



ANNUAL REPORT 2021

STRONG, STEADY, SUSTAINABLE

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MALDIVES ISLAMIC BANK

Maldives Islamic Bank PLC., the first and fully Shari'ah compliant bank in the Maldives is a collaboration between Islamic Corporation for the Development of the Private Sector (ICD), the private sector arm of the Islamic Development Bank Group (IsDB) and the Government of Maldives, represented by Ministry of Finance. The parties entered into an agreement on 04th October 2009 with a view to jointly develop and pioneer Islamic Banking services in the Maldives in line with principles of Shari'ah.

We opened doors on the 7th of March 2011 with the opening of the main branch in Male', the capital of Maldives and quickly followed suit by expanding into all major population centres of the nation. We have been listed on Maldives Stock Exchange as the only full-fledged Islamic bank in Maldives since November 2019. Today, 20% of our share capital is owned by the general public, in line with our principle of increasing public participation in the Bank's ownership.

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

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

CORPORATE INFORMATION

Name:	Maldives Islamic Bank PLC.
Country of Incorporation:	Republic of Maldives
Date of Registration:	01 April 2010 - Incorporated as a Private Limited Company under the Companies Act 10/1996 and governed by the Banking Act: 24/2010 19 June 2019 - Converted to a Public Limited Company under the Companies Act 10/1996
Registration No.:	C-0255/2010
Listed Instrument, Date of Listing:	17 November 2019 - Shares of MIB PLC. listed on the Maldives Stock Exchange which opened at MVR 35.00 per share.
Chief Executive Officer & Managing Director:	-
Acting Chief Executive Officer:	Mr. Ahmed Riza
Chief Financial Officer:	Mr. Ali Wasif
Company Secretary:	Mr. Hussain Ali Habeeb
Legal Counsel:	<p>External Legal Counsel to the Bank: Premier Chambers Barristers and Attorneys 6th Floor, Kaneeru Villa, Maafannu, 20212, Orchid Magu, Malé Republic of Maldives Tel: +960 3314377 Fax: +960 3314378</p> <p>Mazlan & Murad Law Associates 6th Floor, Unit-A Faamudheyrige Building, Orchid Magu, Malé Republic of Maldives Tel: +960 3344720 Fax: +960 3344721</p> <p>External Legal Counsel to the Board: SHC Lawyers LLP 6th Floor, H. Aagé, Boduthakurufaanu Magu, Malé, 20094 Republic of Maldives Phone: (+960) 3333644 Fax: (+960) 3315453</p>
External Auditors:	KPMG (Chartered Accountants) 2nd Floor, H. Mialani, Sosun Magu Republic of Maldives Tel: +960 3310420 Fax: +960 3323175
Head Office:	Maldives Islamic Bank Public Limited Company H. Medhuziyaaraaydhoshuge 20097, Medhuziyaaraaiy Magu Malé City Republic of Maldives Tel: +960 3325555 Fax: +960 3007885 Email: info@mib.com.mv

With our visa debit card design we wish to call to attention the need to create a safe haven for these gentle giants, and to inspire everyone to protect and conserve our environment such that we may enjoy the home coming of the whale shark for generations to come.



VISION



TO BE RECOGNIZED AS THE LEADER AND PREFERRED PARTNER IN SHARI'AH BANKING AND AN ACTIVE PLAYER IN THE PROMOTION AND DEVELOPMENT OF ISLAMIC BANKING IN MALDIVES.

MISSION



SERVE AS A TRUSTED PROVIDER OF ISLAMIC FINANCIAL PRODUCTS AND SERVICES BY FOCUSING ON ITS KEY OBJECTIVES.



MIB PHILOSOPHY

- STRICT COMPLIANCE WITH SHARI'AH
- ISLAMIC ECONOMIC AND FINANCIAL SYSTEM
- HIGHEST ETHICAL STANDARD AND VALUES



KEY OBJECTIVES

MIB ATTEMPTS TO ACHIEVE ITS MISSION TO SERVE AS A TRUSTED PROVIDER OF ISLAMIC FINANCIAL PRODUCTS AND SERVICES BY FOCUSING ON THE FOLLOWING KEY OBJECTIVES:

- RAISING PUBLIC AWARENESS OF SHARI'AH FINANCIAL SERVICES.
- CREATING VALUES 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.

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. We provide an alternative banking solution to the public and businesses who wish to carry out their financial transactions in compliance with Islamic banking principles. We have been successful in implementing our unique business model in the development and promotion of an Islamic economic and financial system in Maldives which runs par with the existing conventional banking system in the country. Strong reception and continued demand have paved the way for us to lead the Islamic banking concepts in Maldives.

Full-fledged Islamic Banking Products

We have established a sound foothold in Maldives banking sector within a short period of time, by offering a full-fledged Shari'ah compliant product portfolio and deploying of funds towards financing individuals, local businesses and corporates. Our comprehensive range of Islamic banking products and services has enabled the Bank to meet customer's demand for Shari'ah Compliant banking in the areas of retail, corporate and SME banking, trade and project financing and general asset financing. Further, we strive to diversify our product portfolio on a continuous basis to meet varied requirements of its clientele.

Competent Human Capital

Our success largely depends on the strength of our competent workforce, accompanied by motivation, high quality performance, experience, broad-based and specialised knowledge towards Islamic banking and the ability to adapt to meet multiple challenges in a dynamic business environment. Continuous development and retention of our multifaceted staff is ensured through comprehensive recruitment procedures and extensive training and promotion avenues. Dedicated human resources continue to drive our operations, providing a solid foundation to support business sustainability and growth. Our diverse team continues to be one of the core characteristics in serving our client segments effectively. Whilst most of the employees of the Bank are Maldivians, the cadre is supplemented with foreign employees with significant experience in banking. This has allowed us to identify and adhere to the best practices in the sector and to bring in a fresh outlook.

Excellence in Customer Service

We place high emphasis on customer service which is vital in gaining a leading position in the market place. 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 us to develop exceptional standards of care for our 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 us to develop long-standing clientele.

OUR PRODUCTS

DEPOSIT & INVESTMENT PRODUCTS

MIB provides the full range of Shari'ah compliant Deposit & Investment Products and Financing Solutions catering to the general public, both individuals and businesses, who prefer to obtain financial services in conformity with Shari'ah requirements. We strive to deliver an excellent service to our customers through our unique range of Islamic banking product offerings, targeting both retail and corporate customers.

MIB's deposit products are available in both MVR and USD. Our deposit product portfolio include:

Current Account:



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

Children Account:



The Children accounts are saving accounts in nature and are specific for minors below the age of eighteen. The deposits in the children accounts are Mudarabah based investment funds with pre-agreed profit-sharing ratio. We offer 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.

Savings Account:



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

General Investment Account:



This account offers its customers an investment avenue for pre-determined maturity periods. This Mudarabah based deposits will be invested by us 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.

OUR PRODUCTS

FINANCING

We offer a range of Shari'ah compliant financing products under the concepts of Murabahah, Istisnaá and Diminishing Musharakah. The products include;

Murabahah Vessel Financing:



Our Vessel Financing facility helps customers to acquire vessels for fishing, cargo or passenger transport businesses. Based on the concept of Murabahah, this facility allows customers to own the vessel while the selling price is to be settled on agreed installment period.

Murabahah Trade Financing:



Murabahah Trade Financing facility is designed to facilitate the working capital requirements of the businesses. Under the concept of Murabahah, we purchase the assets, or the stock requested by the customer from suppliers chosen by the customer. These items are then sold to the customer on a deferred 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 projects. Customers can acquire completed housing units, such as apartments and condominiums through this facility at 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.

Ujaalaa Dhiriulhun – Consumer Goods Financing:



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

Ujaalaa Car Financing:



MIB's most recently launched Ujaalaa Car financing facility is based on the Islamic finance concept of Murabahah. This facility helps customers to purchase their dream cars and enjoy it with a "P" board as the car is registered under the customer's name. Under the facility, we purchase the customer's desired car from a third-party and sells it to the customer at a predetermined price. This facility has a maximum financing limit of MVR 400,000.

OUR PRODUCTS

FINANCING

We offer a range of Shari'ah compliant financing products under the concepts of Murabahah, Istisnaá and Diminishing Musharakah. The products include;

Istisnaá Construction/ Real Estate / Project Financing:



This is a facility in which we finance entrepreneurship and business ventures to develop real estate, either for sale or for rental. Under this Shari'ah compliant financing, we act as the main contractor to construct the property for the customer. In parallel, we appoint a construction company chosen by the customer to perform the task for us. This financing facility is based on the Islamic financing concept of Istisnaá.

Murabahah General Asset Financing:



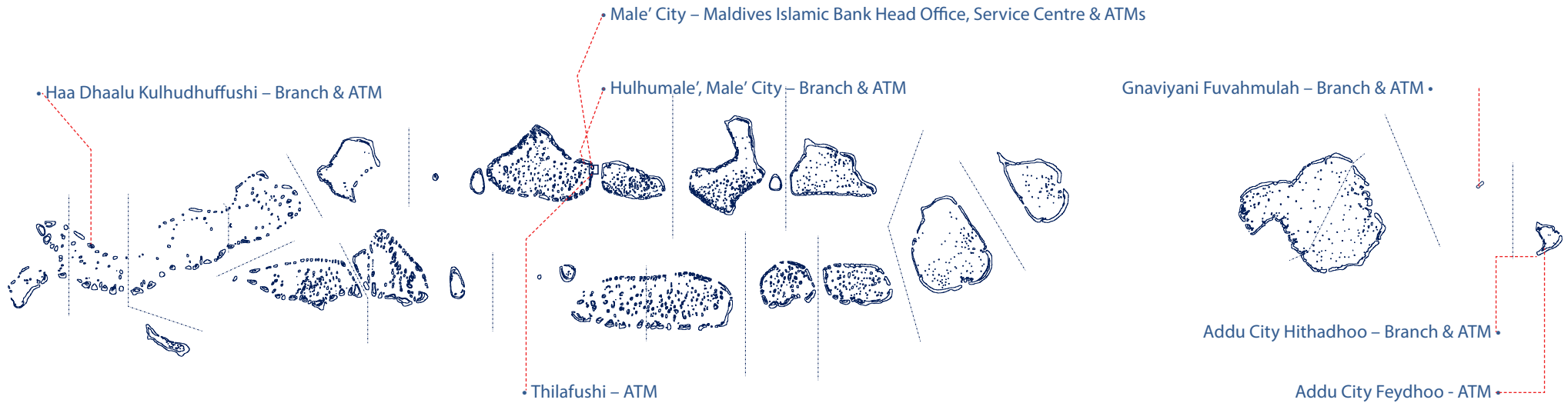
MIB's Murabahah General Asset Financing is offered to individuals and businesses to acquire the assets needed for the operation of their businesses. This facility is based on the Islamic finance concept of Murabahah. The cost of the assets purchased through this facility is informed to the customer, 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 our customers to transfer an existing conventional loan facility to a Shari'ah 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.

NETWORK



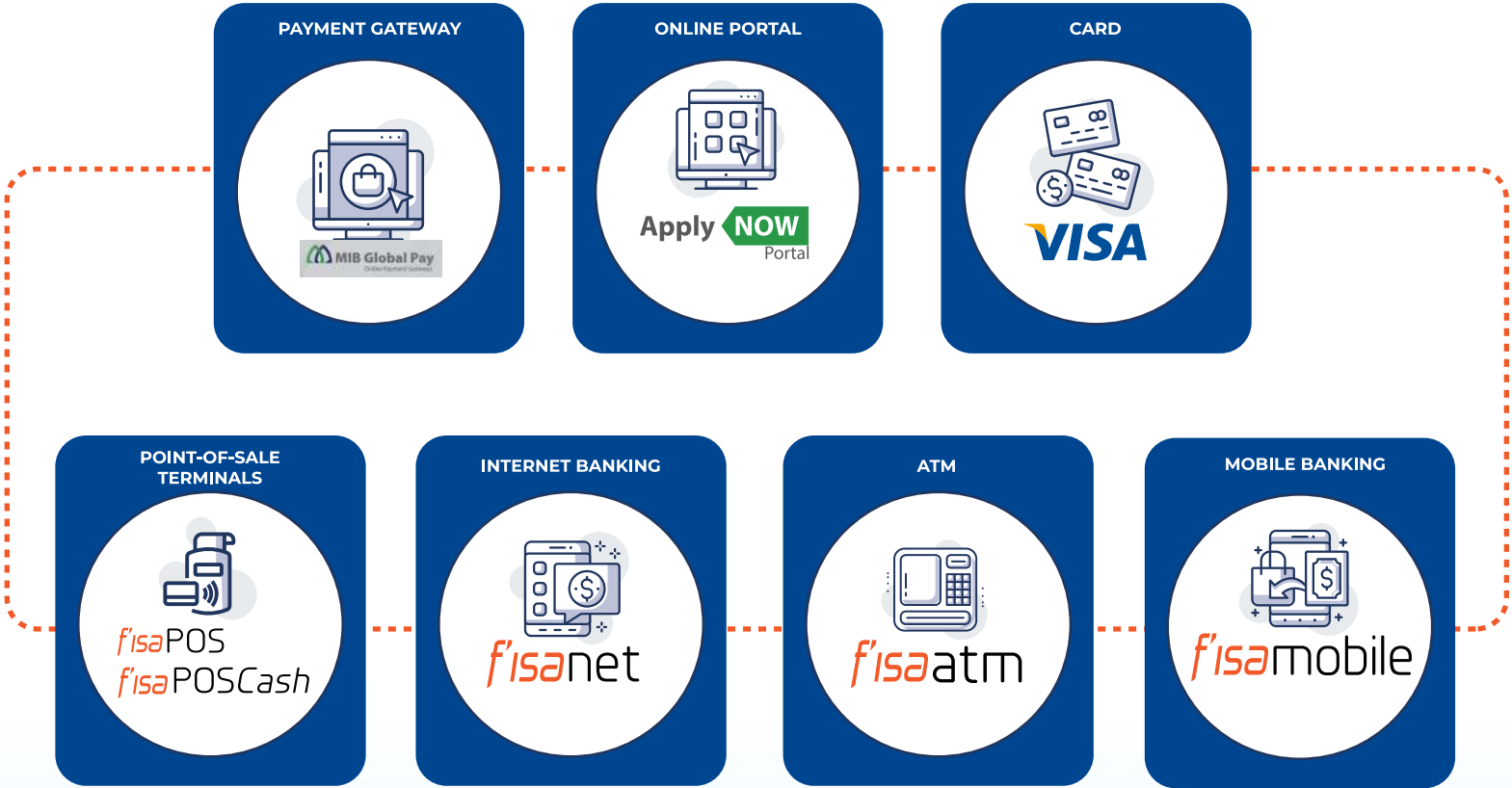
Financial inclusion has been one of our key focuses. We help to attain this by mainstreaming Islamic banking and finance across the country, validated by the presence of Six branches, covering Five Atolls.

We have positioned ourselves in major urban centers, as well as in the islands going afar from Malé, to facilitate Islamic banking convenience throughout the country.

We have expanded our reach further via our alternative distribution channels including ATM network, Point of Sale (POS) terminals and our digital infrastructure.

DIGITAL INFRASTRUCTURE

Resourceful investments in digital transformation and capabilities have ensured us safe and seamless business continuity, while providing greater access to financial arena by the widely dispersed population of Maldives. MIB has contributed to improving service delivery and inclusion in the formal financial system by supporting the use of digital payment solutions and other state-of-the-art Fintech and digital infrastructure.



MILESTONES



2011

- Incorporation of Maldives Islamic Bank
- Introduction of various Islamic and Shari'ah compliant deposits, financing and investment products

2012

Launching of Faisa ATM and Faisa Card service as part of digitalization of services

2013

Launching of Faisa POS (Point of Sale) cash services

2020

- New Card Payment processing system established with state-of-the features
- New website with a unique interface launched, with online account opening feature
- The first bank in the Maldives to announce COVID Support Scheme for its eligible customers affected by the pandemic
- Shari'ah 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 ECRM ATMs with card less cash deposit
- Introduction of cheque deposit service through ATMs

2016

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

2015

Introduction of Internet Banking services with the launch of FaisaNet

2014

MIB's first Branch outside Male' established in Addu city Hithadhoo

2017

Opening of the sixth branch in Gn. Fuvahmulah

2018

Launching of Mobile Banking services via FaisaMobile

2019

- Opening of the Bank's new flagship Head Office
- Listed as a Public Limited Company on the Maldives Stock Exchange, with most successful IPO in recent history
- MIB's first ever local interbank line established between BML
- Baazaar Customer Service Centre established in Male'

2021

- Launch of Visa Debit Card providing connectivity locally and abroad
- Introduction of Payment Gateway MIB Global Pay
- Launch online application submission portal

AWARD WINNING BANK

The success of MIB has been recognised both locally and internationally.

We are proud that the outstanding services we provide and our ability to deliver innovative financial solutions to our customers are recognized by the market and our peers. These awards are an attestation to the strength of our business, determined efforts of our diverse team as well as the trust the market has placed in us.

2011

“Best New Bank” award at Islamic Business and Finance Awards

2014

“Best Managed Islamic Bank” Merit Award at Asia Islamic Banking Excellence Awards organized by CMO Asia

2016

“Islamic Bank of the Year Maldives” Gold Award at IFFSA Awards organised by Islamic Finance Forum of South Asia

2017

Corporate Maldives Gold 100

2018

“Bank of the Year” at Islamic Finance Forum of South Asia Awards, 2018

2019

“Product of the Year 2019” Silver Award at IFFSA Awards organised by Islamic Finance Forum of South Asia for MIB’s mobile banking application, FaisaMobile
IFFSA Honorary Award in recognition of the contribution to the industry at the 4th Islamic Finance Forum of South Asia

2020

“Islamic Finance Product of the Year – IFFSA Awards” Gold Award for MIB’s Consumer Goods Financing Ujaalaa Dhiriulhun
“Islamic Bank of the Year – IFFSA Awards” (Small category) – Gold Award
“Islamic Finance Entity of the Year – IFFSA Awards” (Small category) – Gold Award

2021

“Winner of Global Finnovation Award 2020” for Ujaalaa Dhiriulhun financing as the innovating Shari’ah compliant lifestyle financing awarded by ICD

SHAREHOLDING STRUCTURE

Name of the shareholder	No. of shares	% of shareholding
Islamic Corporation for the Development of the Private Sector	8,100,000	36.00%
Government of Maldives	6,300,000	28.00%
Amana Takaful (Maldives) PLC.	1,130,152	5.02%
Maldives Pension Administration Office	2,369,370	10.53%
Other Public Shareholders	4,600,485	20.45%
TOTAL	22,500,007	100%



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

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

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

SHAREHOLDING STRUCTURE

Government of Maldives



The Government of the Republic of Maldives was instrumental in the establishment of Maldives Islamic Bank in conjunction with the Islamic Corporation for the Development of the Private Sector (ICD). The agreement for the establishment of the first fully Shari’ah compliant bank in the Maldives was signed during 2009 between the Government of Maldives and ICD. The government’s interest in the Bank is represented by the Ministry of Finance and holds 28% of the Bank’s share capital at the date. 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 Shari’ah-compliant general insurance company in the Maldives and remains a pioneer of providing Takaful solutions in the Maldives. Currently, Amana Takaful (Maldives) PLC is also the only publicly quoted 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 Amana Takaful (Maldives) PLC.

Maldives Pension Administration Office (MPAO)



Maldives Pension Administration Office (MPAO) is an independent legal entity established under the Maldives Pension Act (Pension Act). Since its incorporation during 2009, 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



In line with the Bank’s principle of increasing public participation in the Bank’s ownership, we offered 31% of our share capital to the public via our IPO held during 2009. While the IPO was closed with an oversubscription of 46.05%, this incredible support from the general public towards an IPO is unprecedented in the history of the Maldivian capital market. At present, 20.45% of the Bank’s share capital is owned by more than 16,100 public shareholders. Of this, over 99% are individual shareholders and the remaining are institutional shareholders. Since 17th November 2019, our shares are listed on Maldives Stock Exchange (MSE) for secondary market trading by the public.

CHAIRMAN'S STATEMENT

STRONG. STEADY. SUSTAINABLE.

In the Name of Allah, the Most Gracious, the Most Merciful

With praise to the Almighty Allah, I am pleased to share with our shareholders, the Annual Report of the Maldives Islamic Bank PLC. for the financial year ended 31st December 2021.

The year 2021 was a milestone year for Maldives Islamic Bank PLC. We marked a decade of successful business operations and sustainable provision of Islamic Financial services to the Maldivian community. Until our inception, Islamic Finance was a relatively new concept to this country not known to many. However, with unwavering commitment and willful strategic actions, we have grown to be a forerunner in the Maldivian banking industry within a decade. It is greatly fulfilling to know that Maldives Islamic Bank PLC. has become one of the most sought-after banks in Maldives today.

Over the years, we have proven our resilience as we conquered multiple economic and financial challenges to become a strong and sustainable bank. Undoubtedly, Covid-19 was the most demanding challenge the Bank had to tackle through. As we outlived the second year of the pandemic, we truly demonstrated the strength of the cautious growth business model we adopted last year. We ended 2021 in a position of strength, with a growing base of customers and a robust capital position, providing us with a strong foundation upon which to continue building our business in 2022.

Revenues were recorded at MVR 276.4 million, the highest recorded in revenues during the past two years. Although the year was highly turbulent and inconsistent, our Balance Sheet position gained steadily, and reached MVR 5.5 billion for the first time in the Bank's history. Customers demonstrated their confidence in us, as more than MVR 4.4 billion in total was entrusted to the Bank in deposits by customers. Last year, we generated an incremental customer deposit portfolio of over MVR 1 billion and notable increase in financing activities.

Prudence has always been a core passage for us and is greatly instrumental in achieving a strong and steady performance for the Bank. Although the inevitable challenges of Covid-19 have subdued, the future yet remains hard to predict. As global economy is in a precarious position today, we as a Bank have taken measures imperative to maintaining the sustainability we have achieved over the years. Provision coverage was increased by the end of 2021 to align with the global best practices and standards. Despite this, Net Profit for the year, Per Share Earnings, Net Asset Position and Cash Flow per Equity all remained steady.



Najmul Hassan
Chairman of the Board of Directors

“WE REMAIN STEADFAST IN DELIVERING HIGHER PRODUCTIVITY, STEADY INCOME GROWTH AND OPERATIONAL EXCELLENCE TO OUR STAKEHOLDERS, WHILST RETAINING THE SUSTAINABLE AND PRUDENTIAL STATUS WE HAVE ATTAINED OVER THE PAST DECADE.

As Covid-19 has underlined the prerequisite and significance of digitalization for maintaining operational resilience, we accelerated our digital agenda during 2021. Our people, processes and infrastructure were reoriented to embrace digitalization where possible in order to deliver value to our stakeholders. Agile implementation of our retail value creation model, together with our commitment to sustainable and responsible business practices has supported our vision of becoming the leader and preferred partner in Shari’ah banking in Maldives.

In the face of multiple challenges faced during the year, it is greatly rewarding to complete yet another year as the only fully-fledged Shari’ah compliant bank in Maldives. It is the ethos and foundation on which we are built on and will continue to be the keystone in all our dealings. As we continually try to adapt and innovate our journey to become more productive, our Shari’ah compliant orientation in supporting our stakeholders and the communities will remain the same.

During the latter half of the year, we announced several changes to our Board composition and implemented various operational and governance changes and enhancement of internal control measures. We restated and adopted our Articles of Association as of 28th October 2021, to align our governance practices with the most up to date regulatory guidelines and industry best practices. In our continuous effort in strengthening the internal operations and governance mechanisms, internal governance reviews were conducted, and necessary improvements were adopted.

