



MALDIVES ISLAMIC BANK

ANNUAL REPORT 2023

Artwork by: Shimha Shakeeb

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MALDIVES ISLAMIC BANK

Maldives Islamic Bank PLC., the first and fully Shari'ah compliant bank in the Maldives is a collaboration between Islamic Corporation for the Development of the Private Sector (ICD), the private sector arm of the Islamic Development Bank Group (IsDB) and the Government of Maldives, represented by Ministry of Finance. The parties entered into an agreement on 04th October 2009 with a view to jointly develop and pioneer Islamic Banking services in the Maldives in line with principles of Shari'ah. We opened our doors to the public on the 7th of March 2011 with the opening of the main branch in Male', the capital of Maldives and quickly followed suit by expanding into all major population centres of the nation. We have been listed on Maldives Stock Exchange as the only full-fledged Islamic bank in Maldives since November 2019. Today, 20% of our share capital is owned by the general public, in line with our principle of increasing public participation in the Bank's ownership.

Incorporated as a Private Limited Company, MIB was brought to inception with the intention of providing an alternative to the public and businesses who wish to avail themselves to banking transactions and dealings in strict compliance to Islamic banking principles. The primary goal was to offer the people of Maldives the opportunity to be a part of the fast-growing Islamic banking community worldwide. We are an active participant in the development and promotion of a viable Islamic economics and financial system in the Maldives which adheres to the highest ethical standards and values.

We provide full range of Shari'ah compliant deposit products and financing solutions catering to the general public, both individuals and businesses. From a humble beginning, we currently provide our services through branch and sales center network of 06 branches, 03 sales centers, 30 ECRMs/ATMs across 08 atolls to meet the growing demand and to facilitate Islamic banking convenience throughout the country. In our continuous effort to provide better access and convenience to our customers, we have expanded our alternative distribution channels through ECRMs/ATMs, Point of Sale (POS) terminals at various merchant outlets and via our online banking service, FaisaNet, FaisaMobile, UjaalaaNow and ApplyNow Portal. We constantly strive to exceed customers' expectations by proactively developing long-term relationships and through constantly introducing modern banking services.

CORPORATE INFORMATION

Name

Maldives Islamic Bank PLC.

Country of Incorporation

Republic of Maldives

Date of Registration

01 April 2010 - Incorporated as a Private Limited Company under the Companies Act 10/1996 and governed by the Banking Act 24/2010

19 June 2019 - Converted to a Public Limited Company under the Companies Act 10/1996

Registration No

C-0255/2010

Listed Instrument, Date of Listing

17 November 2019 - Shares of MIB PLC. listed on the Maldives Stock Exchange which opened at MVR 35.00 per share.

Managing Director & Chief Executive Officer

Mr. Mufaddal Idris Khumri

Chief Financial Officer

Mr. Ali Wasif

Company Secretary

Mr. Hussain Ali Habeeb

Legal Counsel

External Legal Counsel to the Bank:

Premier Chambers
Barristers and Attorneys
6th Floor, Kaneeru Villa, Maafannu, 20212, Orchid Magu, Malé
Republic of Maldives
Tel: +960 3314377

Mazlan & Murad Law Associates

6th Floor, Unit-A
Faamudheyriige Building, Orchid Magu, Malé
Republic of Maldives
Tel: +960 3344720

External Legal Counsel to the Board:

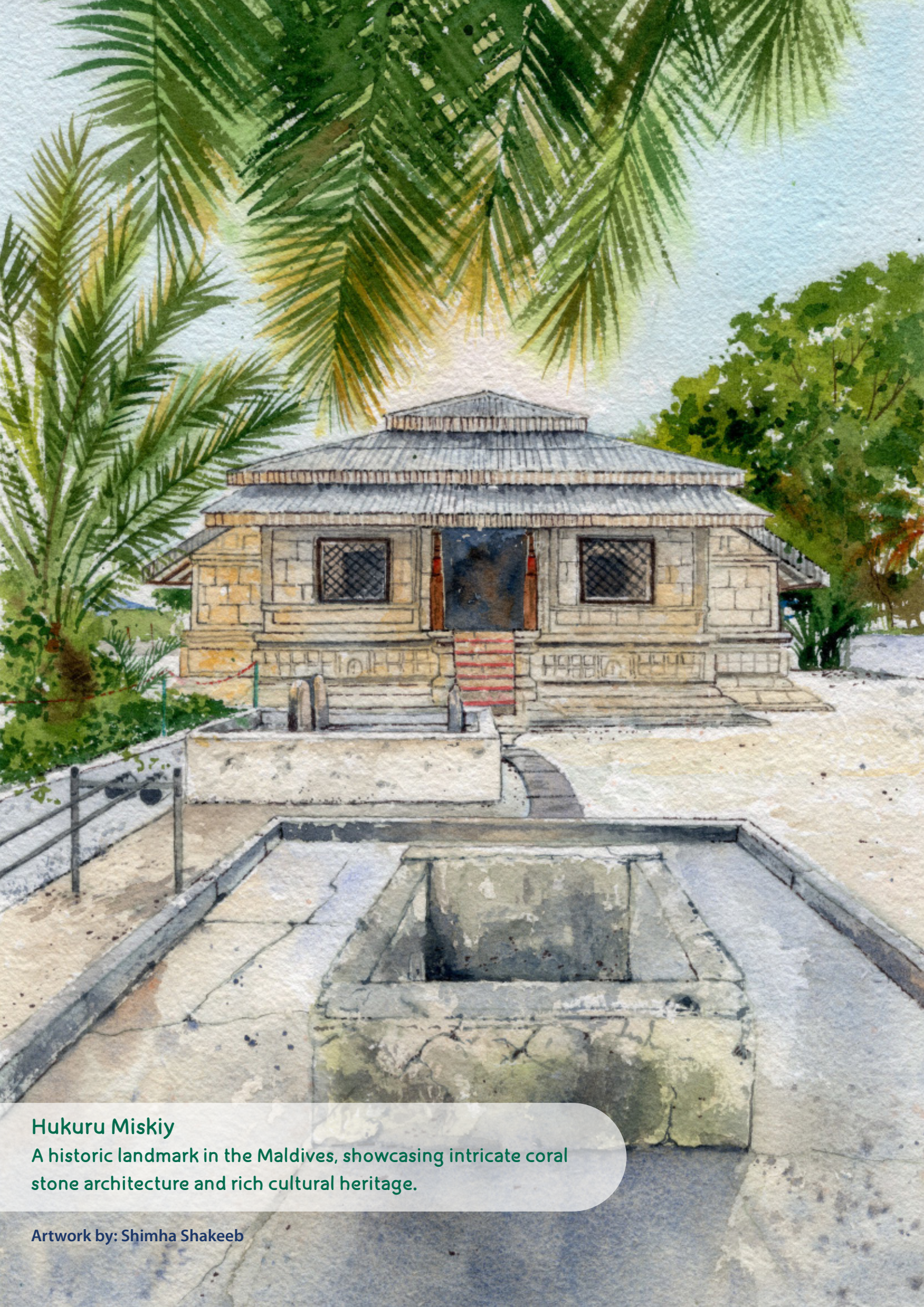
SHC Lawyers LLP
6th Floor, H. Aagé, Boduthakurufaanu Magu, Malé, 20094
Republic of Maldives
Phone: (+960) 3333644

External Auditors

M/s Deloitte Partners
H. Thandiraiyamaage, Roashanee Magu
Republic of Maldives
Tel: +960 3318342

Head Office

Maldives Islamic Bank Public Limited Company
H. Medhuziyaaraydhoshuge
20097, Medhuziyaaraiy Magu
Malé City
Republic of Maldives
Tel: +960 3325555
Email: info@mib.com.mv



Hukuru Miskiy

A historic landmark in the Maldives, showcasing intricate coral stone architecture and rich cultural heritage.

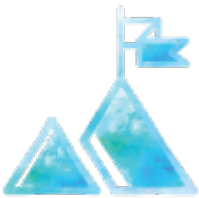
Artwork by: Shimha Shakeeb

OUR VISION



To be recognized as the leader and preferred partner in Shari'ah banking and an active player in the promotion and development of Islamic banking in Maldives.

OUR MISSION



Serve as a trusted provider of Islamic financial products and services by focusing on its key objectives.

KEY OBJECTIVES

MIB attempts to achieve its mission to serve as a trusted provider of Islamic financial products and services by focusing on the following key objectives:

- Raising public awareness of Shari'ah financial services.
- Creating value for customers, shareholders, employees and other stakeholders.
- Meeting the Bank's financial goals.
- Attracting, training and retaining staff that are best able to accomplish the mission of MIB.
- Creating a rewarding, challenging, supportive and trusting work environment.
- Constantly exceeding customer's expectations.
- Proactively growing and developing valuable long-term customer relationships.

MIB PHILOSOPHY



Strict compliance
with Shari'ah



Islamic economic
& financial system



Highest ethical
standard & values

CORE COMPETENCIES

Pioneer in Islamic Banking

Maldives Islamic Bank PLC is the first ever Islamic bank in the Maldives and the pioneer for introducing the concept of Islamic Banking to the country. Until MIB started its operation, Islamic Banking was new to the country and most of its citizens. The launching of MIB brought to reality the long and cherished pursuit of the people of the Maldives for access to Islamic banking service in the country. The Bank provides alternative banking solutions to the public and businesses who wish to carry out their financial transactions in compliance with Islamic banking principles.

Since inception, MIB has successfully implemented its unique business model and contributed towards developing and promoting an Islamic economic and financial system in the Maldives which runs in parallel to the existing conventional banking system in the country. Great reception and continuous demand pave the way for MIB to be the leader for preferred Shari'ah banking partner in Maldives.

Full-fledged Islamic Banking Products

MIB offers an extensive range of full-fledged Shari'ah Compliant Banking and Financing Products. The Bank has established a sound foothold in the market within a short period of time, through its comprehensive portfolio of deposit and investment products and provision of ample and reliable financing avenues to individuals, local SMEs and corporates. Whilst MIB remains as a leading retail bank in Maldives, MIB continues to gain momentum in the areas of corporate and SME banking, trade and project financing and general asset financing amongst many. The Bank strives to diversify and enhance its product portfolio regularly to meet varied requirements of its diverse clientele.

Reliable Digital Infrastructure

The Bank and its operations are complemented by a network of reliable and modern digital infrastructure. Since inception, MIB has given special attention to establishing safe, secure and resilient digital ecosystem which would allow its customers to bank with MIB securely and with confidence. Coupled with strong motivation to enhance customer experience and enabling greater financial inclusivity, the Bank continues to offer an extensive range of digital tools both at the front-end as well as back-end.

On the front-end, MIB digital includes secure and revamped platforms for internet and mobile banking with additional features for customers to better manage their bank accounts and financings, more reliable ADC tools including ECRMs, ATMs, POS machines and instant and personalized cards, multiple Payment Gateways, digital customer application portals, digital help center and AI assistance, multiple channels of OTP and authentication along with security alerts, instant account opening, integration of IPS and IPS Routing on FaisaNet and FaisaMobile, eFaas integration and a new digital portal to manage customers' Ujaalaa line of financings.

On the back-end, the Bank continues to build on operational efficiencies on its digital systems, including core banking, ApplyNow Portal, UjaalaaNow Portal, contact centre management, document archiving and retrieval processes, risk rating and assessment of creditworthiness of customers.

Prioritizing Customer Centricity & Convenience

At MIB, customer centricity is regarded as a prominent and strategic value proposition to deliver a holistic service to its customer base. All aspects of customer service are monitored and continually fine-tuned to ensure services offered by the Bank meet customers' expectations. Value added services provided by the Bank are linked to new technologies that foster security, reliability and convenience. Personal care and customer support are a significant part of the service-oriented culture of the Bank. Long-term relationships are fostered as opposed to one-off transactions.

The Bank is always within reach of its customers with the help of its 24/7 helpline and ticketing systems, which are always monitored by the dedicated customer service teams to ensure turnaround times are improved. Continuous service enhancements are implemented at customer touch points and lines of contacts. A team of dedicated Relationship Managers continue to ensure customers can bank with the Bank as hassle free as possible. Premium Banking services are in place for more affluent clients. Throughout the years, MIB has introduced more convenient and flexible modes of communication, including AI and live agent-based chat and calls, social media communities, email and direct contact with Bank employees, all which are dedicated to build customer centricity and convenience.

Competent Human Capital

MIB's success heavily relies on its skilled workforce, driven by motivation, high performance, extensive experience, specialized Islamic banking knowledge, and adaptability to diverse challenges. Continuous staff development and retention are guaranteed through effective training and promotion opportunities. The committed employees at MIB remain a key driving force behind its performance and are integral to the bank's resilient growth.

The Bank's result-driven and welcoming culture resonates strongly with its diverse team of close to 300 employees, over 97% of whom are Maldivians. Complementing this local workforce are foreign professionals with extensive expertise in risk management, compliance, auditing, technology, and Shari'ah financing. This blend enables the Bank to embrace both local and global best practices while introducing fresh perspectives. Performance-based reward systems ensure equitable recognition of staff efforts. MIB empowers its team through delegated authorities and accountability. It also celebrates individual differences by supporting the personal and skills development of each employee.

FULL FLEDGED SHARIÁH BANKING PRODUCTS

MIB offers a comprehensive array of Shari'ah-compliant **Deposit & Investment Products** as well as diverse **Financing Solutions** to cater to individuals and businesses seeking financial services aligned with Shari'ah principles. The Bank is committed to providing outstanding service to both retail and corporate customers by offering carefully crafted banking solutions tailored to their preferences and requirements.

Over MVR 6.8 BILLION in Deposits!

MIB's Deposit portfolio reached MVR 6.84 Billion as at 31st December 2023. This is achieved through a comprehensive line of deposit products which are available both in MVR and USD. The Bank's deposit product portfolio at the end of 2023 included:

Current Account

Positioned for day-to-day usage, MIB's current account is a convenient and simple product which can be bundled up with other banking solutions that allow our customers to manage their daily finances swiftly. This Shari'ah compliant banking account is based on the concept of Qard and does not provide additional return on the deposit.

Savings Account

MIB's savings account provides a Shari'ah compliant investment opportunity to the customers on profit sharing basis. The Bank invests the saving deposit funds in profitable investments under the Islamic finance concept of Mudarabah. The profits are shared with the depositors based on pre-agreed profit-sharing ratio.

Children Account

The Children accounts are saving accounts in nature and are specific for minors below the age of eighteen. The deposits in the children accounts are Mudarabah based investment funds with pre-agreed profit-sharing ratio. MIB offers two types of children accounts, namely Kids Account and Kaamiyaabu Kids Account. Our children accounts are specifically designed to help grow the depositor's savings for their future needs.

General Investment Account

This account offers its customers an investment avenue for pre-determined maturity periods. This Mudarabah based deposits will be invested by the Bank in Shari'ah compliant investment avenues and the profits will be shared with the account holders based on pre-agreed ratios. The account provides extremely flexible maturities, ranging from 3 months to 5 years.

Hajj Savings Account

MIB offers the first ever Hajj Savings Account in Maldives offered by a Bank. MIB Hajj Savings Account is a debit freeze Savings Account tailor made to cater to individuals who are intending to save money to fulfill the Hajj pilgrimage. With this account, the beneficiary is bound to gain one of the highest profit sharing rates in the market, starting from an initial deposit as low as MVR 5,000.00.

Non-Resident Foreign Account

Offered to Non-Resident foreigners, this account can be set up either as a Current Account or a Savings Account in USD. This account is based on the Islamic finance concept of Mudarabah for Saving account and the concept of Qard for Current account. Profit for saving account holders will be distributed bi-annually. This account comes with competitive and affordable annual maintenance fee, digital and on-premises onboarding, visa platinum card which offers enhanced features and benefits in addition to global acceptance.

Wakala Deposit Account

This account operates as a structured financial instrument offering stability and predictability in investment returns. When the customer appoints the Bank as a wakeel (agent), it functions akin to a fixed deposit account, distinguished by the assurance of a predetermined return rate. This unique feature caters specifically to depositors seeking a secure avenue for their substantial funds, ensuring a fixed profit margin over the investment tenure.

Over MVR 4 BILLION in Net Financing!

Last year, MIB achieved MVR 4.11 Billion in Net Financing, with the help of its comprehensive range of financing solutions, offered under the Shariah concepts of Murabahah, Istisna'a and Diminishing Musharakah. The financing solutions offered by the Bank as at the end of 2023 include;

Ujaalaa Dhiriulhun – Consumer Goods Financing

MIB's Shari'ah compliant consumer goods financing is designed to assist individuals to purchase lifestyle consumer goods conveniently. This Shari'ah compliant facility is based on the concept of Murabahah, where both the cost price and profit are disclosed and agreed by both the parties. Under Ujaalaa Dhiriulhun scheme, the Bank purchases customer's desired products from third party merchants and sell to the customer on a deferred payment basis. A range of items including furniture, electronics, home appliances, motorcycles, mobile phones, outboard engines, construction materials, and Solar Panels are financed under this facility.

Ujaalaa Cash

This product addresses the dire need of customers through Tawarruq based transactions facilitated through the buying and selling of a commodity. This facility can only be availed for specific needs that has been pre-approved by the Shari'ah Committee of the Bank. Therefore, this facility can only be used when there is no other option available and the customer's need can only be fulfilled through obtaining cash.

Ujaalaa Ulhandhu – Car Financing

The Bank's car financing facility is based on the Islamic finance concept of Murabahah. This facility helps customers purchase their dream cars and enjoy it with a "P" board as the car is registered under the customer's name. Under the facility, we purchase the customer's desired car from a third-party and sells to the customer at a pre-determined price.

Home Financing Facility under the concept of Diminishing Musharakah

This renowned financing solution of MIB allows customers to purchase a completed housing unit from any Seller or an under-construction housing unit from a Developer whose project has been endorsed by the Bank. Both Customer and the Bank invests in the purchase of a housing unit desired by the customer based on a partnership contract. Customer will then periodically purchase the shares owned by the Bank in the property until complete ownership is acquired.

Home Construction/ Real Estate / Project Financing

This is a facility in which the Bank finances entrepreneurship and business ventures to develop real estate, either for sale or for rental. This facility is based on the Islamic finance concept of Istisna'a and Diminishing Musharakah. Under this Shari'ah compliant financing, MIB oversees the construction of the project and track its progress together with the Contractors and Customers. This facility allows customers to complete their properties with deferred payment terms on instalment basis.

Vessel Financing

MIB's vessel financing facility helps customers to acquire vessels for fishing, cargo or passenger transport businesses. Based on the shariah concept of Murabahah and Diminishing Musharakah, this facility allows customers to acquire the vessel with deferred payment terms on instalment basis.

Trade Financing

This is a facility designed to facilitate the working capital requirements of the businesses. Offered under the concept of Murabahah, the Bank purchases the assets, or the stock requested by the customer from suppliers chosen by the customer. These items are then sold to the customer on a deferred payment basis.

General Asset Financing

MIB's General Asset Financing is a solution offered to individuals and businesses to acquire the assets needed for the operation of their businesses. This facility is offered under the Islamic finance concept of Murabahah and Musharakah. This facility allows customers to acquire the assets with deferred payment terms on instalment basis.

Asset Refinancing

MIB's Asset Refinancing or Sale and Lease Back Financing (SLBF) facility is based on the Islamic financing concept of Diminishing Musharakah. It allows our customers to transfer an existing conventional loan facility to a Shari'ah compliant Islamic financing facility and helps customers to unlock the equity already invested in an asset or project and create liquidity to be used for planned future projects.

SME Financing:

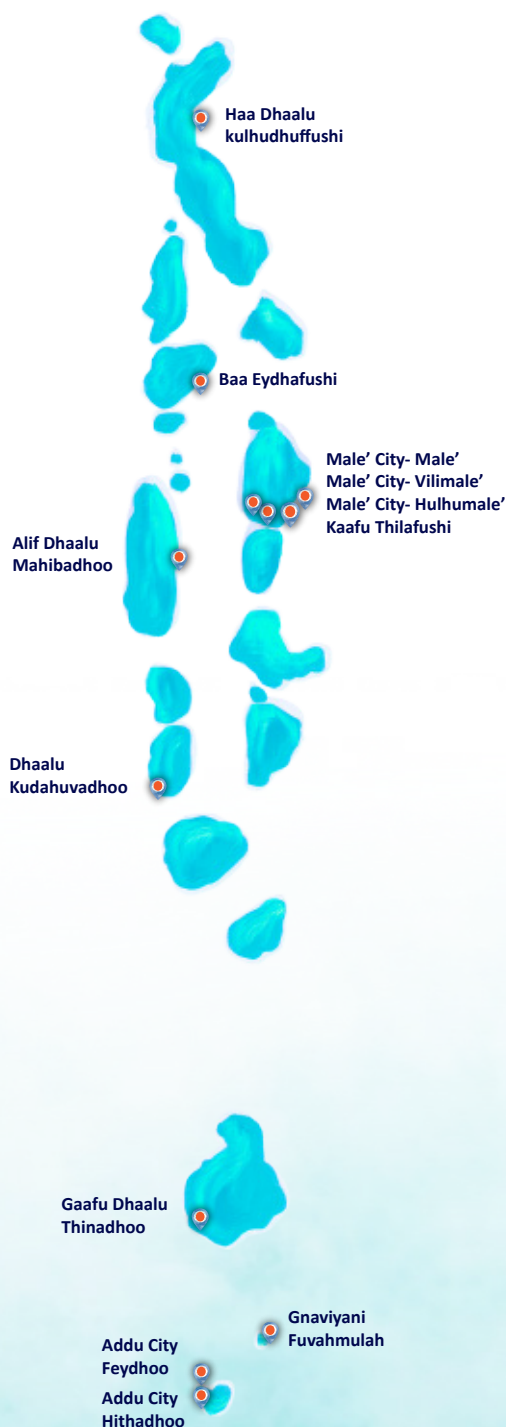
MIB's SME Financing is available to all businesses classified as SMEs by the Ministry of Economic Development. Through this facility, SMEs can finance their operational needs and acquire the assets needed for the operation of their businesses. This facility is offered under the Islamic finance concept of Murabahah.

PRESENCE ACROSS MALDIVES

Financial inclusion stands as a pivotal focus area for MIB, as the Bank endeavors to ensure accessibility to Islamic banking and finance throughout the country. This commitment is validated by the presence of strategically located branches, designed to provide convenience and accessibility to a broader community.

The Bank has positioned itself in major urban centers, as well as in the islands going afar from Malé City, to facilitate Islamic banking convenience to all Maldivians.

The Bank's outreach transcends its physical branches, leveraging various alternative distribution channels such as Self Service Banking Centers, an ECRM/ATM network, Point of Sale (POS) terminals, and Mobile and Internet Banking, thereby enhancing accessibility and convenience for customers across diverse locations.



Haa Dhaalu Kulhudhuffushi

01 Branch and 01 ECRM/ATM

Baa Eydhafushi

Sales Centre & ECRM

Male', Male' City

01 Branch, Head Office and 03 ECRM/ATMs
 01 ECRM/ATM - IGMH
 04 ECRM/ATMs - Faamudheyriige
 03 ECRM/ATMs - Business Center at Marine Dream
 01 ECRM/ATM - Majeedhee Magu

Male' City - Vilimale'

01 ECRM/ATM

Male' City - Hulhumale'

01 Branch and 03 ECRM/ATMs
 01 ECRM/ATM - RASHU Maarukeytu
 01 ECRM/ATM - Centro Mall
 01 ECRM/ATM - Phase ii, Vinares Towers

Kaafu Thilafushi

01 ECRM/ATM

Alif Dhaalu Mahibadhoo

01 Sales Center and 01 ECRM/ATM

Dhaalu Kudahuvadho

01 Sales Center and 01 ECRM/ATM

Gaafu Dhaalu Thinadhoo

01 Branch and 02 ECRM/ATMs

Gnaviyani Fuvahmulah

01 Branch and 02 ECRM/ATMs

Addu City Feydhoo

01 ECRM/ATM

Addu City Hithadhoo

01 Branch and 01 ECRM/ATM

TOWARDS DIGITAL

MIB's expansion across islands and into new territories is clearly defined by its departure from conventional brick-and-mortar banking in favor of embracing digital banking solutions. By strategically investing in digital banking capabilities, the bank ensures that its customers, both domestic and international, benefit from enhanced access to MIB's services at their convenience. Through its commitment to digital banking solutions and cutting-edge infrastructure, MIB actively contributes to enhancing service accessibility and promoting financial inclusion within the financial ecosystem.



INTERNET BANKING
FaisaNet 2.0



MOBILE BANKING
FaisaMobile



24/7 Self Service banking
ECRMs & ATMs



IPS:Favara



eFaas Customer Verification



Instant Account Opening



Digital Financing Portal - UjaalaaNow



Digital Helpcenter and AI Assistance



Multiple channels of OTP & Authentication



Multiple Payment Gateways



POS payments and POS banking



Instant and Personalised Cards with online card management

MILESTONES



2011

Incorporation of Maldives Islamic Bank



Introduction of Shari'ah compliant banking products to Maldives



2013

Launching of Faisa POS (Point of Sale) services



2015

Introduction of Internet Banking services with the launch of FaisaNet



2017

Opening of the sixth branch in Gn. Fuvahmulah

2012

Launching of Faisa ATM and Faisa Card as part of digitalization strategy



2014

First Outstation Branch established in Addu city Hithadhoo



2016

New Branches opened in GDh. Thinadhoo, HDh. Kulhudhuffushi and Hulhumale'



2018

Launching of Mobile Banking service FaisaMobile



MILESTONES



2019

Opening of the Bank's new Head Office and Main Branch



Baazaaru Customer Service Centre established in Male'



Listed as a Public Limited Company on the Maldives Stock Exchange with one of the Most successful IPOs

2020

New Card Payment processing system established



Shari'ah compliant Interbank product innovation to support MVR liquidity



Introduction of ECRMs with card less deposit and cheque deposit through ATMs



2021



Launch of Visa Debit Card providing global connectivity and reach



Introduction of a new Payment Gateway MIB Global Pay



Launch of online application submission portal ApplyNow

2022

Visa Platinum Card, Visa Instant Card and Visa Supplementary Card Launched



First Bank in Maldives to offer low-cost financing for Hakathari Labelled Products



Hajj Savings Account launched as a new deposit and investment solution



MILESTONES



2022

Opening of the new Hulhumale' Branch and office



Launch of revamped internet banking platform FaisaNet 2.0



Wakala & Commodity Murabahah Overnight Placement with MMA

2023

First bank in Maldives to launch Instant Account Opening



Integration of eFaas for customer onboarding and KYC authentication



Integration of Favara IPS Platform



Implemented Mastercard acquiring



Launch of Ujaalaa Cash



Launch of UjaalaaNow Portal with online offer and acceptance



Inauguration of Sales Centre banking concept



First bank in Maldives to waive ATM charges for all domestic cardholders



Launch of Non-Resident Foreign Account and Wakala Deposits as new deposit solutions



Deployment of first USD ECRM



Opening of first Business Centre in Male'



Launched Visa Business Debit Card





Utheemu Ganduvaru

Birthplace of Sultan Thakurufaanu, a national hero known for leading a successful rebellion against Portuguese rule in the 16th century.

Artwork by: Shimha Shakeeb

AWARD WINNING BANK

MIB's achievements are acknowledged on both local and global scales. The Bank appreciates and remains modest in receiving recognition for its provision of innovative financial solutions, acknowledged by the market and its peers alike. These accolades serve as a testament to the robustness of MIB's operations, the dedicated endeavors of its diverse team, and the confidence bestowed upon MIB by the market.



2011

"Best New Bank"

award at Islamic Business and Finance Awards



2014

"Best Managed Islamic Bank"

Merit Award at Asia Islamic Banking Excellence Awards organized by CMO Asia



2016

"Islamic Bank of the Year Maldives"

Gold Award at IFFSA Awards organised by Islamic Finance Forum of South Asia



2017

Corporate Maldives Gold 100 Award



2018

"Bank of the Year"

at Islamic Finance Forum of South Asia Awards, 2018



2019

"Product of the Year 2019"

Silver Award at IFFSA Awards organised by Islamic Finance Forum of South Asia for MIB's mobile banking application, FaisaMobile

IFFSA Honorary Award in recognition of the contribution to the industry at the 4th Islamic Finance Forum of South Asia



2020

"Islamic Finance Product of the Year – IFFSA Awards"

Gold Award for MIB's Consumer Goods Financing Ujaalaa Dhiriulhun

"Islamic Bank of the Year – IFFSA Awards"

(Small category) – Gold Award

"Islamic Finance Entity of the Year – IFFSA Awards"

(Small category) – Gold Award



2021

"Winner of Global Finnovation Award 2020"

for Ujaalaa Dhiriulhun financing as the innovating Shari'ah compliant lifestyle financing awarded by ICD



2022

Best Islamic Bank of the Year (Small Category)

IFFSA Silver Award

Corporate Maldives Gold 100 Award



2023

IBRA Cambridge IFA Excellence Award for Islamic Retail Banking in Maldives

Islamic Bank of the Year 2022-2023 at 8th IFFSA Awards

Best Business Bank - Indian Ocean 2023 Award

at Capital Finance International Banking Awards

Best Shariah Compliant Bank Maldives 2023

International Business Magazine Awards 2023



SHAREHOLDING STRUCTURE

The Bank's shareholding structure remained unchanged in 2023 compared to 2022. The shareholding structure of the Bank as at 31st December 2023 is as follows:

Name of the shareholder	No. of shares	% of shareholding
Islamic Corporation for the Development of the Private Sector (ICD)	7,425,000	33.00%
Government of Maldives	6,300,000	28.00%
Amana Takaful (Maldives) PLC.	1,806,372	8.03%
Maldives Pension Administration Office	2,369,370	10.53%
Other Public Shareholders	4,599,265	20.44%
Total	22,500,007	100%



The Islamic Corporation for the Development of the Private Sector (ICD)

The Islamic Corporation for the Development of the Private Sector (ICD) is a multilateral development financial institution established in 1999, as part of the Islamic Development Bank Group (IsDB Group). Its shareholders comprise of IsDB, 55 Islamic countries including Maldives, and five public financial institutions from member countries. ICD was established to support the economic development of its member countries through provision of finance to private sector projects and promoting private sector development in accordance with the principles of Shari'ah. ICD also provides advice to governments and private organizations in addition to encouraging cross border investments.

Projects financed by ICD are selected on the basis of their contribution to the economic development considering factors such as creation of employment opportunities, Islamic finance development and contribution to exports. ICD also attracts co-financiers for its projects and provides advice to governments and private sector groups on policies to encourage development of capital markets, best management practices and enhance the role of market economy. ICD operates to complement the activities of IsDB in member countries and also that of national financial institutions.

Government of Maldives



The Government of the Republic of Maldives was instrumental in the establishment of Maldives Islamic Bank in conjunction with the Islamic Corporation for the Development of the Private Sector (ICD). The agreement for the establishment of the first fully Shari'ah compliant bank in the Maldives was signed during 2009 between the Government of Maldives and ICD. The government's interest in the Bank is represented by the Ministry of Finance. Government holds 28% of the Bank's issued share capital at the date. The government remains a prominent and founding shareholder of the Bank, ensuring the Bank provides a comparative and competitive alternative to the public and businesses who wish to avail themselves to banking transactions in compliance with Islamic finance principles.

Maldives Pension Administration Office ("MPAO" or "Pension Office")



Maldives Pension Administration Office (MPAO) is an independent legal entity established under the Maldives Pension Act (Pension Act). Since its incorporation during 2009, Pension Office has been administering and managing the pension schemes established under the Pension Act of Maldives. Pension Office has been playing a pivotal role in the development and enhancement of the social security system in the country. Maldives Pension Administration Office acquired 10.53% of the Bank's issued share capital through the Bank's IPO.

Amana Takaful (Maldives) PLC



Amana Takaful (Maldives) PLC started its operations in 2003. It is currently the only full-fledged Shari'ah-compliant general insurance company in the Maldives and remains a pioneer for providing Takaful solutions in the Maldives. Currently, Amana Takaful (Maldives) PLC is also the only publicly listed insurance provider in Maldives Stock Exchange (MSE). On 24 November 2016, the Board of Directors of Maldives Islamic Bank resolved the transfer of 5% out of the issued share capital of the Bank, owned by ICD, to the Amana Takaful (Maldives) PLC. The company has remained an important institutional shareholder of the Bank since then. Amana Takaful (Maldives) PLC currently owns 8.03% of the Bank's issued shares acquired through open market trading.

Public



In line with the Bank's principle of increasing public participation in the Bank's ownership, MIB offered 31% of its share capital to the public via its IPO held during 2019. The IPO was closed with an oversubscription of 46.05%, and this incredible support from the general public towards an IPO is unprecedented in the history of the Maldivian capital market. At present, 20.44% of the Bank's issued share capital is owned by more than 16,100 public shareholders. Of this, over 99% are individual shareholders. Since 17th November 2019, MIB's shares are listed on Maldives Stock Exchange (MSE) for secondary market trading by the public.



Mr. Kazi Abu Muhammad Majedur Rahman
Chairman and Non-Executive Independent
Director

CHAIRMAN'S STATEMENT

“

In view of the record results achieved last year, the Board has proposed 65.71% higher annual growth in returns and highest total dividend payout till date.

”

Total Operating Income

MVR 475.56 Million

Net Profit

MVR 176.53 Million

Balance Sheet

MVR 8.24 Billion

Dear Shareholders,

I am honored to present the Annual Report of Maldives Islamic Bank PLC for the Financial Year 2023. Last year we marked significant milestones, categorized by the remarkable success and accomplishments of MIB.

I am thrilled to announce that in 2023, we achieved successful execution of our Strategic Vision 2027 as more than 100 strategic initiatives were effectively executed. Bank's underlying financial performance remained robust, and we made significant strides in advancing our operational objectives.

In the previous fiscal year, we achieved a Net Profit of MVR 176.53 million, 45.78% higher than 2022. Our Total Operating Income was recorded at MVR 475.56 million, an increase of 38.80%. Last year, our Bank's Balance Sheet grew to MVR 8.23 billion and our Equity grew to MVR 928.12 million. Deposit mobilization activities experienced substantial momentum, resulting in a significant 32.91% growth of the portfolio to reach MVR 6.84 billion that demonstrated robust customer confidence and an increasing appreciation for the Bank's value proposition.

As our profits and income progressively increase, we maintain our firm belief in delivering enhanced returns to our shareholders. I am delighted to note that MIB's outstanding results have enabled the Bank to reaffirm its commitment to shareholders via incremental growth in both dividend yield and quantum paid, for the fourth consecutive year. In view of the record results achieved by the Bank last year, the Board of Directors has proposed a final dividend of MVR 2.90 per share for the Financial Year 2023, 65.71% higher annual growth in returns per share. The total dividend payout this year would be the highest till date, with MVR 65.25 million being declared as total dividend for the year.

Throughout the year, we expanded our presence by generating additional opportunities within the existing and new market segments. Last year was largely characterized as a year of digital transformation within the Bank. We launched game changing digital banking solutions and partnered with others where we could make positive impact towards our stakeholders and the communities. As the pioneer of Islamic Banking in Maldives, we have committed upon ourselves to bring in new, modern, and improved methods of Shariah compliant banking and financing to Maldives. Utilizing our distinctive proposition, our capability to deliver flexible, tailored solutions, along with our dedication to providing exemplary service, we have been able to remain as the leading Shariah compliant bank in Maldives.

As a Board, we are committed to continuously assessing and improving the effectiveness of the Corporate Governance practices implemented within the Bank. This commitment is a shared priority among all our Board members and is considered fundamental to all other guiding principles. Last year, we formalized a Board Charter for the first time, a document detailing the responsibilities and the mandate of the Board of Directors. Additionally, we approved and implemented over 15 new policies while also reviewing and updating the existing ones. The performance evaluation of the Board of Directors was conducted independently as part of our ongoing commitment

to accountability. The Annual Board Refresher Program and Strategic Retreat was continued, providing an avenue to evaluate and refine the Strategic Vision we set out in the earlier year.

Further developments in governance included a thorough review of the Terms of Reference (TORs) of Board Sub-Committees. Additionally, the Board Nomination and Remuneration Committee ("BNRC") was tasked with overseeing all governance-related aspects, expanding its mandate beyond its previous scope. The composition of Board Sub-Committees was also updated as new talents joined the Board, to ensure that the committees are always steered by the best suited members. Committees were granted enhanced approval authorities to expedite the turnaround time of Board matters. Furthermore, Board Agendas were reorganized to prioritize and focus more effectively on Strategic Matters. Last year, Board approved to implement changes to the Organizational Structure of the Bank, with the formation of new organizational units and C-Suite of members.

Our governance framework is crafted to oversee not just the Bank's progress but also to protect its operations and the interests of our stakeholders. Over the course of this year, we've committed ourselves to strengthening our risk management capabilities and cultivating a culture that is attuned to risk. This effort has entailed reinforcing oversight and control mechanisms while simultaneously improving the agility and quality of our decision-making processes.

As I draw close to my statement, I express my heartfelt appreciation to the MIB family; our customers, partners, shareholders, but most importantly, to our management and the employees, whose passion and determination have been indispensable to our achievements this year. I also extend my appreciation to the Board of Directors and the Shari'ah Committee of the Bank for their contribution to truly elevating MIB to a place of strategic significance in the Maldives.

Whilst we remain resilient and the market is foreseen to be resilient, it is significant that we remain vigilant of the local and global macroeconomic volatility foreseen ahead. It is imperative that the Bank maintains sufficient levels of capital, liquidity, and asset quality in response. To achieve this, we will continue to execute our strategy by investing in our capabilities and mitigate the risks with the help of diligently crafted strategies and policies.

We are resolute in our commitment towards remaining true to our Strategic Vision which has already proved to be a success in the first year. We are confident that it will continue to provide higher productivity, income, and operational excellence to all our stakeholders Insha Allah.



Mr. Kazi Abu Muhammad Majedur Rahman
Chairman and Non-Executive Independent
Director



Mr. Mufaddal Idris Khumri
Managing Director & Chief Executive Officer

MD & CEO'S STATEMENT

Return on common equity (ROE)

20.63%

Total Financing

MVR 4.11 Billion

Deposits

MVR 6.83 Billion

Growth in Balance Sheet

33% Growth

“

The year 2023 was a pivotal moment in MIB's demanding journey to become a systemically critical Bank in Maldives. There is an interesting saying "Set your life on fire. Seek those who fan your flames". For us, 2023 acted as that catalyst.

”

Dear Shareholders,

When I joined the bank in late 2022, there was the looming threat of global recession and inflation. The “market” forecasted a mild recession, with financing costs peaking before they gradually come down. Across the world, the year 2023 was yet another year of significant challenges, from the terrible ongoing wars and violence in the Middle East and Ukraine to growing geopolitical tensions. Almost all nations felt the effects last year of global economic uncertainty, including higher energy and food prices, inflation rates and volatile markets. Financing costs have risen globally, to arrest the threat of a looming recession and it remains to be seen whether they would be pared down in 2024. The good news is that despite these uncertainties, the global GDP grew in 2023 and equity markets recovered significantly. Supply chains continue their recovery, businesses remain healthy and credit losses remain within manageable levels.

The Maldives economy continues to be buoyant, with consumer spending on the uphill. The growth of the real GDP by nearly 6.5% in 2023 paves the ground for a high single digit growth in 2024 and thereafter. The trajectory of increase is largely attributed to the double-digit growth in the tourism sector. Tourism and related services directly contribute to 40% of the economy, 80% of exports and 60% of exchange reserves. The expansion of Velana International Airport and related investments in the tourism sector are key factors bolstering this growth. 2023 witnessed nearly 1.878 million tourist arrivals, the highest for Maldives. The increasing trend of arrivals continued in the first quarter of 2024 as it witnessed a double digit increase in tourist arrivals compared to Q1 2023. We expect tourist levels to cross the much awaited 2 million mark in 2024.

However, high global commodity prices have continued to exert pressure on inflation and fiscal balances. The primary concerns for the Maldives, as with other countries in the region, include the potential escalation of conflict in the Middle East, leading to higher energy and food prices. The medium-term growth outlook remains positive, albeit with significant external debt vulnerabilities and fiscal challenges. The country is projected to face substantial external debt servicing in coming years with public debt being more than 100% of GDP. This, along with the current account deficit will continue to exert pressure on the balance of payments.

The Maldives, being a small island nation, is particularly vulnerable to climate-related disasters. The implications of these climate-related disasters extend beyond immediate physical damage and food security, with the potential to disrupt the critical tourism sector. Diversifying the economy beyond tourism and fishing, reforming public finance, controlling subsidies, and increasing employment opportunities are near-term challenges facing the government. While the economic outlook for the Maldives is optimistic, the potential risks highlight the need for vigorous policy measures to mitigate the above challenges.

We journeyed 2023 with Ardor

I am glad to report that Maldives Islamic Bank (MIB) continued to make progress on its priorities in 2023. We remained focused on businesses where we generated appropriate risk adjusted returns, continued to strengthen our leadership team, whilst executing our strategic objectives and moved ahead with our risk control and regulatory agenda.

The Bank generated record revenue in each of our lines of business. We earned Total Income of MVR 566.52 Million, with return on equity (ROE) of 20.63%, reflecting strong underlying performance across our businesses. For 2022, we paid a dividend of MVR 1.75 per share resulting in a payout of 33%, while for 2023, dividend payout is proposed for 37%, with MVR 2.90 as per share dividend. We grew market share in all our businesses and continued to make substantial investments in products, process, people, and technology while exercising strict compliance & risk disciplines.

Over the last one year the Bank has assiduously worked on an agenda of sustained growth across all business verticals. Our deposits have increased by more than 30%, financing has increased by 45% and the overall balance sheet has grown by 33 % to touch MVR 8.2 billion. Our risk appetite has grown in a noticeably measured fashion as we have taken considerable exposure in the corporate sector, tourism, fishing and infrastructure. Our customer base has increased by more than 30% as we have onboarded new to bank retail & corporate customers. Our revenues have shot up by nearly 38% and costs have been maintained at reasonable levels with delinquency under control. We are on course to open additional sales and service centers across the country and have increased deployment of ECRMs. On the product front we have launched new consumer and corporate financing and payment options to facilitate account access. We remain at the forefront of helping finance individuals, small businesses, larger corporations and state-owned enterprises. We hold fast to our commitment to corporate responsibility, including helping to create a stronger, more inclusive economy by supporting financing affordable housing and small business enterprises, schools, hospitals and many more to help them achieve their ambitions. We believe Functionality and Trust will determine the future of banking and for this we will continue to collaborate with our stakeholders and grow together. This is the only mutually beneficial model, rather than working in isolation.

Our corporate orientation has moved to a sales culture with emphasis on corporate relationship management through teamwork. Retail and SME sectors continue to grow. In the coming years a sustained growth model is to be followed with an aggressive expansion strategy. Our focus areas have remained to grow a diversified asset base backed by solid and stable funding book. This strategy has been reinforced through active and measured cross sell and a strong risk cum credit culture backed by operational efficiencies in processing. In marketing, we have been increasingly visible and have run many campaigns across social media to popularize our

brand, product offerings and services. We continue to sponsor community-based activities, and we do many of them to ingrain ourselves across societies.

We have invested heavily in technology to enhance customer experience by digitizing customer onboarding for account opening, financing, and KYC authentication, by integrating with the national identity portal. Our digital initiative is not merely limited to front end alone, rather we have worked upon automating the back-end processes and further improve it through straight through processing (STP) initiatives. Customer access points have been enhanced with new developments in internet Banking, mobile banking, and instant payments to bank accounts across the country. Overall, we have worked to improve customer experience but much more needs to be done. Our goal is to make meaningful and adroit investments in businesses to endure our growth.

In 2023, we executed more than 100 initiatives across multiple businesses and support verticals. These encompassed, stable funding, asset diversification, enhanced distribution, augmenting payment options for issuing and acquiring businesses, strengthening our digital and technology stack, refining processes, enhancing customer centricity, improving our marketing and communication, and updating the documentation stack.

