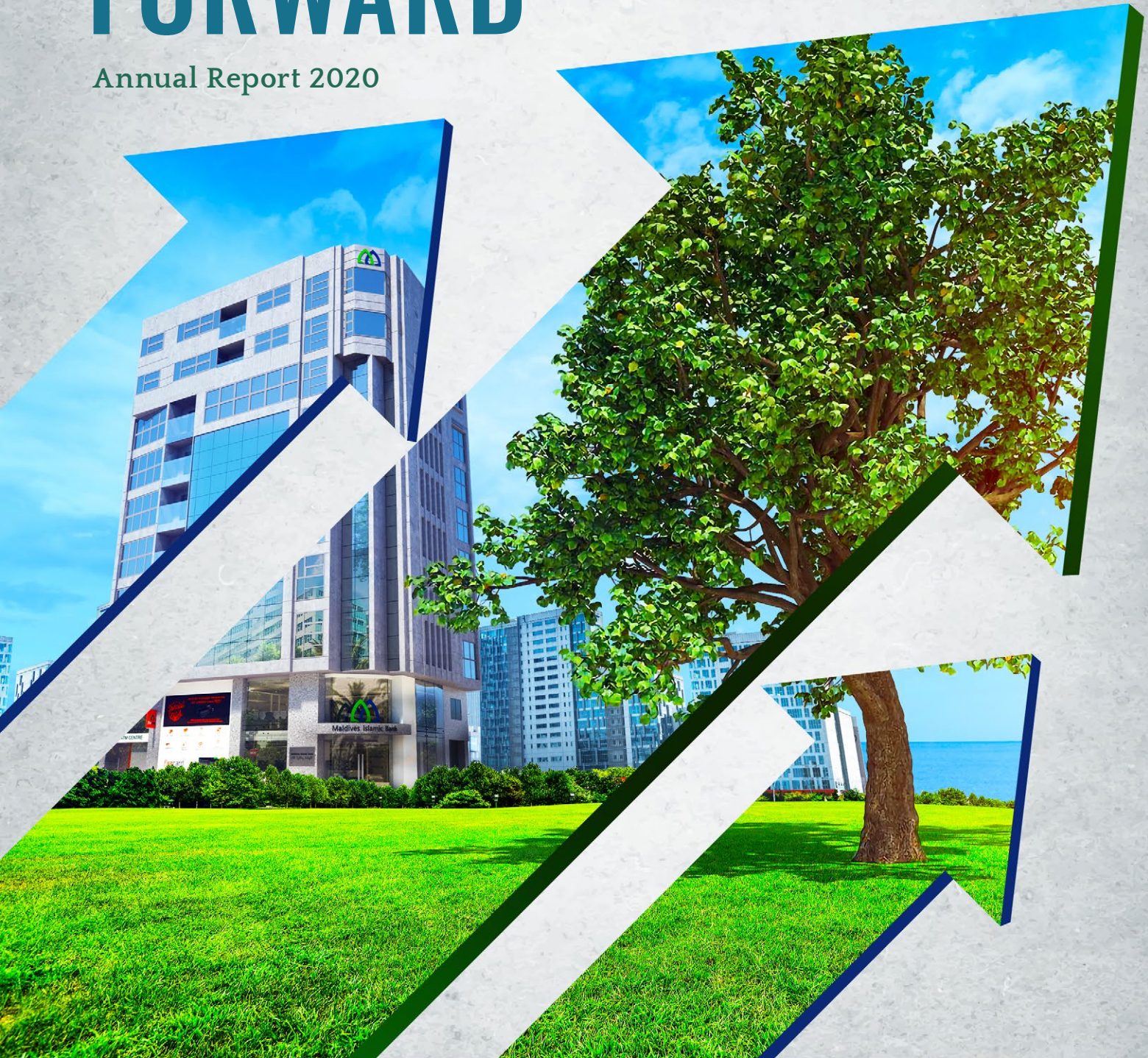


# STRIVING FORWARD

Annual Report 2020









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# STRIVING FORWARD

The Maldives Islamic Bank Public Limited Company (MIB) is the first and only full-fledged Islamic Bank in the Maldives. The Bank was incorporated as a private limited company on 01 April 2010. MIB is an initiative of the Islamic Corporation for the Development of the Private Sector (ICD), the private sector arm of the Islamic Development Bank, in collaboration with the Government of Maldives. The Bank commenced operations on 07 March 2011. The opening of Maldives Islamic Bank brought to fruition the long-awaited wish of the Maldivian people to be able to access Islamic banking in the country.

MIB actively participates in the development and promotion of an Islamic economic and financial system in the Maldives, which operates in parallel with the existing conventional system in the country. The Bank offers an alternative banking solution to businesses and the public, who wish to conduct their banking transactions in compliance with Islamic banking principles. MIB has been steadfast in fulfilling its mandate and commitment in providing reliable financial access to the public.

Financial inclusion and digital finance are a primary focus of MIB. The Bank has demonstrated its unrelenting commitment to this with the opening of six branches, covering five atolls to date. MIB has positioned itself in major urban centers and islands away from Male', providing a viable choice of banking for individuals and SMEs located in various regions of the country. The Bank's unique service innovations and diverse portfolio of online and mobile banking services offer Islamic banking convenience to almost all the citizens of the country.

MIB's philosophy is to build a viable Islamic economic and financial system in Maldives which adheres to the highest ethical standards and values, whilst ensuring strict compliance with Shariah.

# CORPORATE INFORMATION

## Name:

Maldives Islamic Bank PLC.

## Country of Incorporation:

Republic of Maldives

## Date of Registration:

1 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:

On 17 November 2019, shares of MIB PLC. was listed on the Maldives Stock Exchange which opened at MVR 35.00 per share.

## Managing Director & Chief Executive Officer:

Mr. Abul Ehtesham Abdul Muhaimen

## Chief Financial Officer:

Mr. Ali Wasif

## Company Secretary:

Mr. Hussain Ali Habeeb

## Legal Counsel:

### External Legal Counsel:

#### Premier Chambers

Barristers and Attorneys

2nd Floor, Lux Lodge, Maafannu, Orchid Magu, Malé

Republic of Maldives

Tel: +960 331 4377

Fax: +960 331 4378

#### Mazlan & Murad Law Associates

2nd Floor, Unit-C

Faamudheyriige Building, Orchid Magu, Malé

Republic of Maldives

Tel: +960 334 4720

Fax: +960 334 4721

## 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:

### KPMG (Chartered Accountants)

2nd Floor, H. Mialani, Sosun Magu

Republic of Maldives

Tel: +960 3310 420

Fax: +960 3323 175

## Head Office:

### Maldives Islamic Bank Public Limited Company

H. Medhuziyaaraiydhoshuge

20097, Medhuziyaaraiy Magu

Malé City

Republic of Maldives

Tel: +960 332 5555

Fax: +960 300 7885

Email: info@mib.com.mv

**MIB'S HOME FINANCING IS A KEY DRIVER  
IN INCREASING HOME OWNERSHIP IN  
MALDIVES. IN THIS EFFORT, THE BANK HAS  
FINANCED MORE THAN 1000  
HOUSING UNITS.**





# 01 OUR COMPANY



## VISION

To be recognized as the leader and preferred partner in Shariah 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 Shariah 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 Shariah



Islamic economic &  
financial system



Highest ethical  
standard & values

# CORE COMPETENCIES

## Pioneer in Islamic Banking

As the first Islamic bank in the Maldives, MIB is recognised as a pioneer in introducing the concept of Islamic banking to the country. The Bank provides an alternative banking solution to the public and businesses who wish to carry out their financial transactions in compliance with Islamic banking principles. MIB has successfully implemented its unique business model in the development and promotion of an Islamic economic and financial system in Maldives which runs in parallel with the existing conventional banking system.

## Full-fledged Islamic Banking Products

MIB has established a sound foothold in Maldives banking sector within the short period of time, by offering a full-fledged Shariah compliant product portfolio and deploying funds towards financing individuals, local businesses and corporates. MIB's comprehensive range of Islamic banking products and services has enabled the Bank to meet customer's demand for Shariah Compliant banking in the areas of retail, corporate and SME banking, trade and project financing and general asset financing.

## Excellence in Customer Service

The Bank firmly believes the quality of its customer service is vital to gain a leading position in the marketplace. MIB places a great emphasis on attaining excellence in customer service aspects. All aspects of customer service

are carefully monitored and fine-tuned to offer services that exceed customers' expectations. Value added services provided by the Bank are linked to new technology that has enabled the Bank to develop exceptional standards of care for its customers. 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 to develop long-standing clientele.

## Competent Human Capital

The Bank's competent human capital is another driver for the Bank's continued success. The success of the Bank can greatly be attributed to the strength of its workforce, whose motivation, high quality performance, experience, broad-based and specialised knowledge of Islamic banking and the ability to adapt to meet multiple challenges in a dynamic business environment is highly valued at MIB. Continuous development and retention of the Bank's multi-faceted staff is ensured, through comprehensive set of recruitment procedures and extensive training and promotion opportunities. The Bank's diverse workforce continues to be one of the core characteristics in serving its client segments effectively. Whilst most of the Bank's employees are recruited from the Maldives, the team is complemented with foreign employees with significant experience in banking.

# OUR PRODUCTS

*MIB provides full range of Shariah compliant deposit products and financing solutions that meet the wishes and requirements of both individuals and businesses, who prefer to obtain financial services in conformity with Shariah requirements. The Bank delivers a portfolio of products which are transparent and reliable. The deposit products are available in both MVR and USD. The deposit products include:*

## **Current Account:**

Positioned for day to day usage, MIB's current account is a convenient and simple product with banking solutions that allow the Bank's customers to manage their daily finances swiftly. This Shariah 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 provide a Shariah compliant investment opportunity to the customers on profit sharing basis. The Bank invests the saving deposit funds in profitable investments under Mudarabah. The profits are shared with the depositors based on pre-agreed profit-sharing ratio at the agreed maturities.

## **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 investment funds with pre-agreed profit-sharing ratio. MIB offers two types of children accounts, namely Kids Account and Kaamiyaabu Kids Account, an account specifically designed to 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 by the Bank. The Mudarabah based deposits will be invested by the Bank 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.

*MIB offers a range of Shariah compliant financing products under the concepts of Murabahah, Istisnaá and Diminishing Musharakah. The products include;*

## **Ujaalaa Dhiriulhun - Consumer Goods Financing:**

MIB's Shariah compliant consumer goods financing is newly designed to assist individuals to purchase lifestyle consumer goods conveniently. This facility follows the Shairah concept of Murabahah, where both the cost price and profit are disclosed and agreed by both parties. Ujaalaa Dhiriulhun allows the Bank to fulfill the customer's need to purchase the desired goods from a third party and sell them to the customer on a deferred payment basis. A range of items such as furniture, electronics, home appliances, mobile phones, outboard engines, construction materials, and Solar Panels are financed under this facility.

## **Motorcycle financing:**

The Murabahah based financing facility allows the customers to own their desired motor cycles from the Customer's preferred dealers. The Bank purchases the customer's desired motorcycle from the dealer and sell the motorcycle to the customer at a predetermined price. The vehicle is registered under the customer's name. The facility provides a convenient payment plan with no processing fees or hidden costs.

## **Car Financing:**

The Murabahah based car financing facility helps the customers to purchase their dream car and enjoy it with a "P" board. The car is registered under the customer's name. under the facility, the Bank purchases the customer's desired car from a third-party and sells it to the customer at a predetermined price. With a maximum financing limit of MVR 400,000, the product has no processing fees.

## **Murabahah Vessel Financing:**

MIB's Vessel Financing facility helps customers to acquire vessels for fishing, cargo or passenger transport businesses. Under the concept of Murabahah, the customer can own the vessel while the selling price is to be settled on agreed installment period.

### **Murabahah trade financing:**

the Bank's Trade Financing facility is designed to facilitate the working capital requirements of the businesses. The Bank purchases the required stocks by the customer from local and international parties. Under the concept of Murabahah, the Bank will purchase the assets or the stock requested by the customer from suppliers chosen by the customer and sold to the customer on a deferred basis.

### **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 project under construction. Customers can acquire completed housing units, such as apartments and condominiums through this facility with the most 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.

### **Istisnaá 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. Under this Shariah compliant concept, the Bank acts as the main contractor to construct the property for the customer. In parallel, the Bank appoints a construction company chosen by the customer to perform the task for the Bank. This financing facility is based on the Islamic financing concept of Istisnaá.

### **Murabahah General Asset Financing**

MIB's Murabahah General Asset Financing is offered to individuals and businesses to acquire the assets needed for the operation of their businesses. This facility is based on the Islamic finance concept of Murabahah. The cost of the assets purchased through this facility is informed to the customer, and the sale can be made either in cash or credit or on instalment basis.

### **Asset Refinancing**

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



*Reaching the customer at the place of work is a key strategy that helps us build greater bonds and expand our market. Picture from an information and direct sales session held last year at Maldives Customs Service*

# NETWORK

Financial inclusion and access to Islamic finance across the country is a key objective of the Bank.

Currently, MIB operates a branch network of six to meet the growing demand of Islamic finance in Maldives, and to facilitate Islamic banking convenience throughout the country.

The Bank has expanded its alternative distribution channels through its ATM network, Point of Sale (POS) terminals at various merchant outlets in Malé and other regions and via its online banking service, FaisaNet.



# DIGITAL INFRASTRUCTURE

## f'isa mobile

MIB's mobile banking solution

## f'isa pay

MIB's online payment gateway

## f'isa net

The Internet banking service of MIB

## f'isa card

MIB's bank card solution

## f'isa POS

MIB's point of sale banking solution

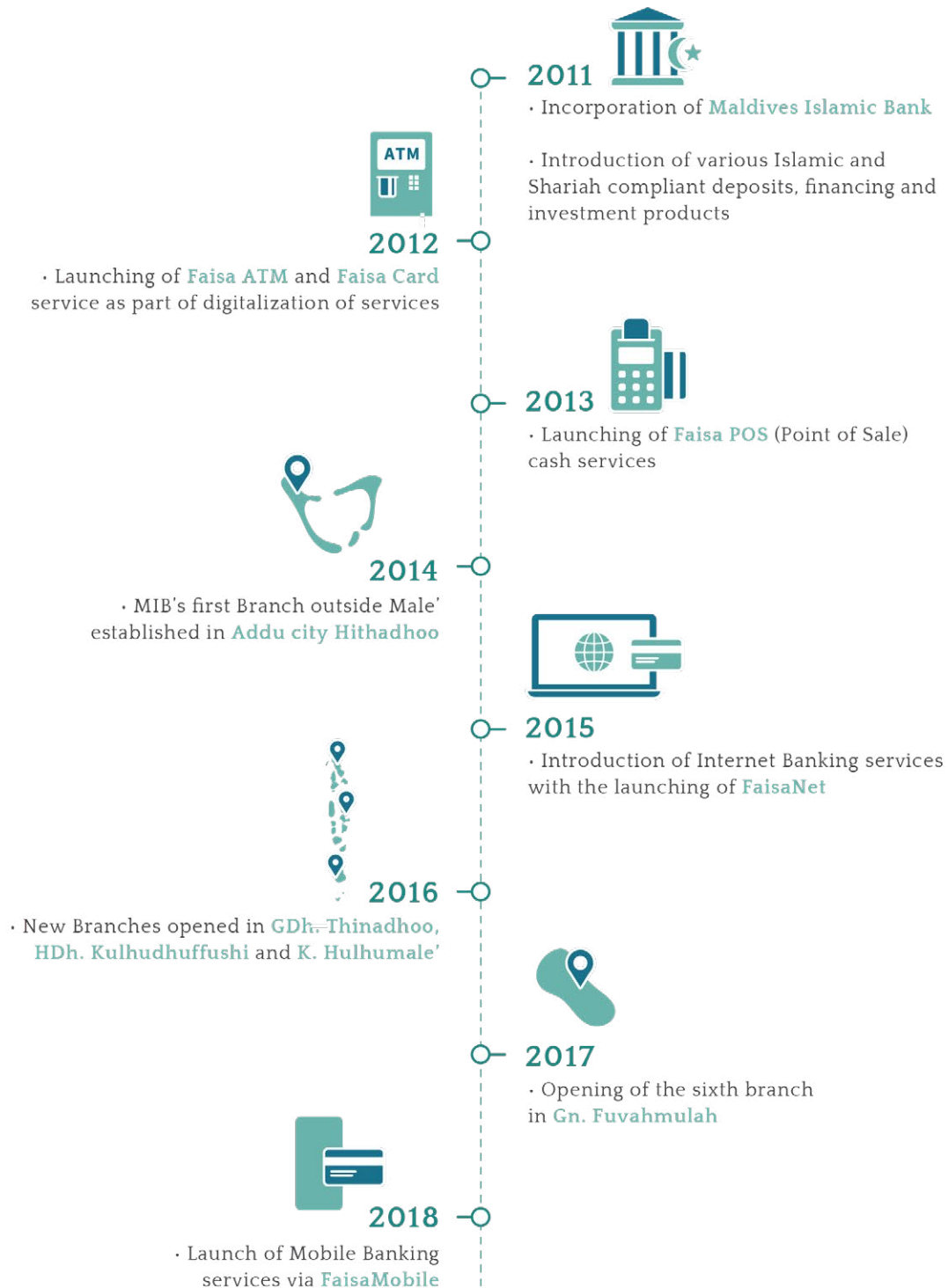
## f'isa POSCash

Quick withdrawal service from POS

## f'isa atm

The 24hr Self Service Centers of MIB

# MILESTONES







## 2019

- Opening of the Bank's new flagship **Head Office**
- Establishing & leveraging **International network capabilities**
- **Most successful IPO** in recent history
- Listed as a **Public Limited Company** on the Maldives Stock Exchange
- MIB's first ever **local interbank line** established between BML
- **Baazaar Customer Service Centre** established in Male'

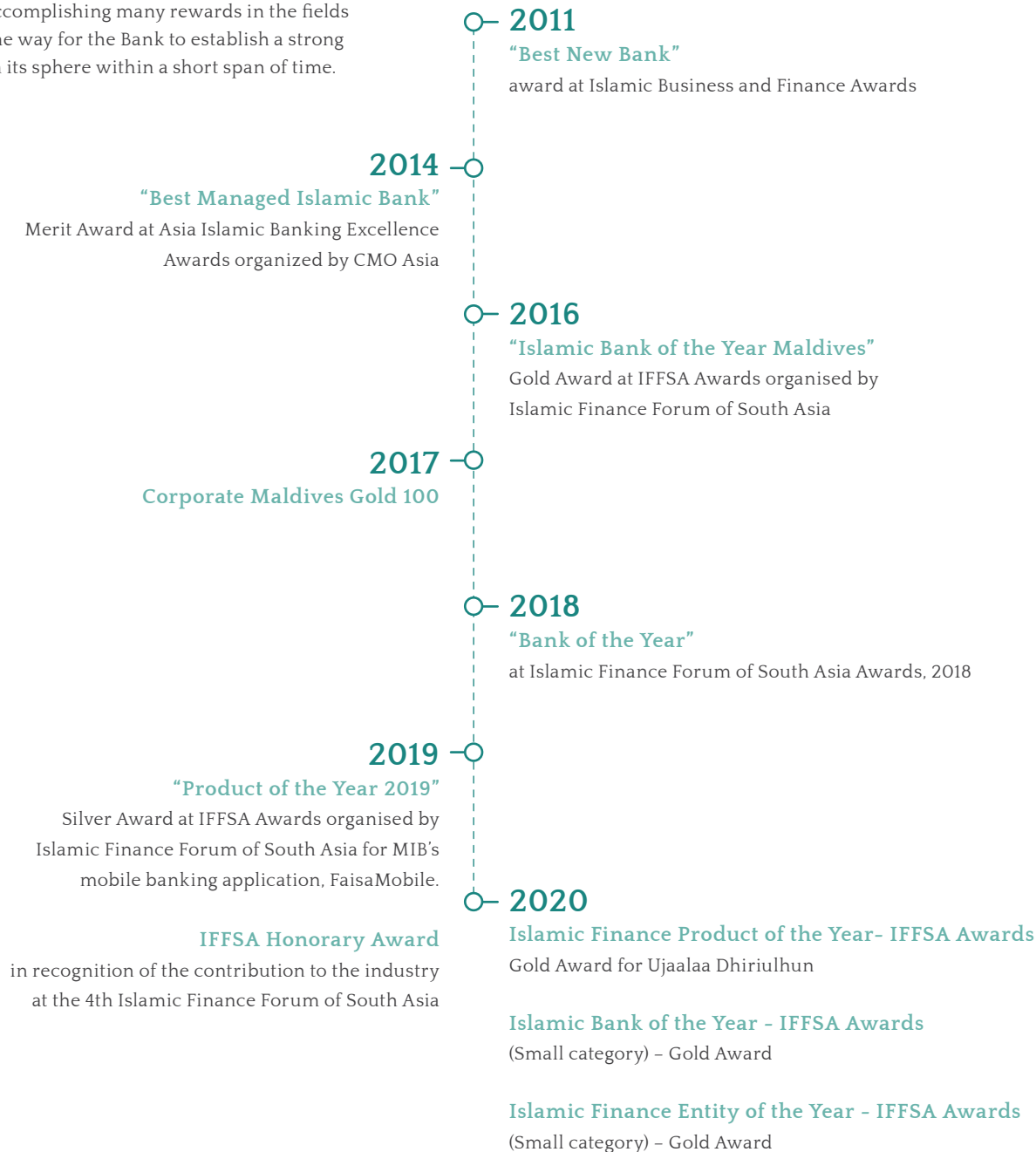


## 2020

- **New Card Payment** processing system established with state-of-the-art features
- **New website** with a unique interface launched, with online account opening feature
- The first bank in the Maldives to **offer moratorium** to all customers of all the products of the Bank
  - Shariah compliant Interbank product innovation to **support MVR liquidity**
- **New ATMs** in Feydhoo, Addu City & K. Thilafushi
  - Introduction of **Moratorium portal**
- Introduction of the state-of-the-art ATMs with **card less cash deposit**

# AWARD WINNING BANK

The success of MIB has been recognised both locally and internationally. Over the course of time, the Bank has been accomplishing many rewards in the fields that pave the way for the Bank to establish a strong presence in its sphere within a short span of time.



# SHAREHOLDING STRUCTURE

Name of shareholder	No. of shares	% of shareholding
Islamic Corporation for the Development of the Private Sector (ICD)	8,100,000	36.00%
Government of Maldives	6,300,000	28.00%
Amana Takaful (Maldives) Plc.	1,125,000	5.00%
Public Shareholders		
1. Maldives Pension Administration Office	2,369,370	10.53%
2. Others	4,605,637	20.47%
<b>Total</b>	<b>22,500,007</b>	<b>100%</b>



Signing of the MOU by Mr. Ayman Amin Sejiny - CEO of ICD and Mr. A.E.A. Muhaimen - CEO of Maldives Islamic Bank in the presence of Mr. Ibrahim Ameer - Honourable Minister of Finance, Government of Maldives and Board Members of MIB. Under this MOU, MIB will be part of the bridging initiative of ICD Connect for Regional cooperation among ICD Investee Banks and have access to IsDB Group Network of 100 ICD FI Partners & Group Resource through ITFC.

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

ICD is a multilateral development bank established in 1999, affiliated with 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. With membership exceeding 54 countries across four continents today, 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 Shariah. ICD also provides advice to governments and private organizations to encourage the establishment, expansion and modernization of private enterprises.

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 compliment 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 partnership with and support of ICD. The shareholder's agreement to kickstart the project for the establishment of the first fully-Shariah compliant bank in the Maldives was signed between the government and ICD in October 2009 in Istanbul, Turkey. The government's interest in the Bank is represented by the Ministry of Finance. The government remains a prominent and founding shareholder of the Bank, ensuring the Bank provides a comparative alternative to the public and businesses who wish to avail themselves to banking transactions in compliance with Islamic finance principles.

## Amana Takaful (Maldives) PLC

Amana Takaful (Maldives) PLC started its operations in 2003. It is currently the only full-fledged Shariah-compliant licensed General Insurance company in the Maldives and remains a pioneer of providing the Islamic solution for insurance in the Maldives. The company is currently 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.

## Maldives Pension Administration Office (MPAO)

Maldives Pension Administration Office (MPAO) was incorporated on 2009 as an independent legal entity under the Maldives Pension Act (Pension Act). For the past decade, MPAO has been administering and managing the pension schemes established under the Pension Act in Maldives, in addition to providing various types and schemes of pensions for the citizens of Maldives. Since inception, MPAO 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 shareholding through the Bank's IPO.

## Public

Following the IPO launched on 30 June 2019 and closed on 22 September 2019, a total of 16,144 shareholders subscribed to 6,975,000 shares representing 31% of the Bank's share capital. Of this, 99.63% are individual shareholders and 0.37% are institutional shareholders. MIB's IPO attracted remarkable support from the general public, with an oversubscription of 46.05% at the end of subscription period. This incredible support from the general public towards an IPO is unprecedented in the history of the Maldives capital market. Since 17 November 2019, MIB's shares are listed on Maldives Stock Exchange (MSE) for secondary market trading by the public.



MIB opened the first ATM in K. Thihafushi on 01st October 2020. This is the first time that Banking services are being offered in this industrial island of expanding population.

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*Following the IPO launched on 30 June 2019 and closed on 22 September 2019, a total of 16,144 shareholders subscribed to 6,975,000 shares representing 31% of the Bank's share capital.*

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# CHAIRMAN'S STATEMENT



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## *Striving Forward*

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*“Celebrating the success of its IPO in 2019, the Bank embarked into fiscal year 2020 with a promising and growth-oriented outlook”*

Dear Shareholders,

It is with great pleasure that I present to you the Annual Report of the Maldives Islamic Bank PLC. for the financial year ended 31st December 2020.

Evidently, the year under review was one of the hardest the world has seen. The existential effects of the COVID-19 pandemic led the global economy into a virtual standstill. Maldives was no exception, and the Bank could not escape the unprecedented realities of the crisis.

Celebrating the success of its IPO in 2019, the Bank embarked into fiscal year 2020 with a promising and growth-oriented outlook. At the outset of 2020, the Bank anticipated a robust growth on its financial and operational results. Focusing on technological growth, the Bank intended to expand its reach and distribution network via significant investment in digital banking platforms. However, the pandemic hit, and businesses and individuals were affected badly while global trade continued to descent to an all-time low.

Despite the unsteady and uncertain environment of the year 2020, Maldives Islamic Bank PLC. recorded healthy and prudent results for the year. Owing to the strengths of the Bank, and proactive measures adopted to mitigate the effects of the pandemic, Pre-tax profits of the Bank was consistent with the previous year, at MVR 107.3 million, compared to MVR 111.9 million in 2019. Despite the budgetary gap we saw on our profitability, the Bank's prompt response to fluctuating market conditions led to our Balance Sheet growing to MVR 4.4 billion compared to MVR 3.8 billion in 2019.

The Bank's prudent Balance Sheet management underpinned the Bank's resilient funding and liquidity positions. Our strong capital position and operational excellence continues to support returns for our shareholders, and deliver a commendable financial performance in these times of crisis. I wish to reiterate the significance our Bank places on enhancing our digital infrastructure, as fintech and digital banking became inevitably central to banking and financing in the pandemic. We are committed to sustainable and responsible business practices, in line with the Sustainable Development Goals (SDGs) as followed by the government.