I am also delighted to welcome the appointment of Mr. Hassan Mohamed as a Nominee Director of the Bank, and Mr. Kazi Abu Muhammad Majedur Rahman and Mr. Rajiv Nandlal Dvivedi as Independent Directors of the Bank. They bring with them considerable experience and in-depth knowhow of the global financial services industry and regulatory landscape and diverse experience of operating in multiple markets. They are in no doubt a value addition to the leadership of the Bank.

Let me convey my sincere appreciation and gratitude for the strategic guidance provided by the Board of Directors, the unwavering support rendered by the Shari’ah Committee, the strong leadership of the management team and unrelentless commitment portrayed by the staff members of MIB during the year. Their combined efforts were momentous for us in finishing the year as a Strong, Steady and Sustainable Bank.

As I write this, the two-year long State Health Emergency has been lifted and restrictions in place have been eased, paving way for growth and progressive opportunities. Though there is relative optimism that the remaining of 2022 will be favorable, we remain cautious and alert of the swift changes in global landscape due to ongoing conflicts in Eastern Europe. The Board of Directors and the management team of the Bank is collectively and proactively seeking ways of containing possible negative impacts on the performance of the Bank pertaining to the macroeconomic situation.

We remain steadfast in delivering higher productivity, steady income growth and operational excellence to our stakeholders, whilst retaining the sustainable and prudential status we have attained over the past decade.

CHIEF EXECUTIVE OFFICER'S STATEMENT

As we maneuvered through the social and economic effects of Covid 19 Pandemic, last year, we adopted a clear mission of delivering a strong, steady and sustainable performance.

Our team delivered creditable results and high level of service to the customers and stakeholders amid the difficult conditions created by the pandemic. Despite the many unprecedented challenges, we responded well. We maintained a robust capital position and achieved viable financial results for the year 2021.

PERFORMANCE HIGHLIGHTS:

Along the lines of the cautious growth, we attained 11.15% higher revenues in 2021 compared to the previous year. Owing to higher impairments we built to absorb possible future credit losses, our Profit before Tax was recorded at MVR 95.06 million. We closed the year 2021 with a Net Profit of MVR 79.62 million, 5.79% higher than the previous year.

The Bank is maintaining ample liquidity and sustaining the upward trend in cashflow position with 25.87% growth by the end of the reporting period. Our capital and liquidity ratios remain healthy and well above regulatory requirements. Backed with robust planning and prudential credit discipline, we recorded 5.99% growth in Earnings Per Share and 7.10% growth in Net Assets Per Share for the year 2021.

During the year, our Balance Sheet grew by 24.44% as we reached MVR 5.50 billion in Total Assets. Customer deposit also grew by 29.26%, and considerable deployment of funds in treasury and other financing facilities were carried out during 2021.

STRATEGY & FOCUS:

In 2021, we were driven by our investments in digital capabilities and our focus on retail value creation. We endeavored in all fronts of operations including community outreach. These strategic drivers allowed us to create a more efficient organization with higher growth potential for future.

As part of our digital strategy, we invested in new technologies to cater for improved customer service. Staying relevant with the digital banking and fintech revolution, we remain committed to our digital adoption agenda.



Ahmed Riza
Acting Chief Executive Officer

“WE HAVE A CLEAR VISION OF OUR STRATEGIC PRIORITIES AHEAD. WE REMAIN ATTENTIVE OF THE GLOBAL TURMOIL AND REMAIN PREPARED TO RESPOND TO BOTH OPPORTUNITIES AND CHALLENGES BY LEVERAGING OUR BUSINESS STRENGTHS.

STRENGTH & STABILITY:

Last year, we celebrated our 10 years of service as the leader and preferred partner in Shari’ah banking in Maldives. It is a great achievement to play a pioneering role in the promotion and development of Islamic banking in Maldives for a decade. Over the years, we have strengthened our ethos and culture of service by prioritizing customer needs. This has well positioned us in the market, allowing us to be amongst top-tier banks in the country.

ACKNOWLEDGEMENTS:

I express my sincere appreciation to our team at MIB for their commitment and dedication in delivering a sustainable performance during the year. The efforts and agility of our team who are proactive and dynamic were pivotal in making us a resilient bank.

I also convey our gratitude to the Board of Directors of the Bank and the Bank’s Shari’ah Committee, for the direction and guidance rendered during the year.

Additionally, I acknowledge the guidance we received from the regulators during 2021. My sincere appreciation also goes to all our beloved customers, shareholders and other stakeholders of the Bank for partnering in our journey of success over the years.

OUTLOOK & FUTURE FOCUS:

Last year was a defining year for us. It taught us valuable lessons about our strengths, values, and ingredients required for resilience. Our experience during 2021 prompted us to look anew at our processes, and to determine whether our strategies are rightly aligned to goals. As we steer towards a more progressive growth, we implemented better and stronger strategies to help us in our endeavor.

One of our strategic priorities this coming year, and going forward, is to ensure that we establish better and more versatile digital banking platforms for customers. We will also improve our focus on areas where we are the strongest and increase engagement on areas where we could deliver better. At the same time, we will optimize operations to deliver customer-centric solutions to address the ever-changing customer needs.

Our footprint in digital capabilities, together with our capital and liquidity strength have positioned ourselves for a brighter future. We have a clear vision of our strategic priorities ahead. We remain attentive of the global turmoil and remain prepared to respond to both opportunities and challenges by leveraging our business strengths.

As we embark on our journey of growth, while positioning ourselves as a stronger, steady and a sustainable Bank, I thank the unwavering commitment and confidence of our customers and shareholders in us.

BOARD OF DIRECTORS



Mr. Najmul Hassan



**Mr. Mohammed
Ataur-Rahman
Chowdhury**



**Mr. Nasser M. Al-
Thekair**



**Uz. Mohamed
Naseem Ibrahim**



Mr. Ali Shareef

BOARD OF DIRECTORS



Mr. Ahmed Ali



Mr. Hassan
Mohamed



Mr. Kazi Abu
Muhammad
Majedur Rahman



Mr. Rajiv Nandlal
Dvivedi



Mr. Ali Wasif

BOARD OF DIRECTORS

Mr. Najmul Hassan

Chairman/ Non-Executive Director

Mr. Najmul Hassan is presently the Chairman of Board in Maldives Islamic Bank PLC. and a visiting faculty at Institute of Business Administration Karachi, teaching Business Finance and Financial Management to MBA classes.

In November 2021, he retired as a Senior Advisor Meezan Bank and prior to March 2019, Mr. Hassan was Director Financial Institution Development Department at the Islamic Corporation for the Development of the Private Sector (ICD), a part of Islamic Development Bank (IsDB) group, Jeddah.

Prior to joining ICD, Mr. Hassan served as the Chief Executive Officer of Gulf African Bank, the first Islamic Bank in Kenya set up in early 2008.

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 Agri Auto Industries, one of the largest automotive parts manufacturing companies 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 AAQIFI 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 USA and Fintech from Oxford University UK. Mr. Hassan is also a certified Director from Institute of Directors, UK.

Mr. Mohammed Ataur-Rahman Chowdhury

Non-Executive Director

Mr. Mohammed Ataur Rahman Chowdhury is a seasoned financial sector specialist, having spent more than 20 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 Ijarah (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 and Taiba Leasing in Uzbekistan. Briefly, Mr. Chowdhury also worked as Advisor, 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 BRACEPL (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 M. Al-Thekair

Non-Executive Director

Nasser Al Thekair was appointed to the Board of MIB in 2019.

He is the ITFC General Manager of the Trade & Business Development Department since 2017. He is responsible for leading the trade promotion and facilitation arm of the ITFC, growing the intra-trade among MCs and enhancing the development impact. Additionally, he leads ITFC's efforts to develop new business lines and products, foster innovation, and build strategic relationships with key development partners to create new markets and mobilize resources for ITFC's trade development initiatives.

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

His main achievement in Islamic Finance relates to supervising the structuring of several transactions

that won international recognition from Islamic Finance News, Euromoney and Global Trade Review.

Nasser is a member of the Executive Committees of the Arab Africa Trade Bridges Program (AATB), and the Trade Development Fund (TDFD), in addition he represents ITFC in the board of Aid for Trade Initiative for Arab States 2.0 (AFTIAS 2.0).

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

BOARD OF DIRECTORS

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 project, he worked as a financial consultant at Medtech Maldives Pvt Ltd. Prior to this, he also served as Chief Financial Officer (CFO) at two of the State-Owned Enterprises, the Housing Development Corporation Limited (HDC) and Housing Development Finance Corporation Limited (HDFC) for more than 6 years.

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

Committee and remained as a member from October 2010 until February 2012.

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

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

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

Mr. Ahmed Ali

Independent Non-Executive Director

Mr. Ahmed Ali is a Senior Partner Tax at S&A Lawyers LLP. Prior to joining the firm in March 2019, he served in various positions at the Maldives Inland Revenue Authority (MIRA) since 2011, most recently as Assistant Commissioner General of Revenue Operations. During his tenure of 08 years at MIRA, he held various senior executive positions including Director General of Large Business Department, Senior Director of Large Taxpayer Service, Director of BPT Audit and Manager of Audit Management. He also served as an Auditor at Ernst & Young Maldives from April 2009 to June 2009.

Mr. Ahmed Ali has been a member of the Association of Chartered Certified Accountants (ACCA) since 2015 and advanced to fellowship status in 2020. He also holds a fellow membership at the Institute of Chartered Accountants of the Maldives. Furthermore, he has acquired his Master of Science in Finance and Bachelor of Accounting (Honors) at International Islamic University Malaysia (IIUM).

Mr. Ahmed Ali also holds the position of Managing Partner of S&A Advisory LLP and the directorship position in various companies, including S&A Tax and Financial Services Pvt Ltd, SFG Corporate Services Pvt Ltd and SFG Logistics Pvt Ltd.

BOARD OF DIRECTORS

Mr. Hassan Mohamed

Non-Executive Director

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

He currently serves in diverse fields in various capacities, both at private and public sector. He is a Co-Founder and Managing Partner of Crowe Maldives LLP since 2008. During 2020, Mr. Hassan was appointed to the position of Vice President of Chartered Accountants of the Maldives. His intellect and expertise in the field of accounting and auditing led him to being appointed as the Chairperson of the State Internal Audit Committee of Ministry of Finance since 2019.

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

He is also a Fellow Member of Association of Chartered Certified Accountants (ACCA).

Mr. Kazi Abu Muhammad Majedur Rahman

Non-Executive Independent Director

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

Mr. Rahman served as the Managing Director of Dhaka Stock Exchange Limited, Managing Director & CEO of Premier Bank Limited, Country Head of Bank Alfalah Limited, Chief Risk Officer & Additional Managing Director of AB bank Limited and Deputy Managing Director of IPDC Finance in Bangladesh. Currently, he is the Chief Executive Officer of A.K.Khan & Company Limited, one of the oldest conglomerates in Bangladesh. He is a Board Director of the company and in all associate companies. Concurrently, Mr. Rahman serves as an Independent Director of Shahjalal Islami Bank Limited with roles in the Board Audit Committee and Board Risk

Management Committee. He is also a sponsor Director of Financial Excellence Limited (FinExcel) and Vice Chairman of Valor of Bangladesh Limited, a non-profit knowledge sharing platform.

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

Mr. Rahman holds a Masters and Bachelor's degree from Dhaka University. He has also attended senior management development programme at Said Business School, Oxford and London Business School.

Mr. Rajiv Nandlal Dvivedi

Non-Executive Independent Director

Mr. Rajiv Nandlal Dvivedi is a financial professional with more than 35 years of experience in Commercial Banking, Corporate Finance & Investment Banking in the Middle East, with particular strength in Strategy, Business Development and Risk Management. He is serving as the CEO of Eagle Proprietary Investments Limited, Dubai since 2010. As the CEO of Eagle Proprietary Investments Limited, Mr. Dvivedi is responsible for establishing an investment arm for the conglomerate, in addition to managing venture capital and private equity investments for the group and assisting in Islamic Finance and Structuring. Mr. Dvivedi is also CEO and a Director of Eagle Investments Limited, a regulated firm in Dubai International Financial Centre.

Mr. Dvivedi's career in banking started with Citibank New York and has served the group for more than 35 years in various senior capacities at New York, U.S.A., Middle East, North Africa and Gulf region. His tenure at Citibank Kuwait, was a defining time for the group as he helped them to instill strong risk management processes and control culture with focus on regulatory compliance. As

the CEO of the Citibank Kuwait, he also played a pivotal role in growing Islamic relationships in the region. He was also instrumental in concluding the largest financing transaction in the region worth USD1 billion, for one of their key relationships.

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

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

BOARD OF DIRECTORS

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 shari'ah compliant treasury instruments in Maldives.

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

Mr. Hussain Ali Habeeb

Company Secretary / Head of Investor Relations

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

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

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

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

THE EXECUTIVE TEAM



Mr. Ahmed Riza

Acting CEO &
Chief Operating Officer



Mr. Ali Wasif

Chief Financial Officer



**Mr. Muhammad
Amir Atiq**

Head of Risk Management
& Compliance Unit



Mr. Syed Asad Munir

Head of Business



**Mr. M. Arefur
Rahman Chowdhury**

Head of Cards & Digital
Banking



**Mr. Rakitha
Chandrasekara**

Head of Internal Audit



Mr. Hussain Ali Habeeb

Company Secretary / Head
of Investor Relations

THE EXECUTIVE TEAM



**Mr. Abdullah
Mamdhooh**

Head of Human
Resources



**Mr. Fisol Amri
bin Mansor**

Head of Shari'ah Unit



**Ms. Fathimath
Azmath Ali**

Head of Business
Support



**Mr. Hussain
Alim Shakoor**

Head of Marketing & Acting
Head of Branch Operations



**Mr. Mohamed
Ismath**

Head of Information
Technology



**Uza. Mariyam
Sunaina**

Head of Legal



**Mr. Mohamed
Zulaal Zaeem**

Head of Administration

THE EXECUTIVE TEAM

Mr. Ahmed Riza

Acting CEO & 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 eleven 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

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 shari'ah compliant treasury instruments in Maldives.

Mr. Wasif is a member of Association of Chartered Certified Accountants (ACCA). He holds a bachelor's degree in Accounting from Multimedia University,

Malaysia. He also has a Master's Degree in Islamic Finance under the program Masters in Islamic Finance Practice (MIFP) from the International Centre for Islamic Finance (INCIEF).

Mr. Muhammad Amir Atiq

Head of Risk Management & Compliance Unit

Mr. Muhammad Amir Atiq joined MIB in 2013 and is a seasoned Islamic banker. During his banking career spanning over 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.

THE EXECUTIVE TEAM

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 gives 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 an immaculate record of exceptional performance.

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 start Islamic banking operations in the bank. He worked extensively to develop, roll out and improve Shari'ah compliant solutions which were still a very new 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 of 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 14 years of diverse banking experience. His experience in the field of banking ranges from Branch Banking, Retail Banking, Cards & Payment, Customer Experience, Product Development, Business Automation, Process Re-engineering, and Projects.

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

At MIB, Mr. Chowdhury is responsible for driving our Cards & Payments 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.

THE EXECUTIVE TEAM

Mr. Hussain Ali Habeeb

Company Secretary / Head of Investor Relations

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

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

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

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

Mr. Abdullah Mamdhoo

Head of Human Resources

Mr. Abdullah Mamdhoo is a pioneer staff member of the Maldives Islamic Bank, joining the Bank in September 2010. Mr. Mamdhoo is a dedicated Human Capital Management professional with more than 10 years of experience in the field. He was pivotal to establishing the Human Capital Management structure and policies which has yielded an impressive performance in HR indicators. Mr. Mamdhoo plays a key role in leading the team at MIB and ensuring optimal team dynamics and cohesiveness.

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

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

Mr. Fisol Amri bin Mansor

Head of Shari'ah Unit

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

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

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

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

THE EXECUTIVE TEAM

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 more than 10 years of banking experience in various designations within the industry.

Mr. Hussain Alim Shakoor

Head of Marketing & Acting Head of Branch Operations

Mr. Hussain Alim Shakoor is a seasoned professional having held management positions locally and internationally, before he joined Maldives Islamic Bank in February 2019 as the Head of Marketing. A graduate of National University of Singapore, he has earned two master's degree, in Business Administration and Public Administration.

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

Mr. 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 v3 etc.

THE EXECUTIVE TEAM

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 preminent 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 Administration

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

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

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

Mr. Mohamed Zulaal Zaeem has completed Diploma in Computing and Information Technology. He has acquired various certifications

from the fields of Information Technology and Public Procurement. He has further earned several UNDP certifications over the years.



Connecting Communities and families together

DIRECTORS' REPORT

BUSINESS REVIEW

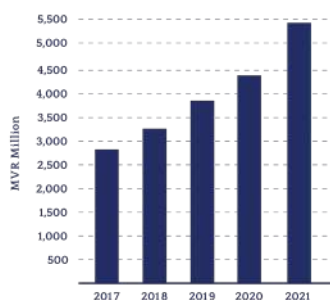
CORE BUSINESS ACTIVITY

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

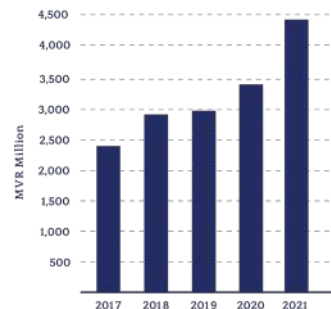
FINANCIAL HIGHLIGHTS

	2021 (MVR '000)	2020 (MVR '000)
Profit before Tax	95,058,294	107,312,422
Income Tax	(15,435,833)	(32,051,011)
Net profit after Tax	79,622,461	75,261,411

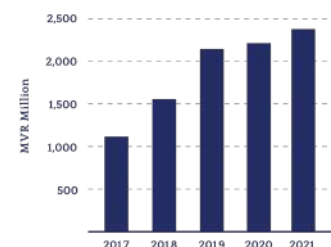
Total Assets



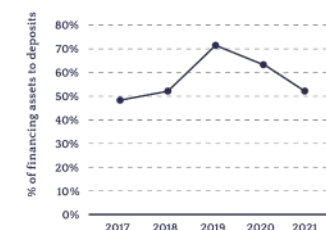
Customer's Deposits



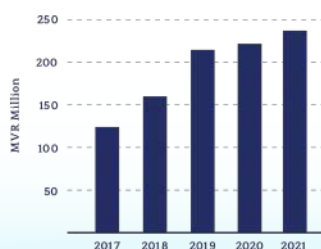
Financing Assets



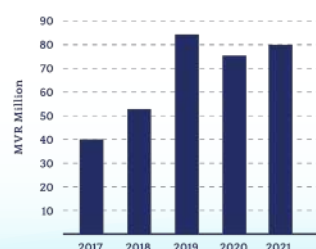
Financing Assets to Deposit Ratio



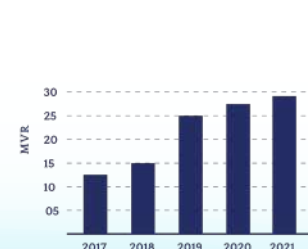
Net Income from Financing & Investment



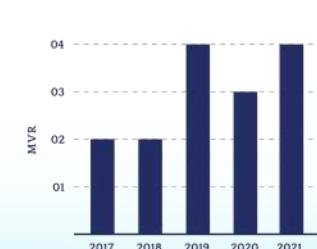
Profit After Tax



Net Asset Value per Share (MVR)



Earnings per Share - post Tax (MVR)



DIRECTORS' REPORT

FINANCIAL RESULTS

Operating Results for the Year - MVR Millions	2017	2018	2019	2020	2021	Change (MVR)	Change (%)
Total Financing & Investment Income	150	186	260	274	303	29	11%
Net Income from Financing & Investment	129	154	216	224	245	21	9%
Total Operating Expenses	84	98	121	127	146	19	15%
Profit before Tax	54	73	112	107	95	-12	-11%
Tax Expenses	14	20	28	32	15	-17	-53%
Profit after Tax	40	53	84	75	80	5	7%
Assets and Liabilities - MVR Millions							
Financing Assets	1,172	1,529	2,132	2,213	2,346	133	6%
Total Assets	2,768	3,282	3,809	4,417	5,496	1,079	24%
Customers' Deposits	2,438	2,882	2,975	3,431	4,435	1,004	29%
Total Liabilities	2,470	2,941	3,239	3,802	4,837	1,036	27%
Total Equity	298	341	570	615	659	44	7%
Financing Assets to Deposit Ratio	0.48	0.53	0.72	0.64	0.53		
Profitability - %							
Net Financing Margin	11.06%	10.57%	11.14%	10.61%	11.39%		
Return on Assets	1.48%	1.74%	2.37%	1.83%	1.61%		
Return on Equity (After Tax)	14.52%	16.45%	18.44%	12.70%	12.50%		
Gross Non Performing Advance Ratio	4.24%	2.50%	2.71%	4.97%	7.10%		
Net Non Performing Advance Ratio	4.31%	2.53%	2.75%	5.08%	7.34%		
Povision Cover	36.2%	46.3%	50.3%	40.2%	47.1%		
Investor Information - MVR							
Net Asset Value per Share (MVR)	1,655	1,894	25	27	29		
Earnings per Share - Post Tax (MVR)	222	294	4	3	4		
Net Asset Value per Share (MVR) - Adjusted for Share Split	13	15	25	27	29		
Earnings per Share - Post Tax (MVR) - Adjusted for Share Split	2	2	4	3	4		
Capital Adequacy Ratios - %							
Tier 1 Risk Based Capital Ratio (Minimum 6%)	16%	14%	15%	18%	17%		
Total Risk Based Capital Ratio (Minimum 12%)	18%	17%	18%	22%	21%		

* 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

DIRECTORS' REPORT

STRATEGIC DRIVERS



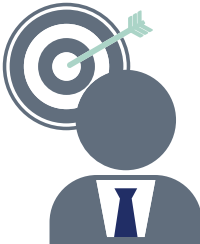
DIGITAL CAPABILITIES



RETAIL VALUE CREATION



SUSTAINABILITY & COMMUNITY OUTREACH



AGILE TEAM

DIRECTORS' REPORT



DIGITAL CAPABILITIES

The Covid-19 pandemic has increased the propensity and preference of customers to engage digitally, creating a need for enhanced digital experience economy. The world transitioned towards new normal ethos and customer behaviors shifted hugely, elevating the significance of secure, innovative and more resilient digital infrastructure. As part of supporting new ways of working and connecting with customers, we accelerated our digitalization efforts during the year. Coupled with our strong motivation to enhance customer experience and enabling greater financial inclusivity, we pursued our digital agenda through significant investments and upgradings in our IT infrastructure and resources.

Key Digital Transformations:

- **Launched New and improved Payment Gateway: MIB Global Pay**
- **Launched globally recognised Visa Debit Card with unique Everyday Benefits exclusive to MIB customers**
- **Launched ApplyNow Portal, an online platform to assist applications and document submission to minimise business disruption and physical contact.**
- **Investments in Smart and Innovative solutions: more ECRMs rolled out.**

More info Under Business Highlights

During the year, we opted for a strategic mandate of increasing reach through digital channels. This is majorly in line with the changes in customer behaviour and customer migration onto digital platforms. This strategic pillar was supported by an agenda of generating additional scale and fee income by increasing investment in smart and innovative technology solutions.

We continued to roll out more Electronic Cash Recycler Machines (ECRMs) at different regions in Maldives. These state-of-the-art ATMs assist our customers in conducting card less transactions, via an OTP sent to mobile phones.