To ensure proper governance at the management level we have established various governance committees, including those focused on business, risk, asset liability management and information technology that assist us to carry out day to day administrative functions. We strongly believe that every employee during their daily functions creates risk and is responsible for managing them. All of us as employees must comply with applicable laws, regulations, and company policies.

Whilst we are conscious of the things we do correctly, we remain mindful of our mistakes. And when we do make mistakes, we own them up, learn from them and move on. The year 2023 was a pivotal moment in MIB's demanding journey to become a systemically critical Bank in Maldives. There is an interesting saying *"Set your life on fire. Seek those who fan your flames"*. For us, 2023 acted as that catalyst.

We did all we could in 2023 to set the pace for the coming years by demonstrating passion and commitment towards growth and stability. I quote a Persian proverb *"The lion is most handsome when looking for food."* This literally translates to *"you are at your best only when you're doing what you should"*. That is precisely what we did in 2023 and will continue to do so in the years to come.

Human Capital Management:

At Maldives Islamic Bank we believe that the foundation of our success rests with our people as they remain integral for our long-term success. We remain committed to fostering a strong risk-focused culture and investing in our employees. These are the front line, both individually and as teams, serving our

customers and communities, building the technology, making the strategic decisions, managing the risks, determining our investments, and driving innovation. Any company's prosperity requires a great team of people with mettle, brains, integrity, enormous capabilities, and high standards of professional excellence to ensure its ongoing success. I remain proud of our company's suppleness and of what our hundreds of employees have achieved, collectively and individually. The changes that we brought about in the organization structure and leadership roles have benefited our business by providing an opportunity for talented staff members to display their business acumen.

We remain committed to a work culture that attracts, rewards, trains, empowers, and retains people. We listen to our employees and encourage feedback to enhance employee experience and drive improvements to our culture and processes. Many of the employee suggestions have been implemented, leading to efficiencies, innovations, and greater employee engagement. Together they all help us become a better company. We strive to maintain harmony between work and life.

Women comprise 58% of our workforce. They bring the much-needed semblance of cohesiveness and community feel amongst all employees. At leadership roles they aid decision making and their perspective on many business matters brings in a structured approach to the thought process. I admire them for their commitment, work ethos, dedication, and passion. We will keep demonstrating our diversity, equity, and inclusion efforts. Each year we have many new staff members who join us, and they come from diverse backgrounds. To all of them and to existing staff we provide equal treatment, equal opportunity, and equal access. We provide a fair chance for everyone to succeed regardless of their background. And we want to make sure everyone who works at our company feels welcome. Our mantra for employees is to embrace candor, do what's right for the Bank, learn and grow and build high performing teams that champion diversity and inclusion.

Our priorities for 2024:

As part of our 5-year strategic plan we will focus on strengthening our foundation through multifarious tactical activities.

- Continue to build and implement a risk and control infrastructure appropriate for the size and nature of our businesses.
- Leverage our competitive strength, whilst utilizing technology and digital solutions to provide differentiated experience and value to our client base to power businesses over the longer term. Our goal remains to transform our business model to one driven by technology platforms and enhanced by physical distribution. This will drive scalable growth, higher productivity and intensify customer engagement.
- Leverage new age tech such as AI/ML, cloud native architecture, API driven banking and continue to pioneer industry first initiatives. We will consciously launch on a small scale, listen to customer feedback, make enhancements, build acceptance through word of mouth prior to scaling up.

- Apply data through analytics to offer differentiation and tailored customer experience and solutions.
- Continue to monitor digital frauds particularly targeting the vulnerable section of our customers. We remain committed to helping safeguard customers by way of increasing awareness amongst customers and improving our security and fraud monitoring tools.
- Establish clear priorities to remain focused on simplifying processes to enable effective and efficient operations. We will carry out business process reengineering to improve TAT.
- Growing the transaction accounts portfolio through business accounts & salary transfers is the key to deposit mobilization whilst lowering the cost of funds.
- Reach out to more atolls by establishing sales and service outlets. Physical set ups are the fulcrum of customer relationship that bolster our Phygital approach backed by our payment penetration to capture a higher share of the wallet and to ensure that customers transact with us regularly.
- Build a contagious culture across the bank to deliver service excellence. Our aim remains to be a respected brand that unceasingly engages with customers and other stakeholders. We will strive to better our net promoter score.
- We will be guided to doing what is right for our customer, who remains at the center of everything we do. I dedicate a proverb of the Persian poet Hafez to illustrate the relationship between the Bank (Sun) and the customer (earth).
- *"Even after all this time the sun never says to the earth, 'You owe me.' Look what happens with a love and dedication to serve like that, it lights the whole sky."*
- An increasing customer base needs to be engaged and managed. Our digital marketing and communication over social media will continue as we aim to reach out to both existing and new customers.
- Our core enabling functions of credit, collections, risk and compliance, legal and internal audit will continue to be integral to the health and growth of the Bank.
- The strengthening of our balance sheet is critical as we need to inject fresh capital to support our growth plans, take larger exposures in infrastructure projects and tourism industry, thereby meaningfully participating in nation building. The additional capital will enable us to maintain desired capital adequacy and liquidity levels well above regulatory norms. It will further fortify the regulatory stress tests and enable us to absorb portfolio shocks on account of economic dishevels.
- Remain cognizant of regulations and follow them judiciously to maintain the strength of the bank as both the guardians of the financial system and the engine that finances the economic machine.
- Create a leaner and fitter organization. A Bank differentiated by innovation, bespoke product offerings, and backed by orderly risk management.
- With a warming world making the threat of climate change a reality, there is a continual need for banks to foster and nurture carbon neutrality in their business. We will make ESG an integral part of our assessment and enhance awareness amongst borrowers. We will continue to finance responsibly and remain committed to being socially responsible citizens through our CSR activities.
- Organization culture and conscience are vital catalysts to

good corporate governance. Long term sustainability of the organization is only possible through cultivating an unwavering commitment to compliance and assurance functions. We will continue to strengthen the checks and balances through them to sustain growth and stability.

My vision is to see Islamic Banking becoming mainstream in Maldives and for us to acquire majority market share. For this to happen we need to become an intermediary bank for all government and corporate transactions. Public and private partnership is a key to growth for Maldives. Islamic banking must facilitate this by becoming an intermediary for domestic and foreign investments to be routed across infrastructure and developmental projects. Hence, it is an imperative that we run a lively, purpose driven and responsible Islamic Bank with ethics and values embedded across all our businesses.

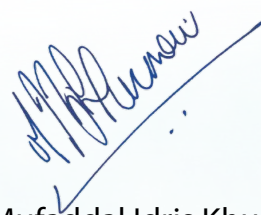
We will make 2024 a "Carpe Diem" moment for us.

To Conclude

I wish to express my earnest gratitude to our Board members and the Shariah Supervisory committee for their continuous guidance, motivation, and supervision. They have been the catalyst in our progress through their unwavering support and belief in our abilities to deliver.

And to my wonderful colleagues in the Bank, I would like to express my deep thankfulness and appreciation. Each one of them has contributed to our success and to the new evolution of a dynamic Bank that supports the aspirations and ambitions of the nation. They have demonstrated a passion and determination to pick up the gauntlet and deliver across all businesses and support functions.

Finally, salutations to all our customers who have stood by the Bank and given us their business. Thank you for your business.



Mr. Mufaddal Idris Khumri
Managing Director & Chief Executive Officer

THE BOARD OF DIRECTORS



Mr. Kazi Abu Muhammad Majedur Rahman Chairman and Non-Executive Independent Director

Mr. Kazi Abu Muhammad Majedur Rahman is a seasoned banker and an experienced capital market professional. Spanning over four decades Mr. Rahman worked extensively in strategic business transformation, operational and credit risk management, consumer banking, trade finance, treasury, audit, fintech, HR, governance and stakeholder relations in Bangladesh, Middle East, Africa and Australia.

He has valuable experience in Risk management, Business Process Reengineering, and Information Technology in the financial sector.

Mr. Rahman served as the Managing Director of Dhaka Stock Exchange Limited, Managing Director & CEO of Premier Bank Limited, Country Head of Bank Alfalah Limited, Chief Risk Officer & Additional Managing Director of AB bank Limited and Deputy Managing Director of IPDC Finance in Bangladesh. Currently, he is engaged as the Group Chief Executive Officer of A.K. Khan & Company Limited, one of the oldest conglomerates in Bangladesh. He is appointed as a Director of the holding company's board and in its subsidiaries and associate companies. Concurrently, Mr. Rahman serves as an Independent Director of Shahjalal Islami Bank Limited and has been appointed as the Chairman of the Bank's Board Audit Committee.

During his banking career, Mr. Rahman has led key strategic initiatives including implementation of the Standard Chartered's consumer banking platform in Bangladesh, core banking system of Dhaka bank Limited, introduction of Bank Alfalah Limited as a new bank in Bangladesh. He had performed a key role in the transformation of 'Bank of Oman Limited' to Mashreq Bank, UAE. One of Mr. Rahman's most prominent achievements in the capital market includes the landmark induction of Shanghai and Shenzhen Stock Exchanges as strategic investors in Dhaka Stock Exchange Limited.

Mr. Rahman obtained Bachelor's and Master's degree from Dhaka University. He has also attended senior management development programme at Said Business School, Oxford, London Business School and Securities Institute at the US Securities and Exchange Commission. He has also completed special training on Risk Management at the Institute of Risk Management, UK.

Other Directorships Held

Shahjalal Islami Bank Limited - Non-Executive Director

A.K. Khan & Company Limited – Executive Director

A.K. Khan Jute Mills Limited – Nominee Director

A. K. Khan Docking & Engineering Limited - Nominee Director

A.K. Khan Leather & Synthetics Limited - Nominee Director

A.K. Khan Telecom Limited - Nominee Director

INFOCOM - Nominee Director

Specialized Textiles Mills Limited - Nominee Director

Andermanik Tea Company Limited - Nominee Director

CEAT A.K. Khan (BD) Limited - Nominee Director

M.Y. Union (BD) Limited - Nominee Director

Bengal Fisheries Limited - Nominee Director

A.K. Khan Penfabric Limited - Nominee Director

COATS Bangladesh Limited - Nominee Director

Financial Excellence Limited – Shareholding Director



Mr. Nasser M. Al-Thekair Non-Executive Director

Nasser AlThekair assumed the role on the Board of the Maldives Islamic Bank (MIB) in 2019 and has served as the General Manager of the Trade & Business Development Department at The International Islamic Trade Finance Corporation (ITFC) within the Islamic Development Bank (IsDB) Group since 2017. He is responsible for leading the trade promotion and facilitation arm of the ITFC, growing the intra-trade among MCs, and enhancing the development impact. Additionally, He leads

ITFC's efforts to develop new business lines and products, foster innovation, and build strategic relationships with key development partners to create new markets and mobilize resources for ITFC's trade development initiatives.

Nasser Al-Thekair joined the IsDB in 2000. He held the position of Assistant General Manager of the Corporate & Structured Finance Department, with the responsibility of overseeing all ITFC trade finance transactions for the Middle East and North Africa where he has grown to become a business portfolio of more than US\$ 2.2 Billion.

His main achievement in Islamic Finance relates to supervising the structuring of several transactions that won international recognition from Islamic Finance News, Euromoney, and Global Trade Review.

In addition to his work in the ITFC, Nasser holds various executive and board membership positions in several companies. He is a board member of the Maldives Islamic Bank (MIB) since 2019, a board member of the Saudi Gelatin and Capsules Company, a member of the Executive Committee of the Arab Africa Trade Bridges Program (AATB), and the Trade Development Fund (TDFD), also, he represents ITFC on the board of Aid for Trade Initiative for the Arab States (AFTIAS), as well the Board of Governors of AATB program.

Educationally, Nasser holds a bachelor's degree in engineering from King AbdulAziz University in Jeddah, Saudi Arabia, and a master's degree in business administration (MBA) from the University of Leicester School of Management, United Kingdom. He has also undergone Executive Education programs in Leadership and Leading Digital Business Transformation at IMD, Lausanne, Switzerland, and attained Corporate Director Certification from Harvard Business School, Boston, USA. Nasser's dedication to continuous growth and leadership excellence is exemplified by his recent acknowledgement with the esteemed Leaders 2030 designation from Misk Leadership.

Other Directorships Held

Saudi Gelatin and Capsules Company – Board Member

Aid for Trade Initiative for Arab States - Board Member

Trade Development Fund – Board Member

Arab Africa Trade Bridges Program - Board Member

AATB Program – Board Member



Uz. Mohamed Naseem Ibrahim
Non-Executive Director

Uz. Mohamed Naseem Ibrahim was the Nominee Director appointed to the Board of Maldives Islamic Bank PLC., to represent the Government of Maldives (GoM) and served in that position until January 2024.

He obtained Master of Business Administration from University Sains Malaysia (USM), Bachelor of Economics and Management (Honors) from International Islamic University Malaysia (IIUM) and Bachelor of Shariah and Law (LLB) from Islamic University of Maldives (IUM). Uz. Naseem has completed training courses on Financial Programming & Policies, National Accounts & Statistics and Islamic Insurance.

Uz. Mohamed Naseem Ibrahim is a visiting lecturer at Islamic University of Maldives, Cyryx College, and MAPS College. He was appointed as the Assistant Principal of Majeediyya School, the Academic Supervisor cum Economics Lecturer at Center for Higher Secondary Education (CHSE) and as a Science and Mathematics teacher at Islamic Arabic School in his academic profession. He also served as Economic Consultant to International Fund for Agriculture Development (IFAD) Project and as Resident Technical Expert of Asian Development Bank TA in Maldives. Uz. Naseem had previously served as a Member of the Parliament.

Uz. Naseem served as the Managing Director of Maldives Transport and Contracting PLC (MTCC), Chairman of Airports Investment Maldives Pvt Ltd (AIMS), Board Member of Maldives Finance and Leasing Company (MFLC) and Executive Director with Ministry of Finance and Treasury (MOFT). He established Horizon Fisheries Pvt Ltd. He was also Vice President of Maldives National Chamber of Commerce and Industries (MNCCI) for two consecutive terms. He is presently the Economic and Legal Advisor to YSL Group of companies in Dubai, UAE.

Other Directorships Held

NIL



Mr. Ahmed Ali
Non-Executive Independent Director

Mr. Ahmed Ali is a Senior Partner Tax at S&A Lawyers LLP. Prior to joining the firm in March 2019, he served in various positions at the Maldives Inland Revenue Authority (MIRA) since 2011, most recently as Assistant Commissioner General of Revenue Operations.

During his tenure of 08 years at MIRA, he held various senior executive positions including Director General of Large Business Department, Senior Director of Large Taxpayer Service, Director of BPT Audit and Manager of Audit Management.

He also served as an Auditor at Ernst & Young Maldives from April 2009 to June 2009. Mr. Ahmed Ali has been a member of the Association of Chartered Certified Accountants (ACCA) since 2015 and advanced to fellowship status in 2020. He also holds a fellow membership at the Institute of Chartered Accountants of the Maldives. Furthermore, he holds Master of Science in Finance, Bachelor of Accounting (Honors) and Bachelor of Sharia and Law.

Mr. Ahmed Ali also holds the position of Managing Partner of S&A Advisory LLP and the directorship position in various private limited companies.

Other Directorships Held

S&A Tax and Financial Services Pvt Ltd - Managing Director

SFG Corporate Services Pvt Ltd - Non-Executive Director

SFG Logistics Pvt Ltd - Non-Executive Director

Premier Parts Pvt Ltd - Managing Director



Mr. Hassan Mohamed

Non-Executive Director

Mr. Hassan Mohamed was the Nominee Director in the Board of Maldives Islamic Bank PLC., representing the Government of Maldives (GoM) and served in that position until February 2024.

In addition to his board responsibilities, Mr. Hassan is a Co-Founder and Managing Partner of Crowe Maldives LLP, a member firm of Crowe Global in the Maldives. He has been instrumental in driving the firm's growth and success since its inception in 2008.

During 2020, Mr. Hassan was appointed to the position of Vice President of Chartered Accountants of the Maldives. His intellect and expertise in the field of accounting and auditing have been widely recognized in various leadership roles throughout his career. He served as the Chairperson of the State Internal Audit Committee of Ministry of Finance from 2020 until November 2023, further exemplifies his substantial contributions and leadership in advancing public accounting and financial reporting.

Mr. Hassan's career in the field of Finance, Accounting, and Auditing began in 2000 at State Electric Company Ltd (STELCO), where he served as Assistant Director until 2006. He later served from 2006 until 2010 at Platinum Capital Holdings as Manager, Internal Audits.

He is also a Fellow Member of the Association of Chartered Certified Accountants (ACCA), demonstrating his commitment to excellence and continuous professional development in the field of finance and accounting.

Other Directorships Held

Crowe Maldives Advisory Pvt Ltd – Managing Director

Crowe MV HR Advisory Pvt Ltd – Managing Director

D.B.I Maldives Pvt Ltd – Director

Eikon Productions Pvt Ltd – Managing Director

Exponent Pvt Ltd – Managing Director

First National Finance Corporation Pvt Ltd – Managing Director

First National Money Market and Savings Fund Pvt Ltd – Managing Director

First National Real Estate and Hospitality Fund Pvt Ltd – Managing Director

Growth Capital Pvt Ltd – Managing Director

Hospitality and Retail Systems Pvt Ltd – Director

One Ocean Water Sports Pvt Ltd – Director

People Factor Pvt Ltd – Managing Director



Mr. Rajiv Nandlal Dvivedi

Non-Executive Independent Director

Mr. Rajiv Nandlal Dvivedi is a financial professional with more than 35 years of experience in Commercial Banking, Corporate Finance & Investment Banking in the Middle East, with particular strength in Strategy, Business Development and Risk Management. He is currently serving as the CEO of Eagle Proprietary Investments Limited, Dubai since 2010.

As the CEO of Eagle Proprietary Investments Limited, Mr. Dvivedi is responsible for establishing an investment arm for the conglomerate, in addition to managing venture capital and private equity investments for the group and assisting in Islamic Finance and Structuring. Mr. Dvivedi is also CEO and a Director of Eagle Investments Limited, a regulated firm in Dubai International Financial Centre.

Mr. Dvivedi's career in banking started with Citibank New York and has served the group for more than 35 years in various senior capacities at New York, U.S.A., Middle East, North Africa and Gulf region. His tenure at Citibank Kuwait, was a defining time for the group as he helped them to instill strong risk management processes and control culture with focus on regulatory compliance. As the CEO of the Citibank Kuwait, he also played a pivotal role in growing Islamic relationships in the region. He was also instrumental in concluding the largest financing transaction in the region, worth USD1 billion, for one of their key relationships.

He served as the Senior Independent Director of Amana Bank PLC, the first commercial bank in Sri Lanka to conduct all its operations under the principles of Islamic banking.

Currently he is a director in Eagle Investments Limited as Non-Executive Director, Eagle India Sharia Fund I Ltd. as Non- Executive Director and Eagle India Equities Ltd. as Non-Executive Director.

Mr. Dvivedi has earned Master of Business Administration in Finance from the Long Island University, New York. During his Citibank career, he has attended numerous in-house courses offered by the bank covering Credit, Operations, Financial Management, Budgeting, People Management, Risk Management, Corporate Finance, Investment banking and Trade Finance.

Other Directorships Held

Eagle Investments Limited - Non-Executive Director

Eagle India Sharia Fund I Ltd - Non-Executive Director

Eagle India Equities Ltd - Non-Executive Director



Mr. Moez Baccar
Non-Executive Director

Mr. Baccar is a financial sector professional who joined the Board of Directors of MIB in 2022. Over the last 17 years, Mr. Baccar has accumulated a wide analytical footprint and an extended front-line experience in Investments and Banking by serving under various capacities in several financial institutions in the UK, Europe, and the Middle East. Mr. Baccar gained a broad experience in multiple geographies and across various areas of Investments and banking.

Since joining the ICD in 2016, Mr. Baccar has been involved in the origination and successful closing of numerous Banking Equities transactions. Mr. Baccar is currently holding the position of Principal Officer at the Banking Department of ICD working on developing ICD's Line of Finance business to Financial Institutions. In addition, Mr. Baccar serves as a Non-Executive Director in the Board of Islamic Bank of Guinea (Guinea), Tamweel Africa Holding (Senegal), and Al Akhdar Bank (Morocco).

Mr. Baccar holds Master's in management sciences from the University of Nice-Sophia Antipolis - France, and a Bachelor's degree in business studies from IHEC Business School - Tunisia. Mr. Baccar speaks fluently English, Arabic and French.

Other Directorships Held

Banque Islamique de Guinee - Non-Executive Director

Tamweel Africa Holding S.A. (Senegal) - Non-Executive Director

Al Akhdar Bank (Morocco) – Non-Executive Director



Mr. Osman Kassim
Non-Executive Director

Mr. Osman Kassim is the Nominee Director appointed to the Board of Maldives Islamic Bank PLC., to represent Amana Takaful (Maldives) PLC.

Mr. Osman Kassim is a renowned and highly respected entrepreneur in Sri Lanka. He is regarded as the pioneer of Islamic finance in Sri Lanka for having introduced Islamic banking and insurance and counts over 40 years of senior management experience in these fields.

He is the Founder Chairman of Amana Bank PLC, Sri Lanka's first and only licensed commercial bank to conduct all its operations under the principles of Islamic banking. He has travelled extensively and is fully conversant with Islamic banking practice and methodology in most countries, where Islamic banking is available.

Mr. Osman Kassim was formerly the Chairman of the Expolanka Group. He is also the Chairman of Vidullanka PLC, The Goodness Foundation and Rokfam (Pvt) Ltd. He concurrently holds directorships in Amana Takaful Life PLC and Amana Takaful (Maldives) PLC.

Mr. Osman Kassim previously served as a member of the Board of Directors of Maldives Islamic Bank PLC. from 2017 until July 2020.

In recognition of his achievements as both a global entrepreneur and visionary educationalist, Mr. Osman Kassim was conferred an Honorary Doctorate by the Staffordshire University, United Kingdom.

Other Directorships Held

Aberdeen Holdings (Pvt) Ltd – Chairman Emeritus

Vidullanka PLC - Chairman

Rokfam (Pvt) Ltd - Chairman

Amana Takaful Life PLC - Chairman

Vidul Biomass (Pvt) Ltd - Chairman

Vidul Energia (Pte) Ltd - Chairman

Moroto Solar (Pvt) Ltd - Chairman

The Goodness Foundation - Chairman

Crescentrating (Pte) Ltd - Chairman

Amana Takaful (Maldives) PLC - Non-Executive Director



Mr. Ahmed Shafeez
Non-Executive Director

Mr. Ahmed Safeez is the Nominee Director appointed to the Board of Maldives Islamic Bank PLC., to represent Maldives Pension Administration Office ("MPAO").

Mr. Shafeez is a seasoned IT professional and is currently the Chief Technology Officer ("CTO") of MPAO, where he manages the overall operations of Data Services, Software Engineering and Infrastructure and Security. As the CTO of Pension Office, Mr. Shafeez played a key role in driving the Pension Office's digital transformation, implementing innovative solutions to enhance operational efficiency, productivity, and security. Prior to that, he also served as the Director Operations & IT of Pension Office from October 2009 till January 2017.

Before joining Pension Office, Mr. Shafeez served Maldives Meteorological Services in various capacities since October 1999. His last posting with Maldives Meteorological Services was the position of Head of Engineering and Technical Support, where he led a team of professionals and oversaw the development and maintenance of the agency's technical infrastructure.

Mr. Ahmed Shafeez is also a founding member and the Managing Director of the Cyber Security Maldives Pvt Ltd.

He holds Masters of Computer Applications from Sikkim Manipal University of Medical Science and Technology, India and Bachelor of Computer Applications from Osmania University, India.

Mr. Shafeez is an accomplished and accredited IT professional, with professional certifications including ISO 27001 Lead Auditor and Lead Implementer, Certified Ethical Hacker, Checkpoint Certified Security Professional and Oracle Certified Associate. During his career spanning over 20 years, he has acquired exposure and practical experience in multiple subspecialities of technology and acquired a deep understanding of cybersecurity threats and mitigation strategies

Other Directorships Held

Nil



Mr. Mufaddal Idris Khumri

Managing Director & Chief Executive Officer

Mufaddal Khumri is a seasoned Islamic Banker with more than 25 years of commercial banking experience that covers Business Strategy, Digital & Technology, Corporate Banking, Retail Banking and Wealth Management, Payments, Treasury and Risk functions. He has established and headed two Islamic Banking Windows in United Arab Emirates (UAE) for Abu Dhabi Commercial Bank (UAE's third largest commercial bank) and for National Bank of Ras Al Khaimah (UAE's leading SME and payments bank). He started his career with ICICI Bank Ltd, India's second largest private sector Bank as Management Trainee in 1997. Prior to becoming a Banker, he was a columnist for Business Standard, a financial newspaper in India.

During his work tenure in UAE, he also launched two Islamic Finance Companies in UAE, with a combined capital base of USD 162 million. Among these companies, he served as Managing Director of Abu Dhabi Commercial Islamic Finance

(ADCIF). Whilst at ADCB, he has handled the India Millennium Deposit portfolio of USD 1 Billion. Additionally, he has worked extensively for the IPO Business in UAE handling more than 20 large IPOs wherein ADCB collected more than AED Billions of subscriptions including leverage investments. The Islamic business at ADCB was more than USD 6 Billion.

Prior to joining MIB, Mufaddal was the Head of Retail Business in UAE for Saudi National Bank, Saudi Arabia's largest Bank, based out of Dubai, UAE. In National Bank of Ras Al Khaimah, he also served as Director of Retail Banking & Payments Business, which was in addition to his responsibility as Head of Islamic Banking which included the SME and Corporate Banking portfolio. The Retail business in National Bank of Ras Al Khaimah had a gross revenue of more than USD 700 Million.

Whilst at ICICI Bank played a key role in furthering the Non-Resident Indian Business. He was deputed to the Middle East in early 2000 where he worked with banking partners across all GCC countries for remittances, payments, and investments. He was instrumental in setting up money2india remittance portal and creating alliances with banks and exchange houses across GCC to facilitate staff deputation and strategic alliances.

Mufaddal has obtained master's in management studies and Bachelor of Commerce from the University of Mumbai. He has also completed Fintech course from University of Oxford, UK and attended various Islamic Finance seminars and forums as a speaker.

Mufaddal held representations in the UAE Banking Federation (UBF), Islamic & Retail Banking Committee. He also held membership status in Islamic Finance Advisory Council at Dubai International Finance Centre. He regularly speaks at Banking forums and seminars across various verticals. He regularly writes for Islamic Finance publications and has co-authored a book "Assassinations that altered the course of history" published by Magna Publishing Company. He occasionally posts his thoughts on mkhumri.com, albeit not regularly.

He is an enthusiastic extrovert and loves being amongst people. A team player to the core, he is a strong proponent for inclusivity at work and loves working with a cross section of people across various ethnicities, nationalities, and skill sets. He has an intrinsic love for gastronomy and the culinary arts. He is a bibliophile at heart, overtly dedicated to books and enjoys being immersed in classical music and Urdu poetry.

Other Directorships Held

NIL

**Mr. Ali Wasif**

Executive Director / Chief Financial Officer

Mr. Ali Wasif was appointed to the Board of the Bank as an Executive Director in 2019. He commenced his journey at MIB as a Planning and Development Officer in January 2011. Prior

to his tenure at MIB, he made significant contributions at the Maldives Monetary Authority in the Banking, Payment, and Settlement Division, actively engaging in pivotal projects such as the Maldives RTGS System and ACH system. Assuming the role of Head of Finance and Accounts at MIB from September 2011 onwards, he has admirably held the position of Chief Financial Officer of the Bank since November 2016.

Mr. Wasif's profound expertise and knowledge have been paramount in shaping the landscape of the Islamic Finance industry. His pivotal involvement has been a cornerstone in advancing the sector.

In addition to his professional achievements, Mr. Wasif is a distinguished member of the Association of Chartered Certified Accountants (ACCA). He obtained his bachelor's degree in Accounting from Multimedia University, Malaysia, and furthered his academic pursuits by earning a Master's Degree in Islamic Finance through the esteemed Masters in Islamic Finance Practice (MIFP) program at the International Centre for Islamic Finance (INCIEF).

Other Directorships Held

NIL

**Mr. Hussain Ali Habeeb**

Company Secretary / Head of Investor Relations

Mr. Hussain Ali Habeeb joined Maldives Islamic Bank in October 2011. He is currently the Company Secretary and Head of Investor Relations of the Bank. His exemplary work ethic has earned him the position of company secretary since October 2012.

He served as the Head of Operations of the Bank from 1st December 2017 to 31st August 2021. As the Head of Operations Department, Mr. Habeeb was primarily responsible for the efficient and sound operation of all branches and alternative delivery channels. Starting as a Senior Officer in the finance and accounting department, Mr. Habeeb had been appointed to undertake core functions such as administration, marketing and finance at various times.

Prior to MIB, he worked as an Accounts Manager in Fuel Supplies Maldives involved in undertaking core accounting tasks.

Mr. Habeeb is a professional accountant registered as a Permanent Affiliate member of the ACCA since 2007. He also holds a Bachelor of Science in Applied Accounting Degree from Oxford Brookes University; with a first class honours.

THE EXECUTIVE TEAM



THE EXECUTIVE TEAM



Mr. Mufaddal Idris Khumri

Managing Director & Chief Executive Officer

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THE EXECUTIVE TEAM



Mr. Ahmed Riza

Deputy Chief Executive Officer

Mr. Ahmed Riza is a pioneer staff member of the Bank and has been with Maldives Islamic Bank since the Bank's inception in 2010. He has played a pivotal role in establishing the Bank and developing it. Mr. Riza's passion is in utilizing the power of technology to improve access to finance for those who live on outer islands and remote locations. His proudest achievements include the endeavours undertaken to meet these goals, including the digital banking platforms at MIB. Mr. Riza combines his passion together with his scholarly work in Fintech to achieve his lifelong quest of improving access to finance, ease of trade and a more comprehensive access to banking services to those who are disconnected from urban centers.

Before being promoted to the position of Deputy Chief Executive Officer, Mr. Riza served as Chief Operation Officer of the Bank, the Head of Operations, Head of Cards and the Head of Technology of MIB. Mr. Riza spearheaded the formulation and establishment of the card center, e-banking services, technology infrastructure and information systems during his twelve years of dedicated service to the Bank. Mr. Riza was also entrusted with the role of Acting CEO from April 2018 till January 2019 and from November 2021 to October 2022.

Mr. Riza has completed the Oxford Fintech Programme conducted by the University of Oxford. He has a Bachelor of Computer Science Degree and a Master of Computer Science Degree from University Science Malaysia and University Malaya respectively. He has also completed Management Development Programme (a mini MBA) at the Asian Institute of Management, Philippines and Project Management Professional (PMP) course at Koenig, India.



Mr. Ali Wasif

Chief Financial Officer

Mr. Ali Wasif was appointed to the Board of the Bank as an Executive Director in 2019. He commenced his journey at MIB as a Planning and Development Officer in January 2011. Prior to his tenure at MIB, he made significant contributions at the Maldives Monetary Authority in the Banking, Payment, and Settlement Division, actively engaging in pivotal projects such as the Maldives RTGS System and ACH system. Assuming the role of Head of Finance and Accounts at MIB from September 2011 onwards, he has admirably held the position of Chief Financial Officer of the Bank since November 2016.

Mr. Wasif's profound expertise and knowledge have been paramount in shaping the landscape of the Islamic Finance industry. His pivotal involvement has been a cornerstone in advancing the sector.

In addition to his professional achievements, Mr. Wasif is a distinguished member of the Association of Chartered Certified Accountants (ACCA). He obtained his bachelor's degree in Accounting from Multimedia University, Malaysia, and furthered his academic pursuits by earning a Master's Degree in Islamic Finance through the esteemed Masters in Islamic Finance Practice (MIFP) program at the International Centre for Islamic Finance (INCIF).



Mr. Muhammad Amir Atiq
Chief Risk Officer

Mr. Muhammad Amir Atiq joined MIB in 2013 and is a seasoned Islamic banker. During his banking career spanning over more than 25 years, he has accumulated a diverse working experience both in conventional and Shariah compliant banking.

Mr. Amir began his career in 1995 as Business Relationship Manager at MCB Bank Pakistan. He shone as a great performer in his job while growing and managing the loan portfolio and successfully managing high profile business relationships with companies such as Shell, Siemens, Suzuki Motors, Singer, Novartis, Syngenta, GlaxoSmithKline, Hutchison Whampoa.

In 2003, he moved to accept the new challenging role of credit risk management at Bank Al Habib Pakistan where he was entrusted the charge to handle, analyse and process retail and SME business propositions of 100+ branches of the zone and present the proposals to the zonal credit committee for approvals. His ensuing 14 years' experience of working in Islamic banking first at Burj Bank Pakistan and then at MIB Maldives as Head of Risk has added another distinction in his eventful career.

In his role as Chief Risk Officer at MIB, he has been instrumental in ensuring that Maldives Islamic Bank meets compliance standards as set in international protocols and local regulations.

Mr. Muhammad Amir Atiq is a business graduate with specialization in Banking and Finance. He also holds professional certification in Islamic Finance.



Mr. Fisol Amri Bin Mansor
Chief Shari'ah Officer

Mr. Fisol Amri bin Mansor joined MIB in 2015. He is an experienced Islamic finance banker from Malaysia. Mr. Fisol Amri has over 15 years of working experience in local and foreign Islamic banks, especially in Malaysia. His passion is spreading Islamic banking to the world and is keen to further improve Islamic banking system to be more acceptable.

Mr. Fisol Amri started his banking career in 2005 as Executive, Product Development at Hong Leong Islamic Bank (Malaysia), where he was engaged in conducting product research and development. In 2009, he joined Mizuho Bank (Malaysia) where he has assisted in the establishment of Islamic banking operations for one of the biggest Japanese banks.

As Chief Shari'ah Officer at Maldives Islamic Bank, Mr. Fisol Amri is in charge of managing the Shari'ah governance aspect of the Bank under the guidance of the Shari'ah Committee, to ensure the Bank's transactions and activities are in compliance with Shari'ah.

Mr. Fisol Amri holds a Bachelor of Economics and Islamic Revealed Knowledge from International Islamic University, Malaysia. He also holds a Chartered Islamic Finance professional qualification, equivalent to master's degree, from INCEIF University, Malaysia.



Mr. Rakitha Chandrasekara
Chief Internal Auditor

Mr. Rakitha Chandrasekara joined Maldives Islamic Bank in August 2017 and currently serves as the Chief Internal Auditor. Mr. Rakitha is a Sri Lankan national with more than 16 years of banking experience covering the areas of banking operations and internal audit. He is a career internal auditor who is also well conversant with the fast-moving changes in the internal audit profession.

Mr. Rakitha started his career at Nations Trust Bank Plc., Sri Lanka in year 2002 as a Trainee. At Nations Trust Bank he served in the centralised operations department in various capacities in the first four years of his career. In 2006 he moved to the Internal Audit Department. At the time of his move to MIB, Mr. Rakitha has moved through the ranks to reach the position of Branch Audit and Investigations Manager at Nations Trust Bank Plc. At MIB, Mr. Rakitha reports directly to the Board Audit Committee and holds the overall responsibility of the internal audit function of the Bank.

Mr. Rakitha has obtained a Bachelor of Business Management Degree from University of Kelaniya in Sri Lanka.



Mr. Abdullah Mamdhoo
Chief Peoples officer

Mr. Abdullah Mamdhoo was a pioneer staff member of the Maldives Islamic Bank, having joined the Bank in September 2010. He last served as the Chief Peoples officer of the Bank, until he resigned in March 2024.

Mr. Mamdhoo is a dedicated Human Capital Management professional with more than 10 years of experience in the field. He was pivotal to establishing the Human Capital Management structure and policies which has yielded an impressive performance in HR indicators. Mr. Mamdhoo plays a key role in leading the team at MIB and ensuring optimal team dynamics and cohesiveness.

Mr. Mamdhoo joined MIB as a senior officer, heading HR and Administration. His dedication and unwavering commitment have led to him elevating his position to Manager, Head of Human Resources. Prior to MIB he has over 15 years of work experience in the Civil Service and various UN agencies; including Ministry of Education, Ministry of Communications, Science and Technology, UNDP, and IFAD.

Mr. Mamdhoo has a Master of Human Resource and Industrial Relations degree from the University of New Castle, Australia and a Bachelor of Business degree from the University of Queensland, Australia.

**Mr. Hussain Ali Habeeb**

Company Secretary /
Head of Investor Relations

Mr. Hussain Ali Habeeb joined Maldives Islamic Bank in October 2011. He is currently the Company Secretary and Head of Investor Relations of the Bank. His exemplary work ethic has earned him the position of company secretary since October 2012.

He served as the Head of Operations of the Bank from 1st December 2017 to 31st August 2021. As the Head of Operations Department, Mr. Habeeb was primarily responsible for the efficient and sound operation of all branches and alternative delivery channels. Starting as a Senior Officer in the finance and accounting department, Mr. Habeeb had been appointed to undertake core functions such as administration, marketing and finance at various times.

Prior to MIB, he worked as an Accounts Manager in Fuel Supplies Maldives involved in undertaking core accounting tasks.

Mr. Habeeb is a professional accountant registered as a Permanent Affiliate member of the ACCA since 2007. He also holds a Bachelor of Science in Applied Accounting Degree from Oxford Brookes University; with a first class honours.

**Ms. Fathimath Azmath Ali**

Chief Credit Officer

Ms. Fathimath Azmath Ali, with a distinguished 15-year career in banking, serves as the Chief Credit Officer at Maldives Islamic Bank (MIB). Beginning her journey in the banking sector in 2007 at the State Bank of India, Male' Branch, she joined MIB in 2013.

Ms. Azmath Ali has served in various prominent managerial roles during her tenor at the Bank, including Head of Business Support overseeing credit operations, trade, remittances, and card operations. Her ascent through various managerial roles, culminating in her current position, is a testament to her exceptional expertise.

Ms. Azmath Ali holds a Bachelor's degree in Banking and International Finance from Flinders University, Australia and a Master's in Economics from the University of Sydney, Australia.

In her role as Chief Credit Officer, she leverages her extensive experience to drive strategic credit management and risk assessment at MIB, playing a pivotal role in the bank's sustained growth and risk mitigation.



Mr. Hussain Alim Shakoor
Chief Retail Banking Officer

Mr. Hussain Alim Shakoor is a seasoned professional having held management positions locally and internationally, prior to joining Maldives Islamic Bank in February 2019 as the Head of Marketing. Mr. Alim is currently the Bank's Chief Retail Banking Officer, responsible for efficient execution of the Bank's distribution strategy.

A graduate of National University of Singapore, he has earned two master's degree, in Business Administration and Public Administration.

In addition to industry experience Mr. Shakoor has years of experience in teaching marketing in Malaysia, Sri Lanka and the Maldives throughout his journey. As an avid reader he enjoys discourse on scientific and social science topics.



Mr. Mohammed Arefur Rahman Chowdhury
Chief Digital Officer

Mr. Arefur Rahman joined Maldives Islamic Bank in November 2019 as the Head of Cards and Digital Banking. He is a professional banker with over 15 years of diverse banking experience. His experience in the field of banking ranges from Branch Banking, Retail Banking, Cards & Payment, Customer Experience, Product Development, Business Automation, Process Reengineering, and Projects.

Before joining MIB, Mr. Chowdhury was employed as the Head of e-Payments at Dutch-Bangla Bank, one of the largest Banks in Bangladesh. During his tenure at The Dutch-Bangla Bank, Mr. Chowdhury was entrusted with diverse responsibilities including Merchant Services, Payments Strategy Formulation, Product & Business Development of the e-Business Division. Prior to joining DBBL, he was the Process Re-engineering Lead and a member of the Core Banking Migration Team in BRAC Bank.

At MIB, Mr. Chowdhury is responsible for driving our Cards, Payments and Digital service channels in MIB.



Mr. Hammad Rasheed Hussain
Chief Business Officer

Mr. Hammad Rasheed Hussain has been an active member of the Maldivian banking industry for over 15 years. He started his banking career with Bank of Maldives Plc (BML) during 2006 where he developed his understanding of the practical aspects of credit and lending. Due to his passion to promote Islamic Banking in the Maldives, Mr. Hammad joined Maldives Islamic Bank Plc (MIB), soon after its inception, in February 2012.

Mr. Hammad has acquired invaluable knowledge of Islamic finance and corporate banking throughout his career at MIB and has served in different roles in the Business Department. He is currently serving as the Chief Business Officer and is responsible for the development and growth of Retail as well as the Corporate business portfolio of the Bank.

Mr. Hammad holds a Bachelor's Degree in Business Administration from Open University Malaysia (OUM).



Uza. Mariyam Sunaina
Chief Legal Officer

Uza. Mariyam Sunaina joined the Maldives Islamic Bank in September 2016 as the Head of Legal. She has a special interest in banking law, currently practicing her passion at work. She began her working career in 1999, joining Bank of Maldives in 2000 as a Cashier. In 2003, she was given the opportunity to work at the legal and documentation unit of BML. Her dedication and work ethic have earned her the preeminent managerial post at the Legal Affairs & Documentation at BML in 2008.

Uza. Mariyam Sunaina holds a Bachelor of Law degree from the University of London. Together with this she holds several other professional and technical qualifications.



Mr. Mohamed Ismath
Chief Information Officer

Mr. Mohamed Ismath is an accomplished IT professional with a background in Information and Communication Technology, having over 20 years of industry experience. His association with Maldives Islamic Bank commenced in 2015, starting as an Information Security Officer, and he currently holds the position of Chief Information Officer at the Bank.

He is a certified professional in the industry, encompassing expertise in Cyber Security and the IT Governance domain. His certifications include ITIL v3, CEH, CPSA, CPSP, among others.



Mr. Mohamed Zulaal Zaeem
Chief Administrative Officer

Mr. Mohamed Zulaal Zaeem is currently the chief Administrative Officer at Maldives Islamic Bank PLC. He joined MIB as a Project Coordinator during July 2018, managing and assuming the ownership of the overall Business Continuity Planning and Disaster Recovery processes of the Bank. He was also responsible for coordinating new projects of the Bank.

Since May 2019, Mr. Zulaal has been overseeing the Administrative and Procurement functions of the Bank. As the Head of Administration, Mr. Zulaal is also responsible for managing all the projects of the Bank.

Before joining MIB, Mr. Zulaal worked at UNDP Maldives as Operations Manager for more than 6 years and has ample experience serving as an ICT Associate of UNDP Maldives for another 7 years. Mr. Zulaal possesses a proven track record as a Planning Officer at Ministry of Planning and National Development.

Mr. Mohamed Zulaal Zaeem has completed Diploma in Computing and Information Technology. He has acquired various certifications from the fields of Information Technology and Public Procurement. He has further earned several UNDP certifications over the years.

**Mr. Abdulla Umar**

Chief Banking Operations Officer

Mr. Abdulla Umar is the Chief Banking Operations Officer at Maldives Islamic Bank PLC. He joined MIB as Unit Head of Credit Administration during September 2017, managing disbursements and administration of all financing facilities of the Bank. He was also acting as deputy to the Head of Business Support Department.

Since May 2023, Mr. Umar has been appointed as Head of Operations overseeing all banking operations. His portfolio includes Supervision of Credit Administration, Liability Operations, Trade & Remittance, and Card Operations of the Bank.

Before joining MIB, Mr. Umar worked in both the private and public sector, bringing in a diverse experience from multiple fields. His resume includes working as a Lecturer & Coordinator at Villa College, Assistant Director at Secretariate of North Nilandhe Atoll Council, and Leading Teacher & Head of Business Department at Faafu Atoll Education Centre.