I take great pride in the fact that Maldives Islamic Bank is the only financial institution in Maldives where all the transactions and operations are fully Shariah Compliant. The Bank has successfully sustained its full-fledged Shariah Compliant status in its profound and ambitious

transformation it is paving ahead. The Bank will retain this orientation at all times while progressing towards making a strong impact within the local banking industry.

During the second half of the year under review, Mr. Osman Kassim, Mr. Mohamed Azad and Ms. Fathimath Shafeega completed their terms as the Board of Directors of the Bank. Their invaluable contributions over the years helped to steer the Bank towards what we see it as today. I extend my heartfelt gratitude to them for their contribution in making our Bank as one of the most sought-after banks in the country. Let me also welcome our new Board of Directors Uz. Mohamed Naseem Ibrahim, Mr. Ali Shareef and Mr. Ahmed Ali, who were appointed during 2020, as we hope to cross this river of pandemic and uncertainty, and take the Bank to a higher level with their multi-disciplinary expertise.

I convey my appreciation and thanks to my colleagues at the Board, the Shariah Board of the Bank, the management team and staff members of Maldives Islamic Bank., for their enthusiastic participation and unwavering commitment to achieving the targets during one of the most challenging times the modern ages have seen.

Although COVID-19 continues to be a tremendous challenge and the year ahead is marked with uncertainty, the Board and I remain highly optimistic about the economic turnaround as hoped by the government. Despite the unprecedented changes we had to face during the year, we were able to demonstrate our capability and ability to adapt to the turbulent times and finish the year with a redefined growth perspective. The Board of Directors and Management team of the Bank will carry on the role we have in supporting our customers and the Bank's stakeholders, whilst maintaining a strong and resilient financial position, and delivering operational excellence to our investors.



**Mr. Najmul Hassan**  
Chairman

# MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER'S STATEMENT



Assalamualaikum

2020 was not a normal year!

The year 2020 was the year of Covid-19. It was a global pandemic that disrupted every facet of our normal life, the global economy, business and trade supply chains, and all economic activities in general. Lockdowns, travel restrictions, wearing a mask, social distancing, working from home became the order of the day and became the new normal! The pandemic forced us to change the business and delivery model to manage the challenges faced under the "new normal". To serve the customers and communities, we had to quickly adapt and introduce digital solutions to ensure uninterrupted essential services while protecting the safety and well-being of the customers and team members of MIB. As COVID-19 hit without any warning, in an unprecedented way, turning lives around, the banking industry certainly underwent a revolution.

Maldives Islamic Bank PLC. also faced its fair share of challenges during the year. Despite being strongly capitalised and funded, the Bank also endured the negative impacts of the adverse macro-economic impacts of COVID-19 pandemic. Nonetheless, we were able to mitigate and tackle the obstacles comparatively well, thanks to the proactive and cautious approach adopted at all levels within the Bank. We have been fortunate to finish the year without any major impact on our financial and operational results.



With the concessions given by MMA through the Moratorium, coupled with robust planning, prudent liquidity management, strong credit discipline, managing costs, going digital and with cautious business growth, we were able to have a 16% growth in our Balance Sheet. The Bank's cash position stood at a noteworthy level, with MVR 1.22 billion recorded in cash and cash equivalents compared to MVR 703 million of 2019. The Profit After Tax of MVR 75 million of 2020 was lower than the previous year owing to the overwhelming impact of the pandemic that resulted in higher impairment and provisioning requirement, vis-à-vis COVID-19 relief measures. Despite this, we were able to generate stronger revenues than 2019, and our Customer Deposits and the Bank's financing portfolio also improved by the end of the year.

Following the rigid lockdowns imposed by the countries and global restrictions on travel and tourism, the economy of Maldives was also affected, disrupting the income and livelihood of the population. Despite this, the Bank was able to sustain its revenue level, at MVR 249 million, compared to MVR 246 million in 2019. MIB was able to attain MVR 3.34 as Earnings Per Share, while Net Asset Per Share improved to MVR 27.34 from MVR 25.34 in 2019.

The COVID-19 crisis has increased the significance of digital solutions and products for businesses and banks, and the importance of speed and seamless integration. Even before COVID-19 outbreak, MIB was already focusing on going digital in our payment and other financial services. The pandemic has strengthened our resolve, and we used this crisis, as an inflection point, to bring in innovations in service, transform our delivery channels, by enhancing the digital and automated delivery value chain.

During the year 2020, in response to the coronavirus pandemic, our major focus was to support our stakeholder groups through financial and operational intervention to mitigate the impacts of the crisis. As customers battled with their health and safety, we prioritized their financial health and safety. As such, Maldives Islamic Bank PLC. became the first bank in the Maldives to offer moratorium to all customers of all the products of the Bank. MIB financed medical supplies needed by insitutions with relevant to COVID-19.

Throughout the year, we have pursued our strategic priorities of being an integral part of our community while attempting to expand in retail banking and simplifying the business by bringing innovative digital solutions to the market. Irrespective of the unprecedented impacts of the pandemic,

we were able to act promptly due to the commitment of our team, and due to the strength of our business model and proactive business continuity model devised ahead in time.

It is absolutely imperative that I recognize the extraordinary efforts of our Frontline & Support Team and the Bank's leadership team which have risen and responded quickly and effectively to the pressing demands of the pandemic, despite the risk of their personal health and safety to serve the Customers and the Communities in Maldives. I am extremely honoured to be part of such a dedicated and committed team who risked their lives and well-being to ensure our branches and services were operational during the periods of lockdown, in order to meet the customer needs and support in the darkest of time during the pandemic.

I would like to acknowledge guidance and support of the Board of Directors of Maldives Islamic Bank PLC., provided in the turbulence of COVID-19 pandemic. The Bank's Shariah Board also has been a pillar of strength in our journey of sustainable growth. Thank you for your ongoing support and guidance at all times.

I also thank with gratitude the Maldives Monetary Authority, all the regulators and all other stakeholders for their continued and timely support during the year without which we will not be where we are today!

While the long term impact and consequences of the disruption of this pandemic is still not clear, we believe the worst is behind us and we look forward to a brighter, promising and resilient future to recover from the impacts of this ravaging pandemic, as Maldives once again finds its way towards a position of economic strength. Maldives Islamic Bank PLC. will also continue to work with and support the stakeholders and regulators in their efforts to reverse the economic challenges of 2020.

In 2020 we have faced untold adversity, turmoil and disruption, but we have endured with unwavering perseverance to prevail and overcome the COVID-19. As we redefine growth and reorient our business towards the new normal realities of the post pandemic era, I convey my heartfelt gratitude to our customers and shareholders for their trust and confidence placed in us and reiterate that we are here for good!



**Mr. Abul Ehtesham Abdul Muhaimen**  
Managing Director & CEO

# BOARD OF DIRECTORS



Mr. Najmul Hassan



Mr. Mohammed Ataur-Rahman Chowdhury



Mr. Nasser Mohammed Al-Thekair



Uz. Mohamed Naseem Ibrahim



Mr. Ali Shareef



Mr. Ahmed Ali,  
FCCA



Mr. Abul Ehtesham  
Abdul Muhaimen



Mr. Ali Wasif

## Mr. Najmul Hassan

### Chairman/ Non-Executive Director

Mr Najmul Hassan is presently Senior Advisor Meezan Bank and Chairman of Board in Maldives Islamic Bank PLC., representing ICD.

Recently he retired as Director, Financial Institution Development Department at the Islamic Corporation for the Development of the Private Sector (ICD), which is part of Islamic Development Bank (IsDB), Jeddah.

Prior to joining ICD, he was Chief Executive Officer of Gulf African Bank. Gulf African Bank set up in early 2008, is the first Islamic Bank in Kenya.

Before joining Gulf African Bank, Mr. Hassan worked as General Manager Corporate and Business Development in Meezan Bank Limited (MBL), the first and largest Islamic commercial Bank in Pakistan. He was one of the founder members of the Bank and played an instrumental role in leading the successful conversion of the operations of the Bank into full-fledged Islamic commercial bank, upon the acquisition of Society General in 2002.

Before joining MBL, he worked as a Managing Director, Delphi Diesel systems (Pakistan), and prior to that as Managing Director in Agro Auto Industries, which is one of the largest automotive parts manufacturing company in Pakistan.

Mr. Hassan started his career with Pakistan Air Force in Maintenance and Technical branch.

He has participated as a speaker in numerous workshops and seminars on topics related to Islamic Finance in Pakistan, Kenya, Saudi Arabia in addition to conducting training program with Dun & Bradstreet in Dubai, Bangladesh and training of Shariah scholars on AAOIFI standards, in UK with First Ethical.

He holds Master of Business Administration (MBA) and Bachelor Degree in Aeronautical Engineering (BE). He has done courses on Positive Psychology from University of Pennsylvania and Fintec from Oxford University UK.

## Mr. Mohammed Ataur-Rahman Chowdhury

### Non-Executive Director

Mohammed Ataur Rahman Chowdhury is a seasoned financial sector specialist, having spent more than 18 years across in the Financial Institutions domain covering multiple geographic regions across Middle-East, North Africa, West Africa, Central

Asia and Southeast Asia. His diversified experience was spent mostly in senior roles in direct financing, investment banking, commercial banking, FI equities, board representations and turning around financial institutions. Joined in 2007, at present, Mr. Chowdhury is leading Non-Banking Financial Institutions at the Islamic Corporation for the Development of the Private Sector (ICD); the private sector arm of the Islamic Development Bank (IsDB) Group providing strategic direction and support to company and management across Ijara (Leasing), mortgage financing takaful, liquidity management and investment company operations to become profitable and sustainable. Prior to that, Mr. Chowdhury, being Head of Banking Investment, led establishments and formulating strategies of more than 15 Islamic banks with aggregate portfolio of nearly USD 260 million. He is an experienced and veteran board member with proven track of transforming financial institutions from loss making into profitable. He is also a Board member in Amana Bank PLC. Briefly, Mr. Chowdhury also worked as Adviser, Financial Institutions for The European Bank for Reconstruction and Development (EBRD) in London, UK on secondment from ICD.

Mr. Chowdhury's professional career, preceding his ICD tenor, included 7 years in Bangladesh's financial sector, holding the roles of: Corporate Relationship Manager in Commercial Bank of Ceylon Limited (Bangladesh operation), Investment Manager in IPDC (the first Development Financial Institution in the country) and Senior Investment Analyst in BRAC-EPL (a premier investment bank in the country).

A well-learned individual, Mr. Chowdhury holds an MBA in Finance from IE Business School, Spain, and another MBA in Finance & Accounting from North South University, Bangladesh. He has also earned a Diploma in Board Certification of Company Direction from the Institute of Directors, United Kingdom.

## Mr. Nasser Mohammed Al-Thekair

### Non-Executive Director

Mr. Nasser Mohammed Al-Thekair was appointed to the Board of MIB in 2019. He is currently the General Manager of the Trade & Business Development Department in the International Islamic Trade Finance Corporation (ITFC), a member of the Islamic Development Bank Group (IsDB Group). His responsibilities include developing trade and new business lines and products in member countries, managing partnerships, innovation, policy analysis, setting up new funds as well as leading the decentralization of ITFC.

Mr. Nasser Mohammed Al-Thekair joined IsDB in 2000. He served as the Assistant General Manager of Corporate

& Structured Finance Department with the responsibility of overseeing all ITFC trade finance transactions for Middle East and North Africa. During 2006 to 2008, Mr. Nasser Mohammed Al-Thekair was part of the team that was tasked with the role of establishing the ITFC as a separate entity within the IsDB Group and transferring the operations of the Trade Finance & Promotion Department to the new entity. Prior to the start of ITFC in January 2008, he was the Head of the Arabic Countries Section in the Trade Finance and Promotion Department at IsDB.

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

On the Executive level, Nasser is a member of the Investment Committee of the ITFC Sovereign Energy Fund (ISEF), member of the Executive Committee of ITFC Trade Development Fund, Governing Board & Executive Committee member of the Arab Africa Trade Bridges Program (AATB), and member of the Steering Committee of the ICC Regional Banking Commission Middle East and North Africa (MENA).

Nasser holds a bachelor's degree in Electrical Engineering from King AbdulAziz University in Jeddah, Saudi Arabia and a master's degree in Business Administration from the University of Leicester School of Management, United Kingdom, as well as Executive Education in Business Leadership from IMD Business School in Switzerland.

### **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 is currently the Managing Director of IUM Holding Pvt Ltd. He established Horizon Fisheries Pvt Ltd. He was also Vice President of Maldives National Chamber of Commerce and Industries (MNCCI) for two consecutive terms.

### **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).

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 PFM project, he was serving as the Financial Consultant of Medtech Maldives Pvt Ltd. Prior to this, he also held the position of Chief Financial Officer (CFO) for more than 6 years at two of the State Owned Enterprises, the Housing Development Corporation Limited (HDC) and Housing Development Finance Corporation Limited (HDFC).

Mr. Ali Shareef also served in various capacities at Public Enterprises Monitoring & Evaluation Board (PEMEB) of the Ministry of Finance and Treasury from October 2001 until September 2012. His most recent contract with PEMEB was as a Technical Advisor to the Minister. He also served as Assistant Director, Senior Administrative Officer, and Assistant Undersecretary and as an Accounts Officer Trainee at PEMEB during his tenure at Ministry of Finance and Treasury. 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 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 from August 2005.

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 held directorship position at Works Corporation Limited, National Social Protection Agency (National Health Insurance Scheme Board), Thilafushi Corporation Limited and at Maldives Post Limited.

### Mr. Ahmed Ali, FCCA

#### Independent Non-Executive Director

Mr. Ahmed Ali is a Senior Tax Advisor 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 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 companies, including S&A Tax and Financial Services Pvt Ltd, SFG Corporate Services Pvt Ltd and SFG Logistics Pvt Ltd.

### Mr. Abul Ehtesham Abdul Muhaimen

#### Managing Director & Chief Executive Officer

Mr. Abul Ehtesham Abdul Muhaimen was appointed to the Board of MIB in 2019. Prior to joining MIB, Mr. Muhaimen was the Managing Director & Chief Executive Officer of United Commercial Bank, Bangladesh. Mr. Muhaimen was also the MD & CEO of Brac Bank Ltd, one of the leading banks in Bangladesh.

Mr. Muhaimen is a senior banking professional with over 30 years of experience with MNC and Regional Banks in Asia, Australia, and Middle East, holding C-Level jobs in key business and support roles. He started his career with ANZ Grindlays Bank as Management Trainee in 1986. He worked in various management capacities both in Bangladesh and abroad in the role of CFO, Head of Human Resources, Head of Consumer Banking, Chief Operating Officer, Deputy CEO and Managing Director & CEO.

Mr. Muhaimen has multicultural experience across geographies while working in ANZ Grindlays Bank, Standard

Chartered Bank and other banks in Bangladesh and UAE.

Mr. Muhaimen obtained post graduate degree in MBA from IBA, Dhaka University. He has also attended strategic senior management executive courses at INSEAD, Singapore; Cambridge University, UK, Mount Eliza of Monash University, Australia and Harvard University, USA. Mr. Muhaimen has held Board positions as a Director on the Board of Brac EPL, Brac EPSL, bKash and IIDFC in Bangladesh.

### 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 currently serves as the Chief Financial Officer of the Bank.

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 shariah compliant treasury instruments in Maldives.

Mr. Wasif is an affiliate 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 (INCIF).

### Mr. Hussain Ali Habeeb

#### Company Secretary

Mr. Hussain Ali Habeeb joined Maldives Islamic Bank in October 2011 in the Finance and Accounting Department. He was appointed Company Secretary in 2012.

As Head of Operations Department, Mr. Habeeb is primarily responsible for the efficient and sound operation of all branches. He has been appointed as the deputy manager 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 professionally qualified accountant and is a permanent affiliate member of ACCA. He also holds a Bachelor of Science in Applied Accounting Degree from Oxford Brookes University, with a first class honors.

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# EXECUTIVE TEAM



Mr. Abul Ehtesham  
Abdul Muhaimen

Mr. Ahmed  
Riza

Mr. Ali  
Wasif

Mr. Muhammad  
Amir Atiq

Mr. Syed  
Asad Munir

Mr. Mohammed  
Arefur Rahman  
Chowdhury

Mr. Rakitha  
Chandrasekara





Mr. Hussain  
Ali Habeeb

Mr. Abdullah  
Mamdhooh

Mr. Fisol Amri  
bin Mansor

Ms. Fathimath  
Azmath Ali

Mr. Hussain  
Alim Shakoor

Mr. Mohamed  
Ismath

Uza. Mariyam  
Sunaina

Mr. Mohamed  
Zulaal Zaem

## Mr. Abul Ehtesham Abdul Muhaimen

### Managing Director & Chief Executive Officer

Mr. Abul Ehtesham Abdul Muhaimen was appointed to the Board of MIB in 2019. Prior to joining MIB, Mr. Muhaimen was the Managing Director & Chief Executive Officer of United Commercial Bank, Bangladesh.

Mr. Muhaimen was also the MD & CEO of Brac Bank Ltd, one of the leading banks in Bangladesh.

Mr. Muhaimen is a senior banking professional with over 30 years of experience with MNC and Regional Banks in Asia, Australia, and Middle East, holding C-Level jobs in key business and support roles. He started his career with ANZ Grindlays Bank as Management Trainee in 1986. He worked in various management capacities both in Bangladesh and abroad in the role of CFO, Head of Human Resources, Head of Consumer Banking, Chief Operating Officer, Deputy CEO and Managing Director & CEO.

Mr. Muhaimen has multicultural experience across geographies while working in ANZ Grindlays Bank, Standard Chartered Bank and other banks in Bangladesh and UAE.

Mr. Muhaimen obtained post graduate degree in MBA from IBA, Dhaka University. He has also attended strategic senior management executive courses at INSEAD, Singapore; Cambridge University, UK, Mount Eliza of Monash University, Australia and Harvard University, USA. Mr. Muhaimen has held Board positions as a Director on the Board of Brac EPL, Brac EPSL, bKash and IIDFC in Bangladesh.

## 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 nine years of dedicated service to the Bank. Mr. Riza was also entrusted the role of Acting CEO from April 2018 till January 2019.

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

### 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 currently serves as the Chief Financial Officer of the Bank.

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 shariah compliant treasury instruments in Maldives.

Mr. Wasif is an affiliate 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 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. 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 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 with regard to prevention of money laundering and financing of terrorism.

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

### **Mr. Syed Asad Munir**

#### **Head of Business**

Mr. Syed Asad Munir is an experienced Islamic Financing specialist who has helped various financial institutions establish and expand their business operations. During his 15 years career, he has worked in various corporate and commercial banking roles that gave him a deep understanding of customer financing needs, Islamic financing structures and most importantly the strategies to manage and grow the bank's financing base. He is a dedicated, innovative and prudent banker with a passion for Islamic financial solutions.

Mr. Asad started his career in 2005 with MCB Bank Limited, the largest private sector bank in Pakistan, listed on Pakistan and London Stock Exchange. He was among the pioneering staff members to launch Islamic banking operations in the bank. He worked extensively to develop, roll out and improve Shariah compliant solutions which were still a very nascent concept in the market at that time.

He brought his newly acquired knowledge of Islamic Banking to Burj Bank Limited, Pakistan in 2007, a bank established through joint venture between Islamic Development Bank of Jeddah and local partners from Pakistan. The bank expanded its corporate financing portfolio extensively across major financial hubs of the country under his stewardship. He oversaw Corporate Banking, Investment Banking and Cash Management units during his stay of 7 years with the bank.

In 2014, he took on the responsibility as Head of Business at Maldives Islamic Bank (MIB) to grow the retail and business financing portfolio of the Bank. MIB has since expanded its

financing base multiple times as it's been recognized the most progressive Islamic Financing institute in the Southeast Asia. The bank has rapidly expanded its footprint in housing, retail, construction, transport and business financing segments.

Mr. Asad holds a Bachelor of Commerce degree from University of Punjab and a master's degree in business administration from IBA, Karachi, Pakistan.

### **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 13 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. Aref 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. Aref was entrusted with the 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 & a member of the Core Banking Migration Team in BRAC Bank. At MIB, Mr. Aref is responsible for driving our Cards & Payments business and all Digital service channels in MIB.

### **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

#### Head of Operations

Mr. Hussain Ali Habeeb joined Maldives Islamic Bank in October 2011 in the Finance and Accounting Department. He was appointed Company Secretary in 2012.

As Head of Operations Department, Mr. Habeeb is primarily responsible for the efficient and sound operation of all branches. He has been appointed as the deputy manager 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 professionally qualified accountant and is a permanent affiliate member of ACCA. He also holds a Bachelor of Science in Applied Accounting Degree from Oxford Brookes University, with a first class honors.

### 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 International Relations degree from the University of New Castle, Australia and a Bachelor of Business degree from the University of Queensland, Australia.

### Mr. Fisol Amri bin Mansor

#### Head of Shariah 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 Shariah at Maldives Islamic Bank, Mr. Fisol Amri is in charge of managing the Shariah governance aspect of the Bank under the guidance of the Shariah Board, to ensure the Bank's transactions and activities are in compliance with Shariah.

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.

### 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 correspondent banking functions 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 10 years of banking experience in various designations within the industry.

## Mr. Hussain Alim Shakoor

### Head of Marketing

Mr. Hussain Alim Shakoor 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. Mohamed Ismath

### Head of Information 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 v33 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 like data deduplication, workforce collaboration, Business Intelligence, MSI, SIEM, VoIP, ISO27001 etc.

## 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 Zulaal Zaeem

### Head of Corporate Support

Mr. Mohamed Zulaal Zaeem is the Head of Corporate Support of Maldives Islamic Bank. He joined the Bank during July 2018 as a Project Coordinator, managing and assuming the ownership of the overall Business Continuity Planning and Disaster Recovery processes, in addition to coordinating new projects of the Bank. Since May 2019, Mr. Zulaal has been supervising all the Administrative and Procurement works of the Bank. As the Head of Corporate Support, 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 from June 2009 till January 2016, and prior to that as ICT Associate from September 2002 to May 2009. Mr. Zulaal also served 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 also acquired various certifications from the fields of Information Technology and Public Procurement. He has also earned several UNDP certifications over the years.

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# 02 DIRECTOR'S REPORT

# BUSINESS REVIEW

## CORE BUSINESS ACTIVITY

The principal activities of the Bank are Islamic banking business and the provision of related financial services. There were no significant changes in these activities during the financial year.

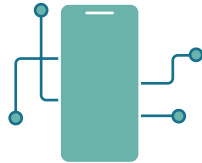
### Financial Results

	2020 (MVR '000)	2019 (MVR '000)
Profit Before Tax	107,312	111,923
Income Tax	(32,051)	(27,908)
Net Profit After Tax	75,261	84,014

## FOCUS DURING THE YEAR



Community



Digital



Retail

### Community

Being an integral part of the community has been an important area of focus for the Bank since its inception. Recognizing the severe economic impact from the COVID-19 pandemic spreading across the world, Maldives Islamic Bank took the bold initiative to support the Government's relief and moratorium agenda by becoming the first bank in the Maldives to offer moratorium to customers of the Bank.

The Bank believed in the philosophy of providing solutions that actually work for its customers both in the short and long term. The adverse effects of the global pandemic impacted across all the segments without any exception. In order to reduce the financial and operational impact on our customers, investors and other stakeholders, the Bank initiated various proactive measures including the announcement of moratoriums.

Additionally, considering the health and safety of MIB family as the highest priority, the Bank adopted proactive measures to ensure the safety and welfare of its staff members. MIB has been the pioneer in financing emergency medical equipment and supplies needed in the country at the very onset of the medical and health crisis.

Despite the hardships of the pandemic, MIB continued its commitment towards minimising and containing the global warming and climate change initiatives by providing financing to green industries and companies. The Bank also empowers and promotes social and economic inclusion of all Maldivians by ensuring equal opportunity and reducing income inequalities by providing gainful employment.

Maldives Islamic Bank has directly financed the construction of over 1,000 housing units to the local population via its flagship housing product, to address the social issue of housing in Maldives. Other areas of community engagement include active participation in infrastructure development of the country over the years and a scholarship programme that has been in effect since 2016 that has enabled multiple students to achieve their goals of higher education.



## Digital Services

In order to expand the reach and accessibility of MIB's services to a wider population of the Maldives by leveraging the Bank's digital banking platforms, significant investments have been made in the IT backbone for services including mobile banking and Internet banking. Sound investments in digital banking platforms has provided the wider dispersed population of Maldives greater opportunities to participate in the financial sector, improving financial inclusivity.

As the pandemic hit hard and Work From Home (WFH) became imperative, process changes across the Bank's operations were initiated without compromising service standards in order to offer essential services through Male' and all Island Branches. Various processes requiring physical interactions with the customers were modified to adjust to the online interactions with the customers. This as a result provided the much required support to the communities where MIB is present.

The Covid-19 pandemic created a new normal in service delivery standards and methods across all sectors. This crisis highlighted how important digital capabilities and products are, and how important speed and seamless integration is. Even before COVID-19 outbreak, MIB was already focusing over how best we can digitize the payment system and other financial services. The pandemic has furthered MIB's resolve, and the Bank realized this as an opportunity to bring in and test more innovations, adjust the marketing models and transform delivery channels, by prioritizing digital and automated delivery chains. With the Bank's strategy to continuously enhance its digital infrastructure, the Bank hopes to insulate from any risk of disruption of its products and services delivery.

The Bank's electronic banking platform currently consists of the following.

### Faisamobile

An application which facilitates customers to check their bank balances and transaction history, make transfers within the Bank and other banks, view details of financing facilities and view status of cheque books, cheques and cheque clearance and report stolen or lost cheques.

### Faisapay

An online payment gateway which links the payment transaction to different online stores and facilitates to carry out faster and secure money transfers.

### Faisanet

The Internet banking service allows customers to carry out transactions online, check account balances, view and print statements, make account transfers, inspect cheque status, request for cheque book, check financing list and schedule transfers.

### FaisaCard

FaisaCard offers customers banking convenience, providing easier methods to access their accounts. It can be used in Maldives, on FaisaATMs, FaisaPOS in shops, restaurants and other service providers. Each FaisaCard is granted with a validity period of five years from the date of issuance. MIB offers two types of FaisaCards; an instant card which is issued within a few minutes and does not include the customer's name, and secondly a personalized card with customer's name printed on, which is issued within 7 days.

### FaisaPOS

A wireless POS machine which can be used anywhere in the Maldives. FaisaPOS is used in a large number of shops, restaurants, schools and other businesses and service providers. MIB is constantly on the job to expand our POS network throughout the country.

### FaisaPOSCash

It's a POS, but for making quick withdrawals. This service is primarily focused to those who may need to get some cash while on the move. When and if any of our customers is nowhere near an ATM, MIB's FaisaPOSCash enables customers to visit a nearby shop that provides FaisaPOSCash service and that's it.

### FaisaATM

The 24 - hour Self Service Centers houses ATM for cash withdrawal and transfers among other services. MIB also offers Cash Deposit and Cheque deposit machines for customer convenience. MIB is constantly expanding its FaisaATM network to establish centers closer to customers.

## Retail

### Consumer Financing

During 2020, the Bank continued to offer its customers a multitude of financing solutions based on the Islamic finance principles. These include Murabahah based consumer financing, motorcycle financing, car financing, vessel financing, trade financing, Ijarah based education financing, home financing based on the concept of diminishing Musharakah and construction, real estate and project financing backed up by the Islamic finance principle of Istisnaa.

