
|--|---------------|---------------|----------|
| Total Assets | 1,171,603,974 | 1,082,662,286 | 8.22% |
| Net Financing | 1,012,068,052 | 999,059,465 | 1.30% |
| Shareholder's Equity | 975,310,387 | 870,098,736 | 12.09% |
| Earnings | | | |
| Total Interest Income | 90,020,303 | 90,756,715 | -0.81% |
| Total Fees, Commission & Other Income | 16,247,283 | 13,566,643 | 19.76% |
| Total Operating Income | 106,267,586 | 104,323,358 | 1.86% |
| Net Operating Income (Before Impairment) | 56,761,925 | 58,294,999 | -2.63% |
| Total Expenses | 49,505,661 | 46,028,359 | 7.55% |
| Net Profit / (Loss) before Tax | 11,838,301 | (21,736,404) | 154.46% |
| Net Profit / (Loss) for the Year | 45,211,651 | (21,736,404) | 308.00% |

| Performance Indicators | 2024 | 2023 | % |
|----------------------------|--------|--------|---------|
| Net Asset per Share | 8.56 | 8.06 | 6.19% |
| Earning per Share (EPS) | 0.40 | (0.24) | 265.25% |
| Return on Equity (%) | 4.64% | -2.50% | 285.56% |
| Total Capital Adequacy (%) | 72.00% | 89.00% | -18.85% |
| Gross NPA Ratio (%) | 38.72% | 26.47% | 46.27% |
| Provision Cover (%) | 21.25% | 18.67% | 13.84% |

Income

In 2024, the Corporation's principal source of revenue and interest income, amounted to MVR 90.02 million, representing 84.7% of the total income for the year. Net operating income for the year stood at MVR 56.76 million. Furthermore, total operating income recorded a year-on-year increase of MVR 1.94 million, reaching MVR 106.27 million in 2024.

Expenses

The Corporation's total operating expenses increased by 7.5% in 2024, reaching MVR 49.51 million. As the Corporation continues to expand its operations year-on-year, operational costs are expected to rise accordingly. The largest component of operating expenses was personnel costs, which accounted for 72.3% of the total operating expenses, amounting to MVR 35.81 million. This increase primarily reflects the recruitment of additional staff to support the Corporation's growth. The cost-to-income ratio for the year stood at 46.6%, reflecting prudent cost management amid ongoing expansion.

Loan Portfolio and Quality

The Corporation's net financing assets grew by 1.3% in 2024, reaching MVR 1.01 billion, reflecting a steady expansion of the financing portfolio. However, the Non-Performing Assets (NPA) ratio increased to 38.72%, primarily driven by stress in certain segments of the portfolio. On a positive note, the provision coverage ratio also improved by 13.84%, demonstrating the Corporation's strengthened approach to provisioning after implementation of IFRS 9 and its continued focus on maintaining adequate buffers against potential credit losses.

Assets and Liabilities

The Corporation's financial performance in 2024 reflected continued growth, with total assets increasing by 8.2% to reach MVR 1.17 billion. As of year-end, cash and cash equivalents stood at MVR 87.46 million, representing a significant increase of 60.9% compared to the previous year. This notable improvement in liquidity highlights the Corporation's strengthened cash position, supported by enhanced collection efforts from the financing portfolio along with effective liquidity management.

Shareholders' Funds

As of year-end 2024, the Corporation's total share capital stood at MVR 1.14 billion, while total equity reached MVR 975.31 million, representing a 12.1% increase compared to the previous year. The year 2024 marked a significant milestone for the Corporation as it recorded profit for the first time since inception. Consequently, key performance indicators showed positive trends, with a Return on Equity (ROE) of 4.64% and Earnings Per Share (EPS) of MVR 0.40, reflecting the Corporation's progress towards financial sustainability and value creation for its shareholders.

The Majority Shareholding of SDFC is held by the Government of Maldives with 85% and the City Councils, Male', Addu and Fuvahmulah, each holding 5% shares, respectively.

Financial Reporting

The financial reports of SDFC have been prepared and presented in accordance with International Reporting Standards (IFRS).

Credit Portfolio Insights

The Corporation services the MSME sector which constitutes of the majority of the businesses operating in the Maldives. This sector operates in a fast-paced transformative business environment which elevates the need for continuous upscaling, improvement, and the introduction of new products to the market. Hence, the Corporation prioritizes the development of customized financial solutions and personalized guidance to empower the MSME sector, fueling their entrepreneurial aspirations, and contributing to a more inclusive and thriving business ecosystem.

In the past year, SDFC has continued to administer a diverse portfolio of loan schemes aimed at fostering sustainable development and economic resilience in collaboration with the government and international organizations. The Corporation's focus has been particularly strong on climate adaptation and mitigation, addressing the critical needs of various sectors through targeted financial assistance.

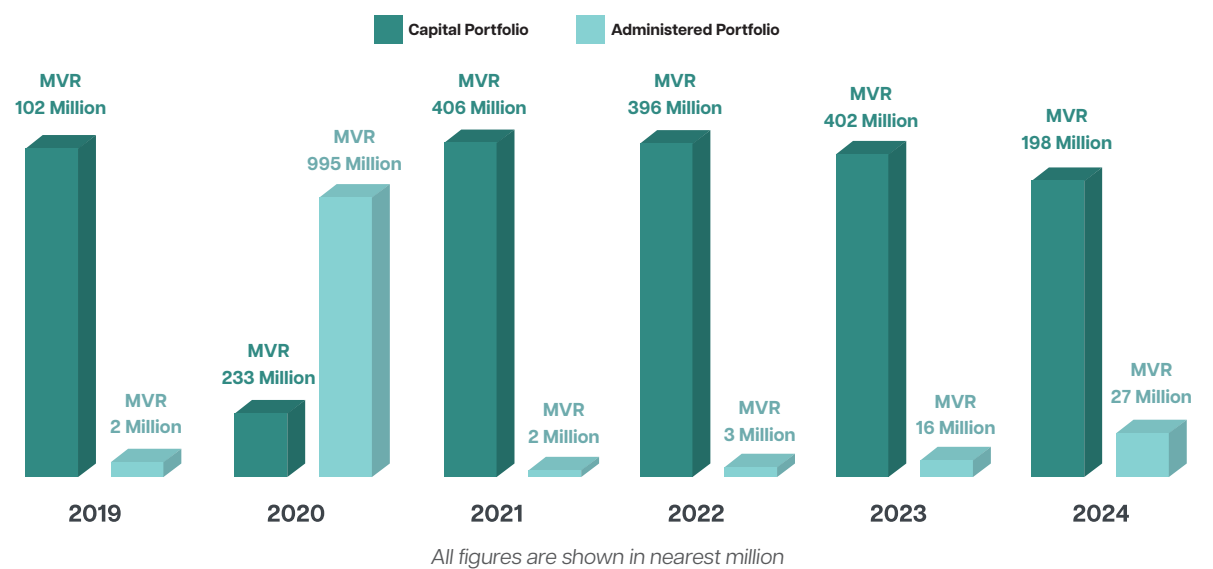
The 'Kandufalhuge Nafaa' loan scheme, in collaboration with the Ministry of Fisheries and Ocean Resources (MoFOR), is currently ongoing with a total fund allocation of MVR 37.08 million. The scheme is designed to promote climate-friendly and sustainable practices within the fisheries sector. While the initial phase of the scheme was focused on financing Refrigerated Sea Water (RSW) systems in fishing vessels, in response to evolving industry needs, the scheme has been broadened to include businesses operating within the reef fisheries sector. This underrepresented segment of the fisheries sector now has accessible financing solutions.

Similarly, the 'Dhanduveri Nafaa' loan scheme, in partnership with the Ministry of Agriculture and Animal Welfare, with an allocated fund of MVR 22 million continues to support sustainable agriculture through accessible financing for climate-smart technologies.

The Murabaha RSW Financing Scheme, with an allocated funding of USD9.699 million, remains active and continues to facilitate accessible financing solutions towards enhancing the sustainability and development of the fisheries sector. The scheme provides financing for the installation of Refrigerated Sea Water (RSW) systems, Solar PVs, and Gensets on fishing vessels. This initiative is a joint effort between the Ministry of Finance and Planning (MoFP), Ministry of Economic Development and Trade (MoEDT), Ministry of Fisheries and Ocean Resources (MoFOR), the Islamic Development Bank (IsDB) and Lives and Livelihoods Fund (LLF).

In collaboration with the Ministry of Economic Development and Trade (MoEDT), Ministry of Finance and Planning (MoFP), and the Ministry of Social and Family Development (MoSFD), a loan scheme of MVR 100 million with an annual allocation of MVR 20 million was launched to support women-led start-ups. ‘Fashaa Madhadhu’ Loan scheme was launched to support women-led start-ups with 25% of this scheme targeted towards financing for people with disabilities.

Additionally, the ‘Fashaa Madhadhu – Leasing’ scheme, with a total fund allocation of MVR 10 million, continues to provide financial assistance to existing women entrepreneurs. This scheme is also designed to empower women entrepreneurs, particularly those from low-income and marginalized backgrounds who face barriers in accessing finance through conventional banking avenues.

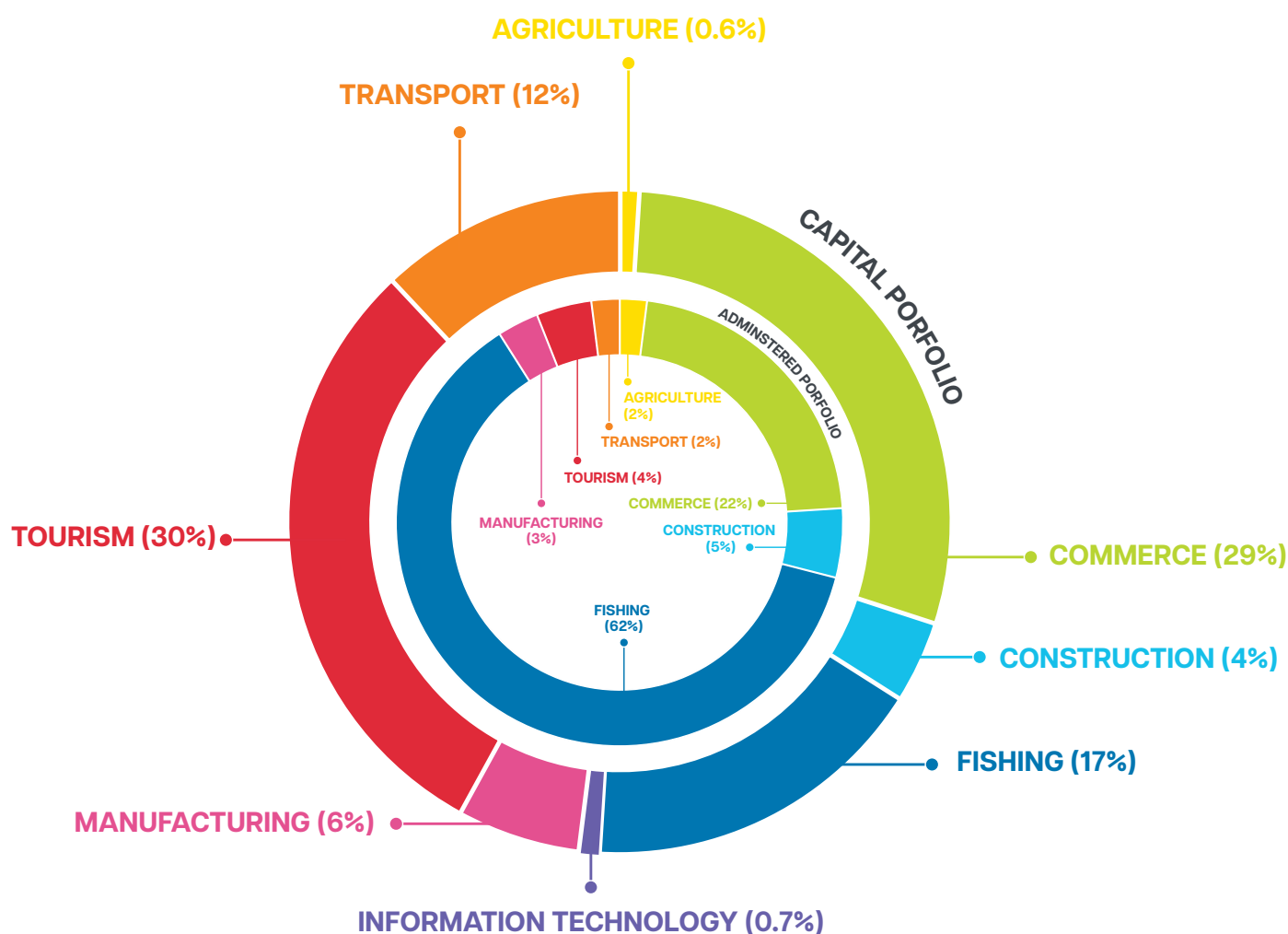


Over the past six years, the Corporation has demonstrated a strong and consistent commitment to supporting the development of MSMEs. The Capital Portfolio recorded substantial growth. Within the past 5 years the corporation has disbursed MVR1.05 billion towards the administered loan schemes and more than MVR1.73 billion towards corporation capital funded loans.

This expanding portfolio depicts the Corporation’s strong strategic focus on sustainable financing of MSMEs, ensuring that businesses continue to have the necessary access to capital to fuel their growth and enhance their contributions to the broader economy.

Accompanied by a diverse range of products introduced to the market, our administered portfolio continues to experience significant growth. Disbursements from this segment rose from MVR2.4 million in 2019 to a cumulative total of MVR1.05 billion by the end of 2024.

The Corporation services facilities to 8 economic sectors in the Maldives while prioritizing the sectors tourism, manufacturing, information technology, fishing and agriculture in line with government's focus to develop and implement a sustainable economic landscape across the Maldives.



As of 2024, dominating 30% of the capital portfolio with a total of MVR521 million, tourism sector remains as the leading sector. Following closely is the commerce sector representing 29.4% of the portfolio with a total of MVR509.9 million. The fishing sector secured the third position with over 17.5% of the portfolio with a value of MVR303 million. The transport sector represents 12% of the portfolio, diversifying exposure to key areas for regional economic development.

Sector division differs in the administered portfolio with 62% equivalent to MVR 647 million represented by the Fisheries sector, and 22% equivalent to MVR 230 million represented by the commerce sector. The significant contribution from the fisheries sector is due to the contingency facilities issued during the Covid-19 pandemic. Similarly, the contribution by the commerce sector is associated to the disbursements made from the SME Fund on behalf of Ministry of Economic Development and Trade.

The Corporation's strategic emphasis on priority sectors has delivered significant cumulative growth reinforcing our commitment to national development and sustainable economic progress. SDFC has disbursed MVR 521 million and MVR 303 million to the tourism and fisheries sector respectively under our capital funded products. For the Agriculture sector MVR 11.2 million has been disbursed, boosting rural economies. A total of MVR 12.97 million was disbursed under Information Technology. Contribution to the Manufacturing is MVR 107.7 million, strengthening local industries. These figures highlight the Corporation's strategic investment efforts and alignment with national goals to strengthen key sectors and support sustainable economic growth.

As of 2024, the Corporation has a total of 18 products in our product portfolio, with inclusion of a Shariah Complaint Product, each tailored to a specific purpose that effectively captures the economic growth aspects and consumer-entrepreneurial needs. These loan products are segregated based on business duration, project purpose, and sector. As such, the loan products focus on asset purchase, seed capital, business expansion, and working capital.

The Corporation has successfully expanded its outreach to all 20 atolls of the Maldives, achieving service coverage for over 160 islands. Year 2024 was concluded with 39% of the total portfolio disbursed towards facilities located outside the Greater Male' Region.

Under the capital portfolio, MVR 1.13 billion was disbursed towards islands located outside the Greater Male' Region, representing 65% of the capital portfolio. The highest concentration of this portfolio remains in North Central Province, consisting of K, AA, ADh and V atoll, which represents 20% of the portfolio. As for the remaining regions, North Province, South Central Province and South Province represents 10%, 10% and 9% respectively for the facilities awarded outside the Greater Male' Region. This shows the presence of the Corporation across the country and diversified exposure in key areas for regional economic development.

Due to the nature of the customer base, maintaining close and continuous engagement with customers is essential to effectively monitor projects and ensure both project continuity and regular repayments. However, the geographical dispersion and isolation of the islands present significant challenges to implementing a robust and consistent monitoring mechanism.

In 2024, the monitoring team successfully conducted reviews of a total of 288 projects across 22 regions within the country. To further enhance outreach and strengthen monitoring capabilities, it is within the future objectives of the Corporation to establish branch offices or liaison units in key locations nationwide. Additionally, ongoing efforts are being made to upgrade the existing digital portal to improve B2C services. These enhancements aim to streamline the loan application and disbursement processes, ultimately ensuring greater efficiency and customer satisfaction.

Another critical challenge faced by SDFC is the lack of comprehensive data and information on MSMEs across the country, with this data gap posing considerable difficulties in accurately evaluating the feasibility of loan proposals. Nonetheless, since inception, the Corporation has made considerable progress in collecting relevant data and is committed to further developing a centralized MSME database in the future. This initiative forms a core part of our long-term strategy to improve overall efficiency, transparency, and impact of our operations.

Sustainable Investment and Impact

The Corporation remains at the forefront of fostering sustainable economic development by supporting entrepreneurship, job creation, and inclusive growth within the SME sector. Building on this mandate, the Corporation is actively engaged in initiatives aimed at promoting green and climate-resilient investments.

To strengthen its sustainability agenda, the Corporation is striving towards development of green financing options and pursuing strategic partnerships with international organizations to introduce environmentally conscious financial instruments. These efforts aim to align the Corporation's investment portfolio with global climate objectives and contribute to a resilient, low-carbon economy.

As part of the initiative, SDFC is the process of attaining Green Climate Fund (GCF) accreditation as the Direct Access Entity (DAE) for the Maldives, following nomination by the National Designated Authority (NDA). Currently, in collaboration with USAID the Corporation is pursuing accreditation through the Project-Specific Assessment Approach (PSAA), working closely with stakeholders to fulfill the necessary requirements.



Operational Excellence: Driving Efficiency & Resilience

Digital transformation initiatives

In an increasingly dynamic technological environment, the Corporation has placed strategic emphasis on digital transformation to strengthen operational efficiency, enhance service delivery, and improve organizational resilience. Through targeted investment in technology and infrastructure, the Corporation is positioning itself to meet evolving customer expectations, regulatory requirements, and long-term institutional objectives.

Enhancing Customer and External Engagement

Recognizing the need for seamless and responsive engagement, the Corporation has developed several digital platforms aimed at enhancing the experience for customers and external stakeholders.

The Corporation launched it's first digital platform during the year 2020 called the "SDFC Customer Portal", offering customers a fully digital pathway to access lending services. Building on the foundations of this platform, in the year 2023 the Corporation revamped and expanded the service into the version 2 of "SDFC Customer Portal" providing enhanced features and a more customer-friendly interface.

In addition, the Corporation introduced Kumevi Baazar, an innovative online marketplace designed to enable small and medium enterprises to showcase and sell their products to a wider audience.

The Partners Portal was also developed to streamline collaboration with external stakeholders, facilitating easier communication and transaction management.

The Corporation successfully completed the migration of its in-house call center operations to an integrated call management system. This integration enhances the efficiency of call handling processes and improves the overall quality of customer interactions. This has also been further enhanced with 360 view of customer interactions within the portal.

Via SDFC Customer Portal

2,808

No. of Applications
Submitted

24,511

No. of eFaas users
logged in

24,308

No. of customer
tickets received

Via Kumevi Baazaar

47

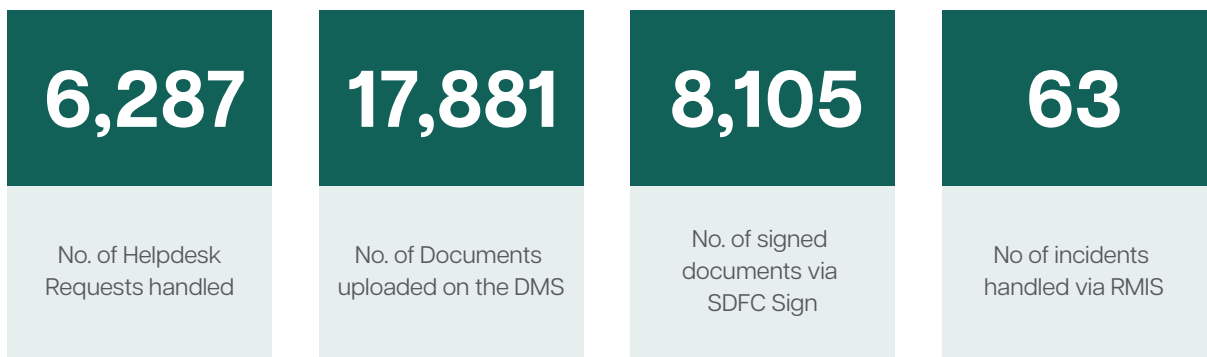
No. of registered
businesses marketed

To further strengthen its digital ecosystem, the Corporation established integrations with key external agencies, including BOLI, GEMEN LGA, and Maldives Inland Revenue Authority (MIRA), with integration efforts ongoing for the Department of National Registration (DNR).

These initiatives demonstrate the Corporation’s commitment to providing accessible, customer-centric, and digitally driven services that empower SMEs and facilitate efficient stakeholder collaboration.

Strengthening Internal Operations

In parallel with external developments, the Corporation has invested significantly in building robust internal systems to drive operational efficiency and organizational resilience. A newly developed intranet solution now supports internal business operations, streamlining workflows, reducing staff workload, and ensuring compliance through strong access management controls and detailed audit trails. All modules under this platform have been developed in-house by the Corporation’s staff.



Key internally developed CORE applications include:

- SDFC Helpdesk, an internal service management platform for efficient issue tracking and resolution.
- SDFC Dhurumi, an API-integrated hub that provides real-time access to customer insights on shareholding and business ownerships from multiple external sources.
- SDFC Sign, a digital signature platform that supports paperless operations and contributes to the Corporation's environmental sustainability efforts.
- SDFC Document Management System (DMS), a comprehensive system for managing document storage, retrieval, and numbering.
- SDFC Risk Management Information System (RMIS), a specialized tool for identifying, monitoring, and managing institutional risks in alignment with industry standards.

Infrastructure Expansion

Complementing its digital strategy, the Corporation continues to expand its physical presence to better serve customers across the country. New office premises are being established ensuring broader service coverage and improved customer accessibility. This dual approach, combining digital innovation with infrastructure expansion, reinforces the Corporation's long-term commitment to operational excellence and inclusive service delivery.

Process Optimization & Risk Management

As a key financial institution mandated to implement national economic policy, the Corporation operates within a unique and dynamic risk environment. Our operational and strategic landscape is shaped by evolving government directives, geopolitical developments, economic conditions, and social expectations. In response, the Corporation continues to refine its risk management and process optimization strategies to ensure institutional resilience, responsible lending, and long-term value creation.

Enterprise Risk Management Framework

Risk Management is at the heart of the Corporation's operations. As a financial institution committed to supporting the growth of the MSME sector in the Maldives, our ability to manage risks effectively is fundamental to our mission. By maintaining robust risk management practices, we not only safeguard the Corporation's financial stability but also empower entrepreneurs across key sectors to access financing with confidence. This disciplined approach ensures that the Corporation can continue to deliver on its development mandate while achieving sustainable and profitable growth for the Corporation.



Key Strategic Risk Areas

Credit Risk

Credit risk remains the most significant exposure for the Corporation, primarily due to our strategic focus on financing SMEs through both secured and concessional unsecured lending. Rigorous credit assessment methodologies are applied to evaluate customer creditworthiness, determine appropriate collateral, and manage credit limits. These measures are designed to ensure responsible lending practices and minimize default-related losses.

Pricing Risk

As a policy-driven institution, the Corporation adheres to government-mandated pricing models aimed at expanding access to affordable finance. This restricts the ability to fully align with market-based pricing strategies. While this presents inherent risks to profitability, it reflects our broader mandate to promote inclusive economic development and equitable financial access.

Talent Risk

The financial sector is increasingly competitive in attracting talent with specialized skills in finance, technology, and data analytics. The Corporation continues to invest in workforce development, training, and retention strategies to address this risk and maintain operational competence in a rapidly evolving market.

