Maldives Islamic Bank

PARTNERING FOR SUCCESS

Annual Report 2019

Maldives Islamic Bank

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Maldives Islamic Bank

PARTNERING FOR SUCCESS

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

MIB actively participates in the development and promotion of an Islamic economic and financial system in the Maldives, which operates parallel with the existing conventional system. The Bank offers an alternative banking solution to businesses and the public, who wish to conduct their banking transactions in compliance with Islamic banking principles.

MIB has been steadfast in fulfilling its mandate and commitment to providing financial access to the public and has opened more than 85,000 bank accounts in compliance with Islamic finance principles, benefitting more than 71,000 customers to date.

Financial inclusion has been a primary focus of the Bank, which is being achieved through mainstreaming Islamic banking and finance. The Bank has demonstrated its unrelenting commitment with the opening of six branches, covering five atolls to date and has positioned itself in major urban centers, as well as in the islands away from Male', providing a viable choice to SMEs located in various regions of the country, to conduct their business operations.

Digital finance is a key component that serves the financial inclusion mandate of the Bank. This has been achieved by launching a range of online and mobile banking services that offer a high level of access and convenience to all customers, regardless of where they live and work in the country.

CORPORATE INFORMATION

Name:
Maldives Islamic Bank PLC.

Country of Incorporation:
Republic of Maldives

Date of Registration:
1 April 2010 - Incorporated as a Private Limited Company under the Companies Act 10/1996 and governed by the Banking Act: 24/2010

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

Registration No.:
C-0255/2010

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

Chief Executive Officer & Managing Director:
Mr. Abul Ehtesham Abdul Muhaimen

Chief Financial Officer:
Mr. Ali Wasif

Company Secretary:
Mr. Hussain Ali Habeeb

Legal Counsel:
External Legal Counsel:
Premier Chambers
Barristers and Attorneys
2nd Floor, Lux Lodge, Maafannu, Orchid Magu, Malé
Republic of Maldives
Tel: +960 331 4377
Fax: +960 331 4378

Mazlan & Murad Law Associates
2nd Floor, Unit-C
Faamudheyrige Building, Orchid Magu, Malé
Republic of Maldives
Tel: +960 334 4720
Fax: +960 334 4721

External Auditors:
KPMG (Chartered Accountants)
2nd Floor, H. Mialani, Sosun Magu
Republic of Maldives
Tel: +960 3310 420
Fax: +960 3323 175

Head Office:
Maldives Islamic Bank Public Limited Company
H. Medhuziyaaraiydhoshuge
20097, Medhuziyaaraiy Magu
Malé City
Republic of Maldives
Tel: +960 332 5555
Fax: +960 300 7885
Email: info@mib.com.mv

WE ARE THE FIRST IN THE MALDIVES TO FINANCE SOLAR PANELS FOR HOUSEHOLDS IN ADDU

With the success of our Pilot Project with the community in Addu to help them achieve carbon neutral status, this facility has now expanded to more communities and atolls.

01 OUR COMPANY

VISION

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

MISSION

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

KEY OBJECTIVES

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

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

MIB PHILOSOPHY

Strict compliance with Shariah

Islamic economic & financial system

Highest ethical standard & values

CORE COMPETENCIES

Pioneer in Islamic Banking

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

Full-fledged Islamic Banking Products

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

Excellence in Customer Service

MIB places a great emphasis on customer service, which the Bank firmly believes is vital to gain a leading position in the marketplace. All aspects of customer service are carefully monitored and fine-tuned to provide services that exceed the expectations of customers. Value added services provided by MIB are linked to new technology that has enabled the Bank to develop standards of care for its customers. Exceptional personal care and customer support are a significant part of the service-oriented culture of the Bank. Long term relationships are fostered as opposed to one-off transactions, and referral by existing customers assist to develop long-standing clientele.

Competent Human Capital

The success of MIB largely depends on the strength of its competent staff accompanied with their motivation, high quality performance, experience, broad-based and specialised knowledge of Islamic banking and the ability to adapt to meet multiple challenges in a dynamic business environment. Continuous development and retention of the Bank's multi-faceted staff is ensured by strong commitment to a comprehensive set of recruitment procedures and extensive training and promotion opportunities. Diversity continues to be one of MIB's core characteristics in serving its client segments effectively. Whilst most of the Bank's employees are recruited from the Maldives, the team is complemented with foreign employees with significant experience in banking.

OUR PRODUCTS

MIB provides the full range of Shariah compliant deposit products and financing solutions catering to general public, both individuals and businesses, who prefer to obtain financial services in conformity with Shariah requirements.

Current Account

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

Savings Account

Our savings accounts offer our customers a way to share in the Bank's profit distribution by investing their savings in a Shariah compliant manner. The Bank invests funds deposited in savings accounts and at the end of each month, shares the profits with the depositor based on a pre-agreed profit-sharing ratio. Our savings accounts are based on the concept of Mudarabah or surplus sharing.

Children Account

Available for children below the age of eighteen, this savings account can be opened in either US Dollars or in Maldivian Rufiya. The Children Account also adheres to the concept of Mudarabah under which a portion of the profits are given to the depositor based on a pre-agreed profit-sharing ratio. We offer two types of Children Accounts, namely Kids Account and Kaamiyaabu Kids Account. While our Kids Accounts are targeted for children below the age of eighteen, Kaamiyaabu Kids Account is a Shariah complaint saving account specifically designed to grow your kid's savings for their future needs.

General Investment Account

This account offers customers, the opportunity to deposit funds for a specific period. The Bank invests the funds and shares in the profit with the account holder based on the concept of Mudarabah. Our GIAs are designed with extremely flexible investment durations, starting from three months to five years.

MIB offers a range of financing products. This includes;

Ujaalaa Dhiriulhun – Consumer Goods Financing

Our Shariah compliant consumer goods financing is newly designed to assist individuals to purchase lifestyle consumer goods. This Shariah compliant facility is offered under the concept of Murabahah, under which an asset is purchased from a third party upon request by a customer. The asset is offered to the customer for an agreed predetermined and competitive price which includes the Bank's profit, on a deferred payment basis. Under the concept of Murabahah both cost price and profit shall be disclosed and must be agreed upon by both the parties. A range of products such as furniture, electronics, home appliances, mobile phones, outboard engines, construction material is financed through this facility.

Motorcycle financing

This is a financing facility offered under the Islamic finance concept of Murabahah where the Bank purchases the customer's desired motorcycle from a third-party. The asset is then sold to the customer at a predetermined and competitive price which includes the Bank's profit. The vehicle is registered under the customer's name. The scheme is 100% Shariah compliant and fully transparent with no processing fees or additional hidden costs. The payment plan is flexible with six to thirty six months.

Car Financing

Our car financing facility helps customers to purchase their dream car and enjoy it with a "P" board. The car is registered under the customer's name. This is a financing facility under the Islamic finance concept of Murabahah, under which the Bank purchases the customer's desired car from a third-party and sells it to the customer at a predetermined and competitive price which includes the Bank's profit. The scheme, which has a maximum financing limit of MVR 400,000 is 100% Shariah compliant and is fully transparent with no processing fees or additional hidden costs.

Murabahah Vessel Financing

MIB's vessel financing would help customers to acquire vessels for fishing, cargo or passenger transport businesses. This facility is based on the Islamic finance concept of Murabahah.

Murabahah Trade Financing

Our trade financing facility is designed to assist businesses to meet their working capital requirements by purchasing stocks from local and international parties. This facility is also based on the Islamic finance concept of Murabahah. The asset is purchased from supplier by the Bank and sold to the customer on a deferred basis.

Diminishing Musharakah Home Financing

Any completed apartment or any MIB approved project under construction can be financed through this facility. Customers can acquire completed housing units, such as apartments and condominiums through this facility with the most competitive rates in the market. This is a facility under which the Bank and the customer enter into a Musharakah Agreement to jointly purchase a property, whereby one partner promises to buy the equity share of the other partner gradually until the ownership of the equity is completely transferred to one of the partners. The share of the Bank in the property is divided into a number of units which, the customer will purchase periodically until he or she acquires complete ownership of the property.

Istisnaá Construction/ Real Estate / Project Financing

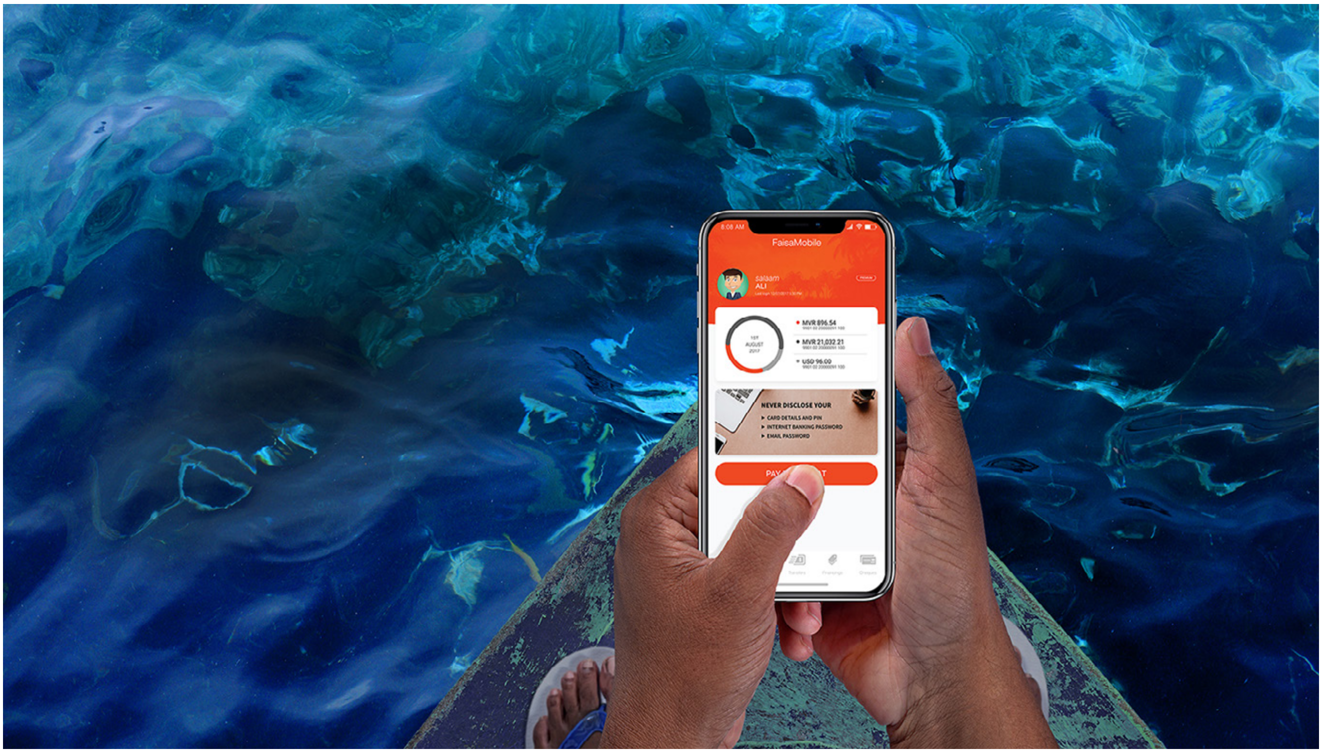
This is a facility in which the Bank finances entrepreneurship and business ventures to develop real estate either for sale or for rental. Under this Shariah compliant concept, the Bank acts as the main contractor to construct the property on behalf of the customer. In parallel, the Bank appoints a construction company chosen by the customer to perform the task. This financing facility is based on the Islamic financing concept of Istisnaá.