### Increasing retail customer base

The Bank adopts client relationships, innovation and quality as its core values and strives to deliver excellent services to its customers. This has attracted a significant retail customer base that trusts the Bank's varied and unique range of Islamic finance product offerings. During the year, the Bank ran campaigns targeted for retail customer base in line with the new normal of staying home. The Ramadan #StayAtHome campaign and cashback campaign was a massive driver for the Bank's customer base to adopt to new normal banking.

## MARKET POSITION & MARKETING ACTIVITIES

Maldives Islamic Bank is the market leader in Islamic banking and financing in the Maldives. The Bank's executions on improving customer service and valued added investments has yielded significant results over the years. MIB strives to offer a credible and high quality Shariah compliant banking service to those who are desirous of carrying out their financial transactions in conformity with Islamic values and principles.

MIB has become the most preferred consumer financing partner due to the Bank's carefully sought out retail and consumer financing products. The overall deployment is at a rate unseen in the Bank's history.

During the year the Bank's marketing activities were focused on the below.

### • Ramadan #Stayhome Promotion With Cashback Campaign

MIB launched the first ever cashback campaign in the Maldives during last Ramadan. The campaign aimed to give those who pay for their shopping using their MIB account a cashback on their purchases. In addition, a Grand Prize of MVR 20,000 as well as 6 Runner-Up prizes of MVR 5,000 was up for grabs for customers who recorded the highest number of transactions during this period.

This campaign was designed to encourage MIB customers to use its digital platforms to pay for their shopping during the lockdown. They include, FaisaCard, FaisaPay and Mobile/Internet Banking transfers. The overwhelming response from the customers during this promotion was truly a reflection of the strong relationship between the Bank and its customers.

### • Cashback Promotion

Due to popular demand of the Bank's Ramadan #StayHome Promotion announced during the year, a new cashback campaign was launched during the second quarter of 2020. The campaign was designed to run for up to 3 months, allowing customers to get cashback for eligible transactions when they pay for their shopping using MIB accounts, through FaisaCard, FaisaPay and Mobile/Internet Banking transfers. The promotion also included a grand prize of MVR 10,000 and 4 Runner-Up prizes of MVR 2,500 each month of the promotion. In addition to this, a Mega Prize of MVR 20,000 was offered for the customer who recorded the highest value of eligible transactions during the entire campaign period.

The promotion was well received by our customers with a considerable amount of merchants giving additional discounts to attract customers and increase spending through MIB accounts.

## KEY PROJECTS AND PRODUCTS IMPLEMENTED DURING 2020

### Card Payment Processing System

During 2020, the Bank completed and implemented a card payment processing system with state-of-the-art features to enable the Bank to leap forward. This was one of the largest technology upgradings the Bank undertook, bringing the underlying technology for card payment processing and other related e-banking platforms to a much quicker and secure platform. With this, the Bank has been able to enable some additional services, such as self-service banking, and paperless PIN and receipt services.

### Website and Online Account Opening

The Bank launched its' brand-new website in February 2020 with a unique interface and user experience that is engineered to be touch and mobile friendly. The website is divided into logical sections with a clean layout to ease the navigation for customers seeking information about the Bank and its offerings. With the new website, the customers of the Bank can apply online to open bank accounts.

### Interbank Product Innovation

MIB Treasury Team in 2020 came out with a unique Shariah Compliant mechanism to support MVR Liquidity by using surplus USD. The interbank placements allowed the parties to optimize the funds and liquidity while mutually assisting

the banks to tackle the liquidity challenges arising from the pandemic. Under the contract of Qard, the arrangement was first of its kind in the local banking industry.

### **New ATMs**

MIB continuously strives to fulfill its mandate of financial inclusion and support for local communities. The Bank believes in providing customers with ease of access to its services and enhancing the customer service experience. As such, MIB launched a new ATM machine in Feydhoo of Addu City and at Thilafushi during 2020. The opening of the ATMs provided much needed solution and relief for the communities that live and work there, in being able to fulfill their banking needs remotely amid the nationwide Covid-19 movement restrictions.

### **Moratorium Portal**

The internet portal to apply for and undertake the offer and acceptance of moratorium in April 2020 was part of MIB's contribution towards the community during the pandemic. With this portal, customers could apply for moratorium online and complete the entire cycle virtually. With the lockdown in full force since 15th April 2020, the introduction of this portal allowed the Bank to process the moratoriums efficiently.

### **Introduction of State-of-the-art ATMs**

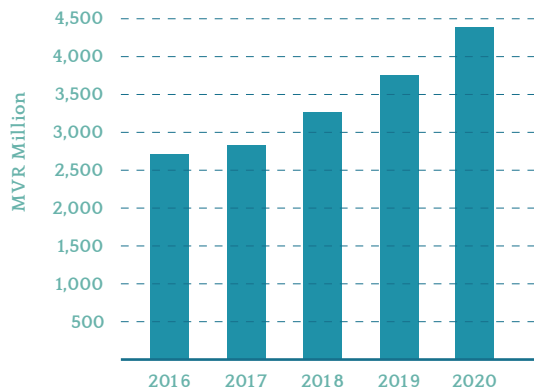
As part of enhancing the digital services of the Bank, MIB started the operation of state-of-the-art ATM with cash deposit services for the public in 2020. The Bank has three such machines installed in 2020; at the Main Branch of the Bank, in our Baazaar Service Center in Orchid Magu and the ATM kiosk at the Maldives National University in Ameenee Magu. With the help of the new ATM machines, customers can conduct deposit transactions without using their cards, by using an OTP sent to the mobile phone of the person conducting the deposit transaction, a service innovation that remain unique to MIB.

### **Introduction of Cheque Deposit Service Through ATMs**

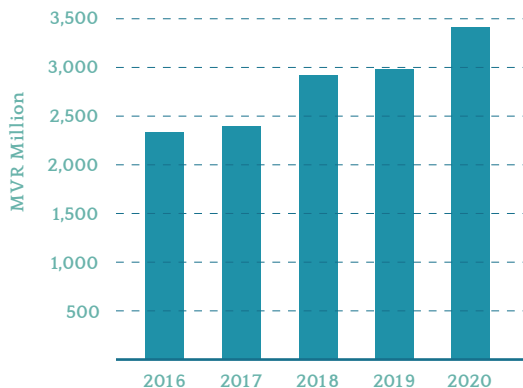
MIB introduced fully automated Cheque deposit functionality through ATMs in the year 2020. With this function, customers can conduct cheque deposit transaction. Customers are given the choice to deposit Cheques using cards and card less cheque deposit transactions using mobile OTP, a service innovation that remain unique to MIB.

## FINANCIAL PERFORMANCE

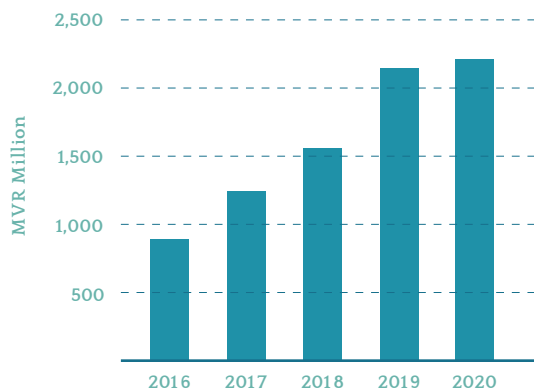
Total Assets



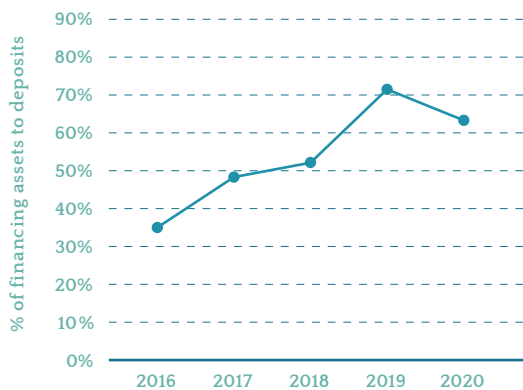
Customer's Deposits



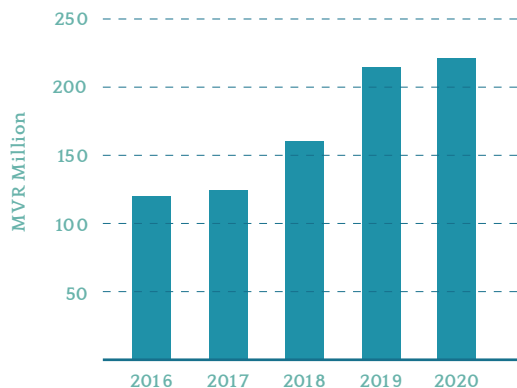
Financing Assets



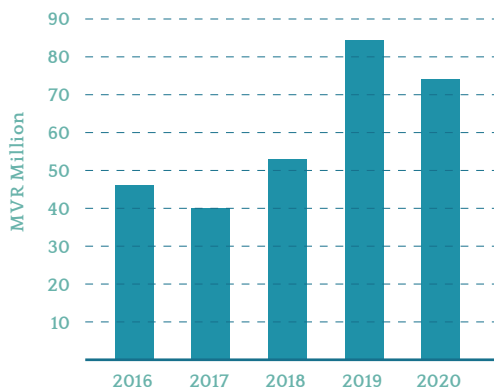
Financing Assets to Deposit Ratio



Net Income from Financing & Investment



Profit After Tax



	2016	2017	2018	2019	2020	Change (MVR)	Change (%)
<b>Operating Results for the Year - MVR Millions</b>							
Total Financing & Investment Income	132	150	186	260	274	14	5%
Net Income from Financing & Investment	116	129	154	216	224	8	4%
Total Operating Expenses	72	84	98	121	127	6	5%
Profit before Tax	60	54	73	112	107	-5	-4%
Tax Expenses	15	14	20	28	32	4	14%
Profit after Tax	45	40	53	84	75	-9	-11%
<b>Assets and Liabilities - MVR Millions</b>							
Financing Assets	816	1,172	1,529	2,132	2,213	81	4%
Total Assets	2,629	2,768	3,282	3,809	4,417	608	16%
Customers' Deposits	2,337	2,438	2,882	2,975	3,431	456	15%
Total Liabilities	2,375	2,470	2,941	3,239	3,802	563	17%
Total Equity	254	298	341	570	615	45	8%
Financing Assets to Deposit Ratio	0.35	0.48	0.53	0.72	0.64		
<b>Profitability - %</b>							
Net Financing Margin	11.53%	11.06%	10.57%	11.14%	10.61%		
Return on Assets	2.02%	1.48%	1.74%	2.37%	1.83%		
Return on Equity (After Tax)	19.26%	14.52%	16.45%	18.44%	12.70%		
<b>Capital Adequacy Ratios - %</b>							
Gross Non Performing Advance Ratio	0.96%	4.24%	2.50%	2.71%	4.97%		
Net Non Performing Advance Ratio	0.97%	4.31%	2.53%	2.75%	5.08%		
Provision Cover	106.8%	36.2%	46.3%	50.3%	40.2%		
<b>Investor Information - MVR</b>							
Net Asset Value per Share	1,411	1,655	1,894	25*	27		
Earnings per Share (MVR) - Post Tax (MVR)	250	222	294	4*	3		
<b>Capital Adequacy Ratios - %</b>							
Tier 1 Risk Based Capital Ratio (Minimum 6%)	17%	16%	14%	15%	18%		
Total Risk Based Capital Ratio (Minimum 12%)	21%	18%	17%	18%	22%		

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

## FUTURE OUTLOOK

Year 2020 was a difficult year. The Bank's Board and Management was quick to identify the challenges and proactively took necessary steps to navigate the Bank to a safer shore during the chaotic and disruptive times of the pandemic faced across the globe. The Bank is embarking on a post-Covid journey into future, where things are still uncertain, with a promise to be there for all, and look forward with cautious optimism that there will be favourable winds in our sails to move on to a sunny and prosperous future.

The Bank believes digital banking and Fintech solutions will continue to be the key driver of the banking industry and will continue to gain higher significance vis-a-vis the challenges incurred in the global Covid-19 pandemic. The Bank's efforts to further improve financial inclusion will continue. MIB will invest in the development of its digital platforms, which will also improve reach and access to customers living and working in various parts of the country. New investments will be made to improve and secure the technological infrastructure of the Bank while expanding the branch network.

MIB's engagement and contribution to the community will continue with greater emphasis on ethical and green financing. Customer experience and convenience will be enhanced through process re-engineering and innovative financial solutions. The Bank's customer base will be expanded through greater focus on untapped market segments.

The Bank will invest further on strengthening compliance with relevant laws and regulations and contribute towards the development of the Islamic banking sector by investing in the development of human resources especially Islamic finance professionals. The Bank will also continue its programs on promoting Islamic finance awareness and literacy.

The Bank will continue to drive on its focus areas including the enhancement of the Bank's image as a pioneer in Islamic finance in the country, expanding its engagement and contribution to community needs, development of its digital platforms and expanding its retail and corporate customer base.

## CORPORATE SOCIAL RESPONSIBILITY

### Sponsorships

During the hardships and trying times of the pandemic, the Bank continued pursuing its commitment towards promoting a sustainable community. Despite the strict movement controls that lasted throughout the year and educational institutes been virtualized, the Bank continued its sponsorship activities towards education and literacy. The Bank's CSR and sponsorship activities were focused mainly on education and upkeep of mosques. MIB's practice is to finance small projects on a one-off basis.

The Bank places great emphasis in enhancing Islamic finance and banking literacy within the community. During 2020, MIB continued its efforts in promoting Islamic finance awareness by conducting events and disseminating information on Islamic finance to the public.

The Bank's sponsorships in education further covers various school events and other in-kind contributions provided to schools. A majority of the events at schools sponsored by the Bank are focused on religious and literary events of students.

MIB's sponsorship contributions to mosques are specifically for repair and maintenance and replacing items such as prayer mats and carpets.

### Contribution towards improving the space for prayers at Hiriya School.

With over 1500 students, Hiriya School is considered a large government school in Male' City. With the current policy on adopting single session practice in public schools which requires students to remain in school for longer hours, the school management decided to create an appropriate space for Zuhr Prayers for all students while at school.

MIB participated in the project under our CSR to provide financial assistance towards purchase and installation of appropriate mats in a dedicated section of the school hall which could accommodate the school population.

## Islamic Finance education across the country

### o MIB at Islands: R. Hulhudhuffaar:

Working around the difficulties and challenges posed by the COVID-19 pandemic, MIB continued its commitment towards enhancing Islamic Financial literacy across Maldives. A team from MIB visited R. Hulhudhuffaar during March 2020 to conduct Islamic Finance Education sessions. The education session covered the topic of Islamic Finance together with an overview of the governing shariah principles and general knowledge on banking and the importance of saving towards the future.

### o MIB at Capital City: Male':

A special information session in conjunction with Amana Takaful (Maldives) PLC was conducted for the Maldives Customs Service on the 3rd of February 2020, and for the most high-ranking officers of the Maldives National Defence Force on the 9th of March 2020. The session was oriented towards providing marketing and product information on the range of consumer products and services offered by the Bank. They include Family Support Cover, a takaful plan launched in partnership with Amana Takaful (Maldives) PLC, exclusively for MIB customers, Kaamiyaabu Kids: the children's education savings and investment products, as well as the current account, savings account and general investment accounts products offered by MIB.

These highly interactive events were attended to by over 100 officers collectively from Maldives Customs Services and Maldives National Defense Force. The Bank in these events provided information on MIB's e-banking platform services and gave demonstrations on how to use the FaisaMobile to make transactions and monitor the investment accounts.



*In line with our Vision and Mission we remain committed towards spreading information and awareness on Islamic Banking and Finance. Pictures above are from sessions held at R. Hulhudhuffaar School last year.*

## CONTRIBUTION TO DEVELOPMENT PRIORITIES OF THE MALDIVES AND SUSTAINABLE DEVELOPMENT GOALS (SDGS)

*Since inception, MIB has been a major catalyst for the economic and social growth of the Maldives. The Bank over its course has been a significant contributor in improving the consumer behavior and lifestyle of the Maldivian people. The Bank has taken positive action to support the country's development priorities, with a contribution to attaining the Sustainable Development Goals.*



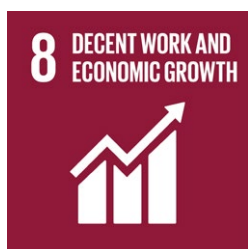
During the Covid-19 pandemic, MIB became the first bank in the Maldives to offer moratorium to all customers of all the products of the Bank. The Bank continued its moratorium portal until end of March 2021 to help sustain the lives of Maldivians and reduce the likelihood of families ending up in poverty.



Providing gainful employment through equal opportunity and reduced income inequalities is the Bank's way of empowering and promoting social and economic inclusion of Maldivians. MIB is one of the few organizations in Maldives to have a larger female cadre of around 50%, thereby assisting in gender equality.



The Bank addresses climate change by providing financing to industries and companies that showcase an increased efficiency in resource utilization and greater adoption of clean and environmentally sound technologies and industrial processes. MIB has been supporting government and private institutions in their aspirations of attaining carbon neutral green energy. MIB was the first bank in the Maldives to pilot financing solar panels for households in Addu City, the second most populous City in the country.



The Bank has financed more than 1000 SMEs covering key economic sectors including fishing, construction, housing, general assets and consumer goods. MIB has thus far facilitated the purchase of multiple fishing vessels, intended to enhance the livelihood of a significant portion of the population residing in the islands.





MIB has been active in the infrastructure development of the country over the years. The Bank has supplied 80 generator sets to government power generation companies. The Bank also facilitated the purchase of passenger/ cargo transport vessels, 22 buses providing local transport services and 03 aircrafts for the national carrier, intending to enhancing the transportation infrastructure of the country.



Helping build sustainable cities and communities is MIB's way of ensuring a decent life for all citizens. MIB actively contributes and supports the social empowerment of local communities and has spent an average of USD 150,000 towards community development annually.

The Bank has strategically positioned itself in major urban centers, and islands going afar from Malé, to provide easier access to financial services. MIB's impact on the local community is emphasized through its contribution to the government revenues via tax payments.

MIB with the support of its partners further contributes to the SDGs through its financing; in Financial Inclusion, Access to Finance, Housing and Energy, in-order-to impact on SDG1 (No Poverty), SDG3 (Good Health and Well-Being), SDG5 (Gender Equality), SDG 10 (Reduced Inequalities), SDG 13 (Climate Action) and SDG17 (Partnership for the Goals).



# INVESTOR INFORMATION

No. of securities traded in 2020	7,237
No. of transaction in 2020	30
Total value of securities traded	MVR 286,339.00
Highest traded price	MVR 50.00
Lowest traded price	MVR 32.00
First traded price	MVR 44.00
Last traded price	MVR 39.00 (on 30 December 2020)
Weighted average traded price	MVR 39.57
Earnings per security	MVR 3.00
Dividend per Security (2019)	MVR 1.575
Net asset value per security	MVR 27.00
Value as at 31 December 2020	MVR 39.00
Market capitalisation in 2020	MVR 890,234,835.48
Total Number of Shareholders as at 31 December 2020	16,149

# CORPORATE GOVERNANCE

*Maldives Islamic Bank PLC. is committed to ensure the highest standards of Corporate Governance throughout the Bank. The prime objective of the Bank's Corporate Governance structure is to ensure that the interests of stakeholders are safeguarded, and shareholder value and financial performance is enhanced. The Bank ensures that special focus is paid to fairness and transparency in all dealings of the Bank.*

## BOARD OF DIRECTORS

### Composition of the Board

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

- As per the Articles of Association of the Bank, the Board shall not be less than 07 (seven) Directors and shall include at least 04 (four) Nominee Directors, at least 01 (one) Elected Director 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.
- 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 Maldives Islamic Bank PLC.
- The composition of the Board is firmly aligned with section 1.2, Part 2 of the Corporate Governance Code of the Capital Market Development Authority and has a mix of executive, non-executive and independent directors, ensuring impartial and efficient guidance is provided to the management.

Composition of the Board of Directors during 2020:

The year began with a total of 08 (eight) Directors in the Board. The following were the 08 (eight) Directors on the Board until the 10th Annual General Meeting (AGM) held on 23rd July 2020:

#### **Mr. Najmul Hassan**

Nominee Director, ICD

**Chairman (Non-Executive Director)**

#### **Mr. Mohammed Ataur-Rahman Chowdhury**

Nominee Director, ICD

**Non-Executive Director**

#### **Mrs. Fathimath Shafeega\***

Nominee Director, Public

**Non-Executive Director**

#### **Mr. Mohamed Azad\***

Nominee Director, Government of Maldives

**Non-Executive Director**

#### **Mr. Osman Kassim\***

Nominee Director, ICD

**Non-Executive Director**

#### **Mr. Nasser Mohammed Al-Thekair**

Nominee Director, ICD

**Non-Executive Director**

**Mr. A.E.A. Muhaimen**

Executive Director

**Managing Director & CEO****Mr. Ali Wasif**

Executive Director

**Executive Director & CFO**

\* Mrs. Fathimath Shafeega, Mr. Mohamed Azad and Mr. Osman Kassim completed their terms as Board of Directors on 23rd July 2020.

Following the 10th AGM held on 23rd July 2020, the Board consists of 08 (eight) Directors including 03 (three) newly appointed Directors.

Composition of the Board of Directors as at 31 December 2020;

**Mr. Najmul Hassan**

Nominee Director, ICD

**Chairman (Non-Executive Director)****Mr. Mohammed Ataur-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, Government of Maldives

**Non-Executive Director****Mr. Ali Shareef\***

Nominee Director, Maldives Pension Administration Office

**Non-Executive Director****Mr. Ahmed Ali\***

Elected Director

**Independent Non-Executive Director****Mr. A.E.A. Muhaimen**

Executive Director

**Managing Director & CEO****Mr. Ali Wasif**

Executive Director

**Executive Director & CFO****New appointments to the Board during the year**

The following members of the Board were appointed during 2020.

- **Uz. Mohamed Naseem Ibrahim** - 23 July 2020
- **Mr. Ali Shareef** - 23 July 2020
- **Mr. Ahmed Ali** - 23 July 2020

**Roles and Responsibilities of the Board of Directors**

The Board of Directors of the Bank assumes the overall responsibility for the Bank's strategic leadership and direction, corporate governance, formulation of policies and overseeing the investments and operations of the Bank.

With their combined and diversified expertise and years of experience in a multitude of fields, the Board is responsible for reviewing and approving long-term strategic plans as well as business strategies of the Bank.

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. They make no exception in terms of their own performance and takes measures to ensure their dealings are within the aforementioned principles.

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

**Role of the Chairman**

The Chairman of the Board of MIB is entrusted in promoting and maintaining harmony and affinity within the Board, enabling free constructive discussions during its proceedings. The Bank relies on the Chairman's expertise and knowledge in providing focused leadership to the Board. The responsibility for the overall functioning of the Board of Directors and its activities is also assumed by the Chairman, in addition to presiding 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 the two individuals who occupy these two positions.

### Meetings of the Board of Directors

During 2020, the Board held its meetings once a month as stipulated in Maldives Banking Act (24/2010). Members of the Board were given notice of Board meetings as stated in the Bank's Articles of Association. The agenda for Board meetings is finalized by the Chairman of the Board and Company Secretary, in consultation with other concerned members of the senior management. Directors may propose inclusion of additional items in the agenda. The agenda is distributed with supplementary documents in advance to the Directors.

### Key decisions and recommendations by the Board of Directors during the year

#### Matters related to governance

- Reviewed and Approved the Whistleblowing Policy of the Bank.
- Reviewed and Approved the Policy for Appointment of Directors.
- Reviewed and Approved the Policy of Prohibition of Insider Trading.
- Approved the Re-appointment of Shariah Board Members of the Bank and recommended to the Annual General Meeting.
- Approved the appointment of External Auditor for the financial year ending 31st December 2020 and recommended to the Annual General Meeting.
- Approved the appointment new Nominee Director. The appointment is to be confirmed at the next AGM of the Bank.
- Approved to shortlist candidates for the position of Elected Director. The shortlisted candidates will be put forward for voting at the next AGM of the Bank.
- Approved the appointment of new Nominee Director subject to confirmation at the AGM of the Bank.
- Reconstituted the Subcommittees of the Board of Directors.

- Approved the Deferment of declared dividends to all investors till 2021.
- Approved the appointment of new Nominee Director subject to confirmation at the next Shareholders meeting of the Bank.
- Reviewed and Approved the Code of Ethics document for the Board of Directors.

#### Matters related to business & financial management

- Reviewed and Approved the Bank's Audited Financial Statements for the year ended 31st December 2019 and recommended it for the Annual General Meeting.
- Reviewed and Approved the payment of Dividend for 2019 and recommended to the Annual General Meeting.
- Reviewed and Approved the proposal on Salary increment and payment of Annual bonus to staff.
- Reviewed the Financial Performance of the Bank on a monthly basis.
- Reviewed the Non-Performing Asset portfolio on the Bank on a monthly basis.
- Approved a number of financing facilities during the period as per the recommendation of the management.
- Approved to finance medical equipment related to COVID-19.
- Approved Consumer Financing Moratorium eligibility criteria.
- Approved the restructuring facilities of Corporate Financing customers as per the recommendation of RMCU.
- Approved the decision rights of Financing & Investment Committee during the COVID-19 pandemic as recommended by the BRCC.
- Approved Interbank placement enhancement.
- Approved the Line of Finance from ICD of USD 10 million.
- Approved Three-Year digital strategy of the Bank.
- Reviewed and approved the Bank's Budget and Business Plan for the year 2021.

- Reviewed and approved New Financing products of the Bank.

### Matters related to compliance

- Reviewed and Approved the Bank's Quarterly Reports for the year 2019/2020.
- Reviewed and Approved the Shariah Board Annual Report for the year ended 31st December 2019.
- Approved to hold the AGM of the Bank in July 2020.
- Reviewed and approved the Directors Report for the year ended 31st December 2019.
- Reviewed and approved the COVID-19 Impact Assessment Report of the Bank.
- Approved Ordinary Resolutions proposed to be passed at the 10th AGM of the Bank.

### Attendance of Directors at Board meetings

#### Mr. Najmul Hassan



#### Mr. Mohammed Ataur-Rahman Chowdhury



#### Ms. Fathimath Shafeega



#### Mr. Mohamed Azad



#### Mr. Osman Kassim



#### Mr. Nasser Mohammed Al-Thekair



#### Uz. Mohamed Naseem Ibrahim



#### Mr. Ali Shareef



#### Mr. Ahmed Ali



#### Mr. Abul Ehtesham Abdul Muhaimen



#### Mr. Ali Wasif



### Directors' service contracts

- **Mr. Abul Ehtesham Abdul Muhaimen:** Mr. Abul Ehtesham Abdul Muhaimen was appointed as Managing Director and Chief Executive Officer of the Bank in 2019, under an employment contract of three years. Mr. Abul Ehtesham Abdul Muhaimen reports directly to the Board of Directors. His main responsibilities include leading and directing the execution of the Bank's strategies, provide 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 strong measures in place to avoid instances of all conflicts of interest throughout the Bank, and in all the dealings of Board of Directors. In this regard, Directors are barred from participating in proceedings or discussions where any transaction, arrangement or proposed transaction or arrangement, in which he or she has an interest is being discussed. The Bank reports no such conflicts of interests during the past financial year.