Market Evolution and Innovation

The emergence of digital financial services and increased public participation in local and international financial markets pose both opportunities and operational risks. The Corporation aims to remain agile and responsive by investing in innovation, developing customer-centric solutions, and adapting its service delivery models to meet changing demands.

Startup Financing Risks

Supporting early-stage ventures is central to the Corporation's mission of MSME development and inclusive economic growth. However, such financing carries elevated risk due to limited business histories and uncertain revenue models. The Corporation applies robust due diligence and risk assessment tools to balance support for innovation with prudent credit practices.

Through continuous process refinement, strategic risk management, and a forward-looking approach, the Corporation strengthens its operational resilience and reinforces its position as a trusted and agile financial partner within the Maldivian economy.

Liquidity Risk

Challenging macroeconomic conditions and a historically elevated level of Non-Performing Assets (NPAs) have underscored the importance of proactive liquidity risk management. SDfC employs rigorous monitoring of liquidity positions and implements dynamic asset-liability management practices to maintain financial stability.

Our strategic response includes strengthened recovery processes, tighter credit assessments, and improved loan monitoring to reduce NPA ratios. These initiatives are complemented by enhanced enforcement of collateral and rapid asset recovery mechanisms. Furthermore, SDfC is actively diversifying its funding base through strategic partnerships with global financial institutions in affiliation with the Government of Maldives. These collaborations provide access to diversified capital sources and improve our overall credit profile, reinforcing our liquidity position and long-term solvency.

Implementation of Expected Credit Loss (ECL) Framework

In 2024, we made significant progress in the implementation of IFRS 9, reinforcing our commitment to operational excellence through enhanced financial risk management practices. This transition represents a pivotal step in aligning our credit risk assessment framework with international financial reporting standards, ensuring a more robust and forward-looking approach to loan loss provisioning.

The Corporation recognizes Expected Credit Losses (ECL) in accordance with IFRS 9 – Financial Instruments. ECL represents the estimated credit losses on financial assets, based on historical data, current conditions, and forward-looking information.

The Corporation applies a three-stage approach to measure ECL:

- Stage 1: 12-month ECL for assets without significant credit risk increase.
- Stage 2: Lifetime ECL for assets with a significant increase in credit risk.
- Stage 3: Lifetime ECL for credit-impaired assets.

ECL is calculated using key components: Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD). The assessment incorporates macroeconomic factors such as GDP growth, inflation, and interest rates to reflect expected future conditions.

The Corporation maintains a robust governance framework to regularly monitor credit risk, review models, and update provisioning as needed. This proactive approach helps ensure that appropriate allowances are recognized, strengthening the Corporation's financial resilience.

Key enhancements included improving the quality of financial information which will reduce the information gap between the stakeholders. These measures have strengthened our ability to proactively manage credit risk, support sustainable lending practices, and maintain financial stability.

By incorporating IFRS 9 principles into our operations, we have enhanced transparency, improved risk mitigation strategies. These efforts underscore our dedication to prudent financial management and long-term resilience in an evolving economic landscape.

Sustainability & Corporate Responsibility

Sustainability & Impact: Our Commitment to the Future

ESG & SDG Goals: Sustainable Financing & Green Investments

SDFC is firmly committed to contributing to the achievement of several Sustainable Development Goals (SDGs) outlined by the United Nations. Our approach to sustainable development is rooted in Environmental, Social, and Governance (ESG) principles and is reflected in our efforts to promote inclusive economic growth, environmental stewardship, and social well-being across the Maldives. Recognizing the interconnected nature of the SDGs, the Corporation has prioritized areas where it can generate the most significant and lasting impact—particularly within the MSME sector. Our initiatives are designed to foster resilience, address climate change, and support the country's transition to a more sustainable and inclusive economy.

Promoting Low-Carbon Growth and Climate Resilience

The Corporation has undertaken a proactive approach to reduce its carbon footprint and champion sustainability within the national economy. By forming strategic partnerships with both domestic and international stakeholders, we are facilitating the adoption of climate-smart practices and green financing solutions tailored to the unique needs of local businesses.

Operational Sustainability and Environmental Responsibility

Internally, the Corporation has introduced environmentally responsible practices to reduce its operational impact. This includes advancing digital transformation initiatives to minimize paper usage and improve resource efficiency, as well as implementing policies to eliminate single-use plastics across all offices. These efforts contribute to a cleaner, more resource-efficient working environment and support national environmental goals.

Collaborative Action for a Net-Zero Future

Beyond internal measures, the Corporation plays an active role in broader climate resilience efforts. Through close collaboration with government agencies, civil society organizations, and international institutions, we are engaged in initiatives that support climate adaptation and mitigation, green infrastructure, and the development of sustainable financing frameworks. These partnerships are integral to enabling a just transition to a net-zero economy and align with global efforts to combat climate change. Through these ongoing efforts, the Corporation reaffirms its commitment to integrating ESG considerations into all facets of its operations. Our sustainable financing agenda not only supports the national development strategy but also contributes meaningfully to global objectives—building a resilient, inclusive, and environmentally sustainable future for the Maldives.

Social Responsibility

SDFC strongly believes its growth is tied to the growth of the Maldivian MSME sector and its people. Therefore, we promote fair representation and equality for all our stakeholders. We take pride in ensuring an inclusive environment where equal opportunities are provided to all staff regardless of ethnicity or nationality.

SDFC is also committed to its goal to promote financial inclusivity. Through the wide range of products offered by SDFC and multiple training programs conducted, SDFC promotes awareness both with employees and other various stakeholders. By provision of cheaper facilities and encouraging the growth of MSMEs, SDFC is also contributing to the availability of decent jobs and economic growth.

SDFC is dedicated to making a positive impact on sustainable and inclusive growth, resilient communities, innovation, and responsible consumption and production. We actively promote entrepreneurship and facilitate job creation to stimulate economic activity. Through strategic investments in urban infrastructure and innovative technologies, we aim to create an inclusive and sustainable environment for both SDFC and its customers. Our commitment to these principles underscores our mission to contribute to a better future, fostering economic development, and ensuring environmental responsibility.

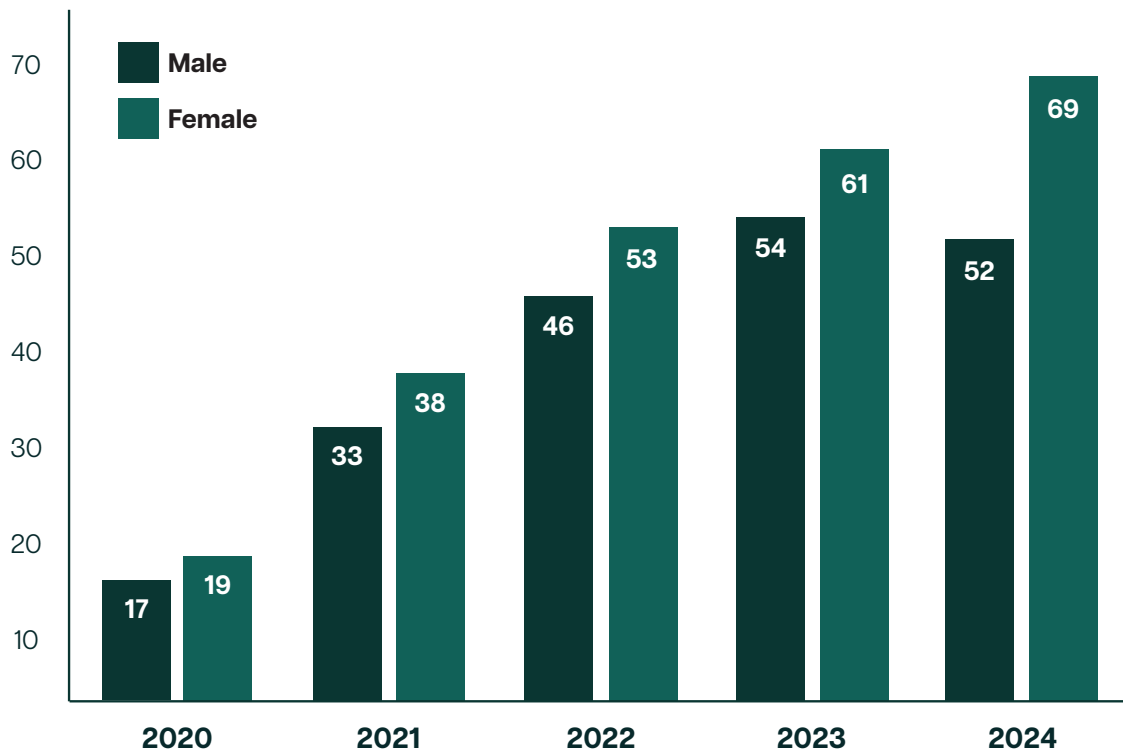
Diversity, Equity & Inclusion: Building a Stronger Workforce

At SDFC, we believe that our employees are the key to our continued success. We are committed to managing our people with utmost care and providing an environment that fosters their growth, development, and well-being.

We understand that attracting and retaining top talent is essential to maintain a competitive edge and ensure the continuity of our exceptional services. SDFC provides its employees with an encouraging environment that fosters innovation and promotes ingenuity. Given the challenges of acquiring the necessary technical skills in the market, employee retention holds immense importance within our people management strategy.

The Ratio Through out the 5 Years

No. of Employees



Talent Management and Inclusion

The Corporation recognizes the importance of an engaged workforce to enhance morale and collaboration among staff. Further, the Corporation also recognizes the importance of employees' physical and mental well-being. Therefore, keeping a holistic approach to employee welfare the following engagement activities were conducted during the year 2024.

Given the economic downturn, and budget limitations, the past years trainings and engagement activities were limited.

In 2024, the Corporation organized a range of activities to promote employee engagement, collaboration, and well-being. Key highlights included the Staff Club Elections, celebrations for Women's Day and Men's Day, and a range of Ramadan activities aimed at fostering team spirit.

The Corporation also participated in national events such as the Dhiraagu Maldives Road Race and the MED Minister Invitation Cup. Internal activities, including the Annual Staff Trip, Fishing Race, and a staff barbecue, provided valuable opportunities for team building.

To commemorate Euro 2024, interactive competitions were held to enhance employee participation. The Corporation's 5th Anniversary Gala Night served as a significant occasion to recognize and reward outstanding employee contributions.

Notably, the Corporation achieved a milestone with its first participation in the Club Maldives Futsal Tournament, demonstrating resilience, teamwork, and corporate pride.

Retention of employees rate is 81.2%, with a total of 121 employees at the end of the year 2024, this is inclusive of an increase of 27 employees additionally hired during the year.



Talent Development and Training Programs

Recognizing the youthful composition of our workforce, we place great emphasis on consistently investing in their professional development. Through comprehensive training programs and continuous skill-building initiatives, the Corporation equips its employees with the necessary technical expertise, transforming them into invaluable long-term assets for the Corporation.

In 2024, SDFC was proud to be awarded the ACCA Platinum Approved Employer status, the highest level of recognition, reflecting our unwavering commitment to professional excellence, staff development, and a strong learning culture within the Corporation.

Despite the lack of funding, with the Corporation's goal of talent development, a total of 84 trainings have been conducted during the year of 2024, and have spent MVR 254,403.79 on trainings. These trainings have been mainly on Product Information, Risk and Compliance, best practices and current trends in accounting.

| Program Name | No. of Hours |
|--|--------------|
| Risk Training | 3 |
| Performance Appraisal Training | 1 |
| Insurance Training | 1.5 |
| Information Session - KNLP | 0.5 |
| Product Information Session (Fashaa Madhadhu) | 1 |
| National HR Convention & Expo 2024 | 42 |
| GCF Product Development Training | 7 |
| Enhanced Orientation Session | 15 |
| Inception Workshop - Preparation of Initial Biennial Transparency Report to the (UNFCCC) | 6 |
| Dhanduveri Nafaa Training | 2 |

| Program Name | No. of Hours |
|--|--------------|
| Credit Evaluation Training | 7 |
| Information Session - KNLP | 0.5 |
| Product Information Session (Fashaa Madhadhu) | 1 |
| Certificate in Financial Services | 40 |
| Certificate in Credit | 40 |
| Certificate in Anti-Money Laundering & Counter Financing of Terrorism | 40 |
| Certificate in Regulatory Compliance | 40 |
| Awareness Session on Workplace Sexual Harassments | 1.5 |
| Product Information Session - Dhanduveri Manfaa | 0.83 |
| Accountants at the heart of SME resilience and growth | 1.5 |
| Customer Service Training | 8 |
| Government Communications Protocol (GCP) Workshop | 6 |
| Product Refresher Training for Dhanduveri Manfaa and Fashaa Madhahu product | 1 |
| Product Refresher Training for Dhanduveri Manfaa product | 1 |
| The 10th Maldives Islamic Banking and Finance Industry Conference | 8.5 |
| Empowering MSMEs in OIC Member Countries Through Green Climate | 4 |
| Policy Dialogue on private sector engagement in Disaster Management | 7 |
| Workshop on Regional Islamic Finance Hub | 2 |
| Workshop on 'Empowering MSMEs in OIC Member Countries through Green Climate Finance' | 5 |

| Program Name | No. of Hours |
|---|---------------------|
| Maldives Accountants Forum (MAF) 2024 | 16.5 |
| Project Design and Resource Mobilisation workshop | 14.25 |
| Internal Audit Department Meeting 08/2024 | 1 |
| AML/CFT Training | 1 |
| RSW Product Training for LAS Department | 1 |
| RSW Product Training | 1 |
| Maldives Accountants Forum | 12 |
| Internal Audit Meeting September 2024 | 1.25 |
| IFRS & ISAs Forum 2024 | 18 |
| Total Hours of Training | 359.83 |

Risk & Governance: Ensuring Trust & Stability

Cybersecurity & Risk Mitigation Strategies

At SDFC, robust governance and forward-looking risk management are at the core of sustaining institutional trust and financial stability. As we navigate a rapidly evolving financial and technological landscape, we remain committed to advancing beyond traditional frameworks by adopting innovative, industry-leading approaches to risk identification, mitigation, and oversight.

Our comprehensive Risk Management Framework (RMF) is designed to be adaptive and resilient, continuously evolving to address emerging threats and shifting market dynamics. The RMF provides the Corporation's leadership, both senior management and the Board of Directors, with critical insights for informed decision-making, ensuring that strategic risks and opportunities are effectively identified and managed. By embedding risk governance into every level of our operations, SDFC reinforces its resilience and upholds its mandate to safeguard stakeholders' trust.

Outlined below are several key strategic risks that are actively managed as part of our broader risk and governance approach:

Cybersecurity Risk

In our pursuit to become a leading fintech institution, cybersecurity has become a cornerstone of our risk governance strategy. The ongoing digital transformation of SDFC heightens exposure to cyber threats, including data breaches, ransomware, and service disruptions, all of which pose potential reputational and financial harm.

To counter these risks, we have implemented a comprehensive cybersecurity framework grounded in internationally recognized standards, including the ISO 27000 series. This framework ensures the protection, integrity, and availability of customer data and critical systems. Our approach includes continuous system upgrades, real-time threat monitoring, rigorous internal audits, and employee awareness programs. Through these measures, we aim to safeguard customer trust and fortify operational resilience in an increasingly digital financial environment.

Risk Culture

Our Risk Culture reflects the shared values, awareness and behaviours that shape how risks are identified, assessed, discussed, and manage across the Corporation, it is a foundational element of our broader risk management framework.

A strong risk culture at the Corporation means that every employee, from frontline staff to senior management, takes personal responsibility for managing risk. We encourage open dialogue around both existing and emerging risks and emphasize the importance of acting swiftly, transparently, and decisively when risk issues arise.

Our risk culture is embedded through:

- Proactive ownership of risk across all departments and business lines.
- Constructive challenge and independent oversight by the Risk and Compliance Department, which operates as the second line of defence.
- Alignment with our Code of Conduct and Ethics, which defines the standards of integrity and professionalism expected of all employees.
- Continuous learning from incidents, near-misses, and internal/external developments to refine controls and adapt our risk response.

The risks we face constantly evolve, and we must always look for ways to manage them as effectively as possible. While unfavourable outcomes will occur from time to time, a healthy risk culture means that we react quickly and transparently. We can then take the opportunity to learn from our experience and improve our framework and processes.

Risk Governance and Oversight

At the Corporation, risk governance is structured around a clearly defined Enterprise Risk Management Framework (ERMF), which outlines the roles and responsibilities for managing risk throughout the Corporation. The framework is designed to ensure that risk-taking activities are conducted in a disciplined, transparent, and accountable manner that supports the Corporation's strategic objectives and development mandate.

Board Oversight and Strategic Direction

The Board of Directors holds ultimate accountability for risk governance and is responsible for approving the Corporation's Risk Appetite Statement (RAS). Through the Audit and Risk Management Committee (ARM), the Board monitors the overall risk profile of the Corporation and ensures that risk exposures remain within acceptable thresholds. The ARM also reviews and advises on the adequacy of the Corporation's risk policies, frameworks, and internal controls.

Executive Management Responsibility

The day-to-day responsibility for implementing and operating the risk management framework rests with Senior Management, led by the Managing Director. The Managing Director is responsible for integrating risk considerations into strategic and operational decision-making and ensuring that risk controls are appropriately designed and effectively functioning. Senior Management is supported by the Risk and Compliance Department, which leads the design, coordination, and implementation of risk governance tools and policies.

Risk and Compliance Department

The Risk and Compliance Department provides oversight and challenge on the Corporation's risk management, ensuring that the business is conducted inline with regulatory requirements. The Managing Director, with advice of the Head of Risk and Compliance Department, manages the risk management function, which is independent from all revenue generating business functions. The Risk Function is responsible for:

- Maintains and updates the Enterprise Risk Management Framework (ERMF).
- Oversees the identification and monitoring of material risk exposures across all business units.
- Facilitates the development of risk-related policies, tools, and reporting mechanisms.
- Ensures that risk-taking activities are consistent with the approved Risk Appetite.
- Promotes a risk-aware culture throughout the Corporation.
- Coordinates periodic reviews, stress testing, and incident analysis to assess the adequacy of controls.

Three Lines Model

1st Line - Risk Ownership

- Responsible to implement risk management and related procedures
- Implement internal control to manage risks within the function
- Ensure that Business is managed within the agreed risk appetite

2nd Line - Risk Control and Monitoring

Provides Objective oversight of the management of risk.

Key activities:

- Designs and deploys the overall risk management framework across the organization
- Develop and monitor policies and procedures
- Monitor business / support function adherence to framework

3rd Line - Independant Assurance and Validation

Audit Committee Supported by Internal Audit

Provides independant and objective assurance over the effectiveness of corporate standard and business compliance including assurance that the risk management process is functioning as designed and identifies improvement opportunities.

Principal Risk Categories

| Principal Risk Categories | Definitions | Risk Appetite Statement |
|---------------------------|--|---|
| Credit Risk | The risk of financial loss arising from a borrower's or counterparty's failure to meet contractual obligations. | The Corporation maintains a moderate appetite for credit risk, supporting MSMEs with viable business models while applying prudent credit assessments, appropriate collateral, and portfolio diversification to manage default risk. |
| Strategic Risk | The risk of adverse effects resulting from poor business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. | The Corporation accepts a moderate appetite for strategic risk, recognizing the need for innovation and growth in underserved sectors, while ensuring alignment with long-term business objectives and sustainable value creation. |
| Operational Risk | The risk of loss resulting from inadequate or failed internal processes, people, systems, or external events. | The Corporation has a low to moderate appetite for operational risk and is committed to strengthening internal controls, ensuring process efficiency, and investing in skilled human capital to support sound operations. |
| Liquidity Risk | The risk that the institution is unable to meet its financial obligations as they fall due, without incurring unacceptable losses. | The Corporation has a low appetite for liquidity risk and prioritizes maintaining sufficient high-quality liquid assets and access to funding lines to meet obligations under stressed scenarios. |
| Market Risk | The risk of losses due to movements in market variables such as interest rates, foreign exchange rates, or equity prices. | The Corporation has a low appetite for market risk, as its lending model is not heavily exposed to volatile market instruments. Interest rate risk is managed through periodic repricing and duration matching. |

| Principal Risk Categories | Definitions | Risk Appetite Statement |
|---------------------------|---|---|
| Cyber Security Risk | The risk of financial loss, disruption, or reputational damage resulting from failure or breach of the Corporation's IT systems and digital infrastructure. | The Corporation has a very low appetite for cybersecurity risk and prioritizes robust digital security frameworks, regular vulnerability assessments, and compliance with international information security standards. |
| Strategic Risk | The risk of legal or regulatory sanctions, financial loss, or reputational damage due to failure to comply with laws, regulations, internal policies, or ethical standards. | The Corporation has zero tolerance for compliance breaches and is committed to full adherence to all applicable AML/CFT, tax, financial, and governance regulations and internal policy frameworks. |
| Reputational Risk | The risk of damage to the institution's reputation due to negative public perception, adverse media coverage, or association with unethical practices. | The Corporation has a very low appetite for reputational risk and emphasizes ethical conduct, transparency, and responsible stakeholder engagement to maintain public trust and confidence. |

Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT)

As a financial institution licensed under regulatory oversight, the Corporation recognizes its critical responsibility in safeguarding the integrity of the financial system and supporting national and international efforts to combat money laundering and the financing of terrorism. Our AML/CFT framework is an integral component of our risk management architecture and corporate governance structure.

The Corporation is committed to full compliance with the Anti-Money Laundering and Countering the Financing of Terrorism Act, regulatory directives issued by the Maldives Monetary Authority (MMA), and applicable Financial Action Task Force (FATF) recommendations. The Corporation adopts a risk-based approach to AML/CFT compliance, ensuring that higher-risk customers, products, and transactions are subject to enhanced scrutiny and controls.



AML/CFT Risk Governance

The Board of Directors, through its Audit and Risk Management Committee (ARM), exercises oversight of the Corporation's AML/CFT policies and procedures. The Managing Director and the Risk and Compliance Department are responsible for implementing and maintaining effective AML/CFT practices that align with national regulatory requirements and international best practices.

The Risk and Compliance Department, operating independently from revenue-generating activities, plays a central role in maintaining AML/CFT compliance. Key responsibilities include:

Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD): Ensuring proper verification of customer identity, beneficial ownership, and understanding of the nature and purpose of the business relationship.

Transaction Monitoring: Implementing automated and manual systems to detect unusual and suspicious transaction patterns.

Suspicious Transaction Reporting (STR): Timely filing of STRs with the Financial Intelligence Unit (FIU) in accordance with legal and regulatory obligations.

Ongoing Training and Awareness: Providing periodic AML/CFT training to staff at all levels to ensure awareness and capability in identifying and reporting suspicious activity.

Internal Controls and Audits: Regular testing and review of AML/CFT processes to ensure effectiveness and compliance with evolving requirements.

Risk Appetite Statement – AML/CFT

The Corporation has zero tolerance for risks related to money laundering and terrorist financing. The Corporation does not engage in or support any activities that compromise the integrity of the financial system and maintains stringent controls to prevent misuse of its services for illicit purposes. All business units are required to uphold high standards of due diligence, monitoring, and reporting to ensure that the Corporation remains fully compliant with AML/CFT laws and regulations.

Leadership & Governance

Board & Leadership Team

Former Board of Directors



Mr. Shuhad Ibrahim

**Chairperson
Non-Executive Director**

Mr. Shuhad Ibrahim was appointed as Chairperson by the Government of Maldives on 16th September 2022 till 8th August 2024.

Mr. Shuhad Ibrahim is currently the Policy and Research Consultant for the Ministry of Economic Development and is actively involved in formulating policies to promote employment and youth entrepreneurship initiatives in the Maldives. In addition, he is the Project Director for the World Bank Covid-19 Income Support Project, and the World Bank Sustainable and Integrated Labour Services Project. Apart from this, he is also a member of the Procurement Policy Board at the Ministry of Finance.

Prior to joining the Ministry, Mr. Shuhad Ibrahim worked with the research team of the Maldives Monetary Authority from 2013 to 2017, in which he gained valuable and insightful experience of the macroeconomic and the business environment of the Maldives. He has also served as a coordinator for several UN development projects earlier in his career.

Mr. Shuhad Ibrahim holds a Master's in Economics from University of New England, Australia.