Murabahah General Asset Financing

Our Murabahah General Asset Financing is offered to individuals and businesses to acquire assets required for the operation of business. This facility is based on the Islamic finance concept of Murabahah. The cost is made known to the customer and the sale can be made either in cash or credit or on instalment basis.

Asset Refinancing

Asset Refinancing or Sale and Lease Back Financing (SLBF), based on the Islamic financing concept of Diminishing Musharakah is offered to facilitate transfer of existing conventional loan facilities to a Shariah compliant Islamic financing facility or to unlock the equity already invested in an asset or project and create liquidity to be used for planned future projects.



Our award winning FaisaMobile app paving the way towards greater financial inclusion and providing banking convenience at the fingertip to our customers.

NETWORK

Financial inclusion and access to Islamic finance across the country is a key objective of the Bank. Currently, MIB operates a branch network of six to meet the growing demand and to facilitate Islamic banking convenience throughout the country in all major population centers.

In its continuous effort to provide better access and convenience to its customers, the Bank has expanded its alternative distribution channels through its ATM network, Point of Sale (POS) terminals at various merchant outlets in Malé and other regions and via its online banking service, FaisaNet.

MIB constantly strives to exceed customers' expectations by proactively developing long term relationships and through constantly introducing modern banking services such as FaisaPay for online payments, and FaisaMobile for mobile banking services with the goal of positioning the Bank among the top tier banks in the country.

MIB's Branch Network

Haa Dhaalu Kulhudhuffushi
Kulhudhuffushi Branch

Kaafu Hulhumale'
Hulhumale' Branch

Kaafu Male'
Head Office

Gaafu Dhaalu Thinadhoo
Thinadhoo Branch

Gnaviyani Fuvamulah
Fuvamulah Branch

Addu Atoll Hithadhoo
Hithadhoo Branch

DIGITAL INFRASTRUCTURE

fisa mobile

The Bank's mobile banking application which facilitates customers with tools for everyday banking such as checking bank balances and transaction history and other everyday banking requirements.

fisa pay

The online payment gateway links payment transaction to different online stores and facilitates carrying out faster and secure money transfers

fisa net

MIB's Internet banking service facilitates customer's online transactions, checking account balances, viewing and printing account statements among others.

MILESTONES

2011
- Incorporation of **Maldives Islamic Bank**
- Introduction of various Islamic and Shariah 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

2014
- MIB's first Branch outside Male' established in **Addu city Hithadhoo**

2015
- Introduction of **Internet Banking** services with the launching of **FaisaNet**

2016
- New Branches opened in **GDh. Thinadhoo, HDh. Kulhudhuffushi** and **K. Hulhumale'**

2017
- Opening of the sixth branch in **Gn. Fuvahmulah**

2018
- Launch of **Mobile Banking** services via **FaisaMobile**

2019
- Opening of the Bank's new flagship **Head Office**
- Establishing & Leveraging **International Network Capabilities**:
  - MOU signed with ICD & Amana Bank Plc.
  - Regional cooperation among ICD Investee Banks
  - Accessing IsDB Group Network of 100 ICD FI Partners & Group Resource through ITFC.
- **Most Successful IPO** in recent history:
  - Oversubscribed by 45%
  - Over 16000+ retails subscriptions
  - Participation from 20 atolls
- Listed as a **Public Company** on the **Maldives Stock Exchange**
- MIB's first ever **local interbank line established between BML**
- Successful launch of **Consumer Financing -Ujaalaa**
- **Baazaaru Customer Service Centre** established in Male'
- Profit After Tax of the Bank grew by 58% from **MVR 53 million in 2018 to MVR 84 million in 2019**

AWARDS

The success of MIB has been recognised both locally and internationally. The Bank has received wide acclaim and received several awards in the field, which has paved the way for the Bank to establish a strong presence in its sphere, within a short span of time.

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 Forumof South Asia

SHAREHOLDING STRUCTURE

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

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

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

ICD is a multilateral development bank established in 1999, affiliated with the Islamic Development Bank Group (IsDB Group). Its shareholders comprise IsDB, 49 Islamic member countries which includes Maldives, and five public financial institutions from member countries. With membership exceeding 57 countries across four continents today, ICD was established to support the economic development of its member countries through provision of finance to private sector projects and promoting private sector development in accordance with the principles of Shariah. ICD also provides advice to governments and private organizations to encourage the establishment, expansion and modernization of private enterprises.

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

Government of Maldives

The Government of the Republic of Maldives was instrumental in initiating the establishment of Maldives Islamic Bank in partnership with and support of ICD. The shareholder's agreement to kickstart the project for the establishment of the first fully-Shariah compliant bank in the Maldives was signed between the government and ICD in October 2009 in Istanbul. The government's interest in the Bank is represented by the Ministry of Finance. The Government remains a prominent and founding shareholder of the Bank even today, 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 has been in operation in the Maldives since 2003. It is currently the only full-fledged Shariah-compliant licensed General Insurance company in the Maldives and remains a pioneer in providing Islamic solution for insurance in the Maldives. The Company is currently the only publicly listed insurance provider in Maldives Stock Exchange (MSE). On 24 November 2016, the Board of Directors of Maldives Islamic Bank resolved, the transfer of 5% out of the issued share capital of the Bank owned by ICD, to Amana Takaful (Maldives) PLC. The Company has remained an important institutional shareholder of the Bank since then.

Maldives Pension Administration Office (MPAO)

Maldives Pension Administration Office (MPAO) was incorporated on 2009 as an independent legal entity under the Maldives Pension Act (Pension Act). For the past decade, Pension Office has been administering and managing the pension schemes established under the Pension Act, in addition to providing various types and schemes of pensions for the citizens of Maldives. Since inception, Pension Office has been playing a pivotal role in the development and enhancement of the social security system in the country. Maldives Pension Administration Office acquired 10.53% of the Bank's shareholding through the Bank's IPO.

Public

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

The moment of Bell Ringing, signifying the official listing of Maldives Islamic Bank PLC on Maldives Stock Exchange in November 2019.

From Left to Right: Mr. Alau Ali, Chairman of Maldives Stock Exchange, Mr. Najmul Hassan, Chairman of Maldives Islamic Bank, Mr. Aamir Husain Khan, Director Financial Institutions Development of ICD, Hon. Mr. Ameer Ibrahim, Minister of Finance, Mr. Abul Ehtesham Abdul Muhaimen, Managing Director and CEO of Maldives Islamic Bank, Mr. Mohammed Ataur-Rahman Chowdhury, Board Director of Maldives Islamic Bank, Mr. Osman Kassim, Director of Maldives Islamic Bank, Mr. Nasser Mohammed Al-Thekair, Director of Maldives Islamic Bank

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

Presentation of the IPO prospectus during the IPO launching ceremony held in July 2019 by Mr. Abul Ehtesham Abdul Muhaimen, MD and CEO of Maldives Islamic Bank to the Chief Guest of the ceremony Hon. Mr. Ameer Ibrahim, Minister of Finance.

Left to right (Front Row): Hon. Mr. Ameer Ibrahim, Minister of Finance, Mr. Abul Ehtesham Abdul Muhaimen, Managing Director and CEO of Maldives Islamic Bank, (Back Row): Mr. Aamir Husain Khan, Director Financial Institutions Development of ICD, Mr. Mohammed Ataur-Rahman Chowdhury, Board Director of Maldives Islamic Bank, Mr. Mohamed Azad, Board Director of Maldives Islamic Bank.

CHAIRMAN'S STATEMENT

Partnering in Success

"It is immensely gratifying to report that 2019 was yet another year of resilient business growth with positive financial results"

Dear Shareholders,

On behalf of the Board of Directors of the Bank, it is my honor to present the Annual Report of the Maldives Islamic Bank PLC. for the financial year ended 31st December 2019.

Consistent and sustainable growth has always been the highest priority of the Bank since its inception in 2011. It is immensely gratifying to report that 2019 was yet another year of resilient business growth with positive financial results. Profit Before Tax was recorded at MVR 111.9 million, an exceptional 53.7% up from 2018. Backed by the proliferating demand for Shariah compliant financing solutions across the Maldives, the Bank was able to attain a Profit After Tax of MVR 84.01 million, robust growth of 59.9% higher than that of the previous year.

Similar to previous years, during 2019, the Bank placed a special emphasis on facilitating Islamic banking convenience throughout the country, and to provide better access and convenience to its customers. In this regard, investment in digitalization and further automation of our operations were continued throughout the year. In order to continue building on the fundamentals and take the Bank to the next phase of growth, we welcomed Mr. Abul Ehtesham Abdul Muhaimen as our new Chief Executive Officer early 2019. With over 30 years of experience in international banking and financial services, MIB places significant trust in Mr. Muhaimen's ability to steer the Bank towards the vision of being recognized as the leader and preferred partner in Shariah compliant banking in the Maldives.

In July of 2019, MIB opened its' IPO by offering 31% of the Bank to Public Shareholders. The IPO was closed on 22nd September 2019 with unprecedented response and enthusiastic participation of the public. MIB pursues a strategy of investing and leveraging on its digital infrastructure to gain a higher reach to the entire population of Maldives. Today we are proud to have brought forth to reality, one of the founding principles of Public Ownership and greater participation by the Maldivian public.

Since inception, being an integral part of the community has been an important area of focus for the Bank. Coupled with the Bank's profitability and its genuine efforts in enhancing the lives of all Maldivians across the country, we have been able to remain as a pioneer and leader in Islamic finance in the country. Our carefully designed retail and consumer financing products have earned us the most preferred consumer financing partner with an overall deployment at a rate unseen in the Bank's history. As part of the Bank's support and commitment towards its customer base, a new Head Office and an additional business centre was opened in Male' during 2019.

The Bank remains as the only full-fledged Shariah compliant bank in the Maldives. Despite being one of the youngest banks in the Maldives, it is a matter of great pride that Maldives Islamic Bank can be effectively benchmarked against its peers in the country today. It is our intention to relentlessly focus on retaining the Shariah compliant status we have earned since the inception in all our operations.

I wish to convey a special thanks to our customers for their unwavering trust and faith in us, and to the shareholders unwavering confidence in our continued operations. The Board continues to value the contribution of our investors by giving back to the community and continuing to steadily grow the business. I would like to convey my appreciation to my fellow Board members, whose diverse experience and expertise has helped steer the Bank towards betterment over the years. Your valued contribution has resulted in exceptional strategic direction of the Bank throughout the year.

Despite the increasingly challenging year ahead of us, and the unprecedented changes in the global economy, I am confident that Maldives Islamic Bank PLC will be able to withstand the challenging economic impact in the year 2020 and ahead. The Bank will continue to sustain the positive focus and orientation of our operations with consistent customer focus, unique product and service offerings, and the highest standards of ethical and risk governance frameworks.