In 2020, the Bank approved a Line of Finance from ICD of USD 10 million and no service contracts were entered into, with any person nominated for directorship of the Bank.

### Board performance evaluation

The Board of Directors believe that a high performing Board is essential for the successful performance of the Bank. As such, the Board Nomination and Remuneration Committee (BNRC) as assigned by the Board of Directors, gives significant care in ensuring the work of the Board of directors is to the accepted level. To further strengthen the process of Board performance evaluation, BNRC is developing a framework and mechanism to evaluate the performance of the Board as a whole, its committees and the performance of each member of the Board individually.

### Directors' development

The Bank made multiple efforts to organise governance and compliance related trainings and director's developmental activities throughout the year. However, due to the prolonged effects of Covid-19 and due to the travel restrictions, the Bank had to postpone the planned exercises until situation improves.

### Directors as shareholders of the Bank

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

The following Directors held shares of the Bank as follows as of 31 December 2020;

Name of Director	No. of shares held
Mr. Abul Ehtesham Abdul Muhaimen	201 shares
Mr. Ali Wasif	21 shares

### Relationship with shareholders

MIB ensures all necessary and up-to-date information required to make sound judgements by shareholders, are made readily available on the Bank's website within the stipulated timeframe. The Bank's effort in establishing proper transparency with its investors is met through the quarterly reports, annual reports, announcements and notices it publishes. Enhancing the relationship with the Bank's shareholders is highly regarded by the Bank, thus, the Bank ensures that all shareholder related matters are attended to and catered for on a daily basis by the dedicated staff members.

MIB strives to maintain a close relationship with its shareholders by encouraging active participation from shareholders.

### Remunerations to members of the Board and Executives

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

### Disclosure of information

The Bank's 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 2020 is published accordingly. In compliance with the Maldives Banking Act (24/2010), the Bank's audited financial statements were made available in due time to the shareholders, as part of the Bank's continued efforts towards transparency and good governance.

### Appointment of external auditors

At the 10th Annual General Meeting of the Bank, the Board has recommended, and thereby resolved by the shareholders to continue the engagement of KPMG as the Bank's External Auditors for the financial year ending 2020.

### Internal controls, risk oversight and management

The Board of Directors as a whole, assumes the responsibility of maintaining sound internal controls to safeguard shareholders' investments and the Banks' assets. The Board realises the need to review the adequacy and integrity of those systems regularly. As such, the Bank has established a three-line defense mechanism through which all the dealings of the Bank are reviewed, assessed and reported within the Bank.

The Business Unit, Risk Management and Compliance Unit and Internal Audit Department collectively and independently ensure the Bank has a prudent risk management framework.

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

In accordance with clause 1.8, Part 2 of the Corporate Governance Code of Capital Market Development Authority,

the Board Audit Committee ensures proper internal controls are in place, and integrity, transparency and consistency in the Bank's operations are always met.

### Declaration

The responsibilities of the Board of Directors relating to governance and management and financial statements of the Bank and the declarations related to those are stated below.

We declare that the information presented in this statement is true and accurate.

In accordance with the principles of corporate governance, the Listing Rules of the Maldives Stock Exchange, Maldives Securities Act (2/2006) and the Companies Act of the Republic of Maldives (10/96), Maldives Banking Act (24/2010), the Securities Continuing Disclosure Obligation of Issuers (CDOI) Regulation (2019/R-1050), the Board of Directors and the management of MIB have made complete efforts to ensure that the Bank is governed and managed in a fair and transparent manner.

The Board of Directors have also adhered to all the applicable laws and regulations in preparing the Annual Report and the Financial Statements of the Bank.

### Financial statements

Board of Directors mutually ensured that the Bank's financial statements are prepared in compliance with the International Financial Reporting Standards (IFRS). As such, it is ensured that the financials of the Bank present a true and fair view of the state of affairs of the Bank.

The financial statements of the Bank comply with the relevant regulations of Maldives Monetary Authority (MMA) and Capital Market Development Authority (CMDA), allowing the Bank's shareholders to make fair and informed evaluation of the Bank's performance.

The Bank's financial statements are prepared on the going concern basis. The Board of Directors have ensured that proper accounting records are kept, appropriate accounting policies are applied on a consistent basis and made accounting estimates that are reasonable and fair so as to enable reasonable accuracy in the preparation of the financial statements of the Bank.

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. The systems, by their nature, can only provide reasonable and not absolute assurance against material misstatements, whether due to fraud or error.

### Dividend

At the 10th Annual General Meeting of the Bank held on 2020, the shareholders have resolved to declare a final dividend of MVR 35,437,511.00 (thirty five million four hundred thirty seven thousand five hundred and eleven rufiyaa), equating to MVR 1.575 (one point five seven five rufiyaa) per ordinary share as the final dividend for 2019.

This resolution was subject to the condition that the distribution of the dividend shall be deferred to all shareholders of the Bank until 2021, to be paid with prior approval of Maldives Monetary Authority, as conditioned by the Bank's regulators. The Bank has thus deferred payment of 2019 dividends until 2021 and is now deposited accordingly.

Date: 30th April 2021



Najmul Hassan  
Chairman

Abul Ehtesham Abdul Muhaimen  
Chief Executive Officer



## BOARD AUDIT COMMITTEE

The Board Audit Committee has been formulated as per clause 1.8, Part 2 of the Corporate Governance Code. The primary function of the Audit Committee is to assist the Board in its supervisory role in the management of internal controls in the Bank. The Committee is responsible for reviewing internal controls and policies of the Bank and ensuring the procedures and framework in relation to identifying, measuring and monitoring the control mechanisms in place are operating effectively.

### Composition of the Committee

The Committee comprises of not less than three (3) members appointed by the Board of Directors from among the members of the Board, excluding the Chairman of the Board and the Managing Director of the Bank who shall not be members of the Board Audit Committee. The Head of Internal Audit acts as the secretary to the Board Audit Committee.

Members of the Committee as of 31st December 2020

#### Mr. Ahmed Ali

Chairman of the Committee / Non-Executive independent Director

#### Mr. Mohammed Ataur-Rahman Chowdhury

Non-executive Director

#### Mr. Ali Shareef

Non-executive Director

\* The Board Audit Committee was reconstituted on 17th August 2020 with the following two members:

- Mr Ahmed Ali

- Mr. Ali Shareef

Ms. Fathimath Shafeega, former Chairperson of the Board Audit Committee completed her term as a Director of the bank on 23rd July 2020.

Mr. Mohamed Azad, former member of Board Audit Committee completed his term as a Director of Bank on 23rd July 2020.

### Duties of the Committee

- Approve the appointment, replacement and dismissal of the Internal Auditor/Head of Internal Audit;
- Review and approve the internal audit plan, ensure coordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Bank;
- Monitor and assess the role and effectiveness of the internal audit function;
- Review the adequacy of the scope of audits conducted by the Internal Audit Department, functions and resources of internal audit and that it has the necessary authority to carry out its work;
- Evaluate the performance of the Head of Internal Audit Department and the overall performance of the department;
- Consider and review the Internal Audit Department's budget and staffing;
- Inquire about any difficulties encountered in the course of internal audits, and any restrictions placed on internal audit's scope of work or access to required information or personnel;
- At least once a year, meet with the Head of Internal Audit without the presence of executive management to discuss any matters that either the Board Audit Committee or Head of Internal Audit believes should be discussed privately;
- Ensure collaboration between internal and external audits;
- Recommend to the Board of Directors, the external auditors to be appointed and their compensation; review and approve the scope and quality of their work, and their discharge or resignation;
- Review the external auditors' audit plan, scope of their audit and their audit reports;
- Assess the performance of the external auditors;
- Review the independence and objectivity of the external auditors and their services, including non-audit services;

- Approve the provision of non-audit services by external auditors and to ensure that the provision of the non-audit service does not impair the external auditor's independence or objectivity;
- Consider and recommend to the Board the level of audit fees as well as any other fees which are payable to auditors in respect of non-audit activities;
- Oversee the rotation of external auditors at appropriate intervals if necessary;
- Discuss the nature and scope of the audit with the external auditors before the audit commences;
- Discuss problems and reservations arising from the interim review and year-end audit and any matters the external auditors may wish to discuss, in the absence of management where necessary;
- Review the external auditors' engagement letter, management letter and management's response;
- At least once a year, meet with the external auditors without the presence of executive management to discuss any matters that either the Board Audit Committee or external auditors believe should be discussed privately.
- Undertake other actions relating to the conduct of the audit which are communicated to the Board Audit Committee under International Standards on auditing.

## Attendance at Committee meetings

### Mr. Ahmed Ali

 100%

### Mr. Mohammed Ataur-Rahman Chowdhury

 100%

### Mr. Ali Shareef

 100%

### Ms. Fathimath Shafeega

 100%

### Mr. Mohamed Azad

 100%

## Activities of the Committee

### Internal Audit:

The Board Audit Committee reviewed below mentioned policies.

- Terms of Reference of Board Audit Committee
- Audit Charter

The Board Audit Committee also conducted below mentioned activities pertaining to 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 2021.

### External Audit:

The Board Audit Committee conducted below mentioned activities pertaining to External Auditors.

- 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 also reviewed and approved by the Audit Committee.
- Recommendations were made in relation to the remuneration of the external auditors which was subsequently approved by the Board of Directors.

### Provision of Non-Audit Service

The Committee is also responsible for reviewing the nature of non-audit services that the External Auditors may undertake in order to ensure that the Auditors' independence is not impaired in such circumstances.

The committee reviewed the non-audit services provided by External Auditors.

Date: 30th April 2021



Mr. 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 three members of the Board of Directors.

#### Composition of the Committee till July 2020

##### Mr. Osman Kassim

Chairman of BRCC, Non-Executive Director

##### Mr. Nasser Mohammed Al-Thekair

Member of BRCC, Non-Executive Director

##### Mr. Najmul Hassan

Member of BRCC, Non-Executive Director

#### Composition of the Committee Post July 2020 and as of 31st December 2020

##### Mr. Nasser Mohammed Al-Thekair

Chairman of BRCC, Non-Executive Director

##### Mr. Najmul Hassan

Member of BRCC, Non-Executive Director

##### Uz. Mohamed Naseem Ibrahim

Member of BRCC, Non-Executive Director

\* The BRCC was reconstituted on 17th August 2020 with the following member:

- Uz. Mohamed Naseem Ibrahim

Mr. Osman Kassim, former Chairman of BRCC completed his term as the Director of Bank on 23rd July 2020.

## Major Duties and Responsibilities 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 Eight (8) meetings during the year under review.

### Mr. Nasser Mohammed Al-Thekair



### Mr. Osman Kassim



### Mr. Najmul Hassan



### Uz. Mohamed Naseem Ibrahim



## Activities of BRCC during 2020

- The committee provided a consistent and proactive oversight of risk management during the pandemic period. Committee held meetings at an accelerated frequency and had more frequent interactions with the management in an effort to continuously evaluate risk exposures of the Bank, adjust risk limits and tolerances in the backdrop of increased uncertainty and market stress triggered by the ongoing pandemic and also look for systemic risks and emerging risk trends. So that material problems and surprises could be avoided before they arise and negatively impact earnings, liquidity, capital, or reputation of the Bank.
- 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:
  - o Policy on Prohibition of Insider Trading.
  - o Cards Settlement Process in view of Cross Currency Risk.
- Apart from above, following were also reviewed by the Committee:
  - o Risk concentration levels; sector and industry level, financing products level, time-maturity buckets level, top-10 financing exposures level and others.
  - o Financing and investment portfolio position.
  - o Consumer financing portfolio.
  - o Non-performing portfolio, products-wise infection ratio, portfolio on watchlist and recovery strategies.

- o Market risk positions
  - o Assessment of liquidity position FEEL and NOP.
  - o Assessment of capital adequacy (CAR).
  - o Semi-annual assessment of:
    - Results of stress tests performed and consequent shifts in CAR and liquidity ratios.
    - Adequacy of Stress-Shock Scenarios developed for the purpose; and
    - Adequacy of the levels of shocks applied.
    - Semi-annual assessment of the Bank's rating on CAMELS model.
  - o Financing and Investments approved by the Management Committee.
  - o Operations risk reports.
  - o AML/CFT and regulatory compliance reports.
  - o Implementation of the AML/CFT Software
  - o Economic and Business Impact in view of the Pandemic and the Measures taken by MIB.
- In addition, following financing products were reviewed and recommended to, and then approved by the Board of Directors:
- o Tawarruq Financing – for Moratorium purpose only
  - o Tijarah Financing
  - o Running Musharaka for Working Capital Financing
  - o Changes to Ujaalaa Dhiriulhun Product Program Guidelines
  - o In addition, in view of the Pandemic, Decision rights of FIC for Moratorium and Conversion proposals were recommended to, and then approved by the Board of Directors.

Date: 30th April 2021

**Nasser  
Mohammed Al-  
Thekair**

Digitally signed by Nasser  
Mohammed Al-Thekair  
Date: 2021.04.30 18:08:37  
+03'00'

Nasser Mohammed Al-Thekair

Chairman

Board Risk and Compliance Committee

## BOARD NOMINATION AND REMUNERATION COMMITTEE

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 in consideration to the size of the Board, which is not big enough to have two separate 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.

### Composition of the Committee

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

Members of the Committee as of 31st December 2020

#### Mr. Mohamed Ataur-Rahman Chowdhury

Chairman of the Committee /

Non-Executive Director

#### Uz. Mohamed Naseem Ibrahim

Non-Executive Director

#### Mr. Ali Shareef

Non-Executive Director

#### Mr. Najmul Hassan

Non-Executive Director

\* The BNRC was reconstituted on 17th August 2020 with the following two members:

· Uz. Mohamed Naseem Ibrahim

· Mr. Ali Shareef

Mr. Mohamed Azad, former member of BNRC completed his term as the Director of Bank on 23rd July 2020.

## 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 director, 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 the 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 four (4) meetings during the year under review.

### Mr. Mohamed Aatur-Rahman Chowdhury

■ ■ ■ ■ 100%

### Mr. Mohamed Azad

■ ■ ■ 100%

### Mr. Najmul Hassan

■ ■ ■ ■ 100%

### Mr. Ali Shareef

■ 100%

### Uz. Mohamed Naseem Ibrahim

■ 100%

## Nomination

The Nominee Directors were appointed as per Article 41 and 43 of the Articles of Association of the Bank.

The Elected Director was appointed as per the Article 44 of 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 2020.

The breakdown of remuneration paid to the Board of Directors and key Management Personnel for the period 1st January 2020 to 31st December 2020 are provided in the below table. The aggregate remuneration details are disclosed, and additional details are deemed to place the Bank in a relative disadvantage against the key industry players.

Remuneration	Amount (MVR)
Board of Directors	1,424,648.47
Key Management Personnel	7,270,968.52

### Activities of BNRC During 2020

- Reviewed and recommended the reappointment of Shariah Board members of the Bank.
- Reviewed and recommended the Policy for Appointment of Directors.
- Reviewed and recommended the appointment of external legal counsel to advise the Board of Directors on Board Governance and Shareholders affairs.
- Recommended the renewal of terms of some Directors.
- Reviewed and recommended the recruitment of key positions of the Bank.
- Reviewed and recommended the Nominee Directors.
- Initiated and developed criteria to evaluate the applicants for the position of Elected Directors of the Bank.
- Reviewed and recommended the Elected Director candidates.

The Bank welcomes gender diversity in the boardroom and female representation on the Board of Directors in accordance with the Corporate Governance Code of Capital Market Development Authority. The 01-female representative on the Board of Directors of the Bank completed her term as a director of the Bank on 23rd July 2020. There were no female applications for the post of Elected Director during the year 2020.

Date: 30th April 2021



Mohammed Ataur-Rahman Chowdhury  
Chairman  
Board Nomination and Remuneration Committee

## SHARIAH BOARD

The Shariah Board of the Bank was formulated in compliance with Section 13 of the Islamic Banking Regulation (2011), issued by the Maldives Monetary Authority. The Bank's Shariah Board acts independently in providing its opinions with due regard to the regulations of MMA and the opinions of the Shariah Council of MMA. The Shariah Board is an independent body of scholars with extensive knowledge and experience in Shariah law, Islamic economics and finance. All decisions of the Shariah Board are binding upon the Bank.

### Composition of the Shariah Board

The Shariah Board comprised of the following members as of 31 December 2020.

**Dr. Ejaz Ahmed Samadani**  
Chairman of Shariah Board

**Mufti Mohammed Ibrahim Mohammed Rizwe**  
Member

**Dr. Ibrahim Zakariyya Moosa**  
Member

### Duties of the Shariah Board

The duties and obligations of the Shariah Board consist of the following:

- Establish, confirm and approve the Shariah Guideline and amend such guidelines as may be required from time to time;
- Confirm the compliance of the Bank's investments and accounting standards with Shariah guidelines;
- Advise the Bank on whether all activities, investments or acts carried out by the Bank are Shariah compliant;
- Providing the Bank with an annual Shariah compliant audit report of investments and transactions;
- Issue the annual Shariah compliance pronouncement for the Bank;

### Attendance at Shariah Board meetings

**Dr. Ejaz Ahmed Samadani**

■ ■ ■ ■ 100%

**Mufti Mohammed Ibrahim Mohammed Rizwe**

■ ■ ■ ■ 100%

**Dr. Ibrahim Zakariyya Moosa**

■ ■ ■ ■ 100%

### Activities during the year

- Participated in a virtual joint Shariah Board meeting with Board of Directors.
- Conducted two virtual sessions of Advance Shariah Training for staff of the Bank.
- Conducted two virtual sessions of Intermediate Shariah Training for staff of the Bank.

### Shariah governance framework

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

- The Board of Directors perform oversight on Shariah compliance aspects of the Bank's overall operations.
- The Shariah Board, an independent board elected by the shareholders, based on the nomination and recommendation of the Board of Directors, will endorse all the relevant documentation including policies, guidelines, procedures, Shariah Review and Shariah Audit Report, prior to the implementation, and provide sound Shariah decisions.
- The management shall be responsible for observing and implementing Shariah rulings and decisions made by the Maldives Monetary Authority (MMA), Shariah Council and the Shariah Board respectively and the management is responsible in providing adequate resources and capable manpower support to every function involved in the implementation of Shariah governance, in order to ensure that the execution of business operations are in accordance with the Shariah;



- In-house Shariah Unit conducts quarterly Shariah reviews on the process and the executions' conformity to the need of the Shariah and provide the report to Shariah Board.
- In-house Shariah Unit conducts half yearly Shariah Audit to confirm the key functions and business operations comply with Shariah and provide the report to Shariah Board;
- The Shariah non-compliant risk is being managed under operational risk management function of the Risk Management and Compliance Unit.
- In-house Shariah Unit conducts Shariah research on matters related to Shariah; and
- Shariah Secretariat issues and disseminates the decisions endorsed by Shariah Board to the relevant stakeholders.

## SHARIAH BOARD MEMBERS



### Dr. Ejaz Ahmed Samadani Chairman of Shariah Board

Dr. Ejaz holds a Doctorate in Philosophy from University of Karachi. He also holds a Master of Arts in Islamic Studies and an LLB and was under the tutorage of the imminent Shariah 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 Shariah scholar, Dr. Ejaz became the Shariah Advisor/ Shariah Board Member to a number of Islamic financial institutions and investment houses such as Habib Bank Limited- Islamic Banking Division, UBL Ameen Islamic Banking, Bank of Punjab Taqwa Islamic Banking, Al Hamra Shariah Compliant Funds of MCB, Arif Habib Investment Management Limited and JS Islamic Pension Fund. Given his knowledge, he lectures 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) and Hira Foundation Academy (HFA). He is also a faculty member of 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 Shariah Board of the Bank since 2011, Dr. Ejaz was instrumental in providing Shariah guidance and supervision and had issued a number of Fatwas on Islamic banking operations and documentation to the Bank. His books on Islamic Banking covering the philosophy and the practical application on Takaful, Murabahah and Ijarah, among others, are invaluable sources of reference for bankers and practitioners.



### **Mufti Mohammed Ibrahim Mohammed Rizwe** Member of Shariah Board

Mr. Mufti Mohammed Rizwe is a well renowned scholar in Sri Lanka and internationally. He has been holding the position of President of the All Ceylon Jamiyyathul Ulama (ACJU) since 2003. ACJU is the apex body of Muslim Theologians, which was established in 1924. He is also Ex Officio President of various committees of the ACJU.

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 Master of Arts in Arabic and Islamic Studies which is recognized by the Higher Education Commission of Pakistan.

He lectures in a number of colleges and serves in the capacity of President and an Advisor to a number of Arabic Colleges locally and internationally. He is also a member of the Religious Advisory Board for His Excellency the President of Sri Lanka since May 2016 and an Executive member of the Supreme Council of Congress of Religions, Sri Lanka.

Mr. Mufti Mohammed Rizwe has been a frequent traveller and had conducted and attended several programmes in Asian, Middle Eastern, African, European and North American countries for the purpose of Islamic awareness and promoting peace and coexistence.

He is the Chairman of the Shariah Supervisory Council of Amana Takaful PLC, member of the Shariah Supervisory Council of the Amana Bank, Bank of Ceylon and Peoples Leasing Finance. He is also a member of Shariah Boards of several other Islamic financial institutions in Sri Lanka.

As a member of the Shariah Board of Maldives Islamic Bank since 2011, he has provided Shariah guidance on Islamic banking products and operations.



### **Dr. Ibrahim Zakariyya Moosa** Member of Shariah Board

Dr. Ibrahim Zakariyya Moosa is currently the Vice Chancellor of Islamic University of Maldives. Prior to this, he served as the Dean of the Center of Post-graduate Studies of Islamic University of Maldives.

As a Shariah scholar, Dr. Zakariyya Moosa serves as a member of Shariah advisory board of several financial institutions. He lectures on Islamic Shariah and law in Islamic University of Maldives at tertiary, undergraduate and postgraduate levels.

Dr. Ibrahim Zakariyya Moosa was formerly the rector of the former College of Islamic Studies and he has also served as a member of parliament for thirteen years.

Dr. Ibrahim Zakariyya Moosa has a PhD in Fiqh and Usul al-Fiqh from the International Islamic University Malaysia. He also holds a Masters Degree in Fiqh from the same university and a Bachelors Degree in Islamic Shariah from the Islamic University of Madinah. He has translated books on Islamic Finance, "An Introduction to Islamic Finance" by Mufti Muhammad Taqi Usmani and "Murabahah" by Dr. Ejaz Ahmed Samadani.

As a member of the Shariah Board of the Bank since 2014, he has provided Shariah guidance on Islamic banking products and operations.



## Shariah Board's Annual Report (For Financial year 2020)

### To the Shareholders of Maldives Islamic Bank PLC.

Assalamualaikum Wa Rahmatullah Wa Barakatuh.

Alhamdulillah, Maldives Islamic Banking PLC (MIB) has successfully completed its 10 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 Shariah. 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. Shariah Board (SB) hereby submits its report on the overall Shariah compliance environment of MIB and major developments that took place during the year.

#### 1. SHARIAH BOARD MEETINGS:

In line with Shariah Compliance Manual of Maldives Islamic Bank, the SB is required to meet at least on quarterly basis. Hence, during the financial year 2020, **four (4)** meetings - One (1) physical and three (3) online meetings were conducted due to the impact of COVID-19. All SB members participated in the meetings and the minutes of the meetings, after duly signed by SB, were sent to all the stakeholders for enforcement of the decisions made by the SB. In addition to the above, various discussions held through teleconference meetings regarding the matters related to Product Development and Shariah Compliance.

#### 2. INTERNAL SHARIAH UNIT (ISU):

Shariah compliance remained on high priority in all activities in order to make banking operation in line with Shariah principles. The ISU of the Bank contributed as an effective channel between the Management and the SB. ISU used to conduct Internal Shariah Review on quarterly basis and Shariah Audit on bi-annual basis on the matters which are directly or indirectly related to Shariah. Reports of both functions were presented to SB for ratification as well as SB opinion (if any).

ISU has played a vital role in identifying the Shariah issues, ensuring the Shariah compliance and conducting a vibrant role of communication between the Shariah Board and the Executive Management.

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

In 2020, the following products were launched and the existing products were revised after approval of the SB.

##### 3.1. ASSET SIDE

##### 3.1.1. Consumer products:

- 3.1.1.1. During the year, the consumer financing product- *Ujala Dhiriulhun* based on *Murabahah* has been enhanced to include the *Ujala Dhathuru* (travelling facility) based on service *Ijarah* in order to increase the scope of the product. Further, the product manual and the Dealer MoU were reviewed and approved by SB.

- 3.1.1.2. The legal documentation for the **Sale and Lease back** product under Diminishing Musharakah has been amended for providing moratorium to the Customers impacted by COVID-19 only.
- 3.1.1.3. The Construction financing product under Diminishing Musharakah has been endorsed for replacement of Istisnaá Project Financing product. The product manual, standard process flow and the legal documentation were reviewed and approved by SB.
- 3.1.1.4. The product manual and legal documentation for **Tawarruq financing** has been approved by SB and Bursa Suq al Sila was approved by SB for conducting online Tawarruq transactions for providing moratorium to the Customers impacted by COVID-19 only.

**3.1.2. Small and Medium Enterprises (SME) product:** the legal documentation for Asset Financing product was reviewed and endorsed by Shariah Board.

**3.1.3. Business Products:**

- 3.1.3.1. The Tijarah Financing product manual (alternative for Bill discounting) was reviewed and conditional approval was granted by Shariah Board.
- 3.1.3.2. Working Capital financing product manual under Running Musharakah was reviewed and approved by SB.

**3.2. LIABILITIES SIDE**

- 3.2.1. VISA debit Card:** Documentation for VISA debit card, including the application form, Debit Card T&C, Merchant T&C, and the applicable fees for the product has been reviewed and approved by SB.
- 3.2.2.** A new Account Opening Form (AOF) was reviewed and the updated KYC form for both Individual and Non-Individual depositors were reviewed and endorsed by SB accordingly.

**4. SHARIAH COMPLIANCE MANUAL AND CHARITY POLICY**

The Shariah Compliance Manual and the policy for charity fund was also revised during the year and were duly approved by the SB.

**5. PROFIT & LOSS DISTRIBUTION AND POOL MANAGEMENT:**

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

**6. TRAINING:**

During the year 2020, **6** training sessions were conducted and more than **207** 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 SB 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.

## 7. **SHARIAH OPINION:**

To form our opinion as expressed in this report, we have reviewed the Shariah Review and Audit report of the Internal Shariah Unit (ISU) 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 Shariah.