Mr. Ahmed Zeenad

**Managing Director
Executive Director**

Mr. Ahmed Zeenad was appointed as the Managing Director and an Executive Director by the Government of Maldives on 6th February 2019 and served till 17th January 2024.

Mr. Ahmed Zeenad has over 13 years of experience in banking and finance sector. He began his career at Maldives Finance Leasing Company as an Accountant in 2006 and was shortly promoted to Finance Manager. He later joined Bank of Maldives in 2012 as Development Banking Officer and gradually specialized in areas of development banking and SME finance. He held several positions in Bank of Maldives including Head of SME banking and Head of Government Loan Schemes before moving to SME Development Finance Corporation.

He holds a Master of Finance from Curtin University, Australia and is an Associate Chartered Banker from the Asian Institute of Chartered Banker.



Uz. Nazim Habeeb

**Chief Operating Officer
Executive Director**

Uz. Nazim Habeeb was appointed by the Government of Maldives as an Executive Director on 16th September 2021 and served till 17th January 2024.

Uz. Nazim Habeeb has over 13 years of experience having worked in various institutions in the private sector, as well as the Government of Maldives. He currently serves as the Chief Operating Officer of the Corporation. Uz. Nazim Habeeb also serves as Chairperson of the Licensing Committee and Elections Committee of the Bar Council of Maldives.

Uz. Nazim Habeeb had previously held various positions at the Anti-Corruption Commission. He has notable experience in Corporate Governance having served at Allied Insurance Company of the Maldives as Head of Corporate and Legal Affairs and as Company Secretary, as well as worked with various national and international companies to improve their governance.

Uz. Nazim Habeeb completed his LLB (Hons.) and LLM at the Faculty of Shari'ah and Law of the Maldives National University. He is an advocate at the Supreme Court of the Maldives. He also holds a Diploma in Banking and Finance from the Maldives Business School and the Associate in General Insurance (AINS®) designation conferred upon him by the Insurance Institute of America.



Ms. Fathimath Lamha

**Chief Credit Officer
Executive Director**

Ms. Fathimath Lamha was appointed by the Government of Maldives as an Executive Director from 6th July 2023 and served till 17th January 2024.

She has served as Head of Business Development and Stock Market Operations at Maldives Stock Exchange from 2014 to 2016. She has also been the head of Business Development and Corporate Affairs of Maldives Fund Management Corporation, where she played a key role in resource mobilization and investor coordination.

Ms. Fathimath Lamha served as the company secretary of Agro National Corporation in the urgent operationalization of the company during the COVID-19 pandemic. She was also a key team member of the National Taskforce on Resilience Building and Economic Recovery established during the global COVID-19 pandemic.

Ms. Fathimath Lamha holds a Master of Science in Technopreneurship from UCSI University, Malaysia.



Mr. Mohamed Mujah Muneer

Non-Executive Director

Mr. Mujah Muneer served as a Non-Executive Director by the Government of Maldives from 7th December 2022 to 7th March 2024.

Mr. Mujah Muneer currently serves as the Chief Operating Officer at Maldives Fund Management Corporation (MFMC). He is responsible for overall operational activities, identifying business opportunities and development of financing mechanisms and investment products.

His previous work experience includes roles at the Maldives Monetary Authority's Public Debt Unit and at the Reserve Management Division, and at the Ministry of Economic Development as a Trade & Investments Consultant, responsible for advice regarding implementation of government economic agenda.

Mr. Mujah Muneer is a CFA® Charter holder and holds a Bachelor's Degree in Business Economics and Finance from the University of Nottingham.



Mr. Ahmed Siraj

Non-Executive Director

Mr. Ahmed Siraj served as a Non-Executive Director by the Government of Maldives from 7th December 2022 to 17th January 2024

Mr. Ahmed Siraj joined the Ministry of Finance and Treasury in 2012 as an Assistant Director at the Public Enterprises Monitoring and Evaluation Division. Upon the establishment of the Privatization and Corporatization Board (PCB) in 2013, Mr. Ahmed Siraj was appointed as its Secretary General, where he continued his service until his appointment as Permanent Secretary at the Ministry of Finance on 27 April 2022.

During his tenure as Secretary General at PCB, Mr. Ahmed Siraj was instrumental in the formulation of the first Corporate Governance Code of Maldives for SOEs. Mr. Ahmed Siraj has also worked as a Board Member of a number of public institutions including the Capital Market Development Authority (CMDA), Maldives Hajj Corporation Ltd, IIUM Holdings Pvt Ltd - Subsidiary of Islamic University of Maldives, Hazana Maldives Ltd, and as a Council Member of the Islamic University of Maldives.

Mr. Ahmed Siraj is a recipient of the President's Youth Award, and during his free time, Mr. Ahmed Siraj passionately works on developing young minds, he now lectures at various tertiary institutions.

Mr. Ahmed Siraj holds a Master of Business Administration from the University of Southern Queensland (2013), a Bachelor of Business Management from University of Sunderland (2010).



Ms. Aishath Fifsheen Ali

**Managing Director
Executive Director**

Ms. Aishath Fifsheen Ali was appointed as the Managing Director and an Executive Director by the Government of Maldives on 17th January 2024 and served till 15th March 2025.

Ms. Fifsheen has over two decades of experience in banking and finance. She started her career in the financial sector at Bank of Maldives in 2003. She has held several positions in the Bank of Maldives including Head of Cards, Head of Channel Management and Head of Acquiring and Digital Payments. She has notable experience and has had active involvement in the evolution of digital banking in the Maldives.

Ms. Fifsheen holds a Bachelor of Commerce from Curtin University, Australia and Master of Business Administration (International Business) awarded by Edith Cowan University, Australia, and is currently pursuing to become a Chartered Banker with the Asian Institute of Chartered Bankers, Malaysia.



Mr. Mohamed Shamy Adam

Non-Executive Director

Mr. Mohamed Shamy Adam was appointed as a Non-Executive Director by the Government of Maldives on 6th January 2019 and served till 27th April 2025.

Mr. Shamy has over 25 years of experience, having worked in the National Securities Services and the private sector of the country, more prominently in the fisheries and tourism sector. He is currently the Executive Chairman of Stallion Maldives Group and has served as the Chairperson of Road Development Corporation Limited.

He began his career at the National Security Services as an instructor and went onto become a Base Commander by the end of 2005. During his time at National Security Services, Mr. Mohamed Shamy has held various positions including Chief Instructor, Adjutant, Liaison and Protocol Officer and Training Coordinator.

Afterwards, he moved into the private sector where he was employed as the General Manager at Antifire Company Pvt Ltd. Subsequently, Mr. Mohamed Shamy moved into the fisheries sector where he was employed as a General Manager for Ensis Fisheries and Kooddoo Fisheries Maldives Pvt Ltd respectively. Further, during his career, he has held positions at Holiday Inn Resort Kandooma Maldives as Risk and Security Manager and as the Risk and Marine Operations Manager.

Mr. Mohamed Shamy Adam holds a bachelor's degree in Business Administration from the University of Northumbria, UK.

Current Board of Directors



Mr. Ahusal Mohamed

Non-Executive Director

Mr. Ahusal was appointed as a Non-Executive Director by the Government of Maldives on 17th January 2024.

Mr. Ahusal has over 16 years of experience in Internal Audit and currently serves as the head of Internal Audit at Aasandha Company Limited.

Prior to joining Aasandha Company, Mr. Ahusal has held position of the Internal Audit Manager at Maldives ports Limited, and Internal Auditor of Maldivegas Private Limited. Having worked at various state-owned enterprises, Mr. Ahusal has acquired significant experience in the in-depth operations of state-owned enterprises.

Mr. Ahusal holds a Bachelors Degree in Accounting (Hons) from Multimedia University, Malaysia.



Ms. Fathimath Azma

Non-Executive Director

Ms. Fathimath Azma was appointed as a Non-Executive Director by the Government of Maldives on 17th January 2024.

Ms. Azma currently serves as the Financial Management Specialist for the Transform Project by the World Bank at Ministry of Fisheries & Ocean Resources.

Ms. Azma had previously held the position of Finance Manager for the Sustainable Fisheries Resources Development Project by the World Bank. Prior to joining Ministry of Fisheries, Marine Resources and Agriculture, she held the position of Assistant Manager for Accounts and Finance at Allied Insurance Company of the Maldives Private Limited, and various finance and accounts managerial positions in Cyprea Group of Companies.

Ms. Azma holds a Master of Business Administration from University of West of England, UK and is currently pursuing to become a certified Chartered Accountant (ACCA-UK).



Ms. Fathimath Yamna

Non-Executive Director

Ms. Fathimath Yamna was appointed as a Non-Executive Director by the Government of Maldives on 17th January 2024.

Ms. Yamna has over 18 years of experience in the field of Accounting and Finance. She currently serves as the Financial Officer for the OFID Project at the Ministry of Construction, Housing and Infrastructure.

Ms. Yamna has held various accounting positions in the private sector, such as at the Amin Construction Private Limited, Wattson Private Limited, ADK Hospital and Cyprea Hotels and Travels Private Limited, to name a few.

Ms. Yamna holds a Master of Business Administration from University of West of England, UK.



Mr. Mohamed Maaiz Munaz

Non-Executive Director

Mr. Mohamed Maaiz Munaz was appointed as a Non-Executive Director by the Government of Maldives on 07th March 2024.

Mr. Maaiz has over 14 years of experience in the field of Public Finance, Tax Auditing and legal disputes. He currently serves as the Chief Accounts Executive (CAE) at the Ministry of Finance and Planning (MoFP). He undertakes the role of the Finance Executive for Maldives Pension and the Special Budget, in addition to the budget of MoFP and Maldives Bureau of Statistic as per the Public Finance Act. He is also a member of SAP S4 Hana/ SAP Ariba e-procurement system Implementation team member at MoFP.

In addition, Mr. Maaiz is also a council member at National Research Council at the Ministry of Higher Education. He is also a committee member at Research and Publication Committee at the Institute of Chartered Accountants of the Maldives.

Prior to joining the MoFP, he had served 11 years at various roles at Maldives Inland Revenue Authority, including the role of Manager- Objections in Legal Service Department and as a Deputy Manager- Large Taxpayer Audit.

Mr. Maaiz is a member of Association for Certified Chartered Accountants.

Management Team



Ms. Fathimath Meeza Adam
Deputy Managing Director

Ms. Fathimath Meeza Adam joined SDFC as the Deputy Managing Director on 15 January 2024.

With over 9 years of experience in the financial sector, Ms. Meeza brings expertise in credit risk management, investment solutions, financial analysis and strategic financial planning. Before joining SDFC, she was the Corporate Affairs Manager at Dhivehi Investment Partners, a firm specialized in investment and wealth management, share trading and financial consultancy. She also served as a Senior Credit Officer at the Bank of Maldives, playing a role in strengthening credit portfolio quality and risk mitigating strategies.

Additionally, she worked as a freelance corporate trainer for Realty Consultancy Private Limited, delivering credit risk training to financial institutions, including Housing Development Finance Corporation (HDFC).

Ms. Meeza holds a Master of Business Administration from the University of the West of England, UK, a Bachelor of Management in Accounts and Finance from the University of Colombo, and a Diploma in Accounting and Business from the Association of Chartered Certified Accountants (ACCA). She is currently pursuing the Chartered Banker certification from the Asian Institute of Chartered Bankers (AICB), Malaysia.

Uz. Nazim Habeeb joined SDFC as the Chief Operating Officer on 01st April 2021.

Uz. Nazim Habeeb has over 13 years of experience having worked in various institutions in the private sector, as well as the Government of Maldives. He currently serves as the Chief Operating Officer of the Corporation.

Uz. Nazim Habeeb had previously held various positions at the Anti-Corruption Commission. He has notable experience in Corporate Governance having served at Allied Insurance Company of the Maldives Private Limited as Head of Corporate and Legal Affairs and as Company Secretary, as well as worked with various national and international companies to improve their governance. He has also served as an Executive Director to the Board of Directors of the Corporation.

Uz. Nazim Habeeb completed his LLB (Hons.) and LLM at the Faculty of Shari'ah and Law of the Maldives National University. He is an advocate at the Supreme Court of the Maldives. He also holds a Diploma in Banking and Finance from the Maldives Business School and he was conferred the Associate in General Insurance (AINS®) designation by the Insurance Institute of America.



Uz. Nazim Habeeb
Chief Operating Officer



Ms. Fathimath Lamha
Chief Credit Officer

Ms. Fathimath Lamha joined SDFC as the Chief Credit Officer on 22nd September 2022.

She has served as Head of Business Development and Stock Market Operations at Maldives Stock Exchange from 2014 to 2016. She has also been the head of Business Development and Corporate Affairs of Maldives Fund Management Corporation, where she played a key role in resource mobilization and investor coordination.

Ms. Fathimath Lamha served as the company secretary of Agro National Corporation in the urgent operationalization of the company during the COVID-19 pandemic. She was also a key team member of the National Taskforce on Resilience Building and Economic Recovery established during the global COVID-19 pandemic. She has also served as an Executive Director to the Board of Directors of the Corporation.

Prior to Ms. Fathimath Lamha being appointed as the Chief Credit Officer, she served as a non-executive board member for SDFC from 2021 to 2022.

Ms. Fathimath Lamha holds a Master of Science in Technopreneurship from UCSI University, Malaysia.

Mr. Yoosuf Waheed joined SDFC in 2020 and was entrusted with the responsibility of establishing the Internal Audit department, a task he successfully completed. He currently leads the department as the Chief Internal Auditor (CIA). In addition to his role at SDFC, Mr. Waheed serves as a non-executive director and member of the board audit committee of the Housing Development Corporation (HDC).

Before joining SDFC, Mr. Waheed worked for over six years at the Auditor General's Office of the Maldives. He also held positions at the Ministry of Finance of the Republic of Maldives from 2005 to 2011. In 2024, he served for a short period as a non-executive director and chairperson of the board audit committee at State Electric Company Limited (STELCO).

Mr. Waheed is a Fellow Chartered Management Accountant (FCMA) and a Chartered Global Management Accountant (CGMA). He holds a Master's degree in Professional Accounting and Finance from the University of South Australia. Additionally, he is a fellow member of the Chartered Accountants of Maldives and holds a Bachelor's degree in Business Management with a specialization in Finance.



Mr. Yoosuf Waheed
Chief Internal Auditor



Mr. Ahmed Eman
Chief Financial Officer

Mr. Ahmed Eman joined SDFC as the Chief Financial Officer in April 2024 and has over 15 years experience in the field of Accounting and Finance. In addition to his role at SDFC, Mr. Ahmed Eman serves as a non-executive director and chair of the board audit and risk committee of Aasandha Company Limited.

Mr. Ahmed Eman started his career as a Senior Accounts Officer at Fuel Supplies Maldives Pvt Ltd, where he was subsequently promoted to the position of Manager of Finance. He later joined Petroleum Link Private Limited as an Accountant. Prior to his appointment at SDFC, he served as the Chief Accounts Executive at the Ministry of Health.

Mr. Ahmed Eman is a Chartered Certified Accountant (ACCA) and holds a Bachelor of Commerce (Finance) from Garden City College & Baldwin Methodist College Bangalore, India.

Mr. Faathih Zahir joined SDFC in March 2019 and brings over ten years of experience in accounting and auditing to his role as Head of Finance.

He began his career as an Accounts Assistant at Seagull Group Pvt Ltd before moving on to Platinum Capital Holdings Pvt Ltd as an Assistant Auditor. Following that, he spent five years as a Senior Accountant at Carpe Diem Maldives Pvt Ltd.

In addition to his role at SDFC, Mr. Zahir is a partner at F and H Accountants LLP, a consultancy firm that specializes in audit, bookkeeping, financial and tax advisory, and other business consultancy services.

He is a fellow member of the Association of Chartered Certified Accountants (ACCA) and holds a master's degree in Islamic finance from The International Center for Education in Islamic Finance (INCEIF University) in Malaysia.



Mr. Faathih Zahir
Head of Finance



Ms. Fathimath Haifa

Head of Credit

Ms. Fathimath Haifa joined SDFC in 2019 and she is currently the Head of Credit Department.

She has over 5 years of professional experience in SME lending sector and during her tenure at SDFC she has fulfilled the role of Senior Credit Analyst and Manager of the Credit Department. Prior to joining SDFC, she worked at Credit Guarantee Unit of the Maldives Monetary Authority.

She holds a Bachelor's Degree in Economics from The University of Adelaide, Australia.

Mr. Hisham Hassan joined SDFC in January 2021 and currently hold the position of the Head of Information System and Security at SDFC.

Mr. Hisham Hassan worked in the IT industry for more than 12 years before joining SDFC, providing IT related business solutions to a range of public and private institutions. He has also worked in the technological and development areas firsthand and has managed security projects at Maldivian resorts, hotels, and banks.

He is a visiting lecturer for Maldives National University and Clique College and has actively participated in conducting various courses in the field of Information technology with affiliation from international partners such as US embassy.

Mr. Hisham Hassan holds a Master's in Business Administration with Merit from University of West of England, Bristol and a Bachelors Degree in Information Technology with Honors from Open University Malaysia.



Mr. Hisham Hassan

Head of
Information Systems and Security



Mr. Hussain Tholal

Head of Corporate and Legal Affairs

Mr. Hussain Tholal joined SDFC in 2019. He is currently the Head of the Corporate and Legal Affairs Department and he has been appointed as the Company Secretary in 2022.

Prior to joining SDFC, he worked in the field of crime investigation related to financial crimes and corruptions, and legal department of such governmental agencies.

Mr. Hussain Tholal holds a Bachelor of Shariah and Law from Maldives National University.

Ms. Nahuma Ibrahim joined SDFC in 2020 as a Human Resources Executive. She currently holds the position of Manager, Administration and People Management, where she oversees Human Resources and Administrative functions.

Prior to joining SDFC, she worked in the field of Human Resources and Public Administration.

Ms. Nahuma Ibrahim holds a Bachelor's Degree in Human Resources from the Open University of Malaysia.



Ms. Nahuma Ibrahim

Manager
Administration and People Management



Mr. Ali Munavvaru

Manager - SDFC Islamic

Mr. Ali Munavvaru joined SDFC in August 2020 as the Loan Administration Manager and was later entrusted with the establishment of the SDFC Islamic Window, significantly contributing to the company's expansion into the Islamic finance sector.

Prior to this, he served as the Knowledge Hub Manager at the Maldives Center of Islamic Finance (MCIF) from 2016 to 2020, where he played a key role in establishing the South Asian Institute for Islamic Finance, the training arm of MCIF.

Beyond his role at SDFC, Mr. Munavvaru is actively engaged in academia as a Visiting Lecturer and regularly facilitates investor education programs, Islamic finance training, and awareness initiatives across various platforms.

He is a Senior Associate Member of the Chartered Institute of Islamic Finance Professionals (CIIF) and a Certified Shariah Advisor and Auditor (CSAA) accredited by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

In recognition of his contributions to the industry, Mr. Munavvaru was honored with the Gold Award for Islamic Finance Personality of the Year 2023/2024 at the Islamic Finance Forum of South Asia (IFFSA) Awards.

Mr. Munavvaru holds a Bachelor's in Teaching from the Maldives National University (2006), a Master's in Educational Management from the University of Malaya, Malaysia, and a Master's in Islamic Finance Practice from INCEIF University, Malaysia.

Ms. Mariyam Shazna joined SDFC in 2021 and is currently serving as the Manager of the Loan Application Support Department.

She has over 15 years of experience in Business Administration and significant managerial experience acquired through her various roles over the past 9 years.

Ms. Mariyam Shazna holds a Master of Business Administration (MBA) from Anglia Ruskin University, London.



Ms. Mariyam Shazna

Manager - Loan Application Support



Ms. Aishath Rifaa

Manager - Loan Administration

Ms. Aishath Rifaa joined SDFC in 2019 as a Finance Officer. She currently serves as the Loan Administration Manager at SDFC.

Prior to joining SDFC, she worked at other leading banks such as Mauritius Commercial Bank Maldives and Habib Bank in Maldives where she gained a wealth of experience and knowledge in finance and administration.

Ms. Aishath Rifaa has completed her master's in business administration from London School of Commerce and is a Certified Expert in SME Finance from Frankfurt School of Finance & Management.

Mr. Looth Abdul Latheef joined SDFC in 2021, and he currently serves as the Manager of Risk and Compliance Department.

With over 8 years of experience in Banking and Finance Sector, Mr. Looth Abdul Latheef started his career at Ernst and Young as an Audit Associate before moving to Bank of Maldives as a Senior Internal Auditor.

Mr. Looth Abdul Latheef has a Bachelor of Arts in Accountancy and Finance. He is also a Level 5 ACL Certified Data Analyst, Certified Internal Auditor, a Member of Institute of Risk Management and Certified Anti-Money Laundering Specialist.



Mr. Looth Abdul Latheef

Manager - Risk & Compliance

Our Governance & Compliance Framework

Governance Structure

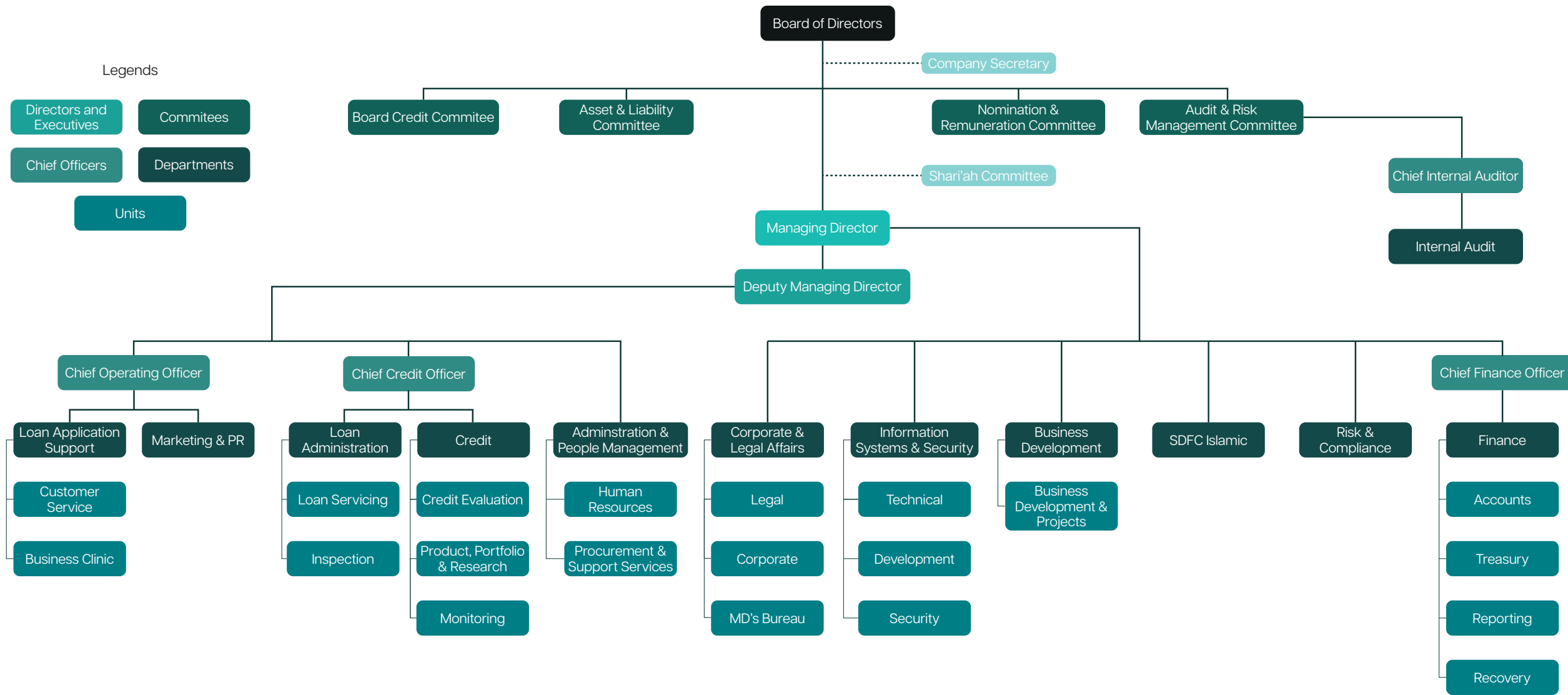
SDFC is committed to maintaining robust corporate governance practices that adhere to international best practices. We recognize the importance of transparency, accountability, and responsible management in ensuring the trust and confidence of our stakeholders. Accordingly, we have established a comprehensive governance framework that delineates the roles and responsibilities of our Board of Directors, senior management, and various committees.

