



**ANNUAL
REPORT 2022
MALDIVES ISLAMIC BANK**

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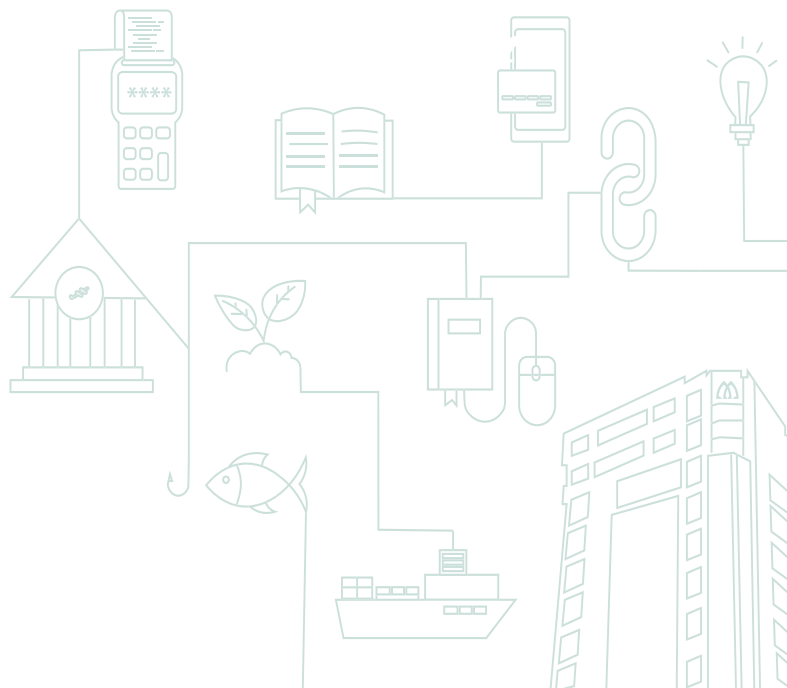
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MALDIVES ISLAMIC BANK

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 now operate with 6 branches in 5 atolls across the country. 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 a branch network of 06, 09 ECRMs and 14 ATMs across 09 different island locations 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 Automated Teller Machines (ATM) network, Point of Sale (POS) terminals at various merchant outlets and via our online banking service, FaisaNet and FaisaMobile. 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.

Chief Executive Officer & Managing Director

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

Fax: +960 3314378

Mazlan & Murad Law Associates

6th Floor, Unit-A

Faamudheyryge Building, Orchid Magu, Malé

Republic of Maldives

Tel: +960 3344720

Fax: +960 3344721

External Legal Counsel to the Board:

SHC Lawyers LLP

6th Floor, H. Aagé, Boduthakurufaanu Magu, Malé, 20094

Republic of Maldives

Phone: (+960) 3333644

Fax: (+960) 3315453

External Auditors

External Auditors

PricewaterhouseCoopers

H. Thandiraiymaage, Roashanee Magu

Republic of Maldives

Tel: +960 3318342

Fax: +960 3314601

Head Office

Maldives Islamic Bank Public Limited Company

H. Medhuziyaaraydhoshuge

20097, Medhuziyaaraiy Magu

Malé City

Republic of Maldives

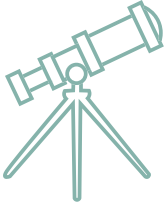
Tel: +960 3325555

Fax: +960 3007885

Email: info@mib.com.mv

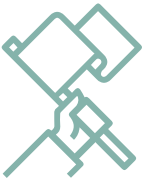
Saving for your **Child's Future**
has never been easier with
our **Deposit Portfolio** for Kids.





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.



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 products and deployment of funds to financing individuals, local SME businesses and corporates. MIB's banking products and services has enabled the Bank to meet customer's need for Shari'ah Compliant banking in the areas of retail, 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 clientele.

Excellence in Customer Service & Convenience

At MIB, customer service is regarded as a prominent and strategic add-on to deliver a holistic service to its customer base. All aspects of customer service are carefully monitored and fine-tuned to ensure services offered by the Bank exceed customers' expectations on all fronts. Value added services provided by the Bank are linked to new technology that fosters security, reliability and convenience. Exceptional 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, and referral by existing customers assist us to develop long-standing clientele.

The Bank is always within the reach of its customers with the help of its 24/7 helpline and ticketing systems, which are constantly monitored by the dedicated customer service teams to ensure quickest turnaround time. MIB has introduced more convenient and flexible modes of communication during the years, including chat, social media, email and so on dedicated to build on its customer service excellence.

Reliable Digital Infrastructure

The Bank and its operations are complemented by a network of reliable and state-of-the-art digital infrastructure on its banking and back-end operations. Since inception, MIB has given special attention to establishing safe, secure, innovative and resilient digital infrastructure which would allow its customers to bank with MIB 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 including secure platforms for internet and mobile banking, alternative distribution channels which are trustworthy including ECRMs, ATMs, POS machines and cards, in addition to Payment Gateways and Customer Application portals.

Competent Human Capital

MIB's success largely depends on the strength of its competent workforce, accompanied by motivation, high quality performance, experience, broad-based and specialised knowledge towards Islamic banking and the ability to adapt to meet multiple challenges in a dynamic business environment. Continuous development and retention of the Bank's multifaceted staff is ensured through comprehensive recruitment procedures and extensive training and promotion avenues. Dedicated human resources continue to drive MIB's operations and performance and is one of the primary pillars for resilient growth of the Bank.

The positive, result oriented and friendly culture at the Bank is warmly embraced by its diverse team of more than 250 employees. Whilst more than 97% of the Bank's workforce are Maldivians, the cadre is supplemented with foreign employees with significant experience in risk, compliance, payments, auditing, technology and Shari'ah financing. This has allowed the Bank to identify and adhere to the best practices in the sector and to bring in a fresh outlook. The Bank adopts performance driven reward systems to ensure the efforts of the staff are fairly rewarded. MIB empowers its team with delegation of authorities backed by accountability and celebrates the individual differences of its members by supporting the personal and skills development of each individual employee.

FULL FLEDGED SHARIÁH BANKING PRODUCTS

MIB provides full range of Shari’ah compliant **Deposit & Investment Products** and multiple **Financing Solutions** to the general public, both individuals and businesses, who prefer to obtain financial services in conformity with Shari’ah requirements. The Bank strives to deliver an excellent service to our retail and corporate customer base through its tactfully balanced banking solutions which are curated specifically to their desires and needs.

Deposit & Investment Products

MIB’s deposit products are available in both MVR and USD. The Bank’s deposit product portfolio at the end of 2022 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.

Financing Solutions

The Bank offers a range of Shari'ah compliant financing products under the concepts of Murabahah, Istisna'a and Diminishing Musharakah. The financing solutions offered by the Bank as at the end of 2022 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 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.

Diminishing Musharakah Home Financing

This renowned financing solution of MIB allows customers to purchase any completed apartment or a housing unit from any MIB approved housing projects. Customers can acquire housing units, such as apartments and condominiums through this facility at competitive rates in the market. Under the facility, both the Bank and the customer jointly purchase a property, and the customer will purchase the share of the Bank in the property periodically until the customer acquires complete ownership of the property.

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.

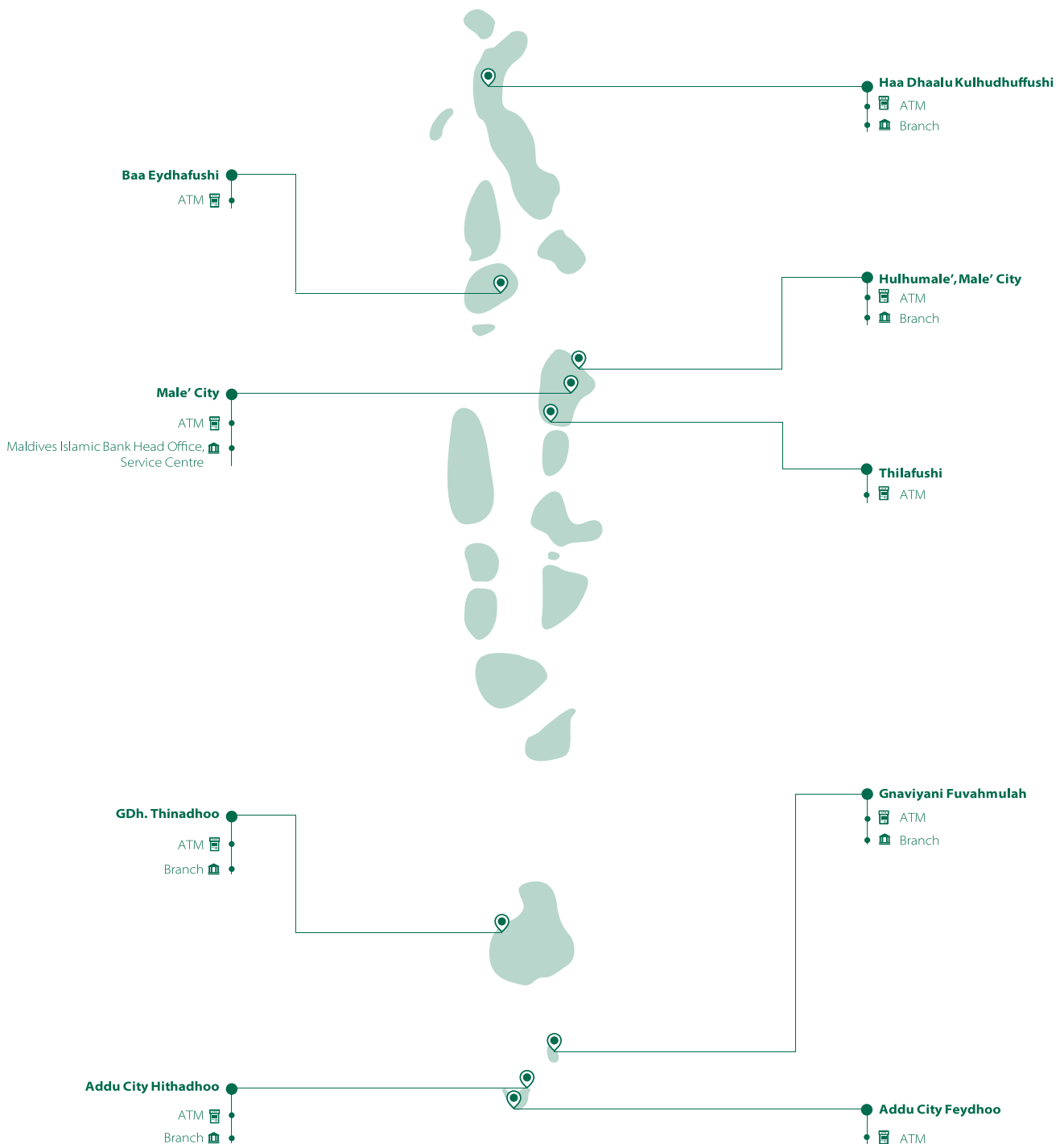
SME Financing

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.

NETWORK

Financial inclusion is one of the key focus areas of MIB. The Bank helps to attain this by making Islamic banking and finance accessible across the country, validated by the presence of Six branches, strategically located to provide ease of access and reach to our wider 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 reach extends beyond its branches, with the help of multiple alternative distribution channels including Self Service Banking Centers, ATM network, Point of Sale (POS) terminals and Mobile and Internet Banking.



DIGITAL INFRASTRUCTURE

Resourceful investments in digital banking capabilities have enabled the Bank to deploy easy-to-use digital channels vis-à-vis providing greater access to MIB's banking services by the widely dispersed population of Maldives. MIB has contributed to improving service delivery and inclusion in the financial system by supporting the use of digital banking solutions and other state-of-the-art infrastructure.



INTERNET BANKING

FaisaNet 2.0



MOBILE BANKING

FaisaMobile



ATM

CRMs and ATMs



CARD

Visa Debit Card



PAYMENT GATEWAY

FaisaPay & MIB GlobalPay



POINT-OF-SALE TERMINALS

FaisaPOS and FaisaPOS Cash



APPLY NOW PORTAL

MILESTONES



2011

- Incorporation of **Maldives Islamic Bank**
- Introduction of Shari'ah compliant banking products to **Maldives**



2012

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



2013

Launching of Faisa POS (Point of Sale) cash services



2014

First Outstation Branch established in Addu city **Hithadhoo**



2015

Introduction of **Internet Banking** services with the launch of FaisaNet



2016

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



2017

Opening of the sixth branch in **Gn. Fuvahmulah**

2018



Launching of **Mobile Banking** services via **FaisaMobile**



2019

- Opening of the Bank's new Head Office and Main Branch
- Listed as a **Public Limited Company** on the Maldives Stock Exchange
- **Most Successful** IPO in recent history of Maldives
- **Baazaar Customer Service Centre** established in Male'

2020

- New Card Payment processing system established with state-of-the features
- Shari'ah compliant Interbank product innovation to support MVR liquidity
- Introduction of Moratorium portal
- Introduction of the state-of-the-art ATMs with **card less cash deposit**
- Introduction of **cheque deposit** service 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



2022

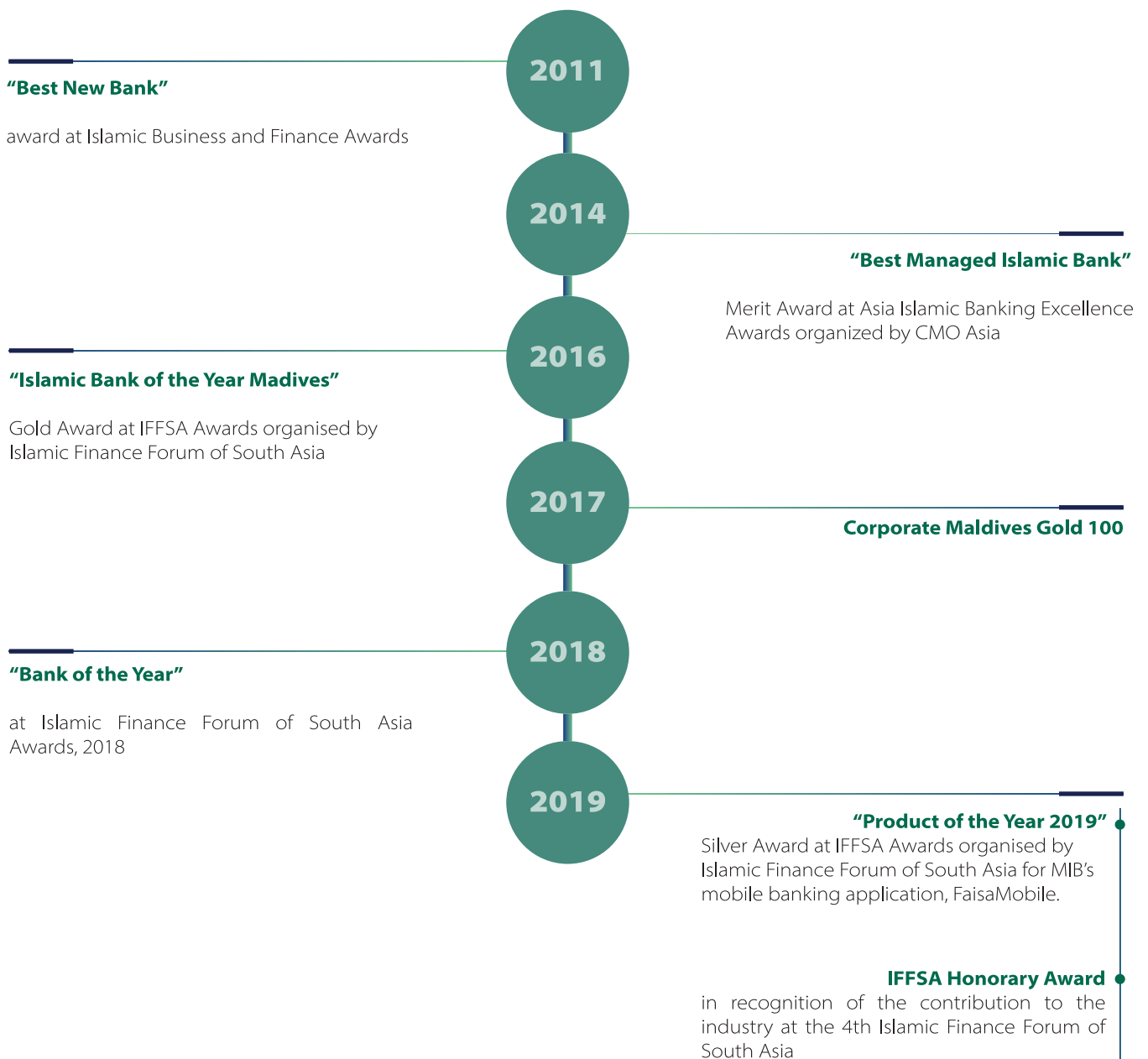
- Visa **Platinum Card**, Visa **Instant Card** and Visa **Supplementary Card** Launched
- Launch of **FaisaPOS Cash** Service
- First Bank in Maldives to offer low-cost financing for **Hakathari** Labelled Products
- New deposit and investment solutions launched
- Opening of the new Hulhumale' Branch and office
- Launch of revamped internet banking platform **FaisaNet 2.0**
- Wakala & Commodity Murabahah Overnight Placement with MMA



AWARD WINNING BANK

The success of MIB is recognised both locally and internationally.

The Bank is grateful and humble in being acknowledged for delivering innovative financial solutions which are recognised by the market and its peers. These awards are an attestation to the strength of MIB's business, determined efforts of the Bank's diverse team as well as the trust the market has placed in MIB.





2020

● **Islamic Finance Product of the Year - IFFSA Awards**

Gold Award for Ujaalaa Dhiriulhun

● **Islamic Finance Product 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**

SHAREHOLDING STRUCTURE

During the year under review, the Bank's shareholding structure changed pertaining to a trade of securities that occurred between two major shareholders. The shareholding structure of the Bank as of 31st December 2022 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.

CHAIRMAN'S STATEMENT



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

Revenues

MVR 342.63 Million

Net Profit

MVR 121.09 Million

Balance Sheet

MVR 6.2 Billion



With constant emphasis on customer-centricity, we have been able to maintain our position as the preferred financing partner for many Maldivians



Dear Shareholders,

On Behalf of the Board of Directors of the Bank, I take great pride in presenting the Annual Report of Maldives Islamic Bank PLC. for the Financial Year 2022, a year in which MIB achieved new heights of success.

Let me begin by conveying my gratitude to the Former Chairman of the Bank, Mr. Najmul Hassan, who was at the helm of the Bank for over 9 years and until 31st October 2022. He was integral to the advances we have achieved during 2022 and over many years. Under his watch, MIB became the second largest retail bank in Maldives. It is a great honour and privilege to have served with him on the Board and I congratulate him for the many successful accomplishments he has helped the Bank to achieve.

2022 was indeed a phenomenal year for the Bank. Last Year, we recorded MVR 342.63 Million in Revenues, and MVR 121.09 million in Net Profit. Our Balance Sheet position crossed MVR 6.2 Billion in 2022. This is a milestone mark we achieved for the second year in a row, after having achieved Five Billion in Assets during the earlier year. As the market is adopting more cautious approach towards where they invest their funds, more customers have taken a leap of faith on us during the year as more than MVR 5.1 billion was banked with us at the end of 2022.

Similarly, with constant emphasis on customer-centricity, we have been able to maintain our position as the preferred financing partner for many Maldivians as we recorded an Incremental Financing Asset Portfolio of over MVR 475 Million. Alongside this, continuous review of strategy and modus operandi for improved customer relationship, Management toolkits and proactive supervision of Financing Portfolio helped us to close the year with Impairment Assets lower than we anticipated.

As a direct testimony to our strong financial performance, we proposed a final dividend of MVR 1.75 per share for the Financial Year 2022, the highest dividend per share our Board has proposed since being listed as a public company in 2019. This translates to an annual growth of more than 17% in returns per share. This is also the third consecutive year we have been able to create positive incremental value for our shareholders consistently. We are committed to continue this trend and

deliver better returns to our shareholders going forward, as we carefully align our strategies to achieve more foothold in the market.

The launching of MIB 12 years ago brought to reality, the long cherished pursuit of the people of the Maldives to Islamic banking service in the country. Since then, we have remained as the pioneer of Islamic Banking in Maldives and continue to be the only full-fledged Shari'ah Compliant Bank in the country. We are also the market leader and preferred consumer financing bank in the country, a true reflection of the significance our community places in conducting their financial dealings in strict conformity to the Shari'ah principles. As we continue to invest in evolving as a more holistic and prudent bank, we will ensure that it is done in a way which does not deviate us from the Shari'ah compliant status we have established over the years.

Whilst we recognize the significance of creating long-term value to sustain the Bank's growth and performance, it is imperative that the strategies we adopt are truly reflective of the market conditions and their requirements. As such, realizing the need to re-evaluate our strategic priorities, we reviewed and refined the Bank's Strategic Plan at the end of the year and fully supported the Bank's leadership in adopting a more focused Strategic Vision for 2027. In essence, this Strategic Plan focuses on how the Bank will be embracing business through our Technology, People and Customers to reach a systematically significant position in the Market whilst ensuring sustainable and profitable growth in terms of financial performance and operational efficiency.

Last year, changes were brought to the Bank's Board composition in order to better reflect the participation of shareholders in the Company. New Nominee Directors joined our Board, including Mr. Moez Baccar who replaced Mr. Muhammad Aatur-Rahman Chowdhury, as he completed his tenure during the year, and Mr. Osman Kassim who was appointed as the First Nominee Director of Amana Takaful (Maldives) PLC. in the Board of MIB. Additionally, I was entrusted the role of the Chairman of the Board effective from 31st November 2022. Whilst I continue to represent all shareholders as an Independent Director of the Bank, as the Chairman of MIB, I am committed to ensure that the Bank further progresses and continue as a strong bank and on a strong footing in future.

Last year, we appointed a new Managing Director & Chief Executive Officer. Mr. Mufaddal Idris Khumri, who took over the captainship of the Bank effective 01st November 2022 is no stranger to the banking industry. He has over 25 years of banking experience in key business and support roles, of which over 17 years is Islamic Banking experience. The Board and the Bank have full confidence in Mr. Mufaddal's ability to steer the Bank towards attaining our Strategic Vision of 2027 and take us to the next phase of growth.

As we continue to deliver financial and operational excellence to our customers, shareholders and stakeholders alike, it goes without saying that the Bank is where it is today as a result of the tireless efforts and contributions of our holistic team of members. For that, I convey my gratitude and appreciation to the Board of Directors of the Bank, the Shari'ah Committee, the management and the staff members of MIB. It is indeed a combination of the Board's strategic guidance, management's innovativeness and the diverse skills of employees that helped the Bank reach new heights.



Mr. K A M Majedur Rahman
Chairman of the Board of Directors

Looking ahead to 2023, it is likely that the economic growth will be fragmented, owing to geopolitical tensions, disruptions in supply chain and rising cost of living across countries. Irrespective of these multiple macroeconomic dimensions which may prove challenging at times, the Board of Directors and the Management of the Bank remain optimistic about our performance, as our financial discipline, capital hierarchy, persistent innovations and operational resilience will continue to deliver value to our stakeholders.

With the Blessings of Allah, we intend to stay firm to the course of our strategic vision we have agreed upon, making adjustments where necessary. We will accelerate our efforts to create and deliver real and meaningful contributions to our customers, shareholders, and communities alike while maintaining the position of preferred Shari'ah partner in Maldives.

MD & CEO'S STATEMENT



Mr. Mufaddal Idris Khumri
Managing Director & Chief Executive Officer

Return On Common Equity (ROE)

16.8%

Consumer Finance

MVR 1 billion

Deposits

MVR 5.144 billion

Total Assets

MVR 6.2 billion



As one team with one dream we will, together with the guidance of our Board of Directors, work and deliver on our strategic goals with a quiet determination especially during times when demands placed on us are at their most challenging.



Our Voyage in 2022

In the year 2022, invariably, all nations felt the effects of economic uncertainty, higher sustenance, escalating energy prices, increasing inflation, volatile capital and debt markets, and, of course, the lingering impact of the receding pandemic. During these testing times your Bank worked tirelessly across different segments of the economy to facilitate business, improving lives and enabling impartial access to financial services. It is noteworthy that all through 2022, the economy in Maldives remained resilient. The nations nominal GDP grew by 12.3 % reaching MVR 95.2 billion. It was heartwarming to see tourist arrivals cross 1.67 million compared to 1.32 million in 2021. Growth was registered across all major segments of the economy, although inflationary pressures persisted and an increase in government expenditure led to a higher overall deficit compared to 2021.

2022 was a robust year for MIB, with your Bank generating record revenue, as well as setting numerous records in each of our lines of business. We grew market share in several of our businesses and continued to make significant investments in products, people and technology while exercising strict credit discipline. We earned revenue in 2022 of MVR 360 million reflecting a growth of 19% over 2021 and net profit of MVR 121 million which was 51% higher than 2021.

Our net non-performing ratio improved to 5.72% from 7.34% in 2021. This resulted in the return on common equity (ROE) of 16.8%, compared to 12.5% in 2021. Our Ujaalaa portfolio of consumer finance crossed MVR 1 billion and on the technology front we launched our revamped internet banking service; these are just few of our notable accomplishments.

Shareholder Value

MIB stock is owned by institutions and directly by single investors. Your management team goes to work every day recognizing the enormous responsibility that we have to all of our shareholders and for upholding shareholder value. We work for the long run as we consider our stock price a measure of our

Our deposits grew by 16% reaching MVR 5.144 billion whereas total assets registered a growth of 13% to reach MVR 6.2 billion resulting in our NAV per share rising to MVR 35 from MVR 29 in 2021. We have improved our annual dividend to MVR 1.75 per share.

We remain at the forefront of helping finance individuals, small businesses, larger corporations, state run enterprises, schools, hospitals and many more to help them achieve their ambitions.

We aim to be the most respected Bank in Maldives. Hence, it is an imperative that we run a vibrant, purpose driven and responsible Bank with ethics and values embedded across all our businesses. 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. We energize our employees, differentiate our Bank from our competitors, and push our organization to innovate on behalf of our customers and communities. To paraphrase John Adams, "If your actions inspire others to dream more, learn more, do more and become more, you are a leader. And to quote Oscar Wilde "You need to believe in the impossible and remove the improbable."

I remain proud of our company's resiliency and of what our employees have achieved, collectively and individually.

Technology as a harbinger of our future

Globally banking is being disrupted by new fintech players on the digital front, forcing banks to re look at their technology infrastructure and to become more agile. The coevolution of software and new hardware form factors will intermediate and digitize many of the things we do and experience, in business and life. Digital is led by new developments in Robotics, AI, incredible computing capacity from the cloud, insights from big data, intelligence from machine learning, algorithm, biometrics, data analytics, distributed ledger technology, digital identity authentication and so much more. Data has become critical for banks as it provides insight into customer behavior. It enables us to better judge our customers and be proactive and predictive in offering products and services.

AI will help us significantly decrease risk in our retail business by reducing fraud and illicit activity and improving client intelligence. It will lead us in to imagining new ways to augment and empower employees with data and analytics through human-centered collaborative tools and workflow, leveraging tools like large language models, including ChatGPT. All of this will help us prevent unintended misuse, anticipate regulation, and promote trust with our clients, customers and communities.



With so much of technology, the looming risk of online frauds and identity thefts have accentuated manifold. Your Bank is cognizant of this and has strengthened its risk management practices. Our audit functions are getting sharper by the day to detect anomalies or frauds. We work tirelessly to protect customer data so as to minimize fraud and cyber risk. And we keep educating our customers about how to detect cyber-security breaches.

Your Bank will be investing aggressively in technology over the next many years to build its digital ecosystem and support infrastructure. We will be ready to welcome digital disruption that would lower costs and enhance customer journey.

People will remain the bulwark of our growth

Let me reiterate, technology alone cannot run a bank. Our success remains in the hands of our people. Investing in people is critical for our success. Our reward system should be such that it helps groom and retain talent. We should be seen as being a fair paymaster and ensure that our staff is well trained for them to assume higher responsibilities.

We remain confident that as long as we stay vigilant, hungry, adaptable, fast and disciplined, we will continue to succeed in building MIB as a people's organization. Great management and leadership are critical to any organization's long-term success. At the end of the day, human capital is the most valuable asset.

The Ambit of regulations will deepen

The recent failures of a few banks and the related stress in the banking system, underscore that simply satisfying regulatory requirements is not sufficient. Risks are abundant, and managing those risks requires constant and vigilant scrutiny backed by evolving regulations. Regulations include stress testing, reporting, compliance, legal obligations and trading surveillance, among others. The Basel regime seems likely to increase, yet again, capital requirements for banks in general. It's important for our shareholders to know that we will be requiring additional capital to support our growth.

At MIB we remain cognizant of regulations and follow them judiciously to maintain the strength of your bank as both the guardians of the financial system and the engine that finances the economic machine. In addition to business being the first line of defense on all these issues, we have people in compliance, risk and legal actively working every day to monitor adherence to these regulations. A strong, committed and impartial audit remains our last line of defense.