During the year, 4 quarterly Shariah reviews and 2 half yearly Shariah Audits has been conducted by ISU. Report of each Review and Audit was shared with Management of the Bank for rectification and compliance. Internal Shariah Unit submitted its reports to Shariah Board quarterly for ratification. Reports consisted details of all Shariah reviews and any issue resolved outside the SB meeting, any document approved via circulation are ratified by Shariah Board in the subsequent Shariah Board 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 31<sup>st</sup> December 2020 that we have reviewed were generally in compliance with Shariah.
- 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 Shariah 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 Shariah Board.
- 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 Shariah. During the year, an amount of MVR 762,339.16 (Maldivian Rufiyaa, Seven hundred and Sixty Two thousand Three hundred Thirty Nine and Sixteen) 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 Shariah Unit and policies and guidelines issued to the Bank for the confirmation of Shariah compliance, we are of the opinion that an effective mechanism is in place to ensure Shariah 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*

18<sup>th</sup> March 2021

.....  
Dr. Ejaz Ahmed Samadani  
Chairman

.....  
Mufthi M I M Rizwe  
Member

.....  
Dr. Ibrahim Zakariyya Moosa  
Member

**OUR KIDS SAVINGS &  
KAAMIYAABU KIDS ACCOUNTS  
OFFER EXCELLENT OPPORTUNITIES  
FOR PARENTS TO SAVE  
FOR THEIR KIDS FUTURE.**



03

**AUDITED  
FINANCIAL  
STATEMENTS**

**MALDIVES ISLAMIC BANK PLC  
(PREVIOUSLY KNOWN AS MALDIVES ISLAMIC BANK  
PRIVATE LIMITED COMPANY)  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31ST DECEMBER 2020**



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**MALDIVES ISLAMIC BANK PLC  
(PREVIOUSLY KNOWN AS MALDIVES ISLAMIC BANK PRIVATE LIMITED COMPANY)  
(INCORPORATED IN THE REPUBLIC OF MALDIVES)  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020**

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## Independent Auditors' Report To the Shareholders of Maldives Islamic Bank PLC

### Opinion

We have audited the accompanying financial statements of Maldives Islamic Bank PLC (the "Bank"), which comprise the statement of financial position as at 31<sup>st</sup> December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information set out in pages 6 to 74.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31<sup>st</sup> December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

### 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Maldives and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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 year. 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.

#### 1. Impairment of Receivables from Financing Activities – Financial Instruments

(Refer to the accounting policies and critical accounting estimates, assumptions and judgments in note 3.8 of the financial statements)

Risk Description	Our Response
IFRS 9 Financial Instruments require impairment based on expected credit losses ("ECL"), rather than the impairment applied as per the guidelines issued by Maldives Monetary Authority ("MMA").	We performed audit procedures to gain assurance on the process of estimating the impairment allowance on receivables from financing activities. This included evaluating the accounting interpretations for compliance with IFRS 9 and testing the adjustments and disclosures.



## Key Audit Matters (Continued)

*Independent Auditors' Report (Continued)*  
*To the Shareholders of Maldives Islamic Bank PLC*

### 1. Impairment of Receivables from Financing Activities – Financial Instruments (Continued)

Risk Description	Our Response
<p>This has resulted in developing models which are reliant of large volumes of data as well as number of significant estimates including the impact of multiple economic scenarios. Given this complex accounting standard requires considerable judgment on determining the classification and measurement on the financial instruments and to estimate ECL provision against the financial instruments, the impairment allowance on receivables from financing activities is considered as a key audit matter.</p> <p>The COVID-19 pandemic has meant that assumptions regarding the economic outlook are more uncertain and it has increased the level of judgement required by the Bank in calculating the ECL, and the associated audit risk.</p> <p>Key judgements and estimates in respect of the timing and measurement of ECL include:</p> <ul style="list-style-type: none"> <li>- Judgments over the grouping of receivables from financing activities based on the similar risk characteristics.</li> <li>- Allocation of assets to stage 1, 2, or 3 using criteria in accordance with the accounting standard;</li> <li>- Accounting interpretations and modelling assumptions used to build the models that calculate the ECL;</li> <li>- Completeness and accuracy of data used to calculate the ECL;</li> <li>- Inputs and assumptions used to estimate the impact of multiple economic scenarios;</li> <li>- Completeness and valuation of post model adjustments;</li> <li>- Measurements of individually assessed provisions including the assessment of multiple scenarios; and</li> <li>- Accuracy and adequacy of the financial statement disclosures.</li> </ul>	<ul style="list-style-type: none"> <li>- Assessing the design, implementation and operating effectiveness of key controls including key IT controls over impairment of receivables from financing activities assisted by our KPMG IRM specialists.</li> <li>- Evaluating the management process over identifying contracts to be assessed, evaluation of the inputs, assumptions and adjustments to the ECL.</li> <li>- Assessing the ECL provision levels by stage to determine if they were reasonable considering the Bank's portfolio, risk profile, credit risk management practices and the macroeconomic environment.</li> <li>- Challenging the criteria used to allocate an asset to stage 1, 2 or 3 in accordance with IFRS 9; this includes peer benchmarking to assess staging levels. We tested receivables from financing activities in stage 1, 2 and 3 to verify that they were allocated to the appropriate stage.</li> <li>- Challenging the key assumptions, evaluating the reasonableness of the key judgments and estimates used by the management with the assistance of our KPMG IFRS 9 specialists. This includes assessing the appropriateness of model design, formulas used, recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models.</li> <li>- Assessing the completeness, accuracy and relevance of data used for the ECL calculation.</li> <li>- With the support of our KPMG IFRS 9 specialists, assessing the base case, best case, worst case and alternative economic scenarios, including challenging probability weights. Assessing whether forecasted macroeconomic variables such as GDP growth rate and inflation rate were appropriate. Challenging the correlation and impact of the macroeconomic factors to the ECL including how non-linearity was captured.</li> <li>- Assessing the completeness and appropriateness of the assessment of required post model adjustments.</li> <li>- With the support of our KPMG IFRS 9 specialists, recalculating a sample of individually assessed provisions including comparing to alternative scenarios and challenging probability weights assigned.</li> <li>- Assessing appropriateness of the accounting policies based on the requirements of IFRS 9 and the adequacy and appropriateness of disclosures for compliance with the accounting standards.</li> </ul>



*Independent Auditors' Report (Continued)*  
To the Shareholders of Maldives Islamic Bank PLC

### Key Audit Matters (Continued)

#### 2. IT Systems and Controls over Financial Reporting

Risk Description	Our Response
<p>The Bank's businesses utilise a large number of complex, interdependent Information Technology systems ("IT Systems") to process and record a high volume of transactions and the financial accounting and reporting processes are highly dependent on the automated controls. Controls over access and changes to IT systems, data are critical to the recording of financial information and could result in the financial accounting and reporting records being materially misstated.</p> <p>Further, the transactions are recognized using the interfaces between the sub modules and the Bank's accounting system. Accordingly, risks exist over the IT control environment, including automated accounting procedures and controls over preventing unauthorized access to the IT systems and data which would result in materially misstated accounting records.</p> <p>The IT systems and controls, as they impact the financial recording and reporting of transactions, is a key audit matter and our audit approach relies extensively on automated controls and therefore on the effectiveness of controls over IT systems.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>- Assessing the governance and higher-level controls in place across the IT environment, including the approach to the Bank policy design, review and awareness, and IT risk management practices</li> <li>- Testing of key controls, assisted by our KPMT IT specialists including, assessing and challenging the design and operating effectiveness of IT controls over the applications, operating systems and databases that are relevant to financial reporting.</li> <li>- Testing the access rights given to staff by checking them to approved records, and inspecting the reports over granting and removal of access rights and testing preventative controls designed to enforce segregation of duties between users within particular systems.</li> <li>- Assessing the automated controls within business processes and the reliability of relevant reports used as part of a manual control. This includes challenging the integrity of system interfaces, the completeness and accuracy of data feeds, automated calculations and specific input controls.</li> <li>- Where control deficiencies were identified, we tested remediation activities performed by management and compensating controls in place and assessed where necessary to mitigate any residual risk.</li> </ul>

#### Other Information

The Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available 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.



*Independent Auditors' Report (Continued)*  
*To the Shareholders of Maldives Islamic Bank PLC*

**Other Information (Continued)**

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board.

**Responsibilities of the Management and Those Charge with Governance for the Financial Statements**

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal control as the 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 these financial statements, the 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 the 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.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether these 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of these 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 the Board.
- Conclude on the appropriateness of the Board'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.



*Independent Auditors' Report (Continued)*  
*To the Shareholders of Maldives Islamic Bank PLC*

**Auditors' Responsibilities for the Audit of the Financial Statements (Continued)**

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the 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 the Board, 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 auditors' 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 auditors' report is R.W.M.O.W. Duminda B. Rathnadiwakara.

A handwritten signature in black ink, appearing to be 'KPMG' followed by a stylized flourish.

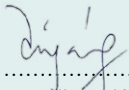
**Chartered Accountants**  
**For and on behalf of KPMG Maldives**  
Male'  
21<sup>st</sup> March 2021


**MALDIVES ISLAMIC BANK PLC**  
**(PREVIOUSLY KNOWN AS MALDIVES ISLAMIC BANK PRIVATE LIMITED COMPANY)**  
**(INCORPORATED IN THE REPUBLIC OF MALDIVES)**  
**STATEMENT OF FINANCIAL POSITION**

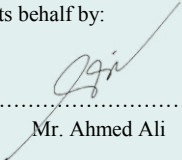
AS AT	Note	31/12/2020 MVR	31/12/2019 MVR
<b>ASSETS</b>			
Cash and Balances with Other Banks	6	291,029,762	201,188,743
Balances with Maldives Monetary Authority	7	1,163,708,951	791,824,758
Due from Banks	8	92,709,973	-
Investments in Equity Securities	9	64,200,000	57,300,000
Investments in Other Financial Instruments	10	390,010,703	404,201,481
Net Receivables from Financing Activities	11	2,212,908,418	2,131,991,129
Property and Equipment	12	45,407,977	46,475,369
Right-of-Use Assets	13	87,589,168	96,600,834
Intangible Assets	14	14,920,463	9,581,456
Other Assets	15	54,280,119	69,850,720
<b>Total Assets</b>		<b>4,416,765,534</b>	<b>3,809,014,490</b>
<b>LIABILITIES</b>			
Customers' Accounts	16	3,431,019,811	2,974,646,504
Due to Banks	17	169,828,219	-
Provisions	18	1,225,274	2,725,670
Current Tax Liability	34.2	19,733,031	26,786,804
Deferred Tax Liability	34.3	6,880,350	6,230,772
Lease Liabilities	19	88,379,299	94,362,352
Other Liabilities	20	84,635,995	134,197,733
<b>Total Liabilities</b>		<b>3,801,701,979</b>	<b>3,238,949,835</b>
<b>EQUITY</b>			
Share Capital	21	337,500,070	337,500,070
Statutory Reserve	23	132,746,257	113,930,904
Non Distributable Capital Reserve	24	38,648,481	10,392,318
Fair Value Reserve	9.2	12,900,000	7,725,000
Retained Earnings		93,268,747	100,516,363
<b>Total Equity</b>		<b>615,063,555</b>	<b>570,064,655</b>
<b>Total Liabilities and Equity</b>		<b>4,416,765,534</b>	<b>3,809,014,490</b>
<b>Commitments</b>	41	384,275,348	725,333,391
<b>Net Asset Value Per Share</b>	35.2	27.34	25.34

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 81 to 145. The Report of the Independent Auditors is given on pages 72 to 76.

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

  
 .....  
 Mr. Ali Wasif  
 Chief Financial Officer  
 21<sup>st</sup> March 2021  
 Male'

  
 .....  
 Mr. A. E. A. Muhaimen  
 Managing Director /  
 Chief Executive Officer

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

**MALDIVES ISLAMIC BANK PLC**  
**(PREVIOUSLY KNOWN AS MALDIVES ISLAMIC BANK PRIVATE LIMITED COMPANY)**  
**(INCORPORATED IN THE REPUBLIC OF MALDIVES)**  
**STATEMENT OF COMPREHENSIVE INCOME**

<b>FOR THE YEAR ENDED</b>	<b>Note</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
		<b>MVR</b>	<b>MVR</b>
Income from Financing Activities using the Effective Profit Method	25.1	234,359,278	206,488,164
Profit on Customer Accounts and Others	25.3	(50,152,453)	(44,139,462)
<b>Net Profit Earned from Financing Activities</b>	<b>25</b>	<b>184,206,825</b>	<b>162,348,702</b>
Fee and Commission Income	26.1	25,467,756	30,019,971
Fee and Commission Expense	26.2	(837,510)	(778,079)
<b>Net Fee and Commission Income</b>	<b>26</b>	<b>24,630,246</b>	<b>29,241,892</b>
Foreign Exchange Gain	27	542,499	128,334
Income from Investments in Equity Securities	28	5,076,000	5,195,000
Net Income from Other Financial Instruments Mandatorily Measured at FVTPL	29	34,255,969	48,006,024
Income from Investments Measured at Amortized Cost	30	-	765,152
<b>Total Operating Income</b>		<b>248,711,539</b>	<b>245,685,104</b>
Loss on Fair Valuation of Financial Instruments Mandatorily Measured at FVTPL	10.3	-	(1,439,233)
Net Impairment Losses on Financial Assets	11.4	(14,153,102)	(12,577,680)
Personnel Expenses	31	(66,640,492)	(61,820,391)
General and Administrative Expenses	32	(36,638,692)	(37,378,339)
Depreciation and Amortization	33	(23,966,831)	(20,546,952)
<b>Total Operating Expenses Including Impairment Provision</b>		<b>(141,399,117)</b>	<b>(133,762,595)</b>
<b>Profit before Tax</b>		<b>107,312,422</b>	<b>111,922,509</b>
Income Tax	34	(32,051,011)	(27,908,418)
<b>Profit for the Year</b>		<b>75,261,411</b>	<b>84,014,091</b>
<b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to Profit or Loss</b>			
Movement in Fair Value Reserve (Equity Instruments):			
Net Change in Fair Value - Equity Investment at FVOCI	9.2	6,900,000	3,800,000
Income Tax Related to Net Change in Fair Value of Equity Investment	34.3	(1,725,000)	(950,000)
		<b>5,175,000</b>	<b>2,850,000</b>
<b>Total Other Comprehensive Income, Net of Tax</b>		<b>5,175,000</b>	<b>2,850,000</b>
<b>Total Comprehensive Income</b>		<b>80,436,411</b>	<b>86,864,091</b>
<b>Basic and Diluted Earnings Per Share</b>	<b>35</b>	<b>3.34</b>	<b>4.51</b>
<b>Earnings Per Share at Year End</b>			
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 81 to 145. The Report of the Independent Auditors is given on pages 72 to 76.



**MALDIVES ISLAMIC BANK PLC**  
**(PREVIOUSLY KNOWN AS MALDIVES ISLAMIC BANK PRIVATE LIMITED COMPANY)**  
**(INCORPORATED IN THE REPUBLIC OF MALDIVES)**  
**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020**

	<b>Share Capital</b>	<b>Statutory Reserve</b>	<b>Non Distributable Capital Reserve</b>	<b>Fair Value Reserve</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>
As at 01 <sup>st</sup> January 2019	180,000,000	92,927,381	7,708,794	4,875,000	55,489,319	341,000,494
Profit for the Year	-	-	-	-	84,014,091	84,014,091
<b>Other Comprehensive Income</b>						
Equity Instruments at FVOCI - Change in Fair Value (Note 9.2)	-	-	-	3,800,000	-	3,800,000
Recognition of Deferred Tax Impact on Fair Value Change (Note 34.3)	-	-	-	(950,000)	-	(950,000)
<b>Total Comprehensive Income</b>	-	-	-	2,850,000	84,014,091	86,864,091
Transferred to Statutory Reserve (Note 23)	-	21,003,523	-	-	(21,003,523)	-
Recognition of Non-Distributable Capital Reserve (Note 24)	-	-	2,683,524	-	(2,683,524)	-
<b>Transactions with Owners</b>						
Issue of Shares (Note 21.4)	157,500,070	-	-	-	-	157,500,070
Dividends (Note 21.7)	-	-	-	-	(15,300,000)	(15,300,000)
As at 31 <sup>st</sup> December 2019	<u>337,500,070</u>	<u>113,930,904</u>	<u>10,392,318</u>	<u>7,725,000</u>	<u>100,516,363</u>	<u>570,064,655</u>
As at 1 <sup>st</sup> January 2020	337,500,070	113,930,904	10,392,318	7,725,000	100,516,363	570,064,655
Profit for the Year	-	-	-	-	75,261,411	75,261,411
<b>Other Comprehensive Income</b>						
Equity Instruments at FVOCI - Change in Fair Value (Note 9.2)	-	-	-	6,900,000	-	6,900,000
Recognition of Deferred Tax Impact on Fair Value Change (Note 34.3)	-	-	-	(1,725,000)	-	(1,725,000)
<b>Total Comprehensive Income</b>	-	-	-	5,175,000	75,261,411	80,436,411
Transferred to Statutory Reserve (Note 23)	-	18,815,353	-	-	(18,815,353)	-
Recognition of Non-Distributable Capital Reserve (Note 24)	-	-	28,256,163	-	(28,256,163)	-
<b>Transactions with Owners</b>						
Dividends (Note 21.7)	-	-	-	-	(35,437,511)	(35,437,511)
As at 31 <sup>st</sup> December 2020	<u>337,500,070</u>	<u>132,746,257</u>	<u>38,648,481</u>	<u>12,900,000</u>	<u>93,268,747</u>	<u>615,063,555</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 81 to 145. The Report of the Independent Auditors is given on pages 72 to 76.

**MALDIVES ISLAMIC BANK PLC**  
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**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED**

	Note	31/12/2020 MVR	31/12/2019 MVR
<b>Cash Flows from Operating Activities</b>			
Profit before Tax		107,312,422	111,922,509
<i>Adjustments for:</i>			
Depreciation and Amortization	33	14,033,414	10,776,203
Depreciation on Right-of-Use Assets	33	9,933,417	9,770,749
Financing Expense on Lease Liabilities	32	5,254,659	5,575,698
Net Impairment Loss on Financial Assets	11.4	14,153,102	12,577,680
Net Loss Arising From Modification Of Financial Assets Measured At Amortised Cost	25.2	(21,433,101)	-
Dividend Income on Equity Securities	28	(5,076,000)	(5,195,000)
Income from Investment in Other Financial Instruments Mandatorily Measured at FVTPL	29	(34,255,969)	(48,006,024)
Fair Value Loss on Investment in Other Financial Instruments Mandatorily Measured at FVTPL	10.3	-	1,439,233
Income from Investment in Other Financial Instruments Measured at Amortized Cost	30	-	(765,152)
		<u>89,921,944</u>	<u>98,095,896</u>
<b>Changes in:</b>			
Customers' Accounts		456,373,307	93,001,600
Other Assets		15,570,601	(18,025,932)
Other Liabilities		(84,999,249)	110,147,420
Net Receivables from Financing Activities		(75,137,686)	(613,526,956)
Due from Banks		(92,709,973)	-
Due to Banks		169,828,219	-
<b>Cash Generated from/(Used in) Operations</b>		<u>478,847,163</u>	<u>(330,307,972)</u>
Dividends Received	28	5,076,000	5,195,000
Tax Paid	34.2	(40,180,206)	(20,282,570)
<b>Net Cash from/(Used in) Operating Activities</b>		<u>443,742,957</u>	<u>(345,395,542)</u>
<b>Cash Flows from Investing Activities</b>			
Acquisition of Property and Equipment	12	(12,213,825)	(23,518,362)
Acquisition of Intangible Assets	14	(6,091,204)	(5,324,229)
Proceeds from Matured Investments Measured at Amortized Cost		-	28,733,854
Income from Investments Measured at Amortized Cost		-	801,588
Investment in Assets Mandatorily Measured at FVTPL		-	(230,000,000)
Proceeds from Matured Investments Mandatorily Measured at FVTPL		-	609,963,635
Income from Investments Mandatorily Measured at FVTPL		48,446,747	28,192,461
Investment Made in Minimum Reserve Requirement of MMA		59,721,631	(4,517,563)
Payment of Lease Liabilities	19	(12,159,463)	(12,291,446)
<b>Net Cash from Investing Activities</b>		<u>77,703,886</u>	<u>392,039,938</u>
<b>Cash Flows from Financing Activities</b>			
Proceeds from Issue of Share Capital		-	157,500,070
Dividends Paid		-	(25,380,000)
<b>Net Cash from Financing Activities</b>		<u>-</u>	<u>132,120,070</u>
<b>Net Increase in Cash and Cash Equivalents</b>		521,446,843	178,764,466
<b>Cash and Cash Equivalents at the Beginning of the Year</b>		<u>702,973,422</u>	<u>524,208,956</u>
<b>Cash and Cash Equivalents at the End of the Year</b>	6	<u>1,224,420,265</u>	<u>702,973,422</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 81 to 145. The Report of the Independent Auditors is given on pages 72 to 76.

**MALDIVES ISLAMIC BANK PLC  
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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 01<sup>st</sup> 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 02<sup>nd</sup> August 2010 to conduct Islamic banking business in the Maldives and obtained certificate of approval to commence operations on 06<sup>th</sup> March 2011. The Bank subsequently converted to a Public Company on 19<sup>th</sup> June 2019 under the Companies Act and the Bank listed its shares on the Maldives Stock Exchange on 17<sup>th</sup> November 2019. The registered office of the Bank is at H. Medhuziyaaraydhoshuge, 20097, Medhuziyaaray Magu, Male’ City, Republic of Maldives.

The Bank provides full range of banking services based on Shari’a 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 21<sup>st</sup> March 2021.

**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.

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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 31<sup>st</sup> December 2020 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.

**Coronavirus (COVID-19) pandemic**

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these Financial Statements. The estimation uncertainty is associated with:

- the extent and duration of the disruption to business arising from the actions by governments, businesses and consumers to contain the spread of the virus;
- the extent and duration of the expected economic downturn and forecasts for key economic factors including such as GDP and inflation. This includes the disruption to capital markets, deteriorating credit, liquidity concerns, increasing unemployment, declines in consumer discretionary spending, reductions in production because of decreased demand, and other restructuring activities; and
- the effectiveness of government and monetary authority measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn.

**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. SIGNIFICANT ACCOUNTING POLICIES**

**3.1 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.2 Profit**

**i. Effective Profit Rate**

Profit income and expense are recognised in profit or loss using the effective profit method. The 'effective profit rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

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

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

**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, 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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.2 Profit (Continued)**

**iii. Calculation of Profit Income and Expense (Continued)**

- 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.
- 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.
- Finance cost on lease liabilities

**3.2 Fees and Commission**

Fee and commission income and expense that are integral to the effective profit rate on a financial asset or financial liability are included in the effective profit rate.

Other fee and commission income - including account servicing fees, LC commission is recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.3 Fees and Commission (Continued)**

If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

**3.4 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.

**3.5 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 income 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.

**3.6 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 rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.6 Leases (Continued)**

**Bank acting as a lessee (Continued)**

The Bank determines its incremental borrowing rate by analysing its borrowings 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 terminate early.

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.

**3.7 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.

**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.



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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.7 Income Tax (Continued)**

**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.

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.

**3.8 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***

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

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”).

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.8 Financial Assets and Financial Liabilities (Continued)**

**ii. Classification (Continued)**

***Financial assets (Continued)***

Financial assets measured at amortised cost comprise receivables from Murabaha, Istisna'a, 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.

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

All other financial assets are classified as measured at FVTPL.

Financial assets measured at FVTPL comprise Bank's money market placements and some Wakala and Mudharaba placements which are not SPPP on the principal outstanding.

***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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.8 Financial Assets and Financial Liabilities (Continued)**

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

'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 risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

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 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 risks and costs associated with the principal amount outstanding.

Equity instruments have contractual cash flows that do not meet the SPPP criterion. Accordingly, all such financial assets are 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.

**iii. 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.

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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.8 Financial Assets and Financial Liabilities (Continued)**

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 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, 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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.8 Financial Assets and Financial Liabilities (Continued)**

**iv. Offsetting**

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

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

**v. Fair Value Measurement**

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the 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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.8 Financial Assets and Financial Liabilities (Continued)**

**vi. Fair Value Measurement (Continued)**

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.

**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.

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

- other financial instruments on which credit risk has not increased significantly since their initial recognition.

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

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

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

***Measurement of ECL***

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

- *financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (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

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**3.8 Financial Assets and Financial Liabilities (Continued)**

**vii. Impairment (Continued)**

***Measurement of ECL***

- *financial guarantee contracts*: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

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, 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.

***Credit-Impaired Financial Assets***

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI 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.

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

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

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.8 Financial Assets and Financial Liabilities (Continued)**

**vii. Impairment (Continued)**

A financing facility that has been renegotiated due to a deterioration in the borrower'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.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

- the market's assessment of creditworthiness as reflected in bond yields.
- the rating agencies' assessments of creditworthiness.
- the country's ability to access the capital markets for new debt issuance.
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- the international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

***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;
- *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 does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.



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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.8 Financial Assets and Financial Liabilities (Continued)**

**vii. Impairment (Continued)**

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 or another company within the borrower'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'.

**viii. Designation at Fair Value through Profit or Loss**

On initial recognition, the Bank has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**3.9 Cash and Cash Equivalents**

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

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

**3.10 Receivables from Financing Activities**

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

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.10 Receivables from Financing Activities (Continued)**

- receivables from financing facilities measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective profit method.

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.

**(b) Istisna'a Financing**

Istisna'a 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'a contracts represent the disbursements made either in advance, progressive as agreed in the contract against the subject matter constructed/produced/manufactured/acquired for Istisna'a project, plus income (profit) recognised, less payment received from the customer as installments.

**(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.

**(d) Education Financing**

Education Financing is a facility provided by the Bank, under the concept of Ijarah-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.

**3.11 Investments in Other Financial Instruments**

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

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.11 Investments in Other Financial Instruments (Continued)**

- investments in financial instruments mandatorily measured at FVTPL; these are measured at fair value with changes recognised immediately in profit or loss. These financial instruments represents Wakalah, Mudharabah, Musharakah placements where the return is linked to the profit of the borrower;
- investments in financial instruments measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective profit method.

**3.12 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.

**3.13 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 Sharia'a 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 Sharia'a compliant manner.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.13 Deposits (Continued)**

**c) Savings Accounts (Continued)**

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 Mudaraba.

*Salient features:*

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

**d) 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 Sharia'a compliant manner based on Mudaraba 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

**e) 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 murabahah
- Wakalah LC
- shipping guarantees
- performance guarantees
- bid guarantees financing

**3.14 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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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.14 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.

**3.15 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.

**3.16 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 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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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.16 Property and Equipment (Continued)**

**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.

**3.17 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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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.17 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

**3.18 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.

**3.19 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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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.20 Employee Benefits**

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.

**i. 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.

**ii. 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 01<sup>st</sup> 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.

**3.21 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.

**3.22 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.

**3.23 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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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.23 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.

**4. STANDARDS ISSUED BUT NOT YET ADOPTED**

A number of new standards and amendments to standards are effective for annual periods beginning after 01<sup>st</sup> January 2020 and earlier application is permitted; however, the Bank has not early adopted them in preparing these financial statements.

The following amended standards are not expected to have a significant impact on the Bank's financial statements.

- Interest Rate Benchmark Reform (Amendments to IFRS 9, Isa 39, IFRS 7, IFRS 4 and IFRS 16)
- Covid 19 Related Rent Concessions (Amendment to IFRS 16)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Onerous contracts – Cost of fulfilling a contract (Amendment to IAS 37)

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**5 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.

<b>Reportable Segments</b>	<b>Operations</b>
Corporate and Retail 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, 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 relative to other entities that operate within the same industries. Inter-segment pricing is determined on an arm's length basis.