Our Board of Directors, comprised of seasoned professionals, provides strategic guidance and oversight to safeguard the interests of our shareholders and stakeholders.

Risk management is a crucial aspect of our governance framework. We have implemented a robust system to identify, assess, and mitigate risks across all facets of our operations. Regular monitoring, internal controls, and comprehensive reporting mechanisms are in place to ensure effective risk management and safeguard stakeholder interests.

We embrace diversity and inclusivity within our organization, recognizing the value of varied perspectives and experiences. We actively foster an inclusive environment that encourages the professional growth and contribution of all individuals.

Stakeholder engagement is a core element of our governance strategy. We actively seek feedback and address concerns from our stakeholders through various channels. This proactive engagement fosters strong relationships founded on trust and mutual understanding.



Compliance & Regulatory Adherence

Upholding the highest ethical standards is integral to our operations, and our Code of Conduct serves as a guiding principle for all employees, emphasizing integrity, professionalism, and compliance with legal and regulatory obligations. We continually review and update our policies and procedures to reflect evolving governance principles and regulatory requirements.

Transparency and effective communication are fundamental to our governance approach. We are committed to timely and accurate disclosure of pertinent information to our shareholders, regulators, and other stakeholders. This encompasses financial performance, risk management practices, and our corporate social responsibility initiatives.

Disclosure of non-compliance

We acknowledge importance of adhering to corporate best practices and codes with regard to corporate governance. We have been compliant with the PCB Code of Corporate Governance. We have discussed with the majority shareholder in order to comply with the MMA CG code. We are yet to appoint an independent director. During the year 2024, we have come to a solution and agreed to a process in which independent directors can be appointed without any affect to the on-going operations of the company, and we foresee complying with the MMA CG code during the year 2025 with the appointment of Independent director to the board of directors.

Shariah Compliance & SDFC Thijarah

In line with our commitment to expanding ethical and Shariah-compliant financial services, we formally launched SDFC's Islamic Window - "SDFC Thijarah" in 2024, following the successful acquisition of operating our Shariah-compliant Islamic window in 2023. This milestone reflects our dedication to providing responsible financial solutions that align with Islamic principles. As part of our initial offerings, we introduced our first Shariah-compliant financing product in collaboration with the Ministry of Fisheries and Ocean Resources, aimed at supporting sustainable growth in the fisheries sector.

Upholding Ethical Finance Standards and Board Oversight

The Board holds ultimate accountability for ensuring Shariah compliance across all aspects of SDFC Thijarah's operations. To uphold the highest governance standards and align with best practices and regulatory requirements, the Board has established an independent Shariah Committee to oversee and guide Shariah compliance, ensuring that all products, policies, and procedures adhere to Islamic financial principles.

SDFC Thijarah operates in full compliance with globally recognized Islamic finance principles, ensuring fairness, risk-sharing, and the prohibition of interest-based transactions. Our ethical finance framework is designed to promote financial inclusion, social responsibility, and equitable economic development, reinforcing trust among our customers and stakeholders.

Shariah Committee and Governance

The Shariah Committee plays a critical role in ensuring that SDFC Thijarah's operations and financial products remain fully compliant with Islamic principles. Comprising distinguished scholars and industry experts, the committee provides guidance on Shariah matters, reviews financial structures, and ensures ongoing compliance with Islamic Shariah and laws related to Islamic finance.

Shariah Committee Members



Dr. Ismail Nizam
Chairperson

Dr. Nizam was appointed to Shari'ah Committee in November 2022 and currently serves as the Chairman of the Shariah Committee of SDFC since November 2024.

Dr. Nizam is an Associate Professor at INCEIF University, Malaysia and the Head of Program for the MBA (Sustainable Business), leading initiatives related to sustainable business practices, ESG (Environmental, Social, and Governance), and ethical business strategies.

In addition to his academic roles, Dr. Nizam has held prominent positions in Shariah governance, including serving as the Member of the Shariah Advisory Council at CMDA since October 2020 and as Chairman of the Shariah Advisory Council at the Capital Market Development Authority (CMDA) since January 2023. He also served as a member of Shariah Advisory committee of Bank of Maldives Islamic from July 2017 to August 2019.

He has further expanded his expertise through various professional certifications in digital marketing, sustainability, and ESG strategies, reflecting his commitment to continuous learning and interdisciplinary knowledge.

Dr. Nizam is a Certified Shariah Advisor and Auditor (CSAA), accredited by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Dr. Nizam holds a PhD in Business Administration (Islamic Banking and Finance) with research focused on "A Maqaasid Al-Shari'ah Based Measurement of Socio-economic Prosperity: A Composite Index for OIC Countries."



Dr. Nik Abd Rahim Nik Abd Ghani

Member

Dr. Nik Abd Rahim was appointed as Chairman of Shari'ah Committee in November 2022 and currently serves as a member since November 2024.

Dr. Nik Abdul Rahim currently serves as the Chairperson of the Research Centre for Shariah at the Faculty of Islamic Studies, Universiti Kebangsaan Malaysia (UKM). As a distinguished Senior Lecturer specializing in Fiqh Muamalat (Islamic Commercial Law), he has made significant contributions to the field of Islamic jurisprudence and financial transactions. He serves as a Shariah Committee Member at Maybank Islamic Berhad, as well as a Chairman of Shariah Advisory Body at Syarikat Takaful Malaysia Keluarga Berhad. Additionally, he holds key positions on the Hukum Syarak Consultative Committee of Wilayah Persekutuan (Fatwa Council), Koperasi Unikeb's Shariah Panel Committee, and the Shariah Advisory Panel of Wasiyyah Shoppe Berhad. His previous roles include Shariah Committee Member at Citibank Malaysia and Citibank Labuan, as well as Shariah Advisory Council Member at TEKUN Nasional. He is also an active member of EKONIS (Research Centre for Islamic Economics and Finance, UKM) and the Klinik Hukum Syarak and Guaman Syarie Committee. His expertise includes the development and approval of Islamic banking products, takaful policies, sukuk structures, microfinance solutions, estate planning, and Islamic financial governance.

Dr. Nik Abdul Rahim holds a PhD in Islamic Finance from INCEIF.



Uz. Azmeen Rasheed

Member

Uz. Azmeen was appointed as a Member of Shari'ah Committee on November 2022.

With extensive experience in Islamic finance, legal advisory, and Shariah governance, Uz. Azmeen currently serves as the Managing Director of the Maldives Center for Islamic Finance Ltd. In addition, he works as an Islamic Financial Consultant at the Ministry of Finance (Maldives), advising on Shariah-compliant financial strategies and policies. He also provides his expertise as an Islamic Financial Consultant and Sharia Advisor at Fahi Dhirulhun Corporation Limited and as a Consultant and Sharia Auditor at Ernst & Young (EY). His legal expertise is further demonstrated through his role as a Legal Consultant and Sharia Advisor at Watercress Capital, where he has been serving since 2022. Moreover, he is a Member of the Sharia Advisory Committee at Maldives Zakat House.

Uz. Azmeen is a Certified Sharia Advisor and Auditor accredited by AAOIFI, and a Certified Sharia Advisor with the Capital Market Development Authority (CMDA). Uz. Azmeen has the license to practice Law issued by the Bar Council of the Maldives, alongside his certification as a Certified Sharia Scholar by the Ministry of Islamic Affairs in 2016.

Uz. Azmeen holds a Master of Laws (LL.M.) from The Maldives National University.



Uz. Ahmed Mauroof

Member

Uz. Mauroof was appointed as a Member of the Shari'ah Committee in November 2022 and served until October 2024.

A seasoned legal professional, Uz. Mauroof previously served as Under Secretary for Legal Affairs at The President's Office. Additionally, he provided legal counsel to the Economic Council, advising on key economic and investment policies. Recognized for his expertise in legal research, legal writing, business strategy, and foreign investment consultancy in the tourism sector, Uz. Mauroof brings a well-rounded perspective to both legal and corporate domains.

Uz. Mauroof holds a Bachelor of Laws (LLB) from Maldives National University

Shariah Committee Activities

The Shariah Committee played an active role during the year in reviewing and endorsing, Shariah compliant product structures, key documents and agreements, and to ensure full compliance with Shariah principles.

The following are the main activities undertaken and approved by the Committee:

- Shariah committee resolution to establish a **Negative List of Activities**

Reviewed and endorsed key **agreements**:

- Master Murabaha Agreement
- Purchase Agency Agreement (including customer-as-agent structure)
- Vendor Agreement
- Corporate – Personal Guarantee Undertaking Agreement

Reviewed and endorsed key **internal policies**:

- Credit Policy
- Rebate Policy
- Schedule of Fee and Charges for SDFC Thijarah

These initiatives reflect the Committee's ongoing commitment to strengthening Shariah governance and supporting the development of Shariah-compliant offerings within the institution.

The Shariah Committee held 03 meetings in 2024, with the following detailed attendance:

| Members | Meetings to Attend | Meetings Attended |
|--|--------------------|-------------------|
| Dr. Nik Abdul Rahim Bin Bik Abdul Ghani | 03 | 03 |
| Dr. Ismail Nizam | 03 | 03 |
| Uz. Azmeen Rasheed | 03 | 03 |
| Uz. Ahmed Mauroof | 03 | 03 |

Reporting and Compliance

SDFC Thijarah follows a rigorous reporting framework to ensure transparency and accountability. The Shariah Committee regularly reports to the Board of Directors, outlining key rulings, product assessments, and governance recommendations.

With the successful launch of SDFC Thijarah and its first Shariah-compliant financing product, we remain committed to strengthening our governance framework and expanding ethical financial solutions that serve the needs of businesses and communities while upholding the highest standards of Shariah compliance.

Directors Report

Board Composition

The Board of Directors comprises of 7 directors nominated by the majority shareholders of SDFC. In accordance with article 21 of SDFC's Articles of Association, the Executive and Non-Executive Directors, including the Chairperson and Managing Director, are appointed by the Privatization and Corporatization Board (PCB) with the recommendation of Minister of Economic Development. The Board of Directors encompasses a range of skills, qualifications, talents, and expertise required to provide sound and prudent guidance with respect to the operations and interests of SDFC and its shareholders. Composition of the Board of Directors conforms with the requirements of the Regulation on Corporate Governance for Banks, Insurance Companies, and Finance Companies issued by MMA and the Corporate Governance for State-Owned Enterprises by the PCB.

Board of Directors served during the financial year 2024

Mr. Shuhad Ibrahim¹
Mr. Ahmed Zeenad²
Uz. Nazim Habeeb³
Ms. Fathimath Lamha⁴
Mr. Ahmed Siraj⁵
Mr. Mohamed Mujah Muneer⁶
Ms. Aishath Fifsheen Ali⁷
Mr. Mohamed Shamy Adam⁸
Mr. Ahusal Mohamed
Ms. Fathimath Azma
Ms. Fathimath Yamna
Mr. Mohamed Maaiz Munaz

Current Composition of the Board

Mr. Ahusal Mohamed - Non-Executive Director
(appointed on 17th Jan 2024)
Ms. Fathimath Azma - Non-Executive Director
(appointed on 17th Jan 2024)
Ms. Fathimath Yamna - Non-Executive Director
(appointed on 17th Jan 2024)
Mr. Mohamed Maaiz Munaz - Non-Executive Director
(appointed 7th March 2024)

Company Secretary

Mr. Hussain Tholal

¹ Served until 8th August 2024

² Served until 17th January 2024

³ Served until 17th January 2024

⁴ Served until 17th January 2024

⁵ Served until 17th January 2024

⁶ Served until 7th March 2024

⁷ Served until 15th March 2025

⁸ Served until 27th April 2025

Responsibilities of the Board

The Board shall be accountable and responsible for the performance and affairs of SDFC. The Board shall define SDFC's strategic goals and objectives and ensure the effective deployment of human and financial resources towards the attainment of these goals.

The Board shall ensure the proper management of SDFC through oversight of Management performance to ensure protection and enhancement of Shareholders' value and fulfillment of SDFC's obligations to its employees and other stakeholders.

The Board shall ensure that SDFC observes high ethical standards and carries out its business in accordance with its Memorandum and Articles of Association and in conformity with the Laws of the Republic of Maldives.

In order to fulfil the aforementioned duties or any other function that the Board of Directors are obliged to carry out, the Board of Directors may responsibly delegate its authorities to the most suitable sub-committee(s) of the Board, Management, external professional(s), consultant(s) or to any such party that the Board of Directors deems fit in interests of SDFC.

Competence of Directors

The regulation on Corporate Governance for Banks, Insurance Companies and Finance Companies of MMA sets out specific guidelines and best practices for corporate governance in the financial sector. In compliance with the regulation, SDFC has identified the core competencies of the Board of Directors.

Mr. Shuhad Ibrahim

Economics, Public Policy, and Project Management
Years of Experience: 17+

Mr. Ahmed Siraj

Economics and Business Management
Years of Experience: 11+

Mr. Ahmed Zeenad

Accounting, Banking, SME Finance, and Business Management
Years of Experience: 14+

Mr. Mohamed Mujah Muneer

Economics and Finance
Years of Experience: 9+

Uz. Nazim Habeeb

Law, Insurance, Banking & Finance, and Business Management
Years of Experience: 14+

Ms. Aishath Fifsheen Ali

Commerce, Management and Banking
Years of Experience: 20+

Mr. Mohamed Shamy Adam

Risk, Security, Fisheries, Tourism, and Business Management
Years of Experience: 27+

Mr. Ahusal Mohamed

Audit and Finance
Years of Experience: 16+

Ms. Fathimath Azma

Accounting and Finance
Years of Experience: 21+

Ms. Fathimath Yamna

Accounting and Finance
Years of Experience: 18+

Mr. Mohamed Maaiz Munaz

Finance Management, Accounting and Audit
Years of Experience: 12+

Remuneration of Board of Directors

The Board of Directors remuneration is determined by the Ministry of Finance as per the set policy for the performance-based compensation for the Board of Directors of State-Owned Enterprises.

| Name | Designation | Gross Allowance |
|----------------------|------------------------|-----------------|
| Ahmed Zeenad | Managing Director | 1,500.00 |
| Shuhad Ibrahim | Chairperson | 123,286.67 |
| Mohamed Shamy Adam | Non-Executive Director | 125,100.00 |
| Mohamed Mujah Muneer | Non-Executive Director | 24,270.00 |
| Ahmed Siraj | Non-Executive Director | 6,460.00 |
| Nazim Habeeb | Executive Director | 1,000.00 |
| Fathimath Lamha | Executive Director | 500.00 |
| Aishath Fifsheen Ali | Managing Director | 11,500.00 |
| Ahusal Mohamed | Non-Executive Director | 119,140.00 |
| Fathimath Azma | Non-Executive Director | 120,640.00 |
| Fathimath Yamna | Non-Executive Director | 118,140.00 |
| Mohamed Maaiz Munaz | Non-Executive Director | 102,330.00 |

Conflict of Interest

SDFC recognizes the importance of maintaining a high standard of professionalism, integrity, and ethics in all its relationships to ensure that conflicts of interest are identified and managed properly. In compliance with regulatory requirements, SDFC has a Board approved Conflict of Interest Policy effective Corporation wide. This policy helps create transparency and accountability within SDFC. Through this, SDFC aims to prevent personal interests that may compromise professional judgement and integrity, which could potentially harm the best interests of SDFC.

As such, the Board of Directors is required to disclose any real or potential conflict of interest regarding any matters that may come before the Board or its committees. The Directors of the Board abstain from discussion and voting on any matter in which they have or may have a conflict of interest.

General Meetings and Attendance

Meetings of the Board of Directors during 2024 were held with the mandatory quorum in accordance with all applicable laws and regulations issued by supervisory body and the Articles of Association of SDFC.

SDFC held 26 board meetings during 2024, and the attendance for the board meetings are as follows:

| Members | Meetings to Attend | Meetings Attended |
|----------------------|--------------------|-------------------|
| Shuhad Ibrahim | 13 | 13 |
| Ahmed Zeenad | 01 | 01 |
| Fathimath Lamha | 01 | 01 |
| Nazim Habeeb | 01 | 00 |
| Mohamed Shamy Adam | 26 | 24 |
| Ahmed Siraj | 01 | 01 |
| Mohamed Mujah Muneer | 04 | 04 |
| Aishath Fifsheen Ali | 25 | 24 |
| Ahusal Mohamed | 25 | 24 |
| Fathimath Azma | 25 | 25 |
| Fathimath Yamna | 25 | 24 |
| Mohamed Maaiz Munaz | 22 | 21 |

Annual General Meeting

SDFC held its 5th Annual General Meeting (AGM) on 07th October 2024. All resolutions proposed by the Board of Directors at the meeting were passed with the majority votes of shareholders.

Declaration of Dividend for 2023

The Board of Directors resolved that no dividends were to be declared by SDFC for the year 2023. The resolution was endorsed by the shareholders at the AGM held in 2024.

Regulatory Compliance and Penalties

In the year 2024, the Corporation was subjected to a fine imposed by the Maldives Monetary Authority (MMA) due to non-compliance with the Regulation No: 2021/R-132 (Regulation on Financing Business. Specifically, the Corporation failed to submit its audited financial statements for the year 2023 within the prescribed deadline. As a result, a daily fine of MVR 10,000 (Ten Thousand Maldivian Rufiyaa) was levied on the Corporation, effective from 1st May 2024, until the complete audited financial statements were submitted.

The Corporation subsequently informed the MMA of the reasons for the delay in submission, which were primarily due to challenges faced in the implementation of the Expected Credit Loss (ECL) model, which were:

- The Corporation faced challenges due to limited historical data and immature credit portfolios, making accurate ECL estimation difficult.
- ECL calculation requires advanced models (PD, LGD, EAD) and expert knowledge. Resource-intensive development and alignment with internal stress testing frameworks added to the complexity.
- Integrating economic forecasts (GDP, inflation, unemployment) was difficult due to their volatility and the subjective judgment required to weight scenarios, significantly affecting ECL estimates.
- Assessing significant increases in credit risk involved complex, subjective judgments. Small assumption changes could cause large swings in provisions, demanding careful and consistent monitoring.
- Implementing ECL required building new governance structures and controls from scratch.
- Ensuring regulatory compliance added further pressure through documentation and audit requirements.
- Explaining volatile ECL outcomes to boards, regulators, and investors proved challenging. Clear communication was essential to manage expectations and build stakeholder confidence.

Taking into consideration the circumstances communicated by the Corporation, the MMA revised the fine from MVR 10,000 per day to MVR 5,000 per day.

The Corporation submitted its audited financial statements on 17th September 2024. A fine of MVR 5,000 (Five Thousand Maldivian Rufiyaa) per day was incurred for the period of non-compliance. This fine was duly settled on 4th December 2024, in accordance with the directives issued by the MMA.



Appointment of External Auditors

Following the Regulation on the Audit and Accountability of State-Owned Enterprises and Regulation of External Audit (Regulation no. 2015/R-171), the Board of Directors approved to select, and during the 5th Annual General Meeting held on 07th October 2024, recommended for approval of shareholders to appoint EY Maldives as the External Auditors of SDFC for the year 2024.

Activities for Board of Directors

Quarter 1

- Approval of Annual Board plan 2024
- Resolved to endorse fit and propriety of the nominated candidate for Managing Director and executive Director.
- Discussed Implementation of ISO 9001 & 27001
- Approval to become ACCA approved employer status
- Approval of amendment to Micro Finance product criteria
- Approval of amendment to KNLP product criteria
- Approval of revision to microfinance credit rating
- Approval of amendment to Lending Policy
- Approval of amendment to credit rating matrix of Microfinance loan product
- Approval of amendment to Taxi Nafaa Loan product
- Approval of financial report 2023 Q4
- Resolving to reconstitute the board level committees
- Resolving to endorse the fit and propriety of the nominated candidate for Non-Executive Director of Board of Director
- Approved addition of Chief Financial Officer and Chief Internal Audit Officer position to the budget
- Discussed Update on reviewing of organization structure and establishing monitoring teams in atolls.
- Approve Endorsement on Matching Grant Scheme
- Approval of Micro Leasing Finance Product
- Approval of 'Startup' Women Loan Product
- Approval to appoint Chief Finance Officer
- Approval of fourth amendment to SDFC's organizational structure
- Approval of rollover of maturing investment in MFMC commercial paper

Quarter 2

- Approval of 2024 Quarter 1 Financial Report
- Approval to write off long outstanding Non-Performing Loans
- Approval to appoint Chief Internal Auditor
- Approval to increase share capital

Quarter 3

- Endorsing to adopt and implement IFRS 9 in Financial Year 2023 Financial Statement.
- Approval of Revision to Product Criteria of Fashaa Madhadhu Loan Product.
- Approval of Gender Policy
- Approval of revisions to Lending Policy
- Resolving to appoint acting Chairperson of the Board of Directors
- Approval and recommendation of Annual Report 2023 for shareholders' approval in Annual General Meeting of 2023
- Approval of Audited Financial Statement for Financial Year 2023
- Approval and recommendation of declaring no dividend distribution to shareholders for FY 2023
- Finalizing date to hold Annual General Meeting of 2023 and agenda for that meeting.
- Appointment of External Auditor for Financial Year 2024.
- Approval of Directors Report for Financial Year 2023
- Approval of rollover of maturing investment in MFMC Commercial Papers
- Approval of revisions to credit rating of Kandufalhu Nafaa Loan Product
- Discussed finalizing procedures to appoint Independent Directors
- Discussed measures taken to improve customer service with conjunction of opening loan products

Quarter 4

- Approval of Budget for Financial Year 2025
- Approval of Annual Plan 2025 and Revisions to Strategic Action Plan 2023-2027
- Approval to In-House the SDFC Contact Centre operations
- Approval to Reappoint Shariah Committee members
- Approval of Financial report 2024 Q2 and Q3
- Approval of revision(s) proposed to Corporate Card Policy
- Discussion of Delegating Authority of Managing Director
- Review of Management accounts for October 2024
- Discussion of Monitoring Trips
- Resolving to appoint new deputy company secretary
- Approval of Rebate Policy
- Approval of Schedule of Fee Charges – SDFC Thijarah
- Approval of changes proposed to Memorandum of Association and Articles of Association
- Approval of actions to be taken with respect to a whistleblowing case
- Reviewing Management Letter 2023
- Reviewing progress of Internal Audit activities carried out in 2024

Board Committees

Audit and Risk Managment Committee

The audit and risk management committee was incorporated to provide an oversight for the financial reporting process, the system of internal controls, risk management, the audit process, ensuring regulatory compliance and provide guidance to the Board of Directors of SDFC.

The committee shall consist of three members that are independent of the organization. At present the composition of the audit committee is as follows:

Current Composition

- Ahusal Mohamed¹ - Chairperson of the Committee
- Fathimath Azma²
- Mohamed Maaiz Munaz³

Previous Members

- Mohamed Shamy Adam⁴
- Mohamed Mujah Muneer⁵
- Ahmed Siraj⁶

SDFC held 12 committee meetings during 2024, and the attendance for the committee meetings are as follows:

| Directors | Meetings to Attend | Meetings Attended |
|----------------------|--------------------|-------------------|
| Ahusal Mohamed | 12 | 12 |
| Fathimath Azma | 12 | 12 |
| Mohamed Maaiz Munaz | 11 | 11 |
| Mohamed Mujah Muneer | 01 | 01 |

¹ Appointed on 7th February 2024
² Appointed on 7th February 2024
³ Appointed on 27th March 2024
⁴ Served until 7th February 2024
⁵ Served until 27th March 2024
⁶ Served until 7th February 2024

Responsibilities of the Audit and Risk Management Committee of Audit Committee

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.
- Review the performance of the external auditors and make recommendations for the Board's or the shareholder's approval regarding the appointment, remuneration and dismissal of the External auditor.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services, and discussing the relationships with the auditors.
- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Review with management and the external auditors all matters required to be communicated to the committee under the adapted auditing Standards.
- Understand how management develops interim financial information, the nature and extent of internal and external auditor involvement.
- Review interim financial reports with management and the external auditors before filing with regulators and consider whether they are complete and consistent with the information known to committee members.
- Review and Approve the Internal Audit Charter
- Approve decisions regarding the appointment and removal of the Head of Internal Audit. Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief audit executive.
- Review and approve the annual audit plan and all major changes to the plan. Review the internal audit activity's performance relative to its plan.
- Review and Approve with the Head of internal audit, the internal audit budget, resource plan, activities, and organizational structure of the internal audit function.
- At least once per year, review the performance of the Head of Internal Audit and concur with the annual compensation and salary adjustment.