Growing our digital portfolio, this year we launched a new and improved payment gateway, namely, MIB GlobalPay. This acquiring platform supports universal access along with easy deployment integration. The gateway doubles as a mean for achieving another key ambition of the Bank; more connectivity and greater financial inclusivity. Focusing on the significant increase in digital engagement from customers, we piloted an online platform named ApplyNow to assist online applications and document submission, facilitating minimal business disruption and physical contact. One of the most pronounced additions to our digital services during 2021 is the launch of Visa Debit card. This globally recognized Visa everyday card is a massive upscale in our digital footprint.

Our digital transformation journey is further supplemented by the digital culture we have been nurturing within the Bank. This includes initiatives of reskilling existing talents and keeping our team abreast of new transformations, changes and risks in the cyber arena. During the year, we conducted virtual information and awareness sessions on cyber security and information security for all our employees.

Adopting a holistic approach, we consistently work to streamline our back-end processes, delivering a better speed, convenience, and functions. We rely on our internal competencies and understanding of the market to deliver modern digital solutions that meet the needs of our stakeholders. In pursuing a strategic approach of becoming more digitalized, during 2021, we have established new self-service capabilities and refreshed our digital infrastructure.

DIRECTORS' REPORT

STRATEGIC DRIVERS



RETAIL VALUE CREATION

Over the years, we have maintained our resolve of serving as a customer-centric retail bank. As we aim to act in the best interest of our client and customer base, we offer financial solutions that are designed and created based on the understanding of their needs. Our range of carefully tailored financing and investment solutions ensure that they meet customer needs whilst adhering to the regulatory requirements.

This year we focused on:

Internalizing Deposit Focus:

- **Creating structures to support liability business**
- **Launching of new liability products**
- **Mobilizing CASA deposits.**

Reconfiguring Financing Business Portfolio:

- **Managing selective growth in certain segments.**
- **Increasing the pie of usual trade business.**
- **Changing risk management model to 360° view.**

During 2021, we placed a significant value on internalizing deposit focus. This was backed with initiatives such as creating structures to support liability business, launching of new liability products and mobilizing CASA deposits among others. In working towards this, we placed a special emphasis on ensuring that our offerings can be maintained within a sustainable and resilient business environment.

Our retail value creation model was further complemented with efforts of ensuring that our portfolio is capable of serving business performance targets and remaining within the Bank's risk appetite. In striving to maintain transparency in our dealings with clients, we provided customers with product synopsis and risks prior to executing a transaction, where possible. Fees and charges levied on transactions are properly disclosed in line with regulatory requirements and best practices.

We adopt client relationships, innovation and quality as our core values and strives to deliver excellent services to our customers. In our efforts to continually enhance customer experience, we track and monitor customer feedback and turnaround time of complaint resolutions. In devising and offering suitable product recommendations, we always consider the personal circumstances and financial needs of our customers.

DIRECTORS' REPORT

STRATEGIC DRIVERS

customer experience, superior customer engagement and delivering an outstanding service. While frequent trainings are provided to our front-line members in multiple channels, we had measures in place to offer swift assistance and mitigation plans to customers who maybe vulnerable to the economic trends. Due to the efficient mechanisms, our retail banking line was a significant contributor in ensuring sustainable revenues during the year.



SUSTAINABILITY & COMMUNITY OUTREACH

At MIB, sustainability is embedded at all aspects of our business operations. From generating sustainable returns for our shareholders to ensuring the sustainability of our financial solutions and resilience of the communities that we operate in; sustainability is rooted in the very core aspects of our Bank. During the year, we delivered resilience and sustainability in multiple fronts.

Although Covid-19 brought various financial shocks to the economy pertaining to the changed economic behaviours and activities, we were able to deliver consistent and positive figures which are in line with the previous year. Revenues recorded for the final quarter of the year was the highest recorded revenues during the past two years. Net Profits grew sustainably while our cautious approach allowed us to deliver sustainable ROE.

Amid the unsteady and stressed environment of the pandemic, our risk team remained cautious and committed to ensure portfolio sustainability. Through risk-informed solutions, we were able to enhance our operational resilience to adapt to the pandemic and steadily move forward. During the year, we brought required alterations into our operations and practices, as part of supporting cautious yet steady and sustainable growth agenda.

In ensuring uninterrupted services and operations, we refined and revised our BCP on a regular basis for more optimal and continued performance. Additionally, delivery of sustainable financial solutions, introducing new and innovative alternative distribution methods as well as strengthening

DIRECTORS' REPORT

STRATEGIC DRIVERS

of our internal governance matters all contributed to a sustainable profile.

Other areas of continued engagements include our contribution to financial inclusion, community empowerment and management of our socio-economic aspects. As customers showcase more increased awareness and expectations for good governance and sustainable business practices, we align our strategic priorities towards delivering sustainable products, services and solutions that help advance the Bank and our stakeholders collectively.

Underpinned by our philosophy of developing a viable Islamic economic and financial system which adhere to the highest ethical standards and values, we regard community outreach as an integral part of our operations. As we recognize that the community-based initiatives and activities are more driven by the environment, social and governance aspects globally, we also try to embed proper ESG considerations in our operations as part of community practices.

More info Under ESG & Sustainability Review



AGILE TEAM

Our diverse, highly committed and agile team of workers is at the root of bringing out a strong, steady and sustainable outcome for the Bank. Our topmost priority during the year was to safeguard the well-being of our most significant asset of human resources. As waves of the pandemic hit ashore, Work-From-Home (WFH) arrangements were continued for the whole team, except for those employees who are critically needed on-site. This enabled our team to continue delivering value from the safety of their homes.

Recognizing the significance of a well-taught and resilient workforce in delivering a top-notch performance to our customers, we accelerated learning and development avenues during the year. In 2021, around 58% of our workforce completed AML training, which kept our team abreast with the latest developments and changes in the financial crime front. Additionally, all our employees were provided regular refresher information sessions on the cybersecurity area, as we acknowledge the significance of a proper cybersecurity culture to complement our sustainability strategy. At MIB, we support and encourage the upskilling and reskilling efforts of our employees. We allow opportunities for personalized growth plan that will allow our members to garner new skills needed in responding to the changing nature of work and culture.

DIRECTORS' REPORT

STRATEGIC DRIVERS

During the year, we adopted a more refined and improved HR Policy, in order to ensure that our staff policies are aligned with the local and international industry best practices. Through various events and recreational activities, we foster a culture of inclusion that accepts diversity whilst maintaining good conduct and high ethical standards both on and off the work. We highly regard gender balance, equality, and representation at all levels within the Bank.

BUSINESS HIGHLIGHTS

Changes in our operating landscape during the past year prompted us to navigate swiftly, albeit cautiously, in order to steadily grow and advance, while continuing to deliver value to our stakeholders. Strong, sustainable and value driven banking solutions were introduced during 2021, helping enrich customer experience and integrating customers daily banking needs into their lifestyle.

Driving on the success of our prior year's initiatives, we adopted significant enhancements to our Alternative Distribution Channel, particularly our ATM network, Cards and Payment Gateway. Service reorientations were implemented across the Bank, while new and improved versions of the customer favorite financing solutions were launched. In line with customer migration into digital platforms, a contactless online portal was launched during the later half of the year.

Contributing to the safety and well-being of our customers, we upgraded MIB AntQ app system with additional service requests, to allow our customers to make an online appointment before making a trip to the branch.

In 2021, we have delivered resilient and continued growth, backed with a diversified line of financing and investment solutions, and through acceleration of our investments into enhancing the existing digital infrastructure.

Upgraded ATMs

During 2021, we continued to install additional ECRMs across various regions of Maldives. MIB's ECRMs, piloted during 2020 were well received by our customer base, as it provided unique benefits and a more secure platform compared to a regular ATM. These state-of-the art ATMs enables fully automated cash and cheque deposit functionality and facilitates mobile-OTP-verified card less transactions. This card less transaction processing is an industry first in Maldives and remains unique to MIB up to date.

Regular ATMs upgraded to modern ECRMs during the year include Hulhumale' ATM, Addu City Feydhoo ATM, the ATM machine at Fuvahmulah City and HDh. Kulhudhuffushi. These new machines are largely in contribution to establishing a more convenient and enhanced network of ATMs that would facilitate easier, yet secure access to our services.

Introduction of Visa Debit Card

The launch of MIB Visa Debit Cards was one of the most prominent developments of the year.

On 1st April 2021, we launched Visa Debit Cards under the branding of Everyday. Followed by the launch, all our Visa Everyday cardholders were automatically enrolled to the biggest discount scheme in Maldives; MIB's Everyday Benefits discount scheme.

This internationally branded Islamic Debit card was a strong addition to the Bank's digital services. Our Visa card holders can access their accounts from any domestic POS terminal, domestic online payment platforms and ATMs that accept Visa. Concurrent to the launch of Visa Debit cards, we began re-carding of our existing Faisa card.

BUSINESS HIGHLIGHTS

New Payment Gateway: MIB Global Pay

Targeted towards merchants who are exploring to expand their digital footprint or are looking to provide innovative services with online real-time e-commerce payments to their customers, we launched MIB Global Pay during 2021. We collaborated with globally renowned Mastercard Payment Gateway Services to bring this service to our customers. This globally accessible platform comes with more than 99.9% up time, while our customers can benefit from making payments from international card schemes.

Innovative features including Tokenization which provides the most secure form of customer card storage, recurring payment scheduling, multiple integration possibilities including Direct Payment, Hosted Checkout and Hosted Session, best in class performance and integration provides our merchant client base a holistic experience with MIB Global Pay.

Ujaalaa Dhiriulhun Improved & Upgraded

This year, we continued to improve our offerings for customers, including upgrade of our most in-demand financing solution “Ujaalaa Dhiriulhun” with better and improved features. “Ujaalaa Dhiriulhun” is also the most in-demand consumer goods financing solution in the market, with rates that match the Bank’s asset book quality and market conditions. The facility’s lower rates for salary and rental income transfer are highly regarded and accepted by our customers. During the year, we upgraded the facility with a maximum financing limit of MVR 400,000, with flexible repayment periods between 18 and 48 months.

Our Ujaalaa Dhiriulhun financing facility is tailored specifically for our retail customers, to assist them in purchasing lifestyle consumer goods ranging from mobile phones, electronics, home appliances including furniture and kitchen ware, construction materials, vehicles and more.

“Ujaalaa Car”

Keeping pace with the demands and changing customer behaviours, an enhanced car financing facility was rolled-out under the flag of “Ujaalaa” brand. Our “Ujaalaa Car” is a retail financing solution that allows individual customers to purchase their desired cars under the Islamic finance concept of Murabahah. We launched “Ujaalaa Car” facility during the last quarter of the year, solely aimed towards individuals wishing to purchase a car for personal use and was quickly well received by our retail customer base.

BUSINESS HIGHLIGHTS

Contactless Service Options: ApplyNow Portal

We encouraged our customers to leverage our digital channels to see to their banking needs instead of visiting our branches. To assist in this and in line with our commitment to deliver superior customer experience and convenience, we launched ApplyNow Portal as a contactless service option for our customer base. The portal was initially launched as an application form and document submission portal.

Riding on the success of the platform, we added new improvements and enhancements to the portal towards the end of the year. Additional service capabilities integrated to the portal now includes submission of Ujaalaa Dhiriulun applications, quotation for Ujaalaa Dhiriulun financing, Debit Card applications, internet banking application, individual TT applications, reference letter request and facility statement request.

Reach and Convenience:

The Bank provided additional conveniences for customers to reach us as we changed operating hours of our Baazaar Service Centre from 10am to 6pm daily. While this change provides our customers with more flexibility and access time, it has assisted the Bank in fulfilling its mandate of engaging actively with our customers while continuing to deliver customer-centric solutions and service reorientations.

In supporting new ways of working and connecting with our customers, we have dedicated our Baazaar Service Centre located at Faamdheyrige, as an e-banking service centre, facilitating customer onboarding and activating MIB's e-banking platforms. Customers can also apply for and collect their cards at the Baazaar Service Centre, along with acquiring other services required for activating those services including customer KYC information updates.

MARKET POSITION OVERVIEW

10 Years of Sustainable Market Expertise

During 2021, we celebrated having served our valued customers for one decade. Our 10-year history is an attestation of our strength, sustainability and commitment in growing together to become a market leader. From a humble beginning in 2011, Maldives Islamic Bank has risen to become the fourth largest bank in Maldives in terms of assets, financing and profits. Today, MIB is the market leader in Islamic banking and finance in Maldives with solutions that are unique, innovative and often market firsts.

Within 10 years, we have become a trusted partner in local communities, steadily progressing towards making impactful changes within the local banking sphere. Guided by our philosophy of establishing and developing an Islamic economic and financial system, we strive to offer credible and high quality Shari'ah compliant banking solutions to those who are desirous of carrying out their financial transactions in

conformity with Islamic values and principles.

This devotion has led us to create and deliver strong competitive advantages that support our sustainable growth strategy. Our executions on improving and enhancing customer service and experience and delivering valued added investments has yielded significant results over the years. Our internal competencies and thorough understanding of the market assists us in delivering banking solutions that adhere to the strict governance of Islamic finance principles. We are the most preferred consumer financing partner in the market today, as a result of the Bank's carefully sought out retail and consumer financing products with an overall deployment rate unseen in the Bank's history.

For 10 years, we have demonstrated operational resilience and financial strength. We have demonstrated the value of

our robust business model, delivered continued growth and returns to our stakeholders. We ended 2021 in a position of strength, with a growing base of customers and a robust capital position, providing us with a strong foundation upon which to continue building our business in 2022.

Marketing Initiatives

We continued our marketing and corporate communication activities along the lines of our strategic focuses for 2021, delivering an honest, transparent and fair marketing of products and services across various channels. The year 2021 also saw us initiating several appealing customer-centric marketing campaigns, primarily over digital marketing mediums. Our knowledge marketing programs were highly successful in deepening relationships with customers and building better trust.

Embracing a very selective media strategy, we continued to leverage high impact digital media as a key form of communication during the year. In conjunction with our 10th Anniversary, we launched our social chat communities on broadcast mode on both Viber and Telegram. The communities are being successfully used in communicating important notices and messages to our customers and public at large, marketing materials and promotional materials and sharing instructive materials that would make our customer journey easy.

Significant marketing campaigns we ran during 2021 include:

Everyday Benefits:

In 2021, we launched a discount scheme called “Everyday Benefits” targeted towards our Visa Everyday cardholders. This scheme allowed our customers exclusive discounts and special offers on transactions made using their Visa Everyday cards. This exclusive discount scheme of MIB quickly became the Biggest discount scheme in the Maldives at the moment, with over 100 accepted dealers. With this scheme, customers are eligible for discounts up to 25% at their favorite shops, restaurants, salons and more. We used electronic and physical mediums including window stickers and pull up banners on different merchant locations to help customers know of the accepted dealers and the scheme.

Save with MIB:

In helping our customers develop a habit and culture of saving for a sustainable future, we ran our annual “Save with MIB” campaign last year as well. Under this campaign, customers had to deposit a new MVR 20,000 in either Savings Account, Kids Account, or any normal rated GIA and retain it for 3 months, in order to be eligible for a grand prize of a motorcycle.

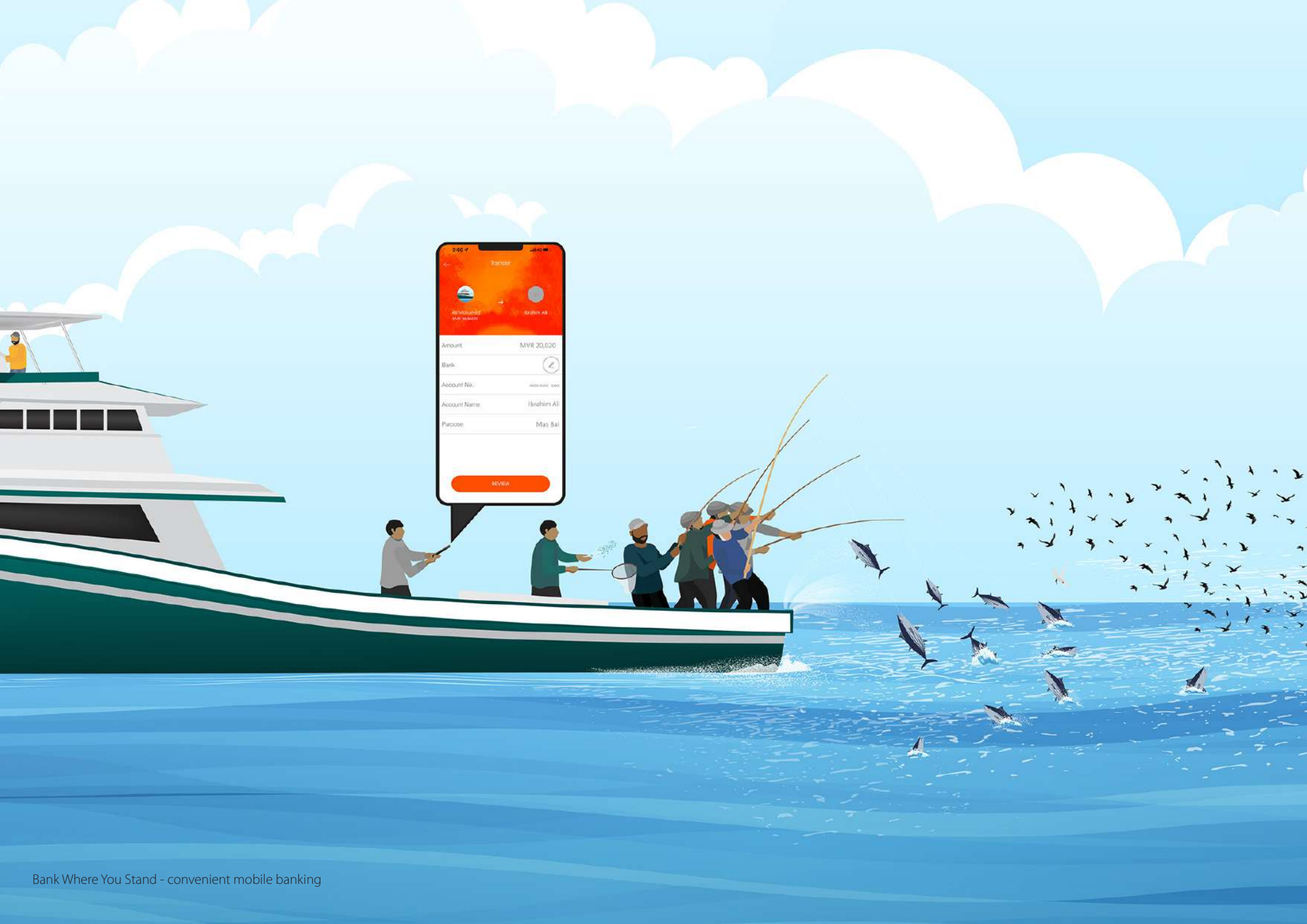
Kandaalaa Bill Pay:

We launched this campaign during 1st Quarter of the year and continued during quarter two of the year as well. This campaign was fueled by an aim of increasing customer utilization of our accounts, by nudging account holders towards adopting MIB accounts to pay their utility bills. Customers who pay any of their utility bills using MIB accounts consecutively for 6 months were eligible for a chance to win a motorbike.

Ramadan Cashback Promotion:

Our Ramadan Cashback promotion was a market first by MIB. It is the first ever cashback campaign run in Maldives by a bank and was well received by our customers. As such, following the success of the first iteration of Ramadan cashback promotion of 2020, we ran the same campaign during Ramadan 2021. This customer-centric value driven campaign was designed to encourage our customers to use our digital platforms including cards, FaisaPay and mobile or internet banking transfers. The overwhelming response from the customers during this promotion was truly a reflection of the strong relationship between us and our customers.

In addition to the above programs aimed at strengthening the core MIB brand, we carried out diversified promotional and awareness campaigns giving prominence to the variety of products and services offered. Targeted towards customers who received flats under the social housing scheme “Hiyaa”, we organized special marketing promotions and direct marketing events to facilitate consultation sessions, awareness of our products as well as to create a fast track to submit and process the applications. We conducted sessions on digital platform Club House as well as roadshows in Hulhumale’ with special events with strategic partners. We also took part in Living Expo which was held in Hulhumale’ Central Park from 18th to 20th of November.



Transfer

Abdulkamil
Mas Bai

Amount: MVR 20,020

Bank: [Bank Icon]

Account No.: 10000000000000000000

Account Name: Ibrahim Ali

Purpose: Mas Bai

REVIEW

ESG & SUSTAINABILITY REVIEW

As we pursue our vision of becoming the leader and preferred partner in Shariah banking in the Maldives, we align our growth not only towards delivering sustainable financial solutions to our customers, but also on serving sustainability to the communities we operate in. As the modern ages have shifted their focus towards a sustainable agenda, so have we. Whilst ESG considerations are becoming more central in our everyday lives, we hope to position ourselves as the leader and preferred partner in providing sustainable Shariah banking solutions.

In contributing our part towards developing Islamic banking in Maldives, we constantly seek avenues that would allow us in contributing towards the socio-economic development of the country. We play our part to the community by providing inclusive and innovative financial solutions that can be easily accessed by an inclusive community.

Additionally, we have initiated actions that would allow us to curve an internal culture more accommodative of the climate, environmental, social and governance impacts of our own actions. We have in place measures to reduce the negative impacts on environment by our activities, such as recycling and reducing usage of paper and other resources. We are also seeking ways of contributing to a just transition of Maldives to a low carbon economy and playing our part in attaining government's Net-Zero by 2030 target.

In our narrative of becoming a sustainably driven and governed organization, we ensure to embed Shari'ah values and principles into our daily operations and extend help beyond our normal course of business. Our Charity Fund is dedicated to providing financial assistance to needy citizens within the categories of Pursuing Education, Orphan Care and Health Care.

Additionally, we strive to strengthen our commitment towards the communities by initiating and engaging in various CSR projects and actively supporting and contributing to the development priorities of Maldives and the UN Sustainable Development Goals (SDGs).

CORPORATE SOCIAL RESPONSIBILITY

Our CSR and sponsorship activities during the year were focused primarily on education.

In our ongoing efforts to support the education sector, we donated some much-needed assets and equipment to schools based on their requirements. We also continued providing funding to a scholar pursuing undergraduate degree in Islamic Finance at IUM. This scholarship covered tuition fees and living allowance of the scholar until the completion of the program.

We also showed our support to the educational sector by sponsoring the top awards of the Quran competition held by G.Dh Thinadhoo Council and the School Award night of Addu Sharafuddin School.

While our practice is to finance small projects on a one-off basis, we remain steadfast in supporting the educational sector of Maldives, which is a core-part of our CSR agenda.

Further to this, recognizing our commitment to the community, we provided support for nation-wide COVID vaccination program during 2021, by providing items required by relevant authorities to operate the Covid Vaccination centers.

ADVANCING ISLAMIC FINANCE

During 2021, we employed our strength as a thought leader to advance and promote Islamic finance throughout the country. We participated in various local and national events with our strategic partners in order to enhance Islamic financial literacy within the Maldives. One such notable event was the Living Expo held during November 2021, which we used as a platform to share our thoughts on Islamic finance and sustainability. We also utilized the opportunity to strengthen our position as the leader in Islamic banking in the Maldives. These sessions and other road shows were further oriented towards providing marketing and product information on the range of investment and financing solutions offered by the Bank.