Mr. Najmul Hassan
Chairman

MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S STATEMENT

Successful Year In Partnering For Success

As I look back on the successful and strong financial results we have achieved during 2019, I take great pride in being able to share the success with our customers, shareholders and stakeholders. The Bank's financial performance has been exceptional; Total Balance Sheet rose to MVR 3.8 billion while we maintained a robust growth pattern on our profitability. Our positive capital position has enabled us to continue enhancing our digital infrastructure, with a prime focus on delivering Islamic banking convenience across all segments. We were able to finish the year with strong financial results and healthy financial ratios.

The Bank reported as anticipated, a positive growth in the year 2019, with a profit before taxation up by 53.7% compared to 2018. Despite the increase in taxation, we were able to record a profit after tax of MVR 84 million for the year, an increase of 59.9% from 2018. The cash flow position of the Bank improved by more than 34%, largely backed up by the Bank's IPO, the success of which is unmatched in the recent capital market history of Maldives. I am told that this IPO was very different from all the recent IPOs that have taken place in Maldives. The key differences were that i) applications were received from all the inhabited islands in Maldives, ii) Over 16,000 individual applied for subscription in the IPO, and

iii) 54.60% plus subscription of the offer were taken up by the individuals in Maldives, making MIB truly a Bank for all Maldivians. We thank the CMDA & MSE with other regulators, who were very supportive during our IPO and guided us unerringly to ensure a successful public list in Maldives.

The Bank's performance exceeded all expectations with healthy growth in deposit and other business lines. Our liquidity reserve continued to be strong by the end of the financial year. We are confident that the prudent financial and operational strategies of the Bank will allow us to gain improved results going forward.

The Bank has always prioritized financial inclusion and access to Islamic finance across the country as a primary objective. I am pleased that 2019 saw us putting additional steps towards achieving that objective. We have opened a new flagship Head Office at the heart of the capital city Male', while a new dedicated customer service center was established as part of enhancing the customer experience and convenience. The Bank will continue to expand its alternative distribution channels through ATM network, Point of Sale (POS) terminals and online banking services during the current year to help fulfill the mandate of financial inclusion. We remain steadfastly focused on sustainable growth in line with the SDG Goals to make meaningful developmental impact in the communities where we serve and try to make a positive difference in their lives.

Digital banking and Fintech solutions are expected to be the key driver for the banking industry. We have been proactively investing in diverse set of digital banking initiatives, expanding the reach and accessibility of our services to a widely dispersed population of the Maldives. This has enabled us to further fulfill the mandate of financial inclusion. While we are committed to continue investing in technological enhancements for the benefit of our customers, we will implement new state-of-the-art technologies for payment processing within the year. This will bring card payment processing and other related e-banking platforms to a much quicker and secure platform. With it, the Bank can enable additional services, such as self-service banking, and paperless PIN and receipt services.

We persistently endeavor to exceed our customers' expectations by proactively developing long term relationships with both our individual and corporate clientele. Backed with the aim of positioning our Bank among the leading banks in the country, we have been able to provide better financial flexibility and convenience. Our capable and highly qualified team members continued to work round the clock to provide the best suited financial solutions to our customers last year as well. Similarly, being an integral part of the community by giving back to the community we engage in and making an impactful change in their lives was never forgone during 2019.

It is my greatest honor to have served for a year, with a customer base whose loyalty and confidence is unmatched to any other. I wholeheartedly express my gratitude for your consistent trust in us. I assure you we will continue to work tirelessly to meet your expectations in terms of customer service excellence, product offerings and Islamic banking convenience.

I would also like to acknowledge the hard work, effort and loyalty of our dedicated Team and the entire Executive Management team for their strong leadership, drive and determination in taking the Bank forward during the year. I have no doubt that this determination and commitment has earned us recognition, both locally and globally. The success we attained in 2019 is indeed the result of the combined effort and perseverance we put together to make Maldives Islamic Bank carve out its deserved place in Maldives.

The Year 2019 indeed marked a successful year of partnered success for the Bank. The efficiency and transparency in our operations have allowed us to reach a new height of financial results. My team and I are committed to work with regulatory bodies and key stakeholders to support the Maldivian community in overcoming the adverse economic effects on this pandemic, by enhancing our service offerings throughout the year.

I would like to express our sincere thanks and gratitude to the Board of Directors for their strategic guidance and support in making the year 2019 a resounding success.

I sincerely thank MMA, CMDA, MSE and the other regulators alonwith the stakeholders for their support and confidence in MIB since its inception and look forward to partner with them in key initiatives as we move forward in the new decade of 2020!

I and Team MIB look forward to the continued support of valued customers, regulators and all stakeholders to make MIB to be the leading Islamic Bank not only in Maldives but in the region in not to a distant future.

Mr. Abul Ehtesham Abdul Muhaimen
CEO & Managing Director

BOARD OF DIRECTORS

Mr. Ali Wasif

Ms. Fathimath Shafeega

Mr. Najmul Hassan

Mr. Mohamed Azad

Mr. Mohammed Ataur-Rahman Chowdhury

Mr. Abul Ehtesham Abdul Muhaimen

Mr. Osman Kassim

Mr. Nasser Mohammed Al-Thekair

Mr. Najmul Hassan

Chairman/Non-Executive Independent Director

Mr. Najmul Hassan was appointed as the Chairman of the Bank in 2012. He also represents ICD on the Boards of Zaman Bank Kazakhstan and Al Baraka Bank Pakistan. Mr. Najmul Hassan recently resigned from the position of Director, Financial Institution Development Department of the ICD. Prior to joining ICD, he was Chief Executive Officer of Gulf African Bank, the first Islamic bank in Kenya.

Mr. Hassan started his career with Pakistan Air Force, in the Maintenance and Technical Branch. During his career he has served as Managing Director of Delphi Diesel systems (Pakistan), and prior to that as Managing Director of Agro Auto Industries, which is one of the largest automotive parts manufacturing companies in Pakistan.

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. Mr. Najmul Hassan 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 a full-fledged Islamic commercial bank.

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

Mr Najmul Hassan holds a Master of Business Administration and Bachelor's Degree in Aeronautical Engineering (BE). He has also completed courses on Positive Psychology from University of Pennsylvania and at Fintech, Oxford University, UK.

Mr. Mohammed Ataur-Rahman Chowdhury

Independent Non-Executive Director

Mr. Mohammed Ataur-Rahman Chowdhury was appointed to the Board of MIB in 2012. He is a financial sector specialist, with more than 18 years of experience in various financial Institutions across Middle East, North Africa, West Africa, Central Asia and Southeast Asia. His diversified experience has mostly been in senior roles in direct financing, investment banking, commercial banking, FI equities and in board representations.

Having joined in 2007, Mr. Chowdhury holds the position of Head of Banking Equities at the ICD, formulating strategies of more than 15 Islamic banks with an aggregate portfolio of approximately USD 260 million. Mr. Chowdhury is also a Board member in Amana Bank, Sri Lanka. He also served as Adviser, Financial Institutions for the European Bank for Reconstruction and Development (EBRD) in London, UK on secondment from ICD.

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

A well learned individual, Mr. Chowdhury holds an MBA in Finance from IE Business School, Spain, and an 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.

Ms. Fathimath Shafeega

Independent Non-Executive Director

Ms. Fathimath Shafeega was appointed to the Board of MIB in 2015. She served as the Chief Executive Officer of the Capital Market Development Authority (CMDA). Prior to joining CMDA, Ms. Shafeega worked at the Maldives Monetary Authority for 24 years in various capacities. This also includes the position of Deputy Managing Director in the Capital Market Division of the MMA.

Ms. Shafeega also served as a member of the Board of CMDA and also served as a member of the Small and Medium Enterprises Council. She was a board member of the Institute of Corporate Directors and Secretaries and has also represented CMDA on the International Organisation of Securities Commissions (IOSCO). She has contributed significantly to the development of the current corporate governance framework in the Maldives and to the development of institutions in the capital market.

Ms. Shafeega is currently the Chairperson of Dhivehi Insurance Company Pvt. Ltd. She is also the Senior Advisor of Ensis Group of Companies. She is the co-founder and President of Women on Board, an NGO that works towards empowerment of women leaders especially in the Maldivian financial sector. She is also the founder of the Maldives Capacity Development and Governance Institute and holds the position of Advisor of the Institute.

Ms. Shafeega has received the Prestigious Rehendi Award from the Government of Maldives in recognition of her outstanding service as a woman, who has contributed to the national development and society.

Ms. Shafeega holds a Graduate Diploma and Master's Degree in Banking and Finance from Monash University, Australia.

Mr. Mohamed Azad

Independent Non-Executive Director

Mr. Mohamed Azad was appointed to the Board of MIB in 2017 as the Board nominee of the Government of Maldives. He has been working with the Ministry of Finance as a State-Owned Enterprises (SOE) Financial Consultant since 2017. In this capacity, he has worked with several SOEs in developing governance frameworks and establishing internal control mechanisms.

He has also provided assistance in raising financing for infrastructure projects carried out through SOEs.

He started his working career in September 2005 with the Anti-Corruption Commission and served the Commission in various capacities related to financial investigations and auditing for more than 10 years. In August 2016 he joined Hazana Maldives Limited as Head of Accounts and Finance.

Mr. Mohamed Azad holds a Bachelor of Business Administration degree and Master of Science (Finance), both from the International Islamic University Malaysia. He has also participated in number of seminars related to governance and financial investigations.

Mr. Osman Kassim

Independent Non-Executive Director

Mr. Osman Kassim was appointed to the Board of Maldives Islamic Bank PLC. in 2017. A renowned and highly respected entrepreneur in Sri Lanka, Mr. Osman Kassim is a pioneer of Islamic finance in the country, for having introduced Islamic banking and insurance. He counts over 40 years of senior management experience in these fields.

Mr. Kassim is the founder and currently the Chairman/ Non-Executive Director of Amana Bank PLC, Sri Lanka's first and only licensed commercial bank to conduct all its operations under the principles of Islamic banking. Mr. Osman Kassim was formerly the Chairman of the Expolanka Group. He is also the Chairman of Vidullanka PLC, Aberdeen Holdings (Pvt) Ltd, Alhasan Foundation and Rokfam (Pvt) Ltd. He concurrently holds directorship in Amana Takaful PLC, Amana Takaful Life PLC, Amana Takaful (Maldives) PLC and Ex-Pack Corrugated Cartons Limited.

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

Mr. Nasser Mohammed Al-Thekair

Independent Non-Executive Director

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

Mr. Nasser Mohammed Al-Thekair joined IsDB in 2000. He served as the Assistant General Manager of Corporate & Structured Finance Department with the responsibility of overseeing all ITFC trade finance transactions for Middle East and North Africa. During 2006 to 2008, Mr. Nasser Mohammed Al-Thekair was part of the team that was tasked with the role of establishing the ITFC as a separate entity within the IsDB Group and transferring the operations of the Trade Finance & Promotion Department to the new entity. Prior to the start of ITFC in January 2008, he was the Head of the Arabic Countries Section in the Trade Finance and Promotion Department at IsDB.

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

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

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

Mr. Abul Ehtesham Abdul Muhaimen

Managing Director/Chief Executive Officer

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

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

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

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

Mr Ali Wasif

Executive Director / Chief Financial Officer

Mr. Ali Wasif was appointed to the Board of the Bank in 2019. He joined MIB as a Planning and Development Officer in January 2011. Prior to joining MIB, he worked with Maldives Monetary Authority in Banking, Payment and Settlement Division with significant involvement in projects including, Maldives RTGS System and ACH system. He has been the Head of Finance and Accounts of MIB since September 2011 and currently serves as the Chief Financial Officer of the Bank.