	<b>Corporate and Retail Banking</b>	<b>Card and Electronic Banking</b>	<b>Treasury</b>	<b>Total</b>
<b>For the Year Ended 31<sup>st</sup> December 2020</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>
Income from Financing Activities	234,359,278	-	-	234,359,278
Profit Paid on Customer Accounts	(50,152,453)	-	-	(50,152,453)
<b>Net Profit Earned from Financing Activities</b>	<b>184,206,825</b>	<b>-</b>	<b>-</b>	<b>184,206,825</b>
Fee and Commission Income	21,749,265	3,718,491	-	25,467,756
Fee and Commission Expense	(837,510)	-	-	(837,510)
<b>Net Fee and Commission Income</b>	<b>20,911,755</b>	<b>3,718,491</b>	<b>-</b>	<b>24,630,246</b>
Foreign Exchange Gain	542,499	-	-	542,499
Income from Investments in Equity Securities	-	-	5,076,000	5,076,000
Net Income from Other Financial Instruments at FVTPL	-	-	34,255,969	34,255,969
<b>Total Operating Income</b>	<b>205,661,079</b>	<b>3,718,491</b>	<b>39,331,969</b>	<b>248,711,539</b>
Net Impairment Losses on Financial Assets	(14,153,102)	-	-	(14,153,102)
Personnel Expenses	(58,167,289)	(6,076,432)	(2,396,771)	(66,640,492)
General and Administrative Expenses	(29,523,854)	(5,520,883)	(1,593,955)	(36,638,692)
Depreciation and Amortization	(18,276,804)	(5,358,099)	(331,928)	(23,966,831)
<b>Segment Results</b>	<b>85,540,030</b>	<b>(13,236,923)</b>	<b>35,009,315</b>	<b>107,312,422</b>
<b>Profit before Tax</b>				<b>107,312,422</b>
Income Tax				(32,051,011)
<b>Profit for the Year</b>				<b>75,261,411</b>
Other Comprehensive Income, Net of Tax				5,175,000
<b>Total Comprehensive Income</b>				<b>80,436,411</b>

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5 OPERATING SEGMENT (CONTINUED)

(b) Information About Reportable Segments (Continued)

	Corporate and Retail Banking	Card and Electronic Banking	Treasury	Total
	MVR	MVR	MVR	MVR
<b>For the Year Ended 31<sup>st</sup> December 2019</b>				
Income from Financing Activities	206,488,164	-	-	206,488,164
Profit Paid on Customer Accounts	(44,139,462)	-	-	(44,139,462)
<b>Net Profit Earned from Financing Activities</b>	<b>162,348,702</b>	<b>-</b>	<b>-</b>	<b>162,348,702</b>
Fee and Commission Income	25,456,164	4,563,807	-	30,019,971
Fee and Commission Expense	(778,079)	-	-	(778,079)
<b>Net Fee and Commission Income</b>	<b>24,678,085</b>	<b>4,563,807</b>	<b>-</b>	<b>29,241,892</b>
Foreign Exchange Gain	128,334	-	-	128,334
Income from Investments in Equity Securities	-	-	5,195,000	5,195,000
Net Income from Other Financial Instruments at FVTPL	-	-	48,006,024	48,006,024
Income from Investments Measured at Amortized Cost	-	-	765,152	765,152
<b>Total Operating Income</b>	<b>187,155,121</b>	<b>4,563,807</b>	<b>53,966,176</b>	<b>245,685,104</b>
Loss on Fair Valuation of Financial Instruments at FVTPL	-	-	(1,439,233)	(1,439,233)
Net Impairment Losses on Financial Assets	(12,577,680)	-	-	(12,577,680)
Personnel Expenses	(53,287,432)	(6,160,347)	(2,372,612)	(61,820,391)
General and Administrative Expenses	(30,985,484)	(4,871,717)	(1,521,138)	(37,378,339)
Depreciation and Amortization	(16,204,292)	(4,010,732)	(331,928)	(20,546,952)
<b>Segment Results</b>	<b>74,100,233</b>	<b>(10,478,989)</b>	<b>48,301,265</b>	<b>111,922,509</b>
<b>Profit before Tax</b>				<b>111,922,509</b>
Income Tax				(27,908,418)
<b>Profit for the Year</b>				<b>84,014,091</b>
Other Comprehensive Income, Net of Tax				2,850,000
<b>Total Comprehensive Income</b>				<b>86,864,091</b>
	Corporate and Retail Banking	Card and Electronic Banking	Treasury	Total
	MVR	MVR	MVR	MVR
<b>As at 31<sup>st</sup> December 2020</b>				
<b>Assets</b>				
Cash and Balances with Other Banks	291,029,762	-	-	291,029,762
Balances with Maldives Monetary Authority	1,163,708,951	-	-	1,163,708,951
Investments in Equity Securities	-	-	64,200,000	64,200,000
Investments in Other Financial Instruments	-	-	390,010,703	390,010,703
Due from Banks	-	-	92,709,973	92,709,973
Net Receivables from Financing Activities	2,212,908,418	-	-	2,212,908,418
Property and Equipment	33,488,619	11,919,358	-	45,407,977
Right-of-Use Assets	68,017,624	16,268,239	3,303,305	87,589,168
Intangible Assets	5,113,322	9,807,141	-	14,920,463
Other Assets	54,280,119	-	-	54,280,119
<b>Total Assets</b>	<b>3,828,546,815</b>	<b>37,994,738</b>	<b>550,223,981</b>	<b>4,416,765,534</b>

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**5 OPERATING SEGMENT (CONTINUED)**

**(b) Information About Reportable Segments (Continued)**

	<b>Corporate and Retail Banking</b>	<b>Card and Electronic Banking</b>	<b>Treasury</b>	<b>Total</b>
	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>
<b>As at 31<sup>st</sup> December 2020 (Continued)</b>				
<b>Liabilities</b>				
Customers' Accounts	3,431,019,811	-	-	3,431,019,811
Due to Banks	-	-	169,828,219	169,828,219
Provisions	1,225,274	-	-	1,225,274
Current Tax Liability (Unallocated)	-	-	-	19,733,031
Deferred Tax Liability (Unallocated)	-	-	-	6,880,350
Lease Liabilities	68,174,135	16,956,900	3,248,264	88,379,299
Other Liabilities	84,570,727	65,268	-	84,635,995
<b>Total Liabilities</b>	<b>3,584,989,947</b>	<b>17,022,168</b>	<b>173,076,483</b>	<b>3,801,701,979</b>
<b>As at 31<sup>st</sup> December 2019</b>				
<b>Assets</b>				
Cash and Balances with Other Banks	201,188,743	-	-	201,188,743
Balances with Maldives Monetary Authority	791,824,758	-	-	791,824,758
Investments in Equity Securities	-	-	57,300,000	57,300,000
Investments in Other Financial Instruments	-	-	404,201,481	404,201,481
Net Receivables from Financing Activities	2,131,991,129	-	-	2,131,991,129
Property and Equipment	40,395,581	6,079,788	-	46,475,369
Right-of-Use Assets	74,722,479	18,243,122	3,635,233	96,600,834
Intangible Assets	5,618,298	3,963,158	-	9,581,456
Other Assets	69,850,720	-	-	69,850,720
<b>Total Assets</b>	<b>3,315,591,708</b>	<b>28,286,068</b>	<b>465,136,714</b>	<b>3,809,014,490</b>
<b>Liabilities</b>				
Customers' Accounts	2,974,646,504	-	-	2,974,646,504
Provisions	2,725,670	-	-	2,725,670
Current Tax Liability (Unallocated)	-	-	-	26,786,804
Deferred Tax Liability (Unallocated)	-	-	-	6,230,772
Lease Liabilities	72,530,334	18,355,172	3,476,846	94,362,352
Other Liabilities	134,184,243	13,490	-	134,197,733
<b>Total Liabilities</b>	<b>3,184,086,751</b>	<b>18,368,662</b>	<b>3,476,846</b>	<b>3,238,949,835</b>

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<b>6 CASH AND BALANCES WITH OTHER BANKS</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
Cash in Hand (Note 6.1)	163,886,728	127,900,344
Balances with Other Banks (Note 6.2)	127,143,034	73,288,399
	<u>291,029,762</u>	<u>201,188,743</u>

**6.1 Cash in Hand**

	<b>As at 31<sup>st</sup> December 2020</b>			<b>As at 31<sup>st</sup> December 2019</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
USD	5,539,381	15.395	85,278,771	1,566,370	15.395	24,114,266
MVR	-	-	78,607,957	-	-	103,786,078
<b>Total</b>			<u>163,886,728</u>			<u>127,900,344</u>

**6.2 Balances with Other Banks**

	<b>As at 31<sup>st</sup> December 2020</b>			<b>As at 31<sup>st</sup> December 2019</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount MVR</b>	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount MVR</b>
HAB (USD)	4,478,306	15.395	68,943,528	1,965,428	15.395	30,257,767
AB Bank (USD)	49,543	15.395	762,710	6,633	15.395	102,112
BML (USD)	912,880	15.395	14,053,794	630,396	15.395	9,704,948
BML (MVR)	-	-	39,636,640	-	-	30,751,591
SBI (USD)	185,071	15.395	2,849,168	150,211	15.395	2,312,498
SBI (MVR)	-	-	168,980	-	-	159,483
Amana Bank (USD)	47,302	15.395	728,214	-	-	-
<b>Total</b>			<u>127,143,034</u>			<u>73,288,399</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.

	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
Cash and Balances with Banks as per the Statement of Financial Position	291,029,762	201,188,743
Add: Balance with MMA in excess of Minimum Reserve Requirement	933,390,503	501,784,679
Cash and Cash Equivalents as per the Cash Flow Statement	<u>1,224,420,265</u>	<u>702,973,422</u>

**7 BALANCES WITH MALDIVES MONETARY AUTHORITY**

	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
Minimum Reserve Requirement (MRR) (Note 7.1)	230,318,448	290,040,079
Balance in Excess of MRR with MMA (Note 7.2)	933,390,503	501,784,679
<b>Total</b>	<u>1,163,708,951</u>	<u>791,824,758</u>

**7.1 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% 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 23<sup>rd</sup> April 2020, the MRR was reduced temporarily from 10% to 7.5% of the average local and foreign currency deposits, excluding interbank deposits of other banks in the Maldives and L/C margin deposits. On 16<sup>th</sup> July 2020, the MRR for foreign currency deposits was further lowered to 5% to address the dollar liquidity issues faced by the commercial banks. Accordingly, the Bank has to maintain 7.5% from local currency deposits and 5% from foreign currency deposits of customers as Minimum Reserve Requirement. 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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**7 BALANCES WITH MALDIVES MONETARY AUTHORITY (CONTINUED)**

**7.2 Balance in Excess to Minimum Reserve Requirement**

The balance in excess of MRR does not carry any return and those funds will be utilized for operational, future financing and investment activities of the Bank.

<b>8 DUE FROM BANKS</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
Qardh Facility	15,395,000	-
Wakalah Facility	77,314,973	-
	<u>92,709,973</u>	<u>-</u>

The Bank has granted a Qardh facility amounting to US\$ 1,000,000/- and Wakala Facility amounting to US\$ 5,000,000/- to Bank of Maldives during the year ended 31<sup>st</sup> December 2020. These facilities have been granted with the maturity of 180 days.

<b>9 INVESTMENTS IN EQUITY SECURITIES</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
Investment Securities Designated at FVOCI - (Note 9.1)	64,200,000	57,300,000
	<u>64,200,000</u>	<u>57,300,000</u>

**9.1 Investment Securities Designated at FVOCI - Equity Investments**

The Bank designated certain investments shown in the following table as equity securities at FVOCI. The FVOCI designation was made because the investments are expected to be held for the long-term for strategic purposes.

	<b>Fair Value as at 31<sup>st</sup> December 2020</b>	<b>Dividend Income Recognized for the Year 2020</b>	<b>Fair Value as at 31<sup>st</sup> December 2019</b>	<b>Dividend Income Recognized for the Year 2019</b>
	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>
Investment in Equity Shares - Ooredoo Maldives PLC	54,600,000	4,290,000	46,800,000	4,186,000
Investment in Equity Shares - Dhivehi Rajjeyge Gulhun PLC	9,600,000	786,000	10,500,000	1,009,000
	<u>64,200,000</u>	<u>5,076,000</u>	<u>57,300,000</u>	<u>5,195,000</u>
		<b>Ooredoo Maldives PLC</b>	<b>Dhivehi Raajjeyge Gulhun PLC</b>	<b>Total</b>
		<b>MVR</b>	<b>MVR</b>	<b>MVR</b>
As at 01 <sup>st</sup> January 2020		46,800,000	10,500,000	57,300,000
Change in Fair Value during the Year		7,800,000	(900,000)	6,900,000
As at 31 <sup>st</sup> December 2020		<u>54,600,000</u>	<u>9,600,000</u>	<u>64,200,000</u>

Equity Investment Securities Designated at FVOCI are the investment made in quoted shares of Dhivehi Rajjeyge Gulhun PLC ("Dhiraagu") and Ooredoo Maldives PLC ("Ooredoo"). The investment in Dhiraagu comprises of 100,000 shares with nominal value of MVR 2.5/- which were purchased at MVR 80/- per share.

As at 31<sup>st</sup> December 2020, the shares were valued at MVR 96/- each (2019: MVR 105/-). The investment in Ooredoo comprises of 1,300,000 shares with nominal value of MVR 1/- which were purchased at MVR 30/- per share. As at the reporting date, the shares were valued at MVR 42/- each (2019: MVR 36/-).

None of these strategic investments were disposed during the year 2020, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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**9 INVESTMENTS IN EQUITY SECURITIES**

<b>9.2 Fair Value Reserve</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
As at 01 <sup>st</sup> January	7,725,000	4,875,000
Other Comprehensive Income	6,900,000	3,800,000
Recognition of Deferred Tax Impact	(1,725,000)	(950,000)
As at 31 <sup>st</sup> December	<u>12,900,000</u>	<u>7,725,000</u>

**10 INVESTMENTS IN OTHER FINANCIAL INSTRUMENTS**

	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
Investments Mandatorily Measured at FVTPL (Note 10.1)	390,010,703	404,201,481
	<u>390,010,703</u>	<u>404,201,481</u>

**10.1 Investments in Other Financial Instruments Mandatorily Measured at FVTPL**

Investments in other financial instruments represents Wakalah, Musharakah and Mudharabah placements where the return is linked to the profit of the investee. Since this criteria doesn't meet the requirement of SPPI as per the "IFRS 9 - Financial Instruments", these financial instruments are reclassified as FVTPL.

	<b>Invested</b>	<b>Contract</b>	<b>Country</b>	<b>Maturity</b>	<b>Indicative</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>Currency</b>	<b>Type</b>			<b>Rate</b>	<b>MVR</b>	<b>MVR</b>
HDFC, Maldives (Note 10.2)	MVR	Wakalah	Maldives	1 Year	7.5% - 8.5%	30,594,348	30,617,534
Treasury Bills	MVR	Mudharabah	Maldives	91 Days	5.5% - 8%	359,416,355	373,583,947
						<u>390,010,703</u>	<u>404,201,481</u>

**10.2** The placement with HDFC Amna (Islamic window) consists of a principal amounting of MVR 30,000,000/- and profits accrued as at 31<sup>st</sup> December 2020.

**10.3 Fair Value Loss on Other Financial Instruments Mandatorily Measured at FVTPL**

	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
As at 01 <sup>st</sup> January	-	25,970,269
Profit Accrued during the Year	-	808,564
Less: Fair Value Loss Recognized during the Year	-	(1,439,233)
Redeemed during the Year	-	(25,339,600)
As at 31 <sup>st</sup> December	<u>-</u>	<u>-</u>

**11 NET RECEIVABLES FROM FINANCING ACTIVITIES**

	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
Receivables from Financing Activities Measured at Amortized Cost	2,258,068,446	2,161,497,659
Less: Impairment Loss Allowance (Note 11.2)	(45,160,028)	(29,506,530)
Net Receivable from Financing Activities	<u>2,212,908,418</u>	<u>2,131,991,129</u>

**11.1 Receivables from Financing Activities Measured at Amortized Cost**

	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
Diminishing Musharakah	1,151,115,139	682,737,083
Murabaha	893,785,856	1,060,040,023
Istisna'	211,596,477	416,342,427
Education Financing	1,570,974	2,378,126
Total Gross Receivables from Financing Activities	<u>2,258,068,446</u>	<u>2,161,497,659</u>
<b>Less: Impairment Loss Allowance</b>	<b>(13,000,523)</b>	<b>(19,631,441)</b>
Individual Impairment Loss Allowance	(32,159,505)	(9,875,089)
Collective Impairment Loss Allowance	(45,160,028)	(29,506,530)
<b>Net Receivables from Financing Activities</b>	<u><b>2,212,908,418</b></u>	<u><b>2,131,991,129</b></u>

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**11 NET RECEIVABLES FROM FINANCING ACTIVITIES (CONTINUED)**

<b>11.2 Movement in Impairment Allowance</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
As at 01 <sup>st</sup> January	29,506,530	17,891,708
Transfer of Profit in Suspense	-	836,683
Impairment Expenses Recognized during the Year for on Balance Sheet Exposure	15,653,498	10,778,139
As at 31 <sup>st</sup> December	45,160,028	29,506,530

**11.3 Receivables from Financing Activities Measured at Amortized Cost**

	<b>31/12/2020</b>			<b>31/12/2019</b>		
	<b>Gross Carrying Amount</b>	<b>ECL Allowance</b>	<b>Net Carrying Amount</b>	<b>Gross Carrying Amount</b>	<b>ECL Allowance</b>	<b>Net Carrying Amount</b>
	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>
Education Financing	1,570,974	18,848	1,552,126	2,378,126	31,788	2,346,338
Murabaha	893,785,856	34,955,259	858,830,597	1,060,040,023	28,192,782	1,031,847,241
Istisna'	211,596,477	1,627,980	209,968,497	416,342,427	441,677	415,900,750
Diminishing Musharakah	1,151,115,139	8,557,941	1,142,557,198	682,737,083	840,283	681,896,800
Net Financing	2,258,068,446	45,160,028	2,212,908,418	2,161,497,659	29,506,530	2,131,991,129

<b>11.4 Net Impairment Loss on Financial Assets</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
Impairment Recognized during the Year for On Balance Sheet Exposure ( <b>Note 11.2</b> )	15,653,498	10,778,139
Impairment Recognized during the Year for Off Balance Sheet Exposure ( <b>Note 18</b> )	(1,500,396)	1,799,541
	14,153,102	12,577,680

**11.5 Significant Changes in the Gross Carrying Amount**

The following table provides an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in loss allowance.

<b>Receivables from Financing Activities Measured at Amortized Cost</b>	<b>For the year ended 31<sup>st</sup> December 2020</b>		
	<b>Impact : Increase (Decrease)</b>		
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>
Murabaha	(133,075)	(33,013)	675,949
Istisna'	(67,018)	(95,078)	(29,192)
Diminishing Musharakah	1,416,739	1,288,614	-
	1,216,646	1,160,523	646,757
Commitments	(2,259,607)	-	-



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**12 PROPERTY AND EQUIPMENT**

	Leasehold Building		Computer Equipment		Furniture and Fittings		Office Equipment		Machinery and Equipment		Motor Vehicles		Capital Work In Progress		Total 31/12/2020	Total 31/12/2019
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
<b>Cost</b>																
As at 01 <sup>st</sup> January 2020	25,489,094	33,524,545	5,934,115	17,547,499	1,117,659	283,978	3,467,252	87,364,142	63,845,780							
Additions During the Year	165,403	944,937	144,519	201,135	-	-	10,757,831	12,213,825	23,518,362							
Transferred to Intangible Assets	-	-	-	-	-	-	(2,045,696)	(2,045,696)	-							
Transferred From Capital Working Progress	499,980	1,107,730	-	3,288,095	-	-	(4,895,805)	-	-							
As at 31 <sup>st</sup> December 2020	26,154,477	35,577,212	6,078,634	21,036,729	1,117,659	283,978	7,283,582	97,532,271	87,364,142							
<b>Accumulated Depreciation</b>																
As at 01 <sup>st</sup> January 2020	7,912,546	19,360,308	3,147,750	10,318,387	102,452	47,330	-	40,888,773	31,589,734							
Depreciation for the Year	2,410,137	5,291,561	870,723	2,494,539	111,766	56,795	-	11,235,521	9,299,039							
As at 31 <sup>st</sup> December 2020	10,322,683	24,651,869	4,018,473	12,812,926	214,218	104,125	-	52,124,294	40,888,773							
<b>Net Carrying Value</b>																
As at 31 <sup>st</sup> December 2020	15,831,794	10,925,343	2,060,161	8,223,803	903,441	179,853	7,283,582	45,407,977	46,475,369							
As at 31 <sup>st</sup> December 2019	17,576,548	14,164,237	2,786,365	7,229,112	1,015,207	236,648	3,467,252	46,475,369	46,475,369							

**12.1** Capital work in progress includes the amount incurred by the Bank for the purchase of ATMs that are yet to be commissioned.

**12.2** There were no restrictions existed on the title of the property and equipment of the Bank as at the reporting date.

**12.3** There were no items of property and equipment pledged as securities for liabilities as at the reporting date.

**12.4** There were no idle property and equipment as at the reporting date.

**12.5** The cost of fully-depreciated property and equipment of the Bank as at 31<sup>st</sup> December 2020 is MVR 38,287,692/- (as at 31<sup>st</sup> December 2019: MVR 34,812,928/-).

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**13 RIGHT-OF-USE ASSETS**

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as right-of-use asset.

	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
<b>Cost</b>		
As at 01 <sup>st</sup> January 2020	106,371,583	-
Recognition of Right-of-Use Assets on Initial Application of IFRS 16	-	105,968,284
Modifications during the Year	921,751	-
Additions during the Year	-	403,299
As at 31 <sup>st</sup> December 2020	<u>107,293,334</u>	<u>106,371,583</u>
<b>Accumulated Depreciation</b>		
As at 01 <sup>st</sup> January 2020	9,770,749	-
Depreciation Charged during the Year	9,933,417	9,770,749
As at 31 <sup>st</sup> December 2020	<u>19,704,166</u>	<u>9,770,749</u>
<b>Net Carrying Value</b>	<u>87,589,168</u>	<u>96,600,834</u>

**14 INTANGIBLE ASSETS**

	<b>Core Banking and Database Software MVR</b>	<b>Other Computer Software MVR</b>	<b>Capital Work In Progress MVR</b>	<b>Total 31/12/2020 MVR</b>	<b>Total 31/12/2019 MVR</b>
<b>Cost</b>					
As at 01 <sup>st</sup> January 2020	20,057,883	3,913,024	3,260,576	27,231,483	21,907,254
Additions During the Year	-	651,339	5,439,865	6,091,204	5,324,229
Transferred from Property and Equipment	-	-	2,045,696	2,045,696	-
Transferred From Capital Working Progress	-	6,336,725	(6,336,725)	-	-
As at 31 <sup>st</sup> December 2020	<u>20,057,883</u>	<u>10,901,088</u>	<u>4,409,412</u>	<u>35,368,383</u>	<u>27,231,483</u>
<b>Accumulated Amortization</b>					
As at 01 <sup>st</sup> January 2020	14,301,551	3,348,476	-	17,650,027	16,172,863
Amortization for the Year	1,503,997	1,293,896	-	2,797,893	1,477,164
As at 31 <sup>st</sup> December 2020	<u>15,805,548</u>	<u>4,642,372</u>	<u>-</u>	<u>20,447,920</u>	<u>17,650,027</u>
<b>Net Carrying Value</b>					
As at 31 <sup>st</sup> December 2020	<u>4,252,335</u>	<u>6,258,716</u>	<u>4,409,412</u>	<u>14,920,463</u>	
As at 31 <sup>st</sup> December 2019	<u>5,756,332</u>	<u>564,548</u>	<u>3,260,576</u>		<u>9,581,456</u>

**14.1** Software work in progress includes, payments made by the bank for procuring the banking software which is in the process of implementation.

**14.2** There were no restrictions on the title of the intangible assets of the Bank as at the reporting date. Further, there were no items pledged as securities for liabilities.

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<b>15 OTHER ASSETS</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
Refundable Deposits	6,534,322	1,141,787
Prepayments	4,522,461	3,275,838
Advance Payments Against Financing Assets ( <b>Note 15.1</b> )	40,582,579	63,691,676
Other Receivables	2,640,757	1,440,273
Charity Funds from Financing	-	301,146
	<u>54,280,119</u>	<u>69,850,720</u>

**15.1** Advance payments against financing assets comprise of advance payments made to suppliers for procurement of goods under Trade Financing and Ujaalaa Consumer Finance facilities.

<b>16 CUSTOMERS' ACCOUNTS</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
Current Accounts	1,057,799,421	1,098,908,627
Saving Accounts	1,476,682,141	1,111,325,497
General Investment Accounts	869,296,243	740,166,670
Margin Accounts	27,242,006	24,245,710
	<u>3,431,019,811</u>	<u>2,974,646,504</u>

<b>17 DUE TO BANKS</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
Wakalah Placement by BML, Maldives ( <b>Note 17.1</b> )	154,408,219	-
Qardh Facility from BML, Maldives ( <b>Note 17.2</b> )	15,420,000	-
	<u>169,828,219</u>	<u>-</u>

**17.1** During the year, the Bank has entered in to two wakala arrangements with Bank of Maldives ("BML") from which the Bank received two placements amounting to MVR 100 million and MVR 50 million. The Bank has been appointed as agent of the BML for investing their funds and the Bank is authorized to enter into Shariah compliant transactions on behalf of the BML. The above facilities carry expected Muwakkil Profit of 5.5% and 3% per annum respectively.

Wakala facility of MVR 100 million is to be returned after one year from the acceptance of the offer which was on 15th March 2020. The expiry date of Wakala facility of MVR 50 million shall be the date falling after two weeks from the acceptance date of such facility and shall be extended only upon confirmation from the BML and a subsequent acceptance from the Bank. Both parties have extended the facility continuously till year end and the last extension made on 30th December 2020 till 13th January 2021. Further, the Bank deducts Wakeel fees of 0.5% per annum from the profit of the transaction and any profit achieved in excess of the Profit specified for that investment transaction will be retained by the Bank as an incentive after the deduction of the Wakeel Fee.

**17.2** The Bank has received a Qardh (loan facility) amounting to MVR 15,420,000 during 2020 from Bank of Maldives. The loan facility is to be repaid the facility amount without any facility charges on or before 6 (six) months from the effective date of the Agreement. The agreements expired on 22<sup>nd</sup> November 2020 and the agreement was renewed for another 3 months.

<b>18 PROVISIONS</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
As at 01 <sup>st</sup> January 2020	2,725,670	926,129
Provision Made during the Year - Undrawn Credit Facilities	(1,500,396)	1,799,541
As at 31 <sup>st</sup> December 2020	<u>1,225,274</u>	<u>2,725,670</u>

The Bank requires to recognize an impairment provision on undrawn credit facilities with the adoption of IFRS 9. The above represents the ECL provision recognized by the Bank for undrawn credit facilities.

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**19 LEASE LIABILITIES**

The Bank leases its head office premises, branches, and ATM locations. The leases typically run for a period of 3 to 25 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every 3 to 5 years to reflect market rentals.

Information about leases for which the Bank is a lessee is presented below.