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

Whilst we acknowledge the contribution of our communities and their support in driving our business ahead, we in turn endeavor to promote their growth and development on socio-economic fronts. Through targeted initiatives and deals which are beneficial to economy, society and environment, we hope to promote the long-term well-being of our communities and our stakeholders. We aspire to embed and inculcate the values of sustainability and responsibility in our business practices, and lead by contributing to SDGs where it matters most.

SDGS



Our Impact

Community Engagement:

In 2021, we continued financial and other aid-in-kind support for the communities in response to Covid-19 pandemic. Moratorium support for 1613 customers was continued during the year. We also provided support for nation-wide COVID vaccination program by providing items required to operate the Vaccination centers.

Financing for higher education was made available to the needy via our Charity Fund, while the vulnerable and less advantaged people were offered help with regard to Health Care and Orphan Care.

Environment & Climate Resilience:

In building environment and climate resilience, we strive to minimize the carbon footprint on our own operations and resource usage. Green Financing is an important part of our climate resilience agenda where we provide financing to industries and companies that showcase increased efficiency in resource utilization and greater adoption of environmentally sound technologies and industrial processes.

As we support the transition to a low-carbon economy, managing and limiting emissions from the activities we finance are important. We are also the pioneer Bank in the Maldives to pilot financing solar panels for households in Addu City, the second most populous City in Maldives.

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

SDGS



Our Impact

Sustainable Finance:

We leverage our line of full-fledged Shari’ah backed financial solutions as a significant mean of addressing development challenges and economic inequalities. In 2021, we continued to build momentum in our impact finance initiatives.

Over 60 SMEs across key economic sectors were provided financing, targeted towards enhancing the livelihood of the people and providing decent means of economic growth. We contributed to major economic sectors including fisheries, construction and housing and trade. Our commitment towards financing sea going vessels is the key for growth and establishment of entrepreneurs.

Digital & Sustainable Cities:

Working towards attaining our aspiration of digitizing banking to enable safe and inclusive financing for all and helping to build sustainable cities is our way of ensuring a decent life for all. Over the years, we have contributed significantly towards sustainable community development.

We help businesses and entrepreneurs create jobs, trade and new commercial activities that lead to economic efficiency, thereby leading to sustainable cities.

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

SDGS



Our Impact

Infrastructure:

Financing promising infrastructure projects which assist in transforming lives and strengthening economies is our way of investing in the infrastructure development of the country. In contributing to this priority, we remain cognizant of the parallel effect this could have on our climate, and thus promote affordable and clean energy.

We have thus far supplied more than 75 gensets to government power generation companies in order to provide the needy communities with safe, reliable and affordable power. Additionally, we have contributed to building the transport infrastructure of the country by financing SOEs to purchase buses and aircrafts and granted finance to purchase passenger or cargo vessels for businesses or individuals.

People & Social Inclusion:

We continue to empower communities and promote social and economic inclusion by providing gainful employment and equal grounds and opportunity for people to learn and grow. We have been successful in reducing the gender disparity as we are one of the few institutes in Maldives to have a female cadre of around 50%. We value the health, safety and well-being of our diverse and inclusive workplace. During pandemic, we were quick to preserve the safety of our team as we initiated and continued Work-From-Home.

Additionally, we use our product portfolio to assist in social and economic inclusion in our markets as we allow easier reach and convenience to our financial services. We also support economic opportunities for young people in our communities to help in inclusivity.

FUTURE OUTLOOK

2021 marked the second year of Covid-19 pandemic, with multiple waves hindering the steady recovery of the economic activities. Despite this, Maldives was one of the quickest economies to rebound from the crisis. Tourism sector recorded strong numbers and major economic sectors showed positive resilience, with numbers exceeding the initial forecasted outcomes, spilling hope for 2022. While the IMF projects a real GDP growth of 13.2% in 2022 for Maldives, the domestic forecasts were much higher. There is strong optimism that the country will be able to achieve pre-pandemic economic activity levels by 2023, with the current recovery trajectory.

Coupled with the popularity of modern and automated ways of banking and the expected launch of Maldives National Payment System by MMA during 2022, it is expected that the digital banking and Fintech solutions will further gain momentum and continue to be the key driver of the banking industry. This year, we will continue to build and grow our digital footing with a heavy focus on digitization targeting customer convenience. Keeping in mind the need for more robust and innovative

financial solutions to complement the economic recovery of the country, we plan to accelerate our product rollouts in diversified markets, while leveraging fee-based income opportunities. New investments will be made to expand the distribution and tap into new market segments with a strong focus of diversification. Further, given the persisting uncertainties and economic shocks, we will continue to enhance the asset book quality and prioritize the conservation of the capital and liquidity position.

This year, customer experience and convenience will continue to be an utmost priority for us. We will continue delivering innovative financial solutions that are customer-centric and market driven. Part of this includes developing thought leaders who embed a customer-centric mindset and are agile in seizing business opportunities, while focusing on leveraging our internal strengths.

In line with the government's target of attaining Net-Zero by 2030, we will divert a greater emphasis of our engagement and contribution to the community towards ESG driven projects. Financial solutions that help advance sustainability including

ethical and green financing are planned to be deployed to nudge customers towards reliable and sustainable operations. As we recognize the significance of financial inclusion, we will continue to leverage our digital platforms to provide wider access of our services to the whole country, without excluding the unbanked and underbanked.

We will invest ourselves in ensuring further compliance with regulatory standards whilst maintaining a balance between stakeholder needs and the existing and evolving regulatory requirements. In line with our philosophy of developing an Islamic economic system, we will continue to advance Islamic finance via thought leadership and knowledge marketing initiatives.

As a strategic pioneer of Islamic finance in the country, we remain committed to contributing towards the development of the Islamic banking in the country.

INVESTOR INFORMATION

No. of securities traded in 2021	Earnings per security
29,254	MVR 3.54
Total value of securities traded in 2021	Net asset value per security
MVR 1,011,191.00	MVR 29.28
Weighted Average Traded Price	Dividend per security for 2020
MVR 34.57	MVR 1.225
	No. of Shareholders as at 31st December 2021
	16,160

MARKET MOVEMENTS & OTHER INVESTOR STATISTICS

No. of transactions in 2021	76
Highest traded price	MVR 40.00
Lowest traded price	MVR 31.00
First traded price	MVR 39.00
Last traded price	MVR 36.00 (on 21 December 2021)
Market Value as at 31st December 2021	MVR 36.00
Market Capitalisation in 2021	MVR 777,825,241.99



SERVING CUSTOMERS AT THEIR CONVENIENCE

CORPORATE GOVERNANCE

The Board of Directors of MIB is committed to ensure the highest standards of Corporate Governance throughout the organisation, with the objectives of safeguarding the interests of all stakeholders and enhancing the shareholders' value and financial performance of the Bank. The Board ensures that necessary processes, systems and practices are in place to manage the affairs of the Bank in a fair and transparent manner.

BOARD OF DIRECTORS

Composition of the Board

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

- As per the Articles of Association of the Bank, the Board shall not be less than 09 (nine) Directors and shall include at least 04 (four) Nominee Directors, at least 01 (one) Elected Director, at least 02 (two) Independent Directors and at least 02 (two) Executive Directors.
- Pursuant to Article 41 of the Bank's Article of Association, shareholders shall have the right to appoint 01 (one) Director for each 14% (fourteen percent) of the total issued shares in the Bank held by that respective shareholder.
- 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 MMA's Regulation on Corporate Governance for Banks, Insurance Companies and Finance Companies (as amended) (Regulation No. 2020/R-59) and section 1.2, Part 2 of the Corporate Governance Code of the Capital Market Development Authority. The Board has a mix of executive, non-executive and independent directors, ensuring impartial and efficient guidance is provided to the management.

BOARD OF DIRECTORS

Composition of the Board of Directors during 2021;

The year began with a total of 08 (eight) Directors on the Board. The following were the 08 (eight) Directors on the Board of Directors of the Bank until the 11th Annual General Meeting (AGM) held on 31st May 2021:

Name	Designation
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, Public	Independent Non-Executive Director
Mr. Abul Ehtesham Abdul Muhaimen * Executive Director	Managing Director & CEO
Mr. Ali Wasif Executive Director	Executive Director & CFO

** The Board of directors terminated the contract of Managing Director & CEO of the Bank on 30th December 2021.*

BOARD OF DIRECTORS

During 2021, the composition of the Board of Directors changed as follows:

- A new Nominee Director representing Government of Maldives was appointed to the Board at the 11th AGM held on 31st May 2021.
- Mr. Najmul Hassan, Mr. Mohammed Aatur-Rahman Chowdhury and Mr. Nasser Mohammed Al-Thekair was reappointed to the Board till the 12th AGM of the bank
- 02 (two) Independent Non-Executive Directors were appointed to the Board at the EGM of the Bank held on 28th October 2021.
- Managing Director and CEO of the Bank was terminated on 30th December 2021.
- The Board now consists of 10 (ten) Directors including 03 (three) newly appointed Directors.

Composition of the Board of Directors as of 31 December 2021;

Name	Designation
Mr. Najmul Hassan Nominee Director, ICD	Chairman (Non-Executive Director)
Mr. Mohammed Aatur-Rahman Chowdhury Nominee Director, ICD	Non-Executive Director
Mr. Nasser Mohammed Al-Thekair Nominee Director, ICD	Non-Executive Director
Uz. Mohamed Naseem Ibrahim Nominee Director, Government of Maldives	Non-Executive Director
Mr. Ali Shareef Nominee Director, Maldives Pension Administration Office	Non-Executive Director
Mr. Ahmed Ali Elected Director, Public	Independent Non-Executive Director
Mr. Hassan Mohamed * Nominee Director, Government of Maldives	Non-Executive Director
Mr. Rajiv Nandlal Dvivedi ** Independent Director	Independent Non-Executive Director
Mr. Kazi Abu Muhammad Majedur Rahman ** Independent Director	Independent Non-Executive Director
Mr. Ali Wasif Executive Director	Executive Director & CFO

** Mr. Hassan Mohamed was appointed to the Board on 31st May 2021.*

*** Mr. Rajiv Nandlal Dvivedi and Mr. Kazi Abu Muhammad Majedur Rahman were appointed to the Board on 28th October 2021.*

BOARD OF DIRECTORS

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.

Board of Directors is ultimately accountable and responsible on the Shari'ah governance mechanism and overseeing Shari'ah compliance of the Bank by putting in place the appropriate mechanism to discharge the responsibilities.

Shari'ah committee is assigned with the responsibility to provide advice to the Board of Directors for all Shari'ah related measures and to ensure the transactions of the Bank are conducted in strict compliance with Shari'ah. In this regard, Shari'ah Committee Annual Report is appended together with the Annual Report.

Role of the Chairman

The Chairman of the Board of Directors 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 of Directors. The responsibility for the overall functioning of the Board of Directors and its activities is assumed by the Chairman of the Board, 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 2021, the Board held 17 (seventeen) meetings in total, thereby meeting the requirement to hold one Board meeting per month as stipulated in 15 (h) of the 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.

BOARD OF DIRECTORS

Matters related to governance & Compliance

- Reviewed and approved the amendments to the Articles of Association of the Bank.
- Reviewed and approved the Conflict of Interest Policy for the Board of Directors of the Bank.
- Reviewed and approved the amendments to the Policy for Appointment of Directors.
- Approved the renewal of term of ICD nominated Board Directors.
- Approved the appointment of new Independent Directors of the Bank. The appointment was confirmed at the Shareholders meeting held on 28th October 2021.
- Reviewed and approved the amendments to Shari'ah Compliance Manual of the Bank as proposed by the Shari'ah Board.
- Reviewed and approved the Fraud Risk Prevention & Control Policy of the Bank.
- Reviewed and approved the amendments to the Policy manual on Anti-Money laundering & Counter Financing of Terrorism.
- Reviewed and Approved the Bank's Quarterly Reports for Q4 2020 and Q1-Q3 of 2021.
- Reviewed and approved the Directors Report for the year ended 31st December 2020.
- Reviewed and Approved the Shari'ah Board Annual Report for the year ended 31st December 2020.
- Approved the appointment of External Auditor for the financial year ending 31st December 2020 and recommended to the Annual General Meeting.
- Reviewed and approved various resolutions relating to 11th AGM of the Bank and EGM 2021 of the Bank.
- Approved to send the Internal Audit report on Executive Remuneration to MMA.
- Approved to hire an independent legal firm to conduct the investigation on the observations of the Internal Audit report of Executive remuneration.
- Approved the temporary placement off-duty of the Managing Director & CEO.
- Approved to form a Special committee of the Board of Directors on 30th October 2021.
- Approved the selection of independent law firm to conduct investigation on the Internal Audit report on Executive Remuneration.
- Resolved that Managing Director & CEO be dismissed effective from 30th December 2021, and he is not Fit & Proper as per the applicable laws and regulations.

BOARD OF DIRECTORS

Matters related to business & financial management

- Reviewed and Approved the Bank's Audited Financial Statements for the year ended 31st December 2020 and recommended it for the Annual General Meeting.
- Reviewed and Approved the payment of Dividend for 2020 and recommended to the Annual General Meeting.
- Reviewed and Approved the proposed amendments to the Charity Policy of the Bank.
- Reviewed and approved New Deposit product manuals.
- Reviewed and approved the revisions to the HR Policy manual of the Bank.
- Reviewed and approved the revised Organisation structure of the Bank.
- Reviewed and approved the Business Continuity Plan & Disaster Recovery Plan of the Bank.
- Reviewed and approved the changes to the schedule of charges of the Bank.
- Reviewed the Financial Performance of the Bank on a monthly basis.
- Reviewed the Non-Performing Asset portfolio on the Bank on a monthly basis.
- Reviewed and approved the Bank's Budget and Business Plan for the year 2022.

Attendance of Directors at Board meetings

Name	Attendance	%
Mr. Najmul Hassan	17/17	100%
Mr. Mohammed Ataur-Rahman Chowdhury	17/17	100%
Mr. Nasser Mohammed Al-Thekair	17/17	100%
Uz. Mohamed Naseem Ibrahim	17/17	100%
Mr. Ali Shareef	17/17	100%
Mr. Hassan Mohamed	12/12	100%
Mr. Ahmed Ali	17/17	100%
Mr. Rajiv Nandlal Divedi	05/05	100%
Mr. Kazi Abu Muhammad Majedur Rahman	05/05	100%
Mr. Abul Ehtesham Abdul Muhaimen *	09/11	82%
Mr. Ali Wasif	15/16	94%

* Terminated on 30th December 2021

BOARD OF DIRECTORS

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. His contract was terminated on 30th December 2021. During his tenure, his main responsibilities included 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 the 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.

During the year, the Board of Directors of the Bank approved Policy for the Conflict of Interest of the Board of Directors in accordance with the MMA's Regulation on Corporate Governance for Banks, Insurance Companies and Finance Companies as amended, CMDA's CG Code and the Bank's Articles of Association. This ensures that consistent standards are established for matters of conflicts of interests and that members of the Board are free from any potential bias or undue influence in making sound judgements in dealings of the Bank.

In 2021, no contracts were made with any of the major shareholders of the Bank and no service contracts were entered into, with any person nominated for directorship of the Bank.

Directors' development

The Bank made multiple efforts to conduct face-to-face physical training and developmental activities for Board of Directors throughout the year, upon consensus that physical refresher programmes will generate more value addition. However, as travel restrictions vis-à-vis Covid-19 continued, the planned exercises had to be postponed. Board of Directors have decided to have their development programmes physically in Male' when the Covid-19 travel restrictions ease up and allow for easier travelling.

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, has formulated a mechanism in which the performance of the Board of Directors can be evaluated, in line with the CMDA's Corporate Governance Code, MMA's Regulation on Corporate Governance for Banks, Insurance Companies and Finance companies and other relevant Regulations.

BOARD OF DIRECTORS

Directors as shareholders of the Bank

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

The following Directors held shares of the Bank as of 31st December 2021;

Name of Director	No. of shares held
Mr. Ahmed Ali	1,360 shares
Mr. Kazi Abu Muhammad Majedur Rahman	26 shares
Mr. Rajiv Nandlal Dvivedi	01 share
Mr. Ali Wasif	21 shares

Relationship with shareholders

We ensure all necessary and up-to-date information required by shareholders to make sound judgements on their investments are made readily available on the Bank's website within the stipulated timeframe. Shareholders are kept abreast of the latest developments concerning the Bank's governance, operations and performance via regular and timely announcements and notices we publish on our website and social media. Quarterly and annual disclosure of business updates ensure proper transparency with investors is met.

We highly regard enhancing the relationship with our shareholders, thus, the Bank ensures all shareholder related matters are attended to and catered for on a daily basis by the dedicated staff members.

We remain steadfast in maintaining a close relationship with our 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 2021 is published accordingly. As part of the Bank's continued efforts towards enhanced transparency and good governance, the Bank's audited financial statements were made available in due time to the shareholders, in compliance with the Maldives Banking Act (24/2010).

Appointment of External Auditors

At the 11th Annual General Meeting of the Bank, as recommended by the Board of Directors, the shareholders have resolved to continue the engagement of KPMG as the Bank's External Auditors for the financial year ending 2021.

BOARD OF DIRECTORS

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. Realizing the need to review the adequacy and integrity of those systems regularly, the Board has been closely monitoring, reviewing and revising them where necessary. The Bank has in place a three-line defense mechanism through which all the dealings of the Bank are reviewed and monitored, assessed and reported within the Bank.

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

The Bank has sound measures in place with regard to internal controls, risk oversight and management practices which 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 to the best of our knowledge, the information presented in this Annual Report is true and accurate.

In accordance with the principles of corporate governance, the Listing Rules of the Maldives Stock Exchange, Maldives Securities Act (02/2006), 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.

BOARD OF DIRECTORS

Financial statements

The Bank's financial statements are prepared in compliance with the International Financial Reporting Standards (IFRS). Board of Directors of the Bank mutually 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 and adhere to the relevant regulations of Maldives Monetary Authority (MMA) and Capital Market Development Authority (CMDA), allowing our shareholders to make fair and informed evaluation of the Bank's performance.

Going concern basis was used in preparing the Bank's financial statements. 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. We draw caution to the fact that these systems, by their nature, can provide reasonable and not absolute assurance against material misstatements, whether due to fraud or error.

Dividend

At the 11th Annual General Meeting of the Bank held on 2021, the shareholders have resolved to declare a final dividend of MVR 27,562,509.00 (twenty seven million five hundred sixty two thousand five hundred and nine Rufiyaa), equating to MVR 1.225 per ordinary share as the final dividend for 2020. The Bank has disbursed the dividends during 2021, in line with the Bank's Articles of Association and other Applicable Laws and Regulations.

Date: 30th April 2022



Mr. Najmul Hassan

Chairman of the Board of Directors



Mr. Ahmed Riza

Acting Chief Executive Officer

BOARD AUDIT COMMITTEE (BAC)

The Board Audit Committee (BAC) has been formulated as per clause 1.8 of the Corporate Governance Code and in accordance with the Articles of Association of the Bank ("AoA").

The primary role of the BAC is to assist the Board in fulfilling its oversight responsibilities in areas concerning the integrity of financial reporting, the effectiveness of internal audit function and internal control systems, frameworks as well as consideration of ethics and compliance matters.

Composition of the Committee

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

During the year 2021, there were no changes to the composition of Board Audit Committee.

Members of the Committee as of 31st December 2021

Name	Designation
Mr. Ahmed Ali	Chairman of the Committee Non-Executive Independent Director
Mr. Mohammed Ataur-Rahman Chowdhury	Member of BAC, Non-Executive Director
Mr. Ali Shareef	Member of BAC, Non-Executive Director

BOARD AUDIT COMMITTEE (BAC)

Duties of the Committee

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

Attendance at Committee meetings

During the year 2021, 08 Board Audit Committee meetings were held. The attendance of the committee members at the meetings are as follows:

Name	Attendance	%
Mr. Ahmed Ali	8/8	100%
Mr. Mohammed Ataur-Rahman Chowdhury	5/8	63%
Mr. Ali Shareef	8/8	100%

BOARD AUDIT COMMITTEE (BAC)

ACTIVITIES OF THE COMMITTEE

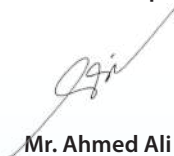
Internal Audit:

- Reviewed Internal Audit Reports and other Review Reports including but not limited to the areas pertaining to Banks Internal Controls, Risk Management, Banks Compliance to Shariah Principles and AML and Compliance.
- Reviewed and approved the Annual Internal Audit Plan for the year 2022.

External Audit:

- Reviewed the Management Letter and other recommendations submitted by the External Auditors and followed-up the issues raised during the financial year under review.
- The Bank's Financials were 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.

Date: 30th April 2022



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.

Members of the Committee as of 31st December 2021

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

Duties of the Committee

BRCC is charged with the following responsibilities:

- Review, monitor and understand the risk profile of the Bank to confirm that the Bank is operating within the Board-approved risk appetite. This is undertaken through the ongoing process of the

identification, evaluation and management of all material risks, in particular longer-term macro, and strategic threats to the Bank.

- Report to the Board on its consideration of the above matters, identifying those areas where improvement is needed and making recommendations as appropriate.
- Set risk limits within the risk appetite criteria.
- Receive notification of any material breaches of risk limits or procedures and agree proposed action.
- Ensure that the resources allocated for risk management 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.

BOARD RISK AND COMPLIANCE COMMITTEE (BRCC)

Meetings

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

Name	Attendance	%
Mr. Nasser Mohammed Al-Thekair	7/7	100%
Mr. Najmul Hassan	7/7	100%
Uz. Mohamed Naseem Ibrahim	7/7	100%

Activities of the Committee

- The Committee reviewed the following policies and processes of the Bank during the year, amendments therein were recommended to, and then approved by the Board of Directors:
 - o Policy Manual on Anti-Money Laundering & Counter Financing of Terrorism
 - o Fraud Risk Prevention & Control Policy
 - o BCP & DRP Policy
- Apart from above, following were also reviewed and recommended by the Committee:
 - o Review of risk concentration levels; sector and industry level, financing products level, time-maturity buckets level, top-10 financing exposures level and others.

- o Review of financing and investment portfolio position.
- o Review of Consumer financing portfolio.
- o Review of Non-performing portfolio, products-wise infection ratio, portfolio on watchlist and recovery strategies.
- o Review of Market risk positions
- o Review of Assessment of liquidity position FEEL and NOP.
- o Review of Assessment of capital adequacy (CAR).
- o Review of 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 Review of Financing and Investments approved by the Management Committee.
- o Review of Operations risk reports.
- o Review of AML/CFT and regulatory compliance reports.
- o Review of Economic and Business Impact in view of the Pandemic and the Measures taken by MIB.
- o Review of Cyber Security Related Matters at MIB and recommendation on;
 - o Structure and the reporting of the function

BOARD RISK AND COMPLIANCE COMMITTEE (BRCC)

- o Resource allocations
- o Roles and responsibilities.
- o Way forward for implementation of the function
- o Reporting to BRCC as a standing item to ensure continuous monitoring and review of the function.
- o Review of Enterprise Risk Management Related Matters at MIB
- o Review of requirements for and compliance level of the bank in relation to the Regulation on Corporate Governance for Banks, Insurance Company and Finance Companies, issued by MMA.
- o Review of the department structure of Risk & Compliance and recommendation to enhance staffing to ensure adequate resources are available for smooth functioning.
- In addition, following extra-ordinary matters were reviewed, upon the request of the Board of Directors, and recommendations provided the Board of Directors for consideration:
 - o Review of the requirements for establishing a Sub-Committee of the Board on Corporate Governance.
 - o Adequacy of the Level of Provisioning Coverage Ratio of the Bank and guidelines to have and maintain the prudent level of provisioning coverage given the unprecedented uncertainty levels in the global markets.