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

Mr. Wasif holds a Bachelor's Degree in Accounting from Multimedia University, Malaysia and is an affiliate member of ACCA. He also has a Masters in Islamic Finance under the program Masters in Islamic Finance Practice (MIFP) from the International Centre for Islamic Finance (INCIEF).

Mr. Hussain Ali Habeeb

Company Secretary

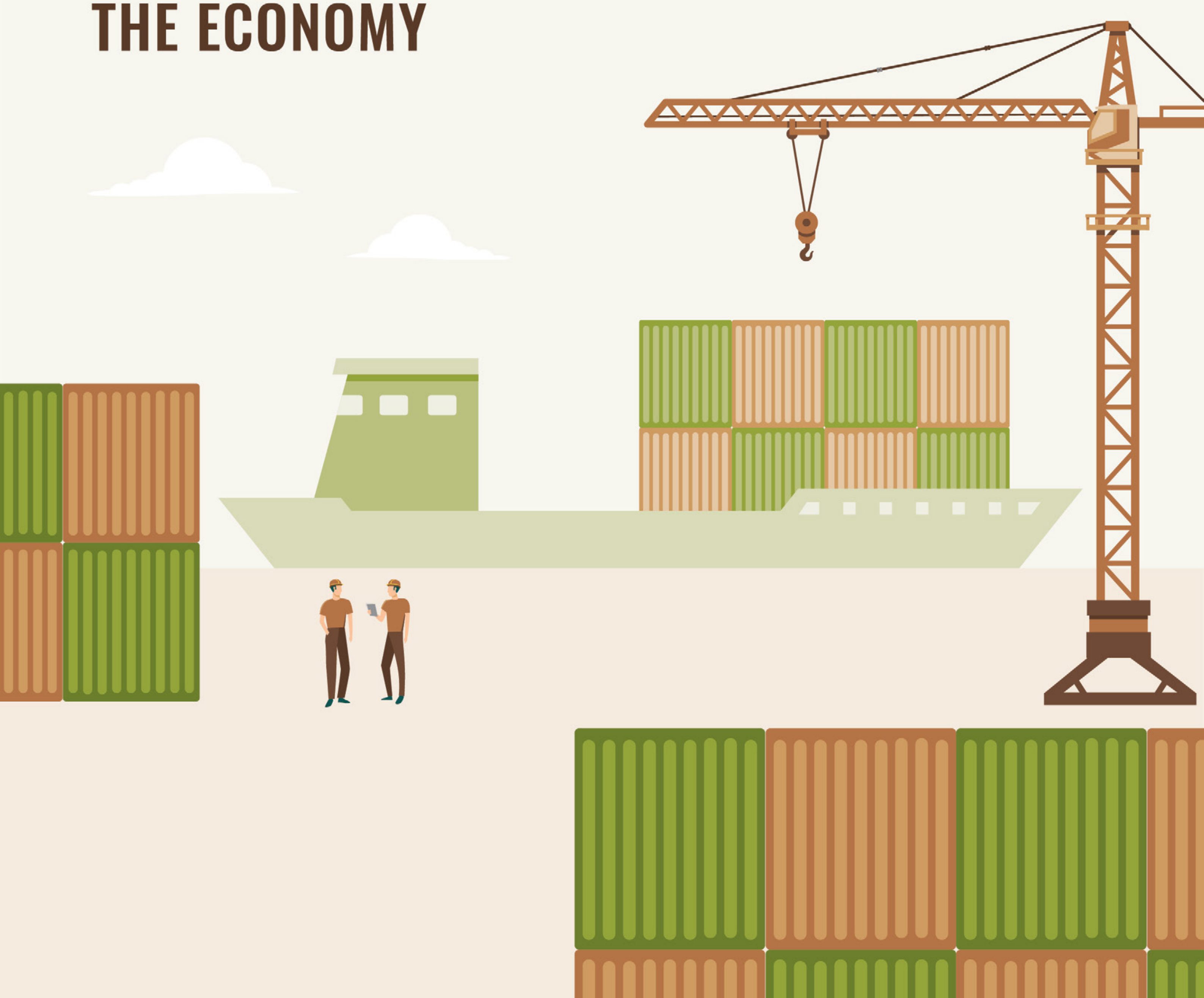
Mr. Hussain Ali Habeeb joined Maldives Islamic Bank in October 2011 in the Finance and Accounting Department. He was appointed Company Secretary in 2012.

As Head of Operations Department, Mr. Habeeb is primarily responsible for the efficient and sound operation of all branches and alternative delivery channels. He has been appointed as the Deputy Manager to undertake core functions such as administration, marketing and finance at various times.

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

Mr. Habeeb is a professionally qualified accountant and is a permanent affiliate member of ACCA. He also holds a Bachelor of Science in Applied Accounting Degree from Oxford Brookes University, with first class honors.

OUR COMMITMENT TO PROVIDING TRADING SOLUTION TO LOCAL BUSINESSES HAVE HELPED THEM GROW & PROVIDE MUCH NEEDED GOODS & PRODUCTS INTO THE ECONOMY



EXECUTIVE TEAM

Mr. Muhammad Amir Atiq

Mr. Ahmed Riza

Uza. Mariyam Sunaina

Mr. Abul Ehtesham Abdul Muhaimen

Mr. Mohamed Ismath

Mr. Hussain Ali Habeeb

Mr. Syed Asad Munir

Ms. Fathimath Azmath Ali

Mr. Fisol Amri bin Mansor

Mr. Hussain Alim Shakoor

Mr. Rakitha Chandrasekara

Mr. Abdullah Mamdhooh

Mr. Ali Wasif

Mr. Abul Ehtesham Abdul Muhaimen

Managing Director/Chief Executive Officer

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

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

Mr. Muhaimen has multicultural experience across geographies while working in ANZ Grindlays Bank, Standard Chartered Bank and other banks in Bangladesh and UAE. Mr. Muhaimen obtained post graduate degree, MBA from IBA, Dhaka University. He has also attended strategic senior management executive courses at INSEAD, Singapore, Cambridge University, UK, Mount Eliza of Monash University, Australia and Harvard University, USA. Mr. Muhaimen has held Board positions as a Director on the Board of Brac EPL, Brac EPSL, bKash and IIDFC in Bangladesh.

Mr. Ahmed Riza

Chief Operating Officer

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

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

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

Mr. Ali Wasif

Executive Director / Chief Financial Officer

Mr. Ali Wasif joined MIB as a Planning and Development Officer in January 2011. He was appointed to the Board in 2019. Prior to joining MIB, he worked with Maldives Monetary Authority in Banking, Payment and Settlement Division with significant involvement in projects including, Maldives RTGS System and ACH system. He has been the Head of Finance and Accounts of MIB since September 2011 and currently serves as the Chief Financial Officer of the Bank.

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

Mr. Wasif holds a Bachelor's Degree in Accounting from Multimedia University, Malaysia and is an affiliate member of ACCA. He also has a Masters in Islamic Finance under the program Masters in Islamic Finance Practice (MIFP) from the International Centre for Islamic Finance (INCIEF).

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-year 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 Shariah 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 as a 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 tenure of seven 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 has been recognized the most progressive Islamic financing institute in 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. 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 24 years, he has accumulated a diverse working experience both in conventional and Shariah compliant banking.

Mr. Atiq 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 and Whampoa.

In 2003, he moved to accept the new challenging role of risk management at Bank Al Habib, and successfully handled, analysed and processed retail and SME business propositions of 100+ branches for approvals. His ensuing 13 years' experience of working in Islamic banking 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 set in international protocols and local regulations with regard to prevention of money laundering and financing of terrorism.

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

Mr. Fisol Amri bin Mansor

Head of Shariah Unit

Mr. Fisol Amri bin Mansor joined MIB in 2015. He is an experienced Islamic finance banker from Malaysia. Mr. Fisol Amri has over 14 years of working experience in local and foreign Islamic banks, especially in Malaysia. His passion is spreading Islamic banking to the world and is keen to further improve Islamic banking system to be more acceptable.

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

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

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

Mr. Abdullah Mamdhooh

Head of Human Resources

Mr. Abdullah Mamdhooh is a pioneer staff member of the Maldives Islamic Bank, joining the Bank in September 2011. Mr. Mamdhooh is a dedicated Human Capital Management professional with more than 10 years of experience in the field. He was pivotal in establishing the

Human Capital Management structure and policies which has yielded an impressive performance in HR indicators. Mr. Mamdhooh plays a key role in leading the team at MIB and ensuring optimal team dynamics and cohesiveness.

Mr. Mamdhooh joined MIB as a senior officer, heading HR and Administration. His dedication and unwavering commitment has led to him elevating his position to Senior 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. Mamdhooh has a Master of Human Resource and International Relations degree from the University of New Castle, Australia and a Bachelor of Business degree from the University of Queensland, Australia. He has undertaken a variety of professional certifications in human resource management sub specialties and programme management.

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

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

Mr. Hussain Ali Habeeb

Head of Operations

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

As Head of Operations Department, Mr. Habeeb is primarily responsible for the efficient and sound operation of all branches and alternative delivery channels. He has been appointed as the Deputy Manager to undertake core functions such as administration, marketing and finance at various times.

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

Mr. Habeeb is a professionally qualified accountant and is a permanent affiliate member of ACCA. He also holds a Bachelor of Science in Applied Accounting Degree from Oxford Brookes University, with first-class honors.

Ms. Fathimath Azmath Ali

Head of Business Support

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

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

Ms. Fathimath Azmath holds a Bachelor of Banking and International Finance from Flinders University, Australia and a Master of Economics from the University of Sydney Australia. She is a professional banker with 10 years of banking experience in various designations within the industry.

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 and joined 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 ethics have earned her the preeminent managerial post at the Legal Affairs & Documentation at BML in 2008.

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

Mr. Mohamed Ismath

Head of 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 and is Certified in ITIL v33. His expertise covers a vast area in managing modern day technology, which includes management of virtualized infrastructures and next generation security appliances, covering modern standards and technologies designed to optimize infrastructure cost like data deduplication, workforce collaboration, Business Intelligence, MSI, SIEM, VoIP and ISO27001.