	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
As at 01 <sup>st</sup> January 2020	94,362,352	-
Recognition of Lease Liabilities on Initial Application of IFRS 16	-	100,674,801
Modifications during the Year	921,751	-
Additions during the Year	-	403,299
Financing Expense on Lease Liabilities	5,254,659	5,575,698
Payments Made During the Year	(12,159,463)	(12,291,446)
As at 31 <sup>st</sup> December 2020	<u>88,379,299</u>	<u>94,362,352</u>
Current Liability	12,032,165	12,152,034
Non Current Liability [Note 37. (ii). (b)]	<u>102,917,328</u>	<u>113,835,082</u>
	<u>114,949,493</u>	<u>125,987,116</u>
<b>19.1 Amount Recognised in Other Comprehensive Income</b>		
Financing Expense on Lease Liabilities	5,254,659	5,575,698
Expenses relating to short term leases	<u>126,572</u>	<u>1,263,760</u>
<b>19.2 Amount Recognised in Statement of Cash flows</b>	<u>12,159,463</u>	<u>12,291,446</u>

**19.3 Extension Options**

Some leases of branches contain extension options exercisable by the Bank up to three/five years before the end of the non-cancellable contract period. The Bank included extension options in lease agreements to provide operational flexibility and the management decided that the Bank is most likely to exercise the extension options. The future lease payments resulted in an increase in lease liability of MVR 5,328,843/- as a result of the extensions.

**20 OTHER LIABILITIES**

	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
Accrued Expenses	2,352,063	2,519,545
Pension Payable	430,896	414,259
Payable to Suppliers	7,209,461	3,144,674
Payable to ICD (Note 20.1)	-	86,625,000
Cashiers Cheque	3,614,747	2,339,627
Charity Funds from Financing	762,339	-
Retention on Istisna'a Projects	431,440	431,440
Dividend Payable	35,437,511	-
Other Liabilities	<u>34,397,538</u>	<u>38,723,188</u>
	<u>84,635,995</u>	<u>134,197,733</u>

**20.1** Through the IPO, Islamic Corporation for the Development of the Private Sector (ICD) sold 2,475,000 ordinary shares held by them to the public at a price of MVR 35/- per share. The Bank collected funds on behalf of ICD and settlement was made during the year ended 31st December 2020.

**21 SHARE CAPITAL**

	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
<b>21.1 Authorized Share Capital</b>		
100,000,000 Ordinary Shares of MVR 10/- each (2019: 100,000,000 Ordinary Shares of MVR 10/- each)	<u>1,000,000,000</u>	<u>1,000,000,000</u>

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**21 SHARE CAPITAL (CONTINUED)**

**21.2 Share Split**

On 26<sup>th</sup> March 2019, a special resolution of the shareholders of the Bank authorised and approved to split the existing share capital at a ratio of 1:100.

**21.3 Share Transfer & Issuance of Additional Shares**

On 21<sup>st</sup> April 2019, ICD, the controlling shareholder transferred 1,800,000 shares to the Government of Maldives and 225,000 shares to Amana Takaful Maldives PLC.

On 26<sup>th</sup> March 2019, a special resolution of the shareholders of the Bank authorised and approved to increase the number of shareholders from 3 to 10 in order to effect the conversion of legal status of the Bank to a Public Limited Company under section 20 of the Companies Act (Law no. 10/96). Accordingly 7 new ordinary shares were issued to 7 new shareholders at a price of MVR 10/- per share.

**21.4 Initial Public Offering ("IPO")**

On 26<sup>th</sup> March 2019, a special resolution of the shareholders of the Bank authorised and approved the issuance of additional 4,500,000 new ordinary shares to the public through the IPO at a price of MVR 35/- per share.

Also through the IPO, ICD offered the public 2,475,000 ordinary shares held by them at a price of MVR 35/- per share.

**21.5 Issued and Fully Paid Up Share Capital**

	31/12/2020		31/12/2019	
	Value MVR	No. of Shares	Value MVR	No. of Shares
As at 01 <sup>st</sup> January	337,500,070	22,500,007	180,000,000	18,000,000
Issue of Ordinary Shares	-	-	70	7
Initial Public Offering	-	-	157,500,000	4,500,000
As at 31 <sup>st</sup> December	337,500,070	22,500,007	337,500,070	22,500,007

**21.6 Shareholders**

	31/12/2020		31/12/2019	
	No. of Shares	%	No. of Shares	%
<b>(a) Before the Initial Public Offering</b>				
Islamic Corporation for the Development of the Priv	8,100,000	36%	8,100,000	36%
The Government of Maldives	6,300,000	28%	6,300,000	28%
Amana Takaful Maldives PLC	1,125,000	5%	1,125,000	5%
<b>(b) After the Initial Public Offering</b>				
Maldives Pension Administration Office	2,369,370	11%	2,369,370	11%
Others	4,605,637	20%	4,605,637	20%
<b>Total</b>	<b>22,500,007</b>	<b>100%</b>	<b>22,500,007</b>	<b>100%</b>

**21.7 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 the Bank.

The Board of Directors of the Bank has declared a dividend of MVR 35,437,511/- during the year ended 31<sup>st</sup> December 2020 (31<sup>st</sup> December 2019: MVR 15,300,000/-).

**22 FAIR VALUE RESERVE**

The fair value reserve comprises the cumulative net change in the fair value of investment securities measured at FVOCI net of tax.

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**23 STATUTORY RESERVE**

According to 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 transferred MVR 18,815,353/- during the year ended 31<sup>st</sup> December 2020 (2019: MVR 21,003,523/-).

**24 NON-DISTRIBUTABLE CAPITAL RESERVE**

According to 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 (IFRS 9 -"Financial Instruments") and impairment provision made in accordance with MMA guidelines (MMA Prudential Regulation 2015/R-168: Regulation on Asset Classification, Provisioning and Suspend of Profit).

Provision for impairment as per MMA guidelines was higher than the ECL provision, in accordance with IFRS 09 an additional amount of MVR 28,256,163/- has been transferred to Non-distributable Capital Reserve as at 31<sup>st</sup> December 2020 (31<sup>st</sup> December 2019: MVR 2,683,524/-).

	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
Impairment Provision as per MMA Prudential Regulation	85,033,783	42,624,518
Impairment Provision as per IFRS 09 ( <b>Note 11.1 and Note 18</b> )	46,385,302	32,232,200
Non-distributable Capital Reserve	<u>38,648,481</u>	<u>10,392,318</u>

**25 NET PROFIT EARNED FROM FINANCING ACTIVITIES**

	<b>2020</b>	<b>2019</b>
	<b>MVR</b>	<b>MVR</b>
Income from Financing Activities ( <b>Note 25.1</b> )	234,359,278	206,488,164
Profit Paid on Customer Accounts ( <b>Note 25.3</b> )	(50,152,453)	(44,139,462)
Net Profit Earn from Financing Activities	<u>184,206,825</u>	<u>162,348,702</u>

**25.1 Income from Financing Activities - Measured at Amortized Cost**

Income from Education Financing	296,987	385,975
Income from Murabaha	138,051,219	104,386,932
Income from Istisna'a	37,842,468	47,175,290
Income from Diminishing Musharaka	79,601,705	54,539,967
<b>Income from Finance Activities using the Effective Profit Method</b>	<u>255,792,379</u>	<u>206,488,164</u>
Net Loss Arising From Modification Of Financial Assets Measured At Amortised Cost ( <b>Note 25.2</b> )	<u>(21,433,101)</u>	<u>-</u>
<b>Net Income from Finance Activities using the Effective Profit Method</b>	<u>234,359,278</u>	<u>206,488,164</u>

**25.2 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 occurred during the year ended 31st December 2020, the Bank has offered a moratorium package for the Banks' customers. This resulted to modify the cash flows of financial asset- measured at amortized 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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**25 NET PROFIT EARNED FROM FINANCING ACTIVITIES (CONTINUED)**

**25.2 Net Loss Arising From Modification Of Financial Assets Measured At Amortised Cost (Continued)**

Loss on modification of financial assets measured at amortized cost as follows;

	<b>Amortized cost before Modification MVR</b>	<b>Loss on Modification MVR</b>	<b>Unwinding Effect during 2020 MVR</b>	<b>Net Loss on modification MVR</b>
Murabaha	84,953,946	8,577,833	2,266,933	6,310,900
Diminishing Musharakah	694,664,720	15,982,674	860,473	15,122,201
	<u>779,618,666</u>	<u>24,560,507</u>	<u>3,127,406</u>	<u>21,433,101</u>

**25.3 Profit on Customer Accounts and Others - Measured at Amortized Cost**

General Investment Accounts		30,750,853	33,637,173
Savings Accounts		13,670,093	10,502,289
Inter-Bank Financing		5,731,507	-
<b>Total Profit on Customer Accounts and Others</b>		<u>50,152,453</u>	<u>44,139,462</u>

**26 NET FEE AND COMMISSION INCOME**

	<b>2020 MVR</b>	<b>2019 MVR</b>
Fee and Commission Income (Note 26.1)	25,467,756	30,019,971
Fee and Commission Expense (Note 26.2)	(837,510)	(778,079)
Net Fee And Commission Income	<u>24,630,246</u>	<u>29,241,892</u>

**26.1 Disaggregation of Fee and Commission Income**

In the following table, Fee and Commission Income from contracts with customers in the scope of IFRS 15 is disaggregated by major type of services. The table also includes a reconciliation of the disaggregated Fee and Commission Income with the Bank's reportable segments.

	<b>Corporate and Retail Banking</b>		<b>ATM Card and Electronic Banking</b>		<b>Total</b>	
	<b>2020 MVR</b>	<b>2019 MVR</b>	<b>2020 MVR</b>	<b>2019 MVR</b>	<b>2020 MVR</b>	<b>2019 MVR</b>
Banking Services	7,465,622	8,596,599	-	-	7,465,622	8,596,599
Trade Finance Services	1,445,876	2,920,956	-	-	1,445,876	2,920,956
Remittances	12,818,661	13,862,556	-	-	12,818,661	13,862,556
ATM, POS, Faisa Net and Gateway services	-	-	3,718,491	4,563,807	3,718,491	4,563,807
Other Fees and Commissions Income	19,106	76,053	-	-	19,106	76,053
<b>Total Fee and commission income</b>	<u>21,749,265</u>	<u>25,456,164</u>	<u>3,718,491</u>	<u>4,563,807</u>	<u>25,467,756</u>	<u>30,019,971</u>

**26.2 Fee and Commission Expense**

Fund Transfer Expenses	837,510	778,079	-	-	837,510	778,079
	<u>837,510</u>	<u>778,079</u>	<u>-</u>	<u>-</u>	<u>837,510</u>	<u>778,079</u>

**27 FOREIGN EXCHANGE GAIN**

	<b>2020 MVR</b>	<b>2019 MVR</b>
Foreign Exchange Gain	542,499	128,334

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

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<b>28 INCOME FROM INVESTMENTS IN EQUITY SECURITIES</b>	<b>2020</b>	<b>2019</b>
	<b>MVR</b>	<b>MVR</b>
Dividend Income from Investment Measured at FVOCI	5,076,000	5,195,000
	<u>5,076,000</u>	<u>5,195,000</u>
<p>The dividend income represents the dividend received during the year from investments in the quoted shares of Dhivehi Raajjeyge Gulhun PLC ("Dhiraagu") and Ooredoo Maldives PLC ("Ooredoo"). The dividend income includes, from Dhiraagu, MVR 7.86/- per share as final dividend for 2019 (2019: Interim of MVR 4.14/- for 2018 and final of MVR 5.95/- for 2019), from Oordoo, MVR 3.30/- per share as the final dividend for 2019. (2018: final dividend of MVR 3.22/- for 2019).</p>		
<b>29 NET INCOME FROM FINANCIAL INSTRUMENTS MANDATORILY MEASURED AT FVTPL</b>	<b>2020</b>	<b>2019</b>
	<b>MVR</b>	<b>MVR</b>
Wakala/ Musharakah Placement Income	4,083,654	2,481,533
Mudharabah/ Murabahah Income Mandatorily Measured at FVTPL	30,172,315	44,715,927
Income from the ICD Money Market Investment	-	808,564
	<u>34,255,969</u>	<u>48,006,024</u>
<b>30 INCOME FROM INVESTMENT MEASURED AT AMORTIZED COST</b>	<b>2020</b>	<b>2019</b>
	<b>MVR</b>	<b>MVR</b>
Income from Murabahah Financial Instruments	-	765,152
	<u>-</u>	<u>765,152</u>
<b>31 PERSONNEL EXPENSES</b>	<b>2020</b>	<b>2019</b>
	<b>MVR</b>	<b>MVR</b>
Salaries and Wages	45,353,289	42,041,682
Housing Allowance	6,560,086	6,151,673
Annual and Ramadhan Bonus	7,741,635	5,776,606
Contribution to Defined Contribution Plans	2,579,224	2,375,546
Medical Insurance	1,917,225	1,528,476
Training and Development	294,269	879,575
Uniforms	286,034	537,470
Executive Allowance	324,000	287,806
Other Staff Expenses	1,584,730	2,241,557
	<u>66,640,492</u>	<u>61,820,391</u>



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<b>32 GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>2020</b>	<b>2019</b>
	<b>MVR</b>	<b>MVR</b>
Rent Expense	126,572	1,263,760
Technology Related Expenses	8,920,217	5,592,458
Financing Expense on Lease Liabilities	5,254,659	5,575,698
Electricity Expenses	3,193,300	2,910,336
Premises Security and Insurance	2,589,924	2,402,649
Connectivity and Internet Charges	2,933,908	3,079,710
Financing Related Expenses	280,850	289,427
Stationary Costs	2,499,512	2,712,522
Legal and Professional Expenses	1,292,153	3,261,940
Travelling Expenses	35,663	425,553
Directors Allowance and Board Related Expenses	1,572,918	1,612,973
Marketing and Advertising Expenses	2,166,207	3,742,140
Sharia Board Related Expenses	319,285	526,722
Utility Expenses	940,449	979,910
Communication Expenses	1,471,302	885,530
Maintenance Expense	754,245	869,786
Other Operating Expenses	2,287,528	1,247,225
	<u>36,638,692</u>	<u>37,378,339</u>
<b>33 DEPRECIATION AND AMORTISATION</b>	<b>2020</b>	<b>2019</b>
	<b>MVR</b>	<b>MVR</b>
Depreciation on Property and Equipment	11,235,521	9,299,039
Depreciation on Right-of-Use Assets	9,933,417	9,770,749
Amortisation on Intangible Assets	2,797,893	1,477,164
	<u>23,966,831</u>	<u>20,546,952</u>
<b>34 INCOME TAX</b>	<b>2020</b>	<b>2019</b>
	<b>MVR</b>	<b>MVR</b>
<b>A. Amounts Recognised in Profit or Loss</b>		
Current Tax (Note 34.1)	33,126,433	26,786,804
Under Provision for the Previous Year	-	185,515
Deferred Tax Liability (Note 34.3)	(1,075,422)	936,099
	<u>32,051,011</u>	<u>27,908,418</u>
<b>B. Amounts Recognised in Other Comprehensive Income</b>		
<i>Items that will not be reclassified to profit or loss;</i>		
Deferred Tax Liability on Movement in Fair Value Reserve (Equity Instruments) (Note 34.3)	1,725,000	950,000
<b>34.1 Current Tax</b>		
The Bank is liable to pay income tax (at the rate of 25%) in accordance with Income Tax act 25/2019 issued by the Maldives Inland Revenue Authority. A reconciliation between taxable profit and the accounting profit is as follows.		
	<b>2020</b>	<b>2019</b>
	<b>MVR</b>	<b>MVR</b>
Accounting Profit before Tax	107,312,422	111,922,509
Add: Aggregate Disallowable Items	28,294,119	23,353,883
Less: Aggregate Allowable Items	(3,100,809)	(28,129,176)
Taxable Income for the Year	<u>132,505,732</u>	<u>107,147,216</u>
<b>Income Tax @ 25%</b>	<u>33,126,433</u>	<u>26,786,804</u>

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**34 INCOME TAX (CONTINUED)**

<b>34.2 Current Tax Liability</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
Opening Balance	26,786,804	20,097,055
Current Tax for the Year	33,126,433	26,972,319
Tax Paid during the Year	(40,180,206)	(20,282,570)
Closing Balance	<u>19,733,031</u>	<u>26,786,804</u>

**34.3 Deferred Tax Liability**

The following table shows deferred tax recorded on the statement of financial position and changes recorded in the statement of comprehensive income and other comprehensive income net of tax.

	<b>Property and Equipment</b>	<b>Intangible Assets</b>	<b>Changes in Fair Value of Equity Investments (Recognized in OCI)</b>	<b>Total</b>
	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>
<b>31<sup>st</sup> December 2020</b>				
Deferred Tax Liability	1,338,525	1,241,825	4,300,000	6,880,350
Recognized in Profit or Loss	(1,321,806)	246,384	-	(1,075,422)
Recognized in Other Comprehensive Income	-	-	1,725,000	1,725,000
<b>31<sup>st</sup> December 2019</b>				
Deferred Tax Liability	2,660,331	995,441	2,575,000	6,230,772
Recognized in Profit or Loss	843,126	92,973	-	936,099
Recognized in Other Comprehensive Income	-	-	950,000	950,000

**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 per share is calculated as follows:

	<b>2020</b>	<b>2019</b>
	<b>MVR</b>	<b>MVR</b>
Profit Attributable to Ordinary Shareholders	75,261,411	84,014,091
Weighted Average Number of Ordinary Shares	22,500,007	18,616,443
Basic and Diluted Earnings Per Share	<u>3.34</u>	<u>4.51</u>

Adjusted basic and diluted earnings per share based on the number of issued and fully paid up shares as of 31<sup>st</sup> December 2019 is MVR 3.73/-.

<b>35.2</b> Net Assets Per Share as of 31 <sup>st</sup> December	<u>27.34</u>	<u>25.34</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.

	Note	31 <sup>st</sup> December 2020		Amortized Cost MVR	Total Carrying Amount MVR
		Mandatory at FVTPL MVR	Designated at FVOCI MVR		
Cash and Balances with Other Banks	6	-	-	291,029,762	291,029,762
Balances with Maldives Monetary Authority	7	-	-	1,163,708,951	1,163,708,951
Investments in Equity Securities	9	-	64,200,000	-	64,200,000
Investments in Other Financial Instruments	10	390,010,703	-	-	390,010,703
Due from Banks	8	77,314,973	-	15,395,000	92,709,973
Net Receivables from Financing Activities	11	-	-	2,212,908,418	2,212,908,418
Other Assets	15	-	-	49,757,658	49,757,658
<b>Total Financial Assets</b>		<b>467,325,676</b>	<b>64,200,000</b>	<b>3,732,799,789</b>	<b>4,264,325,465</b>
Customers' Accounts	16	-	-	3,431,019,811	3,431,019,811
Due to Banks	17	154,408,219	-	15,420,000	169,828,219
Lease Liabilities	19	-	-	88,379,299	88,379,299
Other Liabilities	20	-	-	82,283,932	82,283,932
<b>Total Financial Liabilities</b>		<b>154,408,219</b>	<b>-</b>	<b>3,617,103,042</b>	<b>3,771,511,261</b>
<b>31<sup>st</sup> December 2019</b>	Note	<b>Mandatory at FVTPL MVR</b>	<b>Designated at FVOCI MVR</b>	<b>Amortized Cost - MVR</b>	<b>Total Carrying Amount MVR</b>
Cash and Balances with Other Banks	6	-	-	201,188,743	201,188,743
Balances with Maldives Monetary Authority	7	-	-	791,824,758	791,824,758
Investments in Equity Securities	9	-	57,300,000	-	57,300,000
Investments in Other Financial Instruments	10	404,201,481	-	-	404,201,481
Net Receivables from Financing Activities	11	-	-	2,131,991,129	2,131,991,129
Other Assets	15	-	-	66,273,736	66,273,736
<b>Total Financial Assets</b>		<b>404,201,481</b>	<b>57,300,000</b>	<b>3,191,278,366</b>	<b>3,652,779,847</b>
Customers' Accounts	16	-	-	2,974,646,504	2,974,646,504
Lease Liabilities	19	-	-	94,362,352	94,362,352
Other Liabilities	20	-	-	131,678,188	131,678,188
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>3,200,687,044</b>	<b>3,200,687,044</b>

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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 the Internal Audit Department. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the BAC.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework.

**(i) Credit Risk**

'Credit risk' is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's financing to customers and deposits and placements with other banks, and investment in securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

The market risk in respect of changes in value in trading assets arising from changes in market prices applied to securities and specific assets included in trading assets is managed as a component of market risk.

The Bank's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no concentration of credit risk geographically.

***Settlement Risk***

The Bank's activities may give rise to risks at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Bank mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free-settlement trades requires transaction-specific or counterparty-specific approvals from RMCU.

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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 amortized cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For financing commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Explanation of terms "Stage 1", "Stage 2" and "Stage 3" is included in Note 3.8 (vii)

	31/12/2020						31/12/2019					
	Stage 1 MVR	Stage 2 MVR	Stage 3 MVR	Total MVR	Stage 1 MVR	Stage 2 MVR	Stage 3 MVR	Total MVR	Stage 1 MVR	Stage 2 MVR	Stage 3 MVR	Total MVR
<i>Receivable from Financing Activities</i>												
<i>Measured at Amortized Cost</i>												
Grade 1 - Low Risk (0 Days)	1,688,604,355	-	-	1,688,604,355	1,889,748,857	-	-	1,889,748,857	-	-	-	1,889,748,857
Grade 2 - Low Risk (1 - 30 Days)	174,167,380	-	-	174,167,380	138,006,144	-	-	138,006,144	-	-	-	138,006,144
Grade 3 - Fair Risk (31 - 60 Days)	-	244,857,268	-	244,857,268	-	51,825,856	-	51,825,856	-	-	-	51,825,856
Grade 4 - Fair Risk (61 - 89 Days)	-	38,104,928	-	38,104,928	-	23,272,168	-	23,272,168	-	-	-	23,272,168
Grade 5 - Default (Over 90 Days)	-	-	112,334,515	112,334,515	-	-	58,644,634	58,644,634	-	-	-	58,644,634
Loss Allowance	1,862,771,735	282,962,196	112,334,515	2,258,068,446	2,027,755,001	75,098,024	58,644,634	2,161,497,659	(7,728,774)	(5,089,217)	(32,342,037)	(29,506,530)
Carrying Amount	1,855,042,961	277,872,979	79,992,478	2,212,908,418	2,022,679,953	73,454,692	35,856,484	2,131,991,129				
<i>Receivable from Financing Activities</i>												
<i>Measured at Amortized Cost - Gross</i>												
<i>Carrying Amount</i>												
Current	1,688,604,355	-	-	1,688,604,355	1,889,748,857	-	-	1,889,748,857	-	-	-	1,889,748,857
Overdue < 30 Days	174,167,380	-	-	174,167,380	138,006,144	-	-	138,006,144	-	-	-	138,006,144
Overdue >= 30 Days	-	282,962,196	112,334,515	395,296,711	-	75,098,024	58,644,634	133,742,658	-	-	-	133,742,658
Total	1,862,771,735	282,962,196	112,334,515	2,258,068,446	2,027,755,001	75,098,024	58,644,634	2,161,497,659				
<i>Financing Commitments</i>												
Grades 1-4: Low-Fair Risk	283,478,027	438,783	100,000	284,016,810	658,476,275	51,841	-	658,528,116	(1,210,992)	(9,175)	(5,107)	(2,725,670)
Loss Allowance	282,267,035	429,608	94,893	282,791,536	655,750,954	51,492	-	655,802,446				

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**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020**

**37 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(i) Credit Risk (Continued)**

**(a) ii. Cash and Cash Equivalents**

The Bank held cash and cash equivalents of MVR 1,224,420,265/- as at 31<sup>st</sup> December 2020 (31<sup>st</sup> December 2019: MVR 702,973,422/-). 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		Principal Type of Collateral Held
		Subject to Collateral Requirements		
		31/12/2020	31/12/2019	
<b>Receivable from Financing Activities</b>				
Education Financing		0%	0%	None
Murabahah		21%	37%	Land and property
Istisna'		100%	100%	Land and property
Diminishing Musharaka		100%	100%	Land and property

**(b) 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	31/12/2020	31/12/2019
	MVR	MVR
Less than 50%	592,018,983	683,440,227
51% - 70%	313,176,784	251,251,523
71% - 90%	414,635,774	362,256,709
91% - 100%	225,344,596	189,816,088
No Collateral	712,892,309	674,733,112
Total	<u>2,258,068,446</u>	<u>2,161,497,659</u>
<b>Credit-impaired Financing Facilities</b>		
Less than 50%	9,403,225	5,037,040
51% - 70%	17,479,559	5,148,813
More than 70%	56,237,576	68,171,418
No Collateral	36,692,648	13,164,657
	<u>119,813,008</u>	<u>91,521,928</u>

As at 31<sup>st</sup> December 2020, 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)**

**Receivables from Financing Facilities Granted to Corporate Customers**

As at 31<sup>st</sup> December 2020, the net carrying amount of credit impaired financing facilities granted to corporate customers is MVR 39,373,440/- (2019: MVR 34,400,940/-) and the value of identifiable collateral (mainly land and property) held against those financing facilities amounted to MVR 36.0 million (2019: MVR 32.0 million). 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 31<sup>st</sup> December 2020, the maximum exposure to credit risk of investment securities measured at FVTPL was their carrying amount of MVR 390 million (2019: MVR 404.2 million). The Bank has minimized the credit risk exposure of all of these financing activities by obtaining sovereign guarantee except for the investment made in HDFC.

**(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 are the primary input into the 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 borrower.

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 Murabahah Trade Finance, a Transition Matrix based on days past due is used. For the Murabahah Trade Finance portfolio, since the above method did not provide a statistically significant output, flow rate analysis is used.

This analysis includes the identification and calibration of relationship between changes in default rates and changes in key macro-economic factors as well as an in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For forward looking adjustments, credit index approach and Vasicek single factor models are used.

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 with lag effect of these variables) 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.

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 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 borrower 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 borrower 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 will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

The definition of default largely aligns with that applied by the bank for regulatory capital purposes.

**(c) v. Incorporation of Forward-looking Information**

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

The Bank formulates three economic scenarios. The Base Case, which is the median scenario assigned a 68% probability of occurring, and two less likely scenarios, one upside and one downside, each assigned a 11% and 21% of probability of occurring respectively. External information considered includes economic data and forecasts published by governmental bodies, supranational organisations such as the International Monetary Fund.

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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 by 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 31<sup>st</sup> December 2020 included the following key indicators for Maldives for the years ending 31<sup>st</sup> December 2021 to 2025.

		<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
GDP Growth Rate	Base	12.7%	11.0%	7.5%	6.7%	5.9%
	Upside	13.7%	12.0%	8.5%	7.7%	6.9%
	Downside	11.7%	10.0%	6.5%	5.7%	4.9%
Inflation Rate	Base	2.7%	2.0%	2.0%	2.0%	2.0%
	Upside	3.7%	3.0%	3.0%	3.0%	3.0%
	Downside	1.7%	1.0%	1.0%	1.0%	1.0%

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed analysing historical data over the past 5 years.

**(c) vi. Modified Financial Assets**

The contractual terms of a finance facility 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 finance facility whose terms have been modified may be derecognised and the renegotiated finance facility recognised as a new facility 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 financing facilities to customers in financial difficulties (referred to as "forbearance activities") to maximize collection opportunities and minimize the risk of default.