- At least once per year, review the performance of the Head of Internal Audit and concur with the annual compensation and salary adjustment.
- Review the effectiveness of the internal audit function, including conformance with The Institute of Internal Auditors' the Definition of Internal Auditing, Code of Ethics and the International Standards for Professional Practice of Internal Auditing.
- On a regular basis, meet separately with the Head of Internal Audit to discuss any matters that the committee or internal audit believes should be discussed privately.
- Advising the Board on high-level risk-related matters and risk governance, including current and forward-looking risk exposures, future risk strategy and management of risk within SDFC.
- Review and recommend the Board of Directors on Risk Appetite and Risk Tolerance on a regular basis.
- Review the effectiveness of SDFC's Risk Management Framework and internal control systems and provide any suggestions where required.
- Review how effectively management is embedding and maintaining an effective risk management culture and a strong internal control environment designed to foster compliance with SDFC's policies and procedures.
- Review any material findings from regulators relating to risk governance, conduct of business, risk assessment or management process.
- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and Compliance Officer regarding compliance matters.
- Perform other activities related to this charter as requested by the board of directors.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the committee's and individual members' performance on an annual basis.

Key Activities of the Committee

- Approval of Annual work plan of Internal Audit for the year 2024
- Approval of Internal Audit department Budget for the year 2024
- Finalization of the Committee's Bi-Annual Report 2023
- Approved amendment to Internal Audit Department structure
- Discussion of Quarterly reports of Risk and Compliance function
- Reviewing progress of External Audit 2023
- Discussion of Proposal for model to be used in finalizing Financial Year 2024
- Reviewing of Audited Financial Statement of Financial Year 2023
- Reviewing proposal for the appointment of External Auditor for Financial Year 2024
- Reviewing of findings related to whistleblowing complaint
- Approval of the Committee's Bi-Annual Report 2024
- Reviewing of Management Letter 2023
- Discussion of actions to be taken for respective whistleblowing case

Board Credit Committee

The committee shall consist of three members inclusive of executive members.

Current Composition

Ahusal Mohamed⁸

Previous Members

Shuhad Ibrahim⁹

Nazim Habeeb¹⁰

Aishath Fifsheen Ali¹¹

Mohamed Shamy Adam⁷

SDFC held 04 committee meetings during 2024, and the attendance for the committee meetings are as follows:

| Directors | Meetings to Attend | Meetings Attended |
|----------------------|--------------------|-------------------|
| Mohamed Shamy Adam | 04 | 04 |
| Ahusal Mohamed | 02 | 02 |
| Aishath Fifsheen Ali | 04 | 02 |
| Shuhad Ibrahim | 02 | 02 |

⁷ Served until 27th April 2025

⁸ Appointed on 21st August 2024

⁹ Served until 08th August 2024

¹⁰ Served until 17th January 2024

¹¹ Served until 15th March 2025

RESPONSIBILITIES OF COMMITTEE

- Review and approval of loans within the pre-defined approval limits set by the Board of Directors.
- Review SDFC's credit risk management policies, credit administration policies, credit risk framework, credit risk profile, credit risk rating models and performance of overall credit portfolio in a timely manner in line with the emerging trends, macro and microeconomic factors and external/internal risks that may impact the credit risk profile along with relevant regulatory and industry developments. In addition, the committee shall oversee management's plans to manage these risks and developments whilst providing the necessary recommendations to the Board of Directors.
- Conduct monthly review of credits granted by SDFC to ensure compliance with SDFC's internal control systems and credit approval procedures. Ensure to exercise general oversight of SDFC's credit portfolio and related risk management processes through a periodic review of the following:
 - Disbursement of approved facilities
 - Approved facilities with undisbursed funds at grace expiration
 - Concentration risk
 - Monitoring and review
 - Recovery of disbursed facilities
- Review and approve the restructure/reschedule of credit facilities as per Lending Policy.
- Review Non-Performing Accounts and ensure adequacy of Asset Classification, and Provisioning are as per regulatory norms.
- Review and approve loan facilities that falls within the pre-defined approval limits set by the Board of Directors
- Review Corporation's credit and risk management policies in a timely manner
- Mentoring emerging trends and risks that may impact the credit risk profile along with relevant regulatory and industry developments and oversee management's plans to manage these risks and developments
- Review and monitor the risk profile, performance of the credit portfolios and credit risk rating model
- Monitor the independence, performance, and effectiveness of the Credit Risk Management Function
- Conduct quarterly review of credits granted by SDFC to ensure compliance with SDFC's internal control systems and credit approval procedures
- Review non-performing accounts and ensure adequacy of asset classification, provisioning and suspension of interest are as per regulatory norms.

Asset and Liability Committee

The committee shall consist of three members inclusive of executive members.

Current Composition

Mohamed Maaiz Munaz¹² - Chairperson of the Committee
Fathimath Yamna¹³

Previous Members

Ahmed Zeenad¹⁴
Ahmed Siraj¹⁵
Mohamed Mujah Muneer¹⁶
Aishath Fifsheen Ali¹⁷

SDFC held 02 committee meetings during 2024, and the attendance for the committee meetings are as follows:

| Directors | Meetings to Attend | Meetings Attended |
|----------------------|--------------------|-------------------|
| Mohamed Maaiz Munaz | 02 | 02 |
| Fathimath Yamna | 02 | 02 |
| Aishath Fifsheen Ali | 02 | 02 |
| Mohamed Mujah Muneer | 02 | 02 |

¹² Appointed on 27th March 2024
¹³ Appointed on 7th February 2024
¹⁴ Served until 17th January 2024
¹⁵ Served until 17th January 2024
¹⁶ Served until 7th March 2024
¹⁷ Served until 15th March 2025

Responsibilities of Committee

- Establish, review, and implement policies for managing sources and uses of funds that will provide an appropriate level of profitability within acceptable levels of risk.
- Review securities investment and funding strategies that are consistent with SDFC's ALCO strategies.
- Monitor the actions and results of management to assure that:
 - Liquidity is being maintained within policy guidelines and approved liquidity risk tolerances
- Interest rate risk is appropriately measured, monitored, and controlled.
- Trends of liquidity and interest rate risk are monitored, and where problems are identified, to ensure that corrective actions are being taken and appropriate standards or limits are established and followed.
- Annually review, revise as necessary, and recommend for Board approval SDFC's capital plan.
- Overseeing the management of SDFC's assets and funding sources is consistent with SDFC's growth and profitability objectives while meeting policy on interest rate risk, liquidity, and capital adequacy.
- Monitor management's investment activities and ensure that they comply with the Investment Policy.
- Review and Approve payment of dividends from SDFC to its shareholders

Key Activities of the Committee

- Reviewing Progress of Implementation of Loan Management System
- Reviewing Financial and Recovery position of the Corporation
- Reviewing Overall Budget for the Year 2025.

Nomination and Remuneration Committee

The committee shall consist of three members inclusive of executive members.

Current Composition

Fathimath Azma¹⁸ - Chairperson of the Committee
Fathimath Yamna¹⁹

Previous Members

Mohamed Shamy Adam²⁰
Shuhad Ibrahim²¹
Ahmed Zeenad²²

SDFC held 08 committee meetings during 2024, and the attendance for the committee meetings are as follows:

| Directors | Meetings to Attend | Meetings Attended |
|--------------------|--------------------|-------------------|
| Fathimath Azma | 07 | 07 |
| Mohamed Shamy Adam | 08 | 07 |
| Fathimath Yamna | 04 | 04 |
| Shuhad Ibrahim | 03 | 03 |
| Ahmed Zeenad | 01 | 00 |

¹⁸ Appointed on 7th February 2024
¹⁹ Appointed on 21st August 2024
²⁰ Served until 27th April 2025
²¹ Served until 8th August 2024
²² Served until 17th January 2024

Responsibilities of Committee

- Assess desired size, appropriate mix of skills, expertise, and experience required on the Board and assess the extent to which the required skills are represented on the board.
- To set out criteria for the selection process of Independent Directors, ensure selected candidate meet the criteria.
- Conduct the selection process of appointment of Independent Directors, by including but not limited to attending final interviews of the candidates.
- Reviewing and making recommendations to the Board regarding the appointment of independent directors, upon identification and screening of suitable candidates in accordance with the criteria.
- Formulate guidelines and set our criteria for selection, appointment, and removal of members of executive management.
- Conduct the selection process of appointment of Executive Management by screening qualified candidates based on the set criteria
- Outline job responsibilities of appointed Chief Officers.
- Review structure of remuneration, fees, and other benefits, annually or upon request by the Management, for:
 - Independent Directors
 - Chief Officers
 - Executive Management
 - Other employees
- Reviewing human resources and remuneration policies and practices, and where appropriate, recommending them for adoption by the Board.
- Reviewing the key performance indicators for the Managing Director and Chief Officers reporting to the Managing Director.
- Considering recommendations for termination of Chief Officers.
- Reviewing management succession planning in general, but specifically in regard to the Managing Director and Chief Officers.
- Monitoring the length of service of current Board members, considering succession planning issues and identifying the likely order of retirement by rotation of directors.
- Establishing processes for the review of the performance of individual directors, the Board as a whole and the operation of Board Committees.

- Establishing principals for ongoing training and education programs for the Board to ensure that executive and non-executive directors are provided with adequate information regarding the operations of the business, the industry and their legal responsibilities and duties.
- Reviewing the disclosure made in the annual report on remuneration policy and details of the remuneration to directors

Key Activities of the Committee

1. Interview of Managing Director and Executive Director Nominee
2. Recommendation to appoint the Managing Director and Executive Director of SDFC.
3. Interview of Non-executive Director Nominee.
4. Recommendation to appoint a Non-Executive Director of SDFC.
5. Interview of Chief Financial Officer.
6. Recommendation to appoint a Chief Finance Officer of SDFC.
7. Reviewing the draft of Independent Director Policy.
8. Discussion for Reappointment of Shariah Committee Members.
9. Discussion for Reviewing KPI of Senior Executive Management (MD, DMD, Chief Officer).
10. Reviewing salary structure and expenses incurred in 2024.
11. Reviewing Human Resources budget allocation for the year 2025.

Corporate Governance

Ensuring adherence to and application of good corporate governance within the organization has been of importance for the Corporation, thus, the Corporation have strived to follow the PCB's Code of Governance for State-Owned Enterprises and comply with the Regulation No.: 2020/R-59 (Regulation on Corporate Governance for Banks, Insurance Companies, and Finance Companies).

Due to the Corporation's failure to appoint an independent director to the Board, the Corporation is non-compliant with the Regulation No.: 2020/R-59 (Regulation on Corporate Governance for Banks, Insurance Companies, and Finance Companies). However, in November 2024, MMA has granted the Corporation an extension to comply with the Regulation. During the year 2024, in consultation with the Ministry of Finance and Planning, the representative of the Corporation's majority shareholder, the Government of Maldives, the Corporation identified a solution that safeguards the shareholder interests while ensuring compliance with the Regulation. As such, the Corporation expects to achieve full compliance with the Regulation in 2025.

The Board of Directors has completed Directors' training to ensure their capabilities for their role as a Board Director, by enhancing their skills and capacity to strategically direct SDFC towards development and growth.

Board Evaluation 2024

The Board evaluation for 2024 has been conducted and endorsed by the board. The evaluation was for the board as a whole, and its committees and performance of each board member. Therefore, the evaluation was conducted via peer evaluation and chair person evaluating the board as a whole, which was conducted by the acting chairperson at the time. The evaluation was conducted further in accordance with the Regulation No: 2020/R-59 (Regulation on Corporate Governance for Banks, Insurance Companies and Finance Companies), and PCB Corporate Governance Code for State Owned Enterprises.

Director's Responsibility Statement

The Directors confirm:

- That in the preparation of the annual accounts, the applicable accounting standards had been followed, along with proper explanation relating to material departures;
- That they have selected such accounting policies and applied them consistently and made judgments and estimations that are reasonable and prudent, so as to give a true and fair view of the state affairs of SDFC at the end of the financial year and of the profit of SDFC of that period;
- That they have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of The Companies Act of the Republic of Maldives (Law no. 07/2023), Maldives Monetary Authority Act (Law no. 6/81), Regulation of Financing Businesses (Regulation no. 2021/R-132);
- That they have prepared the Annual Accounts on a going concern basis;
- That they have laid down prudent internal financial concerns and they were adhered to;
- That no other interest of the Board of Directors of SDFC except those disclosed in this report;
- That no significant financial events have occurred after the balance sheet date which may require a disclosure in the financial statement.

Declaration by the Board of Directors

The Board of Directors declare that to the best of their knowledge and belief, the information presented in the Annual Report is true and accurate and that there are no other facts, the omission of which would make any statement herein misleading and inaccurate.

The Board of Directors of SME Development Finance Corporation Pvt Ltd declare that this report have been prepared in compliance with The Companies Act of The Republic of Maldives (Law no. 07/2023), Regulation of Financing Businesses (Regulation No: 2021/R-132), Prudential Regulations issued by the MMA, Code of Corporate Governance for State-Owned Enterprises by PCB and Regulation on Corporate Governance for Bankers, Insurance Companies and Finance Companies (Regulation No: 2020/R-59) by MMA.

Whilst performing the duties and responsibilities of SDFC, the Board of Directors has practiced maintaining complete transparency through fairness and being persistent in ensuring proper due diligence by giving our utmost devotion to safeguard the interest of the shareholders and worked towards creating the best value for our shareholders.

On behalf of the Board of Directors



Fathimath Azma
Non-Executive Director

Independent Auditor's Report

SME DEVELOPMENT FINANCE CORPORATION
AUDITOR'S REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2024

**SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2024

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Independent auditor's report

To the Shareholders of SME Development Finance Corporation

Report on the audit of the financial statements

Opinion

We have audited the financial statements of SME Development Finance Corporation ("the Corporation"), which comprise the statement of financial position as at 31 December 2024, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Corporation as of 31 December 2024 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

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 *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Corporation for the year ended 31 December 2023, were audited by another auditor who expressed an unmodified opinion on those statements on 11th September 2024.

Other information included in the Corporation's 2024 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's 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 auditor's 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 judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Corporation 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 ethical requirements in accordance with IESBA code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguards applied.

For and on behalf of Ernst & Young
Partner: Dhunya Nizar
Licensed Auditor: ICAM-IL-Z73

30 April 2025
Male'



**SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2024

| | Note | 2024 MVR | 2023 MVR |
|--|------|--------------|--------------|
| Interest income | 6.1 | 90,020,303 | 90,756,715 |
| Fee and commission income | 7 | 9,434,813 | 13,566,643 |
| Total operating income | | 99,455,116 | 104,323,358 |
| Other Income | 8 | 6,812,470 | - |
| Impairment losses on financial assets | 9 | (44,923,624) | (80,031,403) |
| Net operating profit | | 61,343,962 | 24,291,955 |
| Less: Expenses | | | |
| Personnel expenses | 10 | (35,808,011) | (30,208,799) |
| Depreciation and amortization | 11 | (4,971,787) | (4,808,451) |
| Other expenses | 12 | (7,663,262) | (9,158,461) |
| Finance cost | 13 | (1,062,601) | (1,852,648) |
| Profit/(loss) before tax | | 11,838,301 | (21,736,404) |
| Tax credit/ (expense) | 14 | 33,373,350 | - |
| Total comprehensive income/ (loss) for the year | | 45,211,651 | (21,736,404) |
| Earning / (loss) per share | 15 | 0.40 | (0.24) |

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 Corporation set out on pages 7 to 52. The report of the independent auditors is given on pages 1 to 2.

**SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF FINANCIAL POSITION**

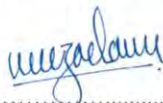
AS AT 31 DECEMBER 2024

| | Note | 2024 MVR | 2023 MVR |
|---|------|----------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | 16 | 87,456,263 | 54,357,608 |
| Loans to customers | 17 | 1,012,068,052 | 999,059,465 |
| Property and equipment | 18 | 5,491,415 | 6,051,997 |
| Intangible assets | 19 | 7,122,343 | 7,225,390 |
| Right-of-use assets | 20 | 8,857,669 | 7,995,153 |
| Deferred tax asset | 14.2 | 41,001,778 | - |
| Other receivables | 21 | 6,141,466 | - |
| Other assets | 22 | 2,452,140 | 2,749,091 |
| Income tax receivables | 24 | 1,012,848 | 5,223,582 |
| Total assets | | <u>1,171,603,974</u> | <u>1,082,662,286</u> |
| Liabilities | | | |
| Administered funds | 23 | 182,071,842 | 199,574,877 |
| Lease liabilities | 25 | 9,204,721 | 8,518,790 |
| Other liabilities | 26 | 5,017,024 | 4,469,883 |
| Total liabilities | | <u>196,293,587</u> | <u>212,562,550</u> |
| Equity | | | |
| Share capital | 27.2 | 1,140,000,000 | 1,080,000,000 |
| Accumulated losses | | (164,689,613) | (209,901,264) |
| Total equity attributable to equity holders of the Corporation | | <u>975,310,387</u> | <u>870,098,736</u> |
| Total equity and liabilities | | <u>1,171,603,974</u> | <u>1,082,662,286</u> |
| Contingent liabilities and commitments | 28 | <u>252,471,172</u> | <u>255,804,698</u> |

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 Corporation set out on pages 7 to 52. The report of the independent auditors is given on pages 1 to 2.

The Board of Directors is responsible for the preparation and presentation of these financial statements. The financial statements were approved by the Board and signed on its behalf of:



Fathimath Meeza Adam
Acting Managing Director

30 April 2025
Male'



Fathimath Azma
Non-Executive Director
On Behalf of Board of
Directors

SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

| | Share Capital | Accumulated Losses | Total Equity |
|--|----------------------|---------------------------|---------------------|
| | MVR | MVR | MVR |
| Balance as at 1 January 2023 | 1,000,000,000 | (188,164,860) | 811,835,140 |
| Loss (Total comprehensive income) for the year | - | (21,736,404) | (21,736,404) |
| Transactions with owners of the Corporation | | | |
| Shares issued during the year (Note 27.2) | 80,000,000 | - | 80,000,000 |
| Balance as at 31 December 2023 | <u>1,080,000,000</u> | <u>(209,901,264)</u> | <u>870,098,736</u> |
| Balance as at 1 January 2024 | 1,080,000,000 | (209,901,264) | 870,098,736 |
| Total comprehensive income for the year | - | 45,211,651 | 45,211,651 |
| Transactions with owners of the Corporation | | | |
| Shares issued during the year (Note 27.2) | 60,000,000 | - | 60,000,000 |
| Balance as at 31 December 2024 | <u>1,140,000,000</u> | <u>(164,689,613)</u> | <u>975,310,387</u> |

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 Corporation set out on pages 7 to 52. The report of the independent auditors is given on pages 1 to 2.



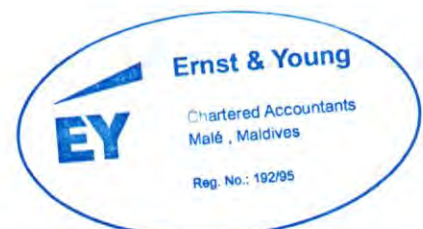
SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

| | Note | 2024 MVR | 2023 MVR |
|---|------|----------------------|----------------------|
| Cash flows from operating activities | | | |
| Profit before tax | | 11,838,301 | (21,736,404) |
| Net interest income | 6 | (90,020,303) | (90,756,715) |
| Interest expense on lease liabilities | 13 | 741,386 | 665,343 |
| Depreciation of right-of-use assets | 20 | 3,229,124 | 3,106,982 |
| Depreciation of property and equipment | 18 | 1,639,616 | 1,542,021 |
| Amortization of intangible assets | 19 | 103,047 | 159,448 |
| Net impairment losses on financial assets | 9 | 44,923,624 | 80,031,404 |
| Adjustment due to remeasurement of loan to customers | 13 | 321,215 | 1,187,305 |
| Gain on termination of lease agreement | | (284,936) | - |
| Loss on disposal of property and equipment | 12 | - | 10,243 |
| Operating loss before working capital changes | | (27,508,926) | (25,790,373) |
| Changes in: | | | |
| Change in loans to customers | | (57,557,604) | (287,834,687) |
| Change in other receivables | | (6,141,466) | 25,513,419 |
| Change in other assets | | 296,951 | 2,238,295 |
| Change in other liabilities | | 547,139 | (5,185,232) |
| Change in administered funds | | (17,503,035) | (7,663,134) |
| Cash used in operating activities | | (107,866,941) | (298,721,712) |
| Interest received | | 89,324,484 | 77,606,506 |
| Income tax paid | 24 | (3,417,694) | (7,597,156) |
| Net cash used in operating activities | | (21,960,151) | (228,712,362) |
| Cash flows from investing activities | | | |
| Acquisition of property and equipment | 18 | (1,079,034) | (1,492,689) |
| Proceeds from sale of property and equipment | | - | 10,140 |
| Acquisition of intangible assets | 19 | - | (104,224) |
| Net cash (used in) / generated from investing activities | | (1,079,034) | (1,586,773) |
| Cash flows from financing activities | | | |
| Shares issued during the year | 27.2 | 60,000,000 | 80,000,000 |
| Payment of lease liabilities | 25 | (3,862,160) | (3,830,400) |
| Net cash generated from financing activities | | 56,137,840 | 76,169,600 |
| Net (decrease) / increase in cash and cash equivalents | | 33,098,655 | (154,129,535) |
| Cash and cash equivalents at the beginning of the year | | 54,357,608 | 208,487,143 |
| Cash and cash equivalents at the end of the year | 15 | 87,456,263 | 54,357,608 |

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 Corporation set out on pages 7 to 52. The report of the independent auditors is given on pages 1 to 2.



**SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
INCORPORATED IN THE REPUBLIC OF MALDIVES**

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1. Corporate Information

The SME Development Finance Corporation Private Limited ("the Corporation") is a corporation incorporated and domiciled in the Republic of Maldives, which is fully owned by the Government of Maldives as a limited liability company since 17 January 2019 under the Companies Act No.10 of 1996 with its registered office at H. Pamela Building, Ministry of Economic Development, Boduthakurufaanu Magu, Male', Republic of Maldives.

The Corporation received its financing business license under the Maldives Monetary Authority Act No. 6/81 of 1981 on 28 February 2019 in the Republic of Maldives.

1.2. Principal Business Activities and Nature of Operations

The Corporation is a specialized financial institution providing financial products and ancillary services to micro, small and medium enterprises (MSMEs) and entrepreneurial start-ups with the primary purpose of easing access to finance for MSMEs.

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The financial statements of the Corporation, which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements have been prepared and presented in accordance with IFRS Accounting Standards.

These financial statements, except for the information on cash flows, have been prepared following the accrual basis of accounting.

2.2. Basis of Measurement

The financial statements have been prepared under the historical cost convention whereby the transactions are recorded at the values prevailing on the dates when the assets were acquired, the liabilities were incurred or the capital obtained except for assets and liabilities which are stated at their fair value.

2.3. Going Concern Basis of Accounting

As of the reporting date, the Corporation reported accumulated losses of MVR 164,689,613 (2023: accumulated losses of MVR 209,901,264). The Management has made an assessment of the Corporation's ability to continue as a going concern. Based on this assessment, the Board of Directors are satisfied that the Corporation has the resources to continue in business for the foreseeable future and is not aware of any material uncertainties that may cast significant doubt upon the Corporation's ability to continue as a going concern. Therefore, the Financial Statements of the Corporation continue to be prepared on a going concern basis.

SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
INCORPORATED IN THE REPUBLIC OF MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.4. Functional and Presentation Currency

These financial statements are presented in Maldivian Rufiyaa, which is the Corporation's functional currency, except as otherwise indicated, all financial information is presented in Maldivian Rufiyaa.

2.5. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the International Financial Reporting Interpretations Committee and Standard Interpretation Committee) and as specially disclosed in the Accounting Policies of the Corporation.

2.6. Use of Judgements and Estimates

The preparation of the financial statements in conformity with IFRSs and IASs adopted, requires the management to make judgements, estimates and assumptions which 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 recognized prospectively.