Mr. Abdulla Umar has completed Chartered Institute of Management Accountant (CIMA). He has further earned several work-related certifications over the years.



Fuvahmulah Nature Park

Encompassed by large areas of wetland, the park features a protected lake and surrounding marshes teeming with a rich variety of plants and wildlife in Fuvahmulah.

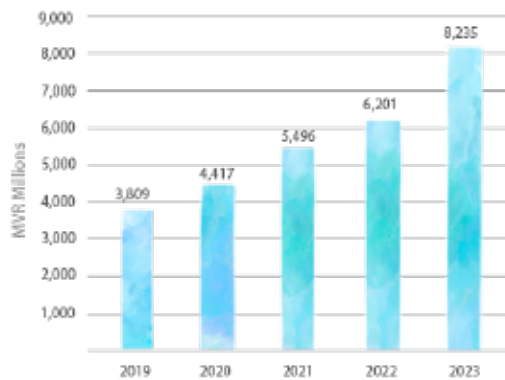
Artwork by: Shimha Shakeeb

BUSINESS REVIEW

CORE BUSINESS ACTIVITY AND FINANCIAL HIGHLIGHTS

The principal activities of the Bank are Islamic banking business and the provision of related financial services. The Bank provides full range of banking services based on Shari'ah principles including accepting deposits, granting of financing facilities and other ancillary services. There were no significant changes in these activities during the financial year.

TOTAL ASSETS

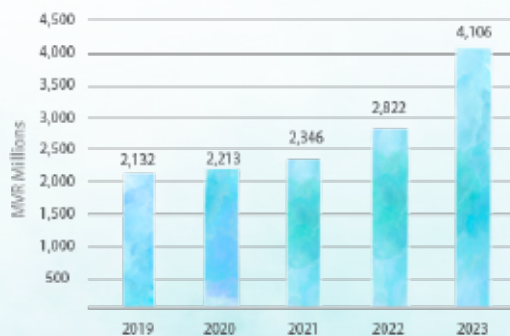


Total Assets (MVR)

8,235 Million

(6,201 Million in 2022)

FINANCING ASSETS

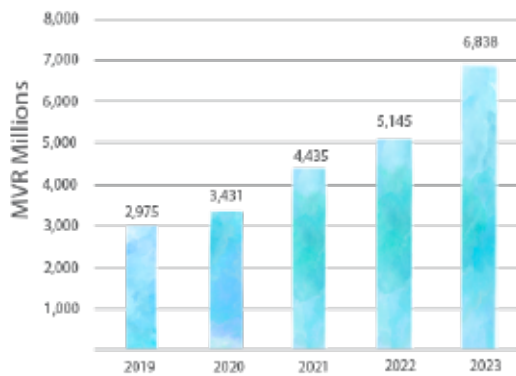


Financing Assets (MVR)

4,106 Million

(2,822 Million in 2022)

CUSTOMERS' DEPOSITS

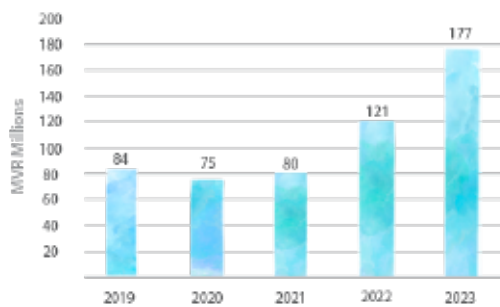


Customers' Deposits (MVR)

6,838 Million

(5,145 Million in 2022)

PROFIT AFTER TAX

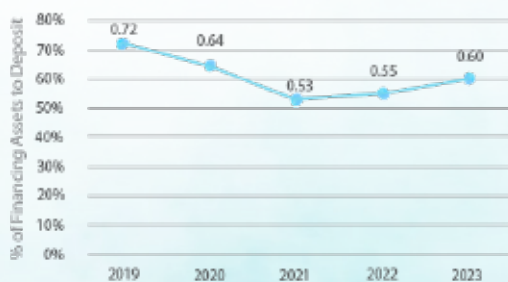


Profit After Tax (MVR)

177 Million

(121 Million in 2022)

FINANCING ASSETS TO DEPOSIT RATIO

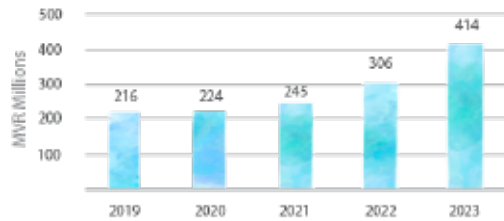


Financing Assets to Deposit Ratio

0.60%

(0.55% in 2022)

NET INCOME FROM FINANCING & INVESTMENT

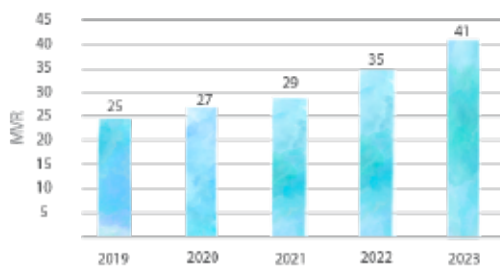


Net Income from Financing & Investment (MVR)

414 Million

(306 Million in 2022)

NET ASSET VALUE PER SHARE (MVR)

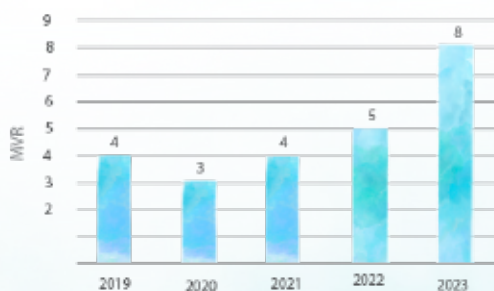


Net Asset Value Per Share

MVR 41

(MVR 35 in 2022)

EARNINGS PER SHARE POST TAX (MVR)



Earnings Per Share – Post Tax

MVR 8

(MVR 5 in 2022)

Profit Before Tax (MVR)

233,740,805

(161,455,349 in 2022)

Total Operating Income (MVR)

475,560,266

(342,627,898 in 2022)

NON-FINANCIAL HIGHLIGHTS



POS TRANSACTIONS

1.7+ Million
1.2x Growth



CARD TRANSACTIONS

2.3+ Million
1.3x Growth



ECRM/ATM Transactions

780+ Thousand
27% Growth



NO. OF CARDS

32+ Thousand
0.25x Growth



Internet and Mobile
Banking Transactions

922+ Thousand
80% Growth



POS TERMINALS

8+ Hundred
0.92x Growth



POS MERCHANTS

7+ Hundred
0.85x Growth

KEY FINANCIAL RESULTS

Operating Results for the Year – MVR Millions

	2019	2020	2021	2022	2023	Change (MVR)	Change (%)
Total Financing & Investment Income	260	274	303	360	491	131	36%
Net Income from Financing & Investment	216	224	245	306	414	108	35%
Total Operating Expenses before Impairment	121	127	146	167	219	52	31%
Profit before Tax	112	107	95	161	234	73	45%
Tax Expenses	28	32	15	40	57	17	43%
Profit after Tax	84	75	80	121	177	56	46%

Assets and Liabilities – MVR Millions

	2019	2020	2021	2022	2023	(MVR)	Change (%)
Financing Assets	2,132	2,213	2,346	2,822	4,106	1,284	45%
Total Assets	3,809	4,417	5,496	6,201	8,235	2,034	33%
Customers' Deposits	2,975	3,431	4,435	5,145	6,838	1,693	33%
Total Liabilities	3,239	3,802	4,837	5,418	7,307	1,889	35%
Total Equity	570	615	659	783	928	145	19%
Financing Assets to Deposit Ratio	0.72	0.64	0.53	0.55	0.60		

Profitability - %

	2019	2020	2021	2022	2023
Net Financing Margin	11.14%	10.61%	11.39%	11.58%	11.27%
Return on Assets	2.37%	1.83%	1.61%	2.07%	2.45%
Return on Equity (After Tax)	18.44%	12.70%	12.50%	16.80%	20.63%
Gross Non Performing Advance Ratio	2.71%	4.97%	7.10%	5.54%	4.13%
Net Non Performing Advance Ratio	2.75%	5.08%	7.34%	5.72%	4.24%
Povision Cover	50.3%	40.2%	47.1%	57.4%	64.3%

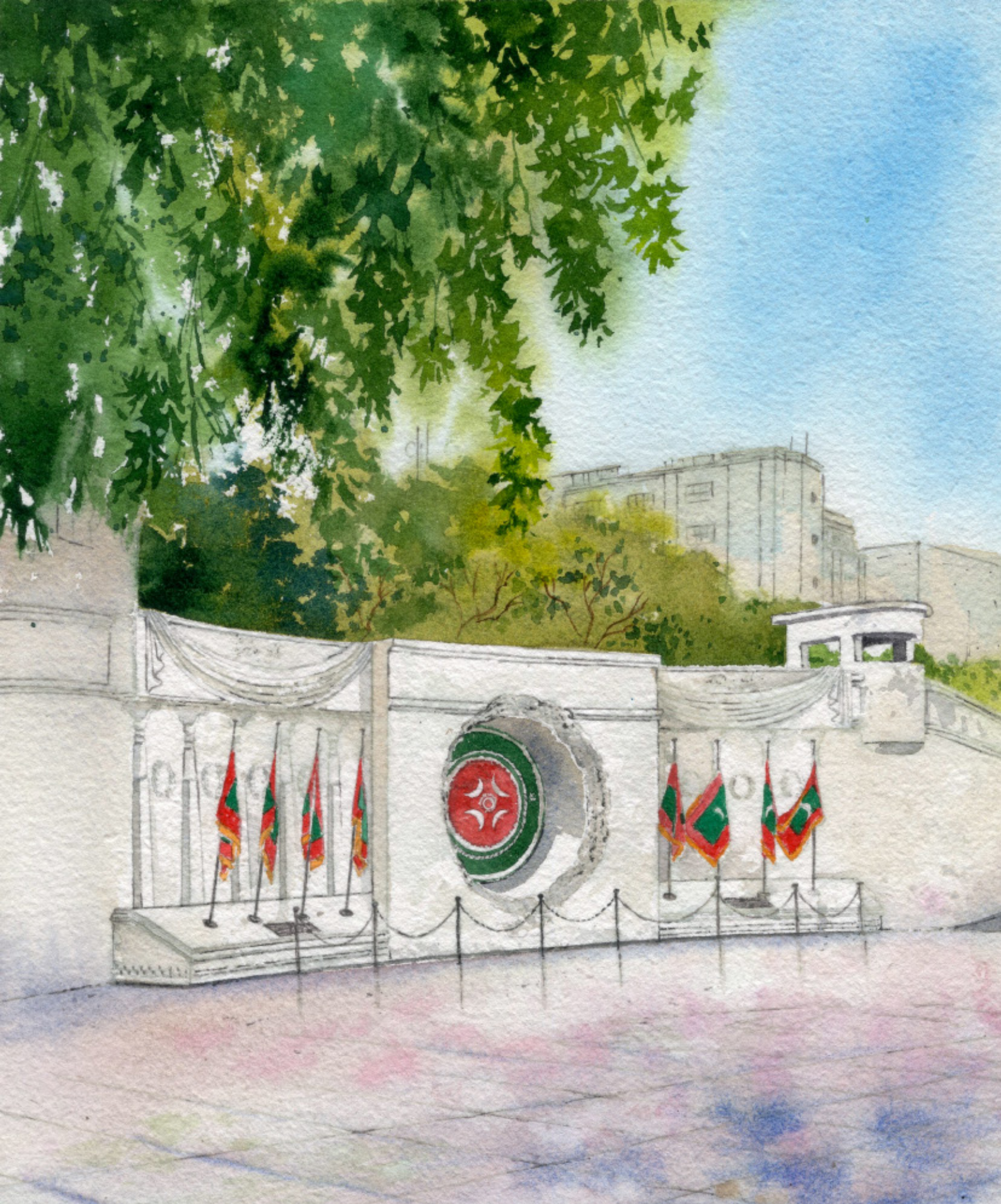
Investor Information – MVR *

	2019	2020	2021	2022	2023
Net Asset Value per Share (MVR)	25	27	29	35	41
Earnings per Share - Post Tax (MVR)	4	3	4	5	8
Net Asset Value per Share (MVR) - Adjusted for Share Split	25	27	29	35	41
Earnings per Share - Post Tax (MVR) - Adjusted for Share Split	4	3	4	5	8

* Share split at a ratio of 1:100 was effective from 26th March 2019 and an additional 4,500,000 were issued to the public through the IPO.

Capital Adequacy Ratios - %

	2019	2020	2021	2022	2023
Tier 1 Risk Based Capital Ratio (Minimum 6%)	15%	18%	17%	15%	11%
Total Risk Based Capital Ratio (Minimum 12%)	18%	22%	20%	19%	15%



Victory Monument

The Victory Monument is a symbol of national pride, commemorating the victory over a coup attempt by the PLOTE on November 3.

Artwork by: Shimha Shakeeb

STRATEGIC DRIVERS

Last year, MIB strategized to build on its digital innovation and technology, focused on enhancing its operations and customer convenience. The Bank also proceeded with a focus of Asset Diversification, and new solutions were rolled out to achieve a Stable Funding Book. Further projects were laid out to enhance the Distribution of the Bank and tap into new market segments. In 2023, customer experience and convenience were continued to be a priority. Convenient Payment mechanisms were established for retail as well as corporate customers and Alternative Distribution Channels were further enhanced. Strategic initiatives to drive the Fee Revenue were driven as another priority in addition to enhancing the cross-selling.

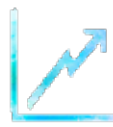
Whilst continuing to invest in customers, markets, people, technology and finance, the Bank concurrently continued to place a higher emphasis on its CSR and ESG driven projects. The Sustainable and Green financing initiatives were continued, while operational process re-engineering and re-orientations were brought to reduce the impact of the Bank's own operations on itself, the environment and the communities.

The primary strategic drivers for 2023 stems from four areas:

Leveraging Digital Transformation and Innovation



Asset Diversification focus on Retail and Corporate



Deepen Customer Centric Approach



Concentrate on CASA Deposits to create stable funding book



Leveraging Digital Transformation & Innovation

Expanding and fortifying the Bank's current digital infrastructure is considered pivotal by MIB. In conjunction with the objective of improving customer experience and facilitating broader financial inclusion in remote regions of the country, MIB persisted in expanding its digital footprint last year. This strategy aligns with shifts in customer behavior and their increasing preference for digital platforms.

Within MIB, 2023 was identified as the year of digital. With particular emphasis on new and improved digital solutions, MIB rolled out game-changing technologies last year. Instant Account Opening was launched for the first time in Maldives. This journey was tested and attested for its success by its customers, as time required to open an MIB account is now effectively reduced to below 5 minutes.

Focusing on the significant increase in digital engagement from customers, the Bank rolled out further upgrades to its digital application submission portal; ApplyNow. One of the most prominent developments in ApplyNow Portal is the integration of eFaas into it, enabling faster and more reliable customer authentication and verification. This portal now serves beyond its original objective of assisting customers with

online applications and document submission, as customers can now update their KYC, apply for various Financing related services, open accounts, apply for cards, send TT Requests, and request for Bank statements, reference letters and facility statements.

Favara, the first Instant Payment System of Maldives was launched during 2023 and MIB became the first few banks to integrate it with MIB's FaisaNet and FaisaMobile together with IPS Routing both for retail and corporate, on front-end and back-end.

MIB's internet banking platform FaisaNet 2.0 was further enhanced during the year with additional features and conveniences. Customers can manage their profiles better as card management options and password reset functions were integrated into the platform. This comes together with enhanced transaction notification alerts, and multiple channels of OTP and authentication.

At MIB, Alternative Distribution Channels (ADCs) continue to serve as a significant component of the Bank's digital strategy. Last year, the Bank rolled out more POS machines to new merchants and market segments, in accordance with the carefully laid out deployment strategy to acquire more market share in ADC. A new Visa Business Card was launched, and the existing business cardholder base was re-carded with this new card. MIB continued to promote the use of its Instant Cards given the flexibility and convenience it offers to its customers.

Last year, MIB continued to roll out more Electronic Cash Recycler Machines (ECRMs) at different regions in Maldives, including Vilimale' and Hulhumale'. Existing machines were continuously serviced and updated with security patches to ensure it remains intelligent and active.

Being wary of the local and global cybersecurity landscape, and in reflection to the increased cybercrimes in Maldives during past years, MIB continued its ventures into safeguarding its customers and their assets with the Bank. This includes deploying digital enhancements to back-end processes and strengthening the internal ICT governance. More than 15 new ICT policies were developed and implemented in 2023, with additional policies under review. A new Information Security Unit was established within the Bank that plays a crucial role in mitigating the info sec related risks.

MIB's digital transformation journey was further supplemented by the digital culture established within the Bank. Last year, MIB continued to reskill its existing talents with regular information and awareness sessions on cybersecurity and information security.

Last year, the Bank digitized its predominant financing processes with a new end-to-end UjaalaaNow Portal. Additionally, AI powered chat assistance was incorporated into the new website. Offline Backup systems were deployed, and Security Operation Centers were established. In addition to this, the Bank also continued to enhance and streamline its back-end processes with improved digital technologies, delivering better operational efficiency.

Asset Diversification Focus on Retail and Corporate and Concentration on CASA deposits

MIB is the second largest retail bank in the country. As a trusted retail bank, MIB leverages on providing a range of specifically tailored financial services and products that directly matches the needs of individual consumers and small businesses.

During the year, MIB rolled out carefully designed new deposit and financing solutions with further enhancements to the existing products. A dedicated club membership was offered to all customers who route their monthly salaries to MIB. This MIB9 club offers exclusive benefits to its members including the allocation of USD limits to their MVR Everyday Cards. The initial monthly allocation of USD100 was further enhanced before the end of the year to match the market rates of USD250.

Deposit and investment solutions which offer some of the highest profit-sharing rates in the market were continued throughout the year. Schedule of fees and profit rates were reviewed and updated to reflect the best practices and market conditions.

In order to further complement its status as a retail banking leader with a well-rounded line of products, the Bank initiated deployment of USD ECRMs during the year. MIB also launched the concept of mini branches or sales center-based banking in strategic locations cross the Maldives, which act as regional MIB hubs with devoted resources to cater the retail banking needs of the regional customers. MIB's retail products were broadly complemented with year-long savings and deposit campaigns as well as card and retail financing offers.

The Bank's primary financing line of Ujaalaa Dhiriulhun Financing Facility was also enhanced during the year to offer more coverage, higher limits and easier access. New retail customer segments who were previously not eligible for Ujaalaa financing was accepted into the pool including deposit holders and professional income earners. To address the dire need of acquire cash for emergencies, MIB launched Ujaalaa Cash which offers up to 30% of customer's credit limit without any documentation.

During 2023, the Bank's Asset Book comprising of a portfolio of retail, corporate and SME financing products recorded a growth of 20% compared to 2022, while retail financing solution of Ujaalaa recorded a growth of 40% during the year. MIB's retail portfolio continues to contribute the highest share of the Bank's Asset book.

While MIB remains broadly a retail bank, SME and corporate segments are gaining momentum. Various initiatives targeted towards SMEs were undertaken including the launch of cash term financing and dedicated cash lines, opening a dedicated business center, launch of new business cards and revamping FaisaNet platform to better serve business customer needs. MIB's SME financing product launched during the earlier year was successfully continued during 2022. This solution allowed SMEs to obtain financing without a mortgage up to a certain limit. Last year, MIB provided financing to 52 SMEs for development and expansion of their business.

Deepen Customer-Centric Approach

MIB's commitment to being a customer-centric bank is a guiding principle in every decision made, ensuring that the Bank's services are tailored to enhance the customer experience.

Last year, significant service enhancements were made to further complement the customer experience and customer centricity. One of the most notable improvements in this regard is the establishment of centralized ops within the Bank. Together with this, the Bank established segregated branch front-end and back-ends to offer more focused support to all its clients. With this service re-orientation, MIB branches were able to serve their customers better and with improved turnaround times. Central processing of applications also enabled branches staff to divert more focus and attention to attending customers on the ground.

As part of improving user experience and customer-centricity, MIB continued to leverage modern and improved digital banking solutions which were designed and upgraded to better reflect customer demands. New digital solutions were launched both on the assets and liabilities front, offering convenience to customers, while the dedicated ADC teams continued their commitment to enhance and improve service delivery through the Bank's ADC channels.

As part of improving the customer service standards and customer-centric culture at branch front-end, a Mystery Shopper project was run during the year, and various corrective measures were adopted including changing the physical arrangements of branch counters.

The Bank embraces client relationships, innovation, and quality as fundamental principles of its customer centric approach. Last year, MIB established a dedicated team of Relationship Managers who assist our corporate customers and more affluent retail customers with their banking needs. This, together with the Premier Banking services offered by the Bank allows our team to provide personalized solutions and exceptional service to each and every client with due care.

In recognition of the role MIB can play in assisting its customers with managing their financing, MIB established a dedicated Credit and Collections unit within the Bank during 2023. This team keeps track of customers monthly payments and proactively reach to customers who show signs of distress to offer help and assistance in better managing their financial commitments.

Moreover, the Bank consistently monitors customer feedback and inquiries using customer care ticketing systems and continues to improve the turnaround time of complaint resolutions. In its commitment to transparency in customer interactions, the Bank also offers financial planning, product knowledge, and information about product synopsis and associated risks to its clients.

STAFF DEVELOPMENT ACTIVITIES

Agile & Robust Team

The success of MIB primarily derives from the capabilities of its skilled employees, fueled by motivation, exemplary performance, extensive experience, comprehensive and specialized knowledge in Islamic banking, and the agility to navigate various challenges in a dynamic business landscape. During 2023, MIB's People was recognized as one of the primary elements of its strategy. The Bank initiated and completed a significant revamp of its people strategy as an independent HR Review and Consultancy was carried out. This project laid bare the gaps in the Bank's organizational structure and the areas for improvement in terms of policy implementation and other HR related areas. A new organizational structure approved by the Board of Directors was implemented with a more precise definition of job roles and functions.

The Bank also continued to offer benefits which are commensurate with the employees' contribution to the Bank, including revision of pay packages, improved salaries, takaful plans, pension schemes and other benefits. Regular motivational events and Staff Town Hall meetings were held which also served as avenues to further strengthen the corporate culture.

The bank safeguards its staff and their rights through a range of policies and procedures, such as the Whistleblowing Policy, Prevention of Sexual Harassment Policy, Conflict of Interest Policy, and HR Policy Manual. These protocols are consistently reviewed and revised to align with regulatory changes and market trends.

During 2023, the Bank conducted all mandatory training programs including AML training and Information Security Awareness training for all staff. Recognizing the significance of a well-taught and resilient workforce, the Bank accelerated learning and development avenues. Last year, more than 50 trainings were conducted, which consisted of 7,460 learning hours and employees used on average 26 hours of learning and development on various subjects.

Additionally, the following are some of the note-worthy staff development activities that took place during the year.

Introduction of Online Training Portal

During 2023, a new online training portal was launched with over 700 different training programs on various topics and soft skills. This serves as a significant component of the Bank's learning culture as staff were allowed to take part in trainings that would enhance their professional as well as personal skills. During 2023, 698 courses were active and a total of 4,358 hours of training has been conducted through this platform. The Bank promotes a learning culture by linking it to the Balance Scorecard and individual KPIs of its staff.

Management Trainee Program

The Bank continued its Management Trainee Program where potential resources were identified from the market and developed through an aggressive year-long program. This also serves as an integral part of the Bank's succession planning.

Team Building Activities

During the year, various team building activities were organized and conducted by MIB. These include internal events as well as events which were organized in conjunction with other partner organizations.

Moreover, throughout 2023, numerous internal training and development initiatives were undertaken, encompassing regular Shari'ah trainings and refresher sessions focusing on cybersecurity and technology. Employees who pursued higher education were duly acknowledged and rewarded accordingly.

Last year, the Bank's Staff Association MIBSA played a significant role in promoting a healthy and friendly working environment and building inter-departmental relationships within the Bank. Various recreational activities were conducted during 2023 to all members of MIBSA, including Inter-House Futsal competition and Inter-office Billiard Championship among others. MIBSA also played a pivotal role in organizing the Staff Night conducted in 2023 and took an active role in various CSR and customer activities.













Paree Fengandu (Laamu)

Paree Fengandu, also known as the 'Fairy Pond', is a magical freshwater pond located in Laamu Atoll, Maldives.

Artwork by: Shimha Shakeeb

KEY EVENTS OF 2023

In 2023, MIB continued to successfully execute its vision and strategy as the Bank pursued an aggressive growth journey, with particular emphasis on accelerating digitization. New end-to-end digital banking solutions were released to the market which served as catalysts for enhancing the banking experience of the customers, both on assets and liabilities front. As MIB continued to pioneer innovative banking solutions and deliver market firsts, the underlying financial performance of the Bank remained strong. 2023 was one of the finest years MIB has seen in terms of its bottom line and Balance Sheet growth.

Recognizing the significance of enhancing customer convenience and delivering exceptional service standards, MIB continued to invest further resources towards fostering a culture of customer centricity within the Bank. The Bank's customer-centric approach during 2023 was supported by a range of enhanced products, upgraded data infrastructure, analytical tools and ongoing development in internal capabilities from a technological and human capital perspective.

Whilst remaining vigilant of the economic and other challenges, MIB continued to make progress and deliver notable improvements on its key performance measures during the year. Without fail and without exclusion, the Bank remained steadfast in delivering strategic value proposition to all its stakeholders. To further elevate the Bank's presence across the country, a significant focus was given during 2023 to implement a carefully laid out expansion strategy. Driving on the success of the previous year's strategy, the Bank continued to further enhance its focused distribution strategy.

Along with all the new initiatives and milestones achieved, the Bank concluded the year with strong financial results and operational performance. In 2023, MIB achieved resilient and sustainable growth, all the while prioritizing value delivery to its customers and stakeholders, through the following key initiatives executed.

Deployment of First USD ECRM

MIB launched its first ever USD Cash Recycler Machine during the first quarter of the year as a 24-hour Self Service Center, which houses an ECRM for deposit and withdrawal of USD notes. The machine was located at the previous Baazaar Service Center of MIB located at Faamudheyryge, Male'. The ATM designated for USD transactions is available for customers holding MIB dollar accounts and allows a daily withdrawal limit of USD 1,000 and accepts deposits up to USD 12,000. Through this ATM, customers can conduct deposit and withdrawal using an OTP sent to their mobile phones, without using their cards.



First ATM Centre of Vilimale'

Backed with the Bank's mandate of providing customers with ease of access to banking and its strategic priority of enhancing customer experience, MIB opened a new deposit ATM at Vilimale' during March 2023. This ATM was inaugurated by the Chairman of MIB and Mayor of Male' City Council at the time. This machine comes equipped with automated cash and cheque deposit functionality among others, allowing customers to conduct deposit and withdrawals using an OTP sent to their mobile phones, without using their cards.



Launch of MIB9 Club

MIB9 Club was launched on 15th June 2023 as a members' only scheme, providing exclusive benefits to MIB account holders who route their salary to MIB. Members of MIB9 club enjoy several privileges, including a foreign transaction limit of USD 250 per month allocated to their Visa Everyday Card for ecommerce transactions. Additionally, MIB9 offers preferential financing benefits for the club members including reduced financing rate and lower processing fee for financing availed through Ujaalaa Dhiriulhun scheme. Members of this club can also enjoy easier access to support as well as waiver of joining fee on their Visa Everyday Card and one additional Visa Everyday Aailaa Card.



First ATM Center of Hulhumale' Phase II

Last year, MIB opened the first ATM Center of Hulhumale' Phase II at Vinares Towers. This center is located at Vinares Block 10, adjacent to Hiya Flat 5. The establishment of a first ATM Center catering to the residents of Hulhumale' Phase II is as per the Bank's strategic aim of providing the communities with ease of access to banking services. Being the first ATM Center established by a bank in Hulhumale' Phase II, MIB's ATM center became a strategically significant center for the growing community of Phase II, providing much needed convenience in self-service banking needs. MIB Vinares ATM Center was inaugurated by the then MD of HDC Mr. Ahmed Athif on 19th June 2023.



ATM Charges Waived for all

As a commendable initiative by a bank in the Maldives, MIB announced during 2023, that the Bank had waived all charges and fees on All domestic cardholders who uses MIB ATMs located across the country. This is a first-in-the-nation initiative by MIB and was announced by the CEO of MIB during the official inauguration of the first ever ATM at Hulhumale' Phase II. With this move, MIB customers can also use other bank ATMs without any charges from MIB.



Enhanced Ujaalaa Dhiriulhun Financing Facility

In a bid to enhance customer experience and to offer a product that aligns more closely with customer needs, MIB upgraded its Ujaalaa Dhiriulhun Financing Scheme during 2023. The enhancement of this scheme provides better coverage for eligible customers with a higher financing limit of up to MVR 700,000 and extended tenures up to 60 months. Additionally, customers do not require to bring in a guarantor anymore, while early settlement option is now available from 12 months onwards. Further to this, deposit holders and professional income earners are now eligible for financing under this scheme.



Fully Online Account Opening Journey

Yet another pioneering move in the market, MIB introduced a Fully Online Digital Onboarding journey during 2023. With this innovation, customers no longer need to visit a branch, endure queues to submit applications, sign physical signature cards, or undergo in-person verification. They can now effortlessly submit account applications, order debit cards, register for internet banking, and embark on their banking journey from the convenience of their homes. MIB is dedicated to continually enhancing customer experience, ensuring customers across the country can bank seamlessly from wherever they are.



New Website and Digital Help Center

In June 2023, MIB introduced a new website, incorporating an advanced AI Bot specifically crafted to aid customers with their inquiries. This revamped platform also offers several new CustomerCare channels aimed at enhancing self-service support, including FAQs, Guided CustomerCare Journey, an AI CustomerCare BOT, and real-time chat with CustomerCare Live Agents. Additionally, the updated website boasts smart features such as the option to lodge a ticket and estimate financing limits and monthly payments for Ujaalaa Financing (Retail Financing) facilities, all geared towards providing enhanced assistance to customers.

FaisaNet Enhancements Card Management & Security Alerts

During the year, MIB introduced new features on FaisaNet, aimed at enriching customers' card management experiences and offering greater control and flexibility over their accounts. With this development, customers can conveniently activate a new card and set their preferred PIN, change the PIN of cards, freeze or unfreeze cards, and block cards, all through the bank's internet banking platform. MIB remains dedicated to enhancing FaisaNet services to meet the evolving needs of its expanding customer base.

Furthermore, FaisaNet and FaisaMobile were upgraded to notify customers via email whenever an account login activity is detected on new devices or browsers, ensuring enhanced security, especially for unfamiliar access attempts.



Opening of Business Centre

As an integral component of MIB's commitment to broadening banking services, the first Business Centre of MIB was inaugurated on July 16, 2023, at H. Marine Dream, Boduthakurufaanu Magu. This newly established Business Centre features a dedicated area for collecting cards and cheque books, as well as a more spacious ATM center supporting both USD and MVR deposits. The Business Centre was launched with a specialized business lounge designed to cater to the needs of both personal and business banking customers, offering consultancy services and non-transactional assistance.

ApplyNow 2.0

As another move towards further digitizing the Bank's services, MIB launched the upgraded version of the ApplyNow Portal during 2023. This upgrade introduces a guest section tailored for prospective customers, offering essential services such as initial account opening for individuals, financing application services, and consultancy requests for financing and e-banking services. The ApplyNow Portal now integrates with eFaas, streamlining processes for more efficient services with the Bank.

Favara Instant Payment System

MIB stands among the pioneering banks to integrate the Favara Instant Payment System into its internet banking platform. This innovative system revolutionizes transactions, enabling customers to conduct seamless transfers between MIB, BML, and SBI within



seconds, providing unparalleled convenience and efficiency in conducting interbank financial transactions. This milestone signifies a decisive move toward elevating customer experience and accelerating the transition to a more digital financial landscape. Favara transactions are accessible on both FaisaNet and FaisaMobile platforms.

Instant Account Opening

Following the success of the Fully Online Account Opening journey introduced by the Bank earlier in 2023, MIB transitioned to a more advanced onboarding process known as Instant Account Opening, where customers can open an account in less than 15 minutes. This service is a Market First which remains unique to MIB till date. Customers can access the instant account opening platform via MIB's new and improved ApplyNow Portal, which has been re-engineered to provide seamless and expedited account opening experience to the customers. The portal facilitates real-time verification of customers via efaas, enabling instant approval. Customers can also activate the account instantly by depositing the minimum balance and acquire an instant card linked to the account.

Ujaalaa Cash Financing

During October 2023, the Bank launched its first cash-based financing product; Ujaalaa Cash. This was launched as a sub-product of Ujaalaa Financing suite of facilities. The much-awaited cash product allows customers to obtain cash up to 30% of the approved limits with just a customer undertaking. This facility is designed to meet customers' cash requirements for urgent matters, and in situations where only cash will suffice, such as payment of medical bills, home renovation labor costs, and other similar urgencies of life.

Launch Of Visa Business Debit Card

On 02nd November 2023, the Bank introduced its Visa Business Debit card, tailored as a business tool to meet corporate needs, offering enhanced flexibility and convenience in daily banking operations for corporate clients. This card is meticulously designed to align with the preferences and status requirements of business owners, featuring customizable spending limits. Available in both MVR and USD, MIB Visa Business Debit Cards provide cardholders with LoungeKey access and Discount Global offers by Visa. Moreover, business owners have the option to request multiple cards for a single account.



Launch Of UjaalaaNow Portal

With the launch of UjaalaaNow Portal, the end-to-end journey of Ujaalaa Financing has now become fully digital. UjaalaaNow was launched as the central hub for Ujaalaa Financing Facility (UFF), enabling customers to perform all processes relating to Ujaalaa Financing at the convenience of their homes. Through this portal, customers can submit an Ujaalaa Limit application and limit utilization requests with a few clicks. Moreover, the portal facilitates paperless transactions by enabling the acceptance of Letter Offer and Sales Offer through the platform, with authentication conducted via eFaas. Dealers or customers can conveniently upload quotations via this portal. The Portal comes equipped with a personal dashboard which allows customers to view their limit utilization history.

Premier Banking Service

MIB inaugurated premier banking with relationship management service during Q4 of 2023. The service includes assignment of Relationship Managers for Premier Customers, with dedicated Lounge services available at Head Office in Medhuziyaarai Magu as well as Business Center in Boduthakurufaanu Magu. The service was initiated by the Managing Director of Villa Group, Mr. Ibrahim Siyad Qasim. Accompanying the Managing Director of MIB, Mr. Mufaddal Idris Khumri, was some of the Directors as well as the Senior Management of the Bank.



Introduction of Sales Centres

As part of ensuring that the Bank's customers residing across the country have access to MIB's banking services, the Bank introduced Sales Centre banking concept during 2023. Three sales centers were inaugurated during the year in three key regions of the country, strategically positioned to address the significant demand for MIB's presence.

Baa Eydhafushi

On 1st November 2023, MIB launched its first Sales Centre in Eydhafushi, Baa Atoll. This Sales Centre features deposit/withdrawal ATMs for cash transactions. Furthermore, with the innovative account opening process, this Sales Centre is dedicated to guiding new customers through a fully digital onboarding experience. The inaugural ceremony was graced by the presence of Mr. Ahmed Afrah, President of the B Atoll Council and Mr. Mohamed Fathih, President of the Eydhafushi Island Council.

Reflecting MIB's dedication to community involvement, the branch staff have been recruited from the local island. As the



regional service provider for all islands in this area, this Sales Centre promises to be a beacon of convenience and assistance for all its customers.

DH. Kudahuvadho

As a component of the Bank's expansion strategy, the Bank launched outreach banking services in Dhaalu Atoll during December 2023. The establishment of sales centre in Dh. Kudahuvadho aims to provide accessible and efficient services tailored for both individuals and businesses in this region. Customers can presently experience seamless cash transactions through POS cash facilities. A dedicated mobile sales team is in action, actively connecting with the community to ensure a banking experience that is both accessible and convenient for our customers.



ADh. Mahibadhoo

A third Sales Centre by MIB was launched during December 2023 at ADh. Mahibadhoo. The establishment of this sales center aims to offer accessible and efficient services tailored for both individuals and businesses in the region. At this sales center, customers can enjoy seamless cash transactions through POS cash facilities. Additionally, a dedicated mobile sales team is actively engaging with the community to ensure a banking experience that is accessible and convenient for our customers.

REACH AND CONVENIENCE

Whilst the Bank continued to build a resilient digital ecosystem as part of enhancing reach and customer convenience, the Bank did not overlook the need to remain productive in Over-The-Counter ("OTC") services. Recognizing the need to facilitate additional conveniences to those customers who acquire OTC services, various service level enhancements were implemented throughout the year.

Similar to last year, MIB continued to serve its customers for extended banking hours at Male' and Hulhumale' branch since the major pool of customers reside in Greater Male' area. Additionally, considering the high traction the Bank continued to receive for its deposit and investment products, Weekend Account Opening services initiated in the previous year was continued during 2023 at both Male' and Hulhumale' branches. This adjustment not only granted customers increased flexibility and accessibility but also aided the Bank in fulfilling its mandate of actively engaging with customers while consistently delivering customer-centric solutions and service enhancements.

MARKET POSITION OVERVIEW

Pioneering Market Leader for Shari'ah Banking

In its brief existence, MIB has swiftly ascended to a prominent position within the Maldivian banking sector, outpacing its market counterparts. It has earned the trust of local communities and is steadily effecting meaningful changes within the local banking landscape. Presently, MIB is the second largest retail bank in Maldives and the Pioneering Market Leader for Shari'ah Compliant banking, often with solutions that are deemed market firsts. MIB is the only full-fledged Islamic bank in the country and the Market Leader for Shariah banking with the largest Balance Sheet size.

Guided by our philosophy of establishing and developing an Islamic economic and financial system within the Maldives, MIB offers credible and complete range of Shari'ah compliant banking solutions which run at par with the long-standing conventional banking products that are available in the market. The product and service offerings of the Bank continued to grow in 2023, with new deposit solutions and well received financing products launched.

With an accelerated growth strategy implemented throughout 2023, Maldives Islamic Bank was able to further engrave and dignify its position as the Pioneering Market Leader for Shariah Banking in the Maldives. MIB ended FY2023 in a position of

financial and operational resilience, with a growing base of loyal customers and a resilient capital position, and with a strong foundation upon which the Bank will continue to build its business during 2024.

MIB's predominant Ujaalaa suite of retail financing solutions is the most well received product line offered by the Bank. During 2023, the Bank's Ujaalaa line of financing reached to **MVR 1.4 Billion**, while the Net Financing reached to over **MVR 4 Billion**. This is a clear indication of the confidence customers have in MIB's product offerings, which are valued for their competitive edge and reliability.

Like other years, MIB during 2023 continued to invest in systems and process re-arrangements which were intended to bring operational excellences, customer conveniences and safeguard its customers. The Bank's devotion and commitment to deliver safe and secure banking has been attested and acknowledged by its customers who entrusted the Bank with over **MVR 6.8 Billion** of their funds as Deposits.

Today, MIB is not just a pioneering leader for Shari'ah Banking in Maldives, but a significant part of the community that continue to enrich the lives of its customers and stakeholders.



BRAND ENGAGEMENT

Throughout the year, the Bank capitalized on its expertise and its market position as the leading and largest Shariah bank in the country to bolster its deposit portfolio and asset utilization. Numerous brand engagement initiatives aligned with MIB's strategic priorities for 2023 were executed, aiming to further solidify its status as the preferred partner for Shariah banking in Maldives.

Embracing a very selective media strategy, the Bank continued to leverage high impact digital media as a key form of communication during the year. The brand engagement initiatives conducted during the year helped in fostering closer ties and bonds with the Bank's customers and local communities. The Bank paid special attention to delivering accurate and up to date information relating to its services, product lines and operations, whilst continuing to educate the public towards Islamic banking and financing.

Significant Brand Engagement campaigns that were run during the year include:

DEPOSIT CAMPAIGNS

SAVE WITH MIB 2023

The new iteration of Save with MIB campaign was launched during February 2023 and was run until the end of 2023. Last year's Save with MIB campaign was targeted towards customers who newly open their accounts with MIB and for customers who re-activated their accounts during the promotion period. Customers could open or re-activate Savings Account, GIA, Kids Account, Kaamiyaabu Kids Account and Hajj Savings Account to be eligible for the monthly prize. Maldivians who routed a minimum of MVR 2,000 or USD equivalent to their newly opened accounts or re-activated accounts were eligible for the lucky draw of that respective month.

Our annual "Save with MIB's" campaign is a regular promotion that has gained popularity amongst the Bank's customer base.

MIB9 CLUB PROMO

With the launch of MIB9, MIB initiated a product campaign which was run from 15th June 2023 till 15th September 2023. At the end of this campaign, a lucky draw was taken among all active MIB9 members, among which the winner was given a Honda Scoopy Club 12 Motorcycle.



HAJJ SAVINGS CAMPAIGN

This campaign was targeted towards customers who opened and maintained an active Hajj Savings Account with MIB. The campaign was run until end of 2023 and all Maldivians who opened and maintained an active Hajj Savings Account until the end of 2023 were eligible for a lucky draw. Winners of this promotion were selected during February 2024.

BANKING DAYS

Apart from the aforementioned initiatives to bolster the core MIB brand, numerous Banking Day events were held out across the country, focused towards enhancing public understanding towards the accessibility of Shariah-compliant banking and financing solutions in Maldives. These Banking Day events were held during different times of the year across the Greater Male' area, as well as other islands and resorts, facilitating consultation sessions, spreading awareness, and providing convenient access to MIB services.

During the year, special banking day events were conducted for multiple SOEs, private companies and the public, in addition to educating resort islands regarding the benefits of Islamic finance and banking with MIB. These sessions were oriented towards customer onboarding and awareness towards Islamic banking products.



FINANCING CAMPAIGNS

UJAALAA ROADHA PROMOTION

This Ramadan promotion was dedicated to customers who purchase goods using MIB's "Ujaalaa Dhiriulhun" financing facility. Under this promotion, customers who utilized a total amount of MVR 25,000 using Ujaalaa Dhiriulhun facility were eligible for the weekly lucky draw and were eligible for the grand prize of Umrah trip for two. The promotion was run from 5th February 2023 until the end of the first quarter.

UJAALAA OPEN DAY

This Open Day series was dedicated to MIB's flagship financing product Ujaalaa Dhiriulhun Financing facility. Conducted on 17th June 2023, 15th July 2023, 19th August 2023 and 23rd September 2023 across all branches of the Bank, MIB's Ujaalaa Open Day series facilitated an easier avenue for customers to submit their applications to Ujaalaa financing and to receive their limits.



GUESTHOUSE SYMPOSIUM 2023: MAAFUSHI EDITION

The first edition of MIB's Guest House Symposium was conducted on 09th November 2023 at K. Maafushi island. This event was oriented towards educating the guesthouse community regarding the banking and financing solutions available for them at MIB. The Maafushi edition of MIB Guesthouse Symposium was well received by customers and is the first of multiple similar events scheduled to be held across the country.



CARD CAMPAIGNS



CARDUN KANDAALAA CAMPAIGN 1444

The Cardun Kandaalaa Campaign was open for all cardholders holding a Visa Debit Card of the Bank. This promotion was launched during March 2023 and was run until 20th April 2023. Customers who made local purchases using MIB Visa debit card on MIB POS machines were eligible for attractive weekly prizes and a grand prize.

CARDUN KANDAALAA BODUBANDHU PROMOTION

The Cardun Kandaalaa Bondubandhu Promotion was dedicated to all Visa Debit Card holders of the Bank. This promotion was run from 22nd June 2023 until 10th August 2023. Customers who made purchases using MIB Visa debit card were eligible for attractive prizes including 2 nights stay at Aasna Inn, Thulusdhoo, and at Arena Beach, Maafushi. In addition to this, the grand prize of 2 nights stay at Aailaa Fushi Resort was up for grabs for the grand winner of this promotion.

