

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