The revised terms usually include extending the maturity, changing the timing of profit payments and amending the terms of financing facility 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's payment performance against the modified contractual terms and considers various behavioral 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 are calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL are 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 of an advance or terminate a 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 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, which may 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.

	<b>31/12/2020</b>			
	<b>Stage 1 MVR</b>	<b>Stage 2 MVR</b>	<b>Stage 3 MVR</b>	<b>Total MVR</b>
<i>Receivable from Financing Activities Measured at amortized cost and undrawn financing facilities.</i>				
Balance as at 01 <sup>st</sup> January 2020	7,800,369	1,643,681	22,788,150	32,232,200
Transfer to Stage 1	856,357	(812,696)	(43,661)	-
Transfer to Stage 2	(4,212,557)	4,626,842	(414,285)	-
Transfer to Stage 3	(189,951)	(373,593)	563,544	-
Net remeasurement of loss allowance	2,856,603	(780,373)	8,220,453	10,296,683
New financial assets originated	1,828,945	794,531	1,232,943	3,856,419
Balance as at 31 <sup>st</sup> December 2020	<u>8,939,766</u>	<u>5,098,392</u>	<u>32,347,144</u>	<u>46,385,302</u>

	<b>31/12/2019</b>			
	<b>Stage 1 MVR</b>	<b>Stage 2 MVR</b>	<b>Stage 3 MVR</b>	<b>Total MVR</b>
<i>Receivable from Financing Activities Measured at amortized cost and undrawn financing facilities.</i>				
Balance as at 01 <sup>st</sup> January 2019	4,518,135	4,477,510	9,822,192	18,817,837
Transfer to Stage 1	(1,230,902)	524,982	705,920	-
Transfer to Stage 2	65,401	(15,153,841)	15,088,440	-
Transfer to Stage 3	6,181	12,293	(18,474)	-
Net remeasurement of loss allowance	875,273	11,141,397	(3,537,742)	8,478,928
New financial assets originated	3,566,281	641,340	727,814	4,935,435
Balance as at 31 <sup>st</sup> December 2019	<u>7,800,369</u>	<u>1,643,681</u>	<u>22,788,150</u>	<u>32,232,200</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 net carrying amount of credit impaired financing facilities to customers.

	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
Opening Balance of Credit-impaired Financing Facilities to Customers	85,111,589	34,086,368
Change in Allowance for Impairment	(10,953,401)	(12,965,963)
Classified as Credit-Impaired during the Year	55,399,042	64,854,678
Transferred to Not Credit-impaired during the Year	(9,744,222)	(863,494)
Closing Balance of Credit-impaired Financing Facilities to Customers	<u>119,813,008</u>	<u>85,111,589</u>

**(d) Concentration of Credit Risk**

The Bank on a regular basis reviews 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 financing and advances to customers and financing commitments and financial guarantees issued are shown below.

	<b>Receivable from Financing Activities</b>		<b>Finance Commitments and Financial Guarantees Issued</b>	
	<b>31/12/2020</b>	<b>31/12/2019</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
<b>Balances Net of Impairment</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>
<b>Concentration by Industry</b>				
Consumer Goods	732,873,724	694,809,947	28,964,826	384,536,887
Transport and Communications	60,462,531	72,263,662	1,777,587	5,949,521
Commerce-Wholesale and Retail Trade	183,751,125	191,774,259	257,227,456	205,281,380
Construction-Residential Financing	1,033,209,680	966,124,609	95,263,565	102,968,403
Construction-Commercial Building Financing	55,738,655	60,778,818	-	-
Electricity, Lighting and Power	7,820,785	18,806,945	-	-
Tourism	137,376,520	116,042,640	1,041,914	19,977,561
Fishing	46,835,426	40,896,779	-	6,619,638
Total	<u>2,258,068,446</u>	<u>2,161,497,659</u>	<u>384,275,348</u>	<u>725,333,390</u>
<b>Concentration by Sector</b>				
Business	408,135,269	424,471,899	257,523,564	221,024,722
Individual	1,849,933,177	1,737,025,760	126,751,784	504,308,668
Total	<u>2,258,068,446</u>	<u>2,161,497,659</u>	<u>384,275,348</u>	<u>725,333,390</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 (Continued)**

**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 the Management Committee (MC). MC oversees the implementation of the Bank's liquidity policies and procedures. Treasury department manages the Bank's liquidity position on a day-to-day basis and reviews daily reports assessing 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 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 department 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 department 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 performed under various scenarios to assess 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, other borrowings and commitments 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.

	<b>31/12/2020</b>	<b>31/12/2019</b>
As at the Reporting Date	42.72%	33.65%
Average for the Year	39.73%	29.29%
Maximum for the Year	42.72%	33.65%
Minimum for the Year	34.43%	26.56%

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**37 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(ii) Liquidity Risk (Continued)**

**(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 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.

The following tables set out the remaining contractual maturities of the Bank's financial liabilities and financial assets.

<b>As at 31<sup>st</sup> December 2020</b>	<b>Carrying Amount</b>	<b>Gross nominal inflow (outflow)</b>	<b>0-12 Months</b>	<b>1-2 Years</b>	<b>2-5 Years</b>	<b>More than Five Years</b>
	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>
<b>Financial Assets by Type - Non Derivative</b>						
Cash and Balances with Other Banks	291,029,762	291,029,762	291,029,762	-	-	-
Balances with Maldives Monetary Authority	1,163,708,951	1,163,708,951	1,154,004,003	-	-	9,704,948
Investments in Equity Securities *	64,200,000	64,200,000	-	-	-	64,200,000
Investments in Other Financial Instruments *	390,010,703	390,010,703	390,010,703	-	-	-
Due from Banks	92,709,973	92,947,313	92,947,313	-	-	-
Net Receivables from Financing Activities	2,212,908,418	3,136,245,922	885,550,709	579,850,114	705,842,756	965,002,343
Other Assets	49,757,658	49,757,658	49,757,658	-	-	-
	<u>4,264,325,465</u>	<u>5,187,900,309</u>	<u>2,863,300,148</u>	<u>579,850,114</u>	<u>705,842,756</u>	<u>1,038,907,291</u>
<b>Financial Liability by Type - Non Derivative</b>						
Deposits from Customers *	3,431,019,811	3,431,019,811	3,289,533,120	58,199,505	83,287,186	-
Due to Banks	169,828,219	170,977,534	170,977,534	-	-	-
Lease Liabilities	88,379,299	114,949,493	12,032,165	12,063,457	37,491,354	53,362,517
Other Liabilities	82,283,932	82,283,932	82,283,932	-	-	-
	<u>3,771,511,261</u>	<u>3,799,230,770</u>	<u>3,554,826,751</u>	<u>70,262,962</u>	<u>120,778,540</u>	<u>53,362,517</u>
Net Gap	<u>492,814,204</u>	<u>1,388,669,539</u>	<u>(691,526,603)</u>	<u>509,587,152</u>	<u>585,064,216</u>	<u>985,544,774</u>
<b>As at 31<sup>st</sup> December 2019</b>						
	<b>Carrying Amount</b>	<b>Gross nominal inflow (outflow)</b>	<b>0-12 Months</b>	<b>1-2 Years</b>	<b>2-5 Years</b>	<b>More than Five Years</b>
	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>
<b>Financial Assets by Type - Non Derivative</b>						
Cash and Balances with Other Banks	201,188,743	201,188,743	201,188,743	-	-	-
Balances with Maldives Monetary Authority	791,824,758	791,824,758	501,784,679	-	-	290,040,079
Investments in Equity Securities *	57,300,000	57,300,000	-	-	-	57,300,000
Investments in Other Financial Instruments *	404,201,481	404,201,481	404,201,481	-	-	-
Net Receivables from Financing Activities	2,131,991,129	3,070,433,049	859,247,967	553,263,538	750,982,292	906,939,252
Other Assets	66,273,736	66,273,736	66,273,736	-	-	-
	<u>3,652,779,847</u>	<u>4,591,221,767</u>	<u>2,032,696,606</u>	<u>553,263,538</u>	<u>750,982,292</u>	<u>1,254,279,331</u>
<b>Financial Liability by Type - Non Derivative</b>						
Deposits from Customers *	2,974,646,504	2,974,646,504	2,780,408,620	135,119,778	59,118,106	-
Lease Liabilities	94,362,352	125,987,116	12,152,034	11,874,702	36,287,494	65,672,886
Other Liabilities	131,678,188	131,678,188	131,678,188	-	-	-
	<u>3,200,687,044</u>	<u>3,232,311,808</u>	<u>2,924,238,842</u>	<u>146,994,480</u>	<u>95,405,600</u>	<u>65,672,886</u>
Net Gap	<u>452,092,803</u>	<u>1,358,909,959</u>	<u>(891,542,236)</u>	<u>406,269,058</u>	<u>655,576,692</u>	<u>1,188,606,445</u>

\* Changes to share prices in future cannot be determined at this point in time thus carrying amount of equity investments are taken as gross nominal inflow. Future profit receivable from investments in other financial instruments & profit payable to customers cannot be determined as at the year end as they are on Mudharaba basis, thus the carrying amount is taken as gross nominal inflow/outflow.

**(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.

	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
Balances with Maldives Monetary Authority	1,163,708,951	791,824,758
Balances with Other Banks	127,143,034	73,288,399
Cash in Hand	163,886,728	127,900,344
<b>Total Liquidity Reserves</b>	<u>1,454,738,713</u>	<u>993,013,501</u>

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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**

The Board has an 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	
	31/12/2020	31/12/2019
	MVR	MVR
<b>Assets subject to market risk</b>		
Cash and Cash Equivalents	85,278,771	24,114,266
Receivable from Financing Activities	1,105,382,333	1,476,382,450
Investment in Equity Securities	64,200,000	57,300,000
Investment in Money Market Securities and Other Investments	390,010,703	404,201,481
	<u>1,644,871,807</u>	<u>1,961,998,197</u>
<b>Liabilities subject to market risk</b>		
Deposits	2,345,978,384	1,851,492,167
Lease Liabilities	88,379,299	94,362,352
	<u>2,434,357,683</u>	<u>1,945,854,519</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:

	Fixed Rate Instruments	
	31/12/2020	31/12/2019
	MVR	MVR
<b>Financial Assets</b>		
Net Receivables from Financing Activities	2,212,908,418	2,131,991,129
<b>Financial Liabilities</b>		
Customers' Accounts	2,345,978,384	1,851,492,167
Due to Banks	169,828,219	-
	<u>2,515,806,603</u>	<u>1,851,492,167</u>
<b>Variable Rate Instruments</b>		
<b>Financial Assets</b>		
Investments Mandatorily Measured at FVTPL	390,010,703	404,201,481
	<u><u>390,010,703</u></u>	<u><u>404,201,481</u></u>



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**37 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(iii) Market Risk (Continued)**

**(c) Profit Rate Sensitivity**

The following is a summary of the Bank's profit rate gap position on non-trading portfolios.

<b>31<sup>st</sup> December 2020</b>	<b>Carrying Amount</b>	<b>0 - 12 Months</b>	<b>1 - 2 Years</b>	<b>2 - 5 Years</b>	<b>More than 5 Years</b>	<b>Total Sensitive</b>	<b>Non Rate Sensitive</b>
<b>Assets</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>
Cash and Balances with Other Banks	291,029,762	-	-	-	-	-	291,029,762
Balances with Maldives Monetary Authority	1,163,708,951	-	-	-	-	-	1,163,708,951
Net Receivables from Financing Activities	2,212,908,418	885,550,709	579,850,114	705,842,756	965,002,343	3,136,245,922	- 923,337,504
Investments in Other Financial Instruments	390,010,703	390,010,703	-	-	-	390,010,703	-
	4,057,657,834	1,275,561,412	579,850,114	705,842,756	965,002,343	3,526,256,625	531,401,209
<b>Liabilities</b>							
Customer's Liabilities	3,431,019,811	2,204,491,693	58,199,505	83,287,186	-	2,345,978,384	1,085,041,427
Other Liabilities	82,283,932	-	-	-	-	-	82,283,932
	3,513,303,743	2,204,491,693	58,199,505	83,287,186	-	2,345,978,384	1,167,325,359
	544,354,091	(928,930,281)	521,650,609	622,555,570	965,002,343	1,180,278,241	(635,924,150)
<b>Profit Rate Sensitive Gap</b>							
<b>31<sup>st</sup> December 2019</b>	<b>Carrying Amount</b>	<b>0 - 12 Months</b>	<b>1 - 2 Years</b>	<b>2 - 5 Years</b>	<b>More than 5 Years</b>	<b>Total Sensitive</b>	<b>Non Rate Sensitive</b>
<b>Assets</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>	<b>MVR</b>
Cash and Balances with Other Banks	201,188,743	-	-	-	-	-	201,188,743
Balances with Maldives Monetary Authority	791,824,758	-	-	-	-	-	791,824,758
Net Receivables from Financing Activities	2,131,991,129	227,299,428	158,646,275	782,319,786	963,725,640	2,131,991,129	-
Investments in Other Financial Instruments	404,201,481	404,201,481	-	-	-	404,201,481	-
	3,529,206,111	631,500,909	158,646,275	782,319,786	963,725,640	2,536,192,610	993,013,501
<b>Liabilities</b>							
Customer's Liabilities	2,974,646,504	1,657,254,283	135,119,778	59,118,106	-	1,851,492,167	1,123,154,337
Other Liabilities	131,678,188	-	-	-	-	1,851,492,167	131,678,188
	3,106,324,692	1,657,254,283	135,119,778	59,118,106	-	1,851,492,167	1,254,832,525
<b>Profit Rate Sensitive Gap</b>	422,881,419	(1,025,753,374)	23,526,497	723,201,680	963,725,640	684,700,443	(261,819,024)

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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 a change in foreign exchange rates and arises from financial instruments 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.

**i. Exposure to Currency Risk - Non-trading Portfolios**

The Bank's exposure to foreign currency risk is as follows based on notional amount.

	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>US\$</b>	<b>US\$</b>
Cash and Balances with Other Banks	11,212,484	4,319,038
Balances with Maldives Monetary Authority	10,142,170	29,373,780
Investments Mandatorily Measured at FVTPL	5,022,083	1,299,793
Receivables from Financing Activities	19,770,586	21,486,594
Other Assets	3,259,301	2,570,172
Customers' Accounts	(46,703,121)	(51,866,028)
Other Liabilities	(706,049)	(2,903,842)
<b>Net Statement of Financial Position Exposure</b>	<b>1,997,454</b>	<b>4,279,508</b>

The following significant exchange rates were applied during the year:

	<b>Average Rate</b>		<b>Reporting Date</b>	
	<b>Year</b>	<b>Year</b>	<b>Spot Rate</b>	
	<b>Ended</b>	<b>Ended</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
1 US\$ : Maldivian Rufiyaa	15.395	15.395	15.395	15.395

In respect of the monetary assets and liabilities denominated in US Dollar, 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 31<sup>st</sup> December 2020 by MVR 6,420,000/- (2019: 5,730,000/-)

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**37 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(iv) Operational Risk**

Operational risk' is the risk of direct or indirect losses 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 damages to the Bank's reputation with overall cost effectiveness and innovation. In all cases, 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 Bank's 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 Bank's standards is supported by a programme of periodic reviews undertaken by the Internal Audit department. The results of internal audit reviews are submitted to the Board 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.

MMA has allowed the Bank to recognize the full impact on the adoption of the impairment requirements under IFRS 9 and has requested that the Bank may recognize the additional impairment provision under its equity when regulatory impairment provision exceeds the impairment provision calculated under the requirements of IFRS 9.

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**38 CAPITAL MANAGEMENT (CONTINUED)**

**(a) Regulatory Capital Adequacy (Continued)**

The Bank's regulatory capital consists of the sum of the following elements;	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
<b>Tier 1 ("Core") Capital</b>		
Share Capital	337,500,070	337,500,070
Retained Earnings (Shown as Previous Year Amount as MMA Requirement)	65,078,852	40,189,319
Statutory Reserve (Shown as Previous Year Amount as MMA Requirement)	113,930,904	92,927,381
<b>Total Tier 1 Capital</b>	<b>516,509,826</b>	<b>470,616,770</b>
<b>Tier 2 ("Supplementary") Capital</b>		
Current Year-to-Date Profit	75,261,411	84,014,091
Valuation Adjustment on Equity Securities (Discounted by 55%)	5,805,000	3,476,250
General Provisions (Limited to 1.25% of RWA)	32,159,505	9,875,089
<b>Sub Total</b>	<b>113,225,916</b>	<b>97,365,430</b>
<b>Eligible Tier 2 Capital (Limited to 100% of Tier 1 Capital)</b>	<b>113,225,916</b>	<b>97,365,430</b>
<b>Total Tier 1 and Tier 2 Capital</b>	<b>629,735,742</b>	<b>567,982,200</b>
Core Capital (Tier 1 Capital)	516,509,826	470,616,770
Capital Base (Tier 1 and Tier 2 Capital)	629,735,742	567,982,200
Risk Weighted Assets	2,832,489,413	3,118,402,486
Tier 1 Risk Based Capital Ratio (Minimum 6%)	18.2%	15.1%
Total Risk Based Capital Ratio (Minimum 12%)	22.2%	18.2%

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 FAIR VALUE OF FINANCIAL INSTRUMENTS**

**(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 profit 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;

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**39 FAIR VALUE OF FINANCIAL INSTRUMENTS**

**(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.

<b>Measured at Fair Value</b>	<b>Level 1 MVR</b>	<b>Level 2 MVR</b>	<b>Level 3 MVR</b>	<b>Total MVR</b>
<b>31<sup>st</sup> December 2020</b>				
Wakala - HDFC Mandatorily Measured at FVTPL	-	-	30,594,348	30,594,348
Investments Mandatorily Measured at FVTPL	-	-	359,416,355	359,416,355
<b>Investments</b>				
Equity Investments Measured at FVOCI	64,200,000	-	-	64,200,000
	<u>64,200,000</u>	<u>-</u>	<u>390,010,703</u>	<u>454,210,703</u>

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**39 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**(c) Fair Value Hierarchy - Financial Instruments Measured at Fair Value (Continued)**

Measured at Fair Value	Level 1	Level 2	Level 3	Total
	MVR	MVR	MVR	MVR
<b>31<sup>st</sup> December 2019</b>				
Wakala - HDFC Mandatorily Measured at FVTPL	-	-	30,617,534	30,617,534
Investments Mandatorily Measured at FVTPL	-	-	373,583,947	373,583,947
<b>Investments</b>				
Equity Investments Measured at FVOCI	57,300,000	-	-	57,300,000
	<u>57,300,000</u>	<u>-</u>	<u>404,201,481</u>	<u>461,501,481</u>

Total gains or losses for the year in the above table are presented in the OCI as follows.	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
<i>Total gains and losses recognized in OCI:</i>		
Fair value reserve (equity instruments) - net change in fair value (excluding tax)	<u>(6,900,000)</u>	<u>(3,800,000)</u>

**(d) Level 3 Fair Value Measurements**

**i. Reconciliation**

Except for one instrument, all the other financial instruments which needs to 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. Unobservable Inputs Used in Measuring Fair Value - Level 3**

The Bank has determined the profit rates in order to determine fair value of the instrument as the inputs used as at 31<sup>st</sup> December 2020 in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

**iii. The Effect of Unobservable 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 financing provided to customers 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.

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**39 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**(e) Financial Instruments not Measured at Fair Value**

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized.

	Level 1	Level 2	Level 3	Total Fair Values	Total Carrying Amount
	MVR	MVR	MVR	MVR	MVR
<b>31<sup>st</sup> December 2020</b>					
<b>Assets</b>					
Cash and Balances with Other Banks	-	-	291,029,762	291,029,762	291,029,762
Balances with Maldives Monetary Authority	-	-	1,163,708,951	1,163,708,951	1,163,708,951
Due from Banks	-	-	92,709,973	92,709,973	92,709,973
Receivables from Financing Activities	-	-	2,212,908,418	2,212,908,418	2,212,908,418
Other Assets	-	-	49,757,658	49,757,658	49,757,658
	-	-	3,810,114,762	3,810,114,762	3,810,114,762
<b>Liabilities</b>					
Customers' Accounts	-	-	3,431,019,811	3,431,019,811	3,431,019,811
Due to Banks	-	-	169,828,219	169,828,219	169,828,219
Lease Liabilities	-	-	88,379,299	88,379,299	88,379,299
Other Liabilities	-	-	82,283,932	82,283,932	82,283,932
	-	-	3,771,511,261	3,771,511,261	3,771,511,261
	Level 1	Level 2	Level 3	Total Fair Values	Total Carrying Amount
	MVR	MVR	MVR	MVR	MVR
<b>31<sup>st</sup> December 2019</b>					
<b>Assets</b>					
Cash and Balances with Other Banks	-	-	201,188,743	201,188,743	201,188,743
Balances with Maldives Monetary Authority	-	-	791,824,758	791,824,758	791,824,758
Receivables from Financing Activities	-	-	2,106,516,665	2,106,516,665	2,131,991,129
Other Assets	-	-	66,273,736	66,273,736	66,273,736
	-	-	3,165,803,902	3,165,803,902	3,191,278,366
<b>Liabilities</b>					
Customers' Accounts	-	-	2,974,646,504	2,974,646,504	2,974,646,504
Lease Liabilities	-	-	94,362,352	94,362,352	94,362,352
Other Liabilities	-	-	131,678,188	131,678,188	131,678,188
	-	-	3,200,687,044	3,200,687,044	3,200,687,044

Where they are available, the fair value of 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 financings, homogeneous financings are grouped into portfolios with similar characteristics such as vintage, FTV ratios, the quality of collateral, product and borrower 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.



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**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	Amount
					31/12/2020 MVR	31/12/2019 MVR
	ICD Money Market Fund LLP	Affiliated Bank	Musharakah	Principal Investment	-	24,632,000
				Accumulated Profits	-	2,146,833
				Impairment Loss	-	(1,439,233)
				Redemption of the Investment	-	(25,339,600)
					-	-
	Government of Maldives	Shareholder	Istisna'a	Opening Balance	17,176,952	19,058,954
				Profit for the period	1,605,140	1,928,337
				Settlement	(3,695,194)	(3,810,339)
					15,086,898	17,176,952
	Maldives Pension Administration Office	Shareholder	Deposit	Opening Balance	105,857,265	130,511,387
				Transactions during the Year	79,586,602	(24,654,122)
					185,443,867	105,857,265

**40.3 Collectively, but not Individually, Significant Transactions.**

The Government of Maldives holds 28% of the shareholding of the Bank. The Bank has transactions with entities directly or indirectly controlled by the Government of Maldives through its authorities, agencies, affiliations and other organizations, collectively referred to as government entities. The Bank has 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		Maximum Balance for the		Balance Outstanding as at	
	Year Ended	Year Ended	Year Ended	Year Ended	31/12/2020	31/12/2019
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	MVR	MVR	MVR	MVR	MVR	MVR
Secured Financing	-	-	3,061,985	3,185,616	2,932,028	3,059,556
Other Financing	130,484	293,194	340,872	341,044	335,421	341,044
Deposits Received	13,288,273	6,358,969	2,265,136	466,603	1,720,037	111,461
	13,418,757	6,652,163	5,667,993	3,993,263	4,987,486	3,512,061

Profit rates charged on balances outstanding from related parties are a quarter of the rates that would be charged in an arm's length transaction. The profit charged on balances outstanding from related parties amounted to MVR 174,642/- (2019: MVR 171,395/-). The profit paid on balances outstanding to related parties amounted to MVR 1,369/- (2019: 871/-). The mortgages and secured financing granted are secured over property of the respective borrowers. Other balances are not secured and no guarantees have been obtained.

No impairment losses have been recorded against balances outstanding during the year 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 Committee members. The Bank has paid an amount of MVR 8,695,617/- as emoluments to the key management personnel during the year ended 31<sup>st</sup> December 2020 (2019: MVR 5,665,387/-).

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<b>41 COMMITMENTS</b>	<b>31/12/2020</b>	<b>31/12/2019</b>
	<b>MVR</b>	<b>MVR</b>
<b>(i) Financial Commitments</b>		
Letter of Credits	72,332,894	44,090,125
Guarantees and Bonds	15,937,496	12,670,899
Bill Collection Acceptance	11,988,148	10,044,251
	<u>100,258,538</u>	<u>66,805,275</u>
<b>(ii) Financing Commitments</b>		
Undrawn Financing Facilities	<u>284,016,810</u>	<u>658,528,116</u>
<b>Total</b>	<u>384,275,348</u>	<u>725,333,391</u>

**42 CAPITAL COMMITMENTS**

During the year, the Bank has entered into several agreements with suppliers for the implementation of a new payment switch and anti-money laundering software. As at 31<sup>st</sup> December 2020, the capital commitments of the Bank is MVR 1,319,442/- (year ended 31<sup>st</sup> December 2019 - MVR 3,622,444/- for interior works and supply of IT equipment to the new head office).

**43 EVENTS AFTER THE REPORTING DATE**

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

**44 SIGNIFICANT EVENT- COVID 19**

During year, there has been an outbreak of the novel Coronavirus (“COVID-19”), which has rapidly evolved across the country and globally. The Government of Maldives has taken some actions such as travel restrictions, lockdown and quarantine measures which have had a direct impact on the Maldives’ economy and the Bank’s operating results. These measures and policies have caused significant disruption in the operation of many companies in the Republic of Maldives and around the globe.

The Board of Directors has considered the potential impacts of the current economic downturn and challenges and uncertainty involved in the determination of the reported amounts of the Bank’s financial and non-financial assets and liabilities in the financial statements.

The impact of COVID-19 on the country’s economy and how governments, businesses and consumers respond are uncertain. This uncertainty is reflected in the Banks’s assessment of expected credit losses which is subject to a number of management judgements and estimates. The judgements and associated assumptions have been made within the context of the impact of COVID-19 and reflect historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. Accordingly, the Bank’s ECL estimates are inherently uncertain and, as a result, actual results may differ from these estimates.

Further, the management has not noticed any triggering event of impairment of property and equipment, intangible assets and right-of-use assets and accordingly no material impairment losses were recognized in the financial statements.

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**44 SIGNIFICANT EVENT- COVID 19 (CONTINUED)**

The management and the Board of Directors (“BOD”) have been closely monitoring the potential impact of the COVID 19 developments on the Bank’s operations and financial position. The Bank has also put in place contingency measures, which include, but are not limited to enhancing and testing of business continuity plans including its liquidity requirements. Based on their assessment, the BOD is of the view that the Bank will continue as a going concern entity for the next 12 months from the date of signing these financial statements.

**45 CONTINGENT LIABILITIES**

There are no contingent liabilities outstanding as at the reporting date, which require disclosures in the financial statements.

**46 COMPARATIVE FIGURES**

Comparative figures of the financial statements have been reclassified to conform with current year’s classifications, whenever necessary.

**47 DIRECTOR'S RESPONSIBILITY**

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

**48 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 Shariah Law.

<b>IFRSs Terminology</b>	<b>Shariah Terminology</b>
Borrower	Customer
Lender	Financier (Bank)
Borrowing	Financing
Loan	Financing
Interest rate	Profit / Rental rate
Incremental Borrowing rate	Incremental Financing rate
Repayment	Payment





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