CARDUN KANDAALAA YEAR-END PROMOTION

The Cardun Kandaalaa Year-End Promotion was launched on 01st December 2023 and was run until 31st January 2024. Opened for all Visa card holders of the Bank, customers who performed the maximum number of transactions using their MIB Visa cards locally were eligible to enter a lucky draw with a grand prize of 11 nights 12 days trip to Türkiye.

EVERYDAY BENEFITS

The Everyday Benefits is an ongoing scheme which gives exclusive discounts and special offers to MIB Card holders. This discount scheme offers exclusive discounts from affiliated partners to those customers who pay using their MIB cards through MIB POS machines. With this scheme, customers are eligible for discounts of up to 25% from the participating vendors.

TEACHER'S DAY SPECIAL PROMO

In conjunction with Teachers Day, MIB partnered with local businesses to offer special discounts from selected restaurants and shops to MIB customers who paid for their purchases using MIB Visa Everyday Debit card on MIB POS machines during the Teacher's Day promotion period.

BACK TO SCHOOL CAMPAIGN

MIB's Back to School campaign was run from 23rd July 2023 until 5th August 2023. Aimed towards increasing the utilization of MIB cards for transactions, this campaign offered a chance to win 5% cashback on purchases at partnering shops and outlets.

SPECIAL EVENTS WITH STRATEGIC PARTNERS

The Bank took part in multiple roadshows and special events with strategic partners during 2023, including:

Islamic Finance Exhibition of Maldives

MIB was the main sponsor for the Islamic Finance Exhibition of Maldives (IFEM 2023). This one-day exhibition was held on 11th March 2023 at Islamic University of Maldives. MIB's participation at this exhibition was oriented towards providing information on Islamic Financing and product information in general.



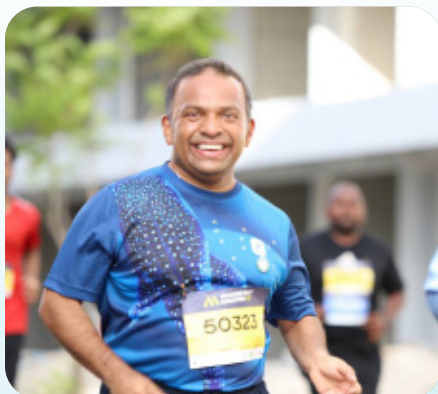
Maldives Living Expo

Last year's Maldives Living Expo was held at Hulhumale' Central Park from 11th to 12th August 2023. It has become a customary practice of the Bank to take part in Maldives Living Expo which is held annually.



Maldives Half Marathon

MIB was a proud sponsor and banking partner for the Maldives Half Marathon conducted at Hulhumale' on 11th March 2023.



Islamic Financial Literacy and Financial Inclusion Survey

MIB was the proud sponsor of Islamic Financial Literacy and Financial Inclusion Survey done by Maldives Capacity Development and Governance Institute ("MCDGI"). The final report was released at Islamic Finance Exhibition of Maldives.

MIB ANNIVERSARY ACTIVITIES

To mark the Bank's 12th anniversary, we organized various events tailored for both our deposit and financing customers. These initiatives encompassed activities such as Weekend Account Opening Days held at our Male' and Hulhumale' branches, along with expedited Same Day Ujaalaa Limit Approval for financing customers who furnished all required documentation.





ESG & SUSTAINABILITY REVIEW

MIB believes in embedding sustainability and responsibility into all its practices where possible and is currently on track to incorporate ESG principles into its corporate strategy. The Bank is currently in the process of formalizing its ESG Policy and the ESG reporting framework which will be adopted in annual reporting going forward. This will also enable the Bank to identify material topics and report more precise data while continuing to improve the operational processes along the lines of sustainability.

At MIB, sustainability is regarded as the creation of long-term value for all stakeholders in financial, operational, environmental, social and governance fronts. This is delivered through responsible governance practices, more sustainable financing initiatives, contribution to development priorities of the Maldives and the United National Sustainable Development Goals (SDGs), CSR practices and by advancing Islamic finance and its knowledge within the country.

Responsible Governance Practices

The Board of Directors of the Bank acts as the governing body of the Bank, responsible for formulating the Bank's overall strategy and providing strategic guidance and direction to the management. The Bank's Management Committee led by MD & CEO is the highest operational level committee. Responsibilities relating to financing and investment, assets and liabilities, IT and technology and projects are cascaded to sub-committees to ensure due attention and focus is given to each area.

MIB is largely compliant with all applicable laws and regulations that are established to safeguard the businesses, communities, its citizens and the environment. At MIB, special attention is given to the highest standards of ethical conduct at all levels, and to report with accuracy and transparency. The Bank and its Board are governed by separate Code of Conducts which embed ethics and best interest of all stakeholders. Last year, the Bank formalized and adopted Board of Directors Charter and Shariah Committee Charter detailing material matters surrounding their individual governance.

The Bank has in place comprehensive policies and procedures that define the parameters within which its employees could act and the ways in which it safeguards the interests of its employees. These include policies designed to govern the workplace responsibly, including Policy on Prevention of Harassment and Sexual Harassment, Whistleblowing and grievance mechanisms among many. The Bank continues to review and update these policies regularly to reflect the changing in laws and regulations and the new working conditions.

The Bank is committed to provide a safe workplace to all its employees and safeguard their rights. MIB provides an inclusive Health Benefits package to all employees of the Bank without exception. Last year, the Bank also revised its staff benefit scheme to better align with the ever-growing roles of the staff. Whistle Blowing Committee and Anti-Sexual Harassment

Committee continued their work during the year. In 2023, no cases of harassment against a staff member were reported, and no issues were investigated by the Whistleblowing Committee. While more than 50% of staff are female members, MIB is a champion for Gender Equality and maintains Pay Parity.

MIB adopts sound data protection mechanisms as part of safeguarding its customers and their assets. The policies and procedures for document archiving and retention are clearly defined and thoroughly followed. These practices are regularly refined and updated to reflect the changes within its operating landscape. In MIB's narrative of becoming a sustainably driven and governed organization, the Bank ensures to embed Shari'ah values and principles into its daily operations and extend help beyond its normal course of business.

Sustainable Financing Initiatives

Last year, MIB continued to offer its sustainable and greener financing solution of Low-Cost Financing offered to Hakathari Labelled Products. This is one of the lowest cost financing schemes in the country offered for Hakathari Labelled Products. Hakathari Program is an energy efficiency labelling program introduced by the Ministry of Environment, Climate Change and Technology, aimed towards promoting the use of energy-efficient appliances and equipment. Under this scheme, customers can purchase any of the Hakathari labelled products at the profit rate of 10% per annum.

MIB will continue to pursue further avenues to offer improved greener financing solutions, including reducing the emissions financed by the Bank and offering exclusive benefits to sustainable and green ventures.

Corporate Social Responsibility (CSR)

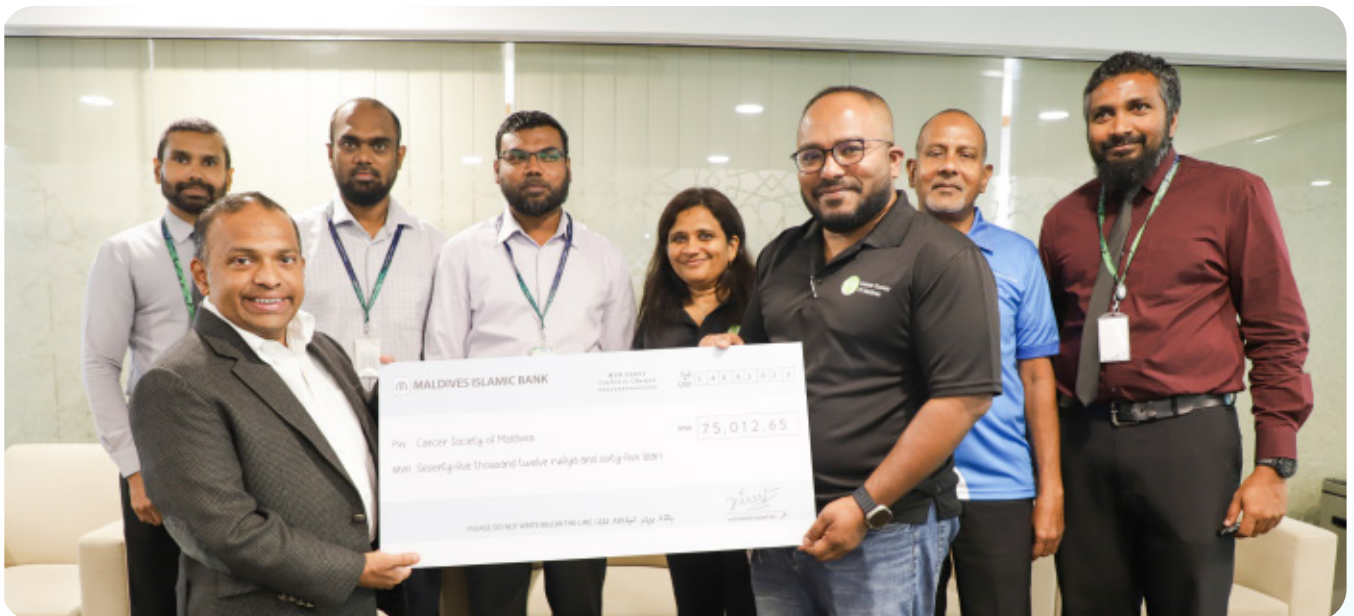
The Bank's CSR initiatives are geared towards cultivating opportunities for individuals and communities to bolster the social cohesion of the nation. MIB's CSR priorities lie in areas where it can have a notable impact on society, health, environment, youth, and education. The Bank is committed to delivering value beyond banking and strives to contribute positively to broader society, with a particular emphasis on education and financial literacy.

During the year, the Bank provided financial assistance to Ministry of Islamic Affairs towards the Ihyaa Forum organized by the Ministry. This is a festive religious educational forum conducted by Ministry of Islamic Affairs every Ramadan.

As part of enhancing public health awareness, the Bank gave financial assistance to the Cancer Society of Maldives to support their Prostate Cancer Screening campaigns. The Bank also conducted a similar camp for its staff during the year in collaboration with the Cancer Society.

Acknowledging its contribution in building a sustainable environment, the Bank conducted a beach cleaning event at Hulhumale' in collaboration with Save The Beach Maldives and showcased the Bank's ongoing commitment towards creating safer and cleaner beaches whilst raising awareness regarding the plastic pollution faced by all islands.

Additionally, the Bank provided financial assistance of MVR 100,000 to Rotary Club of Male' during the year, in support of transforming Kudakudhinge Bageecha into an inclusive playground for all children, including the very special and differently abled children. Under this project, Kudakudhinge Bageecha will see improved accessibility and specialized play equipment and sets installed.



Advancing Islamic Finance

As a continued commitment towards the community, MIB continued to leverage its strength as a thought leader to advance and promote Islamic finance throughout the country. Multiple engagements were conducted and hosted at local and national level in order to enhance knowledge on Islamic finance within the Maldives.

During the year, MIB took part in significant forums organized by strategic partners including the Islamic Finance Exhibition of Maldives and Maldives Living Expo and conducted forums of its own including Guesthouse Symposium and Banking Day events at various islands, resorts and companies at greater Male' area.

Additionally, MIB took the lead and initiative in conducting a forum of Local Scholars who all gathered to contribute their knowledge towards the current and new trends of Islamic finance. This forum contributed significantly for the development of Islamic finance in Maldives as the scholars agreed on new innovative concepts of Islamic finance suitable for Maldives.


During 2023, Islamic finance information and awareness sessions were held at multiple islands and resorts, several SOE offices including Road Development Corporation (RDC), State Trading Organization (STO), MWSC, MIFCO and MACL, and government offices including Maldives Police Service, Hulhumale' Hospital, Department of National Registration, various government ministries, subsidiary companies of SOEs including Fuel Supplies Maldives (FSM), Maldivian Gas and at various privately owned business entities. These sessions have created a higher sense of awareness and understanding towards the benefits of Islamic financing and has yielded a positive drive towards banking with a full-fledged Shariah bank.







Contributing to Development Priorities of Maldives and UN SDGs

MIB recognizes its role in promoting the well-being and livelihood of the communities in which it operates in. The Bank understands its position as a catalyst for implementing actions towards sustainable development. Through targeted initiatives and practices which are beneficial to economy, society and environment, MIB aspires to inculcate the values of sustainability and responsibility in its business practices, and lead by contributing to SDGs where it matters most.

The table below shows show MIB's sustainability related practices across various areas impact its stakeholder groups and aligns with the UN SDGs.

Area	Initiatives	Impacts	SDGs
Community Support	<p>CSR Activities.</p> <p>Support for Local talents & artists.</p> <p>Recruitment & retention of talents from local islands to local branches.</p> <p>Support to local NGOs.</p> <p>Continuation of MIB Charity Fund towards education, Health Care and Orphan Care.</p>	<p>Promotion of local talents and artists.</p> <p>Gainful employment opportunities.</p> <p>Promotion of local NGOs.</p> <p>Making a positive contribution to society and community.</p>	   
People & Employment	<p>Improved Pay & Pay Parity.</p> <p>Revision of organizational structure and jobs roles.</p> <p>Learning & development avenues.</p> <p>Performance linked pay.</p> <p>Staff Networking and Town Halls.</p> <p>Diversified and inclusive workforce of locals, expats, Muslims & Non-Muslims without differentiation.</p> <p>Gender balanced workforce.</p> <p>Management Trainee Program.</p>	<p>Professional development of staff.</p> <p>Competitive salaries and benefits.</p> <p>Equal opportunities and fairness.</p> <p>Over 54% of female workforce.</p>	   
Environment	<p>Installation of Solar Panels at MIB Fuvahmulah Branch.</p> <p>Digitalized application processes for account opening and Ujaalaa financing with ApplyNow and UjaalaaNow Portals.</p> <p>Elimination of single use plastic bottles.</p> <p>Introduced & Distributes MIB branded reusable shopping bags.</p> <p>Reduction of utility usage, with auto sensors for lights and ACs installed.</p>	<p>Reduced monthly utility charges of Fuvahmulah Branch by more than 85% through solar panels.</p> <p>Reduced paper usage and improved operational efficiencies with ApplyNow and UjaalaaNow Portals.</p> <p>Reduction in emissions and carbon footprint.</p>	   

Area	Initiatives	Impacts	SDGs
Sustainable & Inclusive Finance	<p>New and improved full-fledged Shariah compliant products.</p> <p>Financing towards the development of local SMEs.</p> <p>Low-cost financing at 10% for Hakathari products continued.</p> <p>Digital and modern banking solutions integrated including IPS among others.</p>	<p>More than 50 SMEs provided financing to develop their ventures.</p> <p>Easy to use digital channels and secure banking for all.</p> <p>Better access to financing and services.</p> <p>Positive impacts through its products.</p>	   





Addu Nature Park

A picturesque sanctuary in Hithadhoo Island, featuring the stunning Eydhigali Kilhi wetlands and protected Koatthey area.

Artwork by: Shimha Shakeeb

FUTURE OUTLOOK

Economic Backdrop

Maldives ended 2023 in a challenging situation, with real GDP growth estimates lower than the expected growth of 8.7%. The current account deficit continued to worsen as it was expected to reach 22% of GDP in 2023, after recording 16% of GDP in 2022. The ongoing impact of various policy stimulus and geopolitical tensions continued to influence local as well as the global environment negatively. Central banks worldwide responded to persistent inflation by implementing measures such as raising interest rates to mitigate its effects. This resulted in increased funding costs for banks, as customers sought higher-yielding alternatives and shifted their deposits accordingly.

On a positive note, the domestic inflation rate continued its downward trend, decreasing from 3.1% in Q2-2023 to 2.3% in Q4-2023, with further deceleration expected to 0.7% for Q1-2024. The real GDP growth projections for 2024 remain positive at 5.5%. According to the IMF World Economic Outlook January 2024 update, global growth is anticipated to remain relatively stable at 3.1% in 2024. This growth is expected to be supported by a faster-than-anticipated decrease in inflation.

However, the potential enactment of proposed subsidy reforms in 2024 is anticipated to drive domestic inflation rates up to 3.9% for the year. There is a notable level of uncertainty surrounding the domestic growth outlook, with risks remaining skewed to the downside. Elevated central bank policy rates aimed at managing inflation expectations, coupled with the potential withdrawal of fiscal support across countries due to high debt levels, are projected to dampen growth in 2024 and persist into 2025. Global growth is forecasted to reach 3.2% in 2025, remaining significantly below the historical average of 3.8%.

Way Ahead

Despite the macroeconomic and geopolitical challenges, it is anticipated that the market will remain resilient. The negative effects of headwinds ahead can be mitigated with carefully laid out strategies and policies. As market demographics evolve and customer preferences linger towards convenience, digital banking channels have gained increased traction and are poised to have a more significant impact on the Bank's future growth trajectory. This year, MIB will persist in advancing its digital innovations and technologies to further improve its front-end and back-end operations and enhance customer convenience.

Building on the achievements and insights gained from the previous year, MIB will extend its efforts to streamline and digitalize the Bank's financing processes, credit and risk rating models, while continuing to improve operational and cybersecurity

risk management capabilities. As the Bank continues to leverage innovation as a strategic catalyst, particular emphasis will be placed on integrating sustainability and ESG practices into the business and operational framework to positively impact the communities in which we operate. The Sustainable and Green financing initiatives will be continued, while operational process re-engineering and re-orientations are hoped to reduce the impact of its own operations on the environment and the communities.

Moving forward, the Bank is prioritizing Asset Diversification. New initiatives will be launched, aimed at achieving a Stable Funding Book, alongside deploying additional projects to improve Distribution and access new market segments. Customer experience and convenience will continue to remain paramount this year. Convenient payment mechanisms for both retail and corporate customers will be established, with a further objective of enhancing ADCs. Increasing Fee Revenue also remains a strategic priority, along with a special focus on cultivating a loyal customer base through cross-selling of banking and financing solutions.

The Bank remains optimistic about its performance going ahead, as the Bank's financial discipline, capital hierarchy, persistent innovations and operational resilience will continue to be the key drivers of the business.

INVESTOR INFORMATION

No. of securities traded in 2023

17,388

Earnings per security

MVR 8.00

Total value of securities traded in 2023

MVR 1,285,314.00

Net asset value per security

MVR 41.00

Total Trades

126

Dividend per security (for 2022)

MVR 1.75

Weighted Average Traded Price

MVR 73.92

No. of Shareholders
as at 31st December 2023

16,178

Market Movements & Other Investor Statistics

Highest traded price

MVR 200.00

Last traded price

MVR 100.00
(on 27 December 2023)

Lowest traded price

MVR 33.00

Market Value as at 31st December 2023

MVR 100.00

First traded price

MVR 42.00
(on 03 January 2023)

Market Capitalisation in 2023

MVR 1,663,200,517.44



Vaavu Shipwreck

The Vaavu Shipwreck, known as the Rannamaari, is an obsolete sand-dredging ship deliberately submerged to create a wreck diving site.

Artwork by: Shimha Shakeeb

CORPORATE GOVERNANCE

The Board of Directors of the Bank is dedicated to upholding the highest standards of Corporate Governance throughout the organization. The Bank has developed a governance framework designed to protect the interests of all stakeholders while simultaneously improving shareholder value and the financial performance of the Bank. MIB's corporate governance framework encapsulates proficient leadership, robust internal controls, a culture of strong risk management and compliance, and is founded on the principles of transparency and accountability.

At MIB, the Board embraces global best practices in governance to meet stakeholder expectations, prioritizing accountability and independence in decision-making across all functions of the Bank. Compliance with regulatory requirements, pertinent to the Bank's status as a licensed and listed Islamic bank, plays a crucial role in molding the Bank's internal values and corporate governance ethos and culture. MIB diligently adheres to all relevant laws, regulations, codes, and rules, including governance directives from authorities such as the Maldives Monetary Authority, Capital Market Development Authority, Ministry of Economic Development, and Maldives Stock Exchange.

The Bank's internal policies, procedures and control systems are driven by these regulatory requirements and other internal frameworks such as Articles of Association, Code of Conducts, Terms of References, Policy Frameworks and Rulings.

COMPOSITION OF THE BOARD

The Board of Directors serves as the top governing authority of the Bank, holding ultimate accountability for the Bank's strategic goals, organizational framework, and financial stability. The Board prioritizes structuring itself thoughtfully in terms of leadership, size, and committee utilization to efficiently fulfill its oversight duties and other assigned responsibilities.

In accordance with the Bank's Articles of Association, the Board of the Bank is comprised of 11 Directors and is formed as per below:

- The Board shall not be less than 09 (nine) Directors and shall include at least 04 (four) Nominee Directors, at least 01 (one) Elected Director, at least 02 (two) Independent Directors and at least 02 (two) Executive Directors.
- Pursuant to Article 41 of the Bank's Article of Association, shareholders shall have the right to appoint 01 (one) Director for each 14% (fourteen percent) of the total issued shares in the Bank held by that respective shareholder. In a situation where the shareholder has less than 14% (fourteen percent) but holds the shares closest to 14% (fourteen percent) of the total issued shares in the Company, compared to the other shareholder, the shareholder who holds the shares closest to 14% (fourteen percent) of the total issued shares in the Company shall be entitled to appoint 1 (one) Director.
- As per Article 42, at least 01 (one) Director shall be appointed to the Board of Directors from the Public Shareholders even if the percentage held by Public Shareholders is less than 14% (fourteen percent).
- As per Article 63, the Chairman of the Board shall be nominated by the single largest shareholder at that given time. Currently, Islamic Corporation for the Development of the Private Sector (ICD) is the single largest shareholder of the Bank with 33% shareholding.

The composition of the Board conforms to the guidelines set forth by MMA's Regulation on Corporate Governance for Banks, Insurance Companies, and Finance Companies (Regulation No. 2020/R-59), as well as section 1.2, Part 2 of the Corporate Governance Code of the Capital Market Development Authority.

Comprising a blend of executive, non-executive, and independent directors, the Board maintains an appropriate balance of skills and experience and ensures unbiased and effective guidance is provided to the management in a timely manner.

Composition of the Board of Directors during 2023

The year began with a total of 11 (Eleven) Directors on the Board. The following were the 11 (Eleven) Directors on the Board of Directors of the Bank until the 13th Annual General Meeting (AGM) held on 24th May 2023:

Name	Representation	Designation
Mr. KAM Majedur Rahman	Independent Director	Chairman & Non-Executive Independent Director
Mr. Nasser Mohammed Al-Thekair	Nominee Director, ICD	Non-Executive Director
Mr. Moez Baccar	Nominee Director, ICD	Non-Executive Director
Uz. Mohamed Naseem Ibrahim	Nominee Director, Gov. of Maldives	Non-Executive Director
Mr. Ali Shareef	Nominee Director, Pension Office	Non-Executive Director
Mr. Ahmed Ali	Elected Director, Public	Non-Executive Independent Director
Mr. Hassan Mohamed	Nominee Director, Gov. of Maldives	Non-Executive Director
Mr. Rajiv Nandlal Dvivedi	Independent Director	Non-Executive Independent Director
Mr. Osman Kassim	Nominee Director, Amana Takaful (Maldives) Plc	Non-Executive Director
Mr. Mufaddal Idris Khumri	Executive Director	Managing Director & Chief Executive Officer
Mr. Ali Wasif	Executive Director	Executive Director & CFO

During 2023, the composition of the Board of Directors changed as follows:

- Mr. Ali Shareef, Nominee Director representing Pension Office, retired as a Board member on 24th May 2023 at the 13th AGM of the Bank, and was replaced by a new Nominee Director (Mr. Ahmed Shafeez) on the same date.
- Uz. Mohamed Naseem Ibrahim, Nominee Director representing Government of Maldives was re-appointed to the Board for an additional term of 03 (three) years on 23rd July 2023 upon expiry of the serving term.
- The Elected Director was re-elected to the Board for an additional term of 03 (three) years on 23rd July 2023 upon expiry of the initial term. The appointment was confirmed at the 13th AGM held on 24th May 2023.

Following the above changes, the Board consisted of 11 (Eleven) Directors.

Name	Representation	Designation
Mr. KAM Majedur Rahman	Independent Director	Chairman & Non-Executive Independent Director
Mr. Nasser Mohammed Al-Thekair	Nominee Director, ICD	Non-Executive Director
Uz. Mohamed Naseem Ibrahim	Nominee Director, Gov. of Maldives	Non-Executive Director
Mr. Ahmed Ali	Elected Director, Public	Non-Executive Independent Director
Mr. Hassan Mohamed	Nominee Director, Gov. of Maldives	Non-Executive Director
Mr. Rajiv Nandlal Dvivedi	Independent Director	Non-Executive Independent Director
Mr. Moez Baccar	Nominee Director, ICD	Non-Executive Director
Mr. Osman Kassim	Nominee Director, Amana Takaful (Maldives) Plc	Non-Executive Director
Mr. Ahmed Shafeez	Nominee Director, Pension Office	Non-Executive Director
Mr. Mufaddal Idris Khumri	Executive Director	Managing Director & Chief Executive Officer
Mr. Ali Wasif	Executive Director	Executive Director & CFO

ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors of the Bank takes on the overarching responsibility of defining the Bank's strategic course, instituting robust corporate governance practices and frameworks, crafting and executing well thought out policies and procedures, and supervising the Bank's investments and financial stability.

The Board plays a crucial role in supervising the Bank's management and evaluating their performance vis-à-vis established budgets and strategies, with the aim of fostering long-term value creation for all stakeholders of the Bank. This is achieved through delegation of tasks and segregation of duties from the management, whilst the Board remains as an oversight body that provides overall strategic direction to the management and the Bank through review and approval of major strategic initiatives, policies, frameworks and control mechanisms.

The control, direction, oversight and accountability functions of the Bank lie firmly with the Board of Directors and the Sub-Committees of the Board.

Apart from identifying the primary risks and implementing suitable systems to manage them, the Board of Directors also evaluates the sufficiency and reliability of the Bank's internal control systems, management information systems, and various other safeguards established to ensure compliance with relevant laws, regulations, and guidelines.

ROLE OF THE CHAIRMAN

The Chairman of the Board of Directors holds the responsibility of fostering unity, harmony and affinity among the Board of Directors while facilitating open and constructive discussions during meetings. The Bank values the Chairman's expertise and insight in offering focused leadership to the Board. The Chairman ensures that the Board of Directors receive adequate and accurate information on a timely manner to enable informed and efficient decision making. The responsibility for the overall functioning of the Board of Directors and its activities is performed by the Chairman of the Board whilst presiding at the meetings of Directors and shareholders.

MEETINGS OF THE BOARD OF DIRECTORS

During the year under review, a total of 13 (Thirteen) meetings of Board of Directors meetings were held, with at least 1 (one) meeting every month, as required under Maldives Banking Act (24/2010). The Board also held 01 (one) meeting of Non-Executive and Independent Directors without the presence of the Management and the Executive Directors, in line with Section 1.6 of the CMDA CG Code.

All Board meetings were conducted in line with the requirements of Bank's Articles of Association. The Notice and Agenda for Board meetings are finalized by the Chairman of the

Exceptional care is given by the Board of Directors to ensure that the Bank cultivates a corporate culture that upholds integrity, professionalism, and high ethical standards across all levels, including amongst the members of the Board, Executive Management and all staff of the Bank.

Moreover, the Board holds ultimate accountability for establishing a just and efficient Shari'ah governance framework within the Bank and ensuring its oversight by implementing suitable mechanisms to fulfill these duties. This responsibility is down delegated to the Bank's independent Shari'ah Committee, comprising distinguished local and international Shari'ah scholars. The Committee advises the Board of Directors on all Shari'ah-related matters and ensures that all transactions of the Bank strictly adhere to Shari'ah principles.

The work on individual Board Sub-Committees and the Shari'ah Committee of the Bank is detailed in this report. The Annual Report of Shari'ah Committee is appended together with the report.

Within MIB, distinct individuals occupy the roles of Chairman and Chief Executive Officer. There are no business or familial ties between these individuals.

Board and the Company Secretary in consultation with other relevant members of the executive management. All efforts were made to provide Board members with relevant, accurate, impartial and complete information regarding Agenda items, Matters under review and the Bank's performance on a timely manner. Board members were kept apprised of latest developments in the market and within the Bank, for a holistic decision-making approach.

ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

Name	Attendance	%
Mr. Kazi Abu Muhammad Majedur Rahman	11/13	85%
Mr. Nasser Mohammed Al-Thekair	13/13	100%
Uz. Mohamed Naseem Ibrahim	13/13	100%
Mr. Ali Shareef /1	05/05	100%
Mr. Ahmed Ali	13/13	100%
Mr. Hassan Mohamed	13/13	100%
Mr. Rajiv Nandlal Dvivedi	13/13	100%
Mr. Moez Baccar	12/13	92%
Mr. Osman Kassim	13/13	100%
Mr. Ahmed Shafeez /2	08/08	100%
Mr. Mufaddal Idris Khumri	12/12	100%
Mr. Ali Wasif	12/12	100%

/1 Retired as Non-Executive Director on 24th May 2023.

/2 Appointed to the Board on 24th May 2023.

KEY DECISIONS AND RECOMMENDATIONS BY THE BOARD OF DIRECTORS DURING THE YEAR

Quarter 01

- Reviewed and approved the Bank's Quarterly Report for the Fourth Quarter of 2022.
- Approved to appoint an additional External Legal counsel to represent the Bank in the Employment Tribunal against claims filed by former MD & CEO.
- Reviewed and approved the Policy for recruitment, selection and engagement of MD & CEO.
- Reviewed and approved the Conflict of Interest Policy for staff.
- Reviewed and approved the proposed changes to the Prevention of Sexual Harassment Policy for staff.
- Approved to hire a consultant for Comprehensive HR service review.
- Reviewed and approved the updated Terms of Reference of BNRC.
- Approved revisions to the remuneration package of Shariah Committee members.
- Recommended revisions to remuneration of the Board of Directors to be tabled for the approval of Shareholders.

Quarter 02

- Reviewed and approved the Bank's Quarterly Report for the First Quarter of 2022.
- Reviewed and approved the Bank's Audited Financial Statements for the year ended 31st December 2022 and recommended it for the AGM.
- Reviewed and approved the Shariah Committee Annual Report for the year ended 31st December 2022.
- Approved the appointment of External Auditor for the financial year ending 31st December 2023 and recommended to the AGM.
- Reviewed and approved the Dividend for the year 2022 and recommended to the AGM.
- Approved the appointment of Elected Director and recommended the name to the AGM.
- Approved the appointment/re-appointment of nominee Directors and recommended the names for the AGM.
- Reviewed and approved the changes to the Policy for Authority Delegations for Financing & Investments approvals.
- Reviewed and approved the revisions to Staff Benefit Scheme.
- Reviewed and approved the changes to the Policy on Whistle Blowing and protection of Whistle Blower.
- Reviewed and approved policies related to Information Security.
- Approved as a standing decision, to set the Record date as 14 days prior to the General meeting as the Book closure date for the purpose of determining shareholders eligible to participate in the General meetings and receive dividends declared.
- Approved to nominate Directors as Alternate Chairman at the 13th AGM of the Bank.
- Reviewed and approved the Directors Report for the year ended 31st December 2022.
- Reviewed and approved the Bank's Quarterly Report for the First Quarter of 2023.
- Reviewed and approved the Notice of the 13th AGM of the Bank.
- Reviewed and approved the proposed resolutions for the 13th AGM of the Bank.

Quarter 03

- Reviewed and approved the Bank's Quarterly Report for the Second Quarter of 2023.
- Board of Directors reconstituted the Board sub-committees.
- Reviewed and approved the selection of an independent party to validate the Expected Credit Loss (ECL) model in line with IFRS 9 Financial Instruments.
- Reviewed and approved the amended Terms of Reference of Board Audit Committee.
- Reviewed and approved the Board of Directors Charter.
- Reviewed and approved the Procedure for Evaluation of Performance of Board of Directors.
- Reviewed and approved the Shari'ah Committee Charter.

Quarter 04

- Reviewed and approved the Bank's Quarterly Report for the Third Quarter of 2023.
- Reviewed and approved the Business Plan and Budget of the Bank for the Financial Year 2024.
- Reviewed and approved the changes to the Organisation Structure of the Bank.
- Reviewed and approved the changes to HR further to the Comprehensive Review of HR conducted by an independent party.
- Reviewed and approved the changes to AML/CFT Policy.
- Reviewed and approved the changes to PEP Policy.
- Reviewed and approved the Compliance Policy and Regulatory Compliance mandate.
- Reviewed and approved the changes to Policy for Authority Delegation for Financing & Investment approvals.
- Reviewed and approved the Mandate (TORs) of Management Risk & Compliance Committee.
- Reviewed and approved the amendments to the Charity Policy.

DIRECTORS' SERVICE CONTRACTS

Mr. Mufaddal Idris Khumri

Mr. Mufaddal Idris Khumri assumed the position of Chief Executive Officer at the Bank on 1st November 2022, under a three-year employment contract. He was subsequently appointed as the Managing Director of the Bank on 12th December 2022, in accordance with the Bank's Articles of Association. In his capacity as both Managing Director and CEO, Mr. Mufaddal holds primary responsibility for guiding and overseeing the implementation of the Bank's strategies. He provides support, direction, and leadership to ensure the achievement of the Bank's goals, objectives, revenue targets, and growth initiatives.

Mr. Ali Wasif

In January 2017, Mr. Ali Wasif assumed the role of Chief Financial Officer at MIB, having been appointed under an employment agreement. He has been part of the Bank since 2011. Mr. Wasif directly reports to the Managing Director & Chief Executive Officer and is tasked with various key responsibilities. These include overseeing the efficient functioning of the Finance Department, preparing the Bank's financial accounts and records, managing the annual budget, exercising financial control over capital and operating expenses, ensuring compliance with statutory reporting requirements mandated by the Maldives Monetary Authority, managing treasury operations, and overseeing investment and funding activities.

DIRECTORS' INDEPENDENCE AND CONFLICT OF INTEREST

MIB has implemented measures to prevent conflicts of interest across the Bank and in all interactions involving the Board of Directors.

Approved by the Board of Directors, the Bank adheres to and rigorously enforces its Policy for the Conflict of Interest of the Board of Directors and the Policy for the Conflict of Interest of the Staff. These policies are developed in alignment with regulatory requirements such as MMA's Regulation on Corporate Governance for Banks, Insurance Companies and Finance Companies, CMDA's CG Code, and the Bank's Articles of Association. In line with these policies and the Code of Conduct of the

Board of Directors, Board members are required to disclose any actual or potential conflicts of interest concerning matters under review. Subsequently, they are barred from participating in discussions or proceedings involving transactions or arrangements in which they may have a personal interest. This ensures that Board members remain impartial, and decisions are made in a fair and independent manner.

During 2023, the Bank did not enter into any contracts with any members of the Board or any major shareholders, nor did it engage in service contracts with individuals nominated for directorship position of the Bank.

BOARD PERFORMANCE EVALUATION

The Board of Directors believes that a high performing Board is essential for the success of the Bank. As such, the Board Nomination and Remuneration Committee ("BNRC") as assigned by the Board of Directors has formulated a mechanism in which the performance of the Board of Directors can be evaluated, in line with the relevant laws and regulations.

In line with the CG Code of CMDA, the performance of the Board of Directors was continued to be evaluated during the year by an Independent Party, and the effectiveness of the Board as a whole, the work of its sub-committees and the performance of each member individually is being assessed.

DIRECTORS' DEVELOPMENT

During 2023, the Bank organized and conducted the following Board of Directors Refresher Programme focused on Digital Transformation.

Name of the Programme	Institute	Country	Date
Board Refresher Programme	The Finanser	Sri Lanka	December 2023

In addition to the above, all the Directors who were newly appointed during the year completed Board Induction and Orientation programme conducted by the Bank, in order to ensure that they are acquainted with the Bank's practices, market conditions and the regulatory requirements pertaining to local banks.



DIRECTORS AS SHAREHOLDERS OF THE BANK

The Articles of Association of the Bank do not restrict the Board of Directors from becoming shareholders of the Bank.

The following Directors held shares of the Bank as of 31st December 2023;

Name of Director	Designation	No. of shares held
Mr. Kazi Abu Muhammad Majedur Rahman	Chairman / Non-Executive Independent Director	26 shares
Mr. Ahmed Ali	Non-Executive Independent Director	1,360 shares
Mr. Rajiv Nandlal Divedi	Non-Executive Independent Director	01 share
Mr. Mufaddal Idris Khumri	MD & CEO	01 share
Mr. Ali Wasif	Executive Director / CFO	21 shares

REMUNERATIONS TO MEMBERS OF THE BOARD AND EXECUTIVES

The annual remuneration paid to the members of the Board of Directors and the Key Management personnel during the year 2023 is disclosed under Board Nomination and Remuneration Committee ("BNRC") report.

RELATIONSHIP WITH SHAREHOLDERS

MIB regards its shareholders as crucial and strategic allies in the Bank's growth and development. As such, maintaining effective and transparent communication with our shareholders is an integral component of our stakeholder relationship management strategy. The Bank ensures that shareholders are regularly updated on significant business developments and initiatives undertaken throughout the year. All pertinent information necessary for shareholders to make informed investment decisions is promptly disclosed on the Bank's website within the specified timeframe.

This encompasses timely disclosures concerning the Bank's governance, operations, and performance made via announcements, notices, as well as Quarterly and Annual

Financial reports. During the year, the Bank started prompt disclosure of all shareholder communications in the Public Disclosure Platform "InformInvestor" launched by CMDA, in addition to publishing them on the Bank's website. Additionally, for ease of communication with the shareholders, the Bank has established an Investor Relations Office subsequent to its listing in the market, and the Bank diligently addresses all shareholder-related inquiries and concerns on a daily basis through the Bank's Investor Relations office.

The Bank remains committed to nurturing a strong connection and relationship with our shareholders by promoting their active involvement.

DISCLOSURE OF INFORMATION

In line with the Bank's commitment to enhance transparency and good governance in its dealings, the Bank ensured timely publication of its quarterly reports as stipulated by the Capital Market Development Authority. According to Clause 3.5.1 of the Listing Rules of the Maldives Stock Exchange, the Bank's Annual Report must be published within four months following the end of each financial year, a requirement duly fulfilled by the publication of the Bank's Annual Report for 2023. Moreover, in adherence to the Maldives Banking Act (24/2010), the Bank

promptly provided its shareholders with access to the audited financial statements subsequent to the approval.

The Bank also strives to disclose other material information pertaining to the Bank's operations, financial performance and governance in a timely manner, as per the applicable laws and regulations.

APPOINTMENT OF EXTERNAL AUDITORS

At the 13th Annual General Meeting of the Bank held during 2023, the shareholders approved to continue the engagement of PricewaterhouseCoopers ("PWC"), as the Bank's External Auditors for the financial year 2023, as recommended by the Board of Directors. The name of PWC was later changed to "M/s Deloitte Partners" during the year, however, the Bank's External

Audit partner and the engagement team remains unchanged as per the appointment made by the shareholders during AGM.

The Bank also confirms that there are no present or potential conflicts of interest regarding the independence of the appointed auditors.

INTERNAL CONTROLS, RISK MANAGEMENT AND OVERSIGHT

The Bank has established robust measures concerning internal controls, risk management, and oversight practices to ensure compliance with local regulations and international protocols, including the prevention of money laundering and the financing of terrorism.

The Board of Directors collectively assumes the responsibility of ensuring the maintenance of robust internal controls to protect shareholders' investments and the Bank's assets. With paramount importance, the Bank identifies all financial and operational risks that could affect its performance at any level, and the Board implements appropriate policies to mitigate these risks. Regular monitoring, review, and revision of existing systems and procedures are conducted by the Board to effectively manage these risks.

The Bank operates with a three-line defense mechanism to thoroughly review, monitor, assess, and report on all its activities internally. This mechanism involves the Business Units,

Risk Management and Compliance Function, and Internal Audit Function, which work collectively and independently to enforce a prudent risk management framework within the Bank. The Board of Directors oversees these functions through its sub-committees, namely the Board Audit Committee (BAC) and the Board Risk and Compliance Committee (BRCC), which closely monitor and evaluate their work, addressing matters on a regular basis.

In accordance with MMA's CG Regulation and CG Code of CMDA, the Board ensures proper internal controls are in place, and integrity, transparency and consistency in the Bank's operations are always met.

Furthermore, the Board of Directors has implemented necessary measures to establish adequate systems for safeguarding the Bank's assets and for detecting and preventing fraud and other irregularities. It's important to note that while these systems provide reasonable assurance, they do not guarantee absolute protection against material misstatements, whether resulting from fraud or error.

FINANCIAL STATEMENTS

The Bank adheres to the International Financial Reporting Standards (IFRS) standards when preparing its financial statements and utilizes the Going Concern basis for all accounting statements. Furthermore, the Bank ensures compliance with the applicable regulations of the Maldives Monetary Authority (MMA) and Capital Market Development Authority (CMDA) in order to enable shareholders to make fair and well-informed assessments of the Bank's performance.

The Board of Directors of the Bank guarantees that both the managerial financials and the audited financials accurately depict the Bank's current state. They oversee the maintenance of proper accounting records, the consistent application of appropriate accounting policies, and accounting estimates that are made on the financials are reasonable and fair, so as to enable reasonable accuracy in the preparation of the financial statements of the Bank.

DIVIDEND

During the 13th Annual General Meeting of the Bank held in 2023, the shareholders resolved to declare a final dividend of MVR 39,375,012.25 (Thirty Nine million Three Hundred Seventy Five Thousand Twelve Rufiyaa Twenty Five Laari) for the financial year 2022. This is equivalent to MVR 1.75 per issued ordinary

share. The Bank started disbursement of dividends within 30 days of dividend declaration, as per the Bank's Articles of Association and other Applicable Laws and Regulations.

DECLARATION

The Board of Directors declare that to the best of their knowledge, the information presented in this Annual Report is true, accurate and complete. The Board of Directors collectively and individually adopted fairness and transparency in all their dealings and made all efforts towards protecting the interest of all stakeholders of the Bank.

The Board of Directors and the management of the Bank have made complete and best efforts to ensure that the Bank is governed and managed in a fair and transparent manner, in accordance with the best practices and principles of corporate governance, and regulatory requirements prescribed in the Maldives Banking Act (24/2010), the Companies Act of the Republic of Maldives (10/96), Maldives Securities Act (02/2006),

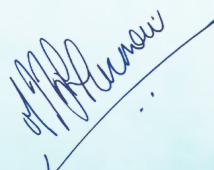
the Prudential Regulation and Guidelines issued by the MMA, Corporate Governance Code of the CMDA, The Regulation on Corporate Governance for Banks, Insurance Companies and Finance Companies (2020/R-59), the Securities Continuing Disclosure Obligation of Issuers (CDOI) Regulation (2019/R-1050), Regulation on Publication and Disclosure (2015/R-172) issued by MMA, the Listing Rules of the Maldives Stock Exchange, the Bank's Articles of Association and other applicable laws and regulations that the Bank is required to abide by.

The Board of Directors confirm that the Annual Report and the Financial Statements of the Bank are prepared in line with all the applicable laws and regulations.

Date: 30 April 2024



K.A.M Majedur Rahman
Chairman



Mufaddal Idris Khumri
MD & Chief Executive Officer

BOARD AUDIT COMMITTEE (“BAC”)

The Board Audit Committee (BAC) has been formulated as per clause 1.8, Part 2 of the Corporate Governance Code. The primary role of the BAC is to assist the Board in fulfilling its oversight responsibilities in areas concerning the integrity of financial reporting, the effectiveness of internal audit function and internal control systems, frameworks as well as consideration of ethics and compliance matters.