Properly regulated banks are meant to protect and enhance the financial system. They are transparent with regulators, and they strive to protect the system from illicit financing activities as they implement know your customer guidelines and anti-money laundering laws.

"Customer First" remains our mantra

Banking today is all about customer service and customer engagement. Your Bank continues to engage with Retail, SME and corporate customers in more meaningful ways through multiple touch points. We need to be there for them, in good times and in bad as their financial partner. Fundamentally, putting the client first means always providing them with the products and services they need and having our whole team work hard for them reliably and with constancy. Our processes and TAT are aimed at creating minimal friction and a seamless customer experience.

The experience a customer draws by interacting across various channels is paramount in determining customer loyalty. Millennials are propelling financial services to a new direction. For them, user experience and social media presence is dominant in choosing their relationship with the Bank. As an institution, we are receptive to change and remain agile to adopt changes. In the coming years, focus on our customers and willingness to take bold decisions and hunger for success will define us. This way we will provide a better life for all of us and together build a long term and sustainable future.

The Board of Directors remains a beacon of guidance

Your board of directors have unfettered access to management. At every board meeting we aim to ensure open and free discussion. This allows the board to have a completely open conversation and provide candid feedback to the management team and to nurture the extraordinary value of collaboration and trust.

Our board is responsible for strategy & succession planning & believes this is one of its paramount priorities. As **one team with one dream** we will, together with the guidance of our Board of Directors, work and deliver on our strategic goals with a quiet determination especially during times when demands placed on us are at their most challenging.

How does the economy pan out in 2023

Financing costs are rising globally, and we have the threat of a looming recession. Central Banks are aiming to arrest inflation through rate increases. 2023 will be challenging for economies. The “market” is generally forecasting a mild recession, with financing costs peaking before they gradually come down. Today’s quantitative tightening is following more than a decade of quantitative easing. This period of quantitative easing led to extraordinary liquidity and a surging money supply that drove increased prices across many investment classes backed by a surge in consumer spending.

Quantitative Easing is now being reversed into quantitative tightening to grapple with inflation. The good news is that supply chains globally are recovering, businesses are pretty healthy and credit losses are extremely low. Maldives aims to weather this period by assiduously working on its economic growth. Our nominal GDP is estimated to grow by 7.6% and tourist arrivals should hopefully cross 2 million. Government revenue and grant will witness a significant increase on account of fiscal initiatives leading to a lowering of overall government deficit.

Our progress in 2023 and beyond

The world has got more connected with trade, e commerce and payments. Retail, SME, and Corporate Banking has got even more integrated and Treasury services have started contributing significantly to revenues. Small and Medium enterprises are key to a nation’s economy, this will be a focus area for us along with Retail. We will selectively be lending to large corporates based on our appetite and strength of our balance sheet. We will remain focused on growing the balance sheet of the Bank and improve our profitability, whilst calibrating our risks to support a judicious mix of asset and investment growth backed by low-cost deposits. Growing the CASA portfolio through salary transfers is the key to acquire a higher share of the customer wallet. Our visibility and presence will be enhanced, as we reach out to more atolls, enhance our presence in the social media and increase our payment penetration so as to participate in the everyday transactions of customers.

The more customers transact through us, the more beneficial it is to us. Our business is increasingly getting regulated, and we are subject to compliance across many fronts. The cost of capital has increased significantly and without adequate capital, growth becomes restrictive. There is an urgent need to diversify our revenue streams by increasing our fee income and other sources of revenue. If we are to invest in technology and our people, we need to earn higher revenues and generate more profits. This will help us maintain the cost to income ratio at a respectable level.

Our goal is to make meaningful and adroit investments in businesses with both long-lasting favorable economic characteristics.

On the social front

We remain dedicated to corporate responsibility, and our efforts extend far beyond significant philanthropic contributions. For example, at the local level, we support educational institutions, as well as finance affordable housing, energy efficient appliances and small businesses. Part of our corporate respon-

sibility efforts are focused on progress toward diversity, equity and inclusion. We also realize the need to provide energy affordably and reliably for today, as well as make the necessary investments to decarbonize for tomorrow, and for this we do support financing and development in green innovation.

An Acknowledgement to all those who matter

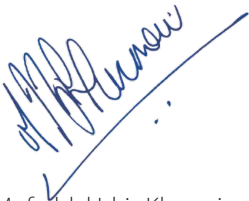
I would like to express my deep gratitude and appreciation for all our employees. I hope you appreciate the tremendous character and capabilities of our people and how they continue to work intelligently and assiduously.

They have demonstrated the values of patience, adaptability, and trust and have faced adversity with grace and fortitude. I hope you are as proud of them as I am.

Most importantly, I should mention our deep sense of gratitude to all our customers with whom we have had the pleasure of working across the years. Throughout these challenging past few years, we continued doing all the things to serve our customers. We will continue to strive to gain their trust and respect.

Our Shari'ah Committee is the very soul of our existence. They play an indispensable role in steering our business enterprise and guiding our adherence to Shari'ah norms. I wish to let our Shari'ah Committee know that the shareholders, Board of Directors, Management and Staff remain ever grateful and indebted to them.

Finally, we will always be guided by the values imbibed in the Shariah and live up to our ethos of an Islamic Bank.



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 a Board Director of the company and in all associate companies. Concurrently, Mr. Rahman serves as an Independent Director of Shahjalal Islami Bank Limited with roles in the Board Audit Committee and Board Risk Management 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 include 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 and 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 Al Thekair was appointed to the Board of the Maldives Islamic Bank (MIB) in 2019. He is the General Manager of the Trade & Business Development Department at The International Islamic Trade Finance Corporation (ITFC) a member of the Islamic Development Bank (IsDB) Group, since 2017.

Other Directorships Held

Aid for Trade Initiative for Arab States - Board Member

Arab Africa Trade Bridges Program - Board Member

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.

Nasser is 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), in addition, he represents ITFC on the board of Aid for Trade Initiative for the Arab States (AftIAS).

Nasser holds a bachelor's degree in Engineering from King AbdulAziz University in Jeddah, Saudi Arabia, a master's degree in Business Administration (MBA) from the University of Leicester School of Management, United Kingdom. He also has Executive Education credentials from IMD, Lausanne, Switzerland in Leadership and in Leading Digital Business Transformation as well as Corporate Director Certification from Harvard Business School, Boston, USA.



Uz. Mohamed Naseem Ibrahim
Non-Executive Director

Uz. Mohamed Naseem Ibrahim is the Nominee Director appointed to the Board of Maldives Islamic Bank PLC., to represent the Government of Maldives (GoM).

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. Ali Shareef
Non-Executive Director

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

Other Directorships Held

Medtech Diagnostic Private Limited – Non-Executive Director

Mr. Ali Shareef is currently working as a Planning Specialist for the USAID PFM Maldives project, a 5-year project funded by the United States Agency for International Development (USAID). Before joining the project, he worked as a financial consultant at Medtech Maldives Pvt Ltd. Prior to this, he also served as Chief Financial Officer (CFO) at two of the State Owned Enterprises, the Housing Development Corporation Limited (HDC) and Housing Development Finance Corporation Limited (HDFC).

Mr. Ali Shareef started his career at the Public Enterprises Monitoring & Evaluation Board (PEMEB) of the Ministry of Finance and Treasury, and had served in various capacities before moving on to work with SOEs itself. His most recent contract with PEMEB was as a Technical Advisor to the Minister. While serving at the Ministry, he was also appointed as a Technical Member of the Privatization Committee and remained as a member from October 2010 until February 2012.

Mr. Ali Shareef is also the licensed audit partner at the Oditstandard LLP, an audit firm licensed by the Institute of Chartered Accountants of the Maldives.

Mr. Ali Shareef served as a Board Director of Maldives Pension Administration Office representing the private sector from February 2015 to January 2018. He has also previously held directorship position at Works Corporation Limited, National Social Protection Agency (National Health Insurance Scheme Board), Thilafushi Corporation Limited and at Maldives Post Limited. He also currently serves as a non-executive director at Medtech Diagnostic Pvt Ltd.

Mr. Ali Shareef has been a member of Association of Chartered Certified Accountants (ACCA), United Kingdom since August 2014. He has also completed Level 1 of Chartered Financial Analysts (CFA) in December 2014. He holds a Bachelor of Accounting (honors) from University of Hertfordshire, United Kingdom.



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 has acquired his Master of Science in Finance and Bachelor of Accounting (Honors) at International Islamic University Malaysia (IIUM).

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 is the Nominee Director in the Board of Maldives Islamic Bank PLC., representing the Government of Maldives (GoM).

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 led him to being appointed as the Chairperson of the State Internal Audit Committee of Ministry of Finance since 2020.

Mr. Hassan's career in the field of Finance, Accounting and Auditing started during 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 Association of Chartered Certified Accountants (ACCA).

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 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.

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 - Non-Executive Director

Eagle India Equities Investment Ltd - Non-Executive Director



Mr. Moez Baccar
Non-Executive Director

Other Directorships Held

Banque Islamique de Guinee - Non-Executive Director

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

Mr. Baccar is a reputed finance professional with diverse experience within the Banking and Investment industries exceeding 15 years. Over the years, Mr. Baccar has accumulated noteworthy experience by serving under various capacities at several financial institutions in the UK, Europe, and Middle East. His work experience covers multiple geographies and spans across areas of banking and investments.

Mr. Baccar is currently holding the position of Principal at the Banking Department of ICD. He spent last few years conducting the origination and execution of new equity investments in banks, while he was also responsible for managing an existing portfolio of ICD's banking investments. Moreover, Mr. Baccar serves as a Non-Executive Board member in the Islamic Bank of Guinea (Guinea) and in Tamweel Africa Holding (Senegal).

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 is a Tunisian national and speaks English, Arabic and French.



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 Expolanaka Group. He is also the Chairman of Vidullanka PLC, Aberdeen Holdings (Pvt) Ltd, Alhasan Foundation and Rokfam (Pvt) Ltd. He concurrently holds directorship in Amana Takaful Life PL 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 - Executive Director

Vidullanka PLC - Non-Executive Director

Rokfam (Pvt) Ltd - Non-Executive Director

Amana Takaful Life PLC - Non-Executive Director

Vidul Biomass (Pvt) Ltd - Non-Executive Director

Vidul Energia (Pte) Ltd - Non-Executive Director

Moroto Solar (Pvt) Ltd - Non-Executive Director

Alhasan Foundation - Executive Director

Crescentrating (Pte) Ltd - Non-Executive Director

Amana Takaful (Maldives) PLC - Non-Executive Director



Mr. Mufaddal Idris Khumri
Managing Director & Chief Executive Officer

Mr. Mufaddal is a seasoned banker with more than 25 years of banking experience in key business and support roles including retail banking and product management. He possesses 17+ years of Islamic Banking experience with proven track record in areas of consumer and corporate banking, treasury, wealth management, takaful and Islamic product management. He started his career with ICICI Bank Ltd, India as Management Trainee in 1997.

Other Directorships Held

NIL

Prior to joining MIB, Mr. Mufaddal was the Head of Retail Assets Business of Saudi National Bank, based in Dubai, UAE. He also served as Director of Retail Banking at National Bank of Ras Al Khaimah, UAE. He worked in various management capacities both in India and abroad, in roles such as Head of Islamic Banking, Senior Vice President, Assistant General Manager, Product Manager, Chief Manager, Director and Head of Retail Banking.

During his time in UAE, he established and headed two leading Islamic Banking Divisions for two leading banks in UAE, namely, Abu Dhabi Commercial Bank (ADCB) Islamic Banking Division and RAKBANK Islamic Banking. Additionally, he 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).

Mr. Mufaddal has obtained Masters in Management Studies and Bachelors of Commerce from 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.

Mr. Mufaddal held representations in the UAE Banking Federation (UBF), Islamic & Retail Banking Committee and membership status in Islamic Finance Advisory Council at Dubai International Finance Centre.



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 joined MIB as a Planning and Development Officer in January 2011. Prior to joining MIB, he worked with Maldives Monetary Authority in Banking, Payment and Settlement Division with significant involvement in projects including, Maldives RTGS System and ACH system. He has been the Head of Finance and Accounts of MIB since September 2011 and has been serving as the Chief Financial Officer of the Bank since November 2016.

Mr. Wasif's professional expertise and knowledge has been instrumental in matters of the Islamic Finance industry. Furthermore, he has played a key role in the introduction of the first shari'ah compliant treasury instruments in Maldives.

Mr. Wasif is a member of Association of Chartered Certified Accountants (ACCA). He holds a bachelor's degree in Accounting from Multimedia University, Malaysia. He also has a Master's Degree in Islamic Finance under the program Masters in Islamic Finance Practice (MIFP) from 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

Mr. Mufaddal is a seasoned banker with more than 25 years of banking experience in key business and support roles including retail banking and product management. He possesses 17+ years of Islamic Banking experience with proven track record in areas of consumer and corporate banking, treasury, wealth management, takaful and Islamic product management. He started his career with ICICI Bank Ltd, India as Management Trainee in 1997.

Prior to joining MIB, Mr. Mufaddal was the Head of Retail Assets Business of Saudi National Bank, based in Dubai, UAE. He also served as Director of Retail Banking at National Bank of Ras Al Khaimah, UAE. He worked in various management capacities both in India and abroad, in roles such as Head of Islamic Banking, Senior Vice President, Assistant General Manager, Product Manager, Chief Manager, Director and Head of Retail Banking. During his time in UAE, he established and headed two leading Islamic Banking Divisions for two leading banks in UAE, namely, Abu Dhabi Commercial Bank (ADCB) Islamic Banking Division and RAKBANK Islamic Banking. Additionally, he 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).

Mr. Mufaddal has obtained Masters in Management Studies and Bachelors of Commerce from 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.

Mr. Mufaddal held representations in the UAE Banking Federation (UBF), Islamic & Retail Banking Committee and membership status in Islamic Finance Advisory Council at Dubai International Finance Centre.



Mr. Ahmed Riza
Chief Operating 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 in 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 Chief Operating Officer, Mr. Riza served as 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 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 joined MIB as a Planning and Development Officer in January 2011. Prior to joining MIB, he worked with Maldives Monetary Authority in Banking, Payment and Settlement Division with significant involvement in projects including, Maldives RTGS System and ACH system. He has been the Head of Finance and Accounts of MIB since September 2011 and has been serving as the Chief Financial Officer of the Bank since November 2016.

Mr. Wasif's professional expertise and knowledge has been instrumental in matters of the Islamic Finance industry. Furthermore, he has played a key role in the introduction of the first shari'ah compliant treasury instruments in Maldives.

Mr. Wasif is a member of Association of Chartered Certified Accountants (ACCA). He holds a bachelor's degree in Accounting from Multimedia University, Malaysia. He also has a Master's Degree in Islamic Finance under the program Masters in Islamic Finance Practice (MIFP) from the International Centre for Islamic Finance (INCIEF).



Mr. Muhammad Amir Atiq
Head of Risk Management & Compliance Unit

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 Compliance 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
Head of Shari'ah Unit

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 Head of Shari'ah 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, Malaysia.



Mr. Abdullah Mamdhoo
Head of Human Resources

Mr. Abdullah Mamdhoo is a pioneer staff member of the Maldives Islamic Bank, joining the Bank in September 2010. 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. Rakitha Chandrasekara
Head of Internal Audit

Mr. Rakitha Chandrasekara joined Maldives Islamic Bank in August 2017 and currently serves as the Head of Internal Audit Department. 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. 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
Head of Business Support

Ms. Fathimath Azmath Ali joined MIB in October 2013. Her education and professional career have been in the banking sector since she started her working career at State Bank of India, Male' Branch as a Trainee in 2007.

Ms. Azmath Ali is the Head of Business Support Department at MIB. She joined MIB as a Deputy Manager – Planning and Development and has been appointed to three other prominent managerial positions during her tenure at the Bank. Her portfolio includes Supervision of Credit Administration and Trade & Remittance and Card Operations of the Bank.

Ms. Fathimath Azmath holds a Bachelor of Banking and International Finance from Flinders University, Australia and a Master of Economics from the University of Sydney Australia. She is a professional banker with more than 15 years of banking experience.



Mr. Hussain Alim Shakoor
Head of Distribution and Marketing

Mr. Hussain Alim Shakoor is a seasoned professional having held management positions locally and internationally, before he joined Maldives Islamic Bank in February 2019 as the Head of Marketing.

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
Head of Cards & Digital Banking

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 Re-engineering, 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
Head of Business

Mr. Hammad Rasheed Hussain has been an active member of the Maldivian banking industry for over 15 years. He started his banking career at the Credit Department of Bank of Maldives Plc (BML) during 2006, where he developed his understanding of the practical aspects of credit and lending. It was at BML that Mr. Hammad initially developed the network with the corporate clients in the Maldivian market.

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. He initially joined as a Junior Officer in the Business Department of MIB, supporting the Business team to make inroads in the market. His exemplary work and dedication saw him promoted to the role of Senior Officer in 2015 and subsequently to Head of Corporate Banking Unit, in 2017. As the Head of Corporate Banking Unit, he was responsible for the corporate business portfolio of the Bank, under the guidance of experienced bankers.

Mr. Hammad is currently the Head of Business Department since March 2023. As the Head of Business, he is responsible for the development and growth of Retail as well as the Corporate business portfolio of the Bank.

Throughout his career, Mr. Hammad has attended several trainings on banking and Islamic finance, trade finance, credit evaluation, leadership, and sales. Mr. Hammad holds a Bachelor's Degree in Business Administration (with Honours) from Open University Malaysia (OUM).



Uza. Mariyam Sunaina
Head of Legal

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
Head of Technology

Mr. Mohamed Ismath joined MIB in 2015 and is a highly established IT professional. Mr. Ismath started his career at Dhiraagu Plc. at a very young age and has gained over sixteen years of experience in the field of technology.

At his heart Mr. Ismath is a technology enthusiast, closely following the developments within the industry while endeavouring to develop his skills to match the market demand constantly. He has acquired wide ranging exposure and practical experience within the different subspecialties of IT and associated business integrations. Mr. Ismath joined Ooredoo Maldives in 2005 as an IT administrator and rose to become the Head of Information Technology in 2011. At MIB Mr. Ismath leads a team of over 20 technologists overseeing all aspects of technology within the Bank.

Mr. Ismath is an accomplished and accredited professional, with professional certifications in the areas of Networking and Network Security, including Cisco Certified Network Administrator in Routing & Switching, Certified Ethical Hacker, Check Point Certified Security Administrator, Certified in ITIL v3, Certified Payment Security Practitioner etc. His expertise covers a vast area in managing modern day technology, which includes managing of virtualized infrastructures and next generation security appliances, covering modern standards and technologies designed to optimize infrastructure cost, workforce collaboration, Business Intelligence, MSI, SIEM, VoIP, ISO27001 etc.



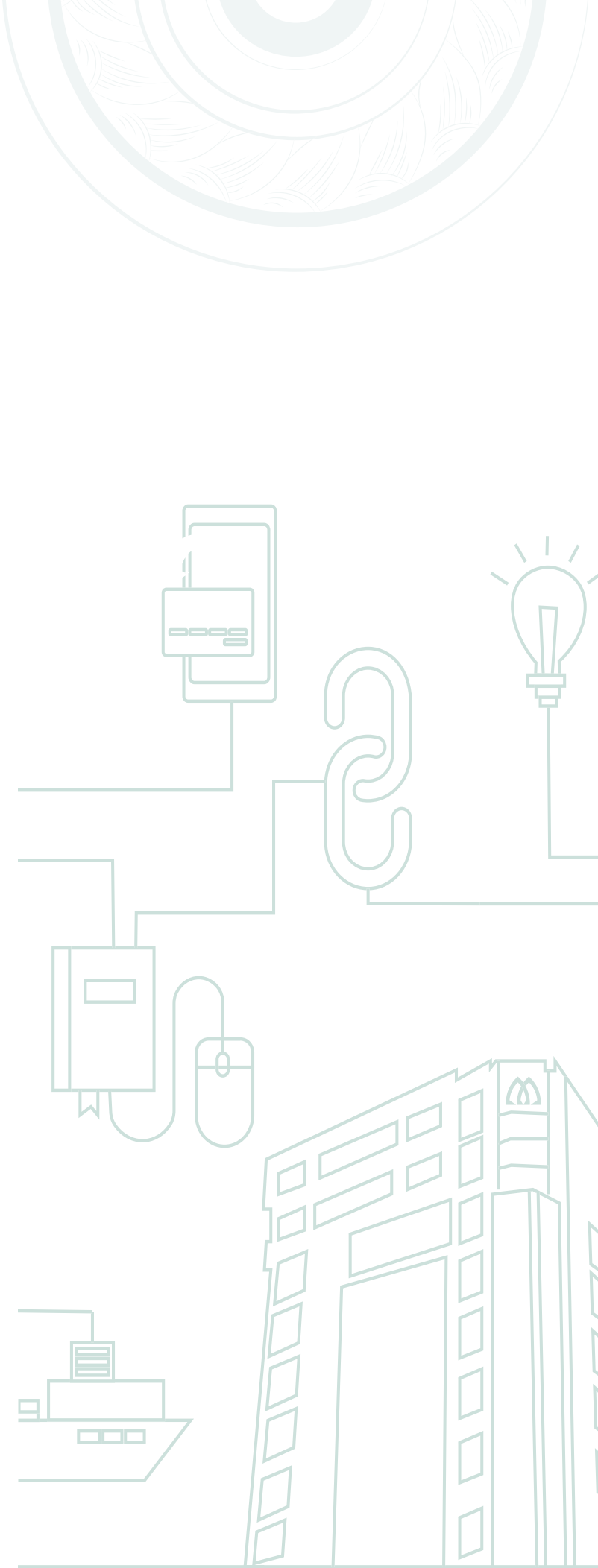
Mr. Mohamed Zulaal Zaeem
Head of Administration

Mr. Mohamed Zulaal Zaeem is the Head of Administration 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.

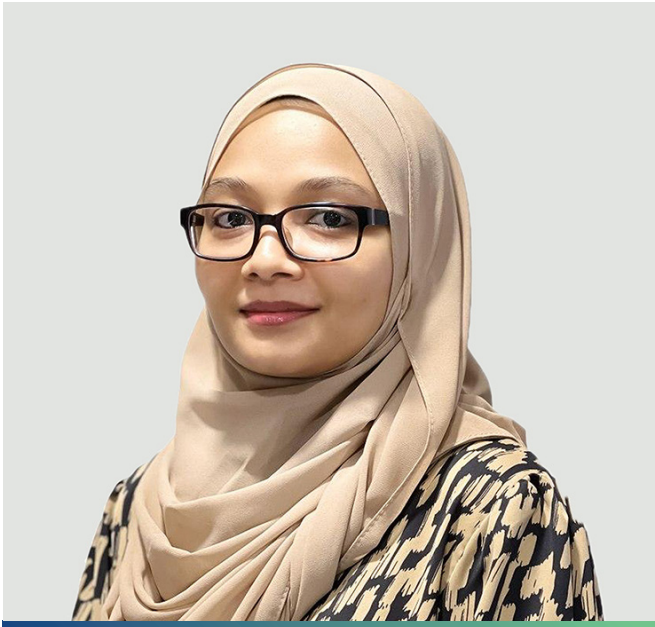
Mr. Mohamed Zulaal Zaeem has completed Diploma in Computing and Information Technology. He has acquired various certifications from the fields of Information Technology and Public Procurement. He has further earned several UNDP certifications over the years.



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BRANCH LEADS



Ms. Afreen Ahmed
Branch Manager, Main Branch

Ms. Aminath Afreen has been working with MIB since December 2010. She joined the Bank as an Officer of Operations Department. Her persistent dedication and commitment towards her work elevated her to the post of Branch Manager, Main Branch during 2016. As Main Branch Manager, Ms. Afreen is in charge of the operations and business growth of the branch whilst enhancing the productivity of employees by instilling positive business growth culture.

Ms. Afreen holds a Master's Degree in Business Administration and has 18 years of experience in the Banking sector. She has been awarded the Women on Boards Distinction Award for Islamic Finance Young Professional during 2018 for her contribution to the Islamic Banking.

Ms. Afreen has been a prominent staff member of the Bank in establishing the Core Banking System of MIB and continues to provide her expertise in further development of the Bank. She plays a key role in leading the Operations Department of the Bank.



Mr. Ibrahim Shuhail
Branch Manager, Hulhumale' Branch

Mr. Ibrahim Shuhail was appointed as the Branch Manager of Hulhumale' Branch during August 2020. As the Hulhumale' Branch Manager, he was responsible for developing and implementing strategies to grow the branch's business, customer base and market share. He led a team of dedicated and professional staffs, providing high – quality banking service to customers in Hulhumale' and nearby islands. He joined MIB as a Senior Officer of Main Branch during 2017 and later was promoted as a Deputy Manager of Main Branch. During his tenure at Main Branch, in addition to handling cash and non-cash transactions, he also assisted branch manager ensuring compliance with the bank policies and procedures.

Mr. Shuhail has a strong background in accounting and finance, having worked in various sectors before joining MIB. He started his career as an assistant accountant in Island Enterprises Pvt. Ltd., a leading company in fisheries industry of Maldives. He then moved to Wirsol RE Maldives Pvt. Ltd., a renewable energy company, where he served as a Financial Controller. He was involved in managing the financial aspects of solar power projects in Maldives. He also worked at MILE & Associates, an accounting and audit firm, as Director Operations. He supervised the overall operation of the firm, including managing accounting and bookkeeping clients and advising on foreign investments.

Mr. Shuhail has a solid academic qualification in accounting, finance and business management. He has completed Certified Accounting Technician course from Association of Chartered Certified Accountants (ACCA). He also holds a Master of Business Administration from Anglia Ruskin University, UK. He has acquired various certificates from the fields of accounting and Information Technology.

He is a valuable member of the MIB team and a leader who inspires others with his enthusiasm and vision.

Mr. Ibrahim Shuhail is currently the Head of Branches at Maldives Islamic Bank PLC.



Ms. Athika Mohamed
Branch Manager, Thinadhoo Branch

Mr. Athika Mohamed currently the Branch Manager of MIB Gdh. Thinadhoo Branch. She joined Maldives Islamic Bank in October 2015 as a Senior Officer of the same branch, responsible for numerous deposit and financing transactions in addition to managing the Branch during the absence of the branch manager.

Before joining MIB, Ms. Athika worked as a Senior Banking Associate of HSBC Maldives from 2007 until 2015. During her tenure at HSBC, she served on multiple units including Voucher control, treasury operation, Admin and HR, Payment Services, Cash and Clearing and Customer Service and Premier Center.

In recognition of her work at MIB, Ms. Athika Mohamed is named as the Best Branch Manager of MIB for the year 2022.

Ms. Athika is a banker with more than 15 years of banking experience. She has completed Diploma in Accounting and multiple trainings relating to her area of work. She is currently pursuing further studies in Business.



Mr. Shafau Shareef
Branch Manager, Fuvahmulah Branch

Mr. Shafau Shareef joined Maldives Islamic Bank during September 2015 as a Senior Officer of Accounts and Finance Department of MIB. He is currently responsible for the Bank's operations in Fuvahmulah as the Manager of Fuvahmulah Branch since being appointed to the position on November 2017.

Before joining MIB, Mr. Shafau worked as a Licensed Auditor at Auditor General Office. He also served as a Registered Auditor of Maldives Inland Revenue Authority (MIRA) for 5 years from 2015 to 2020. He also served multiple private sector firms and companies in various capacities, primarily focused on finance and auditing.

Mr. Shafau is a Fellow Member of the ACCA since 2019. He has also completed Certified Accounting Technician (CAT) and has completed multiple trainings relating to leadership, finance, auditing and so on.



Mr. Adam Ahmed
Branch Manager, Kulhudhuffushi Branch

Mr. Adam Ahmed joined Maldives Islamic Bank in November 2018. He is currently the Manager of the Kulhudhuffushi Branch and oversees the Bank's operations in the Haa Alif, Haa Dhaalu and Shaviyani atolls.

Prior to MIB, he worked as a Chief Accountant for Cyprea Marine Foods Pvt Ltd, undertaking core accounting and management tasks.

Mr. Adam is a professional accountant registered as a permanent affiliate member of the ACCA since 2012. He holds a master's degree in Islamic Finance under the program Masters in Islamic Finance Practice (MIFP) from the International Centre for Education in Islamic Finance (INCEIF). He also holds a Bachelor of Science in Applied Accounting degree from Oxford Brookes University.



Mr. Ibrahim Misbah Shareef
Branch Manager, Hithadhoo Branch

Mr. Ibrahim Misbah Shareef joined Maldives Islamic Bank PLC during June 2022. He is currently the Branch Manager of Hithadhoo Branch and oversees the Bank's operations in Addu City.