The most significant areas of estimation uncertainty, and critical judgements in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described wherever necessary.

i.) Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes.

Note 4.3 (ii) - 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 solely payments of principal and interest on the principal amount outstanding.

ii.) Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainty that have a significant risk of resulting in a material adjustment for the year ended 31 December 2023 are included in the following notes.

- Impairment losses on loans to customers (**Note 17.2**)
- Deferred taxes (**Note 13.2**)
- Contingent Liabilities and Commitments (**Note 28**)

The Corporation receives legal claims in the normal course of business. Management has made judgements as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due processes in respective legal jurisdictions.

SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
INCORPORATED IN THE REPUBLIC OF MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICY INFORMATION

The Corporation has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

3.1. Measurement of Fair Values

A number of accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Corporation has an established control framework with respect to the measurement of fair values. When measuring the fair value of an asset or a liability, the Corporation uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follow

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Corporation recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3.2. Foreign Currency Transactions

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 foreign currencies are translated to Maldivian Rufiyaa at the exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognized in the profit or loss.

Non-monetary assets and liabilities, which are measured at historical cost, denominated in foreign currencies 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 foreign currencies are translated to Maldivian Rufiyaa at the exchange rates ruling at the dates the values were determined.

3.3. Financial Assets and Financial Liabilities

(i) Recognition and Initial Measurement

The Corporation initially recognizes loans and advances, administered funds and other liabilities, etc. on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date, which is the date on which the Corporation becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

**SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
INCORPORATED IN THE REPUBLIC OF MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.3 Financial Assets and Financial Liabilities (Continued)

(ii) Classification

Financial Assets

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI or FVTPL.

A financial asset is measured at amortized 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 interest ("SPPI").

In addition, on initial recognition, the Corporation may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business Model Assessment

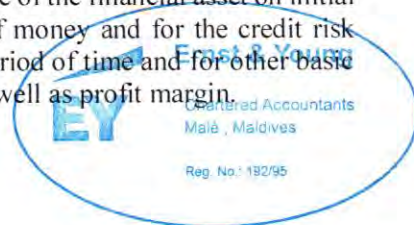
The Corporation makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- 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 interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Corporation's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and 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 part of an overall assessment of how the Corporation's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment Whether Contractual Cash Flows are Solely Payments of Principal and Interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' 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.



**SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
INCORPORATED IN THE REPUBLIC OF MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.3. Financial Assets and Financial Liabilities (Continued)

(ii) Classification (Continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Corporation 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 Corporation considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Corporation's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money - e.g. periodical reset of interest rates.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Corporation changes its business model for managing financial assets.

Financial Liabilities

The Corporation classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost.

(iii) Derecognition

Financial Assets

The Corporation derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Corporation neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received had been recognised in OCI is recognised in profit or loss.

The Corporation enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and repurchase transactions, because the Corporation retains all or substantially all of the risks and rewards of ownership of such assets. In transactions in which the Corporation neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Corporation continues to recognise the asset to the extent of its continuing involvement determined by the extent to which it is exposed to changes in the value of the transferred asset.

**SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
INCORPORATED IN THE REPUBLIC OF MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.3 Financial Assets and Financial Liabilities (Continued)

(iii) Derecognition (Continued)

Financial Liabilities

The Corporation derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(iv) Modification of Financial Assets and Liabilities

Financial Assets

If the terms of a financial asset are modified, then the Corporation evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Corporation plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (refer write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Corporation first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

**SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
INCORPORATED IN THE REPUBLIC OF MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.3. Financial Assets and Financial Liabilities (Continued)

(iv) Modification of Financial Assets and Liabilities (Continued)

Financial Liabilities

The Corporation derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(v) Fair Value Measurement

‘Fair value’ is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Corporation has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Corporation measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Corporation uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Corporation determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

**SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
INCORPORATED IN THE REPUBLIC OF MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.3. Financial Assets and Financial Liabilities (Continued)

(vi) Impairment of Financial Assets

The Corporation recognizes allowance for expected credit loss (ECL) on following financial instruments that are not measured at FVTPL;

- Loans and advances to customers and other debt financial assets
- Loan commitments issued

a) Individual assessment

At each reporting date, the Corporation assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired or significant credit deteriorated and assesses the 'Individually Significant' loans and advances for impairment based on the materiality.

The Corporation individually reviews top 50 borrowers for individual impairment to identify whether there is significant increase in credit risk (SICR) since origination of the loan and before an exposure is in default. The individual loans fall into the above categories of borrowers are assessment using set of quantitative and qualitative indicators to determine evidence of SICR and final staging.

b) Collective assessment

The Corporation measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) 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
- 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 loan commitments: as the present value of the difference between the contractual cash flows that are due to the Corporation if the commitment is drawn down and the cash flows that the Corporation expects to receive; and

**SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
INCORPORATED IN THE REPUBLIC OF MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.3 Financial Assets and Financial Liabilities (Continued)

(vi) Impairment of Financial Assets (Continued)

ECL calculations are outlined below, and the key elements are as follows:

Probability of Default (PD)

The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.

Exposure at Default (EAD)

The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

Loss Given Default (LGD)

The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral or credit enhancements that are integral to the loan and not required to be recognized separately. It is usually expressed as a percentage of the EAD. In the absence of adequate data (as the market is not matured) to calculate in-house LGD, consider LGD referring to the BASEL Framework.

Forward Looking Information

In its ECL models, the Corporation relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rates.
- Inflation rates.

The Corporation incorporated forward-looking information into the measurement of ECL (refer **Note 32.1 (iv)** to the financial statements).

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 shortfalls from the existing asset.

**SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
INCORPORATED IN THE REPUBLIC OF MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.3 Financial Assets and Financial Liabilities (Continued)

(vi) Impairment of Financial Assets (Continued)

Restructured Financial Assets (Continued)

- 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 interest rate of the existing financial asset.

Credit-impaired Financial Assets

At each reporting date, the Corporation assesses whether financial assets carried at amortised cost are credit impaired. 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 loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Write-off

Loans 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 Corporation 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 provision reversal' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Corporation's procedures for recovery of amounts due.

Presentation of Allowance for ECL in the Statement of Financial Position

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;

**SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
INCORPORATED IN THE REPUBLIC OF MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.3 Financial Assets and Financial Liabilities (Continued)

(vi) Impairment of Financial Assets (Continued)

Presentation of Allowance for ECL in the Statement of Financial Position (Continued)

- where a financial instrument includes both a drawn and an undrawn component, and the Corporation cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Corporation 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; and

- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in retained earnings.

4.4 Leases

At inception of a contract, the Corporation 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 Corporation uses the definition of a lease in IFRS 16.

(i) As a Lessee

At commencement or on modification of a contract that contains a lease component, the Corporation 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 Corporation has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Corporation recognizes a right-of-use asset and a lease liability 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 asset is 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 Corporation by the end of the lease term or the cost of the right-of-use asset reflects that the Corporation will exercise a purchase option. In that case the right-of-use asset 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 asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate. The Corporation determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain

**SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
INCORPORATED IN THE REPUBLIC OF MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.4 Leases (Continued)

(i) As a Lessee (Continued)

adjustments to reflect the terms of the lease and type of the asset leased. Lease payments included in the measurement of the lease liability comprise the fixed payments, including in-substance fixed payments.

The lease liability is measured at amortized 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 Corporation's estimate of the amount expected to be payable under a residual value guarantee, if the Corporation 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 Corporation presents right-of-use assets that do not meet the definition of investment property in 'Right of Use Assets' and lease liabilities in 'Lease Liability' in the statement of financial position.

Short-term Leases and Leases of Low-value Assets

The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

4.5 Property and Equipment

(i) Recognition and Measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within other income in profit or loss.

(ii) Subsequent Costs

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embedded within the part will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

**SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
INCORPORATED IN THE REPUBLIC OF MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.5 Property and Equipment (Continued)

(iii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

| | |
|------------------------|-----------------------|
| Leasehold buildings | Over the lease period |
| Office equipment | Over 5 Years |
| Computer equipment | Over 5 Years |
| Furniture and fittings | Over 10 Years |

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Depreciation is calculated from the date that they are ready for use.

4.6 Intangible Assets

(i) Recognition and Measurement

Intangible assets that are acquired by the Corporation are stated at cost less accumulated amortization and any impairment losses.

(ii) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization of Intangible Asset

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

| | |
|-------------------|-------------------|
| Computer Software | Over 3 to 5 Years |
|-------------------|-------------------|

4.7 Impairment of Non-financial Assets

At each Reporting date, the Corporation reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.



**SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
INCORPORATED IN THE REPUBLIC OF MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.7 Impairment of Non-financial Assets (Continued)

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

4.8 Employee Benefits

(i) Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Corporation 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.

(ii) Defined Contribution Plans

All Maldivian employees of the Corporation are members of the retirement pension scheme established in the Maldives. Both employer and employee contribute 7% each respectively to this scheme of such employees' pensionable wage. Employers' obligation for contribution to pension scheme is recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

4.9 Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

4.10 Contingent Liabilities and Commitments

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in International Accounting Standard – IAS 37 on Provisions, Contingent Liabilities and Contingent Assets.

In the normal course of business, the Corporation makes various irrecoverable commitments and incurs certain liabilities with legal recourse to its customers. Even though these obligations may not be recognized at the date of the Statement of Financial Position, they do contain credit risk and are therefore form part of the overall risk profile of the Corporation.



**SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
INCORPORATED IN THE REPUBLIC OF MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.11 Interest Income

(i) Effective interest rate

Interest income is recognized in profit or loss using the effective interest rate method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Corporation estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or a financial liability.

(ii) Amortized Cost and Gross Carrying Amount

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

(iii) Calculation of Interest Income

The effective interest rate of a financial asset is calculated on initial recognition of a financial asset. In calculating income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired). The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

(iv) Presentation

Interest income calculated using the effective Interest rate method presented in the statement of profit or loss includes:

- Interest income on financial assets measured at amortized cost.

SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
INCORPORATED IN THE REPUBLIC OF MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.12 Fees and Commission Income

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Corporation recognizes revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

| Type of Service | Nature and timing of performance obligations, including significant payment terms. | Revenue recognition |
|---------------------------------|---|--|
| Administrative Service on Funds | The Corporation administrate various funds and administrative fee is charged on the conditions specific in the MOU signed between the Corporation and relevant Ministry. Generally, administrative fee is charged to the Fund's account on an annual basis. | Administrative fee is recognized at the point in time when the services are provided. |
| Other Fees and Commissions | The Corporation charge fees on loan processing, rescheduling, restructuring, refinancing, amendments, enhancement, etc. These fees are charged to the customer's account on the date the services are provided. The Corporation sets the rates separately for each of these services. | Revenue from these services is recognized at the point in time when the service is rendered to the customer. |

4.13 Tax Expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss. The Corporation has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, contingent liabilities and contingent assets.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax rate enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax assets is recognized for unused tax losses, tax credits deductible temporary difference to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it no longer probable that the related tax benefits will be provided.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.13 Operating Expense

All expenses incurred in the running of the business and in maintaining the capital assets in a state of efficiency has been charged to the revenue in arriving at profit or loss for the year. Expenditure incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenses.

4.14 Statement of the Cash Flows

The statement of cash flows has been prepared by using the 'Indirect Method' of preparing cash flows in accordance with the International Accounting Standard – IAS 7 on 'Statement of Cash Flows'. Cash and cash equivalents comprise of short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

5. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning after 1 January 2025 and earlier application is permitted; however, the Corporation has not early adopted the new or amended standards in preparing these financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Corporation's Financial Statements.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. It also requires disclosure of newly defined management-defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.

Narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

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Amendments to IFRS 9 and IFRS 7 – Contracts Referencing Nature-dependent Electricity

In December 2024, IASB issued amendments to IFRS 9 and IFRS 7, contracts referencing nature-dependent Electricity, which clarify the application of 'own-use' requirements, permitting these contracts to be used as a hedge instruments and adding new disclosure requirements.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Entities can early adoption is permitted and must be disclosed.

The amendments are not expected to have a material impact on the Bank's financial statement. Annual improvements to IFRS Accounting Standards – Volume II: Annual improvements in the form of clarifications, update to language and/ or cross references have been made to the following IFRS Accounting Standards. These improvements are effective for annual reporting periods beginning on or after beginning on or after 1 January 2026. Earlier application is permitted.

- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IFRS 9 Financial Instruments
- IFRS 7 Financial Instruments: Disclosures
- IFRS 10 Consolidated Financial Instruments
- IAS 7 Statement of Cashflows

The Bank is currently assessing the impact the amendments will have on current practice.

SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2024

| 6 INTEREST INCOME | 2024 MVR | 2023 MVR |
|---|---------------------|---------------------|
| Interest income calculated using effective interest rate method (Note 6.1) | 90,020,303 | 90,756,715 |
| | <u>90,020,303</u> | <u>90,756,715</u> |
| 6.1 Interest income calculated using effective interest rate method | | |
| Loans to customers (Note 6.1.1) | 84,739,570 | 84,960,443 |
| Investment securities | 4,985,004 | 4,015,461 |
| Funds placed in banks | 295,729 | 1,780,811 |
| Interest income calculated using effective interest rate method | <u>90,020,303</u> | <u>90,756,715</u> |
| 6.1.1 Interest income from loans to customers - product wise analysis | | |
| Fashaa Viyafaari | 13,586,885 | 16,857,322 |
| Getset | 39,806 | 153,254 |
| Harumudha | 25,743,357 | 22,065,311 |
| Rashu Fathuru | 21,776,142 | 17,688,876 |
| Viyafaari Dhirun | 2,033,253 | 2,697,201 |
| Viyafaari Ehe | 9,445,724 | 10,083,755 |
| Viyafaari Tharaggee | 11,668,309 | 15,022,416 |
| Fannuveri Nafaa | 92,548 | 3,787 |
| COVID-19 Media Loans | 203,867 | 388,521 |
| Taxi Nafaa | 149,679 | - |
| | <u>84,739,570</u> | <u>84,960,443</u> |
| 7 FEE AND COMMISSION INCOME | | |
| Administrative fee income | 6,184,398 | 6,417,541 |
| Processing fee income | 3,083,377 | 5,628,432 |
| Reschedule and restructure fees income | 70,814 | 1,114,289 |
| Refinance fee income | - | 32,213 |
| Other fee and commission income | 96,224 | 374,168 |
| | <u>9,434,813</u> | <u>13,566,643</u> |
| 8 OTHER INCOME | | |
| Recoveries from written off loans | 6,527,534 | - |
| Gain on early termination of lease | 284,936 | - |
| | <u>6,812,470</u> | <u>-</u> |
| 9 IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS | 2024 MVR | 2023 MVR |
| Impairment losses on loans to customers (Note 17.2) | 43,848,034 | 80,031,403 |
| Impairment losses on off-balance sheet exposures (Note 26.1) | 1,075,590 | - |
| | <u>44,923,624</u> | <u>80,031,403</u> |

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| | | |
|--|---------------------|---------------------|
| 10 PERSONNEL EXPENSES | 2024 MVR | 2023 MVR |
| Staff remuneration | 31,532,837 | 23,960,329 |
| Board remuneration | 1,670,203 | 2,177,822 |
| Staff bonus | 351,000 | 296,200 |
| Pension contribution | 1,175,405 | 931,784 |
| Other staff related costs | 1,078,566 | 2,842,664 |
| | <u>35,808,011</u> | <u>30,208,799</u> |
| 11 DEPRECIATION AND AMORTIZATION | 2024 MVR | 2023 MVR |
| Depreciation of property and equipment | 1,639,616 | 1,542,021 |
| Amortization of intangible assets | 103,047 | 159,448 |
| Depreciation of right-of-use assets | 3,229,124 | 3,106,982 |
| | <u>4,971,787</u> | <u>4,808,451</u> |
| 12 OTHER EXPENSES | 2024 MVR | 2023 MVR |
| Audit fees | 240,436 | 152,010 |
| Professional fees | 113,022 | 1,606,983 |
| Marketing and promotion expenses | 1,122,165 | 2,726,804 |
| Stationary and printing expenses | 197,575 | 240,756 |
| Utility expenses | 952,643 | 878,217 |
| Call center outsourcing | 893,102 | 840,566 |
| Annual license and registration fees | 1,273,986 | 1,046,646 |
| CIR fees | 294,600 | 340,650 |
| Bank charges and fines | 807,145 | 103,270 |
| Inspection chargers | 100,000 | 123,710 |
| Repair and maintenance expenses | 583,857 | 477,827 |
| Loss on disposal of property and equipment | - | 10,243 |
| Insurance charges | 573,834 | 394,532 |
| Sundry expenses | 510,897 | 216,247 |
| | <u>7,663,262</u> | <u>9,158,461</u> |
| 13 FINANCE COST | 2024 MVR | 2023 MVR |
| Interest expense on lease liabilities | 741,386 | 665,343 |
| Adjustment due to remeasurement of loan to customers | 321,215 | 1,187,305 |
| | <u>1,062,601</u> | <u>1,852,648</u> |

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| 14 TAX EXPENSE | 2024 MVR | 2023 MVR |
|---|---------------------|---------------------|
| Current tax (Note 14.1) | 7,628,428 | - |
| Deferred tax asset recognised during the year (Note 14.2) | (41,001,778) | - |
| | <u>(33,373,350)</u> | <u>-</u> |

| 14.1 Reconciliation of accounting profit/(loss) to taxable income/(tax loss) | 2024 MVR | 2023 MVR |
|---|---------------------|---------------------|
| Accounting profit/(loss) before tax | 11,838,301 | (21,736,404) |
| Aggregate disallowable items | 49,511,895 | 84,693,273 |
| Aggregate allowable items | (7,058,743) | (65,892,133) |
| Tax loss brought forward | (2,935,264) | - |
| Tax free allowance | (500,000) | (500,000) |
| Total (tax loss) / taxable income | <u>50,856,189</u> | <u>(2,935,264)</u> |
| Income tax @ 15% | <u>7,628,428</u> | <u>-</u> |

In accordance with the provisions of the Income Tax Act No. 25 of 2019 and the Income Tax Regulation No: 2020/R-21 and amendments thereto, the Corporation is liable for income tax at the rate of 15% on its taxable profits.

| 14.2 Deferred tax assets | 2024 MVR | 2023 MVR |
|---------------------------------|---------------------|---------------------|
| Balance as at 01 January | - | - |
| Recognized during the year | 41,001,778 | - |
| Balance as at 31 December | <u>41,001,778</u> | <u>-</u> |

14.2 Deferred tax assets are attributable to the following:

| | 2024 | | 2023 | |
|---|---|---------------------------|---|---------------------------|
| | Temporary Difference MVR | Tax Effect MVR | Temporary Difference MVR | Tax Effect MVR |
| Property, plant and equipment and intangible assets | 493,727 | 74,059 | - | - |
| Loan loss provision | 272,851,459 | 40,927,719 | - | - |
| | <u>273,345,186</u> | <u>41,001,778</u> | <u>-</u> | <u>-</u> |

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FOR THE YEAR ENDED 31 DECEMBER 2024

15 EARNING/ (LOSS) PER SHARE

Earning /(loss) per share is calculated by dividing the profit/(loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

| | 2024 | 2023 |
|--|-------------|---------------|
| Profit/ (loss) for the year (in MVR) | 45,211,651 | (21,736,404) |
| Weighted average number of ordinary shares | 112,500,000 | 91,388,893 |
| Earning / (loss) per share (in MVR) | <u>0.40</u> | <u>(0.24)</u> |

16 CASH AND CASH EQUIVALENTS

| | 31/12/2024 MVR | 31/12/2023 MVR |
|---|---------------------------|---------------------------|
| Cash in hand | 13,770 | 14,455 |
| Cash in banks (Note 15.1) | <u>87,442,493</u> | <u>54,343,153</u> |
| Cash and cash equivalent in the statement of cash flows | <u><u>87,456,263</u></u> | <u><u>54,357,608</u></u> |

16.1 Cash in Banks

| | | |
|--------------------------------------|--------------------------|--------------------------|
| Bank of Maldives PLC | 40,680,767 | 8,812,011 |
| Habib Bank Limited - Maldives Branch | 46,360,779 | 45,484,554 |
| Maldives Islamic Bank PLC | <u>400,947</u> | <u>46,588</u> |
| | <u><u>87,442,493</u></u> | <u><u>54,343,153</u></u> |

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| 17 LOANS TO CUSTOMERS | 2024 MVR | 2023 MVR |
|--|----------------------|----------------------|
| Gross loans to customers (Note 17.1) | 1,283,736,442 | 1,226,558,606 |
| Less: Allowance for impairment loss (Note 17.2) | (272,851,459) | (229,003,425) |
| Add: Adjustment due to loan moratorium | 1,183,069 | 1,504,284 |
| Net loans and advances | <u>1,012,068,052</u> | <u>999,059,465</u> |
| 17.1 Loans to customers - product wise analysis | | |
| Fashaa Viyafaari | 203,391,353 | 208,903,991 |
| Getset | 1,626,549 | 1,717,622 |
| Harumudha | 402,120,651 | 378,701,988 |
| Rashu Fathuru | 352,393,853 | 309,211,300 |
| Viyafaari Dhirun | 35,201,388 | 42,020,552 |
| Viyafaari Ehee | 107,677,092 | 110,144,523 |
| Viyafaari Tharaggee | 171,629,497 | 169,272,640 |
| Fannuveri Nafaa | 1,682,443 | 813,461 |
| COVID-19 Media Loans | 4,205,874 | 5,772,529 |
| Taxi Nafaa | 3,807,742 | - |
| | <u>1,283,736,442</u> | <u>1,226,558,606</u> |
| 17.2 Allowance for impairment loss - Loans to customers | 2024 MVR | 2023 MVR |
| Opening balance | 229,003,425 | 256,013,401 |
| Impairment loss charged for the year | 43,848,034 | 80,031,403 |
| Closing balance | 272,851,459 | 336,044,804 |
| Written off during the year | - | (107,041,379) |
| Total Allowance for impairment loss on loans to customers | <u>272,851,459</u> | <u>229,003,425</u> |
| 17.3 Movement in provision for collective impairment | | |
| Balance as at January 01 | 229,003,425 | 256,013,401 |
| Charge to the statement of profit or loss | 5,540,533 | 80,031,403 |
| Written off during the year | - | (107,041,379) |
| Balance as at December 31 | <u>234,543,958</u> | <u>229,003,425</u> |
| 17.4 Movement in provision for individual impairment | | |
| Charge to the statement of profit or loss | 38,307,501 | - |
| Balance as at December 31 | <u>38,307,501</u> | <u>-</u> |

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18 PROPERTY AND EQUIPMENT

| | Leasehold Buildings MVR | Office Equipment MVR | Computer Equipment MVR | Furniture and Fittings MVR | Total 31/12/2024 MVR | Total 31/12/2023 MVR |
|---------------------------------|--|-------------------------------------|---------------------------------------|---|-------------------------------------|-------------------------------------|
| Cost | | | | | | |
| Opening balance | 242,548 | 2,412,061 | 4,188,200 | 3,024,613 | 9,867,422 | 8,402,975 |
| Additions during the year | 283,409 | 246,618 | 385,564 | 163,443 | 1,079,034 | 1,492,689 |
| Disposals during the year | - | - | - | - | - | (28,242) |
| Closing balance | <u>525,957</u> | <u>2,658,679</u> | <u>4,573,764</u> | <u>3,188,056</u> | <u>10,946,456</u> | <u>9,867,422</u> |
| Accumulated depreciation | | | | | | |
| Opening balance | 25,385 | 1,015,650 | 2,080,189 | 694,201 | 3,815,425 | 2,281,263 |
| Charge for the year | 34,907 | 498,001 | 794,699 | 312,009 | 1,639,616 | 1,542,021 |
| Disposals during the year | - | - | - | - | - | (7,859) |
| Closing balance | <u>60,292</u> | <u>1,513,651</u> | <u>2,874,888</u> | <u>1,006,210</u> | <u>5,455,041</u> | <u>3,815,425</u> |
| Net carrying values | | | | | | |
| 31 December 2024 | <u>465,665</u> | <u>1,145,028</u> | <u>1,698,876</u> | <u>2,181,846</u> | <u>5,491,415</u> | |
| 31 December 2023 | <u>217,163</u> | <u>1,396,411</u> | <u>2,108,011</u> | <u>2,330,412</u> | | <u>6,051,997</u> |

18.1 Property and equipment comprise of fully depreciated assets with a gross carrying amount MVR 1,327,172 as at 31 December 2024(2023: MVR 291,988).