Composition of the Committee

The Committee consists of 04 Non-Executive Directors. The composition of the committee is formulated in a way which ensures that the committee possesses the relevant financial, banking, and other business experiences to undertake its duties and responsibilities.

Members of the Committee as of 31st December 2023

Name	Designation
Mr. Ahmed Ali	Chairman of BAC, Non-Executive Independent Director
Mr. Hassan Mohamed	Member of BAC, Non-Executive Director
Mr. Moez Baccar	Member of BAC, Non-Executive Director
Mr. Ahmed Shafeez	Member of BAC, Non-Executive Director

The Board Audit Committee was reconstituted effective from 17th July 2023 and Mr. Ahmed Shafeez was appointed to the BAC, as a 4th Member.

Duties of the Committee

- Ensuring the integrity of annual and interim financial statements including disclosures.
- Ensuring the integrity of financial reporting process and systems of internal accounting and financial controls.
- Monitoring the effectiveness of Internal Audit function and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Bank.
- Reviewing the results of internal audits and ensuring that appropriate and adequate remedial actions are taken by management for the significant control and procedural lapses that are identified in the audit reports.
- Reviewing and approving the Internal Audit Plan.
- Evaluate the performance of the Head of Internal Audit and the overall performance of the department.
- Formulating and periodically reviewing and updating the criteria for appointment, approving the appointment, replacement, and dismissal of the Head of Internal Audit of the Bank.
- Overseeing the effectiveness of the Bank's risk management framework related to the identification, measurement, monitoring and controlling of risks.
- Making recommendation to the Board and the shareholders of the Bank on the appointment, reappointment and removal of qualified and independent external auditors and their compensation, reviewing and approving the audit plan and quality of their work and overseeing Bank's relation with independent external auditors.
- Ensuring the independence, objectivity, and performance of the independent auditors, approving, overseeing the non-audit services provided by independent external auditors and ensuring that the provision of non-audit services does not impair their independence and objectivity.

Attendance at Committee meetings

During the year 2023, 09 Board Audit Committee meetings were held. The attendance of the committee members at the meetings are as follows:

Name	Attendance	%
Mr. Ahmed Ali	9/9	100%
Mr. Hassan Mohamed	9/9	100%
Mr. Moez Baccar	9/9	100%
Mr. Ahmed Shafeez	3/3	100%

Activities of the Committee

Internal Audit

- Reviewed reports prepared by Internal Audit Department including:
 - Internal Audit Reports
 - Shari'ah Audit Reports
 - Financial Review Reports
 - Strategic Review Reports
 - Follow-up review reports
- Reviewed the performance of the Internal Audit Department and the performance of the Head of Internal Audit.
- Reviewed and approved the Annual Internal Audit Plan for the year 2024.
- Reviewed and endorsed Annual Shari'ah Audit Plan for the year 2023.

External Audit

- Reviewed the Management Letter and other recommendations submitted by the External Auditors.
- Reviewed the implementation of recommendations made by the External Auditors.
- The Bank's Audited Financials (FY 2022) were reviewed and endorsed by the Board Audit Committee.
- Evaluated the proposals, and recommendations were made in relation to the selection, re-appointment and remuneration of the incumbent external auditors, which was subsequently approved by the Board of Directors. The incumbent auditor has been serving as the external auditor of the bank since 2022.
- Reviewed the independence, objectivity and the effectiveness of the External Auditors of the bank.

Other

- Reviewed and updated the TOR of Board Audit Committee.
- Reviewed and recommended the Quarterly Financial Reports for Board Approval.



Ahmed Ali
Chairman
Board Audit Committee

BOARD RISK AND COMPLIANCE COMMITTEE (“BRCC”)

The Board Risk and Compliance Committee (“BRCC”) is responsible for ensuring the continuous oversight of the risks embedded in the Bank’s operations. The Committee advises the Board in relation to current and potential future risk exposures of the Bank and future risk strategy including the determination of risk appetite and tolerance. The BRCC also ensures the effective management of compliance, operational, market, reputational and liquidity risk throughout the Bank in support of the strategy and framework approved by the Board.

Composition of the Committee

The Committee comprises of Four members of the Board of Directors.

Members of the Committee as of 31st December 2023

Name	Designation
Mr. Nasser Mohammed Al-Thekair	Chairman of the Committee, Non-Executive Director
Mr. Hassan Mohamed	Member of BRCC, Non-Executive Director
Uz. Mohamed Naseem Ibrahim	Member of BRCC, Non-Executive Director
Mr. Ali Shareef	Member of BRCC, Non-Executive Director

Duties of the Committee

BRCC is charged with the following responsibilities

- Review, monitor and understand the risk profile of the Bank to confirm that the Bank is operating within the Board-approved risk appetite. This is undertaken through the ongoing process of the identification, evaluation and management of all material risks, in particular longer-term macro, and strategic threats to the Bank.
- Report to the Board on its consideration of the above matters, identifying those areas where improvement is needed and making recommendations as appropriate.
- Set risk limits within the risk appetite criteria.
- Receive notification of any material breaches of risk limits or procedures and agree proposed action.
- Ensure that the resources allocated for risk management function are adequate given the size, nature, and volume of business of the Bank.
- Review the overall financing and investment risk exposure of the Bank and develop and advise on overall risk strategy to be followed by relevant management committees for approving exposures.
- Implement a rigorous framework for stress testing and approve the scenarios to be analyzed.
- Review risk and compliance training programs to ensure the strengthening of a risk and compliance aware culture in MIB.
- Recommend appropriate policies to ensure the MIB's ongoing compliance with relevant legal and regulatory requirements for Board approval.
- Receive and review all necessary information to satisfy itself that the compliance framework is operating as intended.
- The Committee will have responsibility for reviewing MIB's risk policies and business continuity plans at least once in two years or more frequently if required and making recommendations to the Board for any amendments deemed essential for proper, prudent, and safe operation of the Bank.

Meetings

The committee shall meet as often as it determines, but not less frequently than four (4) times a year, with at least one meeting every quarter. The committee held Seven (7) meetings during the year under review.

Name	Attendance	%
Mr. Nasser Mohammed Al-Thekair	7/7	100%
Uz. Mohamed Naseem Ibrahim	7/7	100%
Mr. Ali Shareef*	4/4	100%
Mr. Hassan Mohamed	7/7	100%
Mr. Ahmed Shafeez *	3/3	100%

* Mr. Ali Shareef ended his tenure as Board Member on 24th May 2023 and was replaced by Mr. Ahmed Shafeez on the Board as well as BRCC.

Activities of the Committee

The Committee reviewed the following policies and processes of the Bank during the year, amendments therein were recommended to, and then approved by the Board of Directors:

- Cryptography and Key Management Policy
- Firewall and Router Hardening Policy
- Information and Communication Technology Policy
- Mobile Computing and Teleworking Policy
- Network Security Policy
- Physical and Environmental Security Policy
- Software Development Life Cycle Policy
- Wireless Communication Policy
- Policy for Authority Delegation for Financing Investment Approvals
- AML/CFT Policy
- PEP Policy
- Compliance Policy

Apart from above, following were also reviewed and recommended by the Committee

- Review of Changes to Sectorial Concentration.
- Review of the Mandate of the Regulatory Compliance Function of the Bank.
- Review of TOR of Management Risk & Compliance Committee.
- Review of financing and investment portfolio position.
- Review of non-performing portfolio, products-wise infection ratio, portfolio on watchlist and recovery strategies.
- Review of Financing Customers under Watch List.
- Review of Assessment of liquidity position FEEL and NOP.
- Review of Assessment of Capital Adequacy (CAR).
- Review and guidance on way forward for ERM implementation within the Bank.
- Review of Operations risk reports.
- Review of Compliance Reports & Related issues.
- Review of Information Security Risk Reports.
- Review of Reports on Digital Banking controls assessments for prevention of online frauds and scams.
- Review of Observations in MMA Examination report.
- Risk & Compliance Technical Projects planned for the year 2024.

Strategic Contributions by the Committee

- Guided to ascertain that the infosec, cybersecurity and fraud risk control frameworks of the Bank remain robust and scalable to counter the transforming threats landscape especially in the digital banking space.
- Advised & encouraged initiatives to enhance and align the risk management framework and practices of the Bank with the global standards and ensured funding and resource allocation for the purpose.
- Oversaw and advised strategies and activities for improved financing risk management which helped contain the financing portfolio infection ratio below the targeted levels.



Nasser Mohammed Al-Thekair

Chairman
Board Risk and Compliance Committee

BOARD NOMINATION AND REMUNERATION COMMITTEE (“BNRC”)

The Board Nomination and Remuneration Committee (“BNRC”) was established in accordance with Section 1.8, Part 2 of the Corporate Governance Code and as per Articles of Association of the Bank. The committee is governed by the Terms of Reference (“ToR”) approved by the Board of Directors. The Nomination Committee and Remuneration Committee of the Bank is combined as one to facilitate effective and efficient discharge of the duties in consideration of the mandate and functions of the two committees.

The Committee was established by the Board of Directors on 11th March 2019. The Committee started its function after the conversion of the Bank to a Public Limited Company and had its first meeting on 24th July 2019. The committee was reconstituted by the Board of Directors on 7th July 2023.

Composition of the Committee

The Committee comprises of Four members of the Board of Directors.

Members of the Committee as of 31st December 2023

Name	Designation
Mr. Rajiv Nandlal Dvivedi	Chairman of BNRC, Non-Executive Independent Director
Mr. Nasser M. Al-Thekair	Member of BNRC, Non-Executive Director
Uz. Mohamed Naseem Ibrahim	Member of BNRC, Non-Executive Director
Mr. Osman Kassim	Member of BNRC, Non-Executive Director

Duties of the Committee

Nomination

The BNRC is charged with following duties with respect to the nomination of Directors

- Annual review of the composition and size of the Board to ensure appropriate expertise, diversity and independence of the Board and to recommend to the Board for amendment of profile;
- Succession planning for the Board and its committees aimed at retaining the required expertise, experience and diversity and making recommendation to the Board for (re)appointment according to the appointment procedures for Directors;
- Supervising the policy of the Board on the selection criteria and appointment procedure;
- Establishing a procedure along with criteria such as qualifications, experience and key attributes required for eligibility to be considered for the appointment of MD & CEO and the Direct Reports of the MD & CEO;
- Recommending the appointment of Managing Director & CEO and Direct Reports to the Board;
- Evaluating the re-election of current directors, taking into account the performance and contribution made by the director concerned towards the overall discharge of the Board's responsibilities;
- Reviewing trainings, skills, experience and other characteristics of the Board Members to run the Board's business in an effective manner;
- Reviewing and recommending to the Board all significant changes in the Bank's strategy regarding its Human Resource Policy.

Remuneration

The BNRC is charged with following duties with respect to remuneration

- Reviewing HR Policies and Manuals including the remuneration and compensation package;
- Recommending the remuneration policy relating to Directors and the MD & CEO and Direct Reports of the MD & CEO;
- Setting goals and targets for the Directors, MD & CEO and reviewing evaluation and the performance against the set targets and goals periodically;
- Reviewing the Bank's remuneration structure, in light of updated surveys, opinions of independent and specialized consultants and peer banks' remuneration structure and recommending to the Board;
- Reviewing and Recommending Board Remunerations Policy for the Board of Directors.

Governance:

Additionally, BNRC is charged with following duties with respect to Corporate Governance

- Assist the Board in overseeing the process by which the Bank, its Board and Board Committees are governed.
- Annually reassess the governance guidelines and recommend necessary revisions to the Board.
- Develop charters for any new board committees and review the charters of the existing committees and recommend amendments to the Board.
- Proactively monitor corporate governance developments locally and globally and implement such practices where appropriate.
- Review any conflict-of-interest issues relating to the Board and recommend appropriate remedies to the Board.
- Ensure related party transactions are done in a transparent manner.
- Review and approve the annual Corporate Governance report for inclusion in the Bank's annual report.

Meetings

The committee at its discretion determines the frequency of meetings and is required to meet not less frequently than four (4) times a year, with at least one meeting every quarter.

The committee held 8 (eight) meetings during the year 2023.

Name	Attendance	%
Mr. Rajiv Nandlal Dvivedi	8/8	100%
Uz. Mohamed Naseem Ibrahim	8/8	100%
Mr. Ahmed Ali	4/4	100%
Mr. Osman Kassim	8/8	100%
Mr. Nasser M. Al-Thekair	8/8	100%

Nomination

The responsibilities relating to the Nominations and Appointments of Board of Directors are carried out by the BNRC as delegated by the Board of Directors. In line with the Banking Act of Maldives, all Board appointments of the Bank are confirmed after approval by the Board of Directors, and subsequent endorsement by the shareholders at a general meeting.

During the year, two Nominee Directors and one Elected Director were (re)appointed to the Board of Directors of the Bank. The appointment of the Nominee Directors was recommended by BNRC to the Board of Directors as per Article 41 and 43 of the Articles of Association of the Bank.

The re-appointment of Elected Director was recommended by BNRC to the Board of Directors as per Article 37 (b), 42 and 44 of the Article of Association of the Bank.

Remuneration

During the 13th Annual General Meeting ("AGM") of the Bank held during 2023, the shareholders approved a new Remuneration Structure for the Board of Directors of the Bank. Effective from 24th May 2023, the remuneration of Non-Executive Directors was changed as follows:

	Amount (USD)
Monthly Fee	650.00
Sitting Fee (Board)	500.00
Sitting Fee (Board Sub-Committees)	500.00
Monthly Chairman Allowance	500.00

Directors were remunerated as per the Board Remuneration Policy. No Executive Director served as a Non-Executive Director elsewhere during the year 2023. Executive Directors were not paid any additional remuneration in accordance with the Board Remuneration Policy. The Fees were paid net of taxes.

The breakdown of remuneration paid to the Non-Executive Directors for the period 1st January 2023 to 31st December 2023 are provided in the below table.

Name of the Director	Designation	Total (MVR equivalent)
Mr. KAM Majedur Rahman	Chairman / Non-Executive Independent Director	224,717.27
Mr. Nasser M. Al-Thekair *	Non-Executive Director	298,166.36
Uz. Mohamed Naseem Ibrahim	Non-Executive Director	315,870.61
Mr. Ali Shareef	Non-Executive Director	140,094.50
Mr. Ahmed Ali	Non-Executive Independent Director	312,791.61
Mr. Hassan Mohamed	Non-Executive Director	338,193.36
Mr. Rajiv Nandlal Dvivedi	Non-Executive Independent Director	318,179.86
Mr. Moez Baccar *	Non-Executive Director	317,410.11
Mr. Osman Kassim	Non-Executive Director	279,692.36
Mr. Ahmed Shafeez	Non-Executive Director	180,394.61
Total		2,725,510.65

* The remuneration of Nominee Directors representing Islamic Corporation for the Development of the Private Sector ("ICD") was paid directly to ICD.

The aggregate remuneration paid to Key Management Personnel for the period 1st January 2023 to 31st December 2023 is MVR 6,842,461.36. The aggregate remuneration details are disclosed, as additional details are deemed to place the Bank at a relative disadvantage against the key industry players.

The Remuneration of Board of Directors are approved by the shareholders during its general meeting as recommended by the Board of Directors, while the remuneration paid to Executive Management are determined by the Board of Directors as recommended by the Board Nomination and Remuneration Committee.

Activities of the Committee

- Recommended the Policy for Recruitment, Selection and Engagement of MD & CEO.
- Recommended the segregation of Credit, Recovery & Remedial Asset management.
- Recommended the Per diem for Board of Directors & Shariah Committee members for overseas travel.
- Recommended the Conflict-of-Interest Policy for staff.
- Recommended the appointment of Head of Business.
- Recommended the revision to Board of Directors remuneration.
- Recommended to revise the remuneration of Shariah Committee members.
- Recommended the amendments to Terms of Reference of BNRC.
- Recommended the appointment of Elected Director for the consideration of the Board of Directors.
- Recommended the appointment of Nominee Directors for the consideration of the Board of Directors.
- Recommended the appointment of an expatriate for the position of Systems Engineer.
- Recommended the amendments to the Policy on Prevention of Sexual Harassment.
- Recommended an independent consultancy firm to conduct a comprehensive review of HR service of the Bank.
- Deliberated on Board composition matters.
- Reviewed and recommended the BNRC report to be included in the Annual Report 2022.
- Reviewed and recommended the Corporate Governance report to be included in the Annual Report 2022.
- Recommended revisions to Staff benefit scheme.
- Recommended amendments to the Policy on Whistleblowing & Protection of Whistleblowers.
- Recommended the Board of Directors Charter.
- Recommended the Procedure for Evaluation of Performance of Board of Directors.
- Recommended the Charter of Shariah Committee of the Bank.
- Recommended a party to conduct Board of Directors Refresher Programme.
- Recommended revisions to the Organisation Chart of the Bank.
- Recommended revisions to grading structure and salary structure of the staff.
- Recommended changes to benefits and allowances of the staff.
- Recommended the renewal of employment contract of some expatriate employees.

Gender Diversity

The Bank welcomes gender diversity and female representation in the boardroom in accordance with the Corporate Governance Code ("CG Code") of Capital Market Development Authority ("CMDA").

In line with the spirit of Clause 1.3 of CG Code of CMDA, the Bank communicated its preference to all Institutional Shareholders, to appoint female candidates in place of those Nominee Directors whose office were up for appointment or re-appointment during the year. Further, the Bank publicly announced that, preference would be given to female applicants for the position of Elected Director at the time of seeking candidates for the position.

However, the Bank did not receive any female nominations or candidates throughout the year for any Board positions, and the gender diversity requirement set out in CG Code of CMDA was not met.



Rajiv Nandlal Dvivedi

Chairman

Board Nomination and Remuneration Committee

BOARD INVESTMENT COMMITTEE (“BIC”)

The Board Investment Committee (“BIC”) is responsible for reviewing and approval of the Bank’s financing exposures and investment portfolios.

The Committee was established by the Board of Directors on 20th December 2022.

Composition of the Committee

The Committee comprises of Four members of the Board of Directors.

Members of the Committee as of 31st December 2023

Name	Designation
Mr. Rajiv Nandlal Dvivedi	Chairman of BIC, Non-Executive Independent Director
Mr. Moez Baccar	Member of BIC, Non-Executive Director
Mr. Osman Kassim	Member of BIC, Non-Executive Director
Mr. Ahmed Ali	Member of BIC, Non-Executive Independent Director

Duties of the Committee

BIC is charged with the following responsibilities

- Considering and reviewing and approving specific financing over and above the Management Financing & Investment Committee’s (FIC) authority limit, as determined by the Board from time to time.
- Reviewing and recommending specific financing over and above the BIC’s authority limit to the Board for approval.
- Reviewing and ensuring that the Bank complies with regulatory requirements regarding the grant of credit facilities.
- Handling such other issues referred to the Committee from time to time by the Board.

Meetings

The committee shall meet as often as it determines, but not less frequently than four (4) times a year, with at least one meeting every quarter. The committee held seven (7) meetings during the year under review.

Name	Attendance	%
Mr. Rajiv Nandlal Dvivedi	7/7	100%
Mr. Moez Baccar	7/7	100%
Mr. Osman Kassim	6/7	86%
Mr. Ali Shareef	5/5	100%
Mr. Ahmed Ali	1/1	100%

Activities of the Committee

- The Committee reviewed and approved 6 financing facilities amounting to MVR 196.37 million during the year.
- The Committee reviewed and recommended to the Board for approval 8 financing facilities amounting to MVR 224.84 million during the year.



Rajiv Nandlal Dvivedi
Chairman
Board Investment Committee



Tsunami Monument

A solemn memorial honouring the lives lost in the devastating 2004 tsunami. Located in the capital city of Male, it symbolizes resilience and hope for the future.

Artwork by: Shimha Shakeeb

SHARI'AH COMMITTEE

The Shari'ah Committee of the Bank was formulated in July 2010, in compliance with Section 13 and 14 of the Regulation No. 2011/R-12 (Islamic Banking Regulation 2011), issued by the Maldives Monetary Authority. The Shari'ah Committee is an independent body of scholars with extensive knowledge and experience in Shari'ah law, Islamic economics and finance. The Bank's Shari'ah Committee acts independently in providing its opinions with due regard to the regulations of MMA and the opinions of the Shari'ah Council of MMA. All decisions of the Shari'ah Committee are binding upon the Bank.

Composition of the Shari'ah Committee

The Committee comprises of three members.

Members of the Committee as of 31st December 2023

Name	Designation
Dr. Ejaz Ahmed Samadani	Chairman of the Shari'ah Committee
Mufti Mohammed Ibrahim Mohammed Rizwe	Member of Shari'ah Committee
Dr. Ibrahim Zakariyya Moosa	Member of Shari'ah Committee

Duties of the Committee in light of the Shari'ah Governance Framework

The duties and obligations of the Shari'ah Committee consist of the following

- The Shari'ah Committee has the responsibility to provide objective and sound advice to the Islamic Financial Institution ("IFI") to ensure that its aims and operations, business, affairs and activities are in compliance with Shari'ah. Notwithstanding the requirements of section 14 of the regulation No. 2011/R-12 (Islamic Banking Regulation 2011). This shall include, but not be limited to:
 - Being responsible and accountable for all decisions, opinions and views provided by them.
 - Advising the Board and the IFI on Shari'ah matters in order for the IFI to comply with Shari'ah principles, this Framework and other relevant regulations and guidelines at all times.
- Endorsing Shari'ah policies and procedures prepared by the IFI and to ensure that the contents do not contain any elements which are not in line with Shari'ah principles.
- Endorsing and validating relevant documentation of the IFI. These shall include, but not be limited to:
 - The terms and conditions contained in the forms, contracts, agreements or other legal documentation used in executing transactions.
 - The product manual, marketing and advertisement materials, sales illustrations and brochures used to describe the product.
- Assessing and overseeing the work carried out by the Shari'ah control function of the IFI in order to ensure compliance with Shari'ah matters.
- Assisting related parties of the IFI such as its legal counsel, auditor or consultant seeking advice on relevant Shari'ah matters.
- Overseeing the computation of zakat and any other fund to be channeled to charity by the IFI.

Meetings

The committee shall meet as often as it determines, but not less frequently than four (4) times a year, with at least one meeting every quarter.

During the financial year 2023, a total of 7 Shari'ah Committee meetings were conducted. 6 meetings were conducted online and 1 meeting was conducted physically.

Name	Attendance	%
Dr. Ejaz Ahmed Samadani	7/7	100%
Mufti Mohammed Ibrahim Mohammed Rizwe	7/7	100%
Dr. Ibrahim Zakariyya Moosa	7/7	100%

Activities of the Shari'ah Committee

- Conducted two sessions of Advance Shari'ah Training for staff of the Bank.
- Conducted one session of Intermediate Shari'ah Training for staff of the Bank.
- Conducted seminar on Islamic finance for scholars.
- Conducted review of branch operations at Fuvamulah branch.
- Conducted awareness session on Islamic banking and finance at Gn Atoll Education center.
- Attended the intellectual discourse on Islamic Economics in Banking and finance held in Leicestershire, UK.
- Attended the Global Waqf conference 2023, held at Istanbul, Turkey.
- Revised product manual on Sale and lease back financing under Diminishing Musharakah.
- Endorsement of Cashiers cheque Application form
- Endorsement of Application form for Domestic & interbank transfers.
- Endorsement of product Manual on Ujrah Card.
- Revised product Manual on Ujala dhiriulhun financing v1.2
- Endorsement of product Manual on Commodity Murabahah Financing.
- Endorsement of product Manual on Wakala Bi Al-Istithmar Financing
- Endorsement of Product Manual on Travel financing.
- Revised Letter of Offer for Diminishing Musharakah.
- Revised transaction Documents for Personal Financing
- Endorsement of Legal Documentation for Commodity Murabahah Financing.
- Endorsement of Legal Documentation for Wakala Bi Al-Istithmar Financing.
- Revised Policy Manual on Charity V6
- Revised Policy on Anti-Money Laundering and Counter Financing of Terrorism V2.
- Endorsement of Compliance Policy V1.
- Endorsement of Policy on Politically Exposed Persons V1.
- Policy for authority Delegation for Financing & Investment Approvals.

Significant Shari'ah Governance Framework's Components

In order to ensure that the Bank's operations are Shari'ah Compliant at all times, a Shari'ah governance framework has been established and adopted in the Bank. The significant components of this Shari'ah governance framework consist of the following:

- The Board of Directors perform oversight on Shari'ah compliance aspects of the Bank's overall operations.
- The Shari'ah Committee, an independent Committee approved by the Board of Directors, based on the nomination and recommendation of the Management, will endorse all the relevant documentation including policies, guidelines, procedures, Shari'ah Review and Shari'ah Audit Report, prior to the implementation, and provide sound Shari'ah decisions.
- The Management shall be responsible for observing and implementing Shari'ah rulings and decisions made by the Maldives Monetary Authority (MMA), Shari'ah Council and the Shari'ah Committee respectively and the management is responsible in providing adequate resources and capable manpower support to every function involved in the implementation of Shari'ah governance, in order to ensure that the execution of business operations are in accordance with the Shari'ah;
- In-house Shari'ah Unit conducts quarterly Shari'ah reviews on the process and the executions' conformity to the need of the Shari'ah and provide the report to Shari'ah Committee.
- Internal Audit Department conducts half yearly Shari'ah Audit to confirm the key functions and business operations comply with Shari'ah and provide the report to Shari'ah Committee.
- The Shari'ah non-compliant risk is being managed under operational risk management function of the Risk Management and Compliance Unit.
- In-house Shari'ah Unit conducts Shari'ah research on matters related to Shari'ah; and
- Shari'ah Secretariat issues and disseminates the decisions endorsed by Shari'ah Committee to the relevant stakeholders.

PROFILES OF SHARI'AH COMMITTEE MEMBERS

Dr. Ejaz holds a Doctorate in Philosophy from University of Karachi. He also holds a Master in Arts in Islamic Studies and L.L.B and was under the tutorage of the imminent Shari'ah Scholar Mufti Muhammad Taqi Usmani in the field of Islamic Banking and Finance. Multi-lingual Dr. Ejaz is fluent in Arabic, Persian, Urdu and English.

As a Shari'ah scholar, Dr. Ejaz became the Shari'ah Advisor/ Shari'ah Board Member to a number of Islamic financial institutions and Investment Houses such as Habib Bank Limited- Islamic Banking Division, UBL Ameen Islamic Banking, BoP Taqwa Islamic Banking, Al Hamra Shari'ah Compliant Funds of MCB-Arif Habib Investment Management Limited Alflah GHP Islamic Fund and JS Islamic Pension Fund.

Given his knowledge, he lectured at Jamia Uloom Karachi as well as a number of Training Institutions such as Institute of Business and Administration- Centre for Excellence in Islamic Finance (IBA-CEIF), KASB institute of technology, Professional Institute of Economics, and Hira Foundation Academy (HFA). He is also faculty member for the Centre of Economics (CIE), a division of Jamia Darul Uloom Karachi which is under the chairmanship of Mufti Muhammad Taqi Usmani.

As a member and Chairman of the Shari'ah Committee of Maldives Islamic Bank (MIB) since 2011, Dr. Ejaz is instrumental in providing Shari'ah guidance and supervision and has issued a number of Fatwas on Islamic Banking operations and documentation to MIB. His books on Islamic Banking covering the philosophy and the practical application on Takaful, Murabaha and Ijarah, among others, were invaluable sources of reference for bankers and practitioners.



Dr. Ejaz Ahmed Samadani
Chairman of Shari'ah Committee

He is the most prominent Mufti of Sri Lanka, the President and Ex-officio of various committees of the All Ceylon Jamiyyathul Ulama (ACJU) Which is the supreme body of Islamic theologians in Sri Lanka.

He has extensive experience in the field of Islamic financial transactions and serves in the Sharia Supervisory Board of several Islamic financial institutions and banks.

Further, he is a prominent member of a group of educational and Shari'ah councils and institutions, and a famous preacher in most prominent mosques in Sri Lanka more than 30 years. He had his early education in Sri Lanka and is a graduate of Jami'athul Uloomil Islamiyya, Karachi where he specialized in Islamic Jurisprudence. He gained MA in Arabic & Islamic Studies which is recognized by the Higher Education Commission of Pakistan.

In order to perform the educational duty while following the curriculum of the righteous predecessors in spreading the Knowledge of Qur'an and Sunnah, Mufti Rizwe occupied himself teaching Shari'ah education in some of the Arabic Colleges of Sri Lanka. Consequently, now he has significant experience in the field of education spanning more than thirty (30) years.

Mufti Mohamed Rizwe has been a frequent traveler and had conducted and attended several programs in Asian, Middle Eastern, African, European and North American countries in the field of advocacy, Islamic awareness, guidance, participation in international conferences and promoting coexistence.

He has been chosen from among the most influential 500 personalities in the world since 2011 by the Islamic Strategy Study Centre based in Amman, Jordan. The focus of his work, efforts and continuous activities is one: Unity and peaceful coexistence. He was honoured with the title of "Rosa Mira - The Rose Of The World" (Peacemaker Of The Planet) at an International Islamic conference was held in Kazan, Russia in September 2023. Furthermore, in the same year he has delivered a special address on the importance of religious tolerance, dialogue, and cooperation among different faiths and communities at the UN Social Forum Conference, delivered Jumu'ah Khutbah sermon at the Mosque within the United Nations premises and addressed the HRC/Forum on 16th UN Minority Forum on the importance of honouring humanity, establishing peaceful coexistence and the significance of the Madeena Charter.



Mufti Mohammed Ibrahim Mohammed Rizwe
Member of Shari'ah Committee

He has been working in the field of Islamic finance since a quarter of a century, and his work aims to orient the society towards the right Islamic economy. He is the Chairman of the Shari'ah Supervisory Council of Amana Takaful PLC, member of the Shari'ah Supervisory Council of the Amana Bank, Bank of Ceylon and Peoples Leasing Finance. He is also a member of Shari'ah Boards of several other Islamic Financial Institutions in Sri Lanka.

As a member of the Shari'ah Committee of Maldives Islamic Bank (MIB) since 2011, he has provided Shari'ah guidance on Islamic Banking products and operations.

Dr. Ibrahim Zakariyya Moosa is the former Vice Chancellor of Islamic University of Maldives. As a Shari'ah scholar, Dr. Zakariyya Moosa serves as a member of Shari'ah advisory committee of several financial institutions in Maldives. He lectures on Islamic Shari'ah and law in Islamic University of Maldives at tertiary, undergraduate and postgraduate levels.

He was formerly the rector of the former College of Islamic Studies and Dean of the Center of Post-graduate Studies of Islamic University of Maldives. He has also served as a member of parliament for fifteen years. He delivers different lectures and speeches to different target groups on different topics. He has been producing and presenting radio and television programs and talk shows on Islam and other topics.

He has obtained a PhD in Fiqh and Usul al-Fiqh from the International Islamic University Malaysia. He also holds a master's degree in Fiqh from the same University and a bachelor's degree in Islamic Shari'ah from the Islamic University of Madinah.

He has written different textbooks on Islamic Studies that are used in secondary schools in Maldives. He also wrote and translated different books on Islam. Some of the finest publications of Dr. Zakariyya include a translation written on Islamic Finance, "An Introduction to Islamic Finance" by Mufti Muhammad Taqi Usmani and "Murabaha" by Dr. Ejaz Ahmed Samadani. As a member of the Shari'ah Committee of MIB since 2014, he has provided Shari'ah guidance on Islamic Banking products and operations. He has participated in many international conferences and symposiums as a keynote speaker, and presented papers on Islamic Jurisprudence and Islamic finance.



Dr. Ibrahim Zakariyya Moosa
Member of Shari'ah Committee



Shariáh Committee's Annual Report (For Financial year 2023)

To the Shareholders of Maldives Islamic Bank PLC.

Assalamualaikum Wa Rahmatullah Wa Barakatuh.

Alhamdulillah, Maldives Islamic Bank PLC (MIB/the Bank) has successfully completed its 13 years of Islamic Banking operations. By the grace of Allah Almighty, during the year, MIB has experienced significant growth in terms of operational expansions, business profitability, and market penetration.

The Board of Directors (BOD) and the Management are responsible for ensuring that the Bank's operations are in accordance with Shariáh. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank, and to report to the Shareholders of the Bank. Shariáh Committee (SC) hereby submits its report on the overall Shariáh compliance environment of MIB and the major developments that took place during the year.

1. **SHARIÁH COMMITTEE MEETINGS:**

In line with Shariáh Governance Manual of Maldives Islamic Bank, the SC is required to meet at least on quarterly basis. Hence, during the financial year 2023, a total of **Seven (7)** meetings (were conducted either physically or via online. All SC members participated in the meetings and the minutes of the meetings, after duly signed by SC, were sent to all the stakeholders for enforcement of the decisions made by the SC. In addition to this, various discussions were held through teleconference meetings regarding matters related to Product Development and Shariáh Compliance.

2. **INTERNAL SHARIÁH UNIT (ISU):**

Shariáh compliance remained a high priority in all activities to ensure that banking operations align with Shariáh principles. The ISU of the Bank served as an effective channel between the Management and the SC. ISU conducted Internal Shariáh Review on quarterly basis on the matters which are directly or indirectly related to Shariáh. Shariah Review reports were presented to SC for ratification as well as for SC opinion.

ISU has played a vital role in identifying the Shariáh issues, ensuring Shariáh compliance, and facilitating effective communication between the Shariáh Committee and the Executive Management.

3. **PRODUCTS AND SERVICES LAUNCHED AND REVISED:**

In 2023, the following documents related to new the products were enacted and the existing products were revised after approval by the SC.

3.1. **ASSET SIDE**

3.1.1. **Consumer products:**

3.1.1.1. **New Products**

- 3.1.1.1.1. Product Manual on Commodity Murabahah Financing.
- 3.1.1.1.2. Product Manual on Travel financing.
- 3.1.1.1.3. Legal Documentation for Commodity Murabahah Financing.
- 3.1.1.1.4. Legal Documentation for Wakala Bi Al-Istithmar Financing.

3.1.1.2. Revised Products

- 3.1.1.2.1. Revised product Manual on Ujala dhiriulhun financing v1.2
- 3.1.1.2.2. Revised Letter of Offer for Diminishing Musharakah.
- 3.1.1.2.3. Revised transaction Documents for Personal Financing

3.1.2. Business Products:

- 3.1.2.1. New Product Manual on Wakala Bi Al-Istithmar Financing
- 3.1.2.2. Revised product manual on Sale and lease back financing under Diminishing Musharakah.

3.2. LIABILITIES SIDE

- 3.2.1.1. Cashiers cheque Application form
- 3.2.1.2. Application form for Domestic & interbank transfers.

4. POLICIES AND OTHER MANUALS

- 4.1. Product Manual on Ujrah Card.
- 4.2. Revised Policy Manual on Charity V6
- 4.3. Revised Policy on Anti-Money Laundering and Counter Financing of Terrorism V2.
- 4.4. Compliance Policy V1.
- 4.5. Policy on Politically Exposed Persons V1.
- 4.6. Policy for authority Delegation for Financing & Investment Approvals.

5. PROFIT & LOSS DISTRIBUTION AND POOL MANAGEMENT:

During the year, profit distribution mechanism, i.e. pool calculations and weightages were discussed with the SC and were verified accordingly. Internal Audit department conducted its post distribution audit and presented its report to SC for opinions where required.

6. TRAINING:

During the year 2023, **13** training sessions were conducted and **538** staff members were trained from MIB on basic concepts of Islamic Banking, Islamic Banking Products & Services and Islamic Banking Branch Operations.

Trainings were conducted by staff of ISU and SC members.

In order to further reinforce training culture in the bank, some training sessions were conducted via Udemy training platform. The training presentations were provided during the training sessions as a source of future reference. Assessments were conducted after the training sessions and the results are now an integral part of performance appraisals for all the relevant staff.

7. OTHER ACTIVITIES:

7.1 Fuvahmulah Branch Visit

During the year 2023, SC members together with staff from ISU have visited Fuvahmulah branch. The activities conducted by SC includes the review of Branch operations, visit to the Ujalaa Financing Dealers and conducted an awareness session to the Students from Gnaviyani Atoll Education Centre.

7.2 Capacity development of the SC Members.

During the year of 2023, the SC Members have attended the following, under the capacity development program of the Bank:

7.2.1. The intellectual discourse on Islamic Economics in Banking and finance held in Leicestershire, UK from 11th to 13th July 2023

7.2.2. The Global Waqf conference 2023, held in Istanbul, Turkey from 7th to 9th September 2023.

8. SHARIÁH OPINION:

To form our opinion as expressed in this report, we have reviewed the Shariáh Review report of the Internal Shariáh Unit (ISU) and Shariáh Audit report of the Internal Audit Unit of the Bank. ISU has reviewed different types of transaction and the relevant documentation and procedures adopted by the Bank. ISU has planned and performed reviews and audits to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank's business activities were conducted in compliance with the principles of Shariáh.

During the year, 4 quarterly Shariáh reviews has been conducted by ISU and 2 half yearly Shariáh Audits has been conducted by Internal Audit Department. Report of each Review and Audit was shared with Management of the Bank for rectification and compliance. Internal Shariáh Unit submitted its reports to Shariáh Committee quarterly for ratification. The reports contained details of all Shariáh reviews, any issue resolved outside the SC meetings, and any documents approved via circulation, which are subsequently ratified by the Shariáh Committee in the following SC meetings.

Based on above, we are of the view that:

- A. The contracts, transactions and dealings pertaining to the Bank's activities during the year ending on December 31, 2023, which we have reviewed, generally compliant with Shariáh. Nothing has come to the Shari'ah Committee's attention that causes the Shari'ah committee to believe that the operations, business, affairs and activities of the Bank involve any material Shari'ah non-compliances.
- B. We have noted areas in the mode of operation and documentation for certain financing transactions of the Bank that require rectification. These areas have been highlighted in the annual Shariáh audit report, and we have provided guidelines to implement the necessary improvements.
- C. On the management of the Mudaraba Pool (Liability Side), we found that the allocation of profit and charging of losses relating to Mudaraba investment accounts generally conform to the policies and procedures approved by the Shariáh Committee.
- D. During the year, no transactions were found null and void, thus no amount was credited to the charity account due to Shariáh violations. However, an amount of MVR 1,007,317.62 (Maldivian Rufiyaa, One million and Seven Thousand Three Hundred Seventeen and Sixty-Two) was received as charity resulting from customer undertakings in cases of late payment, and was subsequently credited to the designated charity account.

Based on the robustness of the Internal Shariáh Unit and the comprehensive policies and guidelines issued to the Bank to ensure Shariáh compliance, we are confident that an effective mechanism is in place to ensure Shariáh compliance in overall operation of the Bank.

May Allah Subhanahu Wa Ta'alah grant us with the best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the life hereafter, and forgive our shortcomings.

Wallahu A'lam.

Wassalamualaikum Wa Rahmatullah Wa Barakatuh

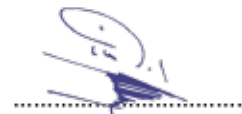
20th April 2024



Dr. Ejaz Ahmed Samadani
Chairman



Mufthi M I M Rizwe
Member



Dr. Ibrahim Zakariyya Moosa
Member



Medhuziyaariy

The final resting place of Abdul Barakat Yoosuf Al Barbary, the renowned Moroccan scholar who introduced Islam to the Maldives in 1153 AD.

AUDITED FINANCIAL STATEMENTS



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Independent auditor's report

To the Shareholders of Maldives Islamic Bank Plc

Our opinion

We have audited the financial statements of Maldives Islamic Bank Plc (the "Bank"). The financial statements of the Bank comprise:

- the statement of financial position as at 31 December 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2023, and of their financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

C.S. Manoharan FCA, T.U. Jayasinghe FCA, Jatindra Bhatray FCA, Prasanta Misra FCA, Mohamed Siraj Muneer FCA

Regd. Office: H.Thandiraimage, 3rd floor, Roshanee Magu, Malé, Republic of Maldives. Reg. No.: P-0689/1980

Key audit matter	How our audit addressed the Key audit matter
<p>Impairment of receivable from financing activities</p>	<p>Specific work that we performed on the loss allowance on receivables from financing activities recognised by management included the following:</p>
<p>As at 31 December 2023, 49.9 % of the total assets of the bank consisted of receivables from financing activities amounting to MVR 4.1 billion shown net of loss allowance of MVR 111.9 million.</p>	<p>- Tested the completeness of the receivables from financing activities considered in the loss calculation by checking the mathematical accuracy of the listing obtained and matched the outstanding balances with the general ledger.</p>
<p>The Bank adopts an individual impairment assessment approach for individually significant credit impaired receivables from financing activities and a collective impairment assessment approach for receivables from financing activities which are not individually significant and credit impaired. Individual impairment is based on assessing the amount and timing of estimated future cashflows from collateral.</p>	<p>- Tested the receivables from financing activities in stage 1, 2 and 3 on a sample basis to verify they were classified to the appropriate stage in accordance with IFRS 9.</p>
<p>Under the collective approach, the Bank applies 3 stage model and allocates receivables to stage 1,2,3 using criteria in accordance with IFRS 9 and calculates expected credit loss (ECL) allowance by using following key inputs: probability of default (PD), loss given default (LGD) and exposure at default (EAD).</p>	<p>- Assessed the reasonableness of management’s estimated future recoveries of individual customer receivable from financing activities including the expected future cash flows, discount rates and valuation of collateral held by testing the key underlying assumptions and evaluating the process by which those were drawn up.</p>
<p>PD is determined at segment level using historical collection trends, credit migration rate in the Markov chain approach. The data used to derive the PD is based on the Bank’s own experience at the reporting date. The output PD is then adjusted to reflect macro-economic conditions of Maldives using score card approach. The LGD used for segments is driven by estimation of loss rates, taking into account the Bank’s history from internal debt collection activities and customer repayments. The Bank formulates and incorporates multiple forward looking scenarios reflecting management views of potential future</p>	<p>- Tested the accuracy and completeness of underlying information in receivable from financing activities used in the expected financing activities loss allowance calculation, such as disbursed and undisbursed facility amounts, deposits, values of the collateral, aging and tenure periods by agreeing details with the respective customer statements and files on a sample basis.</p>
	<p>- Tested the methodology applied in the loss allowance calculation by checking compliance with the requirements of IFRS 9, Financial instruments; recognition and measurement, and also considered reasonableness of macro-economic and other factors used by the</p>

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economic developments into ECL estimates involve use of significant judgements. management by comparing them with publicly available data and information sources.

Significant estimates and assumptions used by the management in such calculations and the basis for impairment allowance is disclosed in Note 11 and 36. - Assessed the adequacy of the related financial statement disclosures as set out on Notes 11 and 36 for compliance with required IFRS 9 disclosures.

The loss allowance in respect of receivables from financing activities represent management's best estimate of the impairment loss incurred and expected within the receivable portfolio at the reporting date. - Based on the work performed we found the estimation of impairment provision on loans and advances by the management had been based on reasonable assumptions and methodology.

We have identified expected credit loss allowance for receivables from financing activities as a key audit matter as the calculation of the loss allowance is a complex area and requires management to make significant assumptions and judgements.

Other information

Management is responsible for the other information. The other information comprises the Annual Report for the year ended 31 December 2023 but does not include the financial statements and our auditor's report thereon which is expected to be made available to us after the date of this auditors' report.

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation of the financial statements that gives true and fair view in accordance with the International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board, 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.

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In preparing the financial statements, management is responsible for assessing the Bank'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 Bank to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank'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 judgment and maintain professional scepticism 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Bank'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 Bank 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.

Deloitte.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the 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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mohamed Siraj Muneer.