Prior to joining MIB, he worked at Bank of Maldives. During his tenure of 9 plus years with BML, Mr. Misbah served in various key positions in Operations and Credit Units of Bank of Maldives. Mr. Misbah's last worked as a Branch Manager at Bank of Maldives.

Mr. Ibrahim Misbah Shareef holds a Bachelors Degree in Accounting & Finance from Villa College and ACCA Diploma in Accounting & Business.



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Anywhere

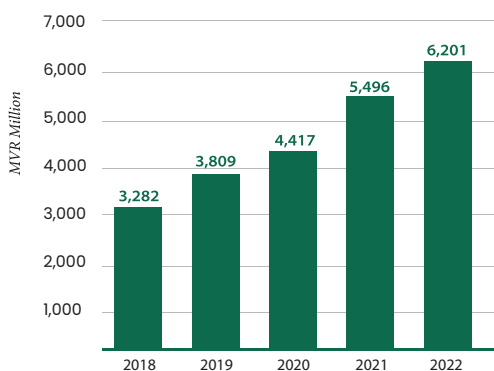
BUSINESS REVIEW

CORE BUSINESS ACTIVITY

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.

FINANCIAL HIGHLIGHTS

Total Assets



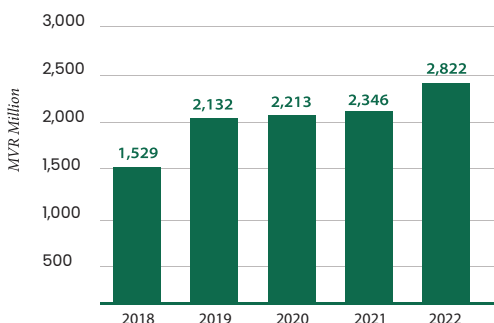
Total Assets (MVR)

6,200,760,410

(5,496,096,370 in 2021)

Total Assets recorded a growth of 12.82% compared to the previous year, majorly owing to growth in investments in equity securities and investments in other financial instruments.

Financing Assets



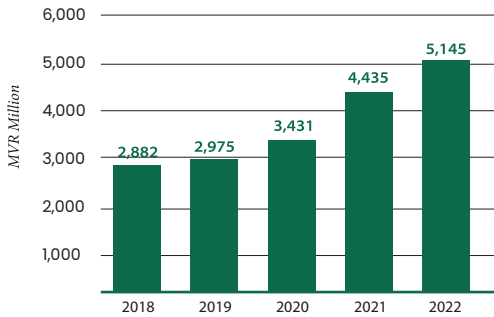
Financing Assets (MVR)

2,821,968,932

(2,346,159,157 in 2021)

Financing Assets recorded a growth of 20.28% compared to the previous year.

Customers' Deposits



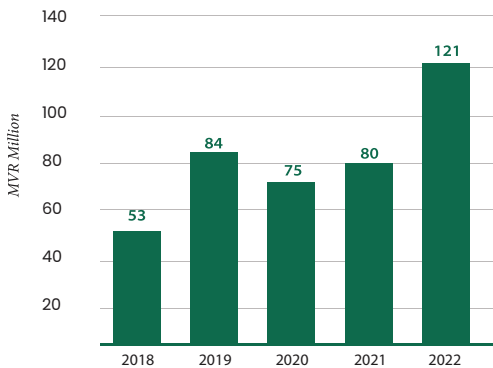
Customers' Deposits (MVR)

5,144,620,941

(4,434,884,644 in 2021)

A growth of 16.0% recorded in Customers' Deposit resulted in deposit portfolio rising to the milestone mark of MVR 5 billion.

Profit After Tax



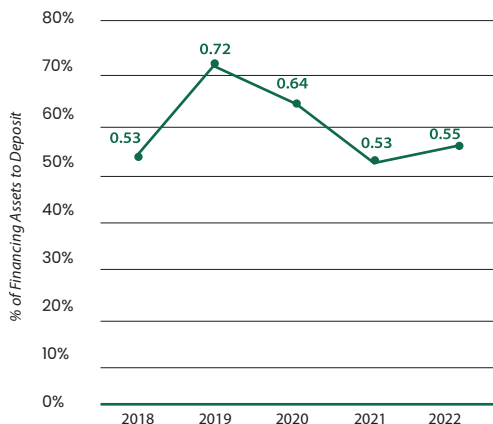
Profit After Tax (MVR)

121,092,026

(79,622,461 in 2021)

Profit After Tax recorded a growth of more than 52%, the highest Profit number achieved in recent years.

Financing Assets to Deposit Ratio

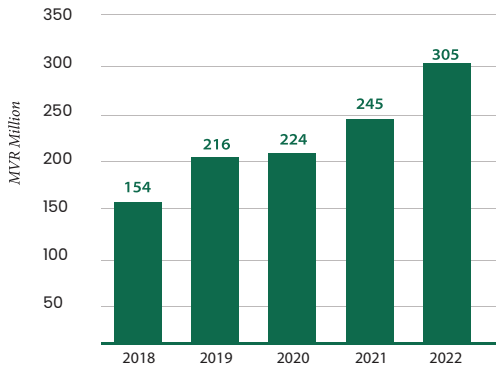


Financing Assets to Deposit Ratio

0.55%

(0.53% in 2021)

Net Income From Financing & Investment

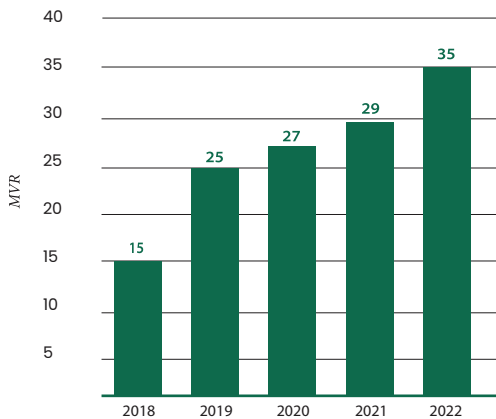


Net Income from Financing & Investment (MVR)

305 Million

(245 Million in 2021)

Net Asset Value Per Share (MVR)

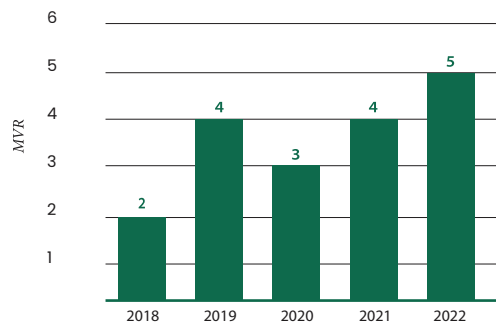


Net Asset Value Per Share

MVR 35

(MVR 29 in 2021)

Earnings Per Share - Post Tax (MVR)



Earnings Per Share – Post Tax

MVR 5

(MVR 4 in 2021)

KEY FINANCIAL RESULTS

Operating Results for the Year – MVR Millions

| | 2018 | 2019 | 2020 | 2021 | 2022 | Change (MVR) | Change (%) |
|--|------|------|------|------|------|--------------|------------|
| Total financing & Investment income | 186 | 260 | 274 | 303 | 360 | 57 | 19% |
| Net Income from Financing & Investment | 154 | 216 | 224 | 245 | 306 | 61 | 25% |
| Total Operating Expenses | 98 | 121 | 127 | 146 | 167 | 21 | 14% |
| Profit before Tax | 73 | 112 | 107 | 95 | 161 | 66 | 69% |
| Tax Expenses | 20 | 28 | 32 | 15 | 40 | 25 | 167% |
| Profit after Tax | 53 | 84 | 75 | 80 | 121 | 41 | 51% |

Assets and Liabilities – MVR Millions

| | 2018 | 2019 | 2020 | 2021 | 2022 | Change (MVR) | Change (%) |
|------------------------------------|-------|-------|-------|-------|-------|--------------|------------|
| Financing Assets | 1,529 | 2,123 | 2,213 | 2,346 | 2,822 | 476 | 20% |
| Total Assests | 3,282 | 3,809 | 4,417 | 5,496 | 6,201 | 705 | 13% |
| Customers' Deposits | 2,882 | 2,975 | 3,431 | 4,435 | 5,145 | 710 | 16% |
| Total Liabilities | 2,941 | 3,239 | 3,802 | 4,837 | 5,418 | 580 | 12% |
| Total Equity | 341 | 570 | 615 | 659 | 783 | 124 | 19% |
| Financing Assests to Deposit Ratio | 0.53 | 0.72 | 0.64 | 0.53 | 0.55 | | |

Profitability - %

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|------------------------------------|--------|--------|--------|--------|--------|
| Net Financing Margin | 10.57% | 11.14% | 10.61% | 11.39% | 11.58% |
| Return on Assets | 1.74% | 2.37% | 1.83% | 1.61% | 2.07% |
| Return on Equity (After tax) | 16.45% | 18.44% | 12.70% | 12.50% | 16.80% |
| Gross Non Performing Advance Ratio | 2.50% | 2.71% | 4.97% | 7.10% | 5.54% |
| Net Non Performing Advance Ratio | 2.53% | 2.75% | 5.08% | 7.34% | 5.72% |
| Povision Cover | 46.3% | 50.3% | 40.2% | 47.1% | 57.4% |

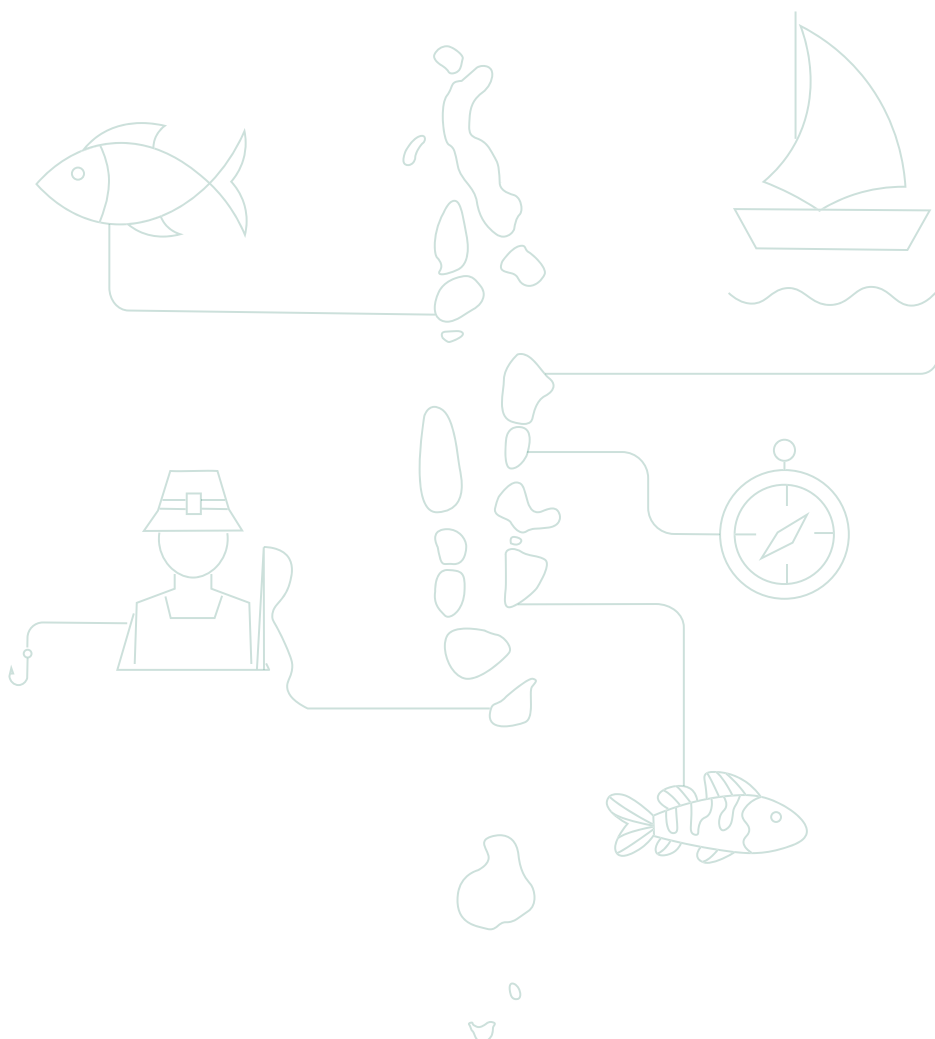
Investor Information – MVR *

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|-------|------|------|------|------|
| Net Asset Value per Share (MVR) | 1,894 | 25 | 27 | 29 | 35 |
| Earnings per Share - Post Tax (MVR) | 294 | 4 | 3 | 4 | 5 |
| Net Asset Value per Share (MVR) - Adjusted for Share Split | 15 | 25 | 27 | 29 | 35 |
| Earnings per Share - Post Tax (MVR) - Adjusted for Share Split | 2 | 4 | 3 | 4 | 5 |

* 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 - %

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|------|------|------|------|------|
| Tier 1 Risk Based Capital Ratio (Minimum 6%) | 14% | 15% | 18% | 17% | 15% |
| Total Risk Based Capital Ratio (Minimum 12%) | 17% | 18% | 22% | 20% | 19% |



STRATEGIC DRIVERS

Digital Capabilities



Asset Growth & Retail Value Creation



Strong Deposit Base



Agile Team



Digital Capabilities

Investing and building on the Bank's existing digital infrastructure is regarded as one of the mission critical areas for MIB. Coupled with the aim of enhancing customer experience and enabling greater financial inclusivity to the remote areas of the country, MIB continued its digital efforts last year, through significant upgrading in its IT infrastructure and resources.

In line with the changes in customer behavior and customer migration onto digital platforms the Bank opted for a strategic mandate of increasing reach through digital channels. Last year, MIB continued to roll out more Electronic Cash Recycler Machines (ECRMs) at different regions in Maldives, including HDh. Kulhudhuffushi and GDh. Thinadhoo. These state-of-the-art ATMs assist customers in conducting card less transactions, via an OTP sent to mobile phones.

Focusing on the significant increase in digital engagement from customers, the Bank rolled out much needed upgrades to its digital application submission portal; ApplyNow. This portal assists customers with online applications and document submission, at their own convenience and at any time of the day. Through ApplyNow, customers can now update their KYC, apply for Ujaalaa Financing and Debit Cards, send TT Requests, and request for Bank statements, reference letters and facility statements.

Being wary of the cyber landscape horizon and in reflection to the increased cybercrimes in Maldives during past years, MIB took proactive measures to further safeguard its customers and their assets with the Bank. Last year, MIB made significant advances in upgrading its mission critical infrastructure and digital technologies. Keeping in mind the limitations faced by Corporates and Businesses in using MIB's internet banking platform, the Bank revamped and launched a new version of FaisaNet for its customers at the end of the year.

Inaguration of MIB POS payment services at FSM Fuel Stations, by Acting CEO of MIB Mr. Ahmed Riza and MD of FSM Mr. Mohamed Qasam.

Last year, MIB's Alternative Distribution Channels served as a core component of the Bank's digital strategy, allowing more flexibility and convenient access to the Bank's services. One of the most pronounced additions to MIB's ADC during 2022 was the launch of Visa Instant Card, Visa Platinum Card and Visa Supplementary Card. This While Visa Instant Card is the first instantly offered Visa branded card in Maldives, Visa Platinum card was launched as an offering which can be used locally and globally.

MIB's digital transformation journey is further supplemented by the digital culture established within the Bank. Last year, MIB continued to reskill its existing talents and to keep the Bank's team abreast of new transformations, changes, and risks in the cybersecurity arena. During the year, information and awareness sessions on cyber security and information security were conducted for all employees at regular intervals.

Over the years, digital banking has been recognized as a core priority for the Bank. The Bank's digital transformation journey will continue further as the Bank believes the future of banking lies in convenient and innovative digital solutions for banking. In addition to the projects and initiatives deployed last year on the digital front, the Bank also worked on enhancement of its ground services and streamline them with the back-end processes, delivering better operational efficiency.



Asset Growth & Retail Value Creation

Over the years, MIB has maintained a resolve to serve as a customer-centric retail bank. As the Bank aims to act in the best interests of its client and customer base, the Bank ensures that the financial solutions it offers are designed and created based on an understanding of the market needs. As a result, the Bank has been able to position itself in the market as the most preferred consumer financing partner in Maldives, especially on retail front.

During 2022, the Bank's Asset Book comprising of a portfolio of retail, corporate and SME financing products recorded a growth of 20% compared to 2021. The Bank's Asset book was majorly contributed by Retail portfolio during 2022. Under Retail financing, the Bank offers a diverse range of Shariah compliant financing solutions which are tailored with attractive financing rates and re-payment periods. MIB's primary retail financing solution of Ujaalaa recorded a growth of 35% during 2022. This scheme directly helps to enrich the lives of its customers as it provides an avenue for purchasing the desired consumer products conveniently. At the same time, MIB's Ujaalaa line of financing also provides a significant benefit to Ujaalaa dealers in terms of their volume of business.

MIB helps businesses and entrepreneurs create jobs, trade and new commercial activities that lead to economic efficiency. Last year, the Bank continued to provide financing for promising government infrastructure projects which would assist in strengthening the communities. One such initiative was providing significant funding for the development of a regional airport in Maldives, which will ultimately become a regional economic hub for tourism and other sectors. Additionally, the Bank provided support required for national infrastructure development during 2022 through financing for machinery and equipment. Further, significant funding was provided for the establishment and development of warehouse complex in Hulhumale', which would serve as an avenue for creation of more jobs, wealth and economic activities within greater Male' region. The Bank also continued its support to import and export trade business of Maldives during 2022.

Recognizing the need for having a more affordable and convenient mechanism to finance small and medium enterprises in Maldives, MIB launched its SME financing product during 2022. This solution allowed businesses classified as SME to obtain financing without a mortgage up to a certain limit, thereby significantly enhancing their potential to grow and develop their businesses. Last year, MIB provided financing to 62 SMEs for development and expansion of their business.



Fueling growth: securing the finances to reach new heights.



Strong Deposit Base

On liabilities front, the Bank placed a significant value on internalizing deposit focus during 2022. This was backed with initiatives such as creating structures to support liability business, launching of new deposit products and mobilizing CASA deposits among others. In working towards this, the Bank ensured that its deposit products are reflective of the market needs and risk appetites.

This was further complemented with efforts to ensure that the Bank's deposit portfolio is capable of serving its business performance targets. In striving to maintain transparency in its dealings with clients, the Bank continued to provide customers with financial planning, product knowledge and information regarding product synopsis and risks. Fees and charges levied on transactions were reviewed and updated to reflect the best practices and market conditions.

During the year, MIB launched new deposit solutions including Hajj Savings Account. This is one of the most prominent additions to the Bank's deposit portfolio of products and is the first ever Hajj Savings Account in Maldives offered by a Bank. With this account, the Bank intends to help its customers speed up their journey of saving up funds to fulfill the Hajj pilgrimage as the Bank shares profit with them. With this account, the beneficiary is bound to gain one of the highest profit-sharing rates in the market.

The Bank adopts client relationships, innovation and quality as its core values and strives to deliver excellent services to its customers. The Bank adopts mechanisms to continually enhance customer experience, including keeping track of customer feedback and queries through dedicated customer care ticketing management systems and by monitoring the turnaround time of complaint resolutions.

Agile Team

The success of MIB is largely driven by the strength of its competent workforce, accompanied by motivation, high quality performance, experience, broad-based and specialised knowledge towards Islamic banking and the ability to adapt to meet multiple challenges in a dynamic business environment.

During 2022, the Bank continued to offer benefits which are commensurate of the employees contribution to the Bank, including attractive remuneration packages, takaful packages, pension schemes and other benefits. The Bank protects its staff and their rights via multiple policies and procedures in place including Whistleblowing Policy, Prevention of Sexual Harass-

ment Policy, Conflict of Interest Policy and HR Policy Manual which are regularly reviewed and updated to reflect the developments in regulations and the market.

Last year, recognizing the significance of a well-taught and resilient workforce, the Bank accelerated learning and development avenues. Through these initiatives, employees used approximately 29 hours of learning and development in the year 2022. During 2022, the Bank conducted all mandatory trainings such as the AML training for all staff. Additionally, following are some of the note-worthy staff development activities that took place during the year.



MIB staff attending Leadership and Management Training Workshop held during 2022 at Malaysia

Introduction of Training Enabler for All

Aimed to promote a learning culture among all the staff of the Bank and to provide an avenue of improving their personal and professional capacity and job knowledge through training programs in technical and soft skills, the Bank introduced its Training Enabler for All programme during 2022.

Leadership & Management Training Programme

As part of the Bank's succession plan, a strategic Leadership and Management Training Programme was conducted for staff from all departments in order to give them the exposure needed for leadership and management roles within the Bank.

Weekend with MNDF Programme

This one-day long team building programme was held in collaboration with Maldives National Defense Force (MNDF) at K. Girifushi.

In addition to the above, multiple in-house training and development activities were conducted during 2022 including regular Shari'ah trainings and refresher information sessions on cybersecurity and technology. Staff who completed higher education were recognized and learning and growth of all staff were tagged to the KPIs.

The Bank helps foster a culture of inclusion that accepts diversity whilst maintaining good conduct and high ethical standards both on and off the work. 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 2022 to all members of MIBSA, including Futsal competition, Interoffice Billiard Championship, Faigathalaa Foari and Women's Netball competition. MIBSA also organized a Family Day for staff at Hulhumale' as a place for families of staff to come together and take part in multiple games and activities.



Our team of dedicated staff who drives our operations and performance is one of the primary pillars for resilient growth of the Bank.

Highlights from Staff Events held during 2022.



2022 HIGHLIGHTS

During 2022, the Bank aligned its strategic priorities towards building an efficient organization with high growth potential. New and innovative products were pioneered, and market firsts were delivered. Last year, MIB strategized and focused on enhancing its digital and mobile capabilities to serve its customers better. New products and solutions were launched, and strategic investments were made, paving way for future growth of the Bank. As the Bank continued to gain momentum in areas of strategic focus, MIB's business lines performed well.

Against a mixed backdrop of economic and other challenges, MIB turned in one of its finest years, with not just noteworthy financial performance but also all-round delivery against key scorecard goals. Driving on the success of previous year, the Bank introduced new additions to its Alternative Distribution Channel. Digital technologies were upgraded, long-term strategic investments were made, and a more focused distribution strategy was adopted.

The Bank was able to finish the year with healthy financial results and operational performance amid the economic challenges and global turmoil. In 2022, MIB delivered resilient and sustainable growth, whilst continuing to deliver value to its customers and stakeholders.

Instant Visa Card

During January 2022, MIB launched the first ever Instant Visa Debit Card in the Maldives. Instant Visa Card comes with same features and qualities as the Bank's regular Everyday Visa Card, with the added benefit of receiving the card immediately without having to wait for multiple days. With the introduction of Instant Card, MIB has added to banking convenience as customers will have to visit the branch only once. New customers who are opening accounts can now walk out of the branch with their Visa Card at hand and activated. MIB Instant Visa card can be used in all VISA accepting domestic POS without any additional charge.

This innovation reduces the waiting time experienced by the customers in using their accounts effectively.

Ujaalaa Masveriya

Acknowledging the work and income stream of the fishermen community in Maldives, the Bank during 2022 piloted a financing facility targeted towards fishermen. A market first by MIB team, "Ujaalaa Masveriya" is the first and only financing facility in the country where fishermen are eligible to participate in using their income from fishing.

Under this facility, fishermen are eligible to purchase desired consumer goods via MIB's most sought after product line "Ujaalaa Dhiriulhun". Ujaalaa Dhiriulhun covers a range of items such as furniture, electronics, home appliances, motorcycles, mobile phones, outboard engines, construction materials, solar panels and many more.

Visa Platinum Card

MIB Visa Platinum Debit card was launched on 13th March 2022 with the premium benefit of conducting international transactions. This card is one of the most prominent additions to MIB's ADC portfolio during 2022. While Visa Platinum Debit card is linked to MIB USD accounts, cardholders can benefit from LoungeKey access and flexible limits that can be set based on the customer's requirements. The LoungeKey program is an airport lounge benefit program that gives Visa Platinum card holders access to over 1,000 participating airport lounges worldwide. With the introduction of the Platinum Card, customers can now easily access their funds during the overseas travels and cross border online purchases.



Launching of VISA Platinum Card by the Acting CEO Mr. Ahmed Riza

Low-cost Financing for Hakathari Labelled Products

On 25th May 2022, MIB signed an agreement with Ministry of Environment, Climate Change and Technology for the establishment of a financing scheme to facilitate low-cost purchase of appliances with the “Hakathari” energy efficiency label. 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.

Designed as a list based financing scheme, customers can purchase 3, 4 or 5-star Hakathari labelled products at the rate of 10% per annum. A range of household appliances including air conditioners, refrigerators and washing machines are covered under this scheme. This financing scheme is one of the lowest cost financing schemes in the country.

Visa Supplementary Card

As an attractive benefit to MIB’s VISA cardholders, the Bank launched VISA Aailee Cards during third quarter of 2022. VISA Aailee Card is a Supplementary Card issued to the existing cardholders of MIB. Linked to the primary card holder’s bank account, this supplementary card can be requested for primary card holder’s parents, spouse and/or children who are above the age of 14.

VISA Aailee card comes with customizable and convenient spending limits for POS, ATM and e-commerce. All MIB VISA Everyday card holders and VISA Platinum card holders can request for Aailee cards and let the family enjoy benefits such as exclusive discounts at selected merchant outlets when they pay using the Aailee card.

Faisa POS Cash Service

Complementing MIB’s current cash withdrawal service over POS machines through participating merchants, the Bank introduced cash deposit service through the same channel in lieu of the Bank’s 12th Anniversary. This service allows for enhanced banking convenience as customers need not visit an ATM to withdraw or deposit cash to and from their accounts. Aimed particularly to provide banking convenience to customers residing in outer remote islands, this service provides ease of access to the Bank’s service and abolishes the need for brick-and-mortar branch offices. This is an essential piece in MIB’s digital distribution and expansion strategy.

Under POS cash deposit, customers can deposit up to MVR 50,000 daily to their MIB accounts free of charge via MIB POS merchants who have this feature enabled. Similarly, customers have the flexibility of withdrawing up to MVR 5,000 daily using MIB POS Cash service.

Self-Service Banking at Baa Eydhafushi

Expansion of MIB’s services to a 6th atoll in Maldives was achieved with the launch of ECRM machine located in B. Eydhafushi. This is the 19th ATM of the Bank and is the first establishment of its kind based on the digital strategy of the Bank. The ECRM was launched on 6th March 2022, by the Acting Chief Executive Officer of the Bank. The opening was followed by a 2 weeks long customer onboarding and prospecting financing events.

The ECRM service when combined with the ApplyNow portal service and the Internet/Mobile Banking service provides customers with an extensive pathway through which they can conduct their transactions and apply for and receive financing solutions.



Inauguration of MIB self-Service Banking at Baa. Eydhafushi

New Hulhumale’ Branch

In line with the Bank’s strategic focus to enhance customer service, improve accessibility and convenience, the new Hulhumale’ Branch and its ATM centre was officially inaugurated at One Avenue, Hulhumale’ on December 2022. The new premises was inaugurated by the Governor of the Maldives Monetary Authority (MMA), Mr. Ali Hashim. With the opening of the new branch, the Bank re-located its existing Hulhumale’ branch to these premises and currently facilitates banking services to the community of Hulhumale’ via the new branch and 3 ATM facilities at different locations.



Inauguration of MIB new Hulhumale’ Office by the Governor of MMA, Deputy Governor of MMA, MD of Urbanco and Chairman of MIB Shari’ah Committee.

Hajj Savings Account Launched

During 2022, MIB launched the first ever Hajj Savings Account in Maldives offered by a Bank. This is the first of its kind from the only fully Shariah compliant bank in the Maldives. 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 and be able to easily accumulate the required amount within a planned duration, starting from an initial deposit as low as MVR 5,000.00.

New deposit ATMs

As part of ensuring that the Bank's customers residing across the country have access to Mib's banking services, self-service banking was inaugurated at GDh. Thinadhoo during 2022. A new deposit ATM featuring automated cash and cheque deposit functionality was deployed to the biggest atoll in the country.

Additionally, a new deposit ATM was deployed at HDh. Kulhudhuffushi, considering the traction MIB receives from the region. The new deposit ATMs of MIB, piloted during 2020 were well received by the customer base, as it provided unique benefits and a more secure platform compared to a regular ATM. These ATMs enable fully automated cash and cheque deposit functionality and facilitates mobile-OTP-verified card less transactions. This card less transaction processing service is an industry first in Maldives by MIB.

During the year, MIB also inaugurated and completed the project of establishing an ATM in Vilimale'. The project was inaugurated by the Mayor of Male' City and Head of Cards & Digital Banking of MIB on 21st February 2022 during a foundation stone laying ceremony. This was the first ATM center in Vilimale' by MIB, providing a much needed access to the residential population. The plot designated for this purpose is in a premium location near the ferry terminal.