Mr. Hussain Alim Shakoor

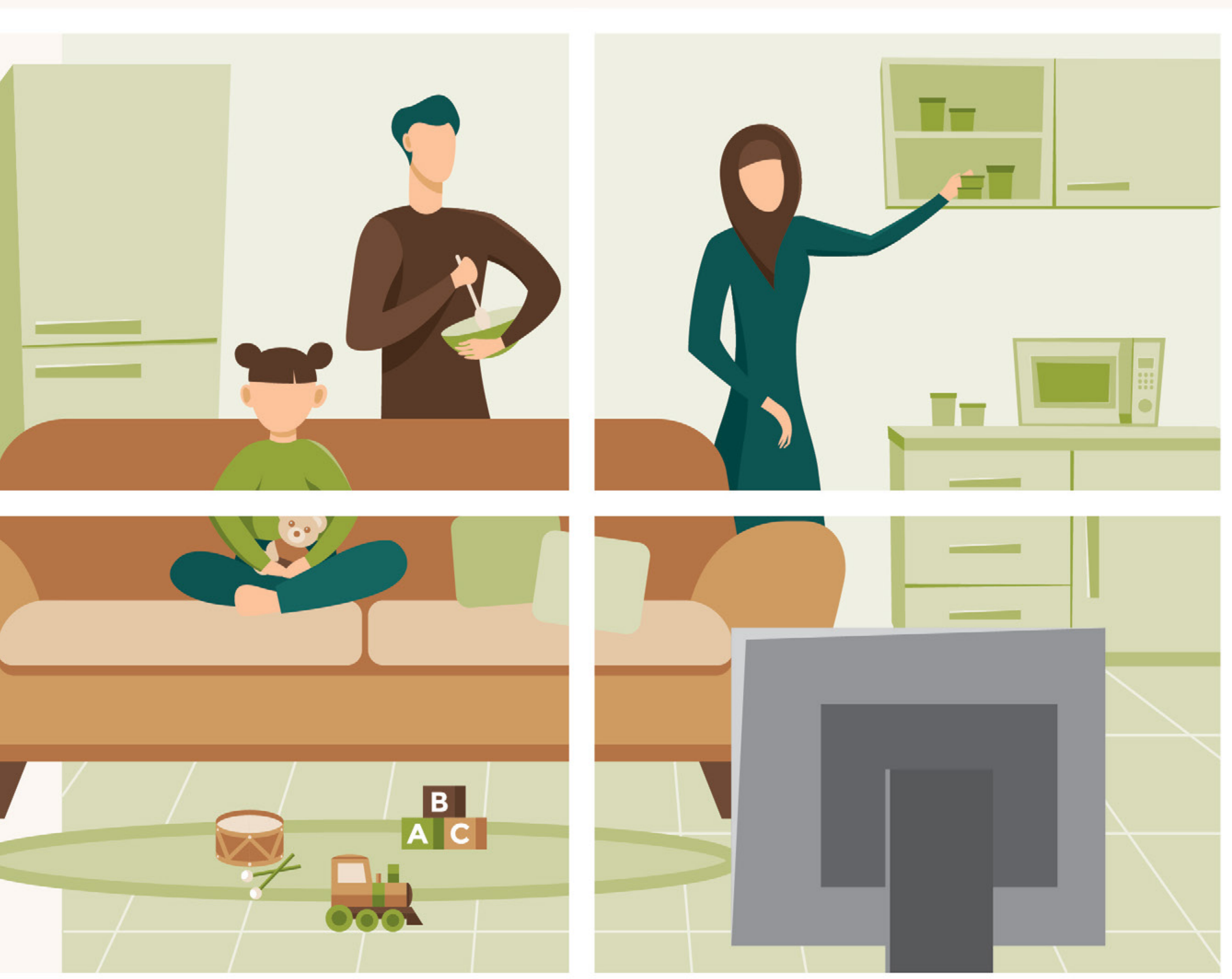
Head of Marketing

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

WE ARE THE LEADING FINANCER OF HOUSING FOR FAMILIES OF ALL SOCIOECONOMIC STATUS, PAVING THE WAY FOR HAPPIER FAMILIES, & HAPPIER COMMUNITIES

We have financed more than 1000 housing units of various categories and partner with many developers and projects to facilitate affordable housing options for all.



02 DIRECTOR'S REPORT

BUSINESS REVIEW

CORE BUSINESS ACTIVITY

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

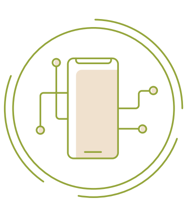
Financial Results

	2019 (MVR '000)	2018 (MVR '000)
Profit Before Tax	111,923	72,802
Income Tax	27,908	(20,252)
Net Profit After Tax	84,014	52,550

FOCUS DURING THE YEAR

Image

Community



Digital

Retail

Image

One of the core focus areas for the year was the further enhancement of the Bank's image as a pioneer and leader in Islamic finance in the country. During the year, the Bank was committed to fulfilling its mandate and commitment to provide financial access to the public and businesses who wish to avail themselves of banking transactions and dealings in strict compliance to Islamic banking principles.

Maldives Islamic Bank has opened over 85,000 bank accounts in compliance with Islamic finance principles, benefitting over 71,000 customers as of end 2019.

Community

Being an integral part of the community has been an important area of focus for the Bank since its inception. The Bank aimed to position itself in a way that would increase the retail uptake at the IPO, which was successfully achieved resulting in oversubscription of the IPO, with 99% retail participation.

Climate change and global warming is one of the most concerning issues for the country. The Bank contributes to the country's efforts to minimise climate change by providing financing to industries and companies that demonstrate an increased resource efficiency and greater adoption of clean and environmentally sound technologies and industrial processes.

The Maldives Islamic Bank was the first bank in the Maldives to pilot the financing of solar panels for households. The programme began in Addu City, as an initiative to invest in tackling environmental pollution and climate change.

The Bank also empowers and promotes social and economic inclusion of all Maldivians by ensuring equal opportunity and reducing income inequalities by providing gainful employment.

Maldives Islamic Bank has directly financed the construction of over 1,000 housing units to the local population via its flagship housing product, to address the social issue of housing in Maldives.

Other areas of community engagement include active participation in infrastructure development of the country over the years and a scholarship programme that has been in effect since 2016, that has enabled multiple students to achieve their goals of higher education.

Digital Services

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

The Bank's electronic banking platform includes FaisaMobile, FaisaPay and FaisaNet.

Faisamobile

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

Faisapay

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

Faisanet

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

FaisaCard

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

FaisaPOS

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

FaisaPOSCash

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

FaisaATM

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

Retail

Consumer Financing

As of 2019, the Bank offers its customers a multitude of financing solutions based on Islamic finance principles. These include Murabahah based consumer financing, motorcycle financing, car financing, vessel financing, trade financing, Ijarah based education financing, home financing based on the concept of diminishing Musharakah and construction, real estate and project financing backed up by the Islamic finance principle of Istisnaá.

Increasing retail customer base

The Bank adopts client relationships, innovation and quality as its core values and strives to deliver excellent services to its customers. This has attracted a significant retail customer base that trusts the Bank's varied and unique range of Islamic finance product offerings. During the year, the Bank has improved and launched new products to target the retail market. This includes Ujaalaa Dhiriulhun (consumer finance) and Kaamiyaabu Kids Account (Children's Investment Account).

MARKET POSITION & MARKETING ACTIVITIES

The Maldives Islamic Bank is the market leader in Islamic banking and finance in the Maldives. Our investments and executions on improving customer service has yielded significant results. The Bank strives to offer better quality and credible Shariah compliant banking services to customers who are desirous of carrying out their financial transactions in conformity with Islamic values and principles.

Our retail and consumer financing products have resulted in the Bank claiming the most preferred consumer financing partner with an overall deployment at a rate unseen in the Bank's history.

Enhancing customer services is a key objective of the Bank. As part of our efforts to understand customers' needs and improve customer experience, the Bank installed a digital queueing system in 2019, that allows customers to provide feedback and rating on service received.

During the year the Bank's marketing activities were focused mainly on three areas.

- **Consumer Financing (Ujaalaa Dhiriulhun)**

During the year 2019, MIB refurbished, rebranded and launched the Bank's consumer financing facility under the brand name Ujaalaa Dhiriulhun. The product branding is presented to depict the end result of satisfaction and happiness customers feel when they are able to satisfy their financing requirements.

The designing of the brand and the accompanying posters are a first in MIB's history, depicting satisfied customers with happiness emanating from their smiles, communicating the satisfaction and the happiness resulting from availing the facility for their lifestyle purchases.

The campaign was mainly run digitally through newspaper advertisements on online newspapers and social media advertisements designed to reach the entire population. This digital strategy allowed us to reach more than 80% of the population at a low cost.

Today, Ujaalaa Dhiriulhun is the most sought-after financing facility in the Maldives.

- **IPO and Corporate Branding:**

IPO retail marketing was the biggest campaign of 2019 and was designed to position MIB as the fastest growing bank in the Maldives and the shares on offer as the most lucrative investment to be made.

Assisted through market surveys and focus group deliberation, four main themes were finalised to promote Maldives Islamic Bank and its IPO. The themes ranged from sharing successes the Bank has achieved, to encouraging people to invest in a business that is both ethical and focuses on doing good.

The outcome of the campaign was a staggering success with a record level of retail participation with over 99% of total investors from the retail segment. The IPO was oversubscribed by over 46%, a first in the Maldives. The success of the campaign is a reflection of the solid footing on which MIB was built and stands tall today.

- **Deposit campaign and Kaamiayaabu Kids savings account**

During the fourth quarter of 2019, a deposit campaign named 'Save with MIB' was launched. The objective of the campaign was to create a consistent deposit drive through the Bank and create a strategy that will be carried forward in 2020 and to establish an active distribution strategy.

During the formulation of the campaign, the Bank identified several market gaps in deposit products and created a product, Kaaamiyaabu Kids Account; that would fulfil one of the biggest untapped market segments. The product is designed as a monthly contribution deposit product that would invest and reinvest funds accumulated through a bi-annual profit-sharing mechanism, resulting in the creation of a substantial fund that can be used towards children's future education needs.

The product was initially pitched at a premium market. But today, it has spilled over to the middle and low-income market segments with a growing demand. Unlike most of the Bank's products, this product requires personal consultation with one of the Bank's distribution experts prior to the customer signing up for the scheme.

The campaign was mostly run on digital platforms to keep the costs low with plans to go onto traditional media in 2020.

KEY PROJECTS & PRODUCTS IMPLEMENTED DURING THE YEAR

Initial Public Offering

The IPO of Maldives Islamic Bank PLC. was the most successful IPO in the recent history of Maldives. By the end of the IPO, the Bank's 6,975,000 ordinary shares offered for public subscription were oversubscribed by 46.05%. Today, the public holds 31% shareholding of the Bank, more than 99% represented by retail participants. This aligns with the Bank's original founding vision of encouraging greater participation of the Maldivian public in the ownership of the Bank.

Maldives Islamic Bank takes great pride in the fact that women account for over 42% of public shareholders. Over 57% is represented by men. This is the result of the Bank's efforts towards establishing gender balance in the Bank's ownership. The IPO was officially closed with the listing of Maldives Islamic Bank PLC. in the Maldives Stock Exchange, on 17 November 2019 with over 16,000 public share owners.

The Bank has been utilising the proceeds generated from the Offer for Subscription in the normal course of banking business, while the proceeds from the Offer for Sale by the Islamic Corporation for the Development of the Private Sector was assigned to ICD as the selling shareholder.

Moments from IPO sales events, roadshows, and IPO distribution center, which contributed towards the most successful IPO in the recent history of the Maldives, resulting in an over subscription of 46.05%

New Head Office

In order to facilitate ease of access for the Bank's customers and as a major step in the Bank's continued efforts to enhance its customer service experience, the Bank opened its new flagship head office on March 2019. MIB's new head office has the capacity to offer all services under one roof.

The new head office is in one of the prime locations in Male' and was a significant move towards improving the service quality of the Bank, in addition to remaining as 'the face of Islamic finance in Maldives', as described by Mr. Ibrahim Ameer, Minister of Finance at the inauguration ceremony of the new Head office.

Faamudheyrige Baazaaru Service Centre

Designed to increase capacity in the service front for the many different service offerings of the Bank, the Maldives Islamic Bank started accepting customers to its Baazaaru Service Centre on 22 December 2019.