MALE`

23 April 2024.

For DELOITTE PARTNERS



Mohamed Siraj Muneer
Partner

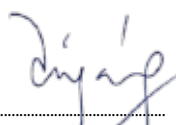
MALDIVES ISLAMIC BANK PLC**STATEMENT OF FINANCIAL POSITION**

AS AT 31ST DECEMBER 2023

	Note	2023 MVR	2022 MVR
ASSETS			
Cash and balances with other banks	7	419,351,119	177,805,463
Balances with Maldives Monetary Authority	8	921,280,143	874,333,752
Investments in equity securities	9	112,500,000	102,100,000
Investments in other financial instruments	10	2,277,083,866	1,915,360,897
Net receivables from financing activities	11	4,105,764,559	2,821,968,932
Property and equipment	12	91,979,547	60,868,215
Right-of-use assets	13	115,065,782	124,828,420
Intangible assets	14	11,292,622	11,583,338
Other assets	15	176,377,600	111,272,959
Deferred tax asset	33.5	4,193,876	638,434
Total assets		8,234,889,114	6,200,760,410
LIABILITIES			
Customers' accounts	16	6,837,876,381	5,144,620,941
Due to banks and other financial institutions	17	258,051,674	93,027,623
Provisions	18	7,097,459	3,312,408
Current tax liability	33	39,560,190	35,155,893
Lease liabilities	19	90,556,067	95,472,683
Other liabilities	20	73,631,800	46,010,339
Total liabilities		7,306,773,571	5,417,599,887
EQUITY			
Share capital and share premium	21	337,500,070	337,500,070
Statutory reserve	23	150,000,000	150,000,000
Non-distributable capital reserve	24	16,108,242	23,775,443
Fair value reserve	9	49,125,000	41,325,000
Retained earnings		375,382,231	230,560,010
Total equity		928,115,543	783,160,523
Total liabilities and equity		8,234,889,114	6,200,760,410
Commitments		1,414,983,971	681,358,381
Net asset value per share		41.25	34.81

The financial statements are to be read in conjunction with the related notes which form an integral part of the financial statements of the Bank set out on pages 135 to 203. The report of the independent auditors is given on pages 126 to 130.


These financial statements were approved by the Board of Directors and signed on its behalf by:



.....
Mr. Ali Wasif
Chief Financial Officer



.....
Mr. Mufaddal Idris Khumri
Managing Director /
Chief Executive Officer



.....
Mr. Ahmed Ali
Chairman of
Board Audit Committee

23rd April 2024
Male'

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2023

	Note	2023 MVR	2022 MVR
Income from financing activities using the effective profit method	25.1	401,763,833	309,236,617
Profit paid on customer accounts and others	25.2	(77,468,213)	(54,596,346)
Net profit earned from financing activities		324,295,620	254,640,271
Fee and commission income	26.1	75,122,199	42,792,827
Fee and commission expense	26.2	(13,490,924)	(5,956,175)
Net fee and commission income		61,631,275	36,836,652
Net foreign exchange gain	27	305,875	241,450
Income from investments in equity securities	28	4,726,400	4,089,000
Net income from other financial instruments	29	84,601,096	46,820,525
Total operating income		475,560,266	342,627,898
Net impairment losses on financial assets	11.4	(23,097,696)	(14,645,410)
Personnel expenses	30	(115,583,135)	(86,753,293)
General and administrative expenses	31	(67,826,287)	(49,802,081)
Depreciation and amortization	32	(35,312,343)	(29,971,765)
Total operating expenses including impairment provision		(241,819,461)	(181,172,549)
Profit before tax		233,740,805	161,455,349
Income tax	33.1	(57,210,772)	(40,363,323)
Profit for the year		176,530,033	121,092,026
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Movement in fair value reserve (equity instruments):			
Net change in fair value - equity investment at FVOCI	9.2	10,400,000	49,000,000
Income tax related to net change in fair value of equity investment	33.5	(2,600,000)	(12,250,000)
		<u>7,800,000</u>	<u>36,750,000</u>
Total other comprehensive income, net of tax		<u>7,800,000</u>	<u>36,750,000</u>
Total comprehensive income		184,330,033	157,842,026
Basic and diluted earnings per share	34.1	7.85	5.38

Figures in brackets indicate deductions

The financial statements are to be read in conjunction with the related notes which form an integral part of the financial statements of the company set out on pages 135 to 203. The report of the independent auditors is given on pages 126 to 130.

STATEMENT OF CHANGES IN EQUITY

AS AT 31ST DECEMBER 2023

	Share capital and premium MVR	Statutory reserve MVR	Non distributable capital reserve MVR	Fair value reserve MVR	Retained earnings MVR	Total MVR
As at 1st January 2022	337,500,070	150,000,000	20,302,251	4,575,000	146,421,186	658,798,507
Profit for the year	-	-	-	-	121,092,026	121,092,026
Other comprehensive income						
Equity instruments at FVOCI - Change in fair value (Note 9.2)	-	-	-	49,000,000	-	49,000,000
Recognition of deferred tax impact on fair value change (Note 33.5)	-	-	-	(12,250,000)	-	(12,250,000)
Total comprehensive income for the year	-	-	-	36,750,000	121,092,026	157,842,026
(Release) / recognition of non-distributable capital reserve (Note 24)	-	-	3,473,192	-	(3,473,192)	-
Transaction with owners of the bank						
Dividends (Note 21.4)	-	-	-	-	(33,480,010)	(33,480,010)
As at 31st December 2022	337,500,070	150,000,000	23,775,443	41,325,000	230,560,010	783,160,523
As at 1st January 2023	337,500,070	150,000,000	23,775,443	41,325,000	230,560,010	783,160,523
Profit for the year	-	-	-	-	176,530,033	176,530,033
Other comprehensive income						
Equity instruments at FVOCI - Change in fair value (Note 9.2)	-	-	-	10,400,000	-	10,400,000
Recognition of deferred tax impact on fair value change (Note 33.5)	-	-	-	(2,600,000)	-	(2,600,000)
Total comprehensive income for the year	-	-	-	7,800,000	176,530,033	184,330,033
(Release) / recognition of non-distributable capital reserve (Note 24)	-	-	(7,667,201)	-	7,667,201	-
Transaction with owners of the bank						
Dividends (Note 21.4)	-	-	-	-	(39,375,012)	(39,375,012)
As at 31st December 2023	337,500,070	150,000,000	16,108,242	49,125,000	375,382,232	928,115,544

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes which form an integral part of the financial statements of the Company set out on pages 135 to 203. The Report of the Independent Auditors is given on pages 126 to 130.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2023

	2023	2022
Note	MVR	MVR
Cash flows from operating activities		
Profit before tax	233,740,805	161,455,349
Adjustments for:		
Depreciation and amortization	32 35,312,343	29,971,765
Net impairment loss on financial assets	11.4 23,097,696	14,645,410
Net impact of modification of financial assets measured at amortised cost	25.1 1,801,179	4,558,860
Dividend income on equity securities	28 (4,726,400)	(4,089,000)
Profit on disposal of right-of-use asset and lease liability	(98,446)	-
Loss / (gain) on disposal of property and equipment	44,911	(1,128)
Written off of property and equipment	12 2,544	82,322
Written off of intangible assets	14 399,941	2,474,123
Profit expense on inter-bank financing	25.2 5,235,927	6,101,945
Operating profit before working capital changes	<u>294,810,500</u>	<u>215,199,646</u>
Changes in:		
Customers' accounts	16 1,693,255,440	709,736,297
Other assets	15 (65,104,641)	(14,116,602)
Other liabilities	20 30,593,526	8,960,563
Net receivables from financing activities	11 (1,304,896,985)	(491,920,828)
Due from banks	-	169,691,388
Investment in other financial instrument	(361,771,845)	(1,199,731,615)
Cash (used in) / generated from operations	<u>286,885,995</u>	<u>(602,181,151)</u>
Dividend received	28 4,726,400	4,089,000
Profit paid on inter-bank financing	(3,631,876)	(6,540,360)
Tax paid	33.4 (58,961,917)	(21,073,831)
Net cash (used in) / generated from operating activities	<u>229,018,602</u>	<u>(625,706,342)</u>
Cash flows from investing activities		
Acquisition of property and equipment	12 (47,971,108)	(23,389,056)
Acquisition of intangible assets	14 (4,446,685)	(4,828,439)
Proceeds from sales of property and equipment	-	139,026
Net movement in minimum reserve requirement of MMA	8 (179,328,644)	(85,845,683)
Net cash used in investing activities	<u>(231,746,437)</u>	<u>(113,924,152)</u>
Cash flows from financing activities		
Principal element of lease liability paid	19 (9,218,095)	(33,954,055)
Interbank Wakalah placement / (settlement)	225,000,000	(92,520,000)
(Payments) / fundings during the year	(61,580,000)	(61,580,000)
Dividends paid during the year	(42,347,078)	(42,801,725)
Net cash generated from / (used in) financing activities	<u>111,854,827</u>	<u>(230,855,780)</u>
Net increase / (decrease) in cash and cash equivalents	109,126,992	(970,486,274)
Cash and cash equivalents at beginning of the year	<u>570,704,858</u>	<u>1,541,191,132</u>
Cash and cash equivalents at end of the year	<u>7.2 679,831,850</u>	<u>570,704,858</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 Company set out on pages 135 to 203. The Report of the Independent Auditors is given on pages 126 to 130.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Maldives Islamic Bank Public Limited Company (the "bank") was incorporated and domiciled in the Republic of Maldives since 01st April 2010 as a private limited liability company and presently governed under the Companies' Act No. 7 of 2023 and Maldives Banking Act No 24 of 2010. The bank received the banking license under the Maldives Monetary Authority Act No. 6 of 1981 on 02nd August 2010 to conduct Islamic banking business in the Maldives and obtained certificate of approval to commence operations on 06th March 2011. The bank subsequently converted to a Public Company on 19th June 2019 under the Companies Act and the bank listed its shares on the Maldives Stock Exchange on 17th November 2019. The registered office of the bank is at H. Medhuziyaaraydhoshuge, 20097, Medhuziyaaraiy Magu, Male' City, Republic of Maldives.

The bank provides full range of banking services based on Shari'ah principles including accepting deposits, granting of financing facilities and other ancillary services.

2. BASIS OF PREPARATION

i. Statement of compliance

These financial statements have been prepared and presented in accordance with International Financial Reporting Standards ("IFRSs"). They were authorised for issue by the bank's Board of Directors on 23rd April 2024.

ii. Functional and presentation currency

These financial statements are presented in Maldivian Rufiyaa, which is the bank's functional currency. All amounts have been rounded to the nearest Rufiyaa, except when otherwise indicated.

iii. Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the bank's 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 estimates are recognised prospectively.

A. Judgements

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

- establishing the criteria for determining whether credit risk on the financial assets has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL.
- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPP on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONTINUED)

B. Assumptions and estimation uncertainties

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

- impairment of financial instruments: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.
- measurement of the fair value of financial instruments with significant unobservable inputs.
- recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

C. Going concern

The Board has made an assessment of the bank's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Board is not aware of any material uncertainties that may cast significant doubt upon the bank's ability to continue as a going concern and it does not intend either to liquidate or to cease operations of the bank. Therefore, the financial statements continue to be prepared on the going concern basis.

3. CHANGE IN ACCOUNTING POLICY

Except for the described accounting policies below, the applied accounting policies in these financial statements are the same as those applied in the financial statements as at and for the year ended 31st December 2022.

The following amendments to IFRS have been applied by the bank in preparation of these financial statements. The below were effective from 1st January 2023:

New and amended accounting standards adopted by the bank

The bank has applied the following standards and amendments for the first time for their annual reporting periods commencing 1 January 2023. Most of the amendments listed below did not have any significant impact on amounts recognised in prior periods and are not expected to significantly affect current or future periods. The bank did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards:

- Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements— Disclosure of Accounting Policies – Amendments in IAS 1
- Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- Income Taxes—International Tax Reform—Pillar Two Model Rules - Amendments in IAS 12
- Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates – Amendment to IAS 8
- IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17) - IFRS 17 insurance standard and amendments are not applicable to the bank.

NOTES TO THE FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION

4.1 Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency (Maldivian Rufiyaa) at the exchange rate at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into Maldivian Rufiyaa at the exchange rate at the reporting date. For financial reporting, the bank uses the mid-rate between the selling and buying rate for foreign currencies prevailing at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective profit, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into Maldivian Rufiyaa at the exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss.

4.2 Profit

i. Effective profit rate

Profit income and expense are recognised in profit or loss using the effective profit method. The 'effective profit 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; or
- The amortised cost of the financial liability.

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

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

NOTES TO THE FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.2 Profit (Continued)

ii. Amortised cost and gross carrying amount

The 'amortised 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 (payments), plus or minus the cumulative amortisation using the effective profit 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 amortised cost of a financial asset before adjusting for any expected credit loss allowance.

iii. Calculation of profit income and expense

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

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

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

The bank recognises its income from financing and investment activities as follows;

- Income on financing contracts of Murabahah and Istisna' is recognised on time apportioned basis over the period and the profit rate is determined in advance upon agreement of all parties.
- Income from Diminishing Musharakah is recognised on bank's share of investment over the period based on the profit rate determined in advance upon agreement of all parties.
- Income on Mudarabah financing is recognised when the right to receive payment is established or distribution by the Mudarib. In case of losses in Mudarabah, the bank's share of losses are deducted from its share of Mudarib capital. The bank's share as a Mudarib is accrued based on the terms and conditions of the related Mudarabah agreements.
- Income from short-term placements is recognised on a time-apportioned basis over the period of the contract using the effective profit rate method. The effective profit is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of a financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective profit rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

NOTES TO THE FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.2 Profit (continued)

iii. Calculation of profit income and expense (continued)

- Placement fees income for arranging a financing between a financier and investor and other investment income are recognised on an accrual basis.
- Income from dividends is recognised when the right to receive the dividend is established.

Presentation

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

- Profit on financial assets and financial liabilities measured at amortised cost.
- Profit income on other financial assets mandatorily measured at FVTPL are presented in net income from other financial instruments at FVTPL.

Profit expense presented in the statement of profit or loss includes:

- Financial liabilities measured at amortised cost.

4.3 Fees and commission

Fee and commission income and expenses that are integral to the EIR (Effective Financing Rate) of a financial asset or financial liability are capitalised and included in the measurement of the EIR (Effective Financing Rate) and recognised in the income statement over the expected life of the instrument.

Other fee and commission income, including card operations fees, investment management fees and commission on trade services are recognised as the related services are performed.

As per IFRS 15, the bank adopts principles based five step model for revenue recognition. Accordingly, revenue is recognised only when all of the following criteria are met.

- The parties to the contract have approved the contract/s;
- The entity can identify each party's rights regarding the goods or services to be transferred;
- The entity can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance;
- It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

The scope of IFRS 15 is limited to fees and commission revenue of the bank.

4.4 Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at FVTPL relates to financial assets designated as at FVTPL. The line item includes fair value changes and profit for the period.

NOTES TO THE FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.5 Dividend income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividend incomes are presented in the profit or loss.

Dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.

4.6 Leases

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

Bank acting as a lessee

At commencement or on modification of a contract that contains a lease component, the bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of head office premises, branches and ATM locations the bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The bank recognises 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 any improvements made to head office premises, branches or ATM locations.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In additions, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements 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 profit rate implicit in the lease or, if that rate cannot be readily determined, the bank's incremental borrowing (funding) rate. Generally, the bank uses its incremental borrowing (funding) rate as the discount rate.

The bank determines its incremental borrowing (funding) rate by analysing its borrowings (funding) from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the bank is reasonably certain to exercise, lease payments in an optional renewal period if the bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the bank is reasonably certain not to terminate early.

NOTES TO THE FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.6 Leases (continued)

Bank acting as a lessee (continued)

The lease liability is measured at amortised cost using the effective profit 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 bank's estimate of the amount expected to be payable under a residual value guarantee, if the bank 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 bank presents right-of-use assets and lease liabilities as separate captions in the statement of financial position.

Short term leases and leases of low-value assets

The bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

4.7 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

The bank has determined that fines and penalties related to income tax, including uncertain tax treatments do not meet the definition of income taxes, and therefor accounted for them under IAS 37 Provisions, contingent liabilities and contingent assets.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

ii. Deferred tax

Deferred tax is recognised 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 assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plan of the bank. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

NOTES TO THE FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.7 Income tax (continued)

ii. Deferred tax (continued)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates 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 realised simultaneously.

4.8 Financial assets and financial liabilities

i. Recognition and initial measurement

The bank initially recognises receivables from financing activities, customers' accounts, on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the bank 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. The fair value of a financial instrument at initial recognition is generally its transaction price.

ii. Classification

Financial assets

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit ("SPPP").

Financial assets measured at amortised cost comprise receivables from Murabaha, Istisna', Diminishing Musharaka, Education Financing, balances with Maldives Monetary Authority ("MMA"), cash in hand and balances with banks.

On initial recognition of an equity investment that is not held for trading, the bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. Accordingly, the bank has irrevocably elected to present subsequent changes in fair value in OCI.

NOTES TO THE FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.8 Financial assets and financial liabilities (continued)

ii. Classification (continued)

Financial assets (continued)

Financial assets designated at FVOCI comprise bank's investments in equity shares.

Other financial assets are classified as measured at amortized cost or FVTPL based on the SPPP test. Financial assets measured at FVTPL comprise bank's money market placements and, Wakala and Mudharaba placements with a variable rate of return, where SPPP criteria are not met. Wakala facilities with fixed rate of return are measured at amortized cost.

Financial assets are not reclassified subsequent to their initial recognition unless the bank change its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Assessment of whether contractual cash flows are solely payments of principal and profit

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

'Profit' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending (financing) risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

NOTES TO THE FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.8 Financial assets and financial liabilities (continued)

ii. Classification (continued)

Assessment of whether contractual cash flows are solely payments of principal and profit (Continued)

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

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the bank's claim to cash flows from specified assets (e.g. non-recourse financing facilities); and
- features that modify consideration of the time value of money (e.g. periodical reset of profit rates).

The bank holds a portfolio of long-term fixed rate financing facilities for which the bank has the option to propose to revise the profit rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers (customers) have an option to either accept the revised rate or redeem the finance facility subject to rebate policy of the bank. The bank has determined that the contractual cash flows of these financing facilities are solely payments of principal and profit because the option varies the profit rate in a way that is consideration for the time value of money, credit risk, other basic lending (financing) risks and costs associated with the principal amount outstanding.

iii. Subsequent measurement

Subsequent measurement of debt instruments depends on the bank's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the bank classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and profit, are measured at amortised cost. Profit income from these financial assets is included in finance income using the effective profit rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, profit income and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Profit income from these financial assets is included in finance income using the effective profit rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

NOTES TO THE FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.8 Financial assets and financial liabilities (continued)

iii. Subsequent measurement (Continued)

Equity instruments are subsequently measured at FVOCI.

Reclassifications

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

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest (profit) expense are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest (profit) method. Interest (profit) expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on de-recognition is also recognized in profit or loss.

The bank's non-derivative financial liabilities consist of amount due to related parties, borrowings (funding) and other payables. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective profit method.

Interest (Profit) rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest (profit) rate benchmark reform, the bank updated the effective interest (profit) rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest (profit) rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest (profit) rate benchmark reform, the bank first updated the effective interest (profit) rate of the financial asset or financial liability to reflect the change that is required by interest (profit) rate benchmark reform. After that, the bank applied the policies on accounting for modifications to the additional changes.

iv. Derecognition

Financial assets

The bank 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 Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.8 Financial assets and financial liabilities (continued)

iv. Derecognition (continued)

Financial assets (continued)

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 including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any profit in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank 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.

In transactions in which the bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the bank 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.

Financial liabilities

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

v. Modification of financial assets

Financial assets

If the terms of a financial asset are modified, then the bank 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 transactions costs. Any fees received as part of the modification are accounted for as follows:

If cash flows are modified when the borrower (customer) 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 bank 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 (see below for write-off policy). This approach impacts the results 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 Bank first recalculates the gross carrying amount of the financial asset using the original effective profit rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.8 Financial Assets and Financial Liabilities (continued)

vi. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

vii. 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 Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank 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 Bank 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 on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on 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 for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on 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.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments - e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure - are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposits) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

NOTES TO THE FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.8 Financial Assets and Financial Liabilities (continued)

viii. Impairment

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- finance commitments issued.

No impairment loss is recognised on equity investments measured at FVOCI.

The Bank measures loss allowances at an amount equal to lifetime ECL except for financial instruments for which credit risk has not increased significantly since initial recognition. For such instruments loss allowances are measured as 12-months ECL.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn finance commitments:* as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- *financial guarantee contracts:* the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

NOTES TO THE FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.8 Financial assets and financial liabilities (continued)

viii. Impairment (continued)

Measurement of ECL (continued)

When discounting future cash flows, the following discount rates are used:

- financial assets other than purchased or originated credit-impaired (POCI) financial assets: the original effective profit rate or an approximation thereof;
- POCI assets: a credit-adjusted effective profit rate;
- undrawn finance commitments: the effective profit rate, or an approximation thereof, that will be applied to the financial asset resulting from the finance commitment; and
- financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower (customer), 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.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate if the existing financial asset.
- Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These restructured facilities are kept under continuous review.
- The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Bank monitors the subsequent performance of modified assets. The Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more. The Bank continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific information for modified assets.

Credit-impaired financial assets

At each reporting date, the bank assesses whether financial assets carried at amortised cost are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

NOTES TO THE FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.8 Financial assets and financial liabilities (continued)

viii. Impairment (continued)

Credit-impaired financial assets (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower (customer) or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a finance facility by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower (customer) will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A financing facility that has been renegotiated due to a deterioration in the borrower's (customer's) condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a financing facility provided to an individual customer that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

The Bank assigns floor rate (a minimum PD) based on Basel II framework for sovereign debts since there are no defaults in the past.

For credit-impaired financial assets the effective profit rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

Purchased or originated credit-impaired (POCI) financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective profit rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

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;
- *finance commitments and financial guarantee contracts*: generally, as a provision;

NOTES TO THE FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.8 Financial assets and financial liabilities (continued)

viii. Impairment (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 Bank cannot identify the ECL on the finance commitment component separately from those on the drawn component: the Bank 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.

Write-off

Financing and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower (customer) does not have assets or sources of income that could generate sufficient cash flows to repay (pay) the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are recognised when cash is received and are included in 'impairment losses on financial instruments' in the statement of profit or loss and other comprehensive income.

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

Financial guarantee contracts held

The Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Bank considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower (customer) or another company within the borrower's (customer's) group.

If the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Bank considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Bank determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Bank presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.

NOTES TO THE FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.8 Financial assets and financial liabilities (continued)

ix. Designation at fair value through profit or loss

On initial recognition, the Bank has designated certain financial assets as at FVTPL.

4.9 Cash and cash equivalents

'Cash and cash equivalents' include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

4.10 Receivables from financing activities

'Net receivables from financing activities' caption in the statement of financial position include:

The bank has the following receivables and balances from financing activities

(a) Murabahah financing

Murabahah financing consists of the cost and the profit margin of the bank which resulted from Murabahah (Sale) transactions and are stated net of deferred profit and provision for impairment.

Murabahah is a cost plus sale contract where the bank purchases the subject matter requested by the customer and sell it to the customer with a profit. Under the Murabahah contract, the bank is liable to disclose the details of the cost including the direct expenses to the customer at the time of sale. The sale price may be paid in lump sum or in installments over the agreed period. These financing facilities are initially measured at fair value. Further the instruments are subsequently measured at their amortised cost using the effective profit method, since the instruments carry fixed profit rates and are held-to-maturity.

(b) Commodity Murabahah financing

Commodity Murabahah is a popular term used in the market to imply a contract of bay al-Tawarruq. The term Tawarruq generally implies a sale contract whereby a buyer buys an asset from a seller with deferred payment and subsequently sells the asset to a third party on cash with a price less than the deferred price for the purpose of obtaining cash.

(c) Istisna' financing

Istisna' is a sale contract between the ultimate buyer (customer) and the seller (bank), whereby the bank, based on an order of the customer, undertakes to construct/produce/manufacture or otherwise acquire the subject matter of the contract, according to the agreed specification and deliver it to the customer for an agreed price on an agreed date. The method of settlement may be agreed in advance, by installments or deferred to a specific future time. Istisna' contracts represent the disbursements made either in advance, progressive as agreed in the contract against the subject matter constructed/produced/manufactured/acquired for Istisna' project, plus income (profit) recognised, less payment received from the customer as installments. These financing facilities are initially measured at fair value. Further the instruments are subsequently measured at their amortised cost using the effective profit method, since the instruments carry fixed profit rates and are held-to-maturity.

NOTES TO THE FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.10 Receivables from financing activities (continued)

(d) Diminishing musharakah financing

Diminishing Musharakah is a form of partnership where both parties enter into a Musharakah (partnership) contract to jointly acquire an asset. Subsequently, under a separate sale contract, which may be secured under a unilateral undertaking to purchase by the customer, one party (customer) buys the equity share (ownership units) of the other party (Bank) gradually at cost price until the title to the asset is completely transferred to the customer. During the tenure of the facility, the ownership units of the Bank will be leased out to the customer and the income of the Bank will be collected in the form of rentals. These financing facilities are initially measured at fair value. Further the instruments are subsequently measured at their amortised cost using the effective profit method, since the instruments carry fixed profit rates and are held-to-maturity.

(e) Education financing

Education Financing is a facility provided by the Bank, under the concept of Ijarat-ul-Askhas (Service Ijarah). It is a type of Ijarah (leasing) contract in which the underlying usufruct (manfa'ah) could be in a form of work, effort, expertise, etc.

The Bank will provide the educational service (service Ijarah) to the customer after the Bank purchases the educational placement from the educational institutions. The service payment by the customer is made on monthly basis on an agreed tenure. These financing facilities are initially measured at fair value. Further the instruments are subsequently measured at their amortised cost using the effective profit method, since the instruments carry fixed profit rates and are held-to-maturity.

4.11 Investments in other financial instruments

'Investments in other financial instruments' caption in the statement of financial position include:

(a) Mudharabah

Mudharabah is a type of partnership for profit in which one partner provides the capital and the other partner contributes his labour. The profits are shared on pre-agreed profit-sharing ratios. The losses, if any, are borne by the fund provider. The profit rates of the instrument are linked to the profit of the borrower (customer), and they vary with the variations in profit. Mudharabah instruments are mandatorily measured at FVTPL with changes recognized immediately in the statement of profit or loss. The Mudharabah instrument fails the "SPPP" test due to variability in the profit earned, thus, irrespective of the business model test, the instruments are classified at FVTPL. The instruments are measured by adding actual profit declared to the principal outstanding. Since the period of the instrument is less than 12 months, the future cash flow is not discounted to determine the fair value.

Instruments measured at FVTPL are not subject to impairment as per IFRS 9, and are therefore not impaired.

(b) Wakalah Bi Al-Isthithmar

"Wakalah Bi Al-Isthithmar" or "Investment agency" indicates appointing another person to invest and grow one's wealth, with or without a fee. In this structure the Wakeel conducts financial transactions through Commodity Murabaha and deploys bank's funds on short-term basis. The bank is remunerated through an indicative rate. The Wakalah Bi Al-Isthithmar profit rates does not vary from the indicative profit rate provided in the contract and are held to maturity. Therefore, this meets the SPPY criteria and held to collect business model test. Hence, Wakalah Bi Al-Isthithmar treasury certificate is to be classified as a financial asset measured at amortized cost.

NOTES TO THE FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.12 Investments in equity securities

'Investments in equity securities' caption in the statement of financial position includes:

- equity investment securities designated as at FVOCI.

The Bank elects to present changes in the fair value of investments in equity instruments that are not held for trading in OCI. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Fair value gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

4.13 Deposits

Deposits are the Bank's main source of debt funding.

Deposits are initially measured at fair value minus incremental direct transaction costs. Subsequently, they are measured at their amortised cost using the effective profit method.

Deposits comprise following products;

a) Current accounts

Current accounts are deposit accounts which offer customers a flexible way to manage their everyday banking needs. This type of account is based on the Shari'ah concept of Qard and does not earn any profit.

Salient features:

- non- profit sharing
- flexible banking and personal services
- no minimum deposit amount
- cheque book is provided

b) Savings accounts

Savings accounts are profit earning accounts which offer customers a way to share in MIB profit distributions by investing their savings in a Shari'ah compliant manner.

The Bank invests deposited funds and shares the profits between the bank and the customer based on the bank's declared profit ratio at the end of each month following the concept of Mudharabah.

NOTES TO THE FINANCIAL STATEMENTS

MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.13 Deposits (continued)

b) Savings accounts (continued)

Salient features:

- profit sharing
- minimum deposit amount for individuals MVR 200 or USD 20
- profit distributions every six months

c) General investment accounts

General investment accounts are profit earning accounts which offer customers a way to share in Bank's profit distributions by investing their money in a Shari'ah compliant manner based on Mudharabah concept.

The Bank invests deposited funds and calculates the profits between the bank and the customer based on the bank's declared profit sharing ratio at the end of each month and paid on maturity date.

Salient features:

- profit sharing
- profit distribution at maturity
- flexible investment periods from 3, 6, 9 and 12 months to 2, 3 and up to 5 years
- minimum deposit amount for customers MVR 5,000 or USD 500

d) Margin accounts

Margin accounts are usually security deposit accounts held by the bank on Wakalah, Kafalah and trade Murabahah based financing arrangements provided by the bank. These accounts are currently structured as non-profit sharing accounts.

The Bank maintains margin accounts for the following services:

- trade murabaha
- Wakalah LC
- shipping guarantees
- performance guarantees
- bid guarantees financing

4.14 Financial guarantees and finance commitments

'Financial guarantees' are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Finance commitments' are firm commitments to provide credit under pre-specified terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.14 Financial guarantees and finance commitments (continued)

Financial guarantees issued or commitments to provide a finance at a below-market profit rate are initially measured at fair value. Subsequently, they are measured as follows:

- at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The Bank has issued no finance commitment that are measured at FVTPL.

For other finance commitments:

- the Bank recognises loss allowance;

Liabilities arising from financial guarantees and finance commitments are included within provisions.

4.15 Share capital and reserves

Ordinary shares

Ordinary shares are classified as equity. Incremental costs that are directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

4.16 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 expenditures that are 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 capitalised borrowing (funding) costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognised net within other income in the statement of comprehensive income.

ii. Subsequent costs

The cost of replacing a part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.16 Property and equipment (continued)

ii. Subsequent costs (continued)

The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the statement of comprehensive income as incurred.

iii. Derecognition

The carrying amount of an item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from derecognition of an item of property and equipment is included in the statement of comprehensive income when the item is derecognised.

When replacement costs are recognised in the carrying amount of an item of property and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

iv. Depreciation

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this reflects most closely the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the property and equipment are as follows:

Leasehold building	Over the lease period
Computer equipment	4 Years
Furniture and fittings	5 Years
Office equipment	5 Years
Machinery and equipment	10 Years
Motor vehicles	5 Years
Vault	10 Years

Depreciation methods, useful lives and residual values are reassessed at the reporting date. A full month's depreciation is provided in the month of intended use while, no depreciation is provided in the month of disposal.

4.17 Intangible assets

i. Recognition and measurement

Intangible assets that are acquired by the Bank are stated at cost less accumulated amortisation and impairment losses.

Expenditure on internally developed software is recognised as an asset when the bank is able to demonstrate, that the product is technically feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and that it can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.17 Intangible assets (continued)

ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognised in the statement of comprehensive income when incurred.

iii. Derecognition of intangible assets

The carrying amount of an item of intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from derecognition of an item of intangible asset is included in the statement of comprehensive income when the item is derecognised.

iv. Amortisation

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

Computer software	5 Years
Core banking and database software	7 Years

4.18 Impairment of non-financial assets

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment losses, if any, are recognised in the statement of comprehensive income.

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 amortisation, if no impairment loss had been recognised.

4.19 Provisions

A provision is recognised if, as a result of a past event, the Bank 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.

NOTES TO THE FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.19 Provisions (continued)

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.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

4.20 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

4.21 Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Bank has enrolled its employees in the Maldives Retirement Pension Scheme ("MRPS") with effect from 01st May 2011 based on the Regulation on Maldives Retirement Pension Scheme published by the Government of Maldives. The Bank deducts 7% from each employee's pensionable wages on behalf of the employees between 16 and 65 years and makes payment to Maldives Pension Administration Office (MPAO). The Bank contributes to the Retirement Pension Scheme at the rate of 7% on pensionable wages.

4.22 Operating expenses

All operating expenses incurred in the running of the Bank and in maintaining the capital assets in a state of efficiency has been charged to the profit or loss in arriving at profits or loss for the period. Expenses 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 Bank have been treated as capital expenses.

4.23 Earnings per share

The Bank presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Bank by the weighted-average number of ordinary shares outstanding during the period. The basic and diluted EPS are the same for the Bank.

4.24 Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Bank's other components, whose operating results are regularly reviewed by the Bank's chief operating decision maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.24 Segment reporting (continued)

Segment results that are reported to the Bank's CEO (being the CODM) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax assets and liabilities.

5. STANDARDS ISSUED BUT NOT YET ADOPTED

A number of new standards are effective for annual periods beginning after 1st January 2023 and earlier application is permitted; however, the Bank 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 Bank's financial statements.

- Classification of Liabilities as Current or Non-current – amendments to IAS 1.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - amendments to IFRS 10 and IAS 28.
- Non-current Liabilities with Covenants - amendments to IAS 1.
- Supplier Finance Arrangements – amendments to IAS 7 and IFRS 7.
- Lease Liability in a Sale and Leaseback - amendments to IFRS 16.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

6 OPERATING SEGMENT
(a) Basis for segmentation

The bank has the following three strategic divisions, which are reportable segments. These divisions offer different products and services, and are managed separately based on the bank's management and internal reporting structure.

Reportable segments	Operations
Corporate banking	Receivable from financing activities, deposits and other transactions and balances with corporate customers and retails customers.
Card and electronic banking	Issuing card and managing POS, ATM, internet banking services & mobile banking services.
Treasury	Funding and centralised risk management activities through borrowings (fundings), investing in securities and investing in liquid assets such as short term placements and government securities.

The bank's Management Committee reviews internal management reports from each division at least monthly.

(b) Information about reportable segments

Information related to each reportable segment is set out below. Segment profit before tax, as included in internal management reports reviewed by the bank's Management Committee, is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments. Inter-segment pricing is determined on an arm's length basis.

	Corporate and retail banking MVR	Card and electronic banking MVR	Treasury MVR	Total MVR
For the year ended 31st December 2023				
Income from financing activities	401,763,833	-	-	401,763,833
Profit paid on customer accounts	(77,468,213)	-	-	(77,468,213)
Net profit earned from financing activities	324,295,620	-	-	324,295,620
Fee and commission income	50,135,181	24,987,018	-	75,122,199
Fee and commission expense	(770,820)	(12,720,104)	-	(13,490,924)
Net fee and commission income	49,364,361	12,266,914	-	61,631,275
Foreign exchange gain	305,875	-	-	305,875
Dividend income	-	-	4,726,400	4,726,400
Net income from other financial instruments	-	-	84,601,096	84,601,096
Total operating income	373,965,856	12,266,914	89,327,496	475,560,266
Net impairment losses on financial assets	(23,048,820)	-	(48,876)	(23,097,696)
Personnel costs	(96,750,742)	(14,104,123)	(4,728,269)	(115,583,135)
General and administrative expenses	(54,228,239)	(10,287,336)	(3,310,712)	(67,826,287)
Depreciation and amortisation	(28,029,808)	(6,814,107)	(468,428)	(35,312,343)
Total operating expenses including impairment provision	(202,057,610)	(31,205,566)	(8,556,285)	(241,819,461)
Profit before tax				233,740,805
Income tax				(57,210,772)
Profit for the year				176,530,033
Other comprehensive income, net of tax				7,800,000
Total comprehensive income				184,330,033

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

6 OPERATING SEGMENT

(b) Information about reportable segments (continued)

	Corporate and retail banking	Card and electronic banking	Treasury	Total
	MVR	MVR	MVR	MVR
For the year ended 31st December 2022				
Income from financing activities	309,236,617	-	-	309,236,617
Profit paid on customer accounts	(54,596,346)	-	-	(54,596,346)
Net profit earned from financing activities	254,640,271	-	-	254,640,271
Fee and commission income	31,459,800	11,333,027	-	42,792,827
Fee and commission expense	(809,170)	(5,147,005)	-	(5,956,175)
Net fee and commission income	30,650,630	6,186,022	-	36,836,652
Foreign exchange gain	241,450	-	-	241,450
Dividend income	-	-	4,089,000	4,089,000
Net income from other financial instruments	-	-	46,820,525	46,820,525
Total operating income	285,532,351	6,186,022	50,909,525	342,627,898
Net impairment losses on financial assets	(14,403,143)	-	(242,267)	(14,645,410)
Personnel costs	(70,883,474)	(12,246,930)	(3,622,889)	(86,753,293)
General and administrative expenses	(39,843,781)	(7,536,875)	(2,421,425)	(49,802,081)
Depreciation and amortisation	(22,485,423)	(7,033,257)	(453,085)	(29,971,765)
Total operating expenses including impairment provision	(147,615,821)	(26,817,062)	(6,739,666)	(181,172,549)
Profit before tax				161,455,349
Income tax				(40,363,323)
Profit for the year				121,092,026
Other comprehensive income, net of tax				36,750,000
Total comprehensive income				157,842,026
	Corporate and retail banking	Card and electronic banking	Treasury	Total
	MVR	MVR	MVR	MVR
As at 31st December 2023				
Assets				
Cash and balances with other banks	419,351,119	-	-	419,351,119
Balances with Maldives Monetary Authority	921,280,143	-	-	921,280,143
Investments in equity securities	-	-	112,500,000	112,500,000
Investments in other financial instruments	-	-	2,277,083,866	2,277,083,866
Net receivables from financing activities	4,105,764,559	-	-	4,105,764,559
Property and equipment	64,533,297	27,446,250	-	91,979,547
Right-of-use assets	94,024,521	16,638,893	4,402,368	115,065,782
Intangible assets	8,948,421	2,344,201	-	11,292,622
Other assets	176,377,600	-	-	176,377,600
Deferred tax asset (unallocated)	-	-	-	4,193,876
Total assets	5,790,279,660	46,429,344	2,393,986,234	8,234,889,114

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

6 OPERATING SEGMENT
(b) Information about reportable segments (Continued)

	Corporate and retail banking	Card and electronic banking	Treasury	Total
As at 31 st December 2023 (Continued)	MVR	MVR	MVR	MVR
Liabilities				
Customers' accounts	6,837,876,381	-	-	6,837,876,381
Due to banks	-	-	258,051,674	258,051,674
Provision	7,097,459	-	-	7,097,459
Current tax liability (unallocated)	-	-	-	39,560,190
Lease liabilities	71,790,940	15,688,422	3,076,705	90,556,067
Other liabilities	73,196,562	435,236	-	73,631,800
Total liabilities	6,989,961,342	16,123,658	261,128,379	7,306,773,571
	Corporate and retail banking	Card and electronic banking	Treasury	Total
As at 31 st December 2022	MVR	MVR	MVR	MVR
Assets				
Cash and balances with other banks	177,805,463	-	-	177,805,463
Balances with Maldives Monetary Authority	874,333,752	-	-	874,333,752
Investments in equity securities	-	-	102,100,000	102,100,000
Investments in other financial instruments	-	-	1,915,360,897	1,915,360,897
Net receivables from financing activities	2,821,968,932	-	-	2,821,968,932
Property and equipment	46,383,469	14,484,746	-	60,868,215
Right-of-use assets	102,231,611	17,631,624	4,965,185	124,828,420
Intangible assets	7,240,421	4,342,917	-	11,583,338
Other assets	111,272,959	-	-	111,272,959
Deferred tax asset (unallocated)	-	-	-	638,434
Total assets	4,141,236,607	36,459,287	2,022,426,082	6,200,760,410
Liabilities				
Customers' accounts	5,144,620,941	-	-	5,144,620,941
Due to banks	-	-	93,027,623	93,027,623
Provision	3,312,408	-	-	3,312,408
Current tax liability (unallocated)	-	-	-	35,155,893
Lease liabilities	75,877,801	16,115,052	3,479,830	95,472,683
Other liabilities	45,981,661	28,678	-	46,010,339
Total liabilities	5,269,792,811	16,143,730	96,507,453	5,417,599,887

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

7 CASH AND BALANCES WITH OTHER BANKS

	2023	2022
	MVR	MVR
Cash in hand (Note 7.1)	167,172,232	107,406,071
Balances with other banks (Note 7.2)	252,658,800	70,915,716
	<u>419,831,032</u>	<u>178,321,787</u>
Less: Impairment allowance on balances with other banks	(479,913)	(516,324)
Cash and balances with other banks	<u>419,351,119</u>	<u>177,805,463</u>

7.1 Cash in hand

	2023			2022		
	Foreign currency	Exchange rate	Carrying amount	Foreign currency	Exchange rate	Carrying amount
USD	4,090,458	15.395	62,972,601	1,749,672	15.395	26,936,200
MVR	-	-	104,199,631	-	-	80,469,871
Total			<u>167,172,232</u>			<u>107,406,071</u>

7.2 Balances with other banks

	2023			2022		
	Foreign currency	Exchange rate	Carrying amount	Foreign currency	Exchange rate	Carrying amount
Habib American Bank (USD)	8,245,054	15.395	126,932,602	2,317,606	15.395	35,679,550
AB Bank Limited (USD)	260,395	15.395	4,008,782	483,781	15.395	7,447,809
Bank of Maldives PLC (USD)	256,014	15.395	3,941,342	977,061	15.395	15,041,861
Bank of Maldives PLC (MVR)	-	-	2,318,915	-	-	6,997,994
State Bank of India (USD)	283,041	15.395	4,357,416	278,071	15.395	4,280,903
State Bank of India (MVR)	-	-	638,754	-	-	639,054
Amana Bank PLC (USD)	53,390	15.395	821,935	53,819	15.395	828,545
Mashreq Bank (USD)	7,121,731	15.395	109,639,054	-	15.395	-
Total			<u>252,658,800</u>			<u>70,915,716</u>

The bank has its Nostro account at Habib American Bank - New York (HAB). This account is used to facilitate its foreign remittance and trade finance activities.

	2023	2022
	MVR	MVR
Cash and balances with banks as per the statement of financial position	419,831,032	178,321,787
Add: Balance with MMA in excess of minimum reserve requirement	260,000,818	392,383,071
Cash and cash equivalents as per the cash flow statement	<u>679,831,850</u>	<u>570,704,858</u>

8 BALANCES WITH MALDIVES MONETARY AUTHORITY

	2023	2022
	MVR	MVR
Minimum Reserve Requirement (MRR) (Note)	661,279,325	481,950,681
Balance in Excess of MRR with MMA (Note)	260,000,818	392,383,071
Total	<u>921,280,143</u>	<u>874,333,752</u>

8.1 Minimum Reserve Requirement ("MRR")

As per the regulations of the Maldives Monetary Authority (the "MMA"), the bank is required to maintain a reserve deposit based on 10% for MVR and 10% for USD of 14 days average of the Customers' deposits with the bank excluding interbank deposits of other banks in Maldives and letter of credit margin deposits. The bank has maintained the minimum reserve requirement according to the regulations issued by the MMA. These deposits are not available for the bank's day-to-day operations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

8.2 Balance in excess to minimum reserve requirement

The balance in excess of MRR does not carry any return and those funds will be utilised for operational, future financing and investment activities of the bank.

9 INVESTMENT IN EQUITY SECURITIES

	2023 MVR	2022 MVR
Investment securities designated at FVOCI - (Note 9.1)	112,500,000	102,100,000
	<u>112,500,000</u>	<u>102,100,000</u>

9.1 Investment securities designated at FVOCI - equity investments

The bank designated certain investments shown in the following table as equity securities at FVOCI. The FVOCI designation was made because the investments are expected to be held for the long-term for strategic purposes.