Reach and Convenience

Similar to last year, the Bank during 2022 provided additional conveniences for customers to obtain Over-The-Counter (OTC) services as banking hours of Male' area branches and service centers were extended. Additionally, considering the high traction and demand the Bank continued to receive toward its deposit products, Male' and Hulhumale' branches were opened during Saturdays for Weekend Account Opening. While this change provided customers with more flexibility and access time, it has assisted the Bank in fulfilling its mandate of engaging actively with our customers while continuing to deliver customer-centric solutions and service re-orientations.



Inauguration of MIB self-Service Banking at GDh. Thinadhoo



His Excellency Governor of MMA Mr. Ali Hashim delivering his address during Hulhumale' New Office Opening Ceremony

The myriad world of transacting through **FaisaNet 2.0** - Our Internet banking platform empowers our customers



MARKET POSITION OVERVIEW

Pioneering Market Leader for Shari'ah Banking

Maldives Islamic Bank began FY2022 from a position of strength, with a growing base of customers and a robust capital position, and with a strong foundation upon which the Bank continued building its business during 2022. Notable investments were made and multiple initiatives were commenced, which saw the Bank's position as a market leader further strengthened and dignified.

Despite commencing operations merely one decade ago, MIB has risen to a prominent position within the Banking Industry of Maldives rather quickly, compared to its market peers. MIB has become a trusted partner in local communities, steadily progressing towards making impactful changes within the local banking sphere. Today, 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.

Guided by our philosophy of establishing and developing an Islamic economic and financial system within the Maldives, MIB continuously strives to offer credible and complete range of Shari'ah compliant banking solutions which run at par with the banking products that are available in the market.

MIB's innovative range of retail financing solutions is unmatched by the market counterparts. During 2022, the Bank's Ujaalaa line of consumer financing crossed the milestone mark of **MVR 1 Billion** enriching lives of many. This is a direct attestation to the Bank's credibility and strength, and the faith customers place on MIB.

Over the years, MIB has invested in and deployed systems and processes which are purely intended to safeguard its customers. The Bank's devotion and commitment to deliver safe banking to all has been attested and acknowledged by an overwhelming number of customers who have entrusted us with more than **MVR 5 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, aided by its strong operational and capital position, holistic approach to banking and internal competencies.

Brand Engagement Programs

Business Day

The first Business Day event held by MIB was conducted on 12th March 2022 at Meeruma, Male'. This was an open day dedicated to the existing and potential business customers of the Bank who were looking for avenues to expand their businesses. Via this Business Day, the Bank facilitated an environment for customers to come and discuss with the Bank various financing opportunities and e-banking solutions available for them. The event received excellent reception.



Picture from Business Day Event held during 2022

MIB Aailee Ufaa

"MIB Aailee Ufaa 2022" was conducted at Central Park, Hulhumale' as a family day together with various games, activities and prizes for children. The first kids evening hosted by MIB was a huge success with visitors exceeding the expectations. Concurrently, the event was used as an avenue to provide information regarding Islamic banking and finance, deposit and investment offerings and financing solutions offered by the Bank. Booths to provide assistance in account opening and onboarding customers to MIB family were set up during this event.



Kids taking part in completing an artwork at a stall during MIB Aailee Ufaa

Ujaalaa Ramadan Promotion

This Ramadan promotion was dedicated to customers who purchased goods using MIB's "Ujaalaa Dhiriulhun" financing facility. Under this promotion, customers who acquired their desired consumer goods using Ujaalaa Dhiriulhun facility were eligible to the grand prize of Honda Scoopy 2022 motorcycle, and other promotion prizes including iPhone 13 Pro Max and 65" Smart TV. Concurrently, MIB ran a Partnership Promotion which ran for the same duration. This was an opportunity exclusive to MIB customers, with attractive discounts offered by various merchants for purchase of their products during the promotion period.

Ramadan Cashback Promotion

Last year, the campaign was run from 1st March 2022 until 30th April 2022. This campaign aimed to give those who made retail purchases of minimum MVR 300 in value using MIB Visa Everyday card, a 2% cashback on their purchases, when the purchases are paid for in any MIB POS machines. This promotion offered multiple prizes to the winners, based on the amount of eligible transactions conducted during the promotion period. Ramadan Cashback promotion of MIB is a regular festive promotion that has gained popularity amongst the customer base.

Save With MIB

MIB's annual "Save with MIB" promotion last year was dedicated to customers who open and operate Kaamiyaabu Kids account and Kids Saving Account. Under this program, customers who made a new deposit of MVR 30,000 during the promotion period and retained it until the end of the year were eligible for the grand prize of 3-Nights Family Trip to Lego Land Malaysia. The winner of this promotion was selected in March 2023.

Cashback Is Back Promotion

A special iteration of MIB's widely accepted Cashback promotion returned during last quarter of 2022. This campaign aimed to give those who make retail purchases of minimum MVR 250 in value using MIB Visa Everyday card, a 2% cashback on their purchases, when the purchases are paid for in any MIB POS machines. Open for all card holders with a Visa Everyday Debit card of MIB, this promotion was run for 1 month during the quarter.

Special Events with Strategic Partners

The Bank took part in multiple roadshows and special events with strategic partners during 2022, including:

MIB Stakeholders Networking Event

During November 2022, the Bank organized a networking event at Meeruma Male' with its strategic partners and stakeholders as a forum to communicate and network.

Living Expo

Targeted for housing market, last year's Living Expo was held in Dharubaaruge from 15 to 17 December 2022. MIB participates in Living Expo every year.

Vinares Open Day

Organized by HDC, this event was targeted for those who have applied for Vinares apartments. We collaborated with HDC to provide information regarding consumer good financing and home financing solutions available at MIB.

Smartcom

Smartcom Fair was held in Hulhumale' Central Park on 2nd December 2022. Themed around digital capabilities, this Fair showcased the technological apps and benefits people can get from the companies in Maldives.

In addition to the above programs aimed at strengthening the core MIB brand, multiple promotional and awareness campaigns were conducted with significance given to enhancing public knowledge towards the availability of Shariah compliant banking and financing solutions at competitive rates. Special marketing promotions and Direct marketing events were conducted at Greater Male' area, other islands and resorts to facilitate consultation sessions, awareness and to create a quick access to submit and process the applications.



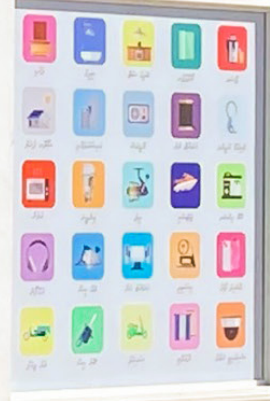
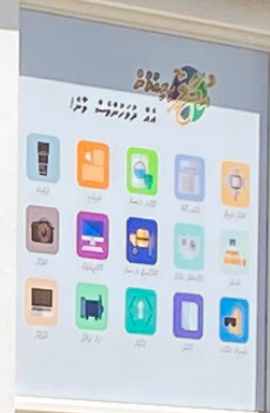
Captures from Information and Awareness Sessions conducted at various locations of Maldives



Maldives Islamic Bank



Maldives Islamic



We **reach out to distant atolls**
through our ATM Centres

ESG & SUSTAINABILITY REVIEW

Over the course of the last few years, it has become ever more important to adopt a strong stream of proactive measures and responsible governance practices to pave way for a sustainable future. MIB believes in embedding sustainability and responsibility into all the practices of the Bank where possible, and is currently on trek to incorporate ESG principles into its corporate strategy. As the Bank pursues its vision of becoming the leader and preferred partner in Shariah banking in the Maldives, MIB hopes to position itself as a Sustainable and Responsible leader and corporate citizen.

At MIB, sustainability is defined as the creation of long-term value for our stakeholders in financial, operational, environmental, social and governance fronts. This is delivered through responsible governance practices, cleaner and 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

At MIB, special attention is given to highest standards of ethical conduct at all levels, and to report with accuracy and transparency whilst complying with the Laws and Regulations that are established to safeguard the communities, its citizens and the environment. The Board of Directors of the Bank as the governing body oversees and ensures that the Bank's operations and reporting are within the global best practices of sustainable, ethical and moral principles.

The Bank is committed to provide a safe workplace to all its employees and safeguard their Human Rights. The Bank has in place policies and processes designed to govern the workplace responsibly, including Policy on Prevention of Harassment and Sexual Harassment, Whistleblowing and grievance mechanisms. MIB is a champion for Gender Equality, Equity and Pay Parity. The Bank and its Board are governed by Code of Conducts which embed ethics and best interest of all stakeholders.

MIB adopts sound data protection mechanisms as part of safeguarding its customers and their assets. 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.

Signing of Agreement between MIB and Ministry of Environment, Climate Change and Technology to introduce low cost financing for Hakathari Products

Sustainable Financing Initiatives

As a bank that supports the development of multiple economic sectors of Maldives through its financing and investments, MIB has initiated to divert funds to sustainable and greener financing solutions. During 2022, the Bank introduced one of the lowest cost financing schemes in the country, 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 rate of 10% per annum.

The Bank, going forward, is committed to partner with and offer exclusive and unique financing solutions to sustainable and green ventures.



Corporate Social Responsibility (CSR)

MIB's Corporate Social Responsibility initiatives are significantly focused towards enhancing and supporting the education sector of Maldives.

As part of the Bank's ongoing efforts to support the education sector of the country, MIB donated computer systems and some much needed equipment as aid-in-kind to various schools located at remote islands of Maldives. This helped multiple students get access to quality education while enjoying connectivity and inclusivity in addition to better access to a world of digital resources.

Additionally, the Bank sponsored printing cost of 250 copies of a book written by Dr. Mohamed Shaheem Ali Saeed on the subject of Zakath during 2022.

The Bank also actively supports and promotes the long-term well-being of communities and the society. Acknowledging its contribution in building a sustainable environment, staff of MIB participated in Roadha Saafu Program organized by the Housing Development Corporation (HDC) and showcased the Bank's ongoing commitment to a safer and cleaner environment.



Advancing Islamic Finance

Last year, 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 various local and national level in order to enhance knowledge on Islamic finance within the Maldives. Some notable events we took part in include the Living Expo, Smartcom Fair, Vinares Open Day and Banking Days held throughout the year. The Bank concurrently utilized the opportunities to strengthen its position as the leader in Islamic banking in the Maldives. These sessions and other road shows were further oriented towards providing marketing and product information on the range of investment and financing solutions offered by the Bank.

During 2022, multiple information and awareness sessions were hosted at locations including Maldives Police Service, Iskandharu Koshi, various SOEs including Maldives Transport and Contracting Company (MTCC), Male Water and Sewerage Company (MWSC), State Electric Company (STELCO), Maldives Ports Limited (MPL), Public Service Media (PSM), Ministry of Finance, Auditor General's Office, Department of National Registration, Majeediyya School, ADK Hospital, Medianet and so on.



Captures from Islamic Finance Awareness and Engagement Sessions conducted by MIB teams at various islands

Contributing to Development Priorities of Maldives and UN SDGs

MIB recognises 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.

SDGs

Our Impact

Community Engagement



MIB's community engagement initiatives during the year were focused primarily on facilitating a quality education. As a significant component of the Bank's CSR agenda, schools at various remote islands were provided with computer systems and other aid needed to get access to quality education while enjoying connectivity and inclusivity and better access to a world of digital resources.

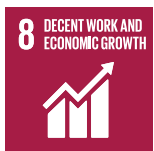


MIB's Charity Fund is dedicated to providing financial assistance to needy citizens within the categories of Pursuing Education, Orphan Care and Health Care, thus ensuring reduced inequalities and promoting good health and well-being.

People & Social Inclusion

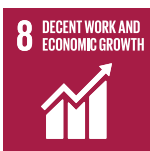


MIB continues to promote social and economic inclusion by providing gainful employment and equal opportunities for people to learn and grow. The Bank is a champion for gender equality with 54% female employees. MIB is one of the few institutes in Maldives to have a female cadre of more than 50%. The Bank provides equal opportunities and benefits to its local, foreign, Muslim and non-Muslim employees alike and values the health, safety and well-being of its diverse and inclusive workplace.



The Bank is steadfast in providing financial inclusion and access to convenient banking solutions to the widely disbursed communities of the country thereby enabling people to lead a decent living. MIB is also a champion for Gender Equality, Equity and Pay Parity.

Sustainable Finance



The Bank leverages its portfolio of full-fledged Shariah compliant financial solutions as a mean of addressing development challenges and economic inequalities. During 2022, a new sustainable financing solution was launched with one of the lowest rates in the market for financing energy efficient products under the Hakathari Program. We are also the pioneer Bank in the Maldives to pilot financing solar panels for households in Addu City, the second most populous City in Maldives.



MIB via its financing solutions, contributes to the development and sustainability of the major economic sectors including fisheries, construction, housing and trade. Over 60 SMEs across key economic sectors were provided financing, targeted towards enhancing the livelihood of the people and providing decent means of economic growth

Environment & Climate Resilience



The Bank in its own operations and resource usage strives to minimize the carbon footprint it emits and help enhance environment and climate resilience. Reduction of wastage, recycling resources where possible and initiating to eliminate single use plastic are some ways the Bank contributes to the Net-Zero transition.



Green Financing is an important part of MIB's climate resilience agenda and through its sustainable financing solutions, MIB strives to provide financing to industries and companies that showcase increased efficiency in resource utilization and greater adoption of environmentally sound technologies and industrial processes.

Sustainable Cities & Infrastructure Development



The Bank strives to provide decent living for all Maldivians via its banking and non-banking activities. The Bank in recent years have invested greatly in digitizing banking operations to enable safe and inclusive financing for all.



MIB helps businesses and entrepreneurs create jobs, trade and new commercial activities that lead to economic efficiency. Over the years, the Bank continued to provide financing for promising infrastructure projects which would assist in strengthening the communities. The Bank finances gensets required to provide communities with safe, reliable and affordable power, in addition to building the transport infrastructure of the country. In contributing to this priority, the Bank remains cognizant of the parallel effect this could have on climate, and thus promote affordable and clean energy.

FUTURE OUTLOOK

The year 2022 began with a positive growth outlook, having overcome from the Covid pandemic that loomed the business environment during the previous two years. Yet, 2022 was met with its own set of challenges. The global economy experienced strong geopolitical tensions which added to the bottlenecks in supply chain caused by the pandemic. Global inflation rate rose to a multi-decade high within the year and is expected to continue further in 2023. Global economic activity is experiencing a broad-based and sharper than expected slowdown with global growth forecasted to slow from 6.0% in 2021 to 3.2% in 2022 and 2.7% in 2023.

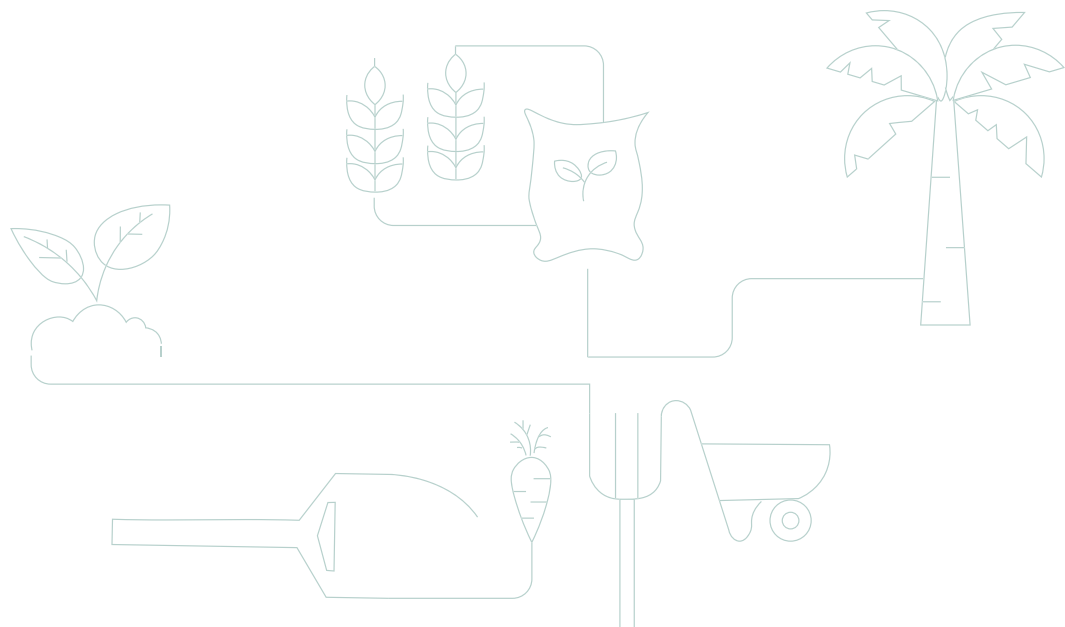
The International Monetary Fund projects that global inflation is set to be at 6.5% level in 2023. The threat of further rate increases across the globe in order to contain the inflationary pressures may likely result in a recession. Concurrently, the local inflation rate is also moving upwards with 4.0% inflation rate recorded for January 2023 compared to 3.4% in December 2022. Similar to other markets, Maldives is also expected to see its Monetary Policy staying the course to restore price stability, while Fiscal Policy changes are expected aiming to alleviate the cost-of-living pressures.

With the changing market demographics and rise in GenZ population, digital banking channels have gained further momentum and will play a more pronounced role in the future growth trajectory of the Bank. This year, MIB will continue to build on its digital innovation and technology, focused on enhancing its operations and customer convenience. Keeping in mind the rise in cybersecurity threats in Maldives faced by financial institutions in particular, the Bank will further invest in enhancing its cyber security defense mechanisms and other risk mitigation tools.

Going forward, the Bank proceeds with a focus of Asset Diversification. Further, new initiatives will be rolled out to achieve a Stable Funding Book with further projects deployed to enhance the Distribution and tap into new market segments. This year, customer experience and convenience will continue to be a priority. Convenient Payment mechanisms will be established for retail as well as corporate customers with a further aim of enhancing Alternative Distribution Channels. Increasing the Fee Revenue will be another strategic priority in addition to giving special focus on building long-standing customer base with cross-selling of new and existing customer-centric banking and financing solutions.

Whilst continuing to invest in customers, markets, people, technology and finance, the Bank will concurrently continue to place a higher emphasis on positively building its ESG driven projects and portfolio. 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.

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 2022

698,782

Earnings per security

MVR 5.38

Total value of securities traded in 2022

MVR 24,525,540.00

Net asset value per security

MVR 34.81

Total Trades

116

Dividend per security (for 2021)

MVR 1.488

Weighted Average Traded Price

MVR 35.10

No. of Shareholders
as at 31st December 2022

16,165

Market Movements & Other Investor Statistics

Highest traded price

MVR 50.00

Last traded price

MVR 40.00 (on 21 December 2022)

Lowest traded price

MVR 30.00

Market Value as at 31st December 2022

MVR 40.00

First traded price

MVR 35.00 (on 06 January 2022)

Market Capitalisation in 2022

MVR 789,750,245.70

At MIB, **Gender Balance** and **Equal Opportunity** is both a philosophy and a practice achieved with **54%** Female Employees



Economic Indicators of Maldives

Contribution to Real GDP Growth by Economic Sectors, 2017 - 2022
(annual percentage change, percentage point contribution)



Exchange Rate of US Dollar against Currencies of Major Trading Partners, February 2023
(percentage change)



CORPORATE GOVERNANCE

The Board of Directors of the Bank is committed to ensure the highest standards of Corporate Governance across the Bank. The Bank's governance framework is tailored to safeguard the interest of all stakeholders, whilst enhancing the shareholders' value and financial performance of the Bank. MIB's corporate governance framework encapsulates competent leadership, effective internal controls, strong risk and compliance culture, and relies upon the principles of transparency and accountability.

At MIB, the Board adopts global good governance standards to meet the stakeholders' expectations, while ensuring accountability and independence in decision-making across various functional units of the Bank. Adherence to regulatory requirements applicable to the Bank as a licensed and listed Islamic bank in the country is essential in shaping the Bank's internal principles and corporate governance culture. The Bank complies with all the Laws, Regulations, Codes and Rules applicable to the Bank, which includes the governance requirements issued by 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 of the Bank is the highest governing function of the Bank and has the ultimate responsibility of the Bank's strategic objectives, organizational structure and financial soundness of the Bank. The Board gives due care to robustly structure itself in terms of leadership, size and the use of committees to effectively carry out its oversight roles and other responsibilities assigned to them.

The Board is comprised of 11 Directors in accordance with the Bank's Articles of Association, as follows.

- 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 is aligned with MMA's Regulation on Corporate Governance for Banks, Insurance Companies and Finance Companies (as amended) (Regulation No. 2020/R-59) and section 1.2, Part 2 of the Corporate Governance Code of the Capital Market Development Authority.

The Board consists of a mix of executive, non-executive, and independent directors. The Board ensures the right balance of skills and experience are represented within the Board, ensuring impartial and efficient guidance is provided to the management.

Composition of the Board of Directors during 2022

The year began with a total of 10 (Ten) Directors on the Board. The following were the 10 (Ten) Directors on the Board of Directors of the Bank until the 12th Annual General Meeting (AGM) held on 30th May 2022

| Name | Representation | Designation |
|--|---------------------------------------|---------------------------------------|
| Mr. Najmul Hassan | Nominee Director, ICD | Chairman (Non-Executive Director) |
| Mr. Mohammed Aatur-Rahman Chowdhury | Nominee Director, ICD | Non-Executive 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. 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. KAM Majedur Rahman | Independent Director | Non-Executive Independent Director |
| Mr. Rajiv Nandlal Dvivedi | Independent Director | Non-Executive Independent Director |
| Mr. Ali Wasif | Executive Director | Executive Director & CFO |

During 2022, the composition of the Board of Directors changed as follows

- Mr. Mohammed Aatur-Rahman Chowdhury completed his tenure and retired as a Board member on 30th May 2022 at the 12th AGM of the Bank.
- A new Nominee Director representing Islamic Corporation for the Development of the Private Sector ("ICD") was appointed to the Board at the 12th AGM held on 30th May 2022.
- Executive Director was re-appointed to the Board for an additional term of 03 (three) years on 27th June 2022 upon expiry of the existing term. The appointment was confirmed at the 12th AGM held on 30th May 2022.
- A new Nominee Director representing Amana Takaful (Maldives) PLC was appointed to the Board at the EGM 2022 held on 12th December 2022. Amana Takaful (Maldives) PLC became entitled to a Board seat, following sale of shares between ICD and Amana Takaful (Maldives) PLC.
- Mr. Mufaddal Idris Khumri was appointed to the Board as the Managing Director of the Bank on 12th December 2022.

Following the above changes, the Board now consists of 11 (Eleven) Directors including 03 (three) newly appointed Directors.

Composition of the Board of Directors as of 31 December 2022

| 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. 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. Moez Baccar | Nominee Director, ICD | Non-Executive Director |
| Mr. Osman Kassim | Nominee Director, Amana Takaful (Maldives) PLC | Non-Executive Director |
| Mr. Mufaddal Idris Khumri | Executive Director | Managing Director & CEO |
| Mr. Ali Wasif | Executive Director | Executive Director & CFO |

ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors of the Bank assumes the overall responsibility for setting the Bank's strategic direction, establishing sound corporate governance practices and framework, formulating, and implementing policies and overseeing the investments and financial soundness of the Bank.

The Board has a vital role in overseeing the Bank's management and assessing their performance against the set budgets and strategies, in order to achieve long-term value creation for all stakeholders of the Bank. This is ensured through task delegation and segregation of duties from the management, whilst the Board remaining as an oversight body that provide overall strategic direction 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 and the Sub-Committees of the Board.

In addition to identifying the principal risks and implementation of appropriate systems to manage those risks, the Board of Directors also reviews the adequacy and integrity of the Bank's internal control systems, management information systems and systems to ensure compliance with applicable laws, regulations and guidelines.

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

Furthermore, the Board is ultimately accountable and responsible for the Shari'ah governance mechanism of the Bank and ensures this by overseeing the level of Shari'ah compliance of the Bank by putting in place the appropriate mechanism to discharge the responsibilities. The Board delegates this responsibility to the Shari'ah Committee of the Bank which is an independent Committee of renowned Shari'ah scholars. The Shari'ah Committee provides advice to the Board of Directors on all Shari'ah related measures and to ensure the transactions of the Bank are conducted in strict compliance with Shari'ah.

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

ROLE OF THE CHAIRMAN

The Chairman of the Board of Directors is entrusted in promoting and maintaining harmony and affinity within the Board, whilst enabling free constructive discussions during its proceedings. The Bank relies on the Chairman's expertise and knowledge in providing focused leadership to the Board of Directors. 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 assumed by the Chairman of the Board and presides at meetings of Directors and shareholders.

At MIB, the positions of Chairman and Chief Executive Officer are held by two separate individuals. There are no business or family relations between these two individuals.

MEETINGS OF THE BOARD OF DIRECTORS

During the year under review, a total of 14 (Fourteen) meetings of Board of Directors meetings were held, with at least 1 (one) meeting every month, as required under 15 (h) of 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 held with due fulfillment of Notice requirement as per the Bank's Articles of Association. The Notice and Agenda for Board meetings are finalized by the Chairman of the Board and the Company Secretary in consultation with other concerned 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 | 14/14 | 100% |
| Mr. Nasser Mohammed Al-Thekair | 14/14 | 100% |
| Uz. Mohamed Naseem Ibrahim | 14/14 | 100% |
| Mr. Ali Shareef | 14/14 | 100% |
| Mr. Ahmed Ali | 14/14 | 100% |
| Mr. Hassan Mohamed | 14/14 | 100% |
| Mr. Rajiv Nandlal Dvivedi | 14/14 | 100% |
| Mr. Moez Baccar /1 | 08/08 | 100% |
| Mr. Osman Kassim /2 | 02/02 | 100% |
| Mr. Najmul Hassan /3 | 10/10 | 100% |
| Mr. Mohammed Ataur-Rahman Chowdhury /4 | 06/06 | 100% |
| Mr. Mufaddal Idris Khumri /5 | 01/01 | 100% |
| Mr. Ali Wasif | 13/13 | 100% |

/1 Appointed to the Board on 30th May 2022 after 12th AGM

/2 Appointed to the Board on 12th December 2022 after EGM 2022

/3 Retired as the Chairman of the Board on 12th December 2022

/4 Retired as Non-Executive Director on 30th May 2022 upon completion of the term

/5 Appointed to the Board as Managing Director on 12th December 2022

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 2021.
- Recomposed the Board sub-committees.
- Approved the appointment of External Auditor for the financial year ending 31st December 2022 and recommended to the Annual General Meeting.
- Reviewed and approved the Shari'ah Committee Annual Report for the year ended 31st December 2021.
- Approved to appoint an External legal counsel to represent the Bank in the Employment Tribunal against the claims filed by the former MD & CEO.
- Approved to appoint a consultant for CEO recruitment.
- Approved the selection of an independent consultant for Board Performance Evaluation.
- Approved total financing amounting to USD 5,078,506.00 during the quarter ending 31st March 2022.

Quarter 02

- Reviewed and approved the Bank's Quarterly Report for the First Quarter of 2022.
- Reviewed and approved the Dividend for the year 2021 and recommended to the AGM.
- Reviewed and approved the proposed resolutions for the 12th AGM of the Bank.
- Approved to nominate Directors as Alternate Chairman at the 12th AGM of the Bank.
- Reviewed and approved the Bank's Audited Financial Statements for the year ended 31st December 2021 and recommended it to the 12th AGM.
- Reviewed and approved the Directors Report for the year ended 31st December 2021.
- Approved the Book closure date for the 12th AGM of the Bank.
- Approved the appointment/re-appointment of nominee Directors and recommended the names to the AGM
- Approved the renewal of term of Executive Director and recommended to the AGM.
- Reviewed and approved the Notice of the 12th AGM of the Bank.
- Approved to renew the contract of Shari'ah Committee members.

Quarter 03

- Reviewed and approved the Bank's Quarterly Report for the Second Quarter of 2022.
- Reviewed and approved the offer letter to the new CEO candidate.
- Reviewed and approved the updated Terms of Reference of Board Audit Committee.
- Reviewed and approved the updated Liquidity Risk Management Policy.

Quarter 04

- Appointed Mr. KAM Majedur Rahman as the Chairman of the Board of Directors effective from 31st October 2022.
- Reviewed and approved the Bank's Quarterly Report for the Third Quarter of 2022.
- Recommended the appointment of Mr. Osman Kassim as the Nominee Director of Amana Takaful (Maldives) Plc in the Board of Maldives Islamic Bank for a term of 3 years. The appointment was confirmed at the Shareholders meeting held on 12th December 2022.
- Approved the Book closure date for the EGM of the Bank.
- Reviewed and approved the Notice of the EGM of the Bank.
- Reviewed and approved the proposed resolutions for the EGM of the Bank.
- Approved to nominate Directors as Alternate Chairman at the EGM of the Bank.
- Reviewed and approved the Business Plan and Budget of the Bank for the Financial Year 2023.
- Reviewed and approved the Strategic Plan of the Bank for 2023 – 2027.
- Recomposed the Board sub-committees.
- Approved to form Board Investment Committee.
- Reviewed and approved the amendments to Procurement Policy of the Bank.
- Reviewed and approved the Record Retention Policy.
- Reviewed and approved IT related policies.