Date: 30th April 2022

Nasser M. Al-Thekair

**Mr. Nasser Mohammed Al-Thekair
Chairman
Board Risk and Compliance Committee**

BOARD NOMINATION AND REMUNERATION COMMITTEE (BNRC)

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

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 2021

Name	Designation
Mr. Mohammed Ataur-Rahman Chowdhury	Chairman of BNRC, Non-Executive Director
Mr. Najmul Hassan	Member of BNRC, Non-Executive Director
Uz. Mohamed Naseem Ibrahim	Member of BNRC, Non-Executive Director
Mr. Ali Shareef	Member of BNRC, Non-Executive Director

Duties of the Committee

Nomination:

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

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

BOARD NOMINATION AND REMUNERATION COMMITTEE (BNRC)

Remuneration:

The BNRC is charged with following duties with respect to remuneration:

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

Meetings:

The committee shall meet as often as it determines, but not less frequently than four (4) times a year, with at least one meeting every quarter. The committee held eight (8) meetings during the year under review.

Name	Attendance	%
Mr. Mohammed Ataur-Rahman Chowdhury	7/7	100%
Mr. Najmul Hassan	7/7	100%
Uz. Mohamed Naseem Ibrahim	8/8	100%
Mr. Ali Shareef	8/8	100%

Nomination:

The Nominee Director was appointed as per Article 41 and 43 of the Articles of Association of the Bank.

The Independent Directors were 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 2021.

The breakdown of remuneration paid to the Board of Directors and key Management Personnel for the period 1st January 2021 to 31st December 2021 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	2,031,370.25
Key Management Personnel	6,709,496.15

BOARD NOMINATION AND REMUNERATION COMMITTEE (BNRC)

Activities of the Committee

- Reviewed and recommended the Balance scorecard for the determination of Bonus Pool.
- Reviewed and recommended the proposed revision to HR Policy of the Bank.
- Recommended the renewal of employment contract of some expatriate employees.
- Reviewed and recommended the amendments to the Policy of Appointment of Directors.
- Initiated and developed criteria to evaluate the applicants for the position of Independent Directors of the Bank.
- Reviewed and recommended the Independent Director candidates.
- Recommended not to renew the employment contract of MD & CEO.
- Reviewed and recommended the Terms of Reference for selection and succession planning for MD & CEO.
- Reviewed and recommended the proposed remuneration package to the new MD & CEO.

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. All the female applications received for the post of Independent Directors were evaluated on equal grounds as to the male applicants.

Date: 30th April 2022



Mr. Mohammed Ataur-Rahman Chowdhury
Chairman
Board Nomination and Remuneration Committee

SHARI'AH COMMITTEE

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

Composition of the Shari'ah Committee

The Shari'ah Committee comprises of three members.

Members of the Committee as of 31st December 2021

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

Duties of the Committee

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

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

Meetings:

Name	Attendance	%
Dr. Ejaz Ahmed Samadani	4/4	100%
Mufti Mohammed Ibrahim Mohammed Rizwe	4/4	100%
Dr. Ibrahim Zakariyya Moosa	4/4	100%

SHARI'AH COMMITTEE

Activities during the year

- Participated in a virtual joint Shari'ah Committee meeting with Board of Directors.
- Participated in a virtual joint Shari'ah Committee meeting with Shari'ah Council of MMA.
- Conducted two virtual sessions of Advance Shari'ah Training for staff of the Bank.
- Conducted two virtual sessions of Intermediate Shari'ah Training for staff of the Bank.

Shari'ah governance framework

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

- The Board of Directors perform oversight on Shari'ah compliance aspects of the Bank's overall operations.
- The Shari'ah Committee, an independent Committee 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, Shari'ah Review and Shari'ah Audit Report, prior to the implementation, and provide sound Shari'ah decisions.
- The management shall be responsible for observing and implementing Shari'ah rulings and

decisions made by the Maldives Monetary Authority (MMA), Shari'ah Council and the Shari'ah Committee respectively and the management is responsible in providing adequate resources and capable manpower support to every function involved in the implementation of Shari'ah governance, in order to ensure that the execution of business operations are in accordance with the Shari'ah.

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

PROFILES OF SHARI'AH COMMITTEE MEMBERS



Dr. Ejaz Ahmed Samadani

Chairman of Shari'ah Committee

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

As a Shari'ah scholar, Dr. Ejaz became the Shari'ah Advisor/ Shari'ah Board Member to a number of Islamic financial institutions and investment houses such as Habib Bank Limited-Islamic Banking Division and Al Hamra Shari'ah Compliant Funds of MCB, Arif Habib Investment Management Limited. He also remained associated with UBL Ameen Islamic banking, Bank of Punjab taqwa Islamic Banking 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 Shari'ah Committee of the Bank since 2011, Dr. Ejaz was instrumental in providing Shari'ah 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 Shari'ah Committee

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

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



Dr. Ibrahim Zakariyya Moosa

Member of Shari'ah Committee

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

As a Shari'ah scholar, Dr. Zakariyya Moosa serves as a member of Shari'ah advisory board of several financial institutions. He lectures on Islamic Shari'ah 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 Shari'ah 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 Shari'ah Committee of the Bank since 2014, he has provided Shari'ah guidance on Islamic banking products and operations.

SHARI'AH COMMITTEE ANNUAL REPORT



Shari'ah Committee's Annual Report (For Financial year 2021)

To the Shareholders of Maldives Islamic Bank PLC.

Assalamualaikum Wa Rahmatullah Wa Barakatuh.

Alhamdulillah, Maldives Islamic Banking PLC (MIB) has successfully completed its 11 years of Islamic Banking operations. By the grace of Allah Almighty, during the year MIB has made a significant growth in terms of operation expansions, business profitability and market penetration.

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

1. SHARI'AH COMMITTEE MEETINGS:

In line with Shari'ah Governance Manual of Maldives Islamic Bank, the SC is required to meet at least on quarterly basis. Hence, during the financial year 2021, **four (4)** meetings were conducted via online, due to the impact of COVID-19. All SC members participated in the meetings and the minutes of the meetings, after duly signed by SC, were sent to all the stakeholders for enforcement of the decisions made by the SC. In addition to the above, various discussions held through teleconference meetings regarding the matters related to Product Development and Shari'ah Compliance.

2. INTERNAL SHARI'AH UNIT (ISU):

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

ISU has played a vital role in identifying the Shari'ah issues, ensuring the Shari'ah compliance and conducting a vibrant role of communication between the Shari'ah Committee and the Executive Management.

3. PRODUCTS AND SERVICES LAUNCHED AND REVISED:

In 2021, the following documents related to new the products and the existing products were revised after approval of the SC.

3.1. ASSET SIDE

3.1.1. **Consumer products:**

- 3.1.1.1. During the year, the legal documents for Diminishing Musharakah-Asset Financing for both, local and import facilities were reviewed and approved by SC.

SHARI'AH COMMITTEE ANNUAL REPORT

3.1.2.1. The product manual of new product-Running Musharakah was reviewed and approved by SC.

3.1.3. Treasury Instrument

3.1.3.1. During the year, the structure and the Legal documentation for Short-Term Ijarah Instrument was approved by SC.

3.2. LIABILITIES SIDE

3.2.1.1. During the year, the product manual of new product-Inward Investment Account was reviewed and approved by SC.

3.2.1.2. The product manual of new product-Escrow Account was reviewed and approved by SC.

3.2.1.3. The New Terms and Conditions of Swift Transfer/International Money Transfers was reviewed and approved by SC.

3.2.1.4. The Terms and Conditions & Merchant Application Form of Mastercard Payment Gateway and the Fee Structure for Payment Gateway Merchants was reviewed and approved by SC.

3.2.1.5. New Terms and Conditions for savings account and new brackets for General Investment Accounts were reviewed and approved by SC.

3.2.1.6. The amended KYC and Account Opening Application form were reviewed and approved by SC.

3.2.1.7. The documents of Everyday Cover Takaful Plan for MIB Debit Cardholders was reviewed and approved by SC.

3.2.1.8. The amended RTGS application was reviewed and approved by SC.

4. POLICIES AND OTHER MANUALS

4.1. Shari'ah Governance Manual and the Charity Policy was also revised during the year and were duly approved by the SC.

4.2. The MoU for distribution of the Charity Fund via the SC approved Institutions were reviewed and approved by SC.

4.3. During the year, Shari'ah Audit Manual and Shari'ah Review Manual were revised and were reviewed and endorsed by SC.

5. PROFIT & LOSS DISTRIBUTION AND POOL MANAGEMENT:

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

6. TRAINING:

During the year 2021, 7 training sessions were conducted and more than 261 staff members were trained from MIB on basic concepts of Islamic Banking, Islamic Banking Products & Services and Islamic Banking Branch Operations.

Trainings were conducted by staff of ISU and SC members.

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

SHARI'AH COMMITTEE ANNUAL REPORT

To form our opinion as expressed in this report, we have reviewed the Shari'ah Review and Audit report of the Internal Shari'ah 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 Shari'ah.

During the year, 4 quarterly Shari'ah reviews and 2 half yearly Shari'ah Audits has been conducted by ISU. Report of each Review and Audit was shared with Management of the Bank for rectification and compliance. Internal Shari'ah Unit submitted its reports to Shari'ah Committee quarterly for ratification. Reports consisted details of all Shari'ah reviews and any issue resolved outside the SC meeting, any document approved via circulation are ratified by Shari'ah Committee in the subsequent Shari'ah Committee meetings.

Based on above, we are of the view that:

- A. The contracts, transactions and dealings relating to the Bank's activities during the year ended 31st December 2021 that we have reviewed were generally in compliance with Shari'ah. Nothing has come to the Shari'ah Committee's attention that causes the Shari'ah committee to believe that the operations, business, affairs and activities of the Bank involve any material Shari'ah non-compliances.
- B. We have noted areas that require improvement in the mode of operation and documentation for certain financing transactions of the Bank that require rectifications, are highlighted in the annual Shari'ah 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 Shari'ah Committee.
- D. During the year, there was no transaction found null and void. Hence no amount was credited to charity account due to the violation of Shari'ah. During the year, an amount of MVR 304,613.98 (Maldivian Rufiyaa, Three hundred and Four thousand Six hundred Thirteen and Ninety Eight) 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 Shari'ah Unit and policies and guidelines issued to the Bank for the confirmation of Shari'ah compliance, we are of the opinion that an effective mechanism is in place to ensure Shari'ah 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

10th March 2022



Dr. Ejaz Ahmed Samadani
Chairman



Mufthi M I M Rizwe
Member



Dr. Ibrahim Zakariyya Moosa
Member

AUDITED FINANCIAL STATEMENTS

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

FOR THE YEAR ENDED 31ST DECEMBER 2021

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Independent Auditor's 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 31st December 2021, 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 88 to 159.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31st December 2021 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. Allowance for expected credit loss – Financial Instruments

(Refer Note 2. III (use of judgment's) Note 4.8 VII (Impairment) and Note 12 (Net receivables from financing activities) to the financial statements).

Risk Description

As at 31st December 2021, the Bank has recorded net receivables from financing activities amounting to MVR 2,346 Million net of allowance for expected credit loss of MVR 81 Million.

Our Response

We performed audit procedures to gain assurance on the process of estimating the allowance for expected credit loss 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)

1. Allowance for expected credit loss – Financial Instruments (Continued)

Risk Description	Our Response
<p>Allowance for Expected Credit Loss (ECL) involved high degree of complexity and judgments. The model used to determine the expected credit loss reliant of large volumes of data as well as number of significant estimates including the impact of multiple economic scenarios. Given the IFRS 9 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>Further, 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"> - Judgments over the grouping of receivables from financing activities based on the similar risk characteristics. - Allocation of assets to stage 1, 2, or 3 using criteria in accordance with the accounting standard; - Accounting interpretations and modelling assumptions used to build the models that calculate the ECL; - Completeness and accuracy of data used to calculate the ECL; - Inputs and assumptions used to estimate the impact of multiple economic scenarios; - Completeness and valuation of post model adjustments; - Measurements of individually assessed provisions including the assessment of multiple scenarios; and - Accuracy and adequacy of the financial statement disclosures. 	<ul style="list-style-type: none"> - 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. - Evaluating the management process over identifying contracts to be assessed, evaluation of the inputs, assumptions and adjustments to the ECL. - 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. - 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. - Challenging the key assumptions, evaluating the reasonableness of the key judgments and estimates used by the management with the assistance of our FRM 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. - Assessing the completeness, accuracy and relevance of data used for the ECL calculation. - With the support of our FRM 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. - Assessing the completeness and appropriateness of the assessment of required post model adjustments. - With the support of our FRM specialists, recalculating a sample of individually assessed provisions including comparing to alternative scenarios and challenging probability weights assigned. - 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.



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"> - 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 - Testing of key controls, assisted by our 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. - 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. - 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. - 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.

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 blue ink, appearing to read 'kpmg'.

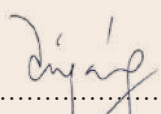
Chartered Accountants
For and on behalf of KPMG Maldives
Male'
28th April 2022

MALDIVES ISLAMIC BANK PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF FINANCIAL POSITION


AS AT	Note	31/12/2021 MVR	31/12/2020 MVR
ASSETS			
Cash and Balances with Other Banks	7	234,786,235	291,029,762
Balances with Maldives Monetary Authority	8	1,702,509,895	1,163,708,951
Due from Banks	9	169,691,388	92,709,973
Investments in Equity Securities	10	53,100,000	64,200,000
Investments in Other Financial Instruments	11	715,871,549	390,010,703
Net Receivables from Financing Activities	12	2,346,159,157	2,212,908,418
Property and Equipment	13	50,386,468	45,407,977
Right-of-Use Assets	14	107,697,829	87,589,168
Intangible Assets	15	13,097,778	14,920,463
Other Assets	16	97,156,357	54,280,119
Deferred Tax Asset	34.3	5,639,714	-
Total Assets		5,496,096,370	4,416,765,534
LIABILITIES			
Customers' Accounts	17	4,434,875,309	3,431,019,811
Due to Banks and Other Financial Institutions	18	247,566,038	169,828,219
Provisions	19	977,782	1,225,274
Current Tax Liability	34.2	8,617,681	19,733,031
Deferred Tax Liability	34.3	-	6,880,350
Lease Liabilities	20	98,880,224	88,379,299
Other Liabilities	21	46,380,829	84,635,995
Total Liabilities		4,837,297,863	3,801,701,979
EQUITY			
Share Capital	22	337,500,070	337,500,070
Statutory Reserve	24	150,000,000	132,746,257
Non Distributable Capital Reserve	25	20,302,251	38,648,481
Fair Value Reserve	10.2	4,575,000	12,900,000
Retained Earnings		146,421,186	93,268,747
Total Equity		658,798,507	615,063,555
Total Liabilities and Equity		5,496,096,370	4,416,765,534
Commitments	41	474,230,037	384,275,348
Net Asset Value Per Share	35.2	29.28	27.34

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 92 to 159. The Report of the Independent Auditors is given on pages 83 to 87.

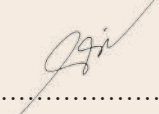
These financial statements were approved by the Board of Directors and signed on its behalf by:



 Mr. Ali Wasif
 Chief Financial Officer



 Mr. Ahmed Riza
 Acting Chief Executive Officer



 Mr. Ahmed Ali
 Chairman of
 Board Audit Committee

28th April 2022
 Male'

MALDIVES ISLAMIC BANK PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED

	Note	31/12/2021 MVR	31/12/2020 MVR
Income from Financing Activities using the Effective Profit Method	26.1	266,833,523	234,359,278
Profit on Customer Accounts and Others	26.2	(58,381,880)	(50,152,453)
Net Profit Earned from Financing Activities	26	208,451,643	184,206,825
Fee and Commission Income	27.1	34,032,861	25,467,756
Fee and Commission Expense	27.2	(3,082,482)	(837,510)
Net Fee and Commission Income	27	30,950,379	24,630,246
Net Foreign Exchange Gain	28	538,638	542,499
Income from Investments in Equity Securities	29	3,930,600	5,076,000
Net Income from Other Financial Instruments Mandatorily Measured at FVTPL	30	32,575,456	34,255,969
Total Operating Income		276,446,716	248,711,539
Net Impairment Losses on Financial Assets	12.4	(35,708,564)	(14,153,102)
Personnel Expenses	31	(77,996,916)	(66,640,492)
General and Administrative Expenses	32	(40,678,185)	(36,638,692)
Depreciation and Amortization	33	(27,004,757)	(23,966,831)
Total Operating Expenses Including Impairment Provision		(181,388,422)	(141,399,117)
Profit before Tax		95,058,294	107,312,422
Income Tax	34	(15,435,833)	(32,051,011)
Profit for the Year		79,622,461	75,261,411
Other Comprehensive Income			
Items that will not be reclassified to Profit or Loss			
Movement in Fair Value Reserve (Equity Instruments):			
Net Change in Fair Value - Equity Investment at FVOCI	10.2	(11,100,000)	6,900,000
Income Tax Related to Net Change in Fair Value of Equity Investment	34.3	2,775,000	(1,725,000)
		(8,325,000)	5,175,000
Total Other Comprehensive Income, Net of Tax		(8,325,000)	5,175,000
Total Comprehensive Income		71,297,461	80,436,411
Basic and Diluted Earnings Per Share	35	3.54	3.34

Earnings Per Share at Year End

Figures in brackets indicate deductions

The financial statements are to be read in conjunction with the related notes which form an integral part of the financial statements of the Bank set out on pages 92 to 159. The Report of the Independent Auditors is given on pages 83 to 87.

MALDIVES ISLAMIC BANK PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2021

	Share Capital	Statutory Reserve	Non Distributable Capital Reserve	Fair Value Reserve	Retained Earnings	Total
	MVR	MVR	MVR	MVR	MVR	MVR
As at 1 st 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
Other Comprehensive Income						
Equity Instruments at FVOCI - Change in Fair Value (Note 10.2)	-	-	-	6,900,000	-	6,900,000
Recognition of Deferred Tax Impact on Fair Value Change (Note	-	-	-	(1,725,000)	-	(1,725,000)
Total Comprehensive Income	-	-	-	5,175,000	75,261,411	80,436,411
Transferred to Statutory Reserve (Note 24)	-	18,815,353	-	-	(18,815,353)	-
Recognition of Non-Distributable Capital Reserve (Note 25)	-	-	28,256,163	-	(28,256,163)	-
Transactions with Owners						
Dividends (Note 22.4)	-	-	-	-	(35,437,511)	(35,437,511)
As at 31 st 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>
As at 1 st January 2021	337,500,070	132,746,257	38,648,481	12,900,000	93,268,747	615,063,555
Profit for the Year	-	-	-	-	79,622,461	79,622,461
Other Comprehensive Income						
Equity Instruments at FVOCI - Change in Fair Value (Note 10.2)	-	-	-	(11,100,000)	-	(11,100,000)
Recognition of Deferred Tax Impact on Fair Value Change (Note	-	-	-	2,775,000	-	2,775,000
Total Comprehensive Income	-	-	-	(8,325,000)	79,622,461	71,297,461
Transferred to Statutory Reserve (Note 24)	-	17,253,743	-	-	(17,253,743)	-
Reversal of Non-Distributable Capital Reserve (Note 25)	-	-	(18,346,230)	-	18,346,230	-
Transactions with Owners						
Dividends (Note 22.4)	-	-	-	-	(27,562,509)	(27,562,509)
As at 31 st December 2021	<u>337,500,070</u>	<u>150,000,000</u>	<u>20,302,251</u>	<u>4,575,000</u>	<u>146,421,186</u>	<u>658,798,507</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 92 to 159. The Report of the Independent Auditor's is given on pages 83 to 87.

**MALDIVES ISLAMIC BANK PLC
(INCORPORATED IN THE REPUBLIC OF MALDIVES)
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED

	Note	31/12/2021 MVR	31/12/2020 MVR
Cash Flows from Operating Activities			
Profit before Tax		95,058,294	107,312,422
<i>Adjustments for:</i>			
Depreciation and Amortization	33	27,004,757	23,966,831
Financing Expense on Lease Liabilities	32	5,131,839	5,254,659
Net Impairment Loss on Financial Assets	12.4	35,708,564	14,153,102
Net Impact of Modification of Financial Assets Measured at Amortised Cost	26.3	5,844,056	(21,433,101)
Dividend Income on Equity Securities	29	(3,930,600)	(5,076,000)
Income from Investment in Other Financial Instruments	30	(32,575,456)	(34,255,969)
Written off of Property and Equipment	13	139,936	-
Written off of Intangible Assets	15	123,454	-
Profit Expense on Inter-Bank Financing	26.2	7,509,360	5,731,507
		<u>140,014,204</u>	<u>95,653,451</u>
Changes in;			
Customers' Accounts		1,003,855,498	456,373,307
Other Assets		(42,876,238)	15,570,601
Other Liabilities		(15,576,919)	(84,999,249)
Net Receivables from Financing Activities		(175,050,851)	(75,137,686)
Due from Banks		(76,975,000)	(92,709,973)
Due to Banks and Other Financial Institutions		77,100,000	15,420,000
Cash Generated from Operations		<u>910,490,694</u>	<u>330,170,451</u>
Dividends Received	29	3,930,600	5,076,000
Profit Paid on Inter Bank Finacing		(10,821,541)	(1,323,288)
Tax Paid	34.2	(36,296,247)	(40,180,206)
Net Cash from Operating Activities		<u>867,303,506</u>	<u>293,742,957</u>
Cash Flows from Investing Activities			
Acquisition of Property and Equipment	13	(17,213,030)	(12,213,825)
Acquisition of Intangible Assets	15	(2,369,127)	(6,091,204)
Investment in Assets Mandatorily Measured at FVTPL	11	(330,000,000)	-
Income recieved from Investments Mandatorily Measured at FVTPL		36,708,195	48,446,747
Net Movement in Minimum Reserve Requirement of MMA	8	(165,786,550)	59,721,631
Payment of Lease Liabilities	20	(25,581,371)	(12,159,463)
Net Cash (Used in)/ from Investing Activities		<u>(504,241,883)</u>	<u>77,703,886</u>
Cash Flows from Financing Activities			
Settlement of Wakalah Placement by BML, Maldives	18.2	(150,000,000)	-
Borrowings (Fundings) during the Year	18.3	153,950,000	150,000,000
Dividends Paid during the Year		(50,240,756)	-
Net Cash Used in Financing Activities		<u>(46,290,756)</u>	<u>150,000,000</u>
Net Increase in Cash and Cash Equivalents		316,770,867	521,446,843
Cash and Cash Equivalents at the Beginning of the Year		<u>1,224,420,265</u>	<u>702,973,422</u>
Cash and Cash Equivalents at the End of the Year	7	<u>1,541,191,132</u>	<u>1,224,420,265</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 92 to 159. The Report of the Independent Auditors is given on pages 83 to 87.

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

1. REPORTING ENTITY

Maldives Islamic Bank Public Limited Company (the “Bank”) was incorporated and domiciled in the Republic of Maldives since 01st April 2010 as a private limited liability company and presently governed under the Companies’ Act No.10 of 1996 and Maldives Banking Act No 24 of 2010. The Bank received the banking license under the Maldives Monetary Authority Act No. 6 of 1981 on 02nd August 2010 to conduct Islamic banking business in the Maldives and obtained certificate of approval to commence operations on 06th March 2011. The Bank subsequently converted to a Public Company on 19th June 2019 under the Companies Act and the Bank listed its shares on the Maldives Stock Exchange on 17th November 2019. The registered office of the Bank is at H. Medhuziyaaraiydhoshuge, 20097, Medhuziyaaraiy 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 28th April 2022.

ii. Functional and presentation currency

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

iii. Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

A. Judgements

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31st December 2021 is included in the following notes.