	Fair value as at 31 December 2023 MVR	Dividend income recognised for the year 2023 MVR	Fair value as at 31 December 2022 MVR	Dividend income recognised for the year 2022 MVR
Investment in equity shares - Ooredoo Maldives PLC	97,500,000	3,952,000	91,000,000	3,510,000
Investment in equity shares - Dhivehi Rajjeyge Gulhun PLC	15,000,000	774,400	11,100,000	579,000
	<u>112,500,000</u>	<u>4,726,400</u>	<u>102,100,000</u>	<u>4,089,000</u>
		Ooredoo Maldives PLC	Dhivehi Raajjeyge Gulhun PLC	Total
As at 1 st January 2023		91,000,000	11,100,000	102,100,000
Change in the fair value during the year		6,500,000	3,900,000	10,400,000
As at 31 st December 2023		<u>97,500,000</u>	<u>15,000,000</u>	<u>112,500,000</u>

Equity investment securities designated at FVOCI are the investments in the quoted shares of Dhivehi Rajjeyge Gulhun PLC (Dhiraagu) and Ooredoo Maldives PLC (Ooredoo). The investment at Dhiraagu comprised of 100,000 shares with nominal value of MVR 2.5 which were purchased at MVR 80 per share. As at 31st December 2023, the shares were valued at MVR 150 each (2022: MVR 111). The investment at Ooredoo comprised of 1,300,000 shares with nominal value of MVR 1 which were purchased at MVR 30 per share. The shares were valued at MVR 75 each as at 31st December 2023 (2022: MVR 70).

No strategic investments were disposed off during 2023, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

9 INVESTMENT IN EQUITY SECURITIES (CONTINUED)
9.2 Fair value reserve

	2023	2022
	MVR	MVR
As at 1 st January	41,325,000	4,575,000
Recognised / (reversal) during the year	10,400,000	49,000,000
Deferred tax on (recognition) / reversal during the year	(2,600,000)	(12,250,000)
As at 31 st December	<u>49,125,000</u>	<u>41,325,000</u>

10 INVESTMENTS IN OTHER FINANCIAL INSTRUMENTS

	2023	2022
	MVR	MVR
Investments mandatorily measured at FVTPL (Note 10.1)	120,501,238	120,984,575
Investments measured at amortised cost (Note 10.2)	2,156,873,771	1,794,618,589
Less: Impairment loss allowance on other financial instruments (Note 10.2)	(291,143)	(242,267)
	<u>2,277,083,866</u>	<u>1,915,360,897</u>

10.1 Investments in other financial instruments mandatorily measured at FVTPL

Investments in other financial instruments include Wakalah and Mudharabah placements where the return is linked to the profit generated by the investee. Since this criteria does not meet the requirement of SPPI as per the 'IFRS 9 - Financial Instruments', these instruments have been reclassified as FVTPL.

Investment	Invested currency	Contract type	Country	Maturity	2023	2022
					MVR	MVR
Islamic Treasury Bill	MVR	Mudharabah	Maldives	98 Days	120,501,238	120,984,575
					<u>120,501,238</u>	<u>120,984,575</u>

10.2 Investments measured at amortised cost

Investment	Invested currency	Contract type	Country	Maturity	2023	2022
					MVR	MVR
Islamic Treasury Bills	MVR	Wakalah Bi Al-Isthithmar	Maldives	28-364 days	1,393,701,534	1,039,967,680
Overnight Deposit Facility	MVR	Commodity Murabahah	Maldives		116,276,386	662,108,822
Sale & Lease Back Facility	MVR	SLBF	Maldives	3 years	400,395,160	-
Islamic Treasury Bills	USD	Wakalah Bi Al-Isthithmar	Maldives	1 year	246,500,691	92,542,087
					<u>2,156,873,771</u>	<u>1,794,618,589</u>
Impairment loss allowance on Wakalah Bi Al-Isthithmar Treasury Bills					(275,480)	(152,882)
Impairment loss allowance on Commodity Murabahah Overnight Deposit Facility					(15,663)	(89,385)
Impairment loss allowance					<u>(291,143)</u>	<u>(242,267)</u>
Net investments measured at amortised cost					<u>2,277,083,866</u>	<u>1,915,360,897</u>

11 NET RECEIVABLES FROM FINANCING ACTIVITIES

	2023	2022
	MVR	MVR
Receivables from financing activities measured at amortised cost (Note 11.1)	4,217,733,015	2,914,637,209
Less: Impairment loss allowance (Note 11.1)	(111,968,456)	(92,668,277)
Net receivables from financing activities	<u>4,105,764,559</u>	<u>2,821,968,932</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

11 NET RECEIVABLES FROM FINANCING ACTIVITIES
11.1 Receivables from financing activities measured at amortised cost

	2023	2022
	MVR	MVR
Diminishing Musharaka	2,375,048,569	1,503,069,133
Murabaha	1,711,218,224	1,256,618,392
Istisna'	131,464,771	154,837,918
Education financing	1,451	111,766
Total gross receivables from financing activities	4,217,733,015	2,914,637,209
Impairment loss allowance on individually assessed customers	(40,446,639)	(35,440,267)
Impairment loss allowance on collectively assessed customers	(71,521,817)	(57,228,010)
Total loss allowance	(111,968,456)	(92,668,277)
Net receivables from financing activities	4,105,764,559	2,821,968,932

11.2 Movement in impairment allowance

	Receivables from financing activities MVR	Financial assets at amortised cost MVR	Placements with other banks MVR	Total MVR
As at 1st January 2022	81,116,084	-	-	81,116,084
Impairment expenses recognized during the year for on balance sheet exposure	11,552,193	242,267	516,324	12,310,784
As at 31st December 2022	92,668,277	242,267	516,324	93,426,868
As at 1st January 2023	92,668,277	242,267	516,324	93,426,868
Impairment expenses recognized during the year for on balance sheet exposure	19,300,179	48,876	(36,411)	19,312,644
As at 31st December 2023	111,968,456	291,143	479,913	112,739,512

11.3 Receivables from financing activities measured at amortised cost

	2023			2022		
	Gross amount	ECL allowance	Net carrying amount	Gross amount	ECL allowance	Net carrying amount
	MVR	MVR	MVR	MVR	MVR	MVR
Diminishing Musharaka	2,375,048,569	17,395,983	2,357,652,586	1,503,069,133	17,503,769	1,485,565,364
Murabaha	1,711,218,224	93,340,390	1,617,877,834	1,256,618,392	73,290,799	1,183,327,593
Istisna'	131,464,771	1,232,083	130,232,688	154,837,918	1,872,439	152,965,479
Education financing	1,451	-	1,451	111,766	1,270	110,496
Total gross receivable	4,217,733,015	111,968,456	4,105,764,559	2,914,637,209	92,668,277	2,821,968,932

11.4 Net impairment loss on financial assets

	2023	2022
	MVR	MVR
Impairment recognized during the year for on balance sheet exposure (Note 11.2)	19,312,645	12,310,784
Impairment recognized / (reversed) during the year for off balance sheet exposure (Note 18)	3,785,051	2,334,626
	23,097,696	14,645,410

11.5 Significant changes in the gross carrying amount

The following table provides an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in loss allowance.

	2023			2022		
	Impact: Increase / (decrease)			Impact: Increase / (decrease)		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Murabaha	13,159,394	1,282,052	(2,604,606)	7,051,249	591,524	(3,161,586)
Istisna'	(2,503)	-	-	(12,684)	-	-
Diminishing Musharakah	1,433,524	(3,124)	-	1,836,219	224,695	(5,366,922)
	14,590,415	1,278,928	(2,604,606)	8,874,785	816,219	(8,528,509)
Commitments	3,785,051			1,923,820		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

12 PROPERTY AND EQUIPMENT

	Leasehold building	Computer equipment	Furniture and fittings	Office equipment	Machinery and equipment	Motor vehicles	Capital work in progress	Total
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
Cost								
As at 1st January 2023	27,497,711	45,272,474	8,192,255	28,178,069	1,117,659	283,978	22,516,988	133,059,134
Additions during the year	1,594,042	5,811,632	1,505,089	817,680	276,674	-	37,965,991	47,971,108
Disposals during the year	-	(2,018,931)	(354,906)	(1,326,062)	-	-	-	(3,699,898)
Write offs during the year	-	-	-	-	-	-	(2,544)	(2,544)
Transferred from capital work-in progress	11,620,589	14,418,700	3,741,743	8,234,107	1,514,913	1,123,200	(40,653,253)	-
As at 31st December 2023	40,712,342	63,483,875	13,084,181	35,903,795	2,909,247	1,407,178	19,827,182	177,327,800
Accumulated depreciation								
As at 1st January 2023	11,059,117	35,785,484	5,327,460	19,363,391	437,750	217,717	-	72,190,919
Depreciation for the year (Note 32)	3,236,784	7,735,974	1,664,534	3,786,055	252,257	136,716	-	16,812,321
Released for the year	-	(2,012,808)	(345,716)	(1,296,463)	-	-	-	(3,654,987)
As at 31st December 2023	14,295,901	41,508,651	6,646,278	21,852,983	690,007	354,433	-	85,348,253
Net carrying amount								
As at 31st December 2023	26,416,441	21,975,224	6,437,903	14,050,812	2,219,239	1,052,745	19,827,182	91,979,547

Notes:

- Capital work in progress includes the amount incurred by the Bank on construction of Sales centers, ATMs and office space.
- There were no restrictions existed on the title of the property and equipment of the Bank as at the reporting date.
- There were no items of property and equipment pledged as securities for liabilities as at the reporting date.
- There were no idle property and equipment as at the reporting date.
- The cost of fully-depreciated property and equipment of the Bank as at 31st December 2023 is MVR 49,973,039.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

12 PROPERTY AND EQUIPMENT (CONTINUED)

	Leasehold building	Computer equipment	Furniture and fittings	Office equipment	Machinery and equipment	Motor vehicles	Capital work in progress	Total
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
Cost								
As at 1st January 2022	27,602,061	40,212,544	7,049,437	24,355,885	1,117,659	283,978	13,983,801	114,605,365
Additions during the year	-	4,553,153	386,511	350,018	-	-	18,099,374	23,389,056
Disposals during the year	(3,795,570)	(285,018)	(494,894)	(277,480)	-	-	-	(4,852,962)
Write offs during the year	-	-	-	-	-	-	(82,322)	(82,322)
Transferred from capital work-in progress	3,691,223	791,795	1,251,201	3,749,646	-	-	(9,483,865)	-
As at 31st December 2022	27,497,711	45,272,474	8,192,255	28,178,069	1,117,659	283,978	22,516,988	133,059,134
Accumulated depreciation								
As at 1st January 2022	12,631,025	30,151,927	4,908,575	16,040,465	325,984	160,921	-	64,218,897
Depreciation for the year (Note 32)	2,085,765	5,918,575	913,778	3,600,406	111,766	56,796	-	12,687,086
Released for the year	(3,657,673)	(285,018)	(494,893)	(277,480)	-	-	-	(4,715,064)
As at 31st December 2022	11,059,117	35,785,484	5,327,460	19,363,391	437,750	217,717	-	72,190,919
Net carrying amount								
As at 31st December 2022	16,438,594	9,486,990	2,864,795	8,814,678	679,909	66,261	22,516,988	60,868,215

Notes:

- Capital work in progress includes the amount incurred by the Bank on construction of ATMs, new data recovery center and office space.
- There were no restrictions existed on the title of the property and equipment of the Bank as at the reporting date.
- There were no items of property and equipment pledged as securities for liabilities as at the reporting date.
- There were no idle property and equipment as at the reporting date.
- The cost of fully-depreciated property and equipment of the Bank as at 31st December 2022 is MVR 34,496,318.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

13 RIGHT-OF-USE ASSETS

Right-of-use assets relate to leased properties that do not meet the definition of investment property.

	2023	2022
	MVR	MVR
Cost		
As at 1 st January	168,790,305	138,243,791
Additions during the year	7,382,820	30,678,199
Modifications during the year	(3,942,005)	(131,685)
As at 31 st December	<u>172,231,120</u>	<u>168,790,305</u>
Accumulated depreciation		
As at 1 st January	43,961,885	30,545,962
Depreciation charged during the year (Note 32)	14,162,563	13,415,923
Terminations during the year	(959,110)	-
As at 31 st December	<u>57,165,338</u>	<u>43,961,885</u>
Net carrying amount	<u>115,065,782</u>	<u>124,828,420</u>

14 INTANGIBLE ASSETS**As at 31st December 2023**

	Core banking and database software MVR	Other computer software MVR	Capital work in progress MVR	Total MVR
Cost				
As at 1st January 2023	20,057,883	18,227,181	1,683,308	39,968,372
Additions during the year	-	(170,053)	4,616,737	4,446,685
Transferred from property and equipment	-	-	-	-
Write-off during the year	-	-	(399,941)	(399,941)
Transferred from capital work-in-progress	-	4,770,867	(4,770,867)	-
As at 31st December 2023	<u>20,057,883</u>	<u>22,827,995</u>	<u>1,129,238</u>	<u>44,015,116</u>

Accumulated amortization

As at 1st January 2023	18,200,005	10,185,029	-	28,385,034
Amortization for the year (Note 32)	743,215	3,594,245	-	4,337,460
As at 31st December 2023	<u>18,943,220</u>	<u>13,779,274</u>	<u>-</u>	<u>32,722,494</u>

Net carrying amount as at 31st December 2023

	<u>1,114,663</u>	<u>9,048,721</u>	<u>1,129,238</u>	<u>11,292,622</u>
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As at 31st December 2022

	Core banking and database software MVR	Other computer software MVR	Capital work in progress MVR	Total MVR
Cost				
As at 1st January 2022	20,057,883	17,129,262	426,911	37,614,056
Additions during the year	-	138,719	4,689,720	4,828,439
Write-off during the year	-	-	(2,474,123)	(2,474,123)
Transferred from capital work-in-progress	-	959,200	(959,200)	-
As at 31st December 2022	<u>20,057,883</u>	<u>18,227,181</u>	<u>1,683,308</u>	<u>39,968,372</u>

Accumulated amortization

As at 1st January 2022	17,265,751	7,250,527	-	24,516,278
Amortization for the year (Note 33)	934,254	2,934,502	-	3,868,756
As at 31st December 2022	<u>18,200,005</u>	<u>10,185,029</u>	<u>-</u>	<u>28,385,034</u>

Net carrying amount as at 31st December 2022

	<u>1,857,878</u>	<u>8,042,152</u>	<u>1,683,308</u>	<u>11,583,338</u>
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14.1 Software work-in-progress mainly includes payments made by the bank for procuring software relating to MasterCard implementation.

14.2 There were no restrictions on the title of the intangible assets of the Bank as at the reporting date. Further, there were no items pledged as securities for liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

15 OTHER ASSETS	2023 MVR	2022 MVR
Refundable deposits	13,626,875	7,942,795
Prepayments	8,100,151	7,812,282
Advance payments against financing assets (Note 15.1)	136,708,038	82,968,637
Other receivables	17,942,536	12,549,245
	<u>176,377,600</u>	<u>111,272,959</u>

15.1 Advance payments against financing assets comprised of the advance payments made to suppliers for the procurement of goods under Trade and Ujala consumer financing facilities.

16 CUSTOMERS' ACCOUNTS	2023 MVR	2022 MVR
Current accounts	1,676,009,108	1,796,646,409
Savings accounts	2,791,075,051	2,017,227,690
Term deposits	2,288,330,530	1,247,559,765
Margin accounts	34,165,403	43,941,341
Other deposits	48,296,289	39,245,736
	<u>6,837,876,381</u>	<u>5,144,620,941</u>

17 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS	2023 MVR	2022 MVR
Wakalah Placement by BML, Maldives (Note 17.1)	227,042,466	-
Islamic Corporation for the Development of private sector (ICD) (Note 17.2)	31,009,208	93,027,623
	<u>258,051,674</u>	<u>93,027,623</u>

17.1 During the year, the Bank has entered in to two wakala arrangements with Bank of Maldives ("BML") from which the Bank received two placements amounting to MVR 150 million and MVR 75 million. The Bank has been appointed as agent of the BML for investing their funds and the Bank is authorized to enter into Shariah compliant transactions on behalf of BML.

17.2 On 6th May 2021, the Bank has obtained MVR 154,200,000 Commodity Murabaha Facility from the Islamic Corporation for the Development of private sector ("ICD") at a profit rate of 4.66%.

The facility is secured by;

(a) allocate the funds to eligible private sector projects (as per ICD's eligibility criteria) under Shari'ah compliant mode of financing within 6 months from the date of disbursement.

(b) allocate 50 per cent. (50%) of the Transaction Amount to Eligible Projects and Eligible Project Companies generating income in USD or EUR.

(c) funds can only be allocated to business with due diligence and efficiency, charter and all relevant laws and regulations in effect from time to time in the Maldives.

18 PROVISIONS	2023 MVR	2022 MVR
As at 1 st January	3,312,408	977,782
Provision made during the year - Undrawn credit facilities	3,785,051	2,334,626
As at 31 st December	<u>7,097,459</u>	<u>3,312,408</u>

The above provision represents the ECL provision recognized by the Bank for undrawn credit facilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

19 LEASE LIABILITIES

The Bank leases its head office premises, branches, and ATM locations. The leases typically run for a period of 3 to 25 years, with an option to renew the lease after that date.

Information about leases for which the Bank is a lessee is presented below.

	2023	2022
	MVR	MVR
As at 1 st January	95,472,683	98,880,224
Additions during the year	7,382,820	30,678,199
Modifications during the year	(3,081,341)	(131,685)
Financing expense on lease liabilities	5,272,498	5,252,352
Payments made during the year	(14,490,593)	(39,206,407)
As at 31 st December	<u>90,556,067</u>	<u>95,472,683</u>

Maturity analysis of undiscounted cash flows as follows

Less than one year	15,759,002	13,533,443
More than one year	96,322,228	106,060,181
	<u>112,081,230</u>	<u>119,593,624</u>

Sensitivity analysis of lease liabilities

The below table reflects the sensitivity of lease liabilities as at 31st December 2023 to reasonably possible changes in Incremental Borrowing Rate (IBR).

	-1%	No Change	+1%
Lease liabilities	93,896,985	90,556,067	87,381,223

19.1 Amount recognised in profit or loss

Financing expense on lease liabilities	5,272,498	5,252,352
Amortization of right of use asset	14,162,563	13,415,923

19.2 Amount recognised in statement of cash flows

	<u>9,218,095</u>	<u>33,954,055</u>
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19.3 Extension options

Some leases of branches contain extension options exercisable by the Bank up to three/five years before the end of the non-cancellable contract period. The Bank included extension options in lease agreements to provide operational flexibility and the management decided that the Bank is most likely to exercise the extension options. The future lease payments resulted in an increase in lease liability of MVR 6,885,110 as a result of the extensions as at 31st December 2023 (as at 31st December 2022: MVR 6,721,402).

20 OTHER LIABILITIES

	2023	2022
	MVR	MVR
Accrued expenses	3,565,351	2,343,053
Pension payable	679,887	522,526
Payable to suppliers	8,433,583	5,661,807
Cashiers cheque	555,693	278,741
Charity funds from financing	1,007,318	470,253
Retention on Istisna' projects	431,440	431,440
Dividend payable	465,482	3,437,548
Other liabilities*	58,493,046	32,864,971
	<u>73,631,800</u>	<u>46,010,339</u>

*Other liabilities mainly include bonus payable to staff, clearing inter-bank transfers, withholding tax payable to MIRA and other fund-clearing accounts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

21 SHARE CAPITAL
21.1 Authorized share capital

	2023 MVR	2022 MVR
100,000,000 ordinary shares of MVR 10/- each (2022: 100,000,000 ordinary shares of MVR 10/- each)	1,000,000,000	1,000,000,000

21.2 Issued and fully paid up share capital

	2023		2022	
	Value MVR	No. of shares	Value MVR	No. of shares
Ordinary shares issued before initial public offering- at par	180,000,070	18,000,007	180,000,070	18,000,007
Initial public offering - at par	45,000,000	4,500,000	45,000,000	4,500,000
-share premium	112,500,000		112,500,000	4,500,000
	<u>337,500,070</u>	<u>22,500,007</u>	<u>337,500,070</u>	<u>22,500,007</u>

18,000,007 ordinary shares of MVR 10/- each issued at par and, 4,500,000 ordinary shares of MVR 10/- each issued at a premium of MVR 25 each (2022: 18,000,007 ordinary shares of MVR 10/- each issued at par and, 4,500,000 ordinary shares of MVR 10/- each issued at a premium of MVR 25 each).

21.3 Shareholders

	2023		2022	
	No. of shares	%	No. of shares	%
Islamic Corporation for the Development of the Private Sector	7,425,000	33%	7,425,000	33%
The Government of Maldives	6,300,000	28%	6,300,000	28%
Maldives Pension Administration Office	2,369,370	11%	2,369,370	11%
Amana Takaful Maldives Plc	1,806,372	8%	1,806,372	8%
Others	4,599,265	20%	4,599,265	20%
Total	<u>22,500,007</u>	<u>100%</u>	<u>22,500,007</u>	<u>100%</u>

21.4 Dividends and voting rights

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote as per Articles of Association of the Bank.

The bank has declared dividends of MVR 1.75 per share, amounting to MVR 39,375,012 during the year ended 31st December 2023. During the year ended 31st December 2022 the bank declared dividends of MVR 1.488 per share, amounting to MVR 33,480,010.

22 FAIR VALUE RESERVE

The bank has elected to recognise changes in the fair value of certain investments in equity securities in OCI (Note 9). These changes are accumulated within the FVOCI reserve within equity. The bank transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

23 STATUTORY RESERVE

In accordance with the Maldives Banking Act No 24/2010 / Prudential Regulation on Capital Adequacy (2015/R-166) issued by the Maldives Monetary Authority ("MMA"), the bank shall allocate, after taxes, at least 50% of its net distributable profits for the formation of a capital reserve until the reserve totals 50% of its minimum required unimpaired paid-up capital or assigned capital. Once the reserve reaches 50% of the bank's minimum required unimpaired paid-up capital or assigned capital, the allocation shall not be less than 25% of the bank's net distributable profit until the reserve totals an amount equal to the bank's minimum required unimpaired paid-up capital or assigned capital. The bank may not reduce its capital and the reserve accumulated in the manner described in the Act / Prudential Regulation or in any other manner without prior approval of the MMA. The bank has not transferred any amounts to the statutory reserve during the year ended 31 December 2023.

However, the bank has the statutory reserve amounting to MVR 150,000,000/- as at 31st December 2022 and that is an amount equal to the bank's minimum required assigned capital of MVR 150,000,000/- as specified under sections 12 and 13 of the Maldives Banking act No. 24/2010.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

24 NON-DISTRIBUTABLE CAPITAL RESERVE

In accordance with the Maldives Monetary Authority ("MMA") guideline on financing receivable loss provisioning (CN-BSD/2017/8), the Bank has created a separate reserve to record the difference in impairment amounts provided between IFRS provision and impairment provision made in accordance with MMA guidelines (MMA Prudential Regulation 2015/R-168: Regulation on Asset Classification, Provisioning and Suspense of Profit).

Total provision for impairment in accordance with MMA guidelines was higher than the ECL provision, however there was a reversal of MVR 7,667,201 from the non-distributable capital reserve as at 31st December 2023 (31st December 2022: additional amount of MVR 3,473,192 transferred to the non-distributable capital reserve).

	2023 MVR	2022 MVR
Impairment provision per MMA Prudential Regulation as at 31st December	135,174,157	119,756,128
Less: Impairment provision per IFRS 9 as at 31st December (Note 11.2 & 18)	(119,065,915)	(95,980,685)
Non-distributable capital reserve as at 31st December	<u>16,108,242</u>	<u>23,775,443</u>

25 NET PROFIT EARNED FROM FINANCING ACTIVITIES

	2023 MVR	2022 MVR
Income from financing activities (Note 25.1)	401,763,833	309,236,617
Profit paid on customer accounts (Note 25.2)	(77,468,213)	(54,596,346)
Net profit from financing activities	<u>324,295,620</u>	<u>254,640,271</u>

25.1 Income from financing activities - measured at amortised cost

Income from Education financing	7,611	50,463
Income from Murabaha	202,092,928	154,881,958
Income from Istisna'	14,121,948	16,715,573
Income from Diminishing Musharaka	183,740,167	133,029,763
Income from financing activities using the effective profit method	<u>399,962,654</u>	<u>304,677,757</u>
Net impact of modification of financial assets measured at amortised cost (Note 25.3)	1,801,179	4,558,860
Total income from finance activities using the effective profit method	<u>401,763,833</u>	<u>309,236,617</u>

25.2 Profit paid on customer accounts & others - measured at amortised cost

General investment accounts	49,943,503	31,517,625
Savings accounts	22,288,783	16,976,776
Inter-bank financing	5,235,927	6,101,945
	<u>77,468,213</u>	<u>54,596,346</u>

25.3 Net loss arising from modification of financial assets measured at amortised cost

As in line with the concession guidelines issued by the Maldives Monetary Authority (MMA) to mitigate the impact of Covid-19 pandemic, the bank has offered a moratorium package for the banks' customers until 31st March 2021. This resulted to modify the cash flows of financial asset- measured at amortised cost. Since the modification is not related to financial difficulties of the customers, the modification gain/loss has been recognized in profit income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

25 NET PROFIT EARNED FROM FINANCING ACTIVITIES (CONTINUED)**25.3 Net loss arising from modification of financial assets measured at amortised cost (Continued)**

	2023			2022		
	Murabaha	Diminishing Musharakah	Total	Murabaha	Diminishing Musharakah	Total
Amortised cost before modification	255,017	11,166,061	11,421,078	-	-	-
Loss on modification	(10,645)	(963,601)	(974,246)	-	-	-
Unwinding effect during the year	493,475	2,281,950	2,775,425	1,765,912	2,792,948	4,558,860
Net impact to profit or loss	482,830	1,318,349	1,801,179	1,765,912	2,792,948	4,558,860

26 NET FEE AND COMMISSION INCOME

	2023 MVR	2022 MVR
Fee and commission income (Note 26.1)	75,122,199	42,792,827
Fee and commission expense (Note 26.2)	(13,490,924)	(5,956,175)
Net fee and commission income	61,631,275	36,836,652

26.1 Disaggregation of fee and commission income

In the following table, fee and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major type of services. The table also includes a reconciliation of the disaggregated fee and commission income with the Bank's reportable segments.

	Corporate and retail banking		ATM card and electronic banking		Total	
	2023	2022	2023	2022	2023	2022
	MVR	MVR	MVR	MVR	MVR	MVR
Banking services	28,370,810	12,445,669	-	-	28,370,810	12,445,669
Trade finance services	884,211	1,392,215	-	-	884,211	1,392,215
Remittances	20,880,160	17,614,938	-	-	20,880,160	17,614,938
ATM, POS, Faisa Net and Gateway services	-	-	24,987,018	11,333,027	24,987,018	11,333,027
Other fees and commissions income	-	6,978	-	-	-	6,978
Total fee and commission income from contracts with customers	50,135,181	31,459,800	24,987,018	11,333,027	75,122,199	42,792,827

26 Fee and commission expense

Fund transfer expenses	770,820	809,170	12,720,104	5,147,005	13,490,924	5,956,175
	770,820	809,170	12,720,104	5,147,005	13,490,924	5,956,175

27 NET FOREIGN EXCHANGE GAIN

	2023 MVR	2022 MVR
Net foreign exchange gain	305,875	241,450

Net foreign exchange gain represent net income received from buying and selling of foreign currency.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

28 INCOME FROM INVESTMENTS IN EQUITY SECURITIES	2023 MVR	2022 MVR
Dividend income from investment measured at FVOCI	4,726,400	4,089,000
	<u>4,726,400</u>	<u>4,089,000</u>
<p>The dividend income represents the dividend received during the year from investments in the quoted shares of Dhivehi Raajjeyge Gulhun PLC ("Dhiraagu") and Ooredoo Maldives PLC ("Ooredoo"). The dividend income includes, from Dhiraagu, MVR 5.67 per share as final dividend for 2022 and interim dividend of MVR 1.66 per share for 2023 (2022: Interim of MVR 4.13 for 2021 and MVR 1.66 per share as interim dividend of 2022), from Ooredoo, MVR 3.04 per share as the final dividend for 2022. (2022: final dividend of MVR 2.70 for 2021).</p>		
29 NET INCOME FROM OTHER FINANCIAL INSTRUMENTS		
29.1 Investments in other financial instruments mandatorily measured at FVTPL	2023 MVR	2022 MVR
Wakala placement income	-	492,008
Mudharabah income mandatorily measured at FVTPL	11,219,410	16,707,191
	<u>11,219,410</u>	<u>17,199,199</u>
29.2 Income from investments measured at amortised cost	2023 MVR	2022 MVR
Income from Wakalah Bi Al-Isthithmar & SLBF	62,261,393	28,929,353
Income from Commodity Murabaha placement	11,120,293	691,973
	<u>73,381,686</u>	<u>29,621,326</u>
30 PERSONNEL EXPENSES	2023 MVR	2022 MVR
Salaries and wages	64,299,625	51,516,305
Housing allowance	10,877,195	9,363,321
Annual and ramadhan bonus	23,716,982	14,054,410
Contribution to defined contribution plans	3,712,885	2,980,531
Medical insurance	2,334,787	1,925,396
Other staff expenses	5,414,015	2,970,174
Training and development	3,782,963	2,904,964
Executive allowance	1,059,708	899,912
Uniforms	384,975	138,280
	<u>115,583,135</u>	<u>86,753,293</u>
31 GENERAL AND ADMINISTRATIVE EXPENSES	2023 MVR	2022 MVR
Technology related expenses	16,642,633	13,491,582
Financing expenses on lease liabilities	5,272,498	5,252,352
Connectivity and internet charges	4,544,962	3,903,685
Electricity expenses	4,580,727	3,765,197
Marketing and advertising expenses	7,284,387	3,366,431
Premises security and insurance	4,010,613	3,164,423
Directors allowance and board related expenses	5,101,187	3,973,730
Other operating expenses	3,008,885	1,931,217
Stationary costs	2,363,687	1,711,606
Legal and professional expenses	2,467,656	1,941,258
Communication expenses	1,781,801	1,560,807
Financing related expenses	1,961,154	1,516,520
Utility expenses	1,268,947	1,075,446
Maintenance expense	4,322,918	1,441,473
Travelling expenses	2,205,172	880,388
Shari'ah committee related expenses	1,009,060	825,966
	<u>67,826,287</u>	<u>49,802,081</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

32 DEPRECIATION AND AMORTISATION	2023	2022
	MVR	MVR
Depreciation on property plant and equipment (Note 12)	16,812,320	12,687,086
Depreciation on right of use assets (Note 13)	14,162,563	13,415,923
Amortisation on intangible assets (Note 14)	4,337,460	3,868,756
	<u>35,312,343</u>	<u>29,971,765</u>
33 INCOME TAX	2023	2022
	MVR	MVR
33.1 Amounts recognised in profit or loss		
Current tax (Note 33.3)	63,366,214	47,612,043
Deferred tax asset (Note 33.5)	(6,155,442)	(7,248,720)
	<u>57,210,772</u>	<u>40,363,323</u>
33.2 Amounts recognised in other comprehensive income		
<i>Items that will not be reclassified to profit or loss;</i>		
Deferred tax liability / (asset) on movement in fair value reserve (equity instruments) (Note 33.5)	2,600,000	12,250,000
	<u>2,600,000</u>	<u>12,250,000</u>
33.3 Current tax		

The bank is liable to pay income tax (at the rate of 25%) in accordance with the Income Tax Act (Law Number 25/2019) issued on 17 December 2019 by the Government of Maldives. A reconciliation between taxable profit and the accounting profit is as follows.

	2023	2022
	MVR	MVR
Accounting profit before tax	233,740,805	161,455,349
Tax effect at the Income tax rate - 25%	58,435,201	40,363,837
Tax effect of non-deductible expenses	11,073,097	7,800,313
Tax effect of deductible expenses	(6,142,084)	(552,107)
Current tax	<u>63,366,214</u>	<u>47,612,043</u>

Numerical reconciliation of income tax expense to prima facie tax payable

Accounting profit before tax	233,740,805	161,455,349
Tax effect at the Income tax rate - 25%	58,435,201	40,363,837
Tax effect of non-deductible expenses	3,851,593	9,446,999
Tax effect of deductible expenses	(2,433,193)	2,802,487
Income tax expense reported in the statement of comprehensive income	<u>59,853,601</u>	<u>52,613,323</u>
Effective tax rate (Excluding deferred tax)	<u>27%</u>	<u>29%</u>
Effective tax rate (Including deferred tax)	<u>25%</u>	<u>25%</u>

33.4 Current tax liability	2023	2022
	MVR	MVR
As at 1 st January	35,155,893	8,617,681
Current tax	63,366,214	47,612,043
Tax paid during the year	(58,961,917)	(21,073,831)
As at 31 st December	<u>39,560,190</u>	<u>35,155,893</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

33 INCOME TAX (CONTINUED)**33.5 Deferred tax (asset) / liability**

	2023	2022
	MVR	MVR
As at 1 st January	(638,434)	(5,639,714)
Recognition in profit or loss		
Deferred tax asset recognized during the year	(6,155,442)	(7,248,720)
Recognition in other comprehensive income		
Deferred tax liabilities recognised during the year	2,600,000	12,250,000
As at 31 st December	<u>(4,193,876)</u>	<u>(638,434)</u>

33.6 Deferred tax liability / (asset) attributable for following:

	2023		2022	
	Temporary difference	Tax effect	Temporary difference	Tax effect
	MVR	MVR	MVR	MVR
Property and equipment	(8,916,484)	(2,229,121)	(3,289,300)	(822,325)
Intangible assets	6,031,312	1,507,828	6,934,572	1,733,643
Investments in equity securities	65,500,000	16,375,000	55,100,000	13,775,000
Impairment loss allowance on receivables from financing activities	(79,390,332)	(19,847,583)	(61,299,008)	(15,324,752)
	<u>(16,775,504)</u>	<u>(4,193,876)</u>	<u>(2,553,736)</u>	<u>(638,434)</u>

Deferred tax assets and liabilities are calculated on all taxable and deductible temporary differences arising from the differences between accounting bases and tax bases of assets and liabilities. Deferred tax is provided at the rate of 25% (2022: 25%).

Movement in deferred tax (asset) / liability	Balance as at	Recognized	Recognized in OCI	Balance as at 31st
	1st January	in profit or		December 2023
	2023	loss		MVR
	MVR	MVR	MVR	MVR
Property and equipment	(822,325)	(1,406,796)	-	(2,229,121)
Intangible assets	1,733,643	(225,815)	-	1,507,828
Investments in equity securities	13,775,000	-	2,600,000	16,375,000
Impairment loss allowance on receivables from financing activities	(15,324,752)	(4,522,831)	-	(19,847,583)
	<u>(638,434)</u>	<u>(6,155,442)</u>	<u>2,600,000</u>	<u>(4,193,876)</u>

34 BASIC AND DILUTED EARNINGS PER SHARE

34.1 The calculation of basic and diluted earnings per share is based on profit for the year attributable to the ordinary shareholders and weighted average number of ordinary shares outstanding as at reporting date. Basic earnings/(loss) per share is calculated as follows:

	2023	2022
	MVR	MVR
Profit attributable to ordinary shareholders	176,530,033	121,092,026
Weighted average number of ordinary shares	22,500,007	22,500,007
Basic earnings per share - MVR	<u>7.85</u>	<u>5.38</u>
34.2 Net assets per share as of 31 st December	<u>41.25</u>	<u>34.81</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

35 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

31st December 2023	Note	Mandatorily at FVTPL MVR	Designated at FVOCI MVR	Amortised cost MVR	Total carrying amount MVR
Cash and balances with other banks	7	-	-	419,351,119	419,351,119
Balances with Maldives Monetary Authority	8	-	-	921,280,143	921,280,143
Investments in equity securities	9	-	112,500,000	-	112,500,000
Investments in other financial instruments	10	120,501,238	-	2,156,873,771	2,277,375,009
Net receivables from financing activities	11	-	-	4,105,764,559	4,105,764,559
Other assets	15	-	-	168,277,449	168,277,449
Total financial assets		120,501,238	112,500,000	7,771,547,041	8,004,548,279
Customers' accounts	17	-	-	6,837,876,381	6,837,876,381
Due to banks and other financial institutions	17	-	-	258,051,674	258,051,674
Lease liabilities	20	-	-	90,556,067	90,556,067
Other liabilities	21	-	-	70,066,449	70,066,449
Total financial liabilities		-	-	7,256,550,571	7,256,550,571
31st December 2022	Note	Mandatorily at FVTPL MVR	Designated at FVOCI MVR	Amortised cost MVR	Total carrying amount MVR
Cash and balances with other banks	7	-	-	177,805,463	177,805,463
Balances with Maldives Monetary Authority	8	-	-	874,333,752	874,333,752
Investments in equity securities	10	-	102,100,000	-	102,100,000
Investments in other financial instruments	11	120,984,575	-	1,794,618,589	1,915,603,164
Net receivables from financing activities	12	-	-	2,821,968,932	2,821,968,932
Other assets	16	-	-	103,460,679	103,460,679
Total financial assets		120,984,575	102,100,000	5,772,187,415	5,995,271,990
Customers' accounts	17	-	-	5,144,620,941	5,144,620,941
Due to banks and other financial institutions	17	-	-	93,027,623	93,027,623
Lease liabilities	20	-	-	95,472,683	95,472,683
Other liabilities	21	-	-	43,667,286	43,667,286
Total financial liabilities		-	-	5,376,788,533	5,376,788,533

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

36 FINANCIAL RISK MANAGEMENT

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Bank's objectives, policies and processes for measuring and managing risk.

The Bank's Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established the Risk Management and Compliance Unit (RMCU), which is responsible for developing and monitoring risk management policies.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Audit Committee (BAC) oversees how management monitors compliance with the Bank's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The BAC is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the BAC.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework.

(i) Credit risk

'Credit risk' is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's financing to customers and deposits and placements with other banks, and investment in securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

The market risk in respect of changes in value in trading assets arising from changes in market prices applied to securities and specific assets included in trading assets is managed as a component of market risk.

The Bank's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no concentration of credit risk geographically.

Settlement risk

The Bank's activities may give rise to risks at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Bank mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free-settlement trades requires transaction-specific or counterparty-specific approvals from RMCU.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

36 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (Continued)

Management of credit risk

The Board of Directors has delegated responsibility for the oversight of credit risk to its Board Risk and Compliance Committee (BRCC). A separate Risk Management Department, reporting to the board of directors, is responsible for managing the Bank's credit risk, including the following:

- Formulating credit policies in accordance with the financing manual approved by the Board and in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to Financing & Investment Committee (FIC) of the Management. Larger facilities require approval by the Board of Directors as appropriate.
- Reviewing and assessing credit risk: FIC of the Management assesses all credit exposures within its designated limits while exposures are assessed by BRCC in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for financing receivable and advances "financing", financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Developing and maintaining risk grading system to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of five grades reflecting varying degrees of risk of default. The responsibility for setting risk grades lies with the Business department while its validation and regular reviews is the responsibility of the RMCU.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to FIC, which may require appropriate corrective action to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

The business unit is required to implement Bank's credit policies and procedures and is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios.

Regular audits of business units and RMCU's processes are undertaken by internal audit department.

Diversification of financing and investment activities;

Reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties, industries and countries and reviewing limits in accordance with risk management strategy and market trends.

In addition, the Bank manages the credit exposure by obtaining security where appropriate and limiting the duration of exposure. In certain cases, the Bank may also close out transactions or assign them to other counterparties to mitigate credit risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

36 FINANCIAL RISK MANAGEMENT (CONTINUED)
(i) Credit risk (Continued)
(a) i. Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For financing commitments (undrawn financing facilities), the amounts in the table represent the amounts committed respectively.

Explanation of terms "Stage 1", "Stage 2" and "Stage 3" is included in Note 4.8 (vii)

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Receivable from financing activities measured at amortised cost - gross carrying amount</i>	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
Grade 1 - low risk (0 days)	3,792,142,346	-	-	3,792,142,346	2,488,607,682	-	-	2,488,607,682
Grade 2 - low risk (1 - 30 days)	176,760,151	-	-	176,760,151	181,189,609	-	-	181,189,609
Grade 3 - fair risk (31 - 60 days)	-	40,787,547	-	40,787,547	-	33,502,311	-	33,502,311
Grade 4 - fair risk (61 - 89 days)	-	33,942,854	-	33,942,854	-	49,867,851	-	49,867,851
Grade 5 - default (over 90 days)	-	-	174,100,117	174,100,117	-	-	161,469,757	161,469,757
	3,968,902,497	74,730,401	174,100,117	4,217,733,015	2,669,797,290	83,370,161	161,469,757	2,914,637,209
Loss allowance	(27,136,656)	(6,028,125)	(78,803,675)	(111,968,456)	(18,157,663)	(5,805,391)	(68,705,223)	(92,668,277)
Carrying amount	3,941,765,841	68,702,276	95,296,442	4,105,764,559	2,651,639,627	77,564,771	92,764,535	2,821,968,932
<i>Receivable from financing activities measured at amortised cost - gross carrying amount</i>								
Current	3,792,142,346	-	-	3,792,142,346	2,488,607,682	-	-	2,488,607,682
Overdue < 30 days	176,760,151	-	-	176,760,151	181,189,609	-	-	181,189,609
Overdue > 30 days	-	74,730,401	174,100,117	248,830,518	-	83,370,161	161,469,757	244,839,919
Total	3,968,902,497	74,730,401	174,100,117	4,217,733,015	2,669,797,290	83,370,161	161,469,757	2,914,637,209
<i>Financing commitments (undrawn financing facilities)</i>								
Grades 1-4: low-fair risk	1,354,690,292	194,623	97,063	1,354,981,978	604,179,581	142,240	-	604,321,822
Loss allowance	(7,088,587)	(8,872)	-	(7,097,459)	(3,305,827)	(6,581)	-	(3,312,408)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

36 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (Continued)

(a) ii. Cash and cash equivalents

The Bank held cash and cash equivalents of MVR 679,351,937 as at 31st December 2023 (31st December 2022 - MVR 570,188,534). The cash and cash equivalents are held with central banks and financial institution counterparties which have got minimum credit risk exposure.

(b) i. Collateral held and other credit enhancement

Type of credit exposure

	Note	Percentage of exposure that is subject to collateral requirements		Principal type of collateral held
		2023	2022	
Receivable from financing activities				
Education financing		0%	0%	None
Murabaha		14%	18%	Land and property
Istisna'		100%	100%	Land and property
Diminishing Musharaka		100%	100%	Land and property

ii. Finance-to-value ratio

The table below stratify credit exposures from financing facilities to customers by ranges of Finance-to-value (FTV) ratio. FTV is calculated as the ratio of the gross amount of the finance facility or the amount committed for finance facility commitments to the value of the collateral. The value of the collateral is based on the collateral value at origination updated to reflect the current market values. For credit-impaired finance the value of collateral is based on the most recent appraisals.

FTV Ratio	2023	2022
	MVR	MVR
Less than 50%	1,218,466,380	959,981,296
51% - 70%	665,099,920	383,323,808
71% - 90%	440,463,825	442,923,534
91% - 100%	425,803,971	57,003,350
No collateral required (consumer financing)	1,467,898,919	1,071,405,221
Total	<u>4,217,733,015</u>	<u>2,914,637,209</u>
Credit-impaired financing		
Less than 50%	123,737,521	115,696,560
51% - 70%	3,133,317	190,757
More than 70%	-	44,138
No collateral required (consumer financing)	47,229,279	45,538,302
	<u>174,100,117</u>	<u>161,469,757</u>

As at 31st December 2023, the Bank did not hold any financial instruments for which no loss allowance is recognized because of collateral.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

36 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (Continued)

(b) ii. Finance-to-value ratio (Continued)

Receivable from financing activities given to corporate customers

As at 31st December 2023, the net carrying amount of credit impaired financing facilities granted to corporate customers is MVR 47,705,667 (2022: MVR 51,524,266) and the value of identifiable collateral (mainly land and property) held against those financing facilities amounted to MVR 127Mn (2022: MVR 112Mn). For each financing facility, the value of disclosed collateral is capped at the nominal amount of the finance facility that it is held against.