DIRECTORS' SERVICE CONTRACTS

Mr. Mufaddal Idris Khumri

Mr. Mufaddal Idris Khumri joined the Bank as Chief Executive Officer on 1st November 2022, under an employment contract of three years. He was appointed as the Managing Director of the Bank on 12th December 2022 as per the Bank's Articles of Association. As the Managing Director and CEO of the Bank, Mr. Mufaddal is primarily responsible for leading and directing the execution of the Bank's strategies, whilst providing support, direction and leadership to achieve goals, objectives, revenue and growth targets of the Bank.

Mr. Ali Wasif

Mr. Ali Wasif was appointed as Chief Financial Officer of MIB in January 2017 under an employment contract. He joined the Bank in 2011. Mr. Wasif reports directly to the Managing Director & Chief Executive Officer. His primary responsibilities include proper and efficient operation of the Finance Department, preparation of the Bank's financial accounts and records, preparation and tracking of the Bank's annual budget, exercising financial control over capital and operating expenditure, preparation and submission of statutory reports as required by the Maldives Monetary Authority, treasury management, and investment and funding.

DIRECTORS' INDEPENDENCE AND CONFLICT OF INTEREST

MIB has measures in place to avoid instances of all conflicts of interest throughout the Bank and in all the dealings of the Board of Directors.

As approved by the Board of Directors, the Bank adopts and thoroughly implements its Policy for the Conflict of Interest of the Board of Directors and the Policy for the Conflict of Interest of the Staff, prepared in accordance with the MMA's Regulation on Corporate Governance for Banks, Insurance Companies and Finance Companies, CMDA's CG Code and the Bank's Articles of Association.

As such, Directors are required to disclose of any actual or possible conflict of interest pertaining to any matters under review, and are subsequently barred from participating in proceedings or discussions where such transactions, arrangements or proposed transactions or arrangements, in which he or she has an interest is being discussed. This ensures that members of the Board are free from any potential bias or undue influence and the decisions made are fair and independent in nature.

In 2022, no contracts were made with any of the member of the Board or major shareholders of the Bank and no service contracts were entered into, with any person nominated for directorship 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 CMDA's Corporate Governance Code, MMA's Regulation on Corporate Governance for Banks, Insurance Companies and Finance companies and other relevant Regulations.

During the year, an independent external consultant was contracted to measure the Performance Evaluation of the Board of Directors on an annual basis, in terms of their effectiveness as a whole Board, the work of its sub-committees and the performance of each member individually.

DIRECTORS' DEVELOPMENT

During 2022, the members of the Board took part in the following refresher programmes targeted towards Director's Development.

| Name of the Programme | Institute | Country | Date |
|--|---|----------|---------------|
| CMDA Directors Training Program | Institute of Corporate Directors & Secretaries (ICDS) | Maldives | August 2022 |
| Board Refresher Programme | Hawkamah Institute of Corporate Governance | Maldives | November 2022 |

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, to ensure that they are accustomed to the practices of the Bank and the market and are thoroughly aware of the regulatory requirements.

DIRECTORS AS SHAREHOLDERS OF THE BANK

The Articles of Association of the Bank does not specify a fixed number of shares to be allocated to directors.

The following Directors held shares of the Bank as of 31st December 2022

| 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 |

RELATIONSHIP WITH SHAREHOLDERS

MIB's shareholders are a significant and strategic partner for the development and growth of the Bank. Maintaining an efficient and transparent communication with our shareholders is a significant component of the Bank's stakeholder relationship management. The Bank ensures that shareholders receive up-to-date information regarding the significant business developments and initiatives the Bank undertakes throughout the year. All material information that may be required by the shareholders to make sound judgements on their investments are made readily available on the Bank's website within the stipulated timeframe.



Pictures from Corporate Stakeholders Event hosted by the Chairman and Board of Directors of MIB

This includes timely disclosures relating to the Bank's governance, operations and performance made as announcements and notices, and Quarterly and Annual Financials. The Bank ensures that all shareholder related matters are attended to and catered for on a daily basis by the Bank's Investor Relations office.

The Bank remains steadfast in maintaining a close relationship with our shareholders by encouraging active participation from shareholders.



DISCLOSURE OF INFORMATION

As part of the Bank's continued efforts towards enhanced transparency and good governance, the Bank ensures that its quarterly reports were published within the regulatory timelines set out by the Capital Market Development Authority. Clause 3.5.1 of the Listing Rules of Maldives Stock Exchange mandates that the Annual Report of the Bank be published not later than four months after the end of each financial year.

The Bank's Annual Report for 2022 is published accordingly. Additionally, in compliance with the Maldives Banking Act (24/2010), the Bank's audited financial statements were made available in due time to the shareholders.

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

REMUNERATIONS TO MEMBERS OF THE BOARD AND EXECUTIVES

The remuneration paid to the members of the Board of Directors and the Key Management personnel during the year 2022 is disclosed under Board Nomination and Remuneration Committee (BNRC) report.

APPOINTMENT OF EXTERNAL AUDITORS

During the 12th Annual General Meeting of the Bank held on 2022, the shareholders approved the appointment of PriceWaterhouseCoopers ("PWC") as the Bank's External Auditors for the financial year 2022, as recommended by the Board of Directors.



In compliance with the Maldives Banking Act, the Board recommended the rotation of the external audit partners for the year 2022, given that the previous audit partners completed four consecutive years of service as the contracted external auditor of the Bank. The Bank also notes that there are no actual or possible conflicts of interests in respect of the independence of the appointed auditors.

Board of Directors of MIB and Board Committee Secretaries with facilitators from Hawkamah, posing for a photograph after Board Refresher Programme held at Kurumba Maldives.

INTERNAL CONTROLS, RISK MANAGEMENT AND OVERSIGHT

The Bank has sound measures in place with regard to internal controls, risk management and oversight practices which ensure that the Bank meets compliance standards set in local regulations and international protocols, including prevention of money laundering and financing of terrorism.

The Board of Directors collectively assumes the responsibility of maintaining sound internal controls to safeguard shareholders' investments and the Banks' assets. With utmost significance, the Bank identifies all the financial and operating risks that may impact the Bank and its performance at any level and the Board adopts sound and adequate policies to mitigate such risks. The Board closely monitors, reviews and revises the systems and procedures in place to manage these risks on a regular basis.

The Bank has in place a three-line defense mechanism through which all the dealings of the Bank are reviewed and monitored, assessed and reported within the Bank.

The Business Units, Risk Management and Compliance Function and Internal Audit Function collectively and independently ensure the Bank implements a prudent risk management framework. The Board of Directors, through its sub-committees - Board Audit Committee (BAC) and Board Risk and Compliance Committee (BRCC) closely monitors and evaluates the work of these units and attend to the matters regularly.

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.

Additionally, the Board of Directors have taken necessary steps to ensure that appropriate systems are in place to properly safeguard the assets of the Bank, for the prevention and detection of fraud and other irregularities. We draw caution to the fact that these systems, by their nature, can provide reasonable and not absolute assurance against material misstatements, whether due to fraud or error.

FINANCIAL STATEMENTS

The Bank adopts and complies with the International Financial Reporting Standards (IFRS) in preparing its financial statements. The Bank used Going concern basis in preparing all its accounting statements. The financial statements of the Bank comply with and adhere to the relevant regulations of Maldives Monetary Authority (MMA) and Capital Market Development Authority (CMDA), allowing our shareholders to make fair and informed evaluation of the Bank's performance.

Board of Directors of the Bank ensures that the management financials and the audited financials of the Bank present a true and fair view of the state of affairs of the Bank. The Board of Directors ensures that proper accounting records are kept, appropriate accounting policies are applied on a consistent basis 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

At the 12th Annual General Meeting of the Bank held during 2022, the shareholders resolved to declare a final dividend of MVR 33,468,760 (Thirty three million Four Hundred sixty eight Thousand Seven Hundred and Sixty Rufiyaa), equating to MVR 1.488 per ordinary share for the year 2021.

The Bank has started to disburse the 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 our knowledge, the information presented in this Annual Report is true, accurate and complete. The Board of Directors individually and collectively 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 principles of corporate governance, Maldives Banking Act (24/2010), the Companies Act of the Republic of Maldives (10/96), Maldives Securities Act (02/2006),

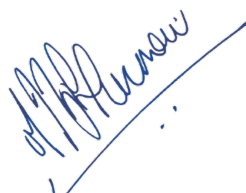
the Prudential Regulation and Guidelines issued by the MMA, Corporate Governance Code of the CMDA, The Regulation on Corporate Governance for Banks, Insurance Companies and Finance Companies (2020/R-59), the Securities Continuing Disclosure Obligation of Issuers (CDOI) Regulation (2019/R-1050), Regulation 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 regulatory requirements.

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

Date: 30 April 2023



K.A.M Majedur Rahman
Chairman of the Board of Directors



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

Members of the Committee as of 31st December 2022

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

The Board Audit Committee was reconstituted effective from 21st February 2022, and Mr. Hassan Mohamed was appointed to the BAC, in place of Mr. Ali Shareef.

Additionally, Mr. Mohameed Aatur-Rahman Chowdhury completed his term as a Director of the Bank on 30th May 2022. Hence, Mr. Moez Baccar was appointed to the BAC in place of him.

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 2022, 08 Board Audit Committee meetings were held. The attendance of the committee members at the meetings are as follows

| Name | Attendance | % |
|-------------------------------------|------------|------|
| Mr. Ahmed Ali | 8/8 | 100% |
| Mr. Mohammed Aatur-Rahman Chowdhury | 3/4 | 75% |
| Mr. Ali Shareef | 1/1 | 100% |
| Mr. Hassan Mohamed | 7/7 | 100% |
| Mr. Moez Baccar | 4/4 | 100% |

Activities of the Committee

Internal Audit

- Reviewed Internal Audit Reports and other Review Reports including but not limited to the areas pertaining to Banks Internal Controls, Risk Management, Banks Compliance to Shariah Principles and AML and Compliance.
- Reviewed and approved the Annual Internal Audit Plan for the year 2023.

External Audit

- Reviewed the Management Letter and other recommendations submitted by the External Auditors and followed-up the issues raised during the financial year under review.
- The Bank's Financials were reviewed and approved by the Board Audit Committee.
- Recommendations were made in relation to the remuneration of the external auditors which was subsequently approved by the Board of Directors.

Other

- Reviewed and updated the TOR of Board Audit Committee.

Date: 30 April 2023



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 2022

| 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 |

Composition 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 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 an 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% |
| Mr. Najmul Hassan | 1/1 | 100% |
| Uz. Mohamed Naseem Ibrahim | 7/7 | 100% |
| Mr. Kazi Abu Muhammad Majedur Rahman | 6/6 | 100% |
| Mr. Ali Shareef | 6/6 | 100% |
| Mr. Hassan Mohamed | NA * | NA |

*After his appointment on 20th December 2022, no meeting was held till 31st December 2022.

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

- | | |
|------------------------------------|---|
| ● Liquidity Risk Management Policy | ● Cybersecurity Management Plan |
| ● Record Retention Policy | ● Backup and Recovery Management Policy |
| ● Information Security Policy | ● Email and Internet Security Policy |
| ● Cyber Security Policy | ● Incident Response Plan |
| ● Acceptable Use Policy | ● Incident Response Policy |
| ● Access Control Policy | ● Logging and Monitoring Policy |
| ● Anti-Malware Policy | ● Media Handling and Disposal Policy |
| ● Cyber Crisis Management Plan | ● Password Protection Policy |

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

- | | |
|--|--|
| ● Revised Draft of the ALCO TOR | |
| ● 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 Market risk positions. | |
| ● Review of Assessment of liquidity position FEEL and NOP. | |
| ● Review of Assessment of capital adequacy (CAR). | |
| ● Review of Semi-annual assessment of | ● Results of stress tests performed and consequent shifts in CAR and liquidity ratios. |
| ● Review of Financing and Investments approved by the Management Committee. | ● Adequacy of Stress-Shock Scenarios developed for the purpose; and |
| ● Review of Operations risk reports. | ● Adequacy of the levels of shocks applied. |
| ● Review of Compliance Reports & Related Issues | ● Semi-annual assessment of the Bank's rating on CAMELS model. |
| ● Advised and guided the Management in developing the Customer Relationship Management toolkit for improved monitoring of the financing portfolio at customer level, early detection of the stress signals and timely actions for remedial measures to help curtail non-performing accounts. | |
| ● Continuous Review of Strategy and Modus Operandi for implementation of the Customer Relationship Management toolkit and proactive Supervision of Financing Portfolio by the Business Department / Account Relationship Managers which helped reduction in NPA stock from the peak level of 6.21% in July 2022 to 4.61% in December 2022. | |

Date: 30 April 2023

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. The Nomination Committee and Remuneration Committee is combined as one to facilitate effective and efficient discharge of the duties in consideration to 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 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 twice during the financial year 2022.

Composition of the Committee

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

Members of the Committee as of 31st December 2022

| Name | Designation |
|----------------------------|--|
| Mr. Rajiv Nandlal Divedi | 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. Ahmed Ali | Member of BNRC, Non-Executive Independent 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 for the Directors.

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. Mohammed Aatur-Rahman Chowdhury | 1/1 | 100% |
| Mr. Najmul Hassan | 4/4 | 100% |
| Uz. Mohamed Naseem Ibrahim | 1/1 | 100% |
| Mr. Ali Shareef | 7/7 | 100% |
| Mr. Rajiv Nandlal Dvivedi | 6/6 | 100% |
| Mr. Hassan Mohamed | 6/6 | 100% |
| Mr. Ahmed Ali | 6/6 | 100% |

Nomination

The appointment of the Nominee Directors was recommended to the Board of Directors as per Article 41 and 43 of the Articles of Association of the Bank.

The re-appointment of Executive Director was recommended to the Board of Directors as per Article 37 (c) and 43 of the Article of Association of the Bank.

The appointment of the Managing Director & CEO was recommended to the Board of Directors as per the Articles of Association of the Bank.

Remuneration

Directors were remunerated as per the Board Remuneration Policy. No Executive Director served as a Non-Executive Director elsewhere during the year 2022. Board remuneration for the Non-Executive Directors were paid as a Sitting Fee for the Board or Board Committee meetings. Executive Directors were not paid Sitting Fee as per the Board Remuneration Policy. The Sitting Fees were paid net of tax as follows

| Meeting | Fee per meeting (USD) |
|----------------------------|-----------------------|
| Board of Directors meeting | 650.00 |
| Board Committee meeting | 650.00 |

The breakdown of remuneration paid to the Non-Executive Directors for the period 1st January 2022 to 31st December 2022 are provided in the below table.

| Name of the Director | Designation | Total (MVR equivalent) |
|---------------------------------------|---|------------------------|
| Mr. K.A.M Majedur Rahman | Chairman / Non-Executive Independent Director | 200,135.00 |
| Mr. Nasser M. Al-Thekair * | Non-Executive Director | 190,128.25 |
| Uz. Mohamed Naseem Ibrahim | Non-Executive Director | 200,135.00 |
| Mr. Ali Shareef | Non-Executive Director | 290,195.75 |
| Mr. Ahmed Ali | Non-Executive Independent Director | 280,189.00 |
| Mr. Hassan Mohamed | Non-Executive Director | 270,182.25 |
| Mr. Rajiv Nandlal Divedi | Non-Executive Independent Director | 210,141.75 |
| Mr. Moez Baccar * | Non-Executive Director | 120,081.00 |
| Mr. Osman Kassim | Non-Executive Director | 30,020.25 |
| Mr. Najmul Hassan | Former Chairman / Non-Executive Director | 150,101.25 |
| Mr. Mohammad Aatur-Rahman Chowdhury * | Non-Executive Director | 100,067.50 |
| Total | | 2,041,377.00 |

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

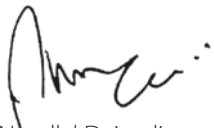
The breakdown of remuneration paid to Key Management Personnel for the period 1st January 2022 to 31st December 2022 is MVR 4,007,052.67. MD & CEO joined the Bank on 1st November 2022. The aggregate remuneration details are disclosed, as additional details are deemed to place the Bank in a relative disadvantage against the key industry players.

Activities of the Committee

- Recommended the appointment of an independent consultant for the recruitment of MD & CEO.
- Reviewed and recommended the Job Description and KPIs of the MD & CEO.
- Recommended the appointment of an independent party to conduct evaluation of performance of the Board of Directors.
- Reviewed and approved the Evaluation form to evaluate the shortlisted candidates for the position of MD & CEO.
- Shortlisted candidates for the position of MD & CEO.
- Reviewed and recommended the offer letter for MD & CEO for the approval of the Board of Directors.
- Recommended the renewal of Shariah Committee members for the consideration of the Board of Directors.
- Recommended the appointment of Nominee Directors for the consideration of the Board of Directors.
- Recommended the renewal of term of the Executive Director for the consideration of the Board of Directors.
- Recommended the appointment of MD & CEO to the Board, for the consideration of the Board of Directors.
- Recommended the renewal of employment contract of some expatriate employees.

The Bank welcomes gender diversity in the boardroom and female representation on the Board of Directors 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 CMDA's CG Code, institutional shareholders were advised to consider proposing female candidates as their Nominees to ensure gender diversity within the Board of the Bank.

Date: 30 April 2023



Rajiv Nandlal Dvivedi
Chairman
Board Nomination and Remuneration Committee

BOARD INVESTMENT COMMITTEE (“BIC”)

The Board Investment Committee (“BIC”) is responsible for review and approve 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 2022

| 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. Ali Shareef | Member of BIC, Non-Executive Director |

Duties of the Committee

BIC is charged with the following responsibilities

- Considering and reviewing specific financing over and above the Management Financing & Investment Committee’s (FIC) authority limit, as determined by the Board from time to time.
- Recommending these financings 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

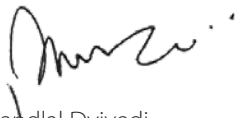
The committee shall meet as often as it determines, but not less frequently than four (4) times a year, with at least one meeting every quarter. After its inception on 20th December 2022, the committee held one meeting (1) during the year under review.

| Name | Attendance | % |
|---------------------------|------------|------|
| Mr. Rajiv Nandlal Dvivedi | 1/1 | 100% |
| Mr. Moez Baccar | 1/1 | 100% |
| Mr. Osman Kassim | 1/1 | 100% |
| Mr. Ali Shareef | 1/1 | 100% |

Activities of the Committee

- The Committee, in its first urgent meeting, reviewed and recommended to the Board for approval, a financing facility for a retailer company.

Date: 30 April 2023



Rajiv Nandlal Dvivedi
Chairman
Board Investment Committee

SHARI'AH COMMITTEE

The Shari'ah Committee of the Bank was formulated 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 Shari'ah Committee comprises of three members

Members of the Committee as of 31st December 2022

| 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 Shari'ah Committee

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

- Advising the Board and the Bank on Shari'ah matters.
- Endorsing Shari'ah policies and procedures and validating relevant documentation of the Bank.
- Assessing and overseeing the work carried out by the internal Shari'ah Unit, Shari'ah Risk management and Shari'ah Audit functions.
- Assisting related parties of the Bank seeking advice on relevant Shari'ah matters.
- Overseeing the Charity fund and any other fund to be channeled to charity

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. After its inception on 20th December 2022, the committee held one meeting (1) during the year under review.

| Name | Attendance | % |
|---------------------------------------|------------|------|
| Dr. Ejaz Ahmed Samadani | 5/5 | 100% |
| Mufti Mohammed Ibrahim Mohammed Rizwe | 5/5 | 100% |
| Dr. Ibrahim Zakariyya Moosa | 5/5 | 100% |

Activities of the Shari'ah Committee

- Participated in Shari'ah Council Dialogue program organized by MMA.
- Conducted two sessions of Advance Shari'ah Training for staff of the Bank.
- Conducted two sessions of Intermediate Shari'ah Training for staff of the Bank.
- Conducted Supplier awareness session on Islamic finance for Ujala financing dealers.
- Conducted review of branch operations at Thinadhoo branch.

Shari'ah Governance Framework

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 Ahmed Samadani
Chairman of Shari'ah Committee

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 Alfah 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.



**Mufti Mohammed Ibrahim
Mohammed Rizwe**
Member 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 as in the Shari'ah 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 Quran and Sunnah the Mufti Mohammed Rizwe occupied himself teaching Shari'ah education in some of the Arabic Colleges of Sri Lanka. Consequently, he now has significant experience in the field of education spanning more than thirty (30) years.

Mufti Mohammed Rizwe has been a frequent traveller 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 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
Member of Shari'ah Committee

Dr. Ibrahim Zakariyya Moosa is currently the 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.



Shari'ah Committee's Annual Report (For Financial year 2022)

To the Shareholders of Maldives Islamic Bank PLC.

Assalamualaikum Wa Rahmatullah Wa Barakatuh.

Alhamdulillah, Maldives Islamic Banking PLC (MIB) has successfully completed its 12 years of Islamic Banking operations. By the grace of Allah Almighty, during the year MIB has made a significant growth in terms of operation 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 Shari'ah. 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. Shari'ah Committee (SC) hereby submits its report on the overall Shari'ah compliance environment of MIB and major developments that took place during the year.

1. SHARI'AH COMMITTEE MEETINGS:

In line with Shari'ah Governance Manual of Maldives Islamic Bank, the SC is required to meet at least on quarterly basis. Hence, during the financial year 2022, **fives (5)** meetings were conducted physically and 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 the above, various discussions held through teleconference meetings regarding the matters related to Product Development and Shari'ah Compliance.

2. INTERNAL SHARI'AH UNIT (ISU):

Shari'ah compliance remained on high priority in all activities in order to make banking operation in line with Shari'ah principles. The ISU of the Bank contributed as an effective channel between the Management and the SC. ISU conduct Internal Shari'ah Review on quarterly basis on the matters which are directly or indirectly related to Shari'ah. Shari'ah Review reports were presented to SC for ratification as well as SC opinion (if any). ISU has played a vital role in identifying the Shari'ah issues, ensuring the Shari'ah compliance and conducting a vibrant role of communication between the Shari'ah Committee and the Executive Management.

3. PRODUCTS AND SERVICES LAUNCHED AND REVISED:

In 2022, the following documents related to new the products and the existing products were revised after approval of the SC.

3.1. ASSET SIDE

3.1.1. Consumer products:

- 3.1.1.1. Legal documentation of the Diminishing Musharakah, under construction facilities.
- 3.1.1.2. Promise to Sale Agreement for DM Financing Facilities
- 3.1.1.3. Revised Car Financing Facility Purchase Order Document
- 3.1.1.4. Amended product manual for Education Financing
- 3.1.1.5. New product manual for Travel Financing

3.1.1.6. Amendment to Ujala Financing document for Hakathari Program

3.1.1.7. New Product Manual for Ujrah Card

3.1.2. Business Products:

3.1.2.1. Legal documentation of Trade Murabahah Financing facility.

3.1.2.2. Security Sharing Agreement

3.1.3. Treasury Instrument

3.1.3.1. Legal documents for the Treasury instrument (Wakalah bi al Isthithmar).

3.1.3.2. Legal document for overnight deposit facility offered by MMA (Tawarruq)

3.2. LIABILITIES SIDE

3.2.1.1. Amendments to the product manual, Wakalah Deposit Account under the concept of Wakalah bil Isthithmar.

3.2.1.2. The Product Agreement - Everyday Cover (ATM)

3.2.1.3. New product manual for Hajj Saving Account

3.2.1.4. Product Disclosure Sheet for Premium Salary Account

3.2.1.5. The list of Shariáh non-compliant MCC Merchant Category Code (MCC) for VISA merchants

3.2.1.6. Forms and Additional TnC for VISA supplementary debit card

3.2.1.7. Amendment to the KYC and Account opening form

3.2.1.8. Amendment to Schedule of Charges

3.2.1.9. Amended KYC form for individual and business, with Tax amendments

3.2.1.10. Visa Corp Card

3.2.1.11. Card Holder Dispute Form

3.2.1.12. Amendment to Custodian Services provided as per new regulation by MMA

4. POLICIES AND OTHER MANUALS

4.1. AML/CFT Policy was also revised during the year and were duly approved by the SC.

4.2. Shariáh Review Checklist for Visa Debit Card

4.3. SOP of Shariáh Unit was reviewed and duly approved by the SC

4.4. Guideline for SLBF facility was reviewed and duly approved by the SC

4.5. amended Shariáh Review sampling criteria was reviewed and duly approved by the SC

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. ISU conducted its post distribution audit and presented its report to SC for opinions where required.

6. TRAINING:

During the year 2021, 9 training sessions were conducted and more than 191 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, 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.

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MAMAR

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7. Other Activities:

7.1 Thinadhoo Branch Visit

During the year 2022, SC members together with staff from ISU have visited Thinadhoo branch. SC has conducted activities such as review of Branch operations, visit to the Ujalaa Financing Dealers, meeting with the relevant Staff from different institutions and the report of the branch visit with SC recommendation has been provided to the management for their action.

7.2 Bursa Suq Al-Sila Operation Inspection

At the end of the year 2022, SC members together with Senior Management staff of the bank have visited Bursa Suq Al-Sila in Malaysia to review operation of the Commodity Murabahah Trading Platform and inspect the commodity used in Commodity Murabahah transaction. Report of the trip had been shared with BoD for their information.

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. Reports consisted details of all Shariáh reviews and any issue resolved outside the SC meeting, any document approved via circulation are ratified by Shariáh Committee in the subsequent Shariáh Committee meetings.

Based on above, we are of the view that:

- A. The contracts, transactions and dealings relating to the Bank's activities during the year ended 31st December 2022 that we have reviewed were generally in compliance 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 that require improvement in the mode of operation and documentation for certain financing transactions of the Bank that require rectifications, are highlighted in the annual Shariáh audit report and we have provided guidelines to implement the required 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 conform overall to the policies and procedures approved by the Shariáh Committee.
- D. During the year, there was no transaction found null and void. Hence no amount was credited to charity account due to the violation of Shariáh. During the year, an amount of MVR 470,252.77 (Maldivian Rufiyaa, Four hundred and Seventy Thousand Two hundred Fifty Two and Seventy Seven) has been received as charity as a result of undertaking from customer in case of late payment and credited to charity account.

Based on the strength and capacity of the Internal Shariáh Unit and policies and guidelines issued to the Bank for the confirmation of Shariáh compliance, we are of the opinion that an effective mechanism is in place to ensure Shariáh compliance in overall operation of the Bank.

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

Wallahu A'lam.

Wassalamualaikum Wa Rahmatullah Wa Barakatuh

16th March 2023

.....
Dr. Ejaz Ahmed Samadani
Chairman

.....
Mufthi M I M Rizwe
Member

.....
Dr. Ibrahim Zakariyya Moosa
Member

FaisaNet2.0 revolutionized online banking at MIB, bringing **powerful** Business Banking Tools to fingertips



AUDITED FINANCIAL STATEMENTS

MALDIVES ISLAMIC BANK PLC

Financial Statements - 31 December 2022



Independent auditor's report

To the Shareholders of Maldives Islamic Bank Plc

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Maldives Islamic Bank Plc (“the Bank”) as at 31 December 2022, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The financial statements of the Bank, which comprise:

- the statement of financial position as at 31 December 2022;
- 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 significant accounting policies.

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 as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers, H. Thandiraimage, 3rd Floor, Roshanee Magu, Malé, Republic of Maldives

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Partners D.T.S.H. Mudalige FCA, C.S. Manoharan FCA, T.U. Jayasinghe FCA

Resident Partner Jatindra Bhatray FCA

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| Key audit matter | How our audit addressed the Key audit matter |
|--|--|
| <p><i>Impairment of receivable from financing activities</i></p> <p>Refer to Note 12 of the financial statements.</p> <hr/> <p>As at 31 December 2022, 45.5 % of the total assets of the bank consisted of receivables from financing activities amounting to MVR 2.8 billion shown net of loss allowance of MVR 92.6 million.</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>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>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 economic developments into ECL estimates involve use of significant judgements.</p> | <p>Specific work that we performed on the loss allowance on receivables from financing activities recognised by management included the following:</p> <hr/> <ul style="list-style-type: none"> - 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. - 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. - 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. - 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. - Tested the methodology applied in the loss allowance calculation by checking compliance with the requirements of IFRS 9, <i>Financial instruments; recognition and measurement</i>, and also considered reasonableness of macro-economic and other factors used by the management by comparing them with publicly available data and information sources. |

Key audit matter

How our audit addressed the Key audit matter

Significant estimates and assumptions used by the management in such calculations and the basis for impairment allowance is disclosed in Note 12 and 37.

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.

- Assessed the adequacy of the related financial statement disclosures as set out on Notes 12 and 37 for compliance with required IFRS 9 disclosures.

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.

- 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.