19 INTANGIBLE ASSETS

| | Computer Software MVR | Capital Work-in- Progress MVR | Total 31/12/2024 MVR | Total 31/12/2023 MVR |
|-------------------------------------|--------------------------------------|--|-------------------------------------|-------------------------------------|
| Cost | | | | |
| Opening balance | 673,798 | 7,043,224 | 7,717,022.0 | 7,612,798 |
| Additions during the year | - | - | - | 104,224 |
| Closing balance | <u>673,798</u> | <u>7,043,224</u> | <u>7,717,022.0</u> | <u>7,717,022</u> |
| Accumulated amortization | | | | |
| Opening balance | 491,632 | - | 491,632.0 | 332,184 |
| Charge for the year | 103,047 | - | 103,047.0 | 159,448 |
| Closing balance | <u>594,679</u> | <u>-</u> | <u>594,679.0</u> | <u>491,632</u> |
| Net carrying value | | | | |
| 31 December 2024 | <u>79,119</u> | <u>7,043,224</u> | <u>7,122,343.0</u> | |
| 31 December 2023 | <u>182,166</u> | <u>7,043,224</u> | | <u>7,225,390</u> |

19.1 Capital work-in-progress represents the costs incurred for updating the Corporation's loan management system.

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| 20 RIGHT-OF-USE ASSETS | 2024 MVR | 2023 MVR |
|--|-------------------------|-------------------------|
| Cost | | |
| Opening balance | 17,375,729 | 14,089,089 |
| Additions during the year (Note 20.3) | 5,973,960 | 3,286,640 |
| Termination during the year | (4,775,527) | - |
| Closing balance | <u>18,574,162</u> | <u>17,375,729</u> |
| Accumulated depreciation | | |
| Opening balance | 9,380,576 | 6,273,594 |
| Charge for the year | 3,229,124 | 3,106,982 |
| Termination during the year | (2,893,207) | - |
| Closing balance | <u>9,716,493</u> | <u>9,380,576</u> |
| Net carrying value | <u><u>8,857,669</u></u> | <u><u>7,995,153</u></u> |
| 20.1 The Corporation has leased office spaces from various parties on lease terms ranging from 2 to 5 years. Accordingly, the Corporation has recognized right-of-use assets which will be amortized over the remaining lease period. | | |
| 20.2 During the year 2024 Corporation entered into lease agreement for the 2nd and 3rd floors of M.Sisil Garden for a period of 5 years. | | |
| 21 OTHER RECEIVABLES | 2024 MVR | 2023 MVR |
| Drawdown Facility to Fasha Madhadhu (Note 21.1) | 6,141,466 | - |
| | <u>6,141,466</u> | <u>-</u> |
| 21.1 Other receivables included loans disbursed from the Corporation's funds to customers of Administered Loan Schemes of the Government of Maldives. These disbursements for Administered Loan Schemes were recognized as other receivables. | | |
| 22 OTHER ASSETS | 2024 MVR | 2023 MVR |
| Prepayments | 268,277 | 342,699 |
| Deposits | 901,490 | 649,730 |
| Fee income receivable | - | 901,483 |
| Interest receivable from investments | 108,240 | 814,264 |
| Other receivables | 1,174,133 | 40,915 |
| | <u>2,452,140</u> | <u>2,749,091</u> |

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23 ADMINISTERED FUNDS

Pursuant to the agreements entered with the Ministry of Finance, the Corporation administrate Special Purpose Funds (SPF) for the Government of Maldives and other Ministries. The Corporation acts as the service agent responsible for the overall management and maintenance of these funds. The Ministry of Finance has paid a fee of MVR 6,184,398/- (2023: MVR 6,417,541/-) to the Corporation as administration fees for funds administered in 2023.

Below are the details on outstanding Special Purpose Funds administered by the

| | 31/12/2024 MVR | 31/12/2023 MVR |
|--|--------------------|--------------------|
| Dhanduveri Nafaa Loan Program (Note 23.1) | 11,700,484 | 12,686,400 |
| Kandufallhuge Nafaa Loan Program (Note 23.2) | 26,265,750 | 34,735,735 |
| Diamondback Squid (DBS) Fund (Note 23.3) | 194,515 | 194,515 |
| COVID-19 Recovery Fund (Note 23.4) | 40,555,453 | 59,927,298 |
| Drawdown Facility to Support Fish Purchase (Note 23.5) | 57,195,545 | 55,385,008 |
| SME Development Fund (Note 23.6) | 27,971,724 | 34,948,066 |
| COVID-19 Contingency Fund (Note 23.7) | 3,728,266 | 1,697,855 |
| AgriBusiness Matching Grant Scheme | 14,460,105 | - |
| | 182,071,842 | 199,574,877 |

| 31 December 2024 | Opening balance 01 January 2024 | Received during the year | Recalled funds during the year | Investments matured during the year | Disbursed during the year | Fees charged during the year | Repayments during the year | Closing balance 31 December 2024 |
|------------------------------------|------------------------------------|-----------------------------|-----------------------------------|--|------------------------------|---------------------------------|-------------------------------|-------------------------------------|
| | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR |
| KNLP Fund | 34,735,735 | - | - | - | (9,991,508) | (80,660) | 1,602,183 | 26,265,750 |
| DNLP Fund | 12,686,400 | - | - | - | (3,127,410) | (136,139) | 2,277,633 | 11,700,484 |
| Covid19 Viyafaari Ehee Fund | 59,927,298 | - | (40,000,000) | 3,326,090 | - | (1,445,068) | 18,747,133 | 40,555,453 |
| Covid19 Contingency Ehee Fund | 1,697,855 | - | - | - | - | (407,229) | 2,437,640 | 3,728,266 |
| MIFCO Overdraft Facility Fund | 55,385,008 | - | - | - | - | (4,014,959) | 5,825,496 | 57,195,545 |
| SME Fund 2020 | 10,000,000 | - | - | - | - | - | - | 10,000,000 |
| SME Fund 2022 | 24,948,066 | - | - | - | (7,500,000) | (100,342) | 624,000 | 17,971,724 |
| DBS Fund | 194,515 | - | - | - | - | - | - | 194,515 |
| AgriBusiness Matching Grant Scheme | - | 14,460,105 | - | - | - | - | - | 14,460,105 |
| | 199,574,877 | 14,460,105 | (40,000,000) | 3,326,090 | (20,618,918) | (6,184,398) | 31,514,086 | 182,071,842 |

| 31 December 2023 | Opening balance 01 January 2023 | Received during the year | Recalled funds during the year | Investments made during the year | Disbursed during the year | Fees charged during the year | Repayments during the year | Closing balance 31 December 2023 |
|-------------------------------|------------------------------------|-----------------------------|-----------------------------------|-------------------------------------|------------------------------|---------------------------------|-------------------------------|-------------------------------------|
| | MVR | MVR | MVR | MVR | MVR | MVR | MVR | MVR |
| KNLP Fund | 38,126,505 | - | - | - | 4,000,000 | 33,259 | 642,488 | 34,735,735 |
| DNLP Fund | 15,724,352 | - | - | - | 4,682,218 | 125,106 | 1,769,372 | 12,686,400 |
| Covid19 Viyafaari Ehee Fund | 116,896,285 | - | - | 102,094,860 | - | 1,985,062 | 47,110,934 | 59,927,298 |
| Covid19 Contingency Ehee Fund | 1,375,749 | - | - | - | - | 402,894 | 725,000 | 1,697,855 |
| MIFCO Overdraft Facility Fund | (25,513,419) | 75,000,000 | - | - | 10,000,000 | 3,818,484 | 19,716,911 | 55,385,008 |
| SME Fund 2020 | 10,000,000 | - | - | - | - | - | - | 10,000,000 |
| SME Fund 2022 | 25,000,000 | 7,720,000 | - | - | 7,720,000 | 51,934 | - | 24,948,066 |
| DBS Fund | 115,120 | - | - | - | - | 802 | 80,198 | 194,515 |
| | 181,724,593 | 82,720,000 | - | 102,094,860 | 26,402,218 | 6,417,541 | 70,044,903 | 199,574,877 |

The Corporation has invested in commercial papers issued by the Maldives Fund Management Corporation using the funds received for COVID-19 Recovery Fund as per the advice of Government. Face value MVR 100,000,000 (2023: 104,000,000). The Corporation recognises the interest income received from such investments as Corporation's finance income.

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23 ADMINISTRED FUNDS (CONTINUED)

23.1 Dhanduveri Nafaa Loan Program

Dhanduveri Nafaa Loan Program was formulated by the Government of Maldives to promote and facilitate agriculture developments in agrarian communities. An amount of MVR 22,000,000/- was allocated for this purpose and the loans are targeted for sole proprietors, agriculture cooperatives and business enterprises which are engaged in agriculture activities. Interest income received on loans made through the fund are shared between the Corporation and the Government of Maldives on the basis of 20% to 80% respectively. The interest income allocated to Government of Maldives is payable on 31 December of each year and is deposited to DNLP Fund Account.

23.2 Kandufalhuge Nafaa Loan Program

Kandufalhuge Nafaa Loan Program was formulated to provide financial assistance and other supporting activities to promote and facilitate fisheries development in fisheries communities. The Corporation administers two loan schemes under this program and is entitled to an administrative fee of 1% per annum of the outstanding principle of the loan balance payable on an annual basis for one scheme and interest income received on loans made through the fund are shared between the Corporation and the Government of Maldives on the basis of 20% to 80% respectively for the second scheme. This fee shall be payable on 31 December of each year. This fee shall be payable on 31 December of each year.

23.3 Diamondback Squid (DBS) Fund

The Government has provided MVR 2,490,018/- worth of diamondback squid fishing gear to Ministry of Fisheries Marine Resources and Agriculture (MOFMRA) to finance the DBS fund. MOFMRA as an executing agency has disbursed the scheme's fund to the selected beneficiaries to be repaid in installments. As per the MOU between the Corporation, Ministry of Finance and MOFMRA, the Corporation operates as the recovery agent and is entitled to an administrative fee of 1% per annum of the recovered amount. This fee shall be payable on 31 December of each year.

23.4 Covid19 Viyafaari Ehee Fund

This fund was established for the purpose of stimulating the recovery of local businesses from the impact of COVID-19 pandemic. The Government allocated MVR 400,000,000/- to be administered as part of the recovery scheme. The Corporation acts as a service agent and is entitled to an administrative fee of 0.65% of the total outstanding amount of the loans and 0.35% on the total recovered amount of loans as at the last working day of the calendar year.

23.5 Drawdown Facility to Support Fish Purchase

A Special Purpose Relief Fund (SPRF) was established as a drawdown facility to support fish purchase from local fisherman through Maldives Industrial Fisheries Corporation Limited. An amount of MVR 170,000,000/- was initially allocated for the fund but was increased to MVR 570,000,000/- subsequently. The Corporation receives a service fee of 0.65% of the total fund amount of SPRF as at the last working day of each calendar year, paid no later than the 31 day of the first month of the succeeding year.

23.6 SME Development Fund

This fund was formulated to counter the challenges for Micro, Small & Medium Enterprises obtaining credit facilities and concessional loans. The Government allocated MVR 42,720,000/- to be administered as part of the recovery scheme. The Corporation acts as a service agent and is entitled to an administrative fee of 0.65% of the total outstanding amount of the loans and 0.35% on the total recovered amount of loans as at the last working day of the calendar year.

23.7 SPRF to Support Local Fish Processors and Exporters

A Special Purpose Relief Fund (SPRF) was established to support the post pandemic shocks to the fisheries sector by way of issuance of relaxed financing facility loans to support local fish processors and fish exporters. An amount of MVR 100,000,000/- was initially allocated for the fund but it was decreased to MVR 70,000,000/- subsequently. The Corporation receives a service fee of 0.65% of the total fund amount of SPRF as at the last working day of each calendar year, paid no later than the 31 day of the first month of the succeeding year.

23.8 Agribusiness Matching Grant Scheme

The Agribusiness Matching Grant Program was formulated to promote and facilitate agribusiness development in the Maldives. The financial assistance provided under this scheme are in the form of grants. The Government allocated MVR 15,188,700.00 to be administered as part of this scheme. The corporation acts as a service agent and is entitled to a service charges of 0.5% of the disbursed amount every calendar year.

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| | 2024 MVR | 2023 MVR |
|---|---------------------------|---------------------------|
| 24 INCOME TAX RECEIVABLE /(PAYABLE) | | |
| Opening balance | 5,223,582 | (2,373,574) |
| Add: Provision for the year (Note 14.1) | (7,628,428) | - |
| Less: Payments made during the year | 3,417,694 | 7,597,156 |
| Closing balance | <u>1,012,848</u> | <u>5,223,582</u> |
| 25 LEASE LIABILITIES | | |
| Opening balance | 8,518,790 | 8,397,207 |
| Additions during the year (Note 20.2) | 5,973,960 | 3,286,640 |
| Interest charge for the year | 741,386 | 665,343 |
| Lease rental payments for the year | (3,862,160) | (3,830,400) |
| Termination during the year | (2,167,255) | - |
| Closing balance | <u>9,204,721</u> | <u>8,518,790</u> |
| 25.1 Maturity analysis of undiscounted contractual lease payments are as follows: | | |
| Less than one year | 3,281,703 | 3,830,400 |
| More than one year | 5,923,018 | 4,688,390 |
| | <u>9,204,721</u> | <u>8,518,790</u> |
| 25.2 Amounts recognized in comprehensive income | | |
| Interest on lease liabilities | 741,386 | 665,343 |
| Amortization of right of use assets | 3,229,124 | 3,106,982 |
| | <u>3,970,510</u> | <u>3,772,325</u> |
| 25.3 Amount recognized in statement of cash flows | | |
| Lease rental payments | 3,862,160 | 3,830,400 |
| 26 OTHER LIABILITIES | 31/12/2024 MVR | 31/12/2023 MVR |
| Deposits from customers | 545,664 | 441,141 |
| Corporate credit card | 24,521 | 108,035 |
| Accrued expenses | 675,893 | 682,036 |
| Other payable | 2,695,356 | 3,238,671 |
| Allowance for impairment | 1,075,590 | - |
| | <u>5,017,024</u> | <u>4,469,883</u> |
| 26.1 Movement in provision for impairment on off balance sheet exposures | | |
| Charge for the year | 1,075,590 | - |
| Balance as at 31 December | <u>1,075,590</u> | <u>-</u> |
| 27 SHARE CAPITAL | | |
| 27.1 Authorized | | |
| Authorized share capital comprises 150,000,000 ordinary shares (2023: 108,00,000) of MVR 10 each. | | |
| 27.2 Issued and fully paid | | |
| Issued and fully paid share capital comprises 114,000,000 ordinary shares (2023: 1,08,000,000) of MVR 10 each. | | |
| | 31/12/2024 MVR | 31/12/2023 MVR |
| Opening balance | 1,080,000,000 | 1,000,000,000 |
| Issued and paid during the year | 60,000,000 | 80,000,000 |
| Closing balance | <u>1,140,000,000</u> | <u>1,080,000,000</u> |
| 27.3 Dividends and voting rights | | |
| The holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at the shareholder's meetings of the Corporation. No dividends have been declared by the Corporation for the year ended 31 December 2024 (2023: Nil). | | |

**SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
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28 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in the International Accounting Standard - IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

In the normal course of business, the Corporation makes various irrevocable commitments and incurs certain contingent liabilities with legal recourse to its customers. Even though these obligations may not be recognized on the date of the statement of financial position, they do contain credit risk and therefore form part of the overall risk profile of the Corporation.

| | 31/12/2024 | 31/12/2023 |
|---|--------------------|--------------------|
| Commitments | MVR | MVR |
| Undrawn Commitments on Loans to Customers | 252,471,172 | 255,804,698 |
| | <u>252,471,172</u> | <u>255,804,698</u> |

29 LITIGATIONS AND CLAIMS AGAINST THE CORPORATION

Litigation is common occurrence in the financing industry due to the nature of the business undertaken. The Corporation has formal controls and policies in place for the management of legal claims. Once professional advice has been obtained and the loss is reasonably estimated, the management will make necessary adjustments in the financial statements. At the reporting date the Corporation did not have any significant unresolved legal claims as such and no provision was made in these financial statements.

30 RELATED PARTY DISCLOSURES

The Corporation has 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 'Related Party Disclosures'.

30.1 Key Management Personnel (KMPs) and their Close Family Members (CFMs)

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation. Such key management persons include the Board of Directors and management of the Corporation. Close family members of an individual are those family members who may be expected to influence, or to be influenced by, that individual in their dealings with the entity. They may include individual's domestic partner and children, children of the individual's domestic partner and dependents of the individual or the individual's domestic partner.

30.2 Transactions with Key Management Personnel (KMPs) and their Close Family Members (CFMs)

| For the year ended 31 December | 2024 | 2023 |
|---------------------------------------|------------------|------------------|
| | MVR | MVR |
| Short-term Employee Benefits | 1,670,203 | 2,177,822 |
| | <u>1,670,203</u> | <u>2,177,822</u> |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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30 RELATED PARTY DISCLOSURES (CONTINUED)

30.3 Transactions with Related Entities

The Government of Maldives holds 100% (2023: 100%) of the voting rights of the Corporation as at 31 December 2024 and has control over the financial and operating policies of the Corporation. Accordingly, the Corporation has considered the Government of Maldives and its related entities as related parties according to International Accounting Standards 24 Related Party Disclosures.

During the year ended 31 December 2024, the Corporation has carried out transactions with the Government of Maldives and other Government related entities in the ordinary course of business.

| Name of the Related Party | Relationship | Nature of Transactions | Amount | | Balance due from / (to) as at | |
|---------------------------|----------------------------|----------------------------------|--------------|--------------|-------------------------------|------------------|
| | | | 2024 MVR | 2023 MVR | 31-Dec-24 MVR | 31-Dec-23 MVR |
| Ministry of Finance | Ministry of the Government | Investment in shares | (60,000,000) | (80,000,000) | (1,140,000,000) | (1,080,000,000) |
| | | Funds received | (14,460,105) | (82,720,000) | 6,141,466 | - |
| | | Funds disbursed | 20,618,918 | 26,402,218 | - | - |
| | | Administrative fees | 6,184,398 | 6,417,541 | - | - |
| | | Funds Recalled | 40,000,000 | - | - | - |
| | | Principle and interest collected | (31,514,087) | (70,044,903) | (182,071,843) | (199,574,877) |
| | | Funds disbursed | 6,141,466 | - | 6,141,466 | - |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2024

30 RELATED PARTY DISCLOSURES (CONTINUED)

30.4 Collectively, but not individually significant transactions

The Corporation 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 Corporation has transactions with other government related entities including but not limited to rendering of services, purchases, loans and use of public utilities.

31 FINANCIAL INSTRUMENTS - CLASSIFICATION AND MEASUREMENT OF FAIR VALUES

31.1 Classification of financial assets and liabilities as per IFRS 9 - "Financial instruments"

The table below provides a reconciliation between the line items in the statement of financial position and categories of financial assets and financial liabilities of the Corporation.

| <i>As at 31 December 2024</i> | <i>Note</i> | Financial Assets Measured at Amortized Cost | Financial Liabilities Measured at Amortized Cost | Total |
|-------------------------------------|-------------|--|---|----------------------|
| | | MVR | MVR | MVR |
| <i>Financial assets</i> | | | | |
| Cash and cash equivalents | 16 | 87,456,263 | - | 87,456,263 |
| Loans to customers | 17 | 1,012,068,052 | - | 1,012,068,052 |
| Total financial assets | | 1,105,665,781 | - | 1,105,665,781 |
| <i>Financial liabilities</i> | | | | |
| Administered funds | 23 | - | 182,071,842 | 182,071,842 |
| Corporate credit card | 26 | - | 24,521 | 24,521 |
| Lease liabilities | 25 | - | 9,204,721 | 9,204,721 |
| Total financial liabilities | | - | 191,301,084 | 191,301,084 |
| <i>As at 31 December 2023</i> | <i>Note</i> | Financial Assets Measured at Amortized Cost | Financial Liabilities Measured at Amortized Cost | Total |
| | | MVR | MVR | MVR |
| <i>Financial assets</i> | | | | |
| Cash and cash equivalents | 15 | 54,357,608 | - | 54,357,608 |
| Loans to customers | 17 | 999,059,465 | - | 999,059,465 |
| Total financial assets | | 1,053,417,073 | - | 1,053,417,073 |
| <i>Financial liabilities</i> | | | | |
| Administered funds | 23 | - | 199,574,877 | 199,574,877 |
| Corporate credit card | 26 | - | 108,035 | 108,035 |
| Lease liabilities | 25 | - | 8,518,790 | 8,518,790 |
| Total financial liabilities | | - | 208,201,702 | 208,201,702 |

**SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**31 FINANCIAL INSTRUMENTS - CLASSIFICATION AND MEASUREMENT OF FAIR VALUES
(CONTINUED)**

31.2 Financial Instruments Not measured at Fair Value and Fair Value Hierarchy

The fair value information for financial assets and financial liabilities not measured at fair value has not been disclosed if the carrying amounts are reasonable approximation of fair values. For financial assets and liabilities with short term maturities or with short term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value.

32 FINANCIAL RISK REVIEW

Introduction and Overview

As a financial intermediary, the Corporation is exposed to various types of risks including credit, market, liquidity and operational risks which are inherent in the Corporation's activities. Managing these risks are critical for the sustainability of the Corporation and plays a pivotal role in all activities of the Corporation. Risk Management function strives to identify potential risks in advance, analyze them and take precautionary steps to mitigate the impact of risk whilst optimizing through risk adjusted returns within the risk appetite of the Corporation.

The Corporation has exposure to the following risks from financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Capital Management

Risk Management Framework

The overall responsibility and oversight of the risk management framework of the Corporation is vested with the Corporation's Board of Directors.

The risk management policies spell out the risk appetite of the Corporation and has incorporated risk exposure limits and controls to monitor adherence to the limits in force. These policies and systems are reviewed regularly to reflect the changing market conditions and the products and services offered.

The Corporation strives to inculcate a risk management culture through continuous training, work ethics and standards.

32.1 Credit Risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's loans to customers, and investment securities.

The Corporation has established a Credit Department who is responsible for formulating policies for extending and monitoring of credit in line with the management's risk acceptance methodology. The Corporation has formally issued these credit policies through Credit Manual. Credit risk is monitored, reviewed and analyzed by appropriate officials inline with the guidelines contained in this manual. This risk is managed through counterparty and credit limits and also by obtaining adequate collaterals.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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32 FINANCIAL RISK REVIEW (CONTINUED)

32.1 Credit Risk (Continued)

i.) Credit Quality Analysis

Maximum Exposure to Credit Risk by Risk Rating

The following table sets out the credit quality of financial investments. The analysis has been based on the 'Fitch' rating.