The services provided at this centre include, opening of bank accounts, submissions of FaisaCard and FaisaNet applications, cheque deposit, TT and LC applications, submission of Ujaalaa Consumer Financing applications and other non-cash services such as issuance of cheque books, issuance of account statements, salary processing and RTGS applications.

Ujaalaa Dhiriulhun Consumer Financing

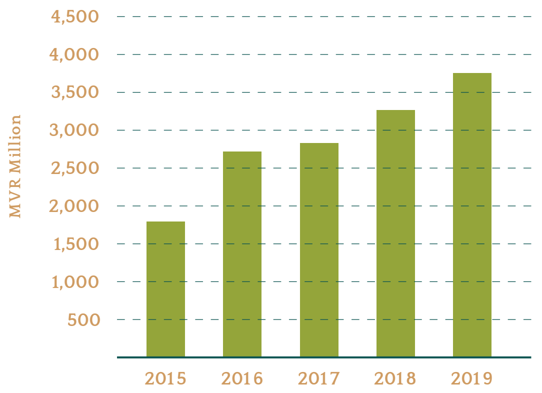
A convenient Islamic Financing facility introduced by the Bank during 2019, Ujaalaa Dhiriulhun Consumer Financing scheme provides a means to finance general needs of customers.

With a maximum limit of MVR 250,000, this unsecured financing facility has enabled several individuals to fulfil their purchasing needs for a range of products from electronics, home appliances, mobile phones, construction materials, furniture, outboard engines and other general use items.

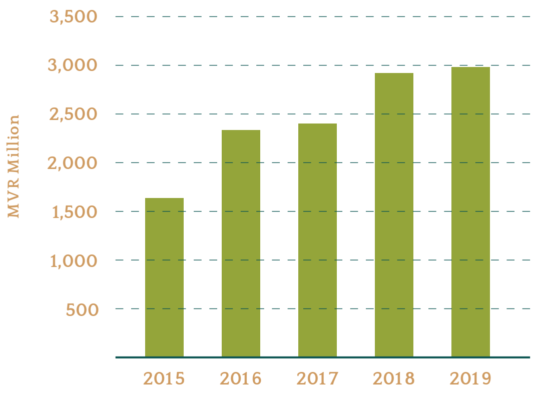
Inauguration of the new Head Office by Hon. Mr. Ibrahim Ameer, Minister of Finance, Government of Maldives and Mr. Ayman Amin Sejiny, CEO of Islamic Corporation for the Development of the Private Sector (ICD), March 2019

FINANCIAL PERFORMANCE

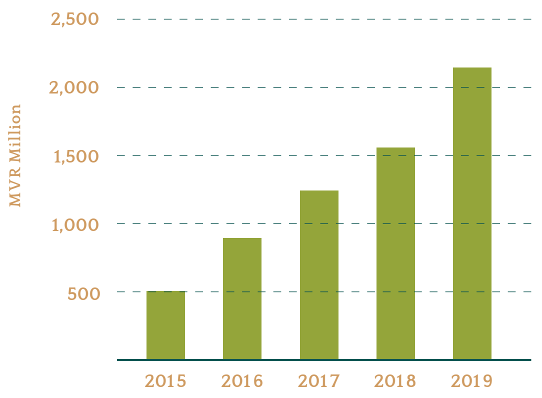
Total Assests



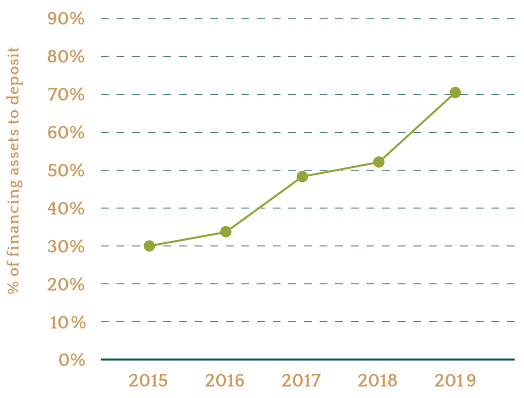
Customer's Deposits



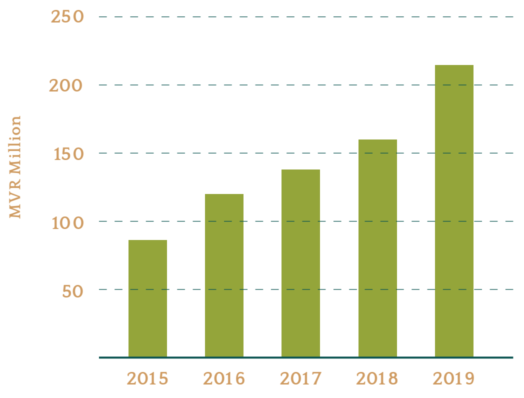
Financing Assests



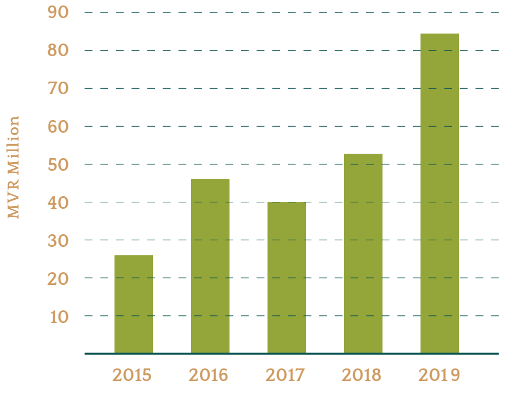
Financing Assets to Deposit Ratio



Net Income from Financing & Investment



Profit After Tax



FINANCIAL HIGHLIGHTS

	2014	2015	2016	2017	2018	2019	Change (MVR)	Change (%)
Operating Results for the Year - MVR Millions								
Total Financing & Investment Income	62	89	132	150	186	260	74	40%
Net Income from Financing & Investment	56	78	116	129	154	216	62	40%
Total Operating Expenses	48	58	72	84	98	121	23	23%
Profit before Tax	20	33	60	54	73	112	39	53%
Tax Expenses	6	8	15	14	20	28	8	40%
Profit after Tax	14	25	45	40	53	84	31	58%
Assets and Liabilities - MVR Millions								
Net Financing Assets	368	485	816	1,172	1,529	2,132	603	39%
Total Assets	1,320	1,789	2,629	2,768	3,282	3809	527	16%
Customers' Deposits	1,122	1,561	2,337	2,438	2,882	2,975	93	3%
Total Liabilities	1,137	1,579	2,375	2,470	2,941	3,239	298	10%
Total Equity	184	209	254	298	341	570	229	67%
Net Financing Assets to Deposit Ratio	0.33	0.31	0.35	0.48	0.53	0.72		
Profitablity - %								
Return on Gross Financing Assets	12.02%	11.59%	11.53%	11.06%	10.57%	11.14%		
Return on Assets	1.20%	1.60%	2.02%	1.48%	1.74%	2.37%		
Return on Equity (After Tax)	8.26%	12.67%	19.26%	14.52%	16.45%	18.44%		
Gross Non Performing Financing Assets Ratio	1.68%	1.92%	0.96%	4.24%	2.50%	2.71%		
Net Non Performing Financing Assets Ratio	1.70%	1.94%	0.97%	4.31%	2.53%	2.75%		
Provision Cover	97.3%	76.8%	106.8%	36.2%	46.3%	50.3%		
Investor Information - MVR								
Net Asset Value per Share	1,020	1,163	1.411	1,655	1,894	25*		
Earnings per Share - Post Tax	78	139	250	222	294	4*		
Capital Adequacy Ratios - %								
Tier 1 Risk Based Capital Ratio (Minimum 6%)	28%	22%	17%	16%	14%	15%		
Total Risk Based Capital Ratio (Minimum 12%)	31%	25%	21%	18%	17%	18%		

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

FUTURE OUTLOOK

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

The Bank believes the digital banking and Fintech solutions will be the key driver for the banking industry. The Bank's efforts to further improve financial inclusion will also continue. As such, the Bank will develop its digital platforms, which will also improve reach and access to customers living and working in various parts of the country. The branch network will be expanded, and new investments will be made to improve and secure the technological infrastructure of the Bank.

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

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

CORPORATE SOCIAL RESPONSIBILITY

Sponsorships

The Bank's CSR and sponsorship activities were focused mainly on education and the upkeep of mosques. In this regard, MIB's practice is to finance small projects on a one-off basis.

As part of investing in the community's educational needs, the Bank places great emphasis on improving and increasing Islamic finance and banking education within the community. This includes sponsorship of conferences, conducting events and the dissemination of general information and education on Islamic finance.

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

Contributions to mosques in the form of sponsorships are specifically for repair and maintenance and replacing items such as prayer mats and carpets.

Some special projects conducted during 2019

Maldives Finance Forum

Organized by the Maldives Pension Administration Office, the Maldives Finance Forum is the premier gathering of the professionals and experts from a varied fields. Maldives Islamic Bank was the main sponsor of this forum which was held on 22 April 2019 at Paradise Island Resort. The theme of this particular forum was "Engaging Private Sector on Social and Economic Development" bringing together presentations and speakers from Government, Banks both local and overseas as well as young entreprenuers making an impact on the economy.

Quran Competition organized by Fuvahmulah City Council

Primarily focused on contributing to religious activities, the Bank contributed to the Quran Competition organised by Fuvamulah City Council in 2019. The Bank sponsored the top winners of this competition, who were chosen among the participants from various schools of Fuvahmulah City. The competition is held annually and is open for all citizens of Fuvahmulah City.

Maldives Islamic Banking and Finance Industry Conference

Maldives Islamic Bank was a proud partner of the 6th Maldives Islamic Banking and Finance Industry Conference (MIBFI) held in Maldives during September 2019.

MIBFI is an Islamic banking and finance conference organized by UTO EduConsult of Sri Lanka and Islamic University of Maldives. This is a platform where experts on Islamic finance gather and share their experiences, discuss the issues faced by the Islamic finance industry and identify possible solutions.

Ainee Eid Smiles

Ainee Eid Smiles was a children's Eid festival held in Hulhumale' Central Park on the occasion of Eid al Adha last year.

Maldives Islamic Bank availed this interactive opportunity to contribute to the Bank's strategic focus on community, where enhancing the society's knowledge on Islamic banking and finance is of utmost importance to the Bank. Through this three-day festival, the Bank conducted various Shariah complaint activities for children and families.

Islamic Finance Forum of South Asia

The Bank was the platinum sponsor of the 4th Islamic Finance Forum of South Asia, held in Maldives for the first time. This is the premier forum of Islamic Banking and Finance in South Asia bringing together academicians, experts and practitioners of the Islamic banking and finance industry from the region and the world. This forum provides a much-needed platform for sharing knowledge and information on Islamic banking and finance.

The event is organized by UTO EduConsult of Sri Lanka and is one of the most prestigious recognitions given to Islamic finance institutes of South Asia region.

Islamic finance survey

As part of enhancing Islamic finance and banking education within the community, the Bank partnered with Maldives Capacity Development and Governance Institute (MCDGI) for the nationwide Islamic Finance and Financial Inclusion Survey, initiated by the Maldives Capacity Development and Governance Institute, a leading institute in Maldives providing high quality professional education in Islamic finance and works towards increasing Islamic finance awareness in Maldives. A first of its kind, this survey will provide a picture on the situation of Islamic finance in Maldives. which will enable the stakeholders to take measures in the future to improve the Islamic Finance literacy and financial inclusion in the country.