Other information

Management is responsible for the other information. The other information comprises the annual report for the year ended 31 December 2022 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to 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. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other matter

The financial statements of the Bank for the year ended 31 December 2021 were audited by another firm of auditors whose report, dated 28 April 2022, expressed an unmodified opinion on those statements.

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

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

In preparing the financial statements, management is responsible for assessing the 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 or 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.

We also provide those charged with governance with a statement that we have complied with the ethical requirements in accordance with IESBA Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 Jatindra Bhatray.

MALE`

17 April 2023

For PRICEWATERHOUSECOOPERS

A handwritten signature in blue ink, appearing to read 'Jh' followed by a horizontal line.

Jatindra Bhatray
Partner

MALDIVES ISLAMIC BANK PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)

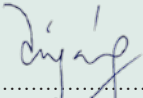
STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2022

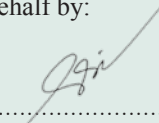
| | Note | 2022 MVR | 2021 MVR |
|---|------|----------------------|----------------------|
| ASSETS | | | |
| Cash and balances with other banks | 7 | 177,805,463 | 234,786,235 |
| Balances with Maldives Monetary Authority | 8 | 874,333,752 | 1,702,509,895 |
| Due from banks | 9 | - | 169,691,388 |
| Investments in equity securities | 10 | 102,100,000 | 53,100,000 |
| Investments in other financial instruments | 11 | 1,915,360,897 | 715,871,549 |
| Net receivables from financing activities | 12 | 2,821,968,932 | 2,346,159,157 |
| Property and equipment | 13 | 60,868,215 | 50,386,468 |
| Right-of-use assets | 14 | 124,828,420 | 107,697,829 |
| Intangible assets | 15 | 11,583,338 | 13,097,778 |
| Other assets | 16 | 111,272,959 | 97,156,357 |
| Deferred tax asset | 34.5 | 638,434 | 5,639,714 |
| Total assets | | 6,200,760,410 | 5,496,096,370 |
| LIABILITIES | | | |
| Customers' accounts | 17 | 5,144,620,941 | 4,434,884,644 |
| Due to banks and other financial institutions | 18 | 93,027,623 | 247,566,038 |
| Provisions | 19 | 3,312,408 | 977,782 |
| Current tax liability | 34.4 | 35,155,893 | 8,617,681 |
| Lease liabilities | 20 | 95,472,683 | 98,880,224 |
| Other liabilities | 21 | 46,010,339 | 46,371,494 |
| Total liabilities | | 5,417,599,887 | 4,837,297,863 |
| EQUITY | | | |
| Share capital and share premium | 22 | 337,500,070 | 337,500,070 |
| Statutory reserve | 24 | 150,000,000 | 150,000,000 |
| Non-distributable capital reserve | 25 | 23,775,443 | 20,302,251 |
| Fair value reserve | 10.2 | 41,325,000 | 4,575,000 |
| Retained earnings | | 230,560,010 | 146,421,186 |
| Total equity | | 783,160,523 | 658,798,507 |
| Total liabilities and equity | | 6,200,760,410 | 5,496,096,370 |
| Commitments | 42 | 681,358,381 | 474,230,037 |
| Net asset value per share | 35.2 | 34.81 | 29.28 |

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 120 to 188. The report of the independent auditors is given on pages 111 and 115.

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

17th April 2023
Male'

MALDIVES ISLAMIC BANK PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2022

| | Note | 2022 MVR | 2021 MVR |
|---|-------------|----------------------|----------------------|
| Income from financing activities using the effective profit method | 26.1 | 309,236,617 | 266,833,523 |
| Profit paid on customer accounts and others | 26.2 | (54,596,346) | (58,381,880) |
| Net profit earned from financing activities | 26 | 254,640,271 | 208,451,643 |
| Fee and commission income | 27.1 | 42,792,827 | 34,032,861 |
| Fee and commission expense | 27.2 | (5,956,175) | (3,082,482) |
| Net fee and commission income | 27 | 36,836,652 | 30,950,379 |
| Net foreign exchange gain | 28 | 241,450 | 538,638 |
| Income from investments in equity securities | 29 | 4,089,000 | 3,930,600 |
| Net income from other financial instruments | 30 | 46,820,525 | 32,575,456 |
| Total operating income | | 342,627,898 | 276,446,716 |
| Net impairment losses on financial assets | 12.4 | (14,645,410) | (35,708,564) |
| Personnel expenses | 31 | (86,753,293) | (77,996,916) |
| General and administrative expenses | 32 | (49,802,081) | (40,678,185) |
| Depreciation and amortization | 33 | (29,971,765) | (27,004,757) |
| Total operating expenses including impairment provision | | (181,172,549) | (181,388,422) |
| Profit before tax | | 161,455,349 | 95,058,294 |
| Income tax | 34.1 | (40,363,323) | (15,435,833) |
| Profit for the year | | 121,092,026 | 79,622,461 |
| 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 | 10.2 | 49,000,000 | (11,100,000) |
| Income tax related to net change in fair value of equity investment | 34.5 | (12,250,000) | 2,775,000 |
| | | 36,750,000 | (8,325,000) |
| Total other comprehensive income, net of tax | | 36,750,000 | (8,325,000) |
| Total comprehensive income | | 157,842,026 | 71,297,461 |
| Basic and diluted earnings per share | 35.1 | 5.38 | 3.54 |
| Earnings per share at year end | | | |

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 Bank set out on pages 120 to 188. The report of the independent auditors is given on pages 111 and 115.

MALDIVES ISLAMIC BANK PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2022

| | Share capital and premium MVR | Statutory reserve MVR | Non distributable capital reserve MVR | Fair value reserve MVR | Retained earnings MVR | Total MVR |
|--|----------------------------------|--------------------------|--|---------------------------|--------------------------|--------------------|
| As at 1 st January 2021 | 337,500,070 | 132,746,257 | 38,648,481 | 12,900,000 | 93,268,747 | 615,063,555 |
| Profit for the year | - | - | - | - | 79,622,461 | 79,622,461 |
| Other comprehensive income | | | | | | |
| Equity instruments at FVOCI - Change in fair value (Note 10.2) | - | - | - | (11,100,000) | - | (11,100,000) |
| Recognition of deferred tax impact on fair value change (Note 34.5) | - | - | - | 2,775,000 | - | 2,775,000 |
| Total comprehensive income | - | - | - | (8,325,000) | 79,622,461 | 71,297,461 |
| Transferred to statutory reserve (Note 24) | - | 17,253,743 | - | - | (17,253,743) | - |
| Recognition of non-distributable capital reserve (Note 25) | - | - | (18,346,230) | - | 18,346,230 | - |
| Transaction with owners of the bank | | | | | | |
| Dividends (Note 22.4) | - | - | - | - | (27,562,509) | (27,562,509) |
| As at 31st December 2021 | 337,500,070 | 150,000,000 | 20,302,251 | 4,575,000 | 146,421,186 | 658,798,507 |
| As at 1 st 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 10.2) | - | - | - | 49,000,000 | - | 49,000,000 |
| Recognition of deferred tax impact on fair value change (Note 34.5) | - | - | - | (12,250,000) | - | (12,250,000) |
| Total comprehensive income for the year | - | - | - | 36,750,000 | 121,092,026 | 157,842,026 |
| Transferred to statutory reserve (Note 24) | - | - | - | - | - | - |
| Recognition of non-distributable capital reserve (Note 25) | - | - | 3,473,192 | - | (3,473,192) | - |
| Transaction with owners of the bank | | | | | | |
| Dividends (Note 22.4) | - | - | - | - | (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 |

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 Bank set out on pages 120 to 188. The report of the independent auditors is given on pages 111 and 115.

MALDIVES ISLAMIC BANK PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2022

| | Note | 2022 MVR | 2021 MVR |
|---|------|---------------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Profit before tax | | 161,455,349 | 95,058,294 |
| <i>Adjustments for:</i> | | | |
| Depreciation and amortization | 33 | 29,971,765 | 27,004,757 |
| Net impairment loss on financial assets | 12.4 | 14,645,410 | 35,708,564 |
| Net impact of modification of financial assets measured at amortised cost | 26.1 | 4,558,860 | 5,844,056 |
| Dividend income on equity securities | 29 | (4,089,000) | (3,930,600) |
| Profit on disposal of property and equipment | | (1,128) | - |
| Written off of property and equipment | 13 | 82,322 | 139,936 |
| Written off of intangible assets | 15 | 2,474,123 | 123,454 |
| Profit expense on inter-bank financing | 26.2 | 6,101,945 | 7,509,360 |
| Operating profit before working capital changes | | <u>215,199,646</u> | <u>167,457,821</u> |
| Changes in: | | | |
| Customers' accounts | 17 | 709,736,297 | 1,003,864,833 |
| Other assets | 16 | (14,116,602) | (42,876,238) |
| Other liabilities | 21 | 8,960,563 | (15,586,254) |
| Net receivables from financing activities | 12 | (491,920,828) | (175,050,851) |
| Due from banks | | 169,691,388 | (76,981,415) |
| Due to banks and other financial institutions | | - | 77,100,000 |
| Investment in other financial instrument | | (1,199,731,615) | (325,860,846) |
| Cash (used in) / generated from operations | | <u>(602,181,151)</u> | <u>612,067,050</u> |
| Dividend received | 29 | 4,089,000 | 3,930,600 |
| Profit paid on inter-bank financing | | (6,540,360) | (10,821,541) |
| Tax paid | 34.4 | (21,073,831) | (36,296,247) |
| Net cash (used in) / from operating activities | | <u>(625,706,342)</u> | <u>568,879,862</u> |
| Cash flows from investing activities | | | |
| Acquisition of property and equipment | 13 | (23,389,056) | (17,213,030) |
| Acquisition of intangible assets | 15 | (4,828,439) | (2,369,127) |
| Proceeds from sales of property and equipment | | 139,026 | - |
| Net movement in minimum reserve requirement of MMA | 8 | (85,845,683) | (165,786,550) |
| Net cash used in investing activities | | <u>(113,924,152)</u> | <u>(185,368,707)</u> |
| Cash flows from financing activities | | | |
| Principal element of lease liability paid | 20 | (33,954,055) | (20,449,532) |
| Settlement of Wakalah placement | | (92,520,000) | (150,000,000) |
| (Payments) / fundings during the year | | (61,580,000) | 153,950,000 |
| Dividends paid during the year | | (42,801,725) | (50,240,756) |
| Net cash used in from financing activities | | <u>(230,855,780)</u> | <u>(66,740,288)</u> |
| Net (decrease)/ increase in cash and cash equivalents | | (970,486,274) | 316,770,867 |
| Cash and cash equivalents at beginning of the year | | 1,541,191,132 | 1,224,420,265 |
| Cash and cash equivalents at end of the year | 7.2 | <u><u>570,704,858</u></u> | <u><u>1,541,191,132</u></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 Bank set out on pages 120 to 188. The report of the independent auditors is given on pages 111 and 115.

**MALDIVES ISLAMIC BANK PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
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.10 of 1996 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. Medhuziyaarayidhoshuge, 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 17th April 2023.

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.

**MALDIVES ISLAMIC BANK PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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 2022 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 describe below, the accounting policies applied in these financial statements are the same as those applied in the financial statements as at and for the year ended 31st December 2021.

The following amendments to IFRS have been applied by the bank in preparation of these financial statements. The below were effective from 1st January 2022:

(a) 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 2022. 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 period. The bank did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards:

- (i) Property, Plants and Equipment: proceeds before intended Use – Amendments in IAS 16
- (ii) Onerous contracts- cost of fulfilling contract – Amendments to IAS 37
- (iii) Annual Improvements to IFRS Standards 2018-2020, and
- (iv) Reference to the conceptual Framework – Amendment to IFRS 3

(b) New and amended standards and interpretations issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2022 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.

**MALDIVES ISLAMIC BANK PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

3. CHANGE IN ACCOUNTING POLICY (CONTINUED)

(b) New and amended standards and interpretations issued but not yet effective (continued)

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- Disclosure Initiative: Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction
Actuarial (gain) / losses
- Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17)

4. SIGNIFICANT ACCOUNTING POLICIES

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.

**MALDIVES ISLAMIC BANK PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Profit (continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (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.

**MALDIVES ISLAMIC BANK PLC
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (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.

4. SIGNIFICANT ACCOUNTING POLICIES (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 13 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.

**MALDIVES ISLAMIC BANK PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Income tax (continued)

iii. 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.

**MALDIVES ISLAMIC BANK PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (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.

**MALDIVES ISLAMIC BANK PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (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.

4. SIGNIFICANT ACCOUNTING POLICIES (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.

4. SIGNIFICANT ACCOUNTING POLICIES (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.

iv. 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.

**MALDIVES ISLAMIC BANK PLC
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial assets and financial liabilities (continued)

v. Offsetting (continued)

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.

vi. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial Assets and Financial Liabilities (continued)

vii. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial assets and financial liabilities (continued)

vii. 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.

**MALDIVES ISLAMIC BANK PLC
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial assets and financial liabilities (continued)

vii. 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;

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial assets and financial liabilities (continued)

vii. 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'.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Financial assets and financial liabilities (continued)

viii. Designation at fair value through profit or loss

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

4.10 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) 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.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 Receivables from financing activities (continued)

(c) 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.

(d) 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.

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4. SIGNIFICANT ACCOUNTING POLICIES (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.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.13 Deposits (continued)

c) Savings accounts (continued)

Salient features:

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

b) 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

c) 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.

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4. SIGNIFICANT ACCOUNTING POLICIES (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.

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4. SIGNIFICANT ACCOUNTING POLICIES (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.

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4. SIGNIFICANT ACCOUNTING POLICIES (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.

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4. SIGNIFICANT ACCOUNTING POLICIES (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.

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5. SIGNIFICANT ACCOUNTING POLICIES (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.

6. STANDARDS ISSUED BUT NOT YET ADOPTED

A number of new standards are effective for annual periods beginning after 01st January 2022 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).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8), and
- Deferred Tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12).

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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 debt |

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 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 |

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6 OPERATING SEGMENT (CONTINUED)

(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 2021 | | | | |
| Income from financing activities | 266,833,523 | - | - | 266,833,523 |
| Profit paid on customer accounts | (58,381,880) | - | - | (58,381,880) |
| Net profit earned from financing activities | 208,451,643 | - | - | 208,451,643 |
| Fee and commission income | 28,067,887 | 5,964,974 | - | 34,032,861 |
| Fee and commission expense | (1,082,742) | (1,999,740) | - | (3,082,482) |
| Net fee and commission income | 26,985,145 | 3,965,234 | - | 30,950,379 |
| Foreign exchange gain | 538,638 | - | - | 538,638 |
| Dividend income | - | - | 3,930,600 | 3,930,600 |
| Net income from other financial instruments | - | - | 32,575,456 | 32,575,456 |
| Total operating income | 235,975,426 | 3,965,234 | 36,506,056 | 276,446,716 |
| Net impairment losses on financial assets | (35,708,564) | - | - | (35,708,564) |
| Personnel costs | (64,498,091) | (10,480,749) | (3,018,076) | (77,996,916) |
| General and administrative expenses | (34,929,175) | (3,832,673) | (1,916,337) | (40,678,185) |
| Depreciation and amortisation | (20,005,024) | (6,649,399) | (350,334) | (27,004,757) |
| Total operating expenses including impairment provision | (155,140,854) | (16,997,588) | 31,221,310 | 95,058,294 |
| Profit before tax | | | | 95,058,294 |
| Income tax | | | | (15,435,833) |
| Profit for the year | | | | 79,622,461 |
| Other comprehensive income, net of tax | | | | (8,325,000) |
| Total comprehensive income | | | | 71,297,461 |
| | Corporate and retail banking | Card and electronic banking | Treasury | Total |
| | MVR | MVR | MVR | MVR |
| As at 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 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 |

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6 OPERATING SEGMENT (CONTINUED)

(b) Information about reportable segments (Continued)

| | Corporate and retail banking | Card and electronic banking | Treasury | Total |
|--|---|--|--------------------|----------------------|
| As at 31st December 2022 (Continued) | MVR | MVR | MVR | MVR |
| 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 | 85,227,397 | 28,678 | - | 46,010,339 |
| Total liabilities | 5,309,038,547 | 16,143,730 | 96,507,453 | 5,417,599,887 |
| | | | | |
| | Corporate and retail banking | Card and electronic banking | Treasury | Total |
| As at 31st December 2021 | MVR | MVR | MVR | MVR |
| Assets | | | | |
| Cash and balances with other banks | 234,786,235 | - | - | 234,786,235 |
| Balances with maldives monetary authority | 1,702,509,895 | - | - | 1,702,509,895 |
| Investments in equity securities | - | - | 53,100,000 | 53,100,000 |
| Investments in other financial instruments | - | - | 715,871,549 | 715,871,549 |
| Due from banks | 169,691,388 | - | - | 169,691,388 |
| Net receivables from financing activities | 2,346,159,157 | - | - | 2,346,159,157 |
| Property and equipment | 36,254,341 | 14,132,127 | - | 50,386,468 |
| Right of use assets | 87,180,882 | 17,463,254 | 3,053,693 | 107,697,829 |
| Intangible assets | 8,751,868 | 4,345,910 | - | 13,097,778 |
| Other assets | 97,156,357 | - | - | 97,156,357 |
| Deferred tax asset | - | - | - | 5,639,714 |
| Total assets | 4,682,490,123 | 35,941,291 | 772,025,242 | 5,496,096,370 |
| | | | | |
| Liabilities | | | | |
| Customers' accounts | 4,434,884,644 | - | - | 4,434,884,644 |
| Due to banks | - | - | 247,566,038 | 247,566,038 |
| Provision | 977,782 | - | - | 977,782 |
| Current tax liability (unallocated) | - | - | - | 8,617,681 |
| Lease liabilities | 78,321,203 | 17,468,457 | 3,090,564 | 98,880,224 |
| Other liabilities | 41,279,575 | 5,091,919 | - | 46,371,494 |
| Total liabilities | 4,555,463,204 | 22,560,376 | 250,656,602 | 4,837,297,863 |

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| | | |
|--|---------------------------|---------------------------|
| 7 CASH AND BALANCES WITH OTHER BANKS | 2022 | 2021 |
| | MVR | MVR |
| Cash in hand (Note 7.1) | 107,406,071 | 115,149,894 |
| Balances with other banks (Note 7.2) | 70,915,716 | 119,636,341 |
| | <u>178,321,787</u> | <u>234,786,235</u> |
| Less: Impairment allowance on balances with other banks | (516,324) | - |
| Cash and balances with other banks | <u>177,805,463</u> | <u>234,786,235</u> |

7.1 Cash in hand

| | 2022 | | | 2021 | | |
|--------------|-----------------------------|--------------------------|----------------------------|-----------------------------|--------------------------|----------------------------|
| | Foreign currency | Exchange rate | Carrying amount | Foreign currency | Exchange rate | Carrying amount |
| USD | 1,749,672 | 15.395 | 26,936,200 | 2,679,923 | 15.395 | 41,257,415 |
| MVR | - | - | 80,469,871 | - | - | 73,892,479 |
| Total | | | <u>107,406,071</u> | | | <u>115,149,894</u> |

7.2 Balances with other banks

| | 2022 | | | 2021 | | |
|----------------------------|-----------------------------|--------------------------|----------------------------|-----------------------------|--------------------------|----------------------------|
| | Foreign currency | Exchange rate | Carrying amount | Foreign currency | Exchange rate | Carrying amount |
| Habib American Bank (USD) | 2,317,606 | 15.395 | 35,679,550 | 3,101,592 | 15.395 | 47,749,006 |
| AB Bank Limited (USD) | 483,781 | 15.395 | 7,447,809 | 572,438 | 15.395 | 8,812,676 |
| Bank of Maldives PLC (USD) | 977,061 | 15.395 | 15,041,861 | 488,726 | 15.395 | 7,523,944 |
| Bank of Maldives PLC (MVR) | - | - | 6,997,994 | - | - | 50,278,058 |
| State Bank of India (USD) | 278,071 | 15.395 | 4,280,903 | 278,071 | 15.395 | 4,280,903 |
| State Bank of India (MVR) | - | - | 639,054 | - | - | 615,204 |
| Amana Bank PLC (USD) | 53,819 | 15.395 | 828,545 | 24,459 | 15.395 | 376,550 |
| Total | | | <u>70,915,716</u> | | | <u>119,636,341</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.

| | | |
|---|--------------------|----------------------|
| | 2022 | 2021 |
| | MVR | MVR |
| Cash and balances with banks as per the statement of financial position | 178,321,787 | 234,786,235 |
| Add: Balance with MMA in excess of minimum reserve requirement | 392,383,071 | 1,306,404,897 |
| Cash and cash equivalents as per the cash flow statement | <u>570,704,858</u> | <u>1,541,191,132</u> |

8 BALANCES WITH MALDIVES MONETARY AUTHORITY

| | | |
|---|---------------------------|-----------------------------|
| | 2022 | 2021 |
| | MVR | MVR |
| Minimum Reserve Requirement (MRR) (Note) | 481,950,681 | 396,104,998 |
| Balance in Excess of MRR with MMA (Note) | 392,383,071 | 1,306,404,897 |
| Total | <u>874,333,752</u> | <u>1,702,509,895</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. However, effective from 16th July 2020, the MRR for foreign currency deposits was lowered to 5% to address the dollar liquidity issues faced by commercial banks. The lowered MRR for foreign deposits of 5% was revised back to 10% effective from 20th October 2022. 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.

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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 DUE FROM BANKS

| | 2022 | 2021 |
|------------------|-------------|--------------------|
| | MVR | MVR |
| Qardh facility | - | 92,370,000 |
| Wakalah facility | - | 77,321,388 |
| | - | 169,691,388 |

The bank has not renewed the Qardh facility US\$ 5Mn and US\$ 1Mn that matured on 14th February 2022 and 21st February 2022 respectively. The BML Wakalah facility of US\$ 5Mn that matured on 6th February 2022 was not renewed upon maturity as well.

10 INVESTMENT IN EQUITY SECURITIES

| | 2022 | 2021 |
|---|--------------------|-------------------|
| | MVR | MVR |
| Investment securities designated at FVOCI - (Note 10.1) | 102,100,000 | 53,100,000 |
| | 102,100,000 | 53,100,000 |

10.1 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 2022 | Dividend income recognised for the year 2022 | Fair value as at 31 December 2021 | Dividend income recognised for the year 2021 |
|---|--|---|--|---|
| | MVR | MVR | MVR | MVR |
| Investment in equity shares - Ooredoo Maldives PLC | 91,000,000 | 3,510,000 | 42,900,000 | 3,042,000 |
| Investment in equity shares - Dhivehi Rajjeyge Gulhun PLC | 11,100,000 | 579,000 | 10,200,000 | 888,600 |
| | 102,100,000 | 4,089,000 | 53,100,000 | 3,930,600 |
| | | Ooredoo Maldives PLC | Dhivehi Raajjeyge Gulhun PLC | Total |
| As at 1 st January 2022 | | 42,900,000 | 10,200,000 | 53,100,000 |
| Change in the fair value during the year | | 48,100,000 | 900,000 | 49,000,000 |
| As at 31 st December 2022 | | 91,000,000 | 11,100,000 | 102,100,000 |

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 2022, the shares were valued at MVR 111/- each (2021: MVR 102/-). 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 70/- each as at 31st December 2022 (2021: MVR 33/-).

No strategic investments were disposed off during 2022, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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10 INVESTMENT IN EQUITY SECURITIES (CONTINUED)

10.2 Fair value reserve

| | 2022 | 2021 |
|---|-------------------|------------------|
| | MVR | MVR |
| As at 1 st January | 4,575,000 | 12,900,000 |
| Recognised / (reversal) during the year | 49,000,000 | (11,100,000) |
| Deferred tax on (recognised) / reversal during the year | (12,250,000) | 2,775,000 |
| As at 31 st December | <u>41,325,000</u> | <u>4,575,000</u> |

11 INVESTMENTS IN OTHER FINANCIAL INSTRUMENTS

| | 2022 | 2021 |
|--|----------------------|--------------------|
| | MVR | MVR |
| Investments mandatorily measured at FVTPL (Note 11.1) | 120,984,575 | 365,301,001 |
| Investments measured at amortised cost (Note 11.2) | 1,794,618,589 | 350,570,548 |
| Less: Impairment loss allowance on other financial instruments (Note 11.2) | (242,267) | - |
| | <u>1,915,360,897</u> | <u>715,871,549</u> |

11.1 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 | 2022 | 2021 |
|-----------------------|--------------------------|----------------------|----------------|-----------------|--------------------|--------------------|
| | | | | | MVR | MVR |
| HDFC, Maldives | MVR | Wakalah | Maldives | 1 Year | - | 10,743,987 |
| Islamic Treasury Bill | MVR | Mudharabah | Maldives | 98 Days | 120,984,575 | 354,557,014 |
| | | | | | <u>120,984,575</u> | <u>365,301,001</u> |

11.2 Investments measured at amortised cost

| Investment | Invested currency | Contract type | Country | Maturity | 2022 | 2021 |
|---|--------------------------|--------------------------|----------------|-----------------|----------------------|--------------------|
| | | | | | MVR | MVR |
| Islamic Treasury Bills | MVR | Ijara | Maldives | 28 days | - | 350,570,548 |
| Islamic Treasury Bills | MVR | Wakalah Bi Al-Isthithmar | Maldives | 28-364 days | 1,039,967,680 | - |
| Overnight Deposit Facility | MVR | Commodity Murabahah | Maldives | | 662,108,822 | - |
| Islamic Treasury Bills | USD | Wakalah Bi Al-Isthithmar | Maldives | 1 year | 92,542,087 | - |
| | | | | | <u>1,794,618,589</u> | <u>350,570,548</u> |
| Impairment loss allowance on Wakalah Bi Al-Isthithmar Treasury Bills | | | | | (152,882) | - |
| Impairment loss allowance on Commodity Murabahah Overnight Deposit Facility | | | | | (89,385) | - |
| Impairment loss allowance | | | | | <u>(242,267)</u> | <u>-</u> |
| Net investments measured at amortised cost | | | | | <u>1,915,360,897</u> | <u>715,871,549</u> |

12 NET RECEIVABLES FROM FINANCING ACTIVITIES

| | 2022 | 2021 |
|--|----------------------|----------------------|
| | MVR | MVR |
| Receivables from financing activities measured at amortised cost (Note 12.1) | 2,914,637,209 | 2,427,275,241 |
| Less: Impairment loss allowance (Note 12.2) | (92,668,277) | (81,116,084) |
| Net receivables from financing activities | <u>2,821,968,932</u> | <u>2,346,159,157</u> |

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12 NET RECEIVABLES FROM FINANCING ACTIVITIES

12.1 Receivables from financing activities measured at amortised cost

| | 2022 MVR | 2021 MVR |
|--|----------------------|----------------------|
| Diminishing Musharaka | 1,503,069,133 | 1,236,494,680 |
| Murabaha | 1,256,618,392 | 1,019,708,359 |
| Istisna' | 154,837,918 | 170,512,646 |
| Education financing | 111,766 | 559,556 |
| Total gross receivables from financing activities | 2,914,637,209 | 2,427,275,241 |
| Impairment loss allowance on individually assessed customers | (35,440,267) | (46,650,215) |
| Impairment loss allowance on collectively assessed customers | (57,228,010) | (34,465,869) |
| Total loss allowance | (92,668,277) | (81,116,084) |
| Net receivables from financing activities | 2,821,968,932 | 2,346,159,157 |

12.2 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 2021 | 45,160,028 | - | - | 45,160,028 |
| Impairment expenses recognized during the year for on balance sheet exposure | 35,956,056 | - | - | 35,956,056 |
| As at 31st December 2021 | 81,116,084 | - | - | 81,116,084 |
| 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 |

12.3 Receivables from financing activities measured at amortised cost

| | 2022 | | | 2021 | | |
|-------------------------------|----------------------|-------------------|----------------------|----------------------|-------------------|----------------------|
| | Gross amount | ECL allowance | Net carrying amount | Gross amount | ECL allowance | Net carrying amount |
| | MVR | MVR | MVR | MVR | MVR | MVR |
| Diminishing Musharaka | 1,503,069,133 | 17,503,769 | 1,485,565,364 | 1,236,494,678 | 26,081,766 | 1,210,412,912 |
| Murabaha | 1,256,618,394 | 73,290,799 | 1,183,327,595 | 1,019,708,358 | 53,724,618 | 965,983,740 |
| Istisna' | 154,837,918 | 1,872,439 | 152,965,479 | 170,512,646 | 1,304,287 | 169,208,359 |
| Education financing | 111,766 | 1,270 | 110,496 | 559,557 | 5,412 | 554,145 |
| Total gross receivable | 2,914,637,211 | 92,668,277 | 2,821,968,934 | 2,427,275,239 | 81,116,082 | 2,346,159,157 |

12.4 Net impairment loss on financial assets

| | 2022 MVR | 2021 MVR |
|---|-------------------|-------------------|
| Impairment recognized during the year for on balance sheet exposure (Note 12.2) | 12,310,784 | 35,956,056 |
| Impairment recognized / (reversal) during the year for off balance sheet exposure (Note 19) | 2,334,626 | (247,492) |
| | 14,645,410 | 35,708,564 |

12.5 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.

| | 2022 | | | 2021 | | |
|------------------------|-------------------------------|----------------|--------------------|-------------------------------|------------------|------------------|
| | Impact: Increase / (decrease) | | | Impact: Increase / (decrease) | | |
| | Stage 1 | Stage 2 | Stage 3 | Stage 1 | Stage 2 | Stage 3 |
| Murabaha | 7,051,249 | 591,524 | (3,161,586) | 1,152,917 | 569,137 | 4,790,579 |
| Istisna' | (12,684) | - | - | (198,216) | 13,805 | 1,293,794 |
| Diminishing Musharakah | 1,836,219 | 224,695 | (5,366,922) | 959,177 | 1,020,522 | 2,509,877 |
| | 8,874,785 | 816,219 | (8,528,509) | 1,913,878 | 1,603,464 | 8,594,250 |
| Commitments | 1,923,820 | - | - | (192,452) | - | - |

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13 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 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 | <u>27,497,711</u> | <u>45,272,474</u> | <u>8,192,255</u> | <u>28,178,069</u> | <u>1,117,659</u> | <u>283,978</u> | <u>22,516,988</u> | <u>133,059,134</u> |
| Accumulated depreciation | | | | | | | | |
| As at 1st January 2022 | 12,631,025 | 30,151,927 | 4,908,575 | | 325,984 | 160,921 | - | 48,178,432 |
| Depreciation for the year (Note 33) | 2,085,765 | 5,918,575 | 913,778 | 19,640,871 | 111,766 | 56,796 | - | 28,727,551 |
| Released for the year | (3,657,673) | (285,018) | (494,893) | (277,480) | - | - | - | (4,715,064) |
| As at 31st December 2022 | <u>11,059,117</u> | <u>35,785,484</u> | <u>5,327,460</u> | <u>19,363,391</u> | <u>437,750</u> | <u>217,717</u> | <u>-</u> | <u>72,190,919</u> |
| Net carrying amount | | | | | | | | |
| As at 31st December 2022 | <u>16,438,594</u> | <u>9,486,990</u> | <u>2,864,795</u> | <u>8,814,678</u> | <u>679,909</u> | <u>66,261</u> | <u>22,516,988</u> | <u>60,868,215</u> |

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/-. These assets are still in use.