Receivable from financing facilities mandatorily measured at FVTPL

As at 31st December 2023, the maximum exposure to credit risk of investment securities measured at FVTPL was their carrying amount of MVR 120,501,238 (2022: MVR 120,984,575). The bank has minimized the credit risk exposure of all of these financing activities by obtaining sovereign guarantee.

(c) Amounts arising from expected credit loss ("ECL")

Inputs, assumptions and techniques used for estimating impairment

(c) i. Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the bank 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 the bank's historical experience and expert credit assessment and 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 (adjusted where relevant for changes in prepayment expectations).

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

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due.

(c) ii. Generating the term structure of Probability of Default (PD)

Days past due has taken as the primary input into determination of the term structure of PD for exposures. The bank collects performance and default information about its credit risk exposures analyzed by type of product and customer.

The bank 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.

For all financing portfolios except for Trade Finance Murabaha, a Transition Matrix based on days past due is used. For the Trade Finance Murabaha portfolio, since the above methods did not provide a statistically significant output, flow rate analysis is used.

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 (e. g. forbearance experience) on the risk of default. For forward looking adjustments, the bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for the loan (financing) portfolio.

The bank has used a score card approach for further refining the ECL model in order to obtain a more realistic default rate. The score card incorporates qualitative and quantitative macro-economic factors which are selected based on the relevancy and appropriateness. Each factor is assigned a weightage based on the relative interdependence with the default rate. Quantitative factors include GDP growth rate, inflation, unemployment rate and qualitative factors include management outlook on loan (financing) portfolio, regulatory impact, government policies and industry and business. Quantitative factors are based on economic data and forecasts published by IMF.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

36 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (Continued)

(c) Amounts arising from expected credit loss ("ECL") (Continued)

(c) iii. Determining whether credit risk has increased significantly

The bank 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 (customer).

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is equal or more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

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 (financing facility) 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 Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews.

(c) iv. Definition of default

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

- the customer is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the customer is more than 90 days past due on any material credit obligation to the Bank. 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 (customer) will restructure the asset as a result of bankruptcy due to the customer's inability to pay its credit obligations.

In assessing whether a borrower (customer) is in default, the bank considers indicators that are:

- qualitative: e.g. extension to terms granted, arrears within the last 12 months, significant changes in business, financial and/or economic conditions of the customer and actual or expected restructuring.
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

The definition of default largely aligns with that applied by the Group for regulatory capital purposes

(c) v. Incorporation of Forward-looking Information

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

The bank has used a score card approach for further refining the ECL model in order to obtain a more realistic default rate. The score card incorporates qualitative and quantitative macro-economic factors which are selected based on the relevancy and appropriateness. Each factor is assigned a weightage based on the relative interdependence with the default rate. Quantitative factors include GDP growth rate, inflation, unemployment rate and qualitative factors include management outlook on loan (financing) portfolio, regulatory impact, government policies and industry and business. Quantitative factors are based on economic data and forecasts published by IMF.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

36 FINANCIAL RISK MANAGEMENT (CONTINUED)
(i) Credit risk (Continued)
(c) Amounts arising from expected credit loss ("ECL") (Continued)
(c) v. Incorporation of forward-looking information (Continued)

Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios the Bank's internal team.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses.

The economic scenarios used as at 31st December 2023 included the following key indicators for Maldives for the years ending 31st December 2024 to 2028.

		2024	2025	2026	2027	2028
GDP growth rate	<i>Base</i>	5.0%	6.5%	5.9%	5.5%	5.1%
	<i>Upside</i>	7.9%	9.4%	8.8%	8.4%	8.0%
	<i>Downside</i>	2.1%	3.6%	3.0%	2.6%	2.2%
Inflation rate	<i>Base</i>	2.8%	2.2%	2.0%	2.0%	2.0%
	<i>Upside</i>	1.3%	0.7%	0.5%	0.5%	0.5%
	<i>Downside</i>	4.3%	3.6%	3.5%	3.5%	3.5%
Unemployment rate	<i>Base</i>	6.0%	6.0%	6.0%	6.0%	6.0%
	<i>Upside</i>	5.6%	5.6%	5.6%	5.6%	5.6%
	<i>Downside</i>	6.4%	6.4%	6.4%	6.4%	6.4%

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 6 years.

Economic variable assumptions

The below table reflects the sensitivity of Expected Credit Losses as at 31st December 2023 to reasonably possible changes to the key economic factor adjustments held constant in the ECL model.

	-1%	No Change	+1%
Inflation rate	117,875,353	119,836,971	121,787,857
GDP growth rate	121,918,877	119,836,971	117,743,387
Unemployment rate	114,547,014	119,836,971	124,975,004

(c) vi. Modified financial assets

The contractual terms of a loan (financing) may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan (financing) whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly by analysing both qualitative and based on the delinquency status before the modification of terms of the contract.

The bank renegotiates loans (financing facilities) to customers in financial difficulties (referred to as "forbearance activities") to maximise collection opportunities and minimise the risk of default.

The revised terms usually include extending the maturity, changing the timing of profit payments and amending the terms of loan (financing) covenants.

For financial assets modified as part of the bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the bank's ability to collect profit and principal and the bank's previous experience of similar forbearance action. As part of this process, the bank evaluates the borrower(customer)'s payment performance against the modified contractual terms and considers various behavioural indicators.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

36 FINANCIAL RISK MANAGEMENT (CONTINUED)

(I) Credit risk (Continued)

(c) Amounts arising from expected credit loss ("ECL") (Continued)

(c) vii. 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 is calculated by multiplying the lifetime PD by LGD and EAD.

Probability of default (PD)

PD estimates are estimates at a certain date, which are calculated based on statistical models, and assessed using various categories based on homogenous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties.

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD.'

Loss given default (LGD)

LGD is the magnitude of the likely loss if there is a default. The bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim and recovery costs of any collateral that is integral to the financial asset. For financings secured by retail property, FTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate financing, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective profit rate as the discounting factor.

Exposure at default (EAD)

EAD represents the expected exposure in the event of a default. The bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For financing commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the bank measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk. even if, for risk management purposes, the bank considers a longer period. The maximum contractual period extends to the date at which the bank has the right to require repayment (payment) of an advance or terminate a loan (financing) commitment or guarantee.

However, for Murabahah Trade Financing facilities that include both a financing and an undrawn commitment component, the bank measures ECL over a period longer than the maximum contractual period if the bank's contractual ability to demand repayment (payment) and cancel the undrawn commitment does not limit the bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management. but only when the bank becomes aware of an increase in credit risk at the facility level.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

36 FINANCIAL RISK MANAGEMENT (CONTINUED)**(i) Credit risk (Continued)****(c) Amounts arising from expected credit loss ("ECL") (Continued)****(c) vii. Measurement of ECL (Continued)*****Exposure at default (EAD) (Continued)***

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type
- collateral type
- remaining term to maturity

The groupings are subject to regular review to ensure that exposures within a particular Bank remain appropriately homogeneous.

(c) viii. Loss allowance

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

	31st December 2023			
	Stage 1 MVR	Stage 2 MVR	Stage 3 MVR	Total MVR
<i>Receivable from financing activities measured at amortised cost and undrawn financing facilities.</i>				
Balance as at 01 st January 2023	5,780,644	3,795,418	86,404,623	95,980,685
Transfers:				-
Transfer from Stage 1 to Stage 2	(546,289)	3,413,853	-	2,867,564
Transfer from Stage 1 to Stage 3	(253,429)	-	2,934,878	2,681,449
Transfer from Stage 2 to Stage 3	-	(2,434,063)	5,366,912	2,932,849
Transfer from Stage 3 to Stage 2	-	129,877	(215,802)	(85,925)
Transfer from Stage 3 to Stage 1	20,794	-	(6,977,264)	(6,956,470)
Transfer from Stage 2 to Stage 1	95,130	(1,601,125)	-	(1,505,995)
Net remeasurement of loss	(1,828,521)	(755,569)	8,786,393	6,202,303
New financial assets originated	15,276,359	1,469,762	203,334	16,949,455
Balance as at 31st December 2023	<u>18,544,688</u>	<u>4,018,153</u>	<u>96,503,074</u>	<u>119,065,915</u>
	31st December 2022			
	Stage 1 MVR	Stage 2 MVR	Stage 3 MVR	Total MVR
<i>Receivable from financing activities measured at amortised cost and undrawn financing facilities.</i>				
Balance as at 01 st January 2022	6,616,040	3,877,228	71,600,598	82,093,866
Transfer from Stage 1 to Stage 2	(2,205,058)	2,205,058	-	-
Transfer from Stage 1 to Stage 3	(3,386,544)	-	3,386,544	-
Transfer from Stage 2 to Stage 3	-	(2,902,166)	2,902,166	-
Transfer from Stage 3 to Stage 2	-	271,505	(271,505)	-
Transfer from Stage 3 to Stage 1	116,663	-	(116,663)	-
Transfer from Stage 2 to Stage 1	2,205,058	(2,205,058)	-	-
Net remeasurement of loss allowance	(9,060,109)	1,611,148	8,475,785	1,026,823
New Financial assets originated	11,494,594	937,704	427,697	12,859,996
Balance as at 31st December 2022	<u>5,780,644</u>	<u>3,795,418</u>	<u>86,404,623</u>	<u>95,980,685</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

36 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (Continued)

(c) Amounts arising from expected credit loss ("ECL") (Continued)

(c) viii. Loss allowance (Continued)

Credit-impaired financial assets

The following table sets out a reconciliation of changes in the gross carrying amount of credit impaired financing facilities to customers.

	2023 MVR	2022 MVR
Opening balance of credit-impaired financing facilities to customers	161,469,757	172,288,507
Classified as credit-impaired during the year	44,915,854	49,934,802
Transferred to not credit-impaired during the year	(25,333,410)	(22,922,433)
Change in carrying amount of facilities that remained credit-impaired	(6,952,084)	(37,831,119)
Closing balance of credit-impaired financing facilities to customers	174,100,117	161,469,757

(d) Concentration of credit risk

Bank reviews on regular basis its concentration of credit granted in each of the products offered. The diversification was made to ensure that an acceptable level of risk in line with the risk appetite of the Bank is maintained. The diversification decision was made at the Assets-Liability Committee (ALCO), where it sets targets and present strategies to the Management and optimising the diversification. The product development team of the Bank is advised on the strategic decisions taken in diversification of the portfolio to align their product development activities accordingly.

The Bank monitors concentration of credit risk by Industry and by whether the customer is a business customer or an individual customer. An analysis of concentrations of credit risk from loans and advances to customers and loan commitments and financial guarantees issued are shown below.

	Receivable from financing activities		Finance commitments and financial guarantees issued	
	2023 MVR	2022 MVR	2023 MVR	2022 MVR
<i>Concentration by Industry</i>				
Consumer goods	1,493,272,859	1,112,316,725	299,815,603	148,962,545
Transport and communications	77,292,302	74,035,333	62,989,896	-
Commerce - wholesale and retail trade	247,449,457	184,167,100	305,405,437	244,491,969
Construction - residential financing	1,717,391,706	1,210,815,592	598,124,797	148,774,608
Construction - commercial building financing	400,014,623	153,645,761	142,011,207	117,280,211
Electricity, lighting and power	16,629,976	7,724,814	-	-
Tourism	197,647,551	112,815,505	6,000,000	3,442,521
Fishing	67,496,789	59,116,379	637,031	18,406,527
Others	537,752.00	-	-	-
Total	4,217,733,015	2,914,637,209	1,414,983,971	681,358,381
<i>Concentration by sector</i>				
Business	964,221,091	549,099,370	684,581,731	331,919,581
Individual	3,253,511,924	2,365,537,839	730,402,240	349,438,800
Total	4,217,733,015	2,914,637,209	1,414,983,971	681,358,381

(ii) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Bank's management reviews the asset and liability position of the Bank on a regular basis to ensure that there is no mismatch of assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

36 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Liquidity risk

Management of liquidity risk

The bank's board of directors sets the bank's strategy for managing liquidity risk. Board has approved the liquidity policy for the bank whereby responsibility for oversight of the implementation of this policy is delegated to Management Committee (MC). MC oversees bank's liquidity policies and procedures implementation. Treasury function manages the bank's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of the bank. A summary report, including any exceptions and remedial action taken, is submitted regularly to MC.

The bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the bank's reputation. The key elements of the bank's liquidity strategy are as follows.

- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingency facilities. encumbered and so not available as potential collateral for obtaining funding.
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.
- Monitoring liquidity ratios, maturity mismatches, behavioral characteristics of the bank's financial assets and financial liabilities, and the extent to which the bank's assets are encumbered and so not available as potential collateral for obtaining funding.
- Carrying out stress testing of the bank's liquidity position.

Treasury function receives information from other business units regarding the liquidity profile of their financial assets and financial liabilities and details of other projected cash flows arising from projected future business. Treasury function then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, financing and advances to banks and facilities, to ensure that sufficient liquidity is maintained within the bank as a whole.

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The scenarios are developed taking into account both bank-specific events (e.g. a rating downgrade) and market-related events (e.g. prolonged market illiquidity, reduced fungibility of currencies, natural disasters or other catastrophes).

(a) Exposure to liquidity risk

The key measure used by the bank for managing liquidity risk is the ratio of liquid assets to liquid liabilities. For this purpose, liquid assets are those assets that are traded in active and primary market and include, Cash in hand, Current account balances with MMA, Balances with other banks including placements, Un-encumbered approved government securities, Investments in shares (held for trading), and Units of open-ended mutual funds. Liquid liabilities are amounts which fall due for immediate payment, e.g. demand liabilities etc. Details of the reported bank ratio of liquid assets to liquid liabilities at the reporting date were as follows.

	2023	2022
As at the reporting date	62.93%	52.38%

(b) Maturity analysis for financial liabilities and financial assets

The amounts shown in the maturity analysis below have been compiled by applying discounted cash flows which exclude future applicable profits. for the Issued financial guarantee contracts, and unrecognised finance commitments, earliest possible contractual maturity has been considered. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. Some estimated maturities will vary due to changes in contractual cash flows such as early repayment (payment) option of financing. As part of the management of liquidity risk arising from financial liabilities, the bank holds liquid assets comprising cash and cash equivalents and balances with Maldives Monetary Authority.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

36 FINANCIAL RISK MANAGEMENT (CONTINUED)**(b) Maturity analysis for financial liabilities and financial assets (Continued)****(ii) Liquidity risk (Continued)**

The following tables set out the remaining contractual maturities of the Bank's financial liabilities and financial assets.

As at 31 st December 2023	Carrying amount	Gross nominal inflow (outflow)	0-12 Months	1-2 Years	2-5 Years	More than five years
	MVR	MVR	MVR	MVR	MVR	MVR
Financial assets by type - Non derivative						
Cash and balances with other banks	419,351,119	419,831,032	419,831,032	-	-	-
Balances with Maldives Monetary Authority	921,280,143	921,280,143	921,280,143	-	-	-
Investments in equity securities *	112,500,000	112,500,000	-	-	-	112,500,000
Investments in other financial instruments *	2,277,083,866	2,277,375,009	2,017,876,567	160,824,723	98,673,719	-
Net receivables from financing activities	4,105,764,559	6,445,051,572	1,639,290,947	1,293,167,290	1,763,654,621	1,748,938,714
Other assets	168,277,449	168,277,449	168,277,449	-	-	-
	<u>8,004,257,136</u>	<u>10,344,315,205</u>	<u>5,166,556,138</u>	<u>1,453,992,013</u>	<u>1,862,328,340</u>	<u>1,861,438,714</u>
Financial liability by type - Non derivative						
Deposits from customers *	6,837,876,381	6,837,876,381	6,119,615,448	397,844,410	320,416,523	-
Due to banks and other financial institutions *	258,051,674	258,051,674	258,051,674	-	-	-
Lease liabilities	90,556,067	112,081,230	15,759,002	15,799,001	42,437,216	38,086,011
Other liabilities	70,066,449	70,066,449	70,066,449	-	-	-
	<u>7,256,550,571</u>	<u>7,278,075,734</u>	<u>6,463,492,573</u>	<u>413,643,412</u>	<u>362,853,738</u>	<u>38,086,011</u>
Net gap	<u>747,706,565</u>	<u>3,066,239,471</u>	<u>(1,296,936,434)</u>	<u>1,040,348,601</u>	<u>1,499,474,601</u>	<u>1,823,352,703</u>
As at 31st December 2022	Carrying amount	Gross nominal inflow (outflow)	0-12 Months	1-2 Years	2-5 Years	More than Five Years
	MVR	MVR	MVR	MVR	MVR	MVR
Financial assets by type - Non-derivative						
Cash and balances with other banks	177,805,463	178,321,787	178,321,787	-	-	-
Balances with Maldives Monetary Authority	874,333,752	874,333,752	874,333,752	-	-	-
Investments in equity securities *	102,100,000	102,100,000	-	-	-	102,100,000
Investments in other financial instruments *	1,915,360,897	1,915,603,164	1,915,603,164	-	-	-
Net receivables from financing activities	2,821,968,932	4,032,927,334	1,083,691,895	721,499,318	1,202,410,714	1,025,325,407
Other assets	103,460,679	103,460,679	103,460,679	-	-	-
	<u>5,995,029,723</u>	<u>7,206,746,716</u>	<u>4,155,411,277</u>	<u>721,499,318</u>	<u>1,202,410,714</u>	<u>1,127,425,407</u>
Financial liability by type - Non-derivative						
Deposits from customers *	5,144,620,941	5,144,620,941	4,768,828,600	155,130,941	220,661,400	-
Due to banks and other financial institutions	93,027,623	96,726,255	65,210,877	31,515,378	-	-
Lease liabilities	95,472,683	119,593,624	13,533,443	14,087,556	44,583,591	47,389,034
Other liabilities	43,667,286	43,667,286	43,667,286	-	-	-
	<u>5,376,788,533</u>	<u>5,404,608,106</u>	<u>4,891,240,206</u>	<u>200,733,876</u>	<u>265,244,990</u>	<u>47,389,034</u>
Net gap	<u>618,241,190</u>	<u>1,802,138,611</u>	<u>(735,828,929)</u>	<u>520,765,443</u>	<u>937,165,724</u>	<u>1,080,036,373</u>

* Changes to share prices in future cannot be determined at this point in time thus carrying amount of equity investments are taken as gross nominal inflow. Future profit receivable from investments in other financial instruments & profit payable to customers cannot be determined as at the year end as they are on Mudharaba basis, thus the carrying amount is taken as gross nominal inflow/outflow.

Management believes that in spite of substantial portion of customer accounts being on demand, diversification of these deposits by numbers and type of depositors and the past experience of the bank indicate that these customer accounts provide a long-term and stable source of funding for the bank.

(c) Liquidity reserves

The following table sets out the components of the Bank's liquidity reserves. The carrying value of the balances equals the fair value of such balances.

	2023 MVR	2022 MVR
Balances with Maldives Monetary Authority	921,280,143	874,333,752
Balances with other banks	252,178,887	70,399,392
Other cash and cash equivalents	167,172,232	107,406,071
Total liquidity reserves	<u>1,340,631,262</u>	<u>1,052,139,215</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

36 FINANCIAL RISK MANAGEMENT (CONTINUED)
(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and profit rates will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Management of market risk

Board has approved Market Risk policy defining parameters for each type of risk in aggregate and for portfolios. MC is set-up with authority to implement these policies and monitor limits on day-to-day basis with market liquidity being a primary factor in determining the level of exposures set for trading portfolios within the defined parameters.

The Bank employs a range of tools to monitor and limit market risk exposures. These are discussed below.

Exposure to market risk - Non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market profit rates. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre-approved limits for repricing bands. MC is the monitoring body for compliance with these limits and is assisted by Treasury function in its day-to-day monitoring activities.

Equity price risk is subject to regular monitoring by MC, but is not currently significant in relation to the overall results and financial position of the Bank.

The Bank monitors any concentration risk in relation to any individual foreign currency or in regard to the translation of foreign currency transactions and monetary assets and liabilities into the functional currency of the Bank in accordance with the Foreign Exchange Exposure Limits (FEEL) and Net Open Position (NOP) thresholds stipulated by Maldives Monetary Authority.

(a) Exposure to market risk

The following table sets out the allocation of assets and liabilities subject to market risk.

	Carrying amount	
	2023	2022
	MVR	MVR
Assets subject to market risk		
Cash and cash equivalents	62,972,601	26,936,200
Receivables from financing activities	1,842,682,995	1,411,456,310
Investment in equity securities	112,500,000	102,100,000
Investment in money market securities and other investments	120,501,238	120,984,575
	<u>2,138,656,834</u>	<u>1,661,477,085</u>
Liabilities subject to market risk		
Deposits	5,079,405,581	3,264,787,455
Lease liabilities	90,556,067	95,472,683
	<u>5,169,961,648</u>	<u>3,360,260,138</u>

(b) Exposure to profit rate risk - Non-trading portfolios

Profit rate risk exists in profit-bearing assets, due to the possibility of a change in the asset's value resulting from the variability of profit rates. Since profit rate risk management has become imperative, the Bank takes proactive measures to manage the exposure by forecasting the rate fluctuations.

At the reporting date, the Bank's profit rate-bearing financial instruments were:

	2023	2022
	MVR	MVR
Fixed rate instruments		
<i>Financial assets</i>		
Net receivables from financing activities	4,105,764,559	2,821,968,932
Investments measured at amortised cost	2,156,873,771	1,794,618,589
	<u>6,262,638,330</u>	<u>4,616,587,521</u>
<i>Financial liabilities</i>		
Customers' accounts	5,079,405,581	3,264,787,455
Due to banks and other financial institutions	258,051,674	93,027,623
	<u>5,337,457,255</u>	<u>3,357,815,078</u>
Variable rate instruments		
<i>Financial assets</i>		
Investments mandatorily measured at FVTPL	120,501,238	120,984,575

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

36 FINANCIAL RISK MANAGEMENT (CONTINUED)
(iii) Market risk (Continued)
(c) Profit rate sensitivity

The table below analyses the bank's profit rate risk exposure on financial assets and liabilities. Financial assets and liabilities are included at carrying amount.

	Profit-bearing				Non-profit bearing	Total
	0 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years		
As at 31st December 2023						
Assets	MVR	MVR	MVR	MVR	MVR	MVR
Cash and balances with other banks	-	-	-	-	419,351,119	419,351,119
Balances with Maldives Monetary Authority	-	-	-	-	921,280,143	921,280,143
Net receivables from financing activities	707,062,218	976,189,560	1,247,416,537	1,175,096,244	-	4,105,764,559
Investments in other financial instruments	2,017,585,424	160,824,723	98,673,719	-	-	2,277,083,866
	<u>2,724,647,642</u>	<u>1,137,014,283</u>	<u>1,346,090,256</u>	<u>1,175,096,244</u>	<u>1,340,631,262</u>	<u>7,723,479,687</u>
Liabilities						
Customer's liabilities	4,361,144,648	397,844,410	320,416,523	-	1,758,470,800	6,837,876,381
Due to banks and other financial institutions	258,051,674	-	-	-	-	258,051,674
Lease liabilities	10,946,999	11,606,690	33,506,294	34,496,084	-	90,556,067
Other liabilities	-	-	-	-	70,066,449	70,066,449
	<u>4,630,143,321</u>	<u>409,451,100</u>	<u>353,922,817</u>	<u>34,496,084</u>	<u>1,828,537,249</u>	<u>7,256,550,571</u>
Profit rate sensitivity gap	<u>(1,905,495,679)</u>	<u>727,563,183</u>	<u>992,167,439</u>	<u>1,140,600,160</u>	<u>(487,905,987)</u>	<u>466,929,116</u>
As at 31st December 2022						
Assets	MVR	MVR	MVR	MVR	MVR	MVR
Cash and balances with other banks	-	-	-	-	177,805,463	177,805,463
Balances with Maldives Monetary Authority	-	-	-	-	874,333,752	874,333,752
Net receivables from financing activities	716,796,288	507,548,779	870,510,043	727,113,822	-	2,821,968,932
Investments in other financial instruments	1,915,360,897	-	-	-	-	1,915,360,897
	<u>2,632,157,185</u>	<u>507,548,779</u>	<u>870,510,043</u>	<u>727,113,822</u>	<u>1,052,139,215</u>	<u>5,789,469,044</u>
Liabilities						
Customer's liabilities	2,888,995,114	155,130,941	220,661,400	-	1,879,833,486	5,144,620,941
Lease liabilities	9,172,512	10,259,806	33,275,721	42,764,644	-	95,472,683
Other liabilities	-	-	-	-	43,667,286	43,667,286
	<u>2,898,167,626</u>	<u>165,390,747</u>	<u>253,937,120</u>	<u>42,764,644</u>	<u>1,923,500,772</u>	<u>5,283,760,910</u>
Profit rate sensitivity gap	<u>(266,010,441)</u>	<u>342,158,031</u>	<u>616,572,923</u>	<u>684,349,178</u>	<u>(871,361,557)</u>	<u>505,708,134</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

36 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market risk (Continued)

(d) Exposure to currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to change in foreign exchange rates and arises from financial instrument denominated in foreign currency. In accordance with MMA's prudential regulations, the foreign exchange risk exposure in any single currency, shall not exceed 25% of a bank's capital base for a long position, and 15% of a bank's capital base for a short position. The overall foreign currency exposure (short and long currency positions) for all currencies and on-balance sheet and off-balance sheet combined, using spot mid-rates and the shorthand method shall not exceed 40% of a bank's capital base.

(d) i. Exposure to currency risk - Non-trading Portfolios

The bank's exposure to foreign currency risk is as follows based on notional amount.

	2023	2022
	US\$	US\$
Cash and balances with other banks	20,279,740	5,860,011
Balances with Maldives Monetary Authority	22,118,241	25,975,260
Investments in other financial instruments	16,008,237	6,011,178
Net receivables from financing activities	42,728,954	26,507,731
Other assets	9,398,241	5,807,564
Customers' accounts	(101,436,275)	(59,431,252)
Other liabilities	3,070,598	(513,314)
Net statement of financial position exposure	12,167,736	10,217,178

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	Year	Year	Year	Year
	ended	ended	ended	ended
	2023	2022	2023	2022
1 US\$: Maldivian Rufiyaa	15.395	15.395	15.395	15.395

In respect of the monetary assets and liabilities denominated in US\$, the Bank 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.

(e) Exposure to equity price risk

Equity price risks arises as a result of fluctuations in market prices of individual equities.

For equity investments designated as FVOCI equity investments, a 10% decrease in the prices of Maldives Stock Exchange would have decreased equity and Investments measured at FVOCI as at 31st December 2023 by MVR 16,350,000/- (2022: MVR 10,210,000/-).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

36 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the bank's operations.

The bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the bank's reputation with overall cost effectiveness and innovation. In all cases, the bank's policy requires compliance with all applicable legal and regulatory requirements.

The board of directors has delegated responsibility for operational risk to the bank's management committee, which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall the bank standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is cost effective.

Compliance with the bank's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of internal audit reviews are submitted to the audit committee and senior management of the bank.

37 CAPITAL MANAGEMENT

The bank has in place a capital management policy to support its long term capital objectives, risk appetite and business activities, as well as to meet its regulatory requirements. The bank's objectives when managing capital are:

1. Maintain sufficient capital to meet minimum regulatory capital requirements set by the Maldives Monetary Authority ("MMA")
2. Hold sufficient capital to support the bank's risk appetite.
3. Allocate capital to support the bank's strategic objectives.
4. Ensure that the bank maintains capital in order to achieve debt rating objectives and to withstand the impact of potential stress events.

(a) Regulatory capital adequacy

MMA, as the regulator of the bank sets and monitors capital requirements for the bank. In implementing current capital ratio requirements, MMA requires the bank to maintain prescribed minimum ratios.

Maldives Monetary Authority has allowed the bank to recognize the full impact on the adoption of the impairment requirements under IFRS 9 and has requested the banks that the banks may recognize the additional impairment provision under its equity when Regulatory impairment provision exceeds the impairment provision calculate under the requirement of IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

37 CAPITAL MANAGEMENT

(a) Regulatory capital adequacy (continued)

The bank's regulatory capital consists of the sum of the following elements;

	2023 MVR	2022 MVR
Tier 1 ("Core") Capital		
Share capital	337,500,070	337,500,070
Retained earnings (shown as previous year amount as MMA requirement)	191,184,998	112,941,176
Statutory reserve (shown as previous year amount as MMA requirement)	150,000,000	150,000,000
Less: Future income tax benefits	(14,413,434)	(7,164,715)
Total Tier 1 Capital	664,271,634	593,276,531
Tier 2 ("Supplementary") Capital		
Current year-to-date profit	176,530,033	121,092,026
Valuation adjustment (discounted 55%)	22,106,250	18,596,250
General provisions (limited to 1.25% of RWA)	20,293,137	15,104,386
Sub total	218,929,420	154,792,662
Eligible Tier 2 Capital (Limited to 100% of Tier 1 Capital)	218,929,420	154,792,662
Total Tier 1 and Tier 2 Capital	883,201,054	748,069,193
Core capital (Tier 1 Capital)	664,271,634	593,276,531
Capital base (Tier 1 and Tier 2 Capital)	883,201,054	748,069,193
Risk-weighted assets	5,822,943,604	3,864,290,750
Tier 1 Risk based capital ratio (minimum 6%)	11.4%	15.4%
Total risk based capital ratio (minimum 12%)	15.2%	19.4%

The risk-weighted assets have been calculated by multiplying the value of each category of asset using the risk weight specified by the Maldives Monetary Authority.

The bank's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The bank complied with Basel I framework as adopted by the MMA.

(b) Capital allocation

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements, but in some cases the regulatory requirements do not fully reflect the varying degree of risk associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum amount required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by Risk Management and Compliance Unit (RMCU), and is subject to review by the Board Risk and Compliance Committee (BRCC).

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with longer-term strategic objectives of the bank. The bank's policies in respect of capital management and allocation are reviewed regularly by the board of directors.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

38 (a) Valuation models

The bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The bank uses widely recognised valuation models to determine the fair value of common and simple financial instruments, such as profit rate, that use only observable market data and require little management judgment and estimation. Observable prices or model inputs are usually available in the market for listed equity securities. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

(b) Valuation framework

The bank has an established control framework with respect to the measurement of fair values. This framework includes a Product Control function, which is independent of front office management and reports to the Head of Finance, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- Verification of observable pricing;
- Re-performance of model valuations;
- A review and approval process for new models and changes to models involving both Product Control and Bank Market Risk;
- Quarterly calibration and back-testing of models against observed market transactions;

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

38 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Valuation Framework (Continued)

- Analysis and investigation of significant daily valuation movements; and
- Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month, by a committee of senior Product Control and Bank Market Risk personnel. When third party information, such as broker quotes or pricing services, is used to measure fair value, Product Control assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:
 - Verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument;
 - Understanding how the fair value has been arrived at, the extent to which it represents actual market transactions and whether it represents a quoted price in an active market for an identical instrument;
 - When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
 - If a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.
- Significant valuation issues are reported to the Audit Committee.

The bank uses widely recognised valuation models to determine the fair value of common and simple financial instruments. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. The Bank uses observable market prices and inputs to determine the value investment securities designated at FVOCI.

(c) Fair value hierarchy - financial instruments measured at fair value

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

Measured at fair value	Level 1 MVR	Level 2 MVR	Level 3 MVR	Total MVR
31st December 2023				
Investments mandatorily measured at FVTPL	-	120,501,238	-	120,501,238
Investments				
Equity investments measured at FVOCI	112,500,000	-	-	112,500,000
	<u>112,500,000</u>	<u>120,501,238</u>	<u>-</u>	<u>233,001,238</u>
Measured at fair value	Level 1 MVR	Level 2 MVR	Level 3 MVR	Total MVR
31st December 2022				
Investments mandatorily measured at FVTPL	-	120,984,575	-	120,984,575
Investments				
Equity investments measured at FVOCI	102,100,000	-	-	102,100,000
	<u>102,100,000</u>	<u>120,984,575</u>	<u>-</u>	<u>223,084,575</u>
<i>Total gains and losses recognised in OCI:</i>			2023 MVR	2022 MVR
Fair value reserve (equity instruments) - net change in fair value (excluding tax) (Note 9.2)			10,400,000	49,000,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

38 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Level 3 fair value measurements

i. Reconciliation

Except for one instrument, all the other financial instruments which needs to be measure mandatorily at fair value has got profit reset option to the bank for each 3 months and accordingly, the maximum fair value exposure would be for the next 3 months variation of the profit rate as the instruments are backed with the Sovereign guarantees. Further, the remaining maturity of the remaining financial instrument is 07 months and since the counterparty is a reputed financial institution, there had not been any significant fair value adjustment through that instrument and accordingly, it has been concluded that the carrying value of the instrument provides a fair approximation of the fair value.

ii. Observable inputs used in measuring fair value - Level 2

The Bank has determined the indicative profit rates in order to determine fair value of the instrument as the inputs used as at 31st December 2022 in measuring financial instruments categorised as Level 2 in the fair value hierarchy.

iii. The effect of observable inputs on fair value measurement

Although the bank believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. However, as the bank only has done the fair valuation of the financial instruments mandatorily measured at FVTPL which are in short term nature with minor impact of the fair valuation due to the fact that those facilities are largely provided for 3 months period where the profit would be reset in each 3 months if required and one facility only with a total period of 1 year, there is no such fair value impact of those instruments and the change of methods or assumptions would not result in any major change to those fair values. Valuation technique for investments mandatorily measured at FVTPL are based on discount cashflow analysis and key inputs to the model is estimated cashflows and indicative profit rates.

(e) Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value. For the majority of the financial assets and liabilities, the fair values are not materially different from their carrying amounts, since the profit payable on these borrowings (fundings) is either close to market rates or the borrowings (fundings) are of a short-term nature.

	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount
31 st December 2023	MVR	MVR	MVR
Assets			
Cash and balances with other banks	419,351,119	-	419,351,119
Balances with Maldives Monetary Authority	921,280,143	-	921,280,143
Investments in other financial instruments measured at amortised cost	2,156,873,771	-	2,156,873,771
Receivables from financing activities	4,105,764,559	-	4,105,764,559
Other assets	168,277,449	-	168,277,449
	<u>7,771,547,041</u>	<u>-</u>	<u>7,771,547,041</u>
Liabilities			
Customers' accounts	-	6,837,876,381	6,837,876,381
Due to banks and other financial institutions	-	258,051,674	258,051,674
Lease liabilities	-	90,556,067	90,556,067
Other liabilities	-	70,066,449	70,066,449
	<u>-</u>	<u>7,256,550,571</u>	<u>7,256,550,571</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

38 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)
(e) Financial instruments not measured at fair value (continued)

	Financial assets at amortised cost	Financial liabilities at amortised cost	Total carrying amount
	MVR	MVR	MVR
31st December 2022			
Assets			
Cash and balances with other banks	177,805,463	-	177,805,463
Balances with Maldives Monetary Authority	874,333,752	-	874,333,752
Investments in other financial instruments measured at amortised cost	1,794,618,589		1,794,618,589
Receivables from financing activities	2,821,968,932	-	2,821,968,932
Other assets	103,460,679	-	103,460,679
	5,772,187,415	-	5,772,187,415
Liabilities			
Customers' accounts	-	5,144,620,941	5,144,620,941
Due to banks and other financial institutions	-	93,027,623	93,027,623
Lease liabilities	-	95,472,683	95,472,683
Other liabilities	-	43,667,286	43,667,286
	-	5,376,788,533	5,376,788,533

Where they are available, the fair value of loans and advances (financing) is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques.

To improve the accuracy of the valuation estimate for retail and smaller commercial loans (financing facilities), homogeneous loans (financing facilities) are grouped into portfolios with similar characteristics such as vintage, LTV ratios, the quality of collateral, product and borrower (customer) type, prepayment and delinquency rates, and default probability.

The fair value of deposits from customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

39 RELATED PARTY TRANSACTIONS

39.1 The bank carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as related parties as per the International Accounting Standard – IAS 24 on "Related Party Disclosures".

39.2	Name of the related party	Relationship	Product	Nature of the transaction	Amount	
					2023 MVR	2022 MVR
	ICD Money Market Fund LLP	Affiliated Bank	Commodity Murabaha	Opening balance	93,027,623	155,046,038
Profit for the period				3,192,461	6,101,945	
Settlement				(65,210,877)	(68,120,360)	
				31,009,207	93,027,623	
	Government of Maldives	Shareholder	Islamic T-Bills	Opening balance	1,253,341,460	705,127,562
New investments				542,370,000	542,370,000	
Profit recognised for the period				73,480,803	45,636,544	
Profit received for the period				(108,641,682)	(39,639,764)	
Impairment allowance				(122,598)	(152,882)	
					1,760,427,983	1,253,341,460

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

39 RELATED PARTY TRANSACTIONS (CONTINUED)

39.2	Name of the related party	Relationship	Product	Nature of the transaction	Amount 2023 MVR	Amount 2022 MVR
	Government of Maldives	Shareholder	Istisna'	Opening balance	10,400,188	12,946,953
				Profit for the period	869,458	1,139,904
				Settlement	(3,706,031)	(3,686,669)
					<u>7,563,615</u>	<u>10,400,188</u>
				Impairment allowance	(1,021)	(88,130)
					<u>7,562,594</u>	<u>10,312,058</u>
	Maldives Monetary Authority	Related to a shareholder	Central Bank Reserve	Minimum Reserve Requirement	661,279,325	481,950,681
				Balance in Excess of MRR with MMA	260,000,818	392,383,071
					<u>921,280,143</u>	<u>874,333,752</u>
	Maldives Monetary Authority	Related to a shareholder	Commodity Murabaha	Investment in Commodity Murabaha	116,000,000	662,000,000
				Profit recognised for the period	11,120,293	691,973
				Profit received for the period	(10,843,907)	(583,151)
				Impairment allowance	(15,663)	(89,385)
					<u>116,260,723</u>	<u>662,019,437</u>
	Maldives Pension Administration Office	Shareholder	Deposit	Opening balance	476,403,899	287,000,012
				Transactions during the year	111,939,107	189,403,887
					<u>588,343,006</u>	<u>476,403,899</u>
	Amana Takaful (Maldives) Plc.	Shareholder	Deposit	Opening balance	36,760,014	66,280,430
				Transactions during the year	6,489,000	(29,520,417)
					<u>43,249,014</u>	<u>36,760,014</u>

39.3 Collectively, but not individually, significant transactions

The Government of Maldives holds 28% of the shareholding of the Bank. The Bank conducted 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 Bank conducted transactions with other government related entities including but not limited to Investments, financing and deposits.

39.4 Transactions with key management personnel

The aggregate values of transactions and outstanding balances related to key management personnel were as follows.

	Transaction values for the year ended 31 December		Maximum balance for the year ended 31 December		Balance outstanding as at 31 December	
	2023	2022	2023	2022	2023	2022
Secured financing	1,173,597	-	5,359,508	2,795,422	3,674,483	2,651,827
Other financing	354,097	135,140	523,498	276,829	470,428	247,950
Deposits received	84,309,672	11,558,701	25,780,325	3,501,829	3,217,234	806,145
	<u>85,837,365</u>	<u>11,693,841</u>	<u>31,663,331</u>	<u>6,574,080</u>	<u>7,362,145</u>	<u>3,705,923</u>

The profit charged on balances outstanding from related parties amounted to MVR 179,851 (2022: MVR 158,774). The profit paid on balances outstanding to related parties amounted to MVR 19,015 (2022: MVR 9,339). The mortgages and secured financing granted are secured over property of the respective borrowers (customers). Other balances are not secured and no guarantees have been obtained.

No impairment losses have been recorded against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the reporting date.

The key management personnel are the members of the Board of Directors and Executive members. The Bank has paid an amount of MVR 9,567,972 as short-term employment benefits to the key management personnel during the year ended 31st December 2023 (2022: MVR 5,818,274).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

40 Maturity analysis for liabilities and assets

The table below shows the assets and liabilities according to when they are expected to be recovered or settled.

	31st December 2023			31st December 2022		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
	MVR	MVR	MVR	MVR	MVR	MVR
ASSETS						
Cash and balances with other banks	419,351,119	-	419,351,119	177,805,463	-	177,805,463
Balances with Maldives Monetary Authority	921,280,143	-	921,280,143	874,333,752	-	874,333,752
Investments in equity securities	-	112,500,000	112,500,000	-	102,100,000	102,100,000
Investments in other financial instruments	2,017,585,424	259,498,442	2,277,083,866	1,915,360,897	-	1,915,360,897
Net receivables from financing activities	707,062,218	3,398,702,341	4,105,764,559	716,796,288	2,105,172,644	2,821,968,932
Property and equipment	-	91,979,547	91,979,547	-	60,868,215	60,868,215
Right-of-use assets	-	115,065,782	115,065,782	-	124,828,420	124,828,420
Intangible assets	-	11,292,622	11,292,622	-	11,583,338	11,583,338
Other assets	176,377,600	-	176,377,600	111,272,959	-	111,272,959
Deferred tax asset	4,193,876	-	4,193,876	638,434	-	638,434
Total assets	4,245,850,380	3,989,038,734	8,234,889,114	3,796,207,793	2,404,552,617	6,200,760,410
LIABILITIES						
Customers' accounts	6,119,615,448	718,260,933	6,837,876,381	4,768,828,600	375,792,341	5,144,620,941
Due to banks and other financial institutions	258,051,674	-	258,051,674	62,237,623	30,790,000	93,027,623
Provisions	-	7,097,459	7,097,459	-	3,312,408	3,312,408
Current tax liability	39,560,190	-	39,560,190	35,155,893	-	35,155,893
Lease liabilities	10,946,999	79,609,068	90,556,067	9,172,512	86,300,171	95,472,683
Other liabilities	73,631,800	-	73,631,800	46,010,339	-	46,010,339
Total liabilities	6,501,806,111	804,967,460	7,306,773,571	4,921,404,967	496,194,920	5,417,599,887
Net assets / (liabilities)	(2,255,955,731)	3,184,071,274	928,115,543	(1,125,197,174)	1,908,357,697	783,160,523

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

41 COMMITMENTS

	2023 MVR	2022 MVR
(i) Financial commitments		
Letter of credits	34,745,136	50,141,001
Guarantees and bonds	9,286,096	12,025,424
Bill collection acceptance	15,970,761	14,870,134
	<u>60,001,993</u>	<u>77,036,559</u>
(ii) Financing commitments		
Undrawn financing facilities	<u>1,354,981,978</u>	<u>604,321,822</u>
Total	<u><u>1,414,983,971</u></u>	<u><u>681,358,381</u></u>

42 CAPITAL COMMITMENTS

During the year, the Bank has entered into several agreements with suppliers for the implementation of a new data recovery center and the building of a new office space. As at 31st December 2023, the capital commitments of the Bank is MVR 20,956,429/- (year ended 31st December 2022 - MVR 28,325,854/-).

43 EVENTS AFTER THE REPORTING DATE

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

44 TERMINOLOGY USED IN FINANCIAL STATEMENTS

As mentioned in Note 2 (i) " Basic of Preparation", these financial statements have been prepared and presented in accordance with International Financial Reporting Standards ("IFRSs"). The following comparison is given for the readers of the financial statements to understand the terminologies as in line with Shari'ah Law.

IFRSs Terminology	Shari'ah Terminology
Borrower	Customer
Lender	Financier (Bank)
Borrowing	Financing
Loan	Financing
Interest rate	Profit / Rental rate
Incremental Borrowing rate	Incremental Financing rate
Repayment	Payment