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

C. 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.

D. Going concern

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

3. CHANGE IN ACCOUNTING POLICY

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

The following amendments to IFRS have been applied by the Bank in preparation of these financial statements. The below were effective from 1st January 2021:

Amendment to standards Effective date

Interest (Profit) Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) 1st January 2021

Effective from 1st January 2021, the Bank has adopted Interest (Profit) Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). These amendments provide practical relief from certain requirements in IFRS.

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

3. CHANGE IN ACCOUNTING POLICY (CONTINUED)

These reliefs relate to modifications of financial instruments and lease contracts by a replacement of a benchmark interest (profit) rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest (profit) rate benchmark reform, then the Bank updated the effective interest (profit) rate of the financial asset or financial liability to reflect the change that is required by the reform.

A change in the basis for determining the contractual cash flows is required by interest (profit) rate benchmark reform if the following conditions are met:

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

The Bank applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Bank has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Bank had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 31st December 2021, there is no impact on opening equity balances as a result of retrospective application.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Foreign Currency Transactions

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

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

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

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

4.2 Profit

i. Effective Profit Rate

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Profit (Continued)

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 (payments), plus or minus the cumulative amortisation using the effective profit method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

iii. Calculation of Profit Income and Expense

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

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

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

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

- Income on financing contracts of Murabahah and Istisna' is recognised on time apportioned basis over the period and the profit rate is determined in advance upon agreement of all parties.
- Income from Diminishing Musharakah is recognised on Bank's share of investment over the period based on the profit rate determined in advance upon agreement of all parties.
- Income on Mudarabah financing is recognised when the right to receive payment is established or distribution by the Mudarib. In case of losses in Mudarabah, the Bank's share of losses are deducted from its share of Mudarib capital. The Bank's share as a Mudarib is accrued based on the terms and conditions of the related Mudarabah agreements.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Profit (Continued)

iii. Calculation of Profit Income and Expense (Continued)

- 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.

4.3 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.

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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Net Income from Other Financial Instruments at Fair Value Through Profit or Loss

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

4.5 Dividend Income

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

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

4.6 Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

Bank acting as a lessee

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

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to head office premises, branches or ATM locations.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In additions, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the profit rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing (funding) rate. Generally, the Bank uses its incremental borrowing (funding) rate as the discount rate.

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

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

- fixed payments, including in substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Leases (Continued)

Bank acting as a lessee (Continued)

- 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.

4.7 Income Tax

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

The Bank has determined that fines and penalties related to income tax, including uncertain tax treatments do not meet the definition of income taxes, and therefor accounted for them under IAS 13 Provisions, Contingent Liabilities and Contingent Assets.

i. Current Tax

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

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

ii. Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Income Tax (Continued)

iii. Deferred Tax (Continued)

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.

4.8 Financial Assets and Financial Liabilities

i. Recognition and Initial Measurement

The Bank initially recognises receivables from financing activities, customers' accounts, on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

ii. Classification

Financial assets

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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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 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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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial Assets and Financial Liabilities (Continued)

ii. Classification (Continued)

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

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

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 (financing) 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.

Financial Liabilities

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial Assets and Financial Liabilities (Continued)

ii. Classification (Continued)

Financial Liabilities (Continued)

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

Interest (Profit) Rate Benchmark Reform

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

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

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

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.

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.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial Assets and Financial Liabilities (Continued)

iii. Derecognition (Continued)

Financial Assets (Continued)

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

In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial Liabilities

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

iv. Modification of Financial Assets

Financial Assets

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

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

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

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective profit rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial Assets and Financial Liabilities (Continued)

v. 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.

vi. Fair Value Measurement

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

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

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

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

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 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 measured at FVOCI.

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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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial Assets and Financial Liabilities (Continued)

vii. Impairment (Continued)

Measurement of ECL (Continued)

- *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 (customer), then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- if the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate if the existing financial asset.

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial Assets and Financial Liabilities (Continued)

vii. Impairment (Continued)

Credit-Impaired Financial Assets (Continued)

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial Assets and Financial Liabilities (Continued)

vii. Impairment (Continued)

Write-off (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 (customer) or another company within the borrower's (customer's) group.

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

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

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.

4.9 Cash and Cash Equivalents

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

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

4.10 Receivables from Financing Activities

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 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.

4.11 Investments in Other Financial Instruments

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 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 represent Wakalah, Mudharabah, Musharakah placements where the return is linked to the profit of the borrower (customer).
- 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.

4.12 Investments in Equity Securities

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

- equity investment securities designated as at FVOCI.

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

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

4.13 Deposits

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

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

Deposits comprise following products;

a) Current Accounts

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

Salient features:

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

b) Savings Accounts

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.13 Deposits (Continued)

b) 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

c) General Investment Accounts

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

d) Margin Accounts

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

The Bank maintains margin accounts for the following services:

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

4.14 Financial Guarantees and Finance Commitments

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.14 Financial Guarantees and Finance Commitments (Continued)

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

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

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

For other finance commitments:

- the Bank recognises loss allowance;

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

4.15 Share Capital and Reserves

Ordinary Shares

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

4.16 Property and Equipment

i. Recognition and Measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing (funding) costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

ii. Subsequent Costs

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.16 Property and Equipment (Continued)

ii. Subsequent Costs (Continued)

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

iii. Derecognition

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

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

iv. Depreciation

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

Leasehold Building	Over the lease period
Computer Equipment	4 Years
Furniture and Fittings	5 Years
Office Equipment	5 Years
Machinery and Equipment	10 Years
Motor Vehicles	5 Years
Vault	10 Years

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

4.17 Intangible Assets

i. Recognition and Measurement

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.17 Intangible Assets (Continued)

ii. Subsequent Expenditure

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

iii. Derecognition of Intangible Assets

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

iv. Amortisation

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

Computer Software	5 Years
Core Banking and Database software	7 Years

4.18 Impairment of Non-Financial Assets

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

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

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

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

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

4.19 Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.20 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.

iv. 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.

v. Defined Contribution Plans

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

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

4.21 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.

4.22 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.

4.23 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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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.24 Segment Reporting (Continued)

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

5. STANDARDS ISSUED BUT NOT YET ADOPTED

A number of new standards and amendments to standards are effective for annual periods beginning after 01st January 2021 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.

- 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.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).
- Onerous Contract, cost of full filling a contract (Amendments to IAS 37).
- Deferred Tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12).
- Covid 19 related rent concessions beyond 30 June 2021 (Amendments to IFRS 16).
- Annual improvements to IFRS standards 2018-2020.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

6 OPERATING SEGMENT

(a) Basis for Segmentation

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

Reportable Segments	Operations
Corporate 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 (fundings), investing in securities and investing in liquid assets such as short term placements and government debt securities.

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

(b) Information About Reportable Segments

Information related to each reportable segment is set out below. Segment profit before tax, as included in internal management reports reviewed by the Bank's Management Committee, is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments. Inter-segment pricing is determined on an arm's length basis.

	Corporate and Retail Banking	Card and Electronic Banking	Treasury	Total
For the Year Ended 31st December 2021	MVR	MVR	MVR	MVR
Income from Financing Activities	266,833,523	-	-	266,833,523
Profit Paid on Customer Accounts	(58,381,880)	-	-	(58,381,880)
Net Profit Earned from Financing Activities	208,451,643	-	-	208,451,643
Fee and Commission Income	28,067,887	5,964,974	-	34,032,861
Fee and Commission Expense	(1,082,742)	(1,999,740)	-	(3,082,482)
Net Fee and Commission Income	26,985,145	3,965,234	-	30,950,379
Foreign Exchange Gain	538,638	-	-	538,638
Income from Investments in Equity Securities	-	-	3,930,600	3,930,600
Net Income from Other Financial Instruments at FVTPL	-	-	32,575,456	32,575,456
Total Operating Income	235,975,426	3,965,234	36,506,056	276,446,716
Net Impairment Losses on Financial Assets	(35,708,564)	-	-	(35,708,564)
Personnel Expenses	(64,498,091)	(10,480,749)	(3,018,076)	(77,996,916)
General and Administrative Expenses	(34,929,175)	(3,832,673)	(1,916,337)	(40,678,185)
Depreciation and Amortization	(20,005,024)	(6,649,399)	(350,334)	(27,004,757)
Segment Results	80,834,572	(16,997,587)	31,221,309	95,058,294
Profit before Tax				95,058,294
Income Tax				(15,435,833)
Profit for the Year				79,622,461
Other Comprehensive Income, Net of Tax				(8,325,000)
Total Comprehensive Income				71,297,461

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FOR THE YEAR ENDED 31ST DECEMBER 2021

6 OPERATING SEGMENT (CONTINUED)

(b) Information About Reportable Segments (Continued)

	Corporate and Retail Banking	Card and Electronic Banking	Treasury	Total
	MVR	MVR	MVR	MVR
For the Year Ended 31st December 2020				
Income from Financing Activities	234,359,278	-	-	234,359,278
Profit Paid on Customer Accounts	(50,152,453)	-	-	(50,152,453)
Net Profit Earned from Financing Activities	184,206,825	-	-	184,206,825
Fee and Commission Income	21,749,265	3,718,491	-	25,467,756
Fee and Commission Expense	(837,510)	-	-	(837,510)
Net Fee and Commission Income	20,911,755	3,718,491	-	24,630,246
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
Total Operating Income	205,661,079	3,718,491	39,331,969	248,711,539
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)
Segment Results	85,540,030	(13,236,923)	35,009,315	107,312,422
Profit before Tax				107,312,422
Income Tax				(32,051,011)
Profit for the Year				75,261,411
Other Comprehensive Income, Net of Tax				5,175,000
Total Comprehensive Income				80,436,411
	Corporate and Retail Banking	Card and Electronic Banking	Treasury	Total
	MVR	MVR	MVR	MVR
As at 31st December 2021				
Assets				
Cash and Balances with Other Banks	234,786,235	-	-	234,786,235
Balances with Maldives Monetary Authority	1,702,509,895	-	-	1,702,509,895
Investments in Equity Securities	-	-	53,100,000	53,100,000
Investments in Other Financial Instruments	-	-	715,871,549	715,871,549
Due from Banks	169,691,388	-	-	169,691,388
Net Receivables from Financing Activities	2,346,159,157	-	-	2,346,159,157
Property and Equipment	36,254,341	14,132,127	-	50,386,468
Right-of-Use Assets	87,180,882	17,463,254	3,053,693	107,697,829
Intangible Assets	8,751,868	4,345,910	-	13,097,778
Other Assets	97,156,357	-	-	97,156,357
Total Assets	4,682,490,123	35,941,291	772,025,242	5,490,456,656

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2021

6 OPERATING SEGMENT (CONTINUED)

(b) Information About Reportable Segments (Continued)

	Corporate and Retail Banking	Card and Electronic Banking	Treasury	Total
As at 31st December 2021 (Continued)	MVR	MVR	MVR	MVR
Liabilities				
Customers' Accounts	4,434,875,309	-	-	4,434,875,309
Due to Banks	-	-	247,566,038	247,566,038
Provisions	977,782	-	-	977,782
Current Tax Liability (Unallocated)	-	-	-	8,617,681
Deferred Tax Liability (Unallocated)	-	-	-	-
Lease Liabilities	78,321,203	17,468,457	3,090,564	98,880,224
Other Liabilities	41,288,910	5,091,919	-	46,380,829
Total Liabilities	4,555,463,204	22,560,376	250,656,602	4,837,297,863
	Corporate and Retail Banking	Card and Electronic Banking	Treasury	Total
As at 31st December 2020	MVR	MVR	MVR	MVR
Assets				
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
Total Assets	3,828,546,815	37,994,738	550,223,981	4,416,765,534
Liabilities				
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
Total Liabilities	3,584,989,947	17,022,168	173,076,483	3,801,701,979

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7 CASH AND BALANCES WITH OTHER BANKS	31/12/2021	31/12/2020
	MVR	MVR
Cash in Hand (Note 7.1)	115,149,894	163,886,728
Balances with Other Banks (Note 7.2)	119,636,341	127,143,034
	<u>234,786,235</u>	<u>291,029,762</u>

7.1 Cash in Hand

	As at 31st December 2021			As at 31st December 2020		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
USD	2,679,923	15.395	41,257,415	5,539,381	15.395	85,278,771
MVR	-	-	73,892,479	-	-	78,607,957
Total			<u>115,149,894</u>			<u>163,886,728</u>

7.2 Balances with Other Banks

	As at 31st December 2021			As at 31st December 2020		
	Foreign Currency	Exchange Rate	Carrying Amount MVR	Foreign Currency	Exchange Rate	Carrying Amount MVR
Habib American Bank (USD)	3,101,592	15.395	47,749,006	4,478,306	15.395	68,943,528
AB Bank Limited (USD)	572,438	15.395	8,812,676	49,543	15.395	762,710
Bank of Maldives PLC (USD)	488,726	15.395	7,523,944	912,880	15.395	14,053,794
Bank of Maldives PLC (MVR)	-	-	50,278,058	-	-	39,636,640
State Bank of India (USD)	278,071	15.395	4,280,903	185,071	15.395	2,849,168
State Bank of India (MVR)	-	-	615,204	-	-	168,980
Amana Bank PLC (USD)	24,459	15.395	376,550	47,302	15.395	728,214
Total			<u>119,636,341</u>			<u>127,143,034</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.

	31/12/2021	31/12/2020
	MVR	MVR
Cash and Balances with Banks as per the Statement of Financial Position	234,786,235	291,029,762
Add: Balance with MMA in excess of Minimum Reserve Requirement	1,306,404,897	933,390,503
Cash and Cash Equivalents as per the Cash Flow Statement	<u>1,541,191,132</u>	<u>1,224,420,265</u>

8 BALANCES WITH MALDIVES MONETARY AUTHORITY	31/12/2021	31/12/2020
	MVR	MVR
Minimum Reserve Requirement (MRR) (Note 8.1)	396,104,998	230,318,448
Balance in Excess of MRR with MMA (Note 8.2)	1,306,404,897	933,390,503
Total	<u>1,702,509,895</u>	<u>1,163,708,951</u>

8.1 Minimum Reserve Requirement ("MRR")

As per the regulations of the Maldives Monetary Authority (the "MMA"), the Bank is required to maintain a reserve deposit based on 10% of 14 days average of the Customers' deposits with the Bank excluding interbank deposits of other banks in Maldives and letter of credit margin deposits. However, effective from 16th July 2020, the MRR for foreign currency deposits was lowered to 5% to address the dollar liquidity issues faced by the commercial banks. Accordingly, the Bank has to maintain 10% 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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FOR THE YEAR ENDED 31ST DECEMBER 2021

8 BALANCES WITH MALDIVES MONETARY AUTHORITY (CONTINUED)

8.2 Balance in Excess to Minimum Reserve Requirement

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

9 DUE FROM BANKS	31/12/2021	31/12/2020
	MVR	MVR
Qardh Facility	92,370,000	15,395,000
Wakalah Facility	77,321,388	77,314,973
	<u>169,691,388</u>	<u>92,709,973</u>

The Bank has granted an additional Qardh facility amounting to US\$ 5 Mn to Bank of Maldives during the year 2021 and existing Qardh facility amounting to US\$ 1 Mn and Wakala Facility amounting to US\$ 5 Mn granted to Bank of Maldives have been renewed for another 180 days on 24th August 2021 and 10th August 2021 respectively.

10 INVESTMENTS IN EQUITY SECURITIES	31/12/2021	31/12/2020
	MVR	MVR
Investment Securities Designated at FVOCI - (Note 10.1)	53,100,000	64,200,000
	<u>53,100,000</u>	<u>64,200,000</u>

10.1 Investment Securities Designated at FVOCI - Equity Investments

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

	Fair Value as at 31st December 2021	Dividend Income Recognized for the Year 2021	Fair Value as at 31st December 2020	Dividend Income Recognized for the Year 2020
	MVR	MVR	MVR	MVR
Investment in Equity Shares - Ooredoo Maldives PLC	42,900,000	3,042,000	54,600,000	4,290,000
Investment in Equity Shares - Dhivehi Rajjeyge Gulhun PLC	10,200,000	888,600	9,600,000	786,000
	<u>53,100,000</u>	<u>3,930,600</u>	<u>64,200,000</u>	<u>5,076,000</u>
		Ooredoo Maldives PLC	Dhivehi Raajjeyge Gulhun PLC	Total
		MVR	MVR	MVR
As at 1 st January 2021		54,600,000	9,600,000	64,200,000
Change in Fair Value during the Year		(11,700,000)	600,000	(11,100,000)
As at 31 st December 2021		<u>42,900,000</u>	<u>10,200,000</u>	<u>53,100,000</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 31st December 2021, the shares were valued at MVR 102/- each (2020: MVR 96/-). The investment in Ooredoo comprises of 1,300,000 shares with nominal value of MVR 1/- which were purchased at MVR 30/- per share. The shares were valued at MVR 33/- each as at 31st December 2021 (2020: MVR 42/-).

No Strategic investments were disposed during 2021 and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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10 INVESTMENTS IN EQUITY SECURITIES

10.2 Fair Value Reserve	31/12/2021	31/12/2020
	MVR	MVR
As at 1 st January	12,900,000	7,725,000
(Reversal)/ Recognition during the year	(11,100,000)	6,900,000
Deferred Tax on Reversal/ (Recognition) during the year	2,775,000	(1,725,000)
As at 31 st December	<u>4,575,000</u>	<u>12,900,000</u>

11 INVESTMENTS IN OTHER FINANCIAL INSTRUMENTS

	31/12/2021	31/12/2020
	MVR	MVR
Investments Mandatorily Measured at FVTPL (Note 11.1)	<u>715,871,549</u>	<u>390,010,703</u>
	<u>715,871,549</u>	<u>390,010,703</u>

11.1 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.

	Invested	Contract	Country	Maturity	Indicative	31/12/2021	31/12/2020
	Currency	Type			Rate	MVR	MVR
HDFC, Maldives (Note 11.2)	MVR	Wakalah	Maldives	1 Year	7.5% - 8.5%	10,743,987	30,594,348
Treasury Bills (Note 11.3)	MVR	Mudharabah	Maldives	91 Days	5.5% - 8%	354,523,452	359,416,355
Treasury Bills (Note 11.3)	MVR	Ijara	Maldives	28 Days	3.50%	350,604,110	-
						<u>715,871,549</u>	<u>390,010,703</u>

11.2 The placement with HDFC Amna (Islamic window) consists of a principal amounting of MVR 10,000,000/- and profits accrued as at 31st December 2021.

11.3 These are Islamic treasury instruments offered by Ministry of Finance on behalf of the Government of Maldives. The bank has invested in 28 days Ijara Treasury Bills Certificates with a profit rate of 3.5% and 91 days Mudharabah Certificates with an indicative profit rate of 5.5% - 8%.

12 NET RECEIVABLES FROM FINANCING ACTIVITIES

	31/12/2021	31/12/2020
	MVR	MVR
Receivables from Financing Activities Measured at Amortized Cost	2,427,275,241	2,258,068,446
Less: Impairment Loss Allowance (Note 12.2)	(81,116,084)	(45,160,028)
Net Receivable from Financing Activities	<u>2,346,159,157</u>	<u>2,212,908,418</u>

12.1 Receivables from Financing Activities Measured at Amortized Cost

	31/12/2021	31/12/2020
	MVR	MVR
Diminishing Musharakah	1,236,494,680	1,151,115,139
Murabaha	1,019,708,359	893,785,856
Istisna'	170,512,646	211,596,477
Education Financing	559,556	1,570,974
Total Gross Receivables from Financing Activities	<u>2,427,275,241</u>	<u>2,258,068,446</u>
Less: Impairment Loss Allowance		
Impairment Loss Allowance on Individually Assessed Customers	(46,650,215)	(13,000,523)
Impairment Loss Allowance on Collectively Assessed Customers	(34,465,869)	(32,159,505)
Total Loss Allowance	<u>(81,116,084)</u>	<u>(45,160,028)</u>
Net Receivables from Financing Activities	<u>2,346,159,157</u>	<u>2,212,908,418</u>

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FOR THE YEAR ENDED 31ST DECEMBER 2021

12 NET RECEIVABLES FROM FINANCING ACTIVITIES (CONTINUED)

12.2 Movement in Impairment Loss Allowance	31/12/2021	31/12/2020
	MVR	MVR
As at 1 st January	45,160,028	29,506,530
Impairment Expenses Recognized during the Year for on Balance Sheet Exposure	35,956,056	15,653,498
As at 31 st December	81,116,084	45,160,028

12.3 Receivables from Financing Activities Measured at Amortized Cost

	31/12/2021			31/12/2020		
	Gross Carrying Amount	ECL Allowance	Net Carrying Amount	Gross Carrying Amount	ECL Allowance	Net Carrying Amount
	MVR	MVR	MVR	MVR	MVR	MVR
Education Financing	559,556	5,412	554,144	1,570,974	18,848	1,552,126
Murabaha	1,019,708,359	53,724,618	965,983,741	893,785,856	34,955,259	858,830,597
Istisna'	170,512,646	1,304,288	169,208,358	211,596,477	1,627,980	209,968,497
Diminishing Musharakah	1,236,494,680	26,081,766	1,210,412,914	1,151,115,139	8,557,941	1,142,557,198
Net Financing	2,427,275,241	81,116,084	2,346,159,157	2,258,068,446	45,160,028	2,212,908,418

12.4 Net Impairment Loss on Financial Assets

	31/12/2021	31/12/2020
	MVR	MVR
Impairment Recognized during the Year for On Balance Sheet Exposure (Note 12.2)	35,956,056	15,653,498
Impairment Recognized during the Year for Off Balance Sheet Exposure (Note 19)	(247,492)	(1,500,396)
	35,708,564	14,153,102

12.5 Contributed to Changes in Loss Allowance by 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.

	For the year ended 31st December 2021		
	Impact : Increase (Decrease)		
	Stage 1	Stage 2	Stage 3
Receivables from Financing Activities Measured at Amortized Cost			
Murabaha	1,152,917	569,137	4,790,579
Istisna'	(198,216)	13,805	1,293,794
Diminishing Musharakah	959,177	1,020,522	2,509,877
	1,913,878	1,603,464	8,594,250
Commitments	(192,452)	-	-
	For the year ended 31st December 2020		
	Impact : Increase (Decrease)		
	Stage 1	Stage 2	Stage 3
Receivables from Financing Activities Measured at Amortized Cost			
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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13 PROPERTY AND EQUIPMENT

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

13.1 Capital work in progress includes the amount incurred by the Bank on construction of ATMs that are yet to be commissioned.

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

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

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

13.5 The cost of fully-depreciated property and equipment of the Bank as at 31st December 2021 is MVR 47,324,367/-.

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13 PROPERTY AND EQUIPMENT

	Leasehold Building	Computer Equipment	Furniture and Fittings	Office Equipment	Machinery and Equipment	Motor Vehicles	Capital Work In Progress	Total
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
Cost								
As at 1 st 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
Additions During the Year	165,403	944,937	144,519	201,135	-	-	10,757,831	12,213,825
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 st December 2020	<u>26,154,477</u>	<u>35,577,212</u>	<u>6,078,634</u>	<u>21,036,729</u>	<u>1,117,659</u>	<u>283,978</u>	<u>7,283,582</u>	<u>97,532,271</u>
Accumulated Depreciation								
As at 1 st January 2020	7,912,546	19,360,308	3,147,750	10,318,387	102,452	47,330	-	40,888,773
Depreciation for the Year	2,410,137	5,291,561	870,723	2,494,539	111,766	56,795	-	11,235,521
As at 31 st December 2020	<u>10,322,683</u>	<u>24,651,869</u>	<u>4,018,473</u>	<u>12,812,926</u>	<u>214,218</u>	<u>104,125</u>	<u>-</u>	<u>52,124,294</u>
Net Carrying Value								
As at 31 st December 2020	<u>15,831,794</u>	<u>10,925,343</u>	<u>2,060,161</u>	<u>8,223,803</u>	<u>903,441</u>	<u>179,853</u>	<u>7,283,582</u>	<u>45,407,977</u>

13.1 Capital work in progress includes the amount incurred by the Bank on construction of ATMs that are yet to be commissioned.