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13 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 2021 | 26,154,477 | 35,577,212 | 6,078,634 | 21,036,729 | 1,117,659 | 283,978 | 7,283,582 | 97,532,271 |
| Additions during the year | 309,223 | 3,140,907 | 792,224 | 707,064 | - | - | 12,263,612 | 17,213,030 |
| Disposals during the year | - | - | - | - | - | - | - | - |
| Write offs during the year | - | - | - | - | - | - | (139,936) | (139,936) |
| Transferred from capital work-in progress | 1,138,361 | 1,494,425 | 178,579 | 2,612,092 | - | - | (5,423,457) | - |
| As at 31st December 2021 | 27,602,061 | 40,212,544 | 7,049,437 | 24,355,885 | 1,117,659 | 283,978 | 13,983,801 | 114,605,365 |
| Accumulated depreciation | | | | | | | | |
| As at 1st January 2021 | 10,322,683 | 24,651,869 | 4,018,473 | 12,812,926 | 214,218 | 104,125 | - | 52,124,294 |
| Depreciation for the year (Note 33) | 2,308,342 | 5,500,058 | 890,102 | 3,227,539 | 111,766 | 56,796 | - | 12,094,603 |
| As at 31st December 2021 | 12,631,025 | 30,151,927 | 4,908,575 | 16,040,465 | 325,984 | 160,921 | - | 64,218,897 |
| Net carrying amount | | | | | | | | |
| As at 31st December 2021 | 14,971,036 | 10,060,617 | 2,140,862 | 8,315,420 | 791,675 | 123,057 | 13,983,801 | 50,386,468 |

Notes:

- Capital work in progress includes the amount incurred by the Bank on construction of ATMs that are yet to be commissioned.
- 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 2021 is MVR 33,517,097/-.

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14 RIGHT-OF-USE ASSETS

Right-of-use assets relate to leased properties that do not meet the definition of investment property.

| | 2022 | 2021 |
|--|---------------------------|---------------------------|
| | MVR | MVR |
| Cost | | |
| As at 1 st January | 138,243,791 | 107,293,334 |
| Additions during the year | 30,678,199 | 30,320,638 |
| Modifications during the year | (131,685) | 629,819 |
| As at 31 st December | <u>168,790,305</u> | <u>138,243,791</u> |
| Accumulated depreciation | | |
| As at 1 st January | 30,545,962 | 19,704,166 |
| Depreciation charged during the year (Note 33) | 13,415,923 | 10,841,796 |
| As at 31 st December | <u>43,961,885</u> | <u>30,545,962</u> |
| Net carrying amount | <u>124,828,420</u> | <u>107,697,829</u> |

15 INTANGIBLE ASSETS

| 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 1 st 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 |
| Transferred from property and equipment | - | - | - | - |
| Write-off during the year | - | - | (2,474,123) | (2,474,123) |
| Transferred from capital work-in-progress | - | 959,200 | (959,200) | - |
| As at 31 st 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 1 st 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 31 st 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> |
| As at 31st December 2021 | | | | |
| Cost | | | | |
| As at 1 st January 2021 | 20,057,883 | 10,901,088 | 4,409,412 | 35,368,383 |
| Additions during the year | - | 908,507 | 1,460,620 | 2,369,127 |
| Write-off during the year | - | - | (123,454) | (123,454) |
| Transferred from capital work-in-progress | - | 5,319,667 | (5,319,667) | - |
| As at 31 st December 2021 | <u>20,057,883</u> | <u>17,129,262</u> | <u>426,911</u> | <u>37,614,056</u> |
| Accumulated amortization | | | | |
| As at 1 st January 2021 | 15,805,548 | 4,642,372 | - | 20,447,920 |
| Amortization for the year (Note 33) | 1,460,203 | 2,608,155 | - | 4,068,358 |
| As at 31 st December 2021 | <u>17,265,751</u> | <u>7,250,527</u> | <u>-</u> | <u>24,516,278</u> |
| Net carrying amount as at 31st December 2021 | <u>2,792,132</u> | <u>9,878,735</u> | <u>426,911</u> | <u>13,097,778</u> |

15.1 Software work-in-progress mainly includes payments made by the bank for procuring software relating to MasterCard implementation.

15.2 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.

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| 16 OTHER ASSETS | 2022 | 2021 |
|---|--------------------|-------------------|
| | MVR | MVR |
| Refundable deposits | 7,942,795 | 7,812,316 |
| Prepayments | 7,812,282 | 6,428,710 |
| Advance payments against financing assets (Note 16.1) | 82,968,637 | 71,771,815 |
| Other receivables | 12,549,245 | 11,143,516 |
| | <u>111,272,959</u> | <u>97,156,357</u> |

16.1 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.

| 17 CUSTOMERS' ACCOUNTS | 2022 | 2021 |
|-------------------------------|----------------------|----------------------|
| | MVR | MVR |
| Current accounts | 1,796,646,409 | 1,443,357,966 |
| Saving accounts | 2,017,227,690 | 1,748,816,346 |
| General investment accounts | 1,247,559,765 | 1,214,785,193 |
| Margin accounts | 43,941,341 | 27,915,804 |
| Other deposits | 39,245,736 | 9,335 |
| | <u>5,144,620,941</u> | <u>4,434,884,644</u> |

| 18 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS | 2022 | 2021 |
|---|-------------------|--------------------|
| | MVR | MVR |
| Qardh facility from BML, Maldives (Note 18.1) | - | 92,520,000 |
| Islamic Corporation for the Development of private sector (ICD) (Note 18.2) | 93,027,623 | 155,046,038 |
| | <u>93,027,623</u> | <u>247,566,038</u> |

18.1 The Qardh facilities from BML totalling US\$ 6Mn that matured during the year were not renewed upon maturity.

18.2 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.

| 19 PROVISIONS | 2022 | 2021 |
|--|------------------|----------------|
| | MVR | MVR |
| As at 1 st January | 977,782 | 1,225,274 |
| Provision made during the year - Undrawn credit facilities | 2,334,626 | (247,492) |
| As at 31 st December | <u>3,312,408</u> | <u>977,782</u> |

The above provision represents the ECL provision recognized by the Bank for undrawn credit facilities.

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20 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.

| | 2022 | 2021 |
|--|--------------------|--------------------|
| | MVR | MVR |
| As at 1 st January | 98,880,224 | 88,379,299 |
| Additions during the year | 30,678,199 | 30,320,638 |
| Modifications during the year | (131,685) | 629,819 |
| Financing expense on lease liabilities | 5,252,352 | 5,131,839 |
| Payments made during the year | (39,206,407) | (25,581,371) |
| As at 31 st December | <u>95,472,683</u> | <u>98,880,224</u> |
| Maturity analysis of undiscounted cash flows as follows | | |
| Less than one year | 13,533,443 | 12,610,581 |
| More than one year | 106,060,181 | 114,343,929 |
| | <u>119,593,624</u> | <u>126,954,510</u> |

Sensitivity analysis of lease liabilities

The below table reflects the sensitivity of lease liabilities as at 31st December 2022 to reasonably possible changes in Incremental Borrowing Rate (IBR).

| | -1% | No Change | +1% |
|-------------------|------------|------------------|------------|
| Lease liabilities | 91,747,743 | 95,472,683 | 99,399,188 |

20.1 Amount recognised in profit or loss

| | | |
|--|------------|------------|
| Financing expense on lease liabilities | 5,252,352 | 5,131,839 |
| Amortization of right of use asset | 13,415,923 | 10,841,796 |

20.2 Amount recognised in statement of cash flows

| | | |
|--|-------------------|-------------------|
| | <u>33,954,055</u> | <u>20,449,532</u> |
|--|-------------------|-------------------|

20.3 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 6,721,402/- as a result of the extensions as at 31st December 2022 (as at 31st December 2021: MVR 4,375,680/-)

21 OTHER LIABILITIES

| | 2022 | 2021 |
|--------------------------------|-------------------|-------------------|
| | MVR | MVR |
| Accrued expenses | 2,343,053 | 6,982,545 |
| Pension payable | 522,526 | 470,143 |
| Payable to suppliers | 6,093,247 | 12,547,557 |
| Cashiers cheque | 278,741 | 2,869,337 |
| Charity funds from financing | 470,253 | 304,614 |
| Retention on Istisna' projects | - | 431,440 |
| Dividend payable | 3,437,548 | 12,759,264 |
| Other liabilities* | 32,864,971 | 10,006,594 |
| | <u>46,010,339</u> | <u>46,371,494</u> |

*Other liabilities mainly include bonus payable to staff, clearing inter-bank transfers, withholding tax payable to MIRA and other fund-clearing accounts.

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22 SHARE CAPITAL

22.1 Authorized share capital

| | 2022 | 2021 |
|---|----------------------|----------------------|
| | MVR | MVR |
| 100,000,000 ordinary shares of MVR 10/- each (2021: 100,000,000 ordinary shares of MVR 10/- each) | <u>1,000,000,000</u> | <u>1,000,000,000</u> |

22.2 Issued and fully paid up share capital

| | 2022 | | 2021 | |
|---|--------------------|----------------------|--------------------|----------------------|
| | Value | No. of shares | Value | No. of shares |
| | MVR | | MVR | |
| 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 | | 45,000,000 | |
| -share premium | 112,500,000 | 4,500,000 | 112,500,000 | 4,500,000 |
| | <u>225,000,070</u> | <u>22,500,007</u> | <u>225,000,070</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 (2021: 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).

22.3 Shareholders

| | 2022 | | 2021 | |
|---|----------------------|-------------|----------------------|-------------|
| | No. of shares | % | No. of shares | % |
| Islamic Corporation for the Development of the Private Sector | 7,425,000 | 33% | 8,100,000 | 36% |
| 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% | 1,130,152 | 5% |
| Others | 4,599,265 | 20% | 4,600,485 | 20% |
| Total | <u>22,500,007</u> | <u>100%</u> | <u>22,500,007</u> | <u>100%</u> |

22.4 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 1.488 per share, amounting to MVR 33,480,010 during the year ended 31st December 2022. During the year ended 31st December 2021 the bank declared dividends of MVR 1.225 per share, amounting to MVR 27,562,509.

23 FAIR VALUE RESERVE

The bank has elected to recognise changes in the fair value of certain investments in equity securities in OCI (Note 10). 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.

24 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 2022. (2021: MVR 17,253,743/-).

However, the bank has the statutory reserve amounting to MVR 150,000,000/- as at 31st December 2021 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.

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25 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).

Provision for impairment in accordance with MMA guidelines was higher than the ECL provision and the additional amount of MVR 3,473,192/- has been transferred to Non-distributable capital reserve as at 31st December 2022 (31st December 2021: Release of MVR 18,346,230/-).

| | 2022 | 2021 |
|---|--------------------|--------------------|
| | MVR | MVR |
| Impairment provision per MMA Prudential Regulation as at 31st December | 119,756,128 | 102,396,117 |
| Less: Impairment provision per IFRS 9 as at 31st December (Note 12.2 & 19) | (95,980,685) | (82,093,866) |
| Non-distributable capital reserve as at 31st December | <u>23,775,443</u> | <u>20,302,251</u> |
| 26 NET PROFIT EARNED FROM FINANCING ACTIVITIES | | |
| | 2022 | 2021 |
| | MVR | MVR |
| Income from financing activities (Note 26.1) | 309,236,617 | 266,833,523 |
| Profit paid on customer accounts (Note 26.2) | (54,596,346) | (58,381,880) |
| Net profit from financing activities | <u>254,640,271</u> | <u>208,451,643</u> |
| 26.1 Income from financing activities - measured at amortised cost | | |
| Income from Education financing | 50,463 | 162,760 |
| Income from Murabaha | 154,881,958 | 124,335,252 |
| Income from Istisna' | 16,715,573 | 20,021,137 |
| Income from Diminishing Musharaka | 133,029,763 | 116,470,318 |
| Income from financing activities using the effective profit method | <u>304,677,757</u> | <u>260,989,467</u> |
| Net impact of modification of financial assets measured at amortised cost (Note 26.3) | 4,558,860 | 5,844,056 |
| Total income from finance activities using the effective profit method | <u>309,236,617</u> | <u>266,833,523</u> |
| 26.2 Profit paid on customer accounts & others - measured at amortised cost | | |
| General investment accounts | 31,517,625 | 34,964,428 |
| Savings accounts | 16,976,776 | 15,908,092 |
| Inter-Bank financing | 6,101,945 | 7,509,360 |
| | <u>54,596,346</u> | <u>58,381,880</u> |
| 26.3 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.

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26 NET PROFIT EARNED FROM FINANCING ACTIVITIES (CONTINUED)

26.3 Net loss arising from modification of financial assets measured at amortised cost (Continued)

| | 2022 | | | 2021 | | |
|------------------------------------|-----------|-----------------------|-----------|-----------|-----------------------|-------------|
| | Murabaha | Diminishing Musharaka | Total | Murabaha | Diminishing Musharaka | Total |
| Amortised cost before modification | - | - | - | - | 70,231,666 | 70,231,666 |
| Loss on modification | - | - | - | - | (1,910,606) | (1,910,606) |
| Unwinding effect during the year | 1,765,912 | 2,792,948 | 4,558,860 | 4,051,513 | 3,703,149 | 7,754,662 |
| Net impact to profit or loss | 1,765,912 | 2,792,948 | 4,558,860 | 4,051,513 | 1,792,543 | 5,844,056 |

27 NET FEE AND COMMISSION INCOME

| | 2022 MVR | 2021 MVR |
|--|-------------|-------------|
| Fee and commission income (Note 27.1) | 42,792,827 | 34,032,861 |
| Fee and commission expense (Note 27.2) | (5,956,175) | (3,082,482) |
| Net fee and commission income | 36,836,652 | 30,950,379 |

27.1 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 | |
|---|------------------------------|-------------|---------------------------------|-------------|-------------|-------------|
| | 2022 MVR | 2021 MVR | 2022 MVR | 2021 MVR | 2022 MVR | 2021 MVR |
| Banking services | 12,445,669 | 10,118,068 | - | - | 12,445,669 | 10,118,068 |
| Trade finance services | 1,392,215 | 1,139,916 | - | - | 1,392,215 | 1,139,916 |
| Remittances | 17,614,938 | 16,763,859 | - | - | 17,614,938 | 16,763,859 |
| ATM, POS, Faixa Net and Gateway services | - | - | 11,333,027 | 5,964,974 | 11,333,027 | 5,964,974 |
| Other fees and commissions income | 6,978 | 46,044 | - | - | 6,978 | 46,044 |
| Total fee and commission income from contracts with customers | 31,459,800 | 28,067,887 | 11,333,027 | 5,964,974 | 42,792,827 | 34,032,861 |

27.2 Fee and commission expense

| | | | | | | |
|------------------------|---------|-----------|-----------|-----------|-----------|-----------|
| Fund transfer expenses | 809,170 | 1,082,742 | 5,147,005 | 1,999,740 | 5,956,175 | 3,082,482 |
| | 809,170 | 1,082,742 | 5,147,005 | 1,999,740 | 5,956,175 | 3,082,482 |

28 NET FOREIGN EXCHANGE GAIN

| | 2022 MVR | 2021 MVR |
|---------------------------|-------------|-------------|
| Net foreign exchange gain | 241,450 | 538,638 |

Net foreign exchange gain represent net income received from buying and selling of foreign currency.

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| 29 INCOME FROM INVESTMENTS IN EQUITY SECURITIES | 2022 | 2021 |
|--|-------------------|-------------------|
| | MVR | MVR |
| Dividend income from investment measured at FVOCI | 4,089,000 | 3,930,600 |
| | <u>4,089,000</u> | <u>3,930,600</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 4.13/- per share as final dividend for 2021 and interim dividend of MVR 1.66/- per share for 2022 (2021: Interim of MVR 7.02/- for 2020 and MVR 1.86/- per share as interim dividend of 2021), from Ooredoo, MVR 2.70/- per share as the final dividend for 2021. (2021: final dividend of MVR 2.34/- for 2020).</p> | | |
| 30 NET INCOME FROM OTHER FINANCIAL INSTRUMENTS | | |
| 30.1 Investments in other financial instruments mandatorily measured at FVTPL | 2022 | 2021 |
| | MVR | MVR |
| Wakala placement income | 492,008 | 4,778,983 |
| Mudharabah income mandatorily measured at FVTPL | 16,707,191 | 21,554,007 |
| | <u>17,199,199</u> | <u>26,332,990</u> |
| 30.2 Income from investments measured at amortised cost | 2022 | 2021 |
| | MVR | MVR |
| Income from Ijarah/Wakalah Bi Al-Isthithmar | 28,929,353 | 6,242,466 |
| Income from Commodity Murabaha placement | 691,973 | - |
| | <u>29,621,326</u> | <u>6,242,466</u> |
| 31 PERSONNEL EXPENSES | 2022 | 2021 |
| | MVR | MVR |
| Salaries and wages | 51,516,305 | 49,198,784 |
| Housing allowance | 9,363,321 | 7,130,073 |
| Annual and ramadhan bonus | 14,054,410 | 12,200,610 |
| Contribution to defined contribution plans | 2,980,531 | 2,761,303 |
| Medical insurance | 1,925,396 | 2,019,047 |
| Other staff expenses | 2,970,174 | 3,071,091 |
| Training and development | 2,904,964 | 759,112 |
| Executive allowance | 899,912 | 526,320 |
| Uniforms | 138,280 | 330,576 |
| | <u>86,753,293</u> | <u>77,996,916</u> |
| 32 GENERAL AND ADMINISTRATIVE EXPENSES | 2022 | 2021 |
| | MVR | MVR |
| Technology related expenses | 13,491,582 | 9,058,083 |
| Financing expenses on lease liabilities | 5,252,352 | 5,131,839 |
| Connectivity and internet charges | 3,903,685 | 3,736,815 |
| Electricity expenses | 3,765,197 | 3,353,750 |
| Marketing and advertising expenses | 3,366,431 | 3,204,722 |
| Premises security and insurance | 3,164,423 | 2,751,522 |
| Directors allowance and board related expenses | 3,973,730 | 2,274,494 |
| Other operating expenses | 1,931,217 | 1,983,592 |
| Stationary costs | 1,711,606 | 1,962,850 |
| Legal and professional expenses | 1,941,258 | 1,772,341 |
| Communication expenses | 1,560,807 | 1,473,134 |
| Financing related expenses | 1,516,520 | 1,282,250 |
| Utility expenses | 1,075,446 | 1,010,574 |
| Maintenance expense | 1,441,473 | 897,609 |
| Travelling expenses | 880,388 | 548,039 |
| Shari'ah committee related expenses | 825,966 | 236,571 |
| | <u>49,802,081</u> | <u>40,678,185</u> |

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| 33 DEPRECIATION AND AMORTISATION | 2022 | 2021 |
|---|-------------------|-------------------|
| | MVR | MVR |
| Depreciation on property plant and equipment (Note 13) | 12,687,086 | 12,094,603 |
| Depreciation on right of use assets (Note 14) | 13,415,923 | 10,841,796 |
| Amortisation on intangible assets (Note 15) | 3,868,756 | 4,068,358 |
| | <u>29,971,765</u> | <u>27,004,757</u> |
| 34 INCOME TAX | 2022 | 2021 |
| | MVR | MVR |
| 34.1 Amounts recognised in profit or loss | | |
| Current tax (Note 34.3) | 47,612,043 | 25,180,897 |
| Deferred tax asset (Note 34.5) | (7,248,720) | (9,745,064) |
| | <u>40,363,323</u> | <u>15,435,833</u> |
| 34.2 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 34.5) | 12,250,000 | (2,775,000) |

34.3 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.

| | 2022 | 2021 |
|---|-------------------|-------------------|
| | MVR | MVR |
| Accounting profit before tax | 161,455,349 | 95,058,294 |
| Tax effect at the Income tax rate - 25% | 40,363,837 | 23,764,574 |
| Tax effect of non-deductible expenses | 7,800,313 | 12,971,608 |
| Tax effect of deductible expenses | (552,107) | (11,555,284) |
| Current tax | <u>47,612,043</u> | <u>25,180,897</u> |

Numerical reconciliation of income tax expense to prima facie tax payable

| | | |
|--|-------------------|-------------------|
| Accounting profit before tax | 161,455,349 | 95,058,294 |
| Tax effect at the Income tax rate - 25% | 40,363,837 | 23,764,574 |
| Tax effect of non-deductible expenses | 9,446,999 | (2,691,318) |
| Tax effect of deductible expenses | 2,802,487 | (8,412,423) |
| Under/(over) provision of taxes in respect of prior years | - | - |
| Income tax expense reported in the statement of comprehensive income | <u>52,613,323</u> | <u>12,660,833</u> |
| Effective tax rate (Excluding deferred tax) | <u>25%</u> | <u>16%</u> |
| Effective tax rate (Including deferred tax) | <u>29%</u> | <u>26%</u> |

34.4 Current tax liability

| | 2022 | 2021 |
|---------------------------------|-------------------|------------------|
| | MVR | MVR |
| As at 1 st January | 8,617,681 | 19,733,031 |
| Current tax | 47,612,043 | 25,180,897 |
| Tax paid during the year | (21,073,831) | (36,296,247) |
| As at 31 st December | <u>35,155,893</u> | <u>8,617,681</u> |

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34 INCOME TAX (CONTINUED)

34.5 Deferred tax asset

| | 2022 | 2021 |
|--|------------------|--------------------|
| | MVR | MVR |
| As at 1 st January | (2,864,714) | 6,880,350 |
| <u>Recognition in profit or loss</u> | | |
| Deferred tax asset recognized during the year | (7,248,720) | (9,745,064) |
| Deferred tax liability reversed during the year | - | - |
| <u>Recognition in other comprehensive income</u> | | |
| Deferred tax liabilities recognised / (reversal) during the year | 12,250,000 | |
| As at 31 st December | <u>2,136,566</u> | <u>(2,864,714)</u> |

34.6 Deferred tax liability / (asset) attributable for following:

| | 2022 | | 2021 | |
|--|-----------------------------|-------------------|-----------------------------|--------------------|
| | Temporary difference | Tax effect | Temporary difference | Tax effect |
| | MVR | MVR | MVR | MVR |
| Property and equipment | (3,289,300) | (822,325) | 715,552 | 178,888 |
| Intangible assets | 6,934,572 | 1,733,643 | 6,069,244 | 1,517,311 |
| Investments in equity securities | 55,100,000 | 13,775,000 | 6,100,000 | 1,525,000 |
| Impairment loss allowance on receivables from financing activities | (61,299,009) | (15,324,752) | (35,443,652) | (8,860,913) |
| | <u>(2,553,737)</u> | <u>(638,434)</u> | <u>(22,558,856)</u> | <u>(5,639,714)</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% (2021: 25%).

Movement in deferred tax (asset) / liability

| | Balance as at 1st January 2022 | Recognized in profit or loss | Recognized in OCI | Balance as at 31st December 2022 |
|--|---------------------------------------|-------------------------------------|--------------------------|---|
| | MVR | MVR | MVR | MVR |
| Property and equipment | 178,888 | (1,001,213) | - | (822,325) |
| Intangible assets | 1,517,311 | 216,332 | - | 1,733,643 |
| Investments in equity securities | 1,525,000 | - | 12,250,000 | 13,775,000 |
| Impairment loss allowance on receivables from financing activities | (8,860,913) | (6,463,839) | - | (15,324,752) |
| | <u>(5,639,714)</u> | <u>(7,248,720)</u> | <u>12,250,000</u> | <u>(638,434)</u> |

35 BASIC AND DILUTED EARNINGS PER SHARE

35.1 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:

| | 2022 | 2021 |
|--|--------------|--------------|
| | MVR | MVR |
| Profit attributable to ordinary shareholders | 121,092,026 | 79,622,461 |
| Weighted average number of ordinary shares | 22,500,007 | 22,500,007 |
| Basic earnings per share - MVR | <u>5.38</u> | <u>3.54</u> |
| 35.2 Net assets per share as of 31 st December | <u>34.81</u> | <u>29.28</u> |

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36 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 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 | - | - | 103,460,677 | 103,460,677 |
| Total financial assets | | 120,984,575 | 102,100,000 | 5,772,187,413 | 5,995,271,988 |
| Customers' accounts | 17 | - | - | 5,144,620,941 | 5,144,620,941 |
| Due to banks and other financial institutions | 18 | - | - | 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 |
| 31st December 2021 | Note | Mandatorily at FVTPL MVR | Designated at FVOCI MVR | Amortised cost MVR | Total carrying amount MVR |
| Cash and balances with other banks | 7 | - | - | 234,786,235 | 234,786,235 |
| Balances with Maldives Monetary Authority | 8 | - | - | 1,702,509,895 | 1,702,509,895 |
| Investments in equity securities | 10 | - | 53,100,000 | - | 53,100,000 |
| Investments in other financial instruments | 11 | 365,301,001 | - | 350,570,548 | 715,871,549 |
| Net receivables from financing activities | 12 | - | - | 2,346,159,157 | 2,346,159,157 |
| Due from banks | 9 | - | - | 169,691,388 | 169,691,388 |
| Other assets | 16 | - | - | 81,538,632 | 81,538,632 |
| Total financial assets | | 365,301,001 | 53,100,000 | 4,885,255,855 | 5,303,656,856 |
| Customers' accounts | 17 | - | - | 4,434,884,644 | 4,434,884,644 |
| Due to banks and other financial institutions | 18 | - | - | 247,566,038 | 247,566,038 |
| Lease liabilities | 20 | - | - | 98,880,224 | 98,880,224 |
| Other liabilities | 21 | - | - | 39,388,949 | 39,388,949 |
| Total financial liabilities | | - | - | 4,820,719,855 | 4,820,719,855 |

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37 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

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.

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37 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.