Cash and Cash Equivalents

The Corporation held cash and cash equivalents of MVR 87,442,493/- as at 31 December 2024 (31 December 2023 : MVR 54,357,608/-).

| | 31/12/2024 MVR | 31/12/2023 MVR |
|----------------------|-------------------|-------------------|
| Cash in Banks | | |
| Rated B- | - | 8,812,011 |
| Rated AAA | - | 45,531,142 |
| Rated CC | 87,442,493 | - |
| | <u>87,442,493</u> | <u>54,343,153</u> |

(ii) Credit Exposure Movement

The following tables show reconciliations from the opening to closing balance of the gross carrying amounts by class of financial instrument.

| | 31 December 2024 | | | |
|--|------------------------------|--------------------------------|---|---|
| | Gross Carrying Amount | 12-Months ECL (Stage 1) | Lifetime ECL Not Credit Impaired (Stage 2) | Lifetime ECL Credit Impaired (Stage 3) |
| Loans and receivables to customers | | | | |
| Balance as at 1 January 2024 | 1,226,558,606 | 637,526,982 | 324,970,655 | 264,061,158 |
| Transfer to stage 1 | - | 39,542,260 | (35,222,979) | (4,319,280) |
| Transfer to stage 2 | - | (127,540,474) | 136,758,870 | (9,218,395) |
| Transfer to stage 3 | - | (86,593,575) | (131,869,444) | 218,463,019 |
| New assets originated or purchased | 139,201,546 | 97,642,171 | 30,535,399 | 11,023,976 |
| Financial assets derecognised or repaid (excluding write-offs) | (82,023,710) | (47,620,248) | (28,047,089) | (6,356,373) |
| Balance as at 31 December 2024 | <u>1,283,736,442</u> | <u>512,957,115</u> | <u>297,125,412</u> | <u>473,654,104</u> |

(iii) Expected Credit Loss (ECL) Movement

The following tables show reconciliations from the opening to closing balance of the allowance for impairment loss by class of financial instrument.

| | 31 December 2024 | | | |
|--|------------------------------|--------------------------------|---|---|
| | Gross Carrying Amount | 12-Months ECL (Stage 1) | Lifetime ECL Not Credit Impaired (Stage 2) | Lifetime ECL Credit Impaired (Stage 3) |
| Balance as at 1 January 2024 | 229,003,425 | 48,332,977 | 83,505,661 | 97,164,787 |
| Transfer to stage 1 | - | 9,356,412 | (8,404,153) | (952,259) |
| Transfer to stage 2 | - | (9,015,478) | 12,415,533 | (3,400,055) |
| Transfer to stage 3 | - | (6,555,121) | (34,377,442) | 40,932,563 |
| New assets originated or purchased | 70,184,446 | 7,939,447 | 21,074,336 | 41,170,662 |
| Financial assets derecognised or repaid (excluding write-offs) | (26,336,412) | (9,323,244) | (16,454,929) | (558,239) |
| Balance as at 31 December 2024 | <u>272,851,459</u> | <u>40,734,994</u> | <u>57,759,006</u> | <u>174,357,460</u> |

**SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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32 FINANCIAL RISK REVIEW (CONTINUED)

32 Credit Risk (Continued)

(iv) Amounts arising from Expected Credit Loss ("ECL")

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on availability and expert credit assessment, including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure.

The Corporation uses below criteria for determining whether there has been a significant increase in credit risk:

- Quantitative test based on movement in PD;
- Qualitative indicators

Generating the term structure of Probability of Default (PD)

Date or days past due has been taken as the primary input into determination of the term structure of PD for exposures. The Corporation collects performance and default information about its credit risk exposures analyzed by type of product and borrower. For some portfolios, information gathered from external credit agencies is also used.

The Corporation employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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32 FINANCIAL RISK REVIEW (CONTINUED)

32 Credit Risk (Continued)

(iv) Amounts arising from Expected Credit Loss ("ECL") (Continued)

This analysis includes the identification and calibration of relationship between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of the certain other factors on the risk of default.

There is a 4.66% increase in gross carrying value of financial instruments (loans and advances) and 45% (21% in 2023) decrease in ECL provision charge to Statement of Comprehensive Income for the year ended 31 December 2024.

Using variety of external actual and forecasted information, the Corporation formulates a "Base Case" view of the future direction of relevant economic variables (mainly GDP growth with lag effect of these variable) as well as representative range (Best Case and Worst Case) of other possible forecast scenarios. The Corporation then uses the forecasts to adjust its estimates of PDs.

Determining whether credit risk has increased significantly

The Corporation assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Corporation monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews.

Definition of default

The Corporation considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Corporation in full, without recourse by the Corporation to actions such as realising security (if any is held)
- The borrower is more than or equal to 90 days past due on any material credit obligation to the Corporation. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- It is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.
- In assessing whether a borrower is in default, the Corporation considers indicators that are:
 - Qualitative: e.g. breaches of covenant;
 - Quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Corporation.

**SME DEVELOPMENT FINANCE CORPORATION PRIVATE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2024

32 FINANCIAL RISK REVIEW (CONTINUED)

32.1 Credit Risk (Continued)

(iv) Amounts arising from Expected Credit Loss ("ECL") (Continued)

Incorporation of forward-looking Information

The Corporation incorporates forward-looking information into its measurement of ECL.

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Corporation operates.

The Corporation monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

Probability of default (PD)
Loss given default (LGD)
Exposure at default (EAD)

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL.

The methodology of estimating ECL is discussed under the **Note 4.3**

(v) Concentrations of Credit Risk

By setting various concentration limits under different criteria within the established risk appetite framework (i.e., single borrower/ group, counter party etc.), the Corporation ensures that an acceptable level of risk diversification is maintained on an ongoing basis. These limits are continuously monitored and periodically reviewed by the Board Credit Committee.

The maximum exposure to credit risk to the components of financial assets in the statement of financial position as of each reporting date, broken down by industry sector of financial assets is given in the **Note 32.1 (iv)**.

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32 FINANCIAL RISK REVIEW (CONTINUED)

32.1 Credit Risk (Continued)

(vi) Collateral Held and Other Credit Enhancement

The Corporation holds the collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

| Type of credit exposure As at 31 December | Percentage | | Principal type of collateral held |
|--|------------|------|---|
| | 2024 | 2023 | |
| Loans to customers | | | |
| Fashaa Viyafaari | 100% | 35% | Residential properties, lands and buildings and vessels |
| Getset | 85% | 63% | |
| Harumudha | 53% | 85% | |
| Rashu Fathuru | 39% | 89% | |
| Viyafaari Dhirun | 118% | 5% | |
| Viyafaari Ehee | 50% | 23% | |
| Viyafaari Tharaggee | 49% | 60% | None |
| COVID-19 Media Loans | 0% | 0% | |
| Fannuveri Nafaa | 0% | 0% | |

Mortgage Lending

The table below stratify credit exposure from mortgage loans and advances to customer by range of Loan-to-Value ("LTV") ratio. LTV is calculated as the ratio of the gross amount of the loan or the amount committed for loan commitments - to the value of the collateral. The value of the collateral for mortgage loans is based on the collateral value at origination updated to reflect the current market values. For credit-impaired loans the value of collateral is based on the most recent appraisals.

| LTV Ratio | 31/12/2024 MVR | 31/12/2023 MVR |
|---------------|-------------------|-------------------|
| Less than 50% | 531,555,368 | 498,283,021 |
| 51% - 70% | 513,546,846 | 251,913,089 |
| 71% - 90% | 1,622,169 | 214,150,960 |
| 91% and above | 237,012,059 | 262,211,536 |
| Total | 1,283,736,442 | 1,226,558,606 |

Concentrations of Credit Risk

By setting various concentration limits under different criteria within the established risk appetite framework (i.e., single borrower/ group, etc.), the Corporation ensures that an acceptable level of risk diversification is maintained on an ongoing basis. These limits are continuously monitored and periodically reviewed by the Credit Committee.

The maximum exposure to credit risk to the Corporation's financial assets in the statement of financial position as of reporting dates, broken down by industry sector of financial assets is given below:

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32 FINANCIAL RISK REVIEW (CONTINUED)

32.1 Credit Risk (Continued)

Concentrations of Credit Risk (Continued)

| <i>As at 31 December 2024</i> | Tourism and Transport MVR | Construction MVR | Fishing MVR | Other Services and Consumption MVR | Financial and Business Services MVR | Total MVR |
|--------------------------------------|--|-----------------------------|------------------------|---|--|----------------------|
| Balances with Banks | - | - | - | - | 87,442,493 | 87,442,493 |
| Loans to Customers | 605,061,575 | 34,272,508 | 239,549,856 | 79,466,633 | 325,386,058 | 1,283,736,630 |
| Less: Impairment of Financial Assets | (122,803,192) | (9,857,823) | (58,684,902) | (16,798,354) | (64,707,189) | (272,851,459) |
| Total | 482,258,383 | 24,414,685 | 180,864,955 | 62,668,279 | 348,121,362 | 1,098,327,664 |

| <i>As at 31 December 2023</i> | Tourism and Transport MVR | Construction MVR | Fishing MVR | Other Services & Consumption MVR | Financial & Business Services MVR | Total MVR |
|--------------------------------------|--|-----------------------------|------------------------|---|--|----------------------|
| Balances with Banks | - | - | - | - | 54,343,153 | 54,343,153 |
| Loans to Customers | 453,962,716 | 48,606,360 | 229,364,682 | 86,334,925 | 408,289,923 | 1,226,558,606 |
| Less: Impairment of Financial Assets | (89,946,163) | (8,724,477) | (48,457,600) | (14,371,916) | (67,503,269) | (229,003,425) |
| Total | 364,016,553 | 39,881,883 | 180,907,082 | 71,963,009 | 395,129,807 | 1,051,898,334 |

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32 FINANCIAL RISK REVIEW (CONTINUED)

32.2 Liquidity Risk

Liquidity risk is the Corporation's inability to meet on or off-balance sheet contractual and contingent financial obligations, as they fall due without incurring unacceptable losses. The principal objective in liquidity risk management is to assess the need for funds to meet such obligations and to ensure the availability of adequate funding to fulfil those needs at the appropriate time, under both normal and stressed conditions.

Therefore, the Corporation continuously analyses and monitors its liquidity profile, maintains adequate levels of high quality liquid assets, ensures access to diverse funding sources and has contingency funding agreements with governmental institutions to meet any unforeseen liquidity requirements. Exposures and ratios against tolerance limits as well as stressed scenarios are regularly monitored in order to identify the Corporation's liquidity position and potential funding requirements.

Assets and Liability Management Committee (ALCO)

ALCO chaired by the Chairman, has representatives from Recovery, Credit, Operations and Risk departments. The meetings are held to monitor and manage the assets and liabilities of the Corporation and also the overall liquidity position to keep the Corporation's liquidity at healthy levels, whilst satisfying the regulatory requirements.

Exposure to Liquidity Risk

The key measure used by the Corporation for managing liquidity risk is the ratio of liquid assets to total liabilities excluding shareholders' funds. For this purpose, 'liquid assets' include cash and cash equivalents and financial investments. Details of the reported ratio of liquid assets to external liabilities of the Corporation are given below:

| | 31/12/2024 (%) | 31/12/2023 (%) |
|--------------------|-------------------|-------------------|
| Liquid Asset Ratio | 48% | 28% |

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FOR THE YEAR ENDED 31 DECEMBER 2024

32 FINANCIAL RISK REVIEW (CONTINUED)

32.2 Liquidity Risk (Continued)

Maturity Analysis of Financial Assets and Financial Liabilities

(i) Remaining contractual period to maturity as at the date of statement of financial position of the financial assets and the liabilities employed by the Corporation are detailed below.

| <i>As at 31 December 2024</i> | Carrying Amount MVR | Gross Nominal Cashflows MVR | Up to 3 Months MVR | 3 to 12 Months MVR | 1 to 3 Years MVR | 3 to 5 Years MVR | More than 5 Years MVR | Total as at 31/12/2024 MVR |
|-------------------------------------|------------------------------------|--|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|--------------------------------------|---|
| <i>Financial Assets</i> | | | | | | | | |
| Cash and Cash Equivalents | 87,456,263 | 87,456,263 | 87,456,263 | - | - | - | - | 87,456,263 |
| Loans to Customers | 1,012,068,052 | 1,667,854,533 | 13,851,629 | 3,599,673 | 124,603,171 | 449,404,152 | 1,076,395,909 | 1,667,854,533 |
| | <u>1,099,524,315</u> | <u>1,755,310,796</u> | <u>101,307,892</u> | <u>3,599,673</u> | <u>124,603,171</u> | <u>449,404,152</u> | <u>1,076,395,909</u> | <u>1,755,310,796</u> |
| <i>Financial Liabilities</i> | | | | | | | | |
| Administered Funds | 182,071,842 | 182,071,842 | - | - | - | - | 182,071,842 | 182,071,842 |
| Lease Liabilities | 9,204,721 | 10,934,040 | 1,005,240 | 3,015,720 | 4,143,720 | 2,769,360 | - | 10,934,040 |
| Other Liabilities | 3,265,541 | 3,265,541 | 3,265,541 | - | - | - | - | 3,265,541 |
| | <u>194,542,104</u> | <u>196,271,423</u> | <u>4,270,781</u> | <u>3,015,720</u> | <u>4,143,720</u> | <u>2,769,360</u> | <u>182,071,842</u> | <u>196,271,423</u> |
| Net Gap | <u>904,982,211</u> | <u>1,559,039,373</u> | <u>97,037,111</u> | <u>583,953</u> | <u>120,459,451</u> | <u>446,634,792</u> | <u>894,324,067</u> | <u>1,559,039,373</u> |

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32 FINANCIAL RISK REVIEW (CONTINUED)

32.2 Liquidity Risk (Continued)

Maturity Analysis of Financial Assets and Financial Liabilities (Continued)

(i) Remaining contractual period to maturity as at the date of statement of financial position of the financial assets and the liabilities employed by the Corporation are detailed below.

| <i>As at 31 December 2023</i> | Carrying Amount MVR | Gross Nominal Cashflows MVR | Up to 3 Months MVR | 3 to 12 Months MVR | 1 to 3 Years MVR | 3 to 5 Years MVR | More than 5 Years MVR | Total as at 31/12/2023 MVR |
|-------------------------------------|------------------------------------|--|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|--------------------------------------|---|
| <i>Financial Assets</i> | | | | | | | | |
| Cash and Cash Equivalents | 54,357,608 | 54,795,387 | 54,795,387 | - | - | - | - | 54,795,387 |
| Loans to Customers | 999,059,465 | 1,250,737,754 | 15,043,703 | 8,792,132 | 220,787,553 | 636,832,448 | 369,281,918 | 1,250,737,754 |
| | <u>1,156,326,196</u> | <u>1,409,533,141</u> | <u>173,839,090</u> | <u>8,792,132</u> | <u>220,787,553</u> | <u>636,832,448</u> | <u>369,281,918</u> | <u>1,409,533,141</u> |
| <i>Financial Liabilities</i> | | | | | | | | |
| Administered Funds | 199,574,877 | 199,574,877 | - | - | - | - | 199,574,877 | 199,574,877 |
| Lease Liabilities | 8,518,790 | 9,608,400 | 957,600 | 2,872,800 | 5,778,000 | - | - | 9,608,400 |
| Other Liabilities | 3,787,847 | 3,787,847 | 3,787,847 | - | - | - | - | 3,787,847 |
| | <u>211,881,514</u> | <u>212,971,124</u> | <u>4,745,447</u> | <u>2,872,800</u> | <u>5,778,000</u> | <u>-</u> | <u>199,574,877</u> | <u>212,971,124</u> |
| Net Gap | <u>944,444,682</u> | <u>1,196,562,017</u> | <u>169,093,643</u> | <u>5,919,332</u> | <u>215,009,553</u> | <u>636,832,448</u> | <u>169,707,041</u> | <u>1,196,562,017</u> |

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32 FINANCIAL RISK REVIEW (CONTINUED)

32.2 Liquidity Risk (Continued)

Liquidity Reserves

The table below sets out components of the Corporation's liquidity reserves:

| | 31 December 2024 | | 31 December 2023 | |
|---------------------------------|------------------------------------|-------------------------------|------------------------------------|-------------------------------|
| | Carrying Amount MVR | Fair Value MVR | Carrying Amount MVR | Fair Value MVR |
| Cash and Cash Equivalents | 87,456,263 | 87,456,263 | 54,357,608 | 54,357,608 |
| Total Liquidity Reserves | 87,456,263 | 87,456,263 | 54,357,608 | 54,357,608 |

The carrying amounts mentioned above approximates its fair values since they are short term in nature.

Financial Assets Available to Support Future Trading Funding

There are no liens or encumbrances on the Corporation's liquidity reserves, all assets are available to support future funding.

32.3 Market Risk

Market risk is the risk of losses in, on or off-balance sheet positions arising out of movements in prices affecting foreign exchange exposures, interest rate instruments and equity/debt instruments.

(i) Exposure to Interest Rate Risk – Sensitivity Analysis (Rate Shocks)

The possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments gives rise to interest rate risk. The Corporation's policy is to continuously monitor portfolios.

The tables below analyze the Corporation's interest rate risk exposure on financial assets and financial liabilities.

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32 FINANCIAL RISK REVIEW (CONTINUED)

32.3 Market Risk (Continued)

(i) Exposure to Interest Rate Risk – Sensitivity Analysis (Rate Shocks) (Continued)

Interest rate gap position of the non-trading portfolio of the Corporation is given below:

| <i>As at 31 December 2024</i> | Up to 3 Months MVR | 3 to 12 Months MVR | 1 to 3 Years MVR | 3 to 5 Years MVR | More than 5 Years MVR | Non- Sensitive MVR | Total as at 31/12/2024 MVR |
|--------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|--------------------------------------|-----------------------------------|---|
| Financial Assets | | | | | | | |
| Cash and Cash Equivalents | - | - | 45,239,525 | - | - | 42,216,738 | 87,456,263 |
| Loans to Customers | 14,566,100 | 10,571,645 | 156,911,495 | 362,647,017 | 739,040,185 | - | 1,283,736,442 |
| Total Financial Assets | <u>14,566,100</u> | <u>10,571,645</u> | <u>202,151,020</u> | <u>362,647,017</u> | <u>739,040,185</u> | <u>42,216,738</u> | <u>1,371,192,705</u> |
| Financial Liabilities | | | | | | | |
| Administered Funds | - | - | - | - | 182,071,842 | - | 182,071,842 |
| Lease Liabilities | 790,046 | 2,491,657 | 4,710,015 | 1,213,002 | - | - | 9,204,720 |
| Other Liabilities | - | - | - | - | - | 5,017,024 | 5,017,024 |
| Total Financial Liabilities | <u>790,046</u> | <u>2,491,657</u> | <u>4,710,015</u> | <u>1,213,002</u> | <u>182,071,842</u> | <u>5,017,024</u> | <u>196,293,586</u> |
| Interest Rate Sensitivity Gap | <u>13,776,054</u> | <u>8,079,988</u> | <u>197,441,005</u> | <u>361,434,015</u> | <u>556,968,343</u> | <u>37,199,714</u> | <u>1,174,899,119</u> |



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32 FINANCIAL RISK REVIEW (CONTINUED)

32.3 Market Risk (Continued)

(i) Exposure to Interest Rate Risk – Sensitivity Analysis (Rate Shocks) (Continued)

Interest rate gap position of the non-trading portfolio of the Corporation is given below:

| <i>As at 31 December 2023</i> | Up to 3 Months MVR | 3 to 12 Months MVR | 1 to 3 Years MVR | 3 to 5 Years MVR | More than 5 Years MVR | Non- Sensitive MVR | Total as at 31/12/2022 MVR |
|--------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|--------------------------------------|-----------------------------------|---|
| Financial Assets | | | | | | | |
| Cash and Cash Equivalents | - | 31,953,226 | - | - | - | 22,404,382 | 54,357,608 |
| Loans to Customers | 13,831,195 | 5,154,608 | 211,411,641 | 629,958,406 | 366,202,756 | - | 1,226,558,606 |
| Total Financial Assets | <u>116,740,318</u> | <u>37,107,834</u> | <u>211,411,641</u> | <u>629,958,406</u> | <u>366,202,756</u> | <u>22,404,382</u> | <u>1,383,825,337</u> |
| Financial Liabilities | | | | | | | |
| Administered Funds | - | - | - | - | - | 199,574,877 | 199,574,877 |
| Lease Liabilities | 758,899 | 2,393,426 | 5,366,465 | - | - | - | 8,518,790 |
| Other Liabilities | - | - | - | - | - | 4,469,883 | 4,469,883 |
| Total Financial Liabilities | <u>758,899</u> | <u>2,393,426</u> | <u>5,366,465</u> | <u>-</u> | <u>-</u> | <u>204,044,760</u> | <u>212,563,550</u> |
| Interest Rate Sensitivity Gap | <u>115,981,419</u> | <u>34,714,408</u> | <u>206,045,176</u> | <u>629,958,406</u> | <u>366,202,756</u> | <u>(181,640,378)</u> | <u>1,171,261,787</u> |

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32 FINANCIAL RISK REVIEW (CONTINUED)

32.3 Market Risk (Continued)

(i) Exposure to Interest Rate Risk – Sensitivity Analysis (Rate Shocks) (Continued)

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Corporation's financial assets and financial liabilities to various interest rate scenarios.

The following table demonstrates the sensitivity of the Corporation's profit or loss as at reporting date to a reasonable possible change in interest rates, with all other variables held constant.

| Sensitivity of projected net interest income | 2024 | | 2023 | |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 100 bp Parallel Increase MVR | 100 bp Parallel Decrease MVR | 100 bp Parallel Increase MVR | 100 bp Parallel Decrease MVR |
| Net Interest Income | 12,837,364 | (12,837,364) | 12,265,586 | (12,265,586) |

(ii) Exposure to Currency Risk

Currency risk arises as a result of fluctuations in the value of a financial instrument due to changes in foreign exchange rates. There are set limits on position by currency and these positions are monitored on a daily basis.

The table below indicates the currencies to which the Corporation had significant exposures as at 31 December 2024 and 2023 and the exposure of the total capital funds:

| 31 December 2024 | Spot | | | Overall Exposure | |
|-----------------------|------------------|--------------------|--------------------------------------|---|------------------|
| | Assets MVR | Liabilities MVR | Net Assets / (Liabilities) MVR | In Respective Foreign Currency | MVR |
| United States Dollar | 1,589,923 | - | 1,589,923 | 103,108 | 1,589,923 |
| Total Exposure | 1,589,923 | - | 1,453,811 | 103,108 | 1,589,923 |
| 31 December 2023 | Spot | | | Overall Exposure | |
| | Assets MVR | Liabilities MVR | Net Assets / (Liabilities) MVR | In Respective Foreign Currency | MVR |
| United States Dollar | 2,774,451 | - | 2,774,451 | 179,925 | 2,774,451 |
| Total Exposure | 2,774,451 | - | 2,774,451 | 179,925 | 2,774,451 |

In respect of the monetary assets and liabilities denominated in US\$, the Corporation has a limited currency risk exposure on such balances since the Maldivian Rufiyaa is pegged to the US Dollar within a band to fluctuate within $\pm 20\%$ of the mid-point of exchange rate.

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32 FINANCIAL RISK REVIEW (CONTINUED)

32.3 Market Risk (Continued)

(ii) Exposure to Currency Risk (Continued)

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 Corporation, with all other variables held constant.

| | 31/12/2024 | | 31/12/2023 | |
|--------------------------------|-------------------------|------------------------------|-------------------------|------------------------------|
| | Impact on Assets | Impact on Liabilities | Impact on Assets | Impact on Liabilities |
| US Dollar strengthening by 10% | 158,992 | - | 277,445 | - |
| US Dollar weakening by 10% | (158,992) | - | (277,445) | - |

32.4 Capital Management

The Corporation is required to manage its capital taking into account the need to meet the regulatory requirements as well as the current and future business needs, stakeholder expectations and available options for raising capital.

Regulatory Capital

Capital Adequacy Ratio (CAR) is calculated based on the "MMA Regulations on Capital Adequacy - 2015/R-166". These guidelines require the Corporation to maintain a CAR of not less than 12% (Tier I & Tier II) and core capital not less than 6% (Tier I) in relation to total value of its risk-adjusted assets.

| | 2024 (%) | 2023 (%) |
|----------------------------------|---------------------|---------------------|
| Core Capital (Tier I) | 68% | 71% |
| Total Capital (Tier I & Tier II) | 72% | 89% |

33 EVENTS AFTER THE REPORTING DATE

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

34 DIRECTORS' RESPONSIBILITY

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

35 Reclassification

The following amounts reported in the previous year have been reclassified in order to be consistent with the current years presentation. These reclassifications are related to Investments in Corporate Bond which had been incorrectly presented as Investment Securities measured at Amortised Cost. This has been reclassified under Administered Funds to present the amount payable to the Government on net basis.

| | As presented in 2023 MVR | Reclassification MVR | Reclassification for 2023 MVR |
|---|---|---------------------------------|--|
| Investment Securities measured at Amortised Cost | | | |
| Investments in Commercial papers | 102,909,123 | (102,909,123) | - |
| | 102,909,123 | (102,909,123) | - |
| Administered Funds | | | |
| COVID-19 Recovery Fund | 162,022,159 | (102,094,860) | 59,927,299 |
| | 162,022,159 | (102,094,860) | 59,927,299 |
| Other Assets | | | |
| Interest receivable from investments | - | 814,263 | 814,263 |
| | - | 814,263 | 814,263 |