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

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

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

13.5 The cost of fully-depreciated property and equipment of the Bank as at 31st December 2020 is MVR 38,287,692/-.

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14 RIGHT-OF-USE ASSETS

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

	31/12/2021	31/12/2020
	MVR	MVR
Cost		
As at 1 st January	107,293,334	106,371,583
Modifications during the Year	629,819	921,751
Additions during the Year	30,320,638	-
As at 31 st December	<u>138,243,791</u>	<u>107,293,334</u>
Accumulated Depreciation		
As at 1 st January	19,704,166	9,770,749
Depreciation Charged during the Year	10,841,796	9,933,417
As at 31 st December	<u>30,545,962</u>	<u>19,704,166</u>
Net Carrying Value	<u>107,697,829</u>	<u>87,589,168</u>

15 INTANGIBLE ASSETS

31st December 2021

	Core Banking and Database Software MVR	Other Computer Software MVR	Capital Work In Progress MVR	Total MVR
Cost				
As at 1 st January 2021	20,057,883	10,901,088	4,409,412	35,368,383
Additions during the Year	-	908,507	1,460,620	2,369,127
Write off during the Year	-	-	(123,454)	(123,454)
Transferred From Capital Working Progress	-	5,319,667	(5,319,667)	-
As at 31 st December 2021	<u>20,057,883</u>	<u>17,129,262</u>	<u>426,911</u>	<u>37,614,056</u>

Accumulated Amortization

As at 1 st January 2021	15,805,548	4,642,372	-	20,447,920
Amortization for the Year	1,460,203	2,608,155	-	4,068,358
As at 31 st December 2021	<u>17,265,751</u>	<u>7,250,527</u>	<u>-</u>	<u>24,516,278</u>

Net Carrying Value as at 31st December 2021

	<u>2,792,132</u>	<u>9,878,735</u>	<u>426,911</u>	<u>13,097,778</u>
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31st December 2020

	Core Banking and Database Software MVR	Other Computer Software MVR	Capital Work In Progress MVR	Total MVR
Cost				
As at 1 st January 2020	20,057,883	3,913,024	3,260,576	27,231,483
Additions during the Year	-	651,339	5,439,865	6,091,204
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 st December 2020	<u>20,057,883</u>	<u>10,901,088</u>	<u>4,409,412</u>	<u>35,368,383</u>

Accumulated Amortization

As at 1 st January 2020	14,301,551	3,348,476	-	17,650,027
Amortization for the Year	1,503,997	1,293,896	-	2,797,893
As at 31 st December 2020	<u>15,805,548</u>	<u>4,642,372</u>	<u>-</u>	<u>20,447,920</u>

Net Carrying Value as at 31st December 2020

	<u>4,252,335</u>	<u>6,258,716</u>	<u>4,409,412</u>	<u>14,920,463</u>
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15.1 Software work in progress includes, payments made by the bank for procuring the banking software which is in the process of implementation.

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

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16 OTHER ASSETS	31/12/2021	31/12/2020
	MVR	MVR
Refundable Deposits	7,812,316	6,534,322
Prepayments	6,428,710	4,522,461
Advance Payments Against Financing Assets (Note 16.1)	71,771,815	40,582,579
Other Receivables	11,143,516	2,640,757
	<u>97,156,357</u>	<u>54,280,119</u>

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

17 CUSTOMERS' ACCOUNTS	31/12/2021	31/12/2020
	MVR	MVR
Current Accounts	1,443,357,966	1,057,799,421
Saving Accounts	1,748,816,346	1,476,682,141
General Investment Accounts	1,214,785,193	869,296,243
Margin Accounts	27,915,804	27,242,006
	<u>4,434,875,309</u>	<u>3,431,019,811</u>

18 DUE TO BANKS AND OTHER FINANCIAL INSTITUTION	31/12/2021	31/12/2020
	MVR	MVR
Qardh Facility from BML, Maldives (Note 18.1)	92,520,000	15,420,000
Wakalah Placement by BML, Maldives (Note 18.2)	-	154,408,219
Islamic Corporation for the Development of private sector ("ICD") (Note 18.3)	155,046,038	-
	<u>247,566,038</u>	<u>169,828,219</u>

18.1 The Bank has received an additional Qardh (loan facility) amounting to US\$ 5 Mn during the year 2021 from Bank of Maldives. The Qardh facility is to be repaid without any facility charges on or before 6 (six) months from the effective date of the Agreement. The agreements expired on 14th November 2021 and it was renewed for another 3 months till 14th February 2022. Further the existing Qardh facility of US\$ 1 Mn is also extended till 20th February 2022.

18.2 During the year 2020, 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 Mn and MVR 50 Mn. 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 Mn 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 Mn 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. 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. However, the Company has settled these Wakala facilities of MVR 100 Mn on 15th May 2021 and MVR 50 Mn on 16th June 2021.

18.3 On 6th May 2021, the Bank has obtained MVR 154,200,000 Commodity Murabaha Facility from the Islamic Corporation for the Development of private sector ("ICD") at a profit rate of 4.66% and this facility to be fully settled on 6th May 2024.

The facility is secured by;

- (a) allocate the funds to eligible private sector projects (as per ICD's eligibility criteria) under Shari'ah compliant mode of financing within 6 months from the date of disbursement.
- (b) allocate 50 per cent. (50%) of the Transaction Amount to Eligible Projects and Eligible Project Companies generating income in USD or EUR.
- (c) funds can only be allocated to business with due diligence and efficiency, charter and all relevant laws and regulations in effect from time to time in the Maldives.

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19 PROVISIONS	31/12/2021	31/12/2020
	MVR	MVR
As at 1 st January	1,225,274	2,725,670
Provision Made during the Year - Undrawn Credit Facilities	(247,492)	(1,500,396)
As at 31 st December	<u>977,782</u>	<u>1,225,274</u>

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

20 LEASE LIABILITIES

The Bank leases its head office premises, branches, and ATM locations. The leases typically run for a period of 3 to 25 years, with an option to renew the lease after that date.

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

	31/12/2021	31/12/2020
	MVR	MVR
As at 1 st January	88,379,299	94,362,352
Modifications during the Year	629,819	921,751
Additions during the Year	30,320,638	-
Financing Expense on Lease Liabilities	5,131,839	5,254,659
Payments made during the Year	(25,581,371)	(12,159,463)
As at 31 st December	<u>98,880,224</u>	<u>88,379,299</u>

Maturity Analysis of Undiscounted Cash Flows as Follows

Less than one year	12,610,581	12,032,165
More than one year	114,343,929	102,917,328
	<u>126,954,510</u>	<u>114,949,493</u>

20.1 Amount Recognised in Profit or Loss

Financing Expense on Lease Liabilities	5,131,839	5,254,659
Amortization of Right of Use Asset	10,841,796	9,933,417
Expenses relating to short term leases	-	126,572

20.2 Amount Recognised in Statement of Cash flows

	<u>25,581,371</u>	<u>12,159,463</u>
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20.3 Extension Options

Some leases of branches contain extension options exercisable by the Bank up to three/five years before the end of the non-cancellable contract period. The Bank included extension options in lease agreements to provide operational flexibility and the management decided that the Bank is most likely to exercise the extension options. The future lease payments resulted in an increase in lease liability of MVR 4,375,680/- as a result of the extensions as at 31st December 2021 (as at 31st December 2020: MVR 5,328,843/-).

21 OTHER LIABILITIES

	31/12/2021	31/12/2020
	MVR	MVR
Accrued Expenses	6,982,545	2,352,063
Pension Payable	470,143	430,896
Payable to Suppliers	12,547,557	7,209,461
Cashiers Cheque	2,869,337	3,614,747
Charity Funds from Financing	304,614	762,339
Retention on Istisna'a Projects	431,440	431,440
Dividend Payable	12,759,264	35,437,511
Other Liabilities	10,015,929	34,397,538
	<u>46,380,829</u>	<u>84,635,995</u>

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22 SHARE CAPITAL

22.1 Authorized Share Capital

	31/12/2021	31/12/2020
	MVR	MVR
100,000,000 Ordinary Shares of MVR 10/- each (2020: 100,000,000 Ordinary Shares of MVR 10/- each)	<u>1,000,000,000</u>	<u>1,000,000,000</u>

22.2 Issued and Fully Paid Up Share Capital

	31/12/2021		31/12/2020	
	Value	No. of Shares	Value	No. of Shares
	MVR		MVR	
Ordinary Shares Issued before Initial Public Offering	180,000,070	18,000,007	180,000,070	18,000,007
Initial Public Offering	157,500,000	4,500,000	157,500,000	4,500,000
	<u>337,500,070</u>	<u>22,500,007</u>	<u>337,500,070</u>	<u>22,500,007</u>

18,000,007 Ordinary Shares of MVR 10/- each and 4,500,000 Ordinary Shares of MVR 35/- each (2020: 18,000,007 Ordinary Shares of MVR 10/- each and 4,500,000 Ordinary Shares of MVR 35/- each).

22.3 Shareholders

	31/12/2021		31/12/2020	
	No. of Shares	%	No. of Shares	%
Islamic Corporation for the Development of the Private Sector	8,100,000	36%	8,100,000	36%
The Government of Maldives	6,300,000	28%	6,300,000	28%
Amana Takaful Maldives PLC	1,130,152	5%	1,130,152	5%
Maldives Pension Administration Office	2,369,370	11%	2,369,370	11%
Others	4,600,485	20%	4,600,485	20%
Total	<u>22,500,007</u>	<u>100%</u>	<u>22,500,007</u>	<u>100%</u>

22.4 Dividends and Voting Rights

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote as per articles of the Bank.

The Board of Directors of the Bank has declared a dividend of MVR 27,562,509/- during the year ended 31st December 2021 (31st December 2020: MVR 35,437,511/-).

23 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.

24 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 17,253,743/- during the year ended 31st December 2021 (2020: MVR 18,815,353/-).

The Bank has the statutory reserve amounting to MVR 150,000,000/- as at 31st December 2021 and that is an amount equal to the Bank's minimum required assigned capital of MVR 150,000,000/- as specified under sections 12 and 13 of the Maldives Banking act No. 24/2010.

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25 NON-DISTRIBUTABLE CAPITAL RESERVE

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 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, however the Bank has reversed the Non-distributable Capital Reserve by MVR 18,346,230/- as at 31st December 2021 in accordance with IFRS 09 to adjust the provision. (31st December 2020: an additional amount of MVR 28,256,163/- has been transferred to Non-distributable Capital Reserve).

	31/12/2021	31/12/2020
	MVR	MVR
Impairment Provision as per MMA Prudential Regulation	102,396,117	85,033,783
Impairment Provision as per IFRS 09 (Note 12.1 and Note 19)	82,093,866	46,385,302
Non-distributable Capital Reserve	<u>20,302,251</u>	<u>38,648,481</u>

26 NET PROFIT EARNED FROM FINANCING ACTIVITIES

	2021	2020
	MVR	MVR
Income from Financing Activities (Note 26.1)	266,833,523	234,359,278
Profit Paid on Customer Accounts (Note 26.2)	(58,381,880)	(50,152,453)
Net Profit Earn from Financing Activities	<u>208,451,643</u>	<u>184,206,825</u>

26.1 Income from Financing Activities - Measured at Amortized Cost

Income from Education Financing	162,760	296,987
Income from Murabaha	124,335,252	138,051,219
Income from Istisna	20,021,137	37,842,468
Income from Diminishing Musharaka	116,470,318	79,601,705
Income from Finance Activities using the Effective Profit Method	<u>260,989,467</u>	<u>255,792,379</u>
Net Impact of Modification of Financial Assets Measured at Amortised Cost (Note 26.3)	5,844,056	(21,433,101)
Net Income from Finance Activities using the Effective Profit Method	<u>266,833,523</u>	<u>234,359,278</u>

26.2 Profit on Customer Accounts and Others - Measured at Amortized Cost

General Investment Accounts	34,964,428	30,750,853
Savings Accounts	15,908,092	13,670,093
Inter-Bank Financing	7,509,360	5,731,507
Total Profit on Customer Accounts and Others	<u>58,381,880</u>	<u>50,152,453</u>

26.3 Net Loss Arising From Modification of Financial Assets Measured at Amortised Cost

As in line with the concession guidelines issued by the Maldives Monetary Authority (MMA) to mitigate the impact of Covid-19 pandemic, the Bank has offered a moratorium package for the Banks' customers until 31st March 2021. This resulted to modify the cash flows of financial asset- measured at 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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26 NET PROFIT EARNED FROM FINANCING ACTIVITIES (CONTINUED)

26.3 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;

	31/12/2021			31/12/2020		
	Murabaha	Diminishing Musharakah	Total	Murabaha	Diminishing Musharakah	Total
Amortized cost before Modification	-	70,231,666	70,231,666	84,953,946	694,664,720	779,618,666
Loss on Modification	-	(1,910,606)	(1,910,606)	(8,577,833)	(15,982,674)	(24,560,507)
Unwinding Effect during the Year	4,051,513	3,703,149	7,754,662	2,266,933	860,473	3,127,406
Net Impact to Profit or Loss	4,051,513	1,792,543	5,844,056	(6,310,900)	(15,122,201)	(21,433,101)

27 NET FEE AND COMMISSION INCOME

	2021 MVR	2020 MVR
Fee and Commission Income (Note 27.1)	34,032,861	25,467,756
Fee and Commission Expense (Note 27.2)	(3,082,482)	(837,510)
Net Fee And Commission Income	30,950,379	24,630,246

27.1 Disaggregation of Fee and Commission Income

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

	Corporate and Retail Banking		ATM Card and Electronic Banking		Total	
	2021	2020	2021	2020	2021	2020
	MVR	MVR	MVR	MVR	MVR	MVR
Banking Services	10,117,914	7,465,622	-	-	10,117,914	7,465,622
Trade Finance Services	1,140,070	1,445,876	-	-	1,140,070	1,445,876
Remittances	16,763,859	12,818,661	-	-	16,763,859	12,818,661
ATM, POS, Faisa Net and Gateway services	-	-	5,964,974	3,718,491	5,964,974	3,718,491
Other Fees and Commissions Income	46,044	19,106	-	-	46,044	19,106
Total Fee and Commission Income	28,067,887	21,749,265	5,964,974	3,718,491	34,032,861	25,467,756

27.2 Fee and Commission Expense

Fund Transfer Expenses	1,082,742	837,510	1,999,740	-	3,082,482	837,510
	1,082,742	837,510	1,999,740	-	3,082,482	837,510

28 NET FOREIGN EXCHANGE GAIN

	2021 MVR	2020 MVR
Net Foreign Exchange Gain	538,638	542,499

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

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29 INCOME FROM INVESTMENTS IN EQUITY SECURITIES	2021	2020
	MVR	MVR
Dividend Income from Investment Measured at FVOCI	3,930,600	5,076,000
	<u>3,930,600</u>	<u>5,076,000</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 7.02/- per share as interim and final dividend for 2020 and MVR 1.86/- per share as interim dividend for 2021. (2020: final dividend of MVR 7.86/- per share for 2019), from Ooredoo, MVR 2.34/- per share as the final dividend for 2020. (2020: final dividend of MVR 3.30/- per share for 2019).</p>		
30 NET INCOME FROM FINANCIAL INSTRUMENTS MANDATORILY MEASURED AT FVTPL	2021	2020
	MVR	MVR
Wakala/ Musharakah Placement Income	4,778,983	4,083,654
Mudharabah/ Murabahah Income Mandatorily Measured at FVTPL	27,796,473	30,172,315
	<u>32,575,456</u>	<u>34,255,969</u>
31 PERSONNEL EXPENSES	2021	2020
	MVR	MVR
Salaries and Wages	49,198,784	45,353,289
Housing Allowance	7,130,073	6,560,086
Annual and Ramadhan Bonus	12,200,610	7,741,635
Contribution to Defined Contribution Plans	2,761,303	2,579,224
Medical Insurance	2,019,047	1,917,225
Other Staff Expenses	3,071,091	1,584,730
Training and Development	759,112	294,269
Executive Allowance	526,320	324,000
Uniforms	330,576	286,034
	<u>77,996,916</u>	<u>66,640,492</u>
32 GENERAL AND ADMINISTRATIVE EXPENSES	2021	2020
	MVR	MVR
Technology Related Expenses	9,058,083	8,920,217
Financing Expense on Lease Liabilities	5,131,839	5,254,659
Connectivity and Internet Charges	3,736,815	2,933,908
Electricity Expenses	3,353,750	3,193,300
Marketing and Advertising Expenses	3,204,722	2,166,207
Premises Security and Insurance	2,751,522	2,589,924
Directors Allowance and Board Related Expenses	2,274,494	1,572,918
Other Operating Expenses	1,983,592	2,287,528
Stationary Costs	1,962,850	2,499,512
Legal and Professional Expenses	1,772,341	1,292,153
Communication Expenses	1,473,134	1,471,302
Financing Related Expenses	1,282,250	280,850
Utility Expenses	1,010,574	940,449
Maintenance Expense	897,609	754,245
Travelling Expenses	548,039	35,663
Shari'ah Committee Related Expenses	236,571	319,285
Rent Expense	-	126,572
	<u>40,678,185</u>	<u>36,638,692</u>

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33 DEPRECIATION AND AMORTISATION	2021 MVR	2020 MVR
Depreciation on Property and Equipment	12,094,603	11,235,521
Depreciation on Right-of-Use Assets	10,841,796	9,933,417
Amortisation on Intangible Assets	4,068,358	2,797,893
	<u>27,004,757</u>	<u>23,966,831</u>
34 INCOME TAX	2021 MVR	2020 MVR
A. Amounts Recognised in Profit or Loss		
Current Tax (Note 34.1)	25,180,897	33,126,433
Deferred Tax Asset Recognized during the year (Note 34.3)	(9,745,064)	(1,075,422)
	<u>15,435,833</u>	<u>32,051,011</u>
B. Amounts Recognised in Other Comprehensive Income		
<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)	(2,775,000)	1,725,000
	<u>(2,775,000)</u>	<u>1,725,000</u>
34.1 Current Tax		
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.		
	2021 MVR	2020 MVR
Accounting Profit before Tax	95,058,294	107,312,422
Add: Aggregate Disallowable Items	51,886,431	28,294,119
Less: Aggregate Allowable Items	(46,221,138)	(3,100,809)
Taxable Income for the Year	<u>100,723,587</u>	<u>132,505,732</u>
Income Tax @ 25%	<u>25,180,897</u>	<u>33,126,433</u>
34.2 Current Tax Liability	31/12/2021 MVR	31/12/2020 MVR
Opening Balance	19,733,031	26,786,804
Current Tax for the Year	25,180,897	33,126,433
Tax Paid during the Year	(36,296,247)	(40,180,206)
Closing Balance	<u>8,617,681</u>	<u>19,733,031</u>
34.3 Deferred Tax (Asset) / Liability	31/12/2021 MVR	31/12/2020 MVR
As at 1 st January	6,880,350	6,230,772
Recognition in Profit or Loss		
Deferred Tax Asset Recognized during the year	(9,745,064)	-
Deferred Tax Liability Reversed during the year	-	(1,075,422)
Recognition in Other Comprehensive Income		
Deferred Tax Liability Reversed / Recognized during the year	(2,775,000)	1,725,000
As at 31 st December	<u>(5,639,714)</u>	<u>6,880,350</u>

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34 INCOME TAX (CONTINUED)

34.3 Deferred Tax (Asset) / Liability (Continued)

Deferred Tax (Asset) / Liability Attributable for Following:

	2021		2020	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	MVR "000"	MVR "000"	MVR "000"	MVR "000"
Property and Equipment	715,550	178,888	5,354,100	1,338,525
Intangible Assets	6,069,245	1,517,311	4,967,301	1,241,825
Investments in Equity Securities	6,100,000	1,525,000	17,200,000	4,300,000
Impairment Loss Allowance on Receivables from Financing Activities	(35,443,651)	(8,860,913)	-	-
	<u>(22,558,856)</u>	<u>(5,639,714)</u>	<u>27,521,401</u>	<u>6,880,350</u>

Deferred tax assets and liabilities are calculated on all taxable and deductible temporary differences arising from the differences between accounting bases and tax bases of assets and liabilities. Deferred tax is provided at the rate of 25% (2020: 25%).

Movement in Deferred Tax Liability / (Asset)

	Balance as at 1 st January 2021	Recognized in Profit or Loss	Recognized in OCI	Deferred Tax Liability as at 31 st December
Property and Equipment	1,338,525	(1,159,637)	-	178,888
Intangible Assets	1,241,825	275,486	-	1,517,311
Investments in Equity Securities	4,300,000	-	(2,775,000)	1,525,000
Impairment Loss Allowance on Receivables from Financing Activities	-	(8,860,913)	-	(8,860,913)
	<u>6,880,350</u>	<u>(9,745,064)</u>	<u>(2,775,000)</u>	<u>(5,639,714)</u>

35 BASIC AND DILUTED EARNINGS PER SHARE

35.1 The calculation of basic and diluted earnings per share is based on profit for the year attributable to the ordinary shareholders and weighted average number of ordinary shares outstanding as at reporting date. Basic earnings per share is calculated as follows:

	2021 MVR	2020 MVR
Profit Attributable to Ordinary Shareholders	79,622,461	75,261,411
Weighted Average Number of Ordinary Shares	22,500,007	22,500,007
Basic and Diluted Earnings Per Share	<u>3.54</u>	<u>3.34</u>
35.2 Net Assets Per Share as of 31 st December	<u>29.28</u>	<u>27.34</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.