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37 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)

| | 2022 | | | | 2021 | | | |
|--|---------------|-------------|--------------|---------------|---------------|-------------|---------------|--|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 2 | Stage 3 | Total | |
| <u>Receivable from financing activities measured at amortised cost - gross carrying amount</u> | MVR | MVR | MVR | MVR | MVR | MVR | MVR | |
| Grade 1 - low risk (0 days) | 2,488,607,682 | - | - | 2,488,607,682 | 1,989,718,955 | - | 1,989,718,955 | |
| Grade 2 - low risk (1 - 30 days) | 181,189,609 | - | - | 181,189,609 | 168,737,947 | - | 168,737,947 | |
| Grade 3 - fair risk (31 - 60 days) | - | 33,502,311 | - | 33,502,311 | - | 71,034,326 | 71,034,326 | |
| Grade 4 - fair risk (61 - 89 days) | - | 49,867,851 | - | 49,867,851 | - | 25,495,506 | 25,495,506 | |
| Grade 5 - default (over 90 days) | - | - | 161,469,757 | 161,469,757 | - | - | 172,288,507 | |
| | 2,669,797,290 | 83,370,161 | 161,469,757 | 2,914,637,209 | 2,158,456,902 | 96,529,832 | 2,427,275,241 | |
| Loss allowance | (18,157,663) | (5,805,391) | (68,705,223) | (92,668,277) | (5,642,205) | (3,873,281) | (81,116,084) | |
| Carrying amount | 2,651,639,627 | 77,564,771 | 92,764,535 | 2,821,968,932 | 2,152,814,698 | 92,656,551 | 2,346,159,157 | |
| <u>Receivable from financing activities measured at amortised cost - gross carrying amount</u> | | | | | | | | |
| Current | 2,488,607,682 | - | - | 2,488,607,682 | 1,989,718,955 | - | 1,989,718,955 | |
| Overdue < 30 days | 181,189,609 | - | - | 181,189,609 | 168,737,947 | - | 168,737,947 | |
| Overdue > 30 days | - | 83,370,161 | 161,469,757 | 244,839,919 | - | 96,529,832 | 268,818,339 | |
| Total | 2,669,797,290 | 83,370,161 | 161,469,757 | 2,914,637,209 | 2,158,456,902 | 96,529,832 | 2,427,275,241 | |
| <u>Financing commitments (undrawn financing facilities)</u> | | | | | | | | |
| Grades 1-4: low-fair risk | 604,179,581 | 142,240 | - | 604,321,822 | - | 130,298 | 130,298 | |
| Loss allowance | (3,305,827) | (6,581) | - | (3,312,408) | - | (3,946) | (3,946) | |

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37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (Continued)

(a) ii. Cash and cash equivalents

The Bank held cash and cash equivalents of MVR 570,188,534/- as at 31st December 2022 (31st December 2021 - MVR 1,541,191,132/-). 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 |
|---|------|---|------|-----------------------------------|
| | | 2022 | 2021 | |
| Receivable from financing activities | | | | |
| Education financing | | 0% | 0% | None |
| Murabaha | | 18% | 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 | 2022 | 2021 |
|---|----------------------|----------------------|
| | MVR | MVR |
| Less than 50% | 959,981,296 | 341,485,913 |
| 51% - 70% | 383,323,808 | 126,184,672 |
| 71% - 90% | 442,923,534 | 123,991,785 |
| 91% - 100% | 57,003,350 | 1,002,258,413 |
| No collateral required (consumer financing) | 1,071,405,221 | 833,354,458 |
| Total | <u>2,914,637,209</u> | <u>2,427,275,241</u> |
| Credit-impaired financing | | |
| Less than 50% | 115,696,560 | 12,606,417 |
| 51% - 70% | 190,757 | 505,759 |
| More than 70% | 44,138 | 109,805,761 |
| No collateral required (consumer financing) | 45,538,302 | 49,370,570 |
| | <u>161,469,757</u> | <u>172,288,507</u> |

As at 31st December 2022, the Bank did not hold any financial instruments for which no loss allowance is recognized because of collateral.

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37 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 2022, the net carrying amount of credit impaired financing facilities granted to corporate customers is MVR 51,524,266/- (2021: MVR 36,568,866/-) and the value of identifiable collateral (mainly land and property) held against those financing facilities amounted to MVR 112 Mn (2021: MVR 66 Mn). 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 2022, the maximum exposure to credit risk of investment securities measured at FVTPL was their carrying amount of MVR 120,984,575 (2021: MVR 365,301,001). 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

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.

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37 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.

Estimation approach used in 2021

The bank had performed statistical regression analysis between historical macro economic data (GDP) and historical credit index. Estimated credit indexes had been determined by plugging forecasted macroeconomic variables in the factor model developed in the regression analysis. Forecasted PDs were computed by shifting Through the Cycle (TTC) matrix using estimated credit index. The Bank had adopted the credit index approach for Diminishing Musharakah and Istisna portfolios. For all the other financing portfolios, BASEL formula was used to adjust the historical Probability of Default (PD) to compute the forward-looking PD.

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.

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37 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 2022 included the following key indicators for Maldives for the years ending 31st December 2023 to 2027.

| | | 2023 | 2024 | 2025 | 2026 | 2027 |
|------------------------|-----------------|------|------|------|------|------|
| GDP growth rate | <i>Base</i> | 6.1% | 6.5% | 5.6% | 5.5% | 5.6% |
| | <i>Upside</i> | 8.0% | 8.4% | 7.5% | 7.4% | 7.4% |
| | <i>Downside</i> | 4.2% | 4.6% | 3.7% | 3.6% | 3.7% |
| Inflation rate | <i>Base</i> | 4.4% | 2.0% | 2.0% | 2.0% | 2.0% |
| | <i>Upside</i> | 2.7% | 0.4% | 0.4% | 0.4% | 0.4% |
| | <i>Downside</i> | 6.0% | 3.6% | 3.6% | 3.6% | 3.6% |
| Employment 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 2022 to reasonably possible changes to the key economic factor adjustments held constant in the ECL model.

| | -1% | No Change | +1% |
|------------|------------|------------|-------------|
| Inflation | 96,866,849 | 96,739,276 | 96,611,610 |
| GDP | 94,975,214 | 96,739,276 | 98,474,284 |
| Employment | 92,408,069 | 96,739,276 | 100,877,441 |

(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.

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37 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.

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37 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 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 |
| Transfers: | | | | - |
| 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 | (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> |
| | 31st December 2021 | | | |
| | 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 2021 | 8,939,766 | 5,098,392 | 32,347,144 | 46,385,302 |
| Transfer from Stage 1 to Stage 2 | (5,676,595) | 5,676,595 | - | - |
| Transfer from Stage 1 to Stage 3 | (498,103) | - | 498,103 | - |
| Transfer from Stage 2 to Stage 3 | - | (337,976) | 337,976 | - |
| Transfer from Stage 3 to Stage 2 | - | 560,618 | (560,618) | - |
| Transfer from Stage 3 to Stage 1 | 2,082,791 | - | (2,082,791) | - |
| Transfer from Stage 2 to Stage 1 | 1,908,800 | (1,908,800) | - | - |
| Net remeasurement of loss allowance | (1,233,978) | (5,680,056) | 39,145,862 | 32,231,828 |
| New Financial assets originated | 2,125,415 | 468,455 | 322,250 | 2,916,120 |
| Balance as at 31st December 2021 | <u>6,616,040</u> | <u>3,877,228</u> | <u>71,600,598</u> | <u>81,533,250</u> |

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37 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.

| | 2022 | 2021 |
|---|--------------------|--------------------|
| | MVR | MVR |
| Opening balance of credit-impaired financing facilities to customers | 172,288,507 | 112,334,516 |
| Classified as credit-impaired during the year | 49,934,802 | 88,083,815 |
| Transferred to not credit-impaired during the year | (22,922,433) | (20,957,945) |
| Change in carrying amount of facilities that remained credit-impaired | (37,831,119) | (7,171,879) |
| Closing balance of credit-impaired financing facilities to customers | <u>161,469,757</u> | <u>172,288,507</u> |

(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 | |
|--|---|----------------------|--|--------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Concentration by Industry | MVR | MVR | MVR | MVR |
| Consumer goods | 1,112,316,725 | 848,330,525 | 148,962,545 | 148,073,585 |
| Transport and communications | 74,035,333 | 54,965,519 | - | 61,432,060 |
| Commerce - wholesale and retail trade | 184,167,100 | 226,163,252 | 244,491,969 | 198,111,208 |
| Construction - residential financing | 1,210,815,592 | 1,021,650,403 | 148,774,608 | 34,868,106 |
| Construction - commercial building financing | 153,645,761 | 97,668,310 | 117,280,211 | 23,609,723 |
| Electricity, lighting and power | 7,724,814 | - | - | - |
| Tourism | 112,815,505 | 137,857,894 | 3,442,521 | - |
| Fishing | 59,116,379 | 40,639,338 | 18,406,527 | 8,135,356 |
| Others | - | - | - | - |
| Total | <u>2,914,637,209</u> | <u>2,427,275,241</u> | <u>681,358,381</u> | <u>474,230,037</u> |
| Concentration by sector | | | | |
| Business | 549,099,370 | 428,759,844 | 331,919,581 | 260,864,817 |
| Individual | 2,365,537,839 | 1,998,515,397 | 349,438,800 | 213,365,220 |
| Total | <u>2,914,637,209</u> | <u>2,427,275,241</u> | <u>681,358,381</u> | <u>474,230,037</u> |

(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.

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37 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 net liquid assets to deposits from customers. For this purpose, 'net liquid assets' includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued and other borrowings (fundings) maturing within the next month. Details of the reported bank ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows.

| | 2022 | 2021 |
|--------------------------|-------------|-------------|
| As at the reporting date | 31.77% | 41.80% |
| Average for the period | 34.26% | 41.04% |
| Maximum for the period | 45.20% | 47.42% |
| Minimum for the period | 28.77% | 37.52% |

(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.

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37 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 2022 | Carrying amount MVR | Gross nominal inflow (outflow) MVR | 0-12 Months MVR | 1-2 Years MVR | 2-5 Years MVR | More than five years 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 | 1,915,360,897 | - | - | - |
| 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 | 103,460,677 | 103,460,677 | 103,460,677 | - | - | - |
| | 5,995,029,721 | 7,206,746,714 | 4,155,169,008 | 721,499,318 | 1,202,410,714 | 1,127,425,407 |
| 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 | - | - | - |
| | 5,376,788,533 | 5,404,608,106 | 4,891,240,206 | 200,733,876 | 265,244,990 | 47,389,034 |
| Net gap | 618,241,188 | 1,802,138,609 | (736,071,198) | 520,765,443 | 937,165,724 | 1,080,036,373 |
| As at 31st December 2021 | | | | | | |
| Financial assets by type - Non-derivative | | | | | | |
| Cash and balances with other banks | 234,786,235 | 234,786,235 | 234,786,235 | - | - | - |
| Balances with maldives monetary authority | 1,702,509,895 | 1,702,509,895 | 1,702,509,895 | - | - | - |
| Investments in equity securities * | 53,100,000 | 53,100,000 | - | - | - | 53,100,000 |
| Investments in other financial instruments * | 715,871,549 | 715,871,549 | 715,871,549 | - | - | - |
| Due from banks | 169,691,388 | 169,922,313 | 169,922,313 | - | - | - |
| Net receivables from financing activities | 2,346,159,157 | 3,371,934,320 | 977,048,095 | 569,516,939 | 845,023,702 | 980,345,584 |
| Other assets | 81,538,632 | 81,538,632 | 81,538,632 | - | - | - |
| | 5,303,656,856 | 6,329,662,944 | 3,881,676,719 | 569,516,939 | 845,023,702 | 1,033,445,584 |
| Financial liability by type - Non-derivative | | | | | | |
| Deposits from customers * | 4,434,884,644 | 4,434,884,644 | 3,307,439,118 | 983,791,945 | 143,653,581 | - |
| Due to banks and other financial institutions | 247,566,038 | 257,366,615 | 160,640,360 | 65,210,877 | 31,515,378 | - |
| Lease liabilities | 98,880,224 | 126,954,511 | 12,610,581 | 12,751,421 | 39,411,928 | 62,180,581 |
| Other liabilities | 39,388,949 | 39,388,949 | 39,388,949 | - | - | - |
| | 4,820,719,855 | 4,858,594,719 | 3,520,079,008 | 1,061,754,243 | 214,580,887 | 62,180,581 |
| Net gap | 482,937,001 | 1,471,068,225 | 361,597,711 | (492,237,303) | 630,442,815 | 971,265,003 |

* 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.

| | 2022 MVR | 2021 MVR |
|---|----------------------|----------------------|
| Balances with Maldives Monetary Authority | 874,333,752 | 1,702,509,895 |
| Balances with other banks | 70,915,716 | 119,636,341 |
| Other cash and cash equivalents | 107,406,071 | 115,149,894 |
| Total liquidity reserves | 1,052,655,539 | 1,937,296,130 |

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37 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 | |
|---|------------------------|----------------------|
| | 2022 | 2021 |
| | MVR | MVR |
| Assets subject to market risk | | |
| Cash and cash equivalents | 26,936,200 | 41,257,415 |
| Receivables from financing activities | 1,411,456,310 | 1,190,221,005 |
| Investment in equity securities | 102,100,000 | 53,100,000 |
| Investment in money market securities and other investments | 120,984,575 | 365,301,001 |
| | <u>1,661,477,085</u> | <u>1,649,879,421</u> |
| Liabilities subject to market risk | | |
| Deposits | 3,264,787,455 | 2,963,601,539 |
| Lease liabilities | 95,472,683 | 98,880,224 |
| | <u>3,360,260,138</u> | <u>3,062,481,763</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:

| | 2022 | 2021 |
|---|----------------------|----------------------|
| | MVR | MVR |
| Fixed rate instruments | | |
| <i>Financial assets</i> | | |
| Net receivables from financing activities | 2,821,968,932 | 2,346,159,157 |
| Investments measured at amortised cost | 1,794,618,589 | 350,570,548 |
| | <u>4,616,587,521</u> | <u>2,696,729,705</u> |
| <i>Financial liabilities</i> | | |
| Customers' accounts | 3,264,787,455 | 2,963,601,539 |
| Due to banks and other financial institutions | 93,027,623 | 247,566,038 |
| | <u>3,357,815,078</u> | <u>3,211,167,577</u> |
| Variable rate instruments | | |
| <i>Financial assets</i> | | |
| Investments mandatorily measured at FVTPL | 120,984,575 | 365,301,001 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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37 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

| As at 31 st December 2022 | Profit-bearing | | | | Non-profit bearing | Total |
|--|----------------------|----------------------|--------------------|--------------------|----------------------|----------------------|
| | 0 - 12 Months | 1 - 2 Years | 2 - 5 Years | More than 5 Years | | |
| 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 | 2,928,231,515 | 155,130,941 | 220,661,400 | - | 1,840,597,085 | 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>2,937,404,027</u> | <u>165,390,747</u> | <u>253,937,120</u> | <u>42,764,644</u> | <u>1,884,264,371</u> | <u>5,283,760,910</u> |
| Profit rate sensitivity gap | <u>(305,246,842)</u> | <u>342,158,031</u> | <u>616,572,923</u> | <u>684,349,178</u> | <u>(832,125,156)</u> | <u>505,708,134</u> |
| As at 31st December 2021 | | | | | | |
| | Profit-bearing | | | | Non-profit bearing | Total |
| | 0 - 12 Months | 1 - 2 Years | 2 - 5 Years | More than 5 Years | | |
| Assets | MVR | MVR | MVR | MVR | MVR | MVR |
| Cash and balances with other banks | - | - | - | - | 234,786,235 | 234,786,235 |
| Balances with maldives monetary authority | - | - | - | - | 1,702,509,895 | 1,702,509,895 |
| Net receivables from financing activities | 692,724,833 | 410,096,303 | 568,092,101 | 675,245,919 | - | 2,346,159,157 |
| Investments in other financial instruments | 715,871,549 | - | - | - | - | 715,871,549 |
| | <u>1,408,596,382</u> | <u>410,096,303</u> | <u>568,092,101</u> | <u>675,245,919</u> | <u>1,937,296,130</u> | <u>4,999,326,836</u> |
| Liabilities | | | | | | |
| Customer's liabilities | 1,796,919,612 | 983,791,945 | 143,653,581 | - | 1,510,519,506 | 4,434,884,644 |
| Lease liabilities | 7,363,449 | 7,932,354 | 28,011,055 | 55,573,366 | - | 98,880,224 |
| Other liabilities | - | - | - | - | 39,388,949 | 39,388,949 |
| | <u>1,804,283,061</u> | <u>991,724,299</u> | <u>171,664,636</u> | <u>55,573,366</u> | <u>1,549,908,455</u> | <u>4,573,153,817</u> |
| Profit rate sensitivity gap | <u>(395,686,679)</u> | <u>(581,627,996)</u> | <u>396,427,465</u> | <u>619,672,554</u> | <u>387,387,675</u> | <u>426,173,019</u> |

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37 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.

| | 2022 | 2021 |
|---|-------------------|------------------|
| | US\$ | US\$ |
| Cash and balances with other banks | 5,860,011 | 7,145,209 |
| Balances with Maldives Monetary Authority | 25,975,260 | 24,069,829 |
| Investments in other financial instruments | 6,011,178 | 5,022,500 |
| Net receivables from financing activities | 26,507,731 | 20,642,063 |
| Other assets | 5,807,564 | 4,228,707 |
| Customers' accounts | (59,431,252) | (52,705,083) |
| Other liabilities | (513,314) | (529,988) |
| Net statement of financial position exposure | 10,217,178 | 7,873,237 |

The following significant exchange rates were applied during the year:

| | Average rate | | Reporting date | |
|----------------------------|---------------------|--------------|-----------------------|-------------|
| | Year | Year | spot rate | |
| | ended | ended | 2022 | 2021 |
| 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 2022 by MVR 10,210,000/- (2021: MVR 5,310,000/-).

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37 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.

38 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.

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38 CAPITAL MANAGEMENT

(a) Regulatory capital adequacy (continued)

The bank's regulatory capital consists of the sum of the following elements;

| | 2022 | 2021 |
|--|--------------------|--------------------|
| | MVR | MVR |
| Tier 1 ("Core") Capital | | |
| Share capital | 337,500,070 | 337,500,070 |
| Retained earnings (shown as previous year amount as MMA requirement) | 112,941,176 | 65,706,238 |
| Statutory reserve (shown as previous year amount as MMA requirement) | 150,000,000 | 132,746,257 |
| Less: Future income tax benefits | (7,164,714) | - |
| Total Tier 1 Capital | 593,276,532 | 535,952,565 |
| Tier 2 ("Supplementary") Capital | | |
| Current year-to-date profit | 121,092,026 | 79,622,461 |
| Valuation adjustment (discounted 55%) | 18,596,250 | 2,058,750 |
| General provisions (limited to 1.25% of RWA) | 15,104,386 | 17,598,049 |
| Sub total | 154,792,662 | 99,279,260 |
| Eligible Tier 2 Capital (Limited to 100% of Tier 1 Capital) | 154,792,662 | 99,279,260 |
| Total Tier 1 and Tier 2 Capital | 748,069,194 | 635,231,825 |
| Core capital (Tier 1 Capital) | 593,276,532 | 535,952,565 |
| Capital base (Tier 1 and Tier 2 Capital) | 748,069,194 | 635,231,825 |
| Risk-weighted assets | 3,864,290,750 | 3,108,612,169 |
| Tier 1 Risk based capital ratio (minimum 6%) | 15.4% | 17.2% |
| Total risk based capital ratio (minimum 12%) | 19.4% | 20.4% |

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.

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39 (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 2022

39 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 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> |
| Measured at fair value | Level 1 MVR | Level 2 MVR | Level 3 MVR | Total MVR |
| 31st December 2021 | | | | |
| Wakala HDFC - mandatorily measured at FVTPL | - | 10,743,987 | - | 10,743,987 |
| Investments mandatorily measured at FVTPL | - | 354,557,014 | - | 354,557,014 |
| Investments | | | | |
| Equity investments measured at FVOCI | 53,100,000 | - | - | 53,100,000 |
| | <u>53,100,000</u> | <u>365,301,001</u> | <u>-</u> | <u>418,401,001</u> |
| <i>Total gains and losses recognised in OCI:</i> | | | 2021 MVR | 2021 MVR |
| Fair value reserve (equity instruments) - net change in fair value (excluding tax) (Note 10.2) | | | 49,000,000 | (11,100,000) |

39 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 is either close to market rates or the borrowings are of a short-term nature.

| | Financial assets at amortised cost | Financial liabilities at amortised cost | Total carrying amount |
|---|---|--|----------------------------------|
| 31st December 2022 | 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 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 | 103,460,677 | - | 103,460,677 |
| | 5,772,187,413 | - | 5,772,187,413 |
| 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 | - | 46,010,339 | 46,010,339 |
| | - | 5,379,131,586 | 5,379,131,586 |

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39 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) 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 2021 | | | |
| Assets | | | |
| Cash and balances with other banks | 234,786,235 | - | 234,786,235 |
| Balances with Maldives Monetary Authority | 1,702,509,895 | - | 1,702,509,895 |
| Investments in other financial instruments measured at amortised cost | 350,570,548 | - | 350,570,548 |
| Due from banks | 169,691,388 | - | 169,691,388 |
| Receivables from financing activities | 2,346,159,157 | - | 2,346,159,157 |
| Other assets | 81,538,632 | - | 81,538,632 |
| | 4,885,255,855 | - | 4,885,255,855 |
| Liabilities | | | |
| Customers' accounts | - | 4,434,884,644 | 4,434,884,644 |
| Due to banks and other financial institutions | - | 247,566,038 | 247,566,038 |
| Lease liabilities | - | 98,880,224 | 98,880,224 |
| Other liabilities | - | 39,388,949 | 39,388,949 |
| | - | 4,820,719,855 | 4,820,719,855 |

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.

40 RELATED PARTY TRANSACTIONS

40.1 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".

| 40.2 | Name of the related party | Relationship | Product | Nature of the transaction | Amount | |
|------|---------------------------|-----------------|-----------------|----------------------------------|-----------------------|--------------|
| | | | | | 2022 MVR | 2021 MVR |
| | ICD Money Market Fund LLP | Affiliated Bank | Commodity | Opening balance | 155,046,038 | 153,950,000 |
| | | | | Murabaha | Profit for the period | 6,101,945 |
| | | | | Settlement | (68,120,360) | (3,666,747) |
| | | | | Impairment loss | - | - |
| | | | | Redemption of the investment | - | - |
| | | | | 93,027,623 | 155,046,038 | |
| | Government of Maldives | Shareholder | Islamic T-Bills | Opening balance | 705,127,562 | 359,416,355 |
| | | | | New investments | 542,370,000 | 350,000,000 |
| | | | | Profit recognised for the period | 45,636,544 | 27,796,473 |
| | | | | Profit received for the period | (39,639,764) | (32,085,266) |
| | | | | Impairment allowance | (152,882) | - |
| | | | | 1,253,341,460 | 705,127,562 | |

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40 RELATED PARTY TRANSACTIONS (CONTINUED)

| 40.2 | Name of the related party | Relationship | Product | Nature of the transaction | Amount 2022 MVR | Amount 2021 MVR |
|------|--|--------------------------|----------------------|-----------------------------------|-----------------------|-----------------------|
| | Government of Maldives | Shareholder | Istisna' | Opening balance | 12,946,953 | 15,086,898 |
| | | | | Profit for the period | 1,139,904 | 1,384,717 |
| | | | | Settlement | (3,686,669) | (3,524,662) |
| | | | | | 10,400,188 | 12,946,953 |
| | | | | Impairment allowance | (88,130) | (62,327) |
| | | | | | 10,312,058 | 12,884,626 |
| | Maldives Monetary Authority | Related to a shareholder | Central Bank Reserve | Minimum Reserve Requirement | 481,950,681 | 396,104,998 |
| | | | | Balance in Excess of MRR with MMA | 392,383,071 | 1,306,404,897 |
| | | | | | 874,333,752 | 1,702,509,895 |
| | Maldives Monetary Authority | Related to a shareholder | Commodity Murabaha | Investment in Commodity Murabaha | 662,000,000 | - |
| | | | | Profit recognised for the period | 691,973 | - |
| | | | | Profit received for the period | (583,151) | - |
| | | | | Impairment allowance | (89,385) | - |
| | | | | | 662,019,437 | - |
| | Maldives Pension Administration Office | Shareholder | Deposit | Opening balance | 287,000,012 | 185,443,867 |
| | | | | Transactions during the year | 189,403,887 | 101,556,145 |
| | | | | | 476,403,899 | 287,000,012 |
| | Amana Takaful (Maldives) Plc. | Shareholder | Deposit | Opening balance | 66,280,430 | 43,198,498 |
| | | | | Transactions during the year | (29,520,417) | 23,081,932 |
| | | | | | 36,760,014 | 66,280,430 |

40.3 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.

40.4 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 | |
|-------------------|---|------------|--|-----------|---------------------------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Secured financing | - | - | 2,795,422 | 2,932,028 | 2,651,827 | 2,795,422 |
| Other financing | 135,140 | 93,900 | 276,829 | 335,421 | 247,950 | 276,829 |
| Deposits received | 11,558,701 | 14,465,063 | 3,501,829 | 2,136,333 | 806,145 | 757,190 |
| | 11,693,841 | 14,558,963 | 6,574,080 | 5,403,782 | 3,705,923 | 3,829,441 |

The profit charged on balances outstanding from related parties amounted to MVR 158,774/- (2021: MVR 165,506/-). The profit paid on balances outstanding to related parties amounted to MVR 9,339/- (2021: 4,068/-). 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 5,818,274/- as short-term employment benefits to the key management personnel during the year ended 31st December 2022 (2021: MVR 8,740,866/-).

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41 Maturity analysis for financial liabilities and financial assets

The table below shows the assets and liabilities according to when they are expected to be recovered or settled.

| | 31st December 2022 | | | 31st December 2021 | | |
|---|------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 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 | 177,805,463 | - | 177,805,463 | 234,786,235 | - | 234,786,235 |
| Balances with Maldives Monetary Authority | 874,333,752 | - | 874,333,752 | 1,702,509,895 | - | 1,702,509,895 |
| Due from banks | - | - | - | 169,691,388 | - | 169,691,388 |
| Investments in equity securities | - | 102,100,000 | 102,100,000 | - | 53,100,000 | 53,100,000 |
| Investments in other financial instruments | 1,915,360,897 | - | 1,915,360,897 | 715,871,549 | - | 715,871,549 |
| Net receivables from financing activities | 716,796,288 | 2,105,172,644 | 2,821,968,932 | 692,724,833 | 1,653,434,324 | 2,346,159,157 |
| Property and equipment | - | 60,868,215 | 60,868,215 | - | 50,386,468 | 50,386,468 |
| Right-of-use assets | - | 124,828,420 | 124,828,420 | - | 107,697,829 | 107,697,829 |
| Intangible assets | - | 11,583,338 | 11,583,338 | - | 13,097,778 | 13,097,778 |
| Other assets | 111,272,959 | - | 111,272,959 | 97,156,357 | - | 97,156,357 |
| Deferred tax asset | 638,434 | - | 638,434 | 5,639,714 | - | 5,639,714 |
| Total assets | 3,796,207,793 | 2,404,552,617 | 6,200,760,410 | 3,618,379,971 | 1,877,716,399 | 5,496,096,370 |
| LIABILITIES | | | | | | |
| Customers' accounts | 4,768,828,600 | 375,792,341 | 5,144,620,941 | 3,307,439,118 | 1,127,445,526 | 4,434,884,644 |
| Due to banks and other financial institutions | 62,237,623 | 30,790,000 | 93,027,623 | 78,076,111 | 169,489,928 | 247,566,038 |
| Provisions | - | 3,312,408 | 3,312,408 | - | 977,782 | 977,782 |
| Current tax liability | 35,155,893 | - | 35,155,893 | 8,617,681 | - | 8,617,681 |
| Deferred tax liability | - | - | - | - | - | - |
| Lease liabilities | 9,172,512 | 86,300,171 | 95,472,683 | 7,353,450 | 91,526,774 | 98,880,224 |
| Other liabilities | 46,010,339 | - | 46,010,339 | 46,371,494 | - | 46,371,494 |
| Total liabilities | 4,921,404,967 | 496,194,920 | 5,417,599,887 | 3,447,857,853 | 1,389,440,010 | 4,837,297,863 |
| Net assets / (liabilities) | (1,125,197,174) | 1,908,357,697 | 783,160,523 | 170,522,118 | 488,276,389 | 658,798,507 |

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42 COMMITMENTS

| | 2022 | 2021 |
|-----------------------------------|---------------------------|---------------------------|
| | MVR | MVR |
| (i) Financial commitments | | |
| Letter of credits | 50,141,001 | 52,517,487 |
| Guarantees and bonds | 12,025,424 | 11,629,091 |
| Bill collection acceptance | 14,870,134 | 14,347,102 |
| | <u>77,036,559</u> | <u>78,493,680</u> |
| (ii) Financing commitments | | |
| Undrawn financing facilities | <u>604,321,822</u> | <u>395,736,357</u> |
| Total | <u><u>681,358,381</u></u> | <u><u>474,230,037</u></u> |

43 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 2022, the capital commitments of the Bank is MVR 28,325,854/- (year ended 31st December 2021 - MVR 14,878,485/-).

44 EVENTS AFTER THE REPORTING DATE

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

45 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 |



The shimmering waters offer
tranquility and life - Immersing
with Nature in Maldives



MALDIVES ISLAMIC BANK

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