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

MIB has been a major catalyst for the economic and social growth of the Maldives, and a significant contributor in improving the consumer behaviour and lifestyle of the Maldivian people. The Bank has understood the development priorities of the country and has taken positive action to support these development priorities, with a contribution to the Sustainable Development Goals.

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

The Bank through its SMEs financing has financed more than 1000 SMEs covering key economic sectors including fishing, construction, housing, general assets and consumer goods. MIB has thus far facilitated the purchase of 35 fishing vessels, intended to enhance the livelihood for a significant portion of the population residing in the islands.

MIB has been active in the infrastructure development of the country over the years. 80 generator sets were supplied to government power generation companies. MIB has facilitated 44 passenger/ cargo transport vessels to enhance the transportation services of the country. Furthermore, MIB has also financed 22 buses providing local transport services to the population and has also financed 03 aircrafts for the national carrier to expand their fleet.

MIB has also directly financed the construction of over 1,000 housing units to the local population via its flagship housing product.

The Bank has positioned itself in major urban centers, as well as in the islands going afar from Malé, thereby providing easier access to financial services to the Maldivian community.

MIB's impact on the local community is emphasized through its contribution to the government revenues via tax payments. MIB actively contributes and supports the social empowerment of local communities and has spent an average of USD 150,000 towards community development annually.

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

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

INVESTOR INFORMATION

No. of securities traded in 2019	1,250
No. of transaction in 2019	05
Total value of securities traded	MVR 45,800.00
Highest traded price	MVR 37.00
Lowest traded price	MVR 36.00
First traded price	MVR 36.00
Last traded price	MVR 37.00 (on 25 December 2019)
Weighted average traded price	MVR 36.64
Earnings per security	MVR 4.51
Proposed Dividend per Security	MVR 1.575
Net asset value per security	MVR 25.34
Value as at 31 December 2019	MVR 37.00
Market capitalisation in 2019	MVR 832,500,259
Total Number of Shareholders as at 31 December 2019	16,148

SUPPORTING THE LOCAL COMMUNITIES, WE CONTINUE TO FINANCE SEA GOING VESSELS WHICH ENABLES ENTREPRENEURSHIP, JOBS & INCOME TO COMMUNITIES

We have financed over 80 sea going vessels, such as fishing, cargo and passenger vessels.

CORPORATE GOVERNANCE

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

BOARD OF DIRECTORS

Composition of the Board

In accordance with the Bank's Articles of Association, the Board of Directors is comprised as per the following;

- Pursuant to Article 41 of the Bank's Article of Association, shareholders shall have the right to appoint 1 (one) Director for each 14% (fourteen percent) of the total issued shares in the Company held by that respective shareholder.

- As per Article 42, at least 1 (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). The Elected Director, who will represent the Bank's Public Shareholders will be appointed at the Annual General Meeting to be held in 2020.

- 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.

- The composition of the Board is firmly aligned with section 1.2, Part 2 of the Corporate Governance Code of the Capital Market Development Authority and has a mix of executive and non-executive and independent directors, ensuring impartial and efficient guidance is provided to the management.

Composition of the Board of Directors as of 31 December 2019;

Mr. Najmul Hassan
Designation: Chairman/Non-executive independent Director
Representation: ICD

Mr. Mohammed Ataur-Rahman Chowdhury
Designation: Non-Executive Independent Director
Representation: ICD

Ms. Fathimath Shafeega
Designation: Non-Executive Independent Director
Representation: Public

Mr. Mohamed Azad
Designation: Non-Executive Independent Director
Representation: Government of Maldives

Mr. Osman Kassim
Designation: Non-Executive Independent Director
Representation: ICD

Mr. Nasser Mohammed Al-Thekair
Designation: Non-Executive Independent Director
Representation: ICD

Mr. Abul Ehtesham Abdul Muhaimen
Designation: Executive Director
Representation: MD/CEO

Mr. Ali Wasif
Designation: Executive Director
Representation: CFO

New appointments to the Board during the year

The following members of the Board were appointed during 2019.

- **Mr. Nasser Mohammed Al-Thekair** - 18 February 2019
- **Mr. Abul Ehtesham Abdul Muhaimen** - 27 June 2019
- **Mr. Ali Wasif** - 27 June 2019

Roles and responsibilities of the Board of Directors

The Board of Directors of Maldives Islamic Bank PLC. 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 above principles.

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

Role of the Chairman

The Chairman is charged with the responsibility for the overall functioning of the Board of Directors and its activities and presides at meetings of Directors and shareholders. The Bank relies on the Chairman's expertise and knowledge in providing focused leadership to the Board. The Chairman also ensures that harmony and affinity are maintained within the Board, enabling free constructive discussions during the decision-making process.

The positions of Chairman and Chief Executive Officer are held by two separate individuals, and there are no business or family relations between the two individuals who occupy these two positions.

Meetings of the Board of Directors

Members of the Board of Directors are given notice of Board meetings as stated in the Articles of Association. Directors may propose inclusion of additional items in the agenda. 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. The agenda is distributed with supplementary documents in advance to the Directors.

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

Matters related to the IPO and share structure of the Bank

- Approved the issuance of additional shares to facilitate the conversion of the Bank to a Public Limited Company.
- Approved the salient features of IPO of the Bank.
- Approved issuance of 4.5 million new shares to the public through the Bank's IPO.
- Approved the proposed sale of 10% of the shares in the Bank held by ICD to the Government of Maldives.
- Approved the proposed sale of 1.25% shares in the Bank held by ICD to Amana Takaful (Maldives) PLC.

Review and approval of financial reports & matters related to financial management

- Reviewed and approved the annual financial statements for the year ended on 31 December 2018 and agreed to recommend to the Bank's AGM for approval of shareholders.
- Approved the dividend for shareholders and agreed to recommend to the Bank's AGM for approval of shareholders.
- Approved the Bank's budget and business plan for 2020.
- Reviewed the financial performance of the Bank on a monthly basis.
- Reviewed the non-performance assets portfolio of the Bank on a monthly basis.
- Approved a number of financing facilities during the year as per the recommendation of the management.

Matters related to governance

- Approved to establish Board Nomination and Remuneration Committee.
- Approved the appointment of Executive Directors to the Board of MIB.
- Approved the reconstitution of the Bank's Board Risk and Compliance Committee.
- Reviewed and endorsed Shariah Board annual report for the period ended on 31 December 2018.
- Approved to appoint KPMG as the Bank's external auditor for 2019 and agreed to recommend to the Bank's AGM for approval of shareholders.
- Approved to amend the Bank's Memorandum of Association and Articles of Association.
- Reviewed and approved the Board Remuneration Policy and all other policies submitted for approval of the Board of Directors.

Attendance of Directors at Board meetings

Eleven meetings of the Board were held in 2019.

Mr. Najmul Hassan

Attendance: 11/11

100%

Mr. Mohammed Ataur-Rahman Chowdhury

Attendance: 11/11

100%

Ms. Fathimath Shafeega

Attendance: 10/11

91%

Mr. Mohamed Azad

Attendance: 11/11

100%

Mr. Osman Kassim

Attendance: 10/11

91%

Mr. Nasser Mohammed Al-Thekair

Attendance: 11/11

100%

Mr. Abul Ehtesham Abdul Muhaimen

Attendance: 6/6

100%

Mr. Ali Wasif

Attendance: 6/6

100%

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. His employment contract is for three years. Mr. Abul Ehtesham Abdul Muhaimen reports directly to the Board of Directors. His main responsibilities include leading and directing the execution of strategies of the Bank, 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 in January 2017. He joined the Bank in 2011 under an employment contract. 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

The Bank has measures in place to avoid instances of all conflicts of interest throughout the organisation and in all the dealings of Board of Directors. In this regard, Directors are barred from participating in proceedings where any transaction, arrangement or proposed transaction or arrangement, in which he or she has an interest is being discussed. The Bank reports no such conflicts of interests during the past financial year.

In 2019 no contracts have been 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.

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 has assigned the Board Nomination and Remuneration Committee, established in 2019, the task of developing procedures to evaluate the performance of the Board as a whole and its committees and the performance of each member of the Board individually.

Directors' development

No programmes were conducted in 2019 in the area of Directors' development.

Directors as shareholders of the Bank

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

The following Directors held shares of the Bank as follows as of 31 December 2019;

Name of Director	No. of shares held
Mr. Abul Ehtesham Abdul Muhaimen	201 shares
Ms. Fathimath Shafeega	141 shares
Mr. Ali Wasif	21 shares

Relationship with shareholders

In order to enhance the relationship with the Bank's shareholders, a dedicated Investor Relations Unit has been established within the Bank. The unit ensures that all shareholder related matters are attended to and catered for on a daily basis. They also ensure all necessary and up-to-date information required by shareholders, to make sound judgements on their investment, are made readily available on the Bank's website within the stipulated timeframe. This also includes quarterly reports, annual reports, announcements and notices.

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

Remunerations to members of the Board and Executives

The Bank remains partially compliant to clause 2.4, Part 2 of the Corporate Governance Code of the Capital Market Development Authority, which requires the remunerations paid to individual members of the Board of Directors and key management to be disclosed, due to the competitive business environment it operates in. The Board of Directors decided only to disclose the aggregate remuneration paid to the Directors and key management.

The aggregate remuneration paid to the members of the Board of Directors during the year was MVR 702,771 and the aggregate remuneration paid to the members of the executive management during the year was MVR 4,962,615,

Disclosure of information

The Bank's quarterly reports were published within the regulatory framework 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 Company be published not later than four months after the end of each financial year. However, due to COVID-19 outbreak in Male', the deadline to publish the report has been extended by CMDA. The Bank's annual report for 2019 is published accordingly. Audited financial statements were made available to the shareholders as per Banking Act, as part of the Bank's continued efforts towards transparency and good governance.

Appointment of external auditors

The Board recommends to continue the engagement of KPMG as the Bank's External Auditors for the financial year ending 2020.

Internal controls, risk oversight and management

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

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

All the measures in place with respect to internal controls, risk oversight and management practices within the Bank ensure that the Bank meets compliance standards set in international protocols and local regulations in all aspects, 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 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 relating to governance and management and financial statements of the Company and the declarations related to those are stated below. We declare that the information presented in this statement is true and accurate.

In accordance with the principles of corporate governance, Listing Rules, Securities Act and the Company's Act, the Directors of Board and the management of MIB have made all efforts to ensure that the Bank is governed and managed in a fair and transparent manner.

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with all applicable laws and regulations.

Financial statements

Directors collectively ensured that the Bank's financial statements are drawn up in accordance with International Financial Reporting Standards. They also ensured that the financial reporting of the Bank present a true and fair view of the state of affairs of the Bank.

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

The Directors have also taken necessary steps to ensure that appropriate systems are in place for the assets of the Bank to be properly safeguarded for the prevention and detection of fraud and other irregularities. The systems, by their nature, can only provide reasonable and not absolute assurance against material misstatements, whether due to fraud or error.

Dividend

The Board of Directors has approved MVR 1.575 per ordinary share to be proposed for shareholders' approval at the annual general meeting to be held in 2020.