31st December 2021	Note	Mandatorily at FVTPL MVR	Designated at FVOCI MVR	Amortized Cost MVR	Total Carrying Amount MVR
Cash and Balances with Other Banks	7	-	-	234,786,235	234,786,235
Balances with Maldives Monetary Authority	8	-	-	1,702,509,895	1,702,509,895
Investments in Equity Securities	10	-	53,100,000	-	53,100,000
Investments in Other Financial Instruments	11	715,871,549	-	-	715,871,549
Due from Banks	9	77,321,388	-	92,370,000	169,691,388
Net Receivables from Financing Activities	12	-	-	2,346,159,157	2,346,159,157
Other Assets	16	-	-	81,538,632	81,538,632
Total Financial Assets		793,192,937	53,100,000	4,457,363,919	5,303,656,856
Customers' Accounts	17	-	-	4,434,875,309	4,434,875,309
Due to Banks and Other Financial Institutions	18	155,046,038	-	92,520,000	247,566,038
Lease Liabilities	20	-	-	98,880,224	98,880,224
Other Liabilities	21	-	-	39,398,284	39,398,284
Total Financial Liabilities		155,046,038	-	4,665,673,817	4,820,719,855
31st December 2020	Note	Mandatorily at FVTPL MVR	Designated at FVOCI MVR	Amortized Cost MVR	Total Carrying Amount MVR
Cash and Balances with Other Banks	7	-	-	291,029,762	291,029,762
Balances with Maldives Monetary Authority	8	-	-	1,163,708,951	1,163,708,951
Investments in Equity Securities	10	-	64,200,000	-	64,200,000
Investments in Other Financial Instruments	11	390,010,703	-	-	390,010,703
Due from Banks	8	77,314,973	-	15,395,000	92,709,973
Net Receivables from Financing Activities	12	-	-	2,212,908,418	2,212,908,418
Other Assets	16	-	-	49,757,658	49,757,658
Total Financial Assets		467,325,676	64,200,000	3,732,799,789	4,264,325,465
Customers' Accounts	17	-	-	3,431,019,811	3,431,019,811
Due to Banks	17	154,408,219	-	15,420,000	169,828,219
Lease Liabilities	20	-	-	88,379,299	88,379,299
Other Liabilities	21	-	-	82,283,932	82,283,932
Total Financial Liabilities		154,408,219	-	3,617,103,042	3,771,511,261

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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)

	31/12/2021				31/12/2020			
	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)	1,989,718,955	-	-	1,989,718,955	1,688,604,355	-	-	1,688,604,355
Grade 2 - Low Risk (1 - 30 Days)	168,737,947	-	-	168,737,947	174,167,380	-	-	174,167,380
Grade 3 - Fair Risk (31 - 60 Days)	-	71,034,326	-	71,034,326	-	244,857,268	-	244,857,268
Grade 4 - Fair Risk (61 - 89 Days)	-	25,495,506	-	25,495,506	-	38,104,928	-	38,104,928
Grade 5 - Default (Over 90 Days)	-	-	172,288,507	172,288,507	-	-	112,334,515	112,334,515
	2,158,456,902	96,529,832	172,288,507	2,427,275,241	1,862,771,735	282,962,196	112,334,515	2,258,068,446
Loss Allowance	(5,642,205)	(3,873,281)	(71,600,598)	(81,116,084)	(7,728,774)	(5,089,217)	(32,342,037)	(45,160,028)
Carrying Amount	2,152,814,698	92,656,551	100,687,909	2,346,159,157	1,855,042,961	277,872,979	79,992,478	2,212,908,418
<i>Receivable from Financing Activities</i>								
<i>Measured at Amortized Cost - Gross</i>								
<i>Carrying Amount</i>								
Current	1,989,718,955	-	-	1,989,718,955	1,688,604,355	-	-	1,688,604,355
Overdue < 30 Days	168,737,947	-	-	168,737,947	174,167,380	-	-	174,167,380
Overdue >= 30 Days	-	96,529,832	172,288,507	268,818,339	-	282,962,196	112,334,515	395,296,711
Total	2,158,456,902	96,529,832	172,288,507	2,427,275,241	1,862,771,735	282,962,196	112,334,515	2,258,068,446
<i>Financing Commitments</i>								
Grades 1-4: Low-Fair Risk	395,606,059	130,298	-	395,736,357	283,478,027	438,783	100,000	284,016,810
Loss Allowance	973,835	3,947	-	977,782	(1,210,992)	(9,175)	(5,107)	(1,225,274)

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37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit Risk (Continued)

(a) ii. Cash and Cash Equivalents

The Bank held cash and cash equivalents of MVR 1,541,191,132/- as at 31st December 2021 (31st December 2020: MVR 1,224,420,265/-). The cash and cash equivalents are held with central banks and financial institution counterparties which have got minimum credit risk exposure.

(b) i. Collateral Held and Other Credit Enhancement

Type of credit exposure	Note	Percentage of Exposure that is Subject to Collateral Requirements		Principal Type of Collateral Held
		31/12/2021	31/12/2020	
Receivable from Financing Activities				
Education Financing		0%	0%	None
Murabahah		18%	21%	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	31/12/2021	31/12/2020
	MVR	MVR
Less than 50%	341,485,913	592,018,983
51% - 70%	126,184,672	313,176,784
71% - 90%	123,991,785	414,635,774
91% - 100%	1,002,258,413	225,344,596
No Collateral	833,354,458	712,892,309
Total	<u>2,427,275,241</u>	<u>2,258,068,446</u>
Credit-impaired Financing Facilities		
Less than 50%	12,606,417	9,403,225
51% - 70%	505,759	17,479,559
More than 70%	109,805,761	56,237,576
No Collateral	49,370,570	29,214,155
	<u>172,288,507</u>	<u>112,334,515</u>

As at 31st December 2021, 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 31st December 2021, the net carrying amount of credit impaired financing facilities granted to corporate customers is MVR 36,568,866/- (2020: MVR 39,373,440/-) and the value of identifiable collateral (mainly land and property) held against those financing facilities amounted to MVR 65.5 million (2020: MVR 36 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 31st December 2021, the maximum exposure to credit risk of investment securities measured at FVTPL was their carrying amount of MVR 715.9 million (2020: MVR 390 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 (customer).

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

For all financing portfolios except for 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 (customer) is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower (customer) is more than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower (customer) will restructure the asset as a result of bankruptcy due to the borrower's (customer's) inability to pay its credit obligations.

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

- qualitative: e.g. 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 31st December 2021 included the following key indicators for Maldives for the years ending 31st December 2022 to 2026.

		2022	2023	2024	2025	2026
GDP Growth Rate	Base	13.2%	12.1%	6.1%	5.4%	5.4%
	Upside	14.2%	13.1%	7.1%	6.4%	6.4%
	Downside	12.2%	11.1%	5.1%	4.4%	4.4%
Inflation Rate	Base	2.3%	1.9%	1.8%	2.0%	2.0%
	Upside	3.3%	2.9%	2.8%	3.0%	3.0%
	Downside	1.3%	0.9%	0.8%	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 (customer'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 (payment) 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.

	31/12/2021			
	Stage 1 MVR	Stage 2 MVR	Stage 3 MVR	Total MVR
<i>Receivable from Financing Activities Measured at amortized cost and undrawn financing facilities.</i>				
Balance as at 01 st January 2021	8,939,766	5,098,392	32,347,144	46,385,302
Transfer to Stage 1	4,105,157	(1,908,800)	(2,082,791)	113,566.00
Transfer to Stage 2	(236,632)	797,250	(560,618)	-
Transfer to Stage 3	(260,319)	(337,976)	836,079	237,784.00
Net remeasurement of loss allowance	(8,057,347)	(240,093)	40,738,534	32,441,094
New financial assets originated	2,125,415	468,455	322,250	2,916,120
Balance as at 31 st December 2021	6,616,040	3,877,228	71,600,598	82,093,866
	31/12/2020			
	Stage 1 MVR	Stage 2 MVR	Stage 3 MVR	Total MVR
<i>Receivable from Financing Activities Measured at amortized cost and undrawn financing facilities.</i>				
Balance as at 01 st 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 st December 2020	8,939,766	5,098,392	32,347,144	46,385,302

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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.

	31/12/2021	31/12/2020
	MVR	MVR
Opening Balance of Credit-impaired Financing Facilities to Customers	112,334,515	85,111,589
Change in Allowance for Impairment	(7,171,879)	(18,431,894)
Classified as Credit-Impaired during the Year	88,083,815	55,399,042
Transferred to Not Credit-impaired during the Year	(20,957,944)	(9,744,222)
Closing Balance of Credit-impaired Financing Facilities to Customers	<u>172,288,507</u>	<u>112,334,515</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

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.

	Receivable from Financing Activities		Finance Commitments and Financial Guarantees Issued	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Balances Net of Impairment	MVR	MVR	MVR	MVR
Concentration by Industry				
Consumer Goods	848,330,525	732,873,724	148,073,585	28,964,826
Transport and Communications	54,965,519	60,462,531	61,432,060	1,777,587
Commerce-Wholesale and Retail Trade	226,163,252	183,751,125	198,111,208	257,227,456
Construction-Residential Financing	1,021,650,403	1,033,209,680	34,868,106	95,263,565
Construction-Commercial Building Financing	97,668,310	55,738,655	23,609,722	-
Electricity, Lighting and Power	-	7,820,785	-	-
Tourism	137,857,894	137,376,520	-	1,041,914
Fishing	40,639,338	46,835,426	8,135,356	-
Total	<u>2,427,275,241</u>	<u>2,258,068,446</u>	<u>474,230,037</u>	<u>384,275,348</u>
Concentration by Sector				
Business	428,759,844	408,135,269	260,864,817	257,523,564
Individual	1,998,515,397	1,849,933,177	213,365,220	126,751,784
Total	<u>2,427,275,241</u>	<u>2,258,068,446</u>	<u>474,230,037</u>	<u>384,275,348</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 (fundings) 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.

	31/12/2021	31/12/2020
As at the Reporting Date	43.87%	42.72%
Average for the Year	42.97%	39.73%
Maximum for the Year	49.22%	42.72%
Minimum for the Year	39.78%	34.43%

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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 (payment) option of financing. As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents and balances with Maldives Monetary Authority.

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

As at 31st December 2021	Carrying Amount	Gross nominal inflow (outflow)	0-12 Months	1-2 Years	2-5 Years	More than Five Years
	MVR	MVR	MVR	MVR	MVR	MVR
Financial Assets by Type - Non Derivative						
Cash and Balances with Other Banks	234,786,235	234,786,235	234,786,235	-	-	-
Balances with Maldives Monetary Authority	1,702,509,895	1,702,509,895	1,702,509,895	-	-	-
Investments in Equity Securities *	53,100,000	53,100,000	-	-	-	53,100,000
Investments in Other Financial Instruments *	715,871,549	715,871,549	715,871,549	-	-	-
Due from Banks	169,691,388	169,922,313	169,922,313	-	-	-
Net Receivables from Financing Activities	2,346,159,157	3,371,934,320	977,048,095	569,516,939	845,023,702	980,345,584
Other Assets	81,538,632	81,538,632	81,538,632	-	-	-
	<u>5,303,656,856</u>	<u>6,329,662,944</u>	<u>3,881,676,719</u>	<u>569,516,939</u>	<u>845,023,702</u>	<u>1,033,445,584</u>
Financial Liability by Type - Non Derivative						
Deposits from Customers *	4,434,875,309	4,434,875,309	3,307,429,783	983,791,945	143,653,581	-
Due to Banks and Other Financial Institutions	247,566,038	257,366,615	160,640,360	65,210,877	31,515,378	-
Lease Liabilities	98,880,224	126,954,511	12,610,581	12,751,421	39,411,928	62,180,581
Other Liabilities	39,398,284	39,398,284	39,398,284	-	-	-
	<u>4,820,719,855</u>	<u>4,858,594,719</u>	<u>3,520,079,008</u>	<u>1,061,754,243</u>	<u>214,580,887</u>	<u>62,180,581</u>
Net Gap	<u>482,937,001</u>	<u>1,471,068,225</u>	<u>361,597,711</u>	<u>(492,237,304)</u>	<u>630,442,816</u>	<u>971,265,003</u>
As at 31st December 2020						
	Carrying Amount	Gross nominal inflow (outflow)	0-12 Months	1-2 Years	2-5 Years	More than Five Years
	MVR	MVR	MVR	MVR	MVR	MVR
Financial Assets by Type - Non Derivative						
Cash and Balances with Other Banks	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>
Financial Liability by Type - Non Derivative						
Deposits from Customers *	3,431,019,811	3,431,019,811	3,289,533,120	58,199,505	83,287,186	-
Due to Banks and Other Financial Institutions	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>

* 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.

	31/12/2021	31/12/2020
	MVR	MVR
Balances with Maldives Monetary Authority	1,702,509,895	1,163,708,951
Balances with Other Banks	119,636,341	127,143,034
Cash in Hand	115,149,894	163,886,728
Total Liquidity Reserves	<u>1,937,296,130</u>	<u>1,454,738,713</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	
	31/12/2021	31/12/2020
	MVR	MVR
<i>Assets subject to market risk</i>		
Cash and Cash Equivalents	41,257,415	85,278,771
Receivable from Financing Activities	1,190,221,005	1,105,382,333
Investment in Equity Securities	53,100,000	64,200,000
Investment in Money Market Securities and Other Investments	715,871,549	390,010,703
	<u>2,000,449,969</u>	<u>1,644,871,807</u>
<i>Liabilities subject to market risk</i>		
Deposits	2,963,601,539	2,345,978,384
Lease Liabilities	98,880,224	88,379,299
	<u>3,062,481,763</u>	<u>2,434,357,683</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:

	31/12/2021	31/12/2020
	MVR	MVR
Fixed Rate Instruments		
<i>Financial Assets</i>		
Net Receivables from Financing Activities	2,346,159,157	2,212,908,418
<i>Financial Liabilities</i>		
Customers' Accounts	2,963,601,539	2,345,978,384
Due to Banks and Other Financial Institutions	247,566,038	169,828,219
	<u>3,211,167,577</u>	<u>2,515,806,603</u>
Variable Rate Instruments		
<i>Financial Assets</i>		
Investments Mandatorily Measured at FVTPL	715,871,549	390,010,703

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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.

31st December 2021	Carrying Amount	0 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total Sensitive	Non Rate Sensitive
	MVR	MVR	MVR	MVR	MVR	MVR	MVR
Assets							
Cash and Balances with Other Banks	234,786,235	-	-	-	-	-	234,786,235
Balances with Maldives Monetary Authority	1,702,509,895	-	-	-	-	-	1,702,509,895
Net Receivables from Financing Activities	2,346,159,157	977,048,095	569,516,939	845,023,702	980,345,584	3,371,934,320	(1,025,775,163)
Investments in Other Financial Instruments	715,871,549	715,871,549	-	-	-	715,871,549	-
	<u>4,999,326,836</u>	<u>1,692,919,644</u>	<u>569,516,939</u>	<u>845,023,702</u>	<u>980,345,584</u>	<u>4,087,805,869</u>	<u>911,520,967</u>
Liabilities							
Customer's Liabilities	4,434,875,309	1,836,156,013	983,791,945	143,653,581	-	2,963,601,539	1,471,273,770
Other Liabilities	39,398,284	-	-	-	-	-	39,398,284
	<u>4,474,273,593</u>	<u>1,836,156,013</u>	<u>983,791,945</u>	<u>143,653,581</u>	<u>-</u>	<u>2,963,601,539</u>	<u>1,510,672,054</u>
Profit Rate Sensitive Gap	<u>525,053,243</u>	<u>(143,236,369)</u>	<u>(414,275,006)</u>	<u>701,370,121</u>	<u>980,345,584</u>	<u>1,124,204,330</u>	<u>(599,151,087)</u>
31st December 2020	Carrying Amount	0 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total Sensitive	Non Rate Sensitive
	MVR	MVR	MVR	MVR	MVR	MVR	MVR
Assets							
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	-
	<u>4,057,657,834</u>	<u>1,275,561,412</u>	<u>579,850,114</u>	<u>705,842,756</u>	<u>965,002,343</u>	<u>3,526,256,625</u>	<u>531,401,209</u>
Liabilities							
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
	<u>3,513,303,743</u>	<u>2,204,491,693</u>	<u>58,199,505</u>	<u>83,287,186</u>	<u>-</u>	<u>2,345,978,384</u>	<u>1,167,325,359</u>
Profit Rate Sensitive Gap	<u>544,354,091</u>	<u>(928,930,281)</u>	<u>521,650,609</u>	<u>622,555,570</u>	<u>965,002,343</u>	<u>1,180,278,241</u>	<u>(635,924,150)</u>

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37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market Risk (Continued)

(d) Exposure to Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to 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.

	31/12/2021	31/12/2020
	US\$	US\$
Cash and Balances with Other Banks	7,145,209	11,212,484
Balances with Maldives Monetary Authority	24,069,829	10,142,170
Investments Mandatorily Measured at FVTPL	5,022,500	5,022,083
Receivables from Financing Activities	20,642,063	19,770,586
Other Assets	4,228,707	3,259,301
Customers' Accounts	(52,705,083)	(46,703,121)
Other Liabilities	(529,988)	(706,049)
Net Statement of Financial Position Exposure	7,873,237	1,997,454

The following significant exchange rates were applied during the year:

	Average Rate		Reporting Date	
	Year	Year	Spot Rate	
	Ended	Ended	31/12/2021	31/12/2020
1 US\$: Maldivian Rufiyaa	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	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 31st December 2021 by MVR 5,730,000/- (2020: 6,420,000/-)

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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;	31/12/2021	31/12/2020
	MVR	MVR
Tier 1 ("Core") Capital		
Share Capital	337,500,070	337,500,070
Retained Earnings (Shown as Previous Year Amount as MMA Requirement)	65,706,238	65,078,852
Statutory Reserve (Shown as Previous Year Amount as MMA Requirement)	132,746,257	113,930,904
Total Tier 1 Capital	535,952,565	516,509,826
Tier 2 ("Supplementary") Capital		
Current Year-to-Date Profit	79,622,461	75,261,411
Valuation Adjustment on Equity Securities (Discounted by 55%)	2,058,750	5,805,000
General Provisions (Limited to 1.25% of RWA)	34,465,869	32,159,505
Sub Total	116,147,080	113,225,916
Eligible Tier 2 Capital (Limited to 100% of Tier 1 Capital)	116,147,080	113,225,916
Total Tier 1 and Tier 2 Capital	652,099,645	629,735,742
Core Capital (Tier 1 Capital)	535,952,565	516,509,826
Capital Base (Tier 1 and Tier 2 Capital)	652,099,645	629,735,742
Risk Weighted Assets	3,121,496,795	2,832,489,413
Tier 1 Risk Based Capital Ratio (Minimum 6%)	17.2%	18.2%
Total Risk Based Capital Ratio (Minimum 12%)	20.9%	22.2%

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.

Measured at Fair Value	Level 1 MVR	Level 2 MVR	Level 3 MVR	Total MVR
31st December 2021				
Wakala - HDFC Mandatorily Measured at FVTPL	-	-	10,743,987	10,743,987
Investments Mandatorily Measured at FVTPL	-	-	705,127,562	705,127,562
Investments				
Equity Investments Measured at FVOCI	53,100,000	-	-	53,100,000
	<u>53,100,000</u>	<u>-</u>	<u>715,871,549</u>	<u>768,971,549</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 MVR	Level 2 MVR	Level 3 MVR	Total MVR
31st December 2020				
Wakala - HDFC Mandatorily Measured at FVTPL	-	-	30,594,348	30,594,348
Investments Mandatorily Measured at FVTPL	-	-	359,416,355	359,416,355
Investments				
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>
Total gains or losses for the year in the above table are presented in the OCI as follows.			31/12/2021	31/12/2020
			MVR	MVR
<i>Total gains and losses recognized in OCI:</i>				
Fair value reserve (equity instruments) - net change in fair value (excluding tax)			<u>(11,100,000)</u>	<u>6,900,000</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 31st December 2021 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	Carrying Amount
31 st December 2021	MVR	MVR	MVR	MVR	MVR
Assets					
Cash and Balances with Other Banks	-	-	234,786,235	234,786,235	234,786,235
Balances with Maldives Monetary Authority	-	-	1,702,509,895	1,702,509,895	1,702,509,895
Due from Banks	-	-	169,691,388	169,691,388	169,691,388
Receivables from Financing Activities	-	-	2,346,159,157	2,346,159,157	2,346,159,157
Other Assets	-	-	81,538,632	81,538,632	81,538,632
	-	-	4,534,685,307	4,534,685,307	4,534,685,307
Liabilities					
Customers' Accounts	-	-	4,434,875,309	4,434,875,309	4,434,875,309
Due to Banks and Other Financial Institutions	-	-	247,566,038	247,566,038	247,566,038
Lease Liabilities	-	-	98,880,224	98,880,224	98,880,224
Other Liabilities	-	-	39,398,284	39,398,284	39,398,284
	-	-	4,820,719,855	4,820,719,855	4,820,719,855
31 st December 2020	MVR	MVR	MVR	MVR	MVR
Assets					
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
Liabilities					
Customers' Accounts	-	-	3,431,019,811	3,431,019,811	3,431,019,811
	-	-	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

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 (customer) type, prepayment and delinquency rates, and default probability.

The fair value of deposits from customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

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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 31/12/2021 MVR	Amount 31/12/2020 MVR
	ICD Money Market Fund LLP	Affiliated Bank	Musharakah	Principal Investment	153,950,000	-
				Accumulated Profits	4,762,785	-
				Profit Payments	(3,666,747)	-
					155,046,038	-
	Government of Maldives	Shareholder	Istisna'a	Opening Balance	15,086,898	17,176,952
				Profit for the period	1,384,717	1,605,140
				Settlement	(3,524,662)	(3,695,194)
					12,946,953	15,086,898
	Maldives Pension Administration Office	Shareholder	Deposit	Opening Balance	185,443,867	105,857,265
				Transactions during the Year	101,556,145	79,586,602
					287,000,012	185,443,867

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.

	<u>Transaction Values for the</u>		<u>Maximum Balance for the</u>		<u>Balance Outstanding as at</u>	
	<u>Year Ended</u>	<u>Year Ended</u>	<u>Year Ended</u>	<u>Year Ended</u>	<u>31/12/2021</u>	<u>31/12/2020</u>
	<u>31/12/2021</u>	<u>31/12/2020</u>	<u>31/12/2021</u>	<u>31/12/2020</u>	<u>MVR</u>	<u>MVR</u>
	<u>MVR</u>	<u>MVR</u>	<u>MVR</u>	<u>MVR</u>	<u>MVR</u>	<u>MVR</u>
Secured Financing	-	-	2,932,028	3,061,985	2,795,422	2,932,028
Other Financing	93,900	130,484	335,421	340,872	276,829	335,421
Deposits Received	14,465,063	13,288,273	2,136,333	2,265,136	757,190	1,720,037
	14,558,963	13,418,757	5,403,782	5,667,993	3,829,441	4,987,486

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 165,506/- (2020: MVR 174,642/-). The profit paid on balances outstanding to related parties amounted to MVR 4,068/- (2020: 1,369/-). The mortgages and secured financing granted are secured over property of the respective borrowers (customer). 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 8,740,866/- as emoluments to the key management personnel during the year ended 31st December 2021 (2020: MVR 8,695,617/-).

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41 COMMITMENTS	31/12/2021	31/12/2020
	MVR	MVR
(i) Financial Commitments		
Letter of Credits	52,517,487	72,332,894
Guarantees and Bonds	11,629,091	15,937,496
Bill Collection Acceptance	14,347,102	11,988,148
	<u>78,493,680</u>	<u>100,258,538</u>
(ii) Financing Commitments		
Undrawn Financing Facilities	<u>395,736,357</u>	<u>284,016,810</u>
Total	<u><u>474,230,037</u></u>	<u><u>384,275,348</u></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 31st December 2021, the capital commitments of the Bank is MVR 14,878,485/- (year ended 31st December 2020 - MVR 1,319,442/- 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

Certain reclassifications have been made to the comparative figures to enhance comparability and fair presentation of financial statements. As a result, following balances have been amended in the statement of Cash Flows as shown below. These reclassifications has not resulted in changes to the profit for the year, total assets, total liabilities or total net assets previously reported and as at 31st December 2020.

	As Previously Reported MVR	Reclassified Amount MVR
Profit Expense on Inter-Bank Financing	-	5,731,507
Profit Paid on Inter Bank Finacing	-	(1,323,288)
Due to Banks and Other Financial Institutions	169,828,219	15,420,000
Borrowings (Fundings) during the Year	-	150,000,000

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 Shari'ah Law.

IFRSs Terminology	Shari'ah Terminology
Borrower	Customer
Lender	Financier (Bank)
Borrowing	Funding
Loan	Financing
Interest rate	Profit / Rental rate
Incremental Borrowing rate	Incremental funding rate
Repayment	Payment



Maldives Islamic Bank

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