03 July 2020

Najmul Hassan
Chairman

Abul Ehtesham Abdul Muhaimen
Chief Executive Officer

BOARD AUDIT COMMITTEE

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

Composition of the Committee

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

Composition of the Committee as of 31 December 2019

Name	Designation
Ms. Fathimath Shafeega	Chairperson of the Committee Non-executive independent Director
Mr. Mohammed Ataur-Rahman Chowdhury	Non-executive independent Director
Mr. Mohamed Azad	Non-Executive Independent Director

Duties of the Committee

- Approve the appointment, replacement and dismissal of the Internal Auditor/Head of Internal Audit;

- Review and approve the internal audit plan, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Bank;

- Monitor and assess the role and effectiveness of the internal audit function;

- Review the adequacy of the scope of audits conducted by the Internal Audit Department, functions and resources of internal audit and that it has the necessary authority to carry out its work;

- Evaluate the performance of the Head of Internal Audit Department and the overall performance of the department;

- Consider and review the Internal Audit Department's budget and staffing;

- Inquire about any difficulties encountered in the course of internal audits, and any restrictions placed on internal audit's scope of work or access to required information or personnel;

- At least once a year, meet with the Head of Internal Audit without the presence of executive management to discuss any matters that either the Board Audit Committee or Head of Internal Audit believes should be discussed privately;

- Ensure collaboration between internal and external audits;

- Recommend to the Board of Directors, the external auditors to be appointed and their compensation; review and approve the scope and quality of their work, and their discharge or resignation;

- Review the external auditors' audit plan, scope of their audit and their audit reports;

- Assess the performance of the external auditors;

- Review the independence and objectivity of the external auditors and their services, including non-audit services;

- Approve the provision of non-audit services by external auditors and to ensure that the provision of the non-audit service does not impair the external auditor's independence or objectivity;

- Consider and recommend to the Board the level of audit fees as well as any other fees which are payable to auditors in respect of non-audit activities;

- Oversee the rotation of external auditors at appropriate intervals if necessary;

- Discuss the nature and scope of the audit with the external auditors before the audit commences;

- Discuss problems and reservations arising from the interim review and year-end audit and any matters the external auditors may wish to discuss, in the absence of management where necessary;

- Review the external auditors' engagement letter, management letter and management's response;

- At least once a year, meet with the external auditors without the presence of executive management to discuss any matters that either the Board Audit Committee or external auditors believe should be discussed privately;

- Undertake other actions relating to the conduct of the audit which are communicated to the Board Audit Committee under International Standards on auditing.

Attendance at Committee meetings

Ms. Fathimath Shafeega

Attendance: 6/6

100%

Mr. Mohammed Ataur-Rahman Chowdhury

Attendance: 6/6

100%

Mr. Mohamed Azad

Attendance: 6/6

100%

Activities of the Committee

Internal Audit:

The Board Audit Committee deliberated and reviewed below mentioned internal audit reports.

- Fuvahmulah Branch
- Human Resources Department
- Consumer Finance Unit
- Head Office Project Post Review
- Hithadhoo Branch
- Proposed New Branch Capital Expenditure Review
- Capital Adequacy Review
- Thinadhoo Branch
- Ongoing strategic reviews

The Board Audit Committee also reviewed below mentioned policies which were subsequently approved by the Board of Directors.

- Operational Delegation Policy of the Bank
- Procurement Policy
- Fixed Asset Policy

External Audit:

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

- Reviewed the Management Letter and other recommendations submitted by the External Auditors and followed-up the issues raised during the financial year under review.

- The Bank's Financials were also reviewed and approved by the Audit Committee.

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

Provision of Non-Audit Service

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

Date: 03 July 2020

Fathimath Shafeega
Chairperson
Board Audit Committee

BOARD RISK AND COMPLIANCE COMMITTEE

The Board Risk and Compliance Committee is responsible for ensuring the continuous oversight of the risks embedded in the Bank's operations. The Committee advices 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 Board Risk and Compliance Committee 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 Board Risk and Compliance Committee comprises of a minimum of two (2) Directors nominated by the Board from among Non-Executive Directors.

Composition of the Committee as of 31 December 2019

Name	Designation
Mr. Osman Kassim	Chairman of the Committee Non-executive independent Director
Mr. Najmul Hassan	Non-Executive Independent Director
Mr. Nasser Mohammed Al-Thekair	Non-Executive Independent Director

Duties of the Committee

• Ensure the effective operation of the risk management framework in relation to all risk types;

• Review, monitor and understand the risk profile of the Bank in order to confirm that the Bank is operating within the Board approved risk appetite;

• Report to the Board on its consideration of the above matters, identifying those areas where improvement is needed and make 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 actions;

• Ensure that the resources 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 on the overall risk strategy to be followed by relevant management committees for approving the exposures;

• Implement a rigorous framework for stress testing and approve the scenarios to be analysed;

• Review the risk rating methodologies and models developed for different risk types, advise and approve amendments and revisions for their alignment to evolving risk scenarios, where required;

• Oversight over the operations of the Bank to ensure compliance with the regulatory guidelines.

• Review risk and compliance training programmes to ensure the strengthening of a risk and compliance aware culture in the Bank;

• Recommend appropriate policies to ensure 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;

• Review the Bank's policies at least once in two (02) years, or more frequently as required and make recommendations to the Board for any amendments deemed essential for proper, prudent and safe operation of the Bank.

Attendance at Committee meetings

Mr. Osman Kassim

Attendance: 4/4

100%

Mr. Najmul Hassan

Attendance: 4/4

100%

Mr. Nasser Mohammed Al-Thekair

Attendance: 4/4

100%

Activities of the Committee

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

- Policy Manual on Anti-money Laundering and Counter Financing of Terrorism, inclusive of the Policy Guidelines on Politically Exposed Persons (PEP).
- Delegation of Financing Authority Policy.
- Financing Risk Policy Manual.

Apart from above, following were also reviewed by the Committee:

- Semi-annual overview of the country's economy, macroeconomic indicators, business environment and its impending impact on the financing and investment portfolio of the Bank.
- Risk appetite and adjustments in sectoral concentration limits.
- Stress Test Results of the Bank conducted by MMA and direction to the Management for appropriate risk mitigation actions.
- Quarterly risk concentration levels; sector and industry level, financing products level, time-maturity buckets level, top-10 financing exposures level and others.
- Quarterly position of financing and investment portfolio.
- Quarterly position of consumer financing portfolio.
- Quarterly position of non-performing portfolio, products-wise infection ratio, portfolio on watchlist and recovery strategies.
- Quarterly positions of market risk exposures.
- Quarterly assessment of liquidity position FEEL and NOP.
- Quarterly assessment of capital adequacy (CAR).
- 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 both under prevalent conditions and presumed stressed scenarios.
- Quarterly position of financing and Investments approved by the Management Committee.
- Quarterly operations risk reports.
- Quarterly AML/CFT and regulatory compliance reports.

In addition, following financing products were reviewed and recommended to, and then approved by the Board of Directors:

- Amendments in Car financing manual.
- SME product programme guidelines.

Date: 03 July 2020

Osman Kassim
Chairman
Board Risk and Compliance Committee

BOARD NOMINATION AND REMUNERATION COMMITTEE

The Board Nomination and Remuneration Committee ("BNRC") was established in accordance with Section 1.8, Part 2 of the Corporate Governance Code and as per Articles of Association of the Bank.

The committee is governed by the Terms of Reference ("ToR") approved by the Board.

The Committee was established by the Board of Directors on 11th March 2020. The Committee started its function after conversion of the Bank to a Public Limited Company and had its first meeting on 24 July 2019.

Composition of the Committee

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

Members of the Committee as of 31 December 2019

Name	Designation
Mr. Mohammed Ataur-Rahman Chowdhury	Chairman of the Committee Non-Executive independent Director
Mr. Mohamed Azad	Non-Executive Independent Director
Mr. Najmul Hassan	Non-Executive Independent 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 director, taking into account the performance and contribution made by the director concerned towards the overall discharge of the Board's responsibilities;
- Reviewing trainings, skills, experience and other characteristics of the Board Members to run the Board's business in an effective manner;
- Reviewing and recommending to the Board all significant changes in the Bank's strategy regarding its Human Resource Policy.

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

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

Attendance at Committee meetings

Mr. Mohammed Ataur-Rahman Chowdhury

Attendance: 1/1

100%

Mr. Mohamed Azad
Attendance: 1/1
100%

Mr. Najmul Hassan
Attendance: 1/1
100%

Activities of BNRC during 2019

- Adopted the ToRs of the BNRC.
- Reviewed and recommended the Board Remuneration Policy.
- Initiated the Policy for Key management staff retentions and talents acquisition.
- Reviewed the Policy for Appointment of Directors.
- Approved ToRs for appointment of external consultant for HR Policy Review & Survey
- Reviewed and recommended Whistleblowing Policy of the Bank.
- Recommended annual salary increment and bonus for the staff for the year 2019.
- Initiated for the appointment of external local legal counsel to advise the Board of Directors on Board Governance and Shareholders affairs.

Date: 03 July 2020

Mohammed Ataur-Rahman Chowdhury
Chairman
Board Nomination and Remuneration Committee

SHARIAH BOARD

The Shariah Board was formulated in compliance with Section 13 of the Islamic Banking Regulation, 2011 issued by the Maldives Monetary Authority. The Shariah is an independent body of scholars with extensive knowledge and experience in Shariah law, Islamic economics and finance. All decisions of the Shariah Board are binding upon the Bank.

Composition of the Shariah Board

The Shariah Board comprised of the following members as of 31 December 2019.

Name	Designation
Dr. Ejaz Ahmed Samadani	Chairman of Shariah Board
Mufti Mohammed Ibrahim Mohammed Rizwe	Member
Dr. Ibrahim Zakariyya Moosa	Member

Duties of the Shariah Board

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

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

Attendance at Shariah Board meetings

Dr. Ejaz Ahmed Samadani

Attendance: 4/4

100%

Mufti Mohammed Ibrahim Mohammed Rizwe

Attendance: 4/4

100%

Dr. Ibrahim Zakariyya Moosa

Attendance: 4/4

100%

Activities during the year

· The Shariah Board held quarterly meetings during the year.

· Intermediate and Advance Shariah Training was held for the Bank's staff.

· The yearly public awareness training was held for an audience selected by the Bank.

· The Shariah made their yearly branch visits.

Shariah governance framework

The Shariah governance framework has been established in the Bank in order to ensure the Shariah Compliancy operation of the Bank. The Shariah governance framework consists of the following:

· The Board of Directors perform oversight on Shariah compliance aspects of the Bank's overall operations.

· The Shariah Board, an independent board elected by shareholders based on the nomination and recommendation of the Board of Directors, will endorse all the relevant documentation including policies, guidelines, procedures, Shariah Review and Shariah Audit Report, prior to the implementation and provide sound Shariah decisions.

· The management shall be responsible for observing and implementing Shariah rulings and decisions made by the Maldives Monetary Authority's Shariah Council and the Shariah Board respectively and the management is responsible in providing adequate resources and capable manpower support to every function involved in the implementation of Shariah governance, in order to ensure that the execution of business operations are in accordance with the Shariah;

· In-house Shariah Unit conducts quarterly Shariah reviews on the process and the executions conformity to the need of the Shariah and provide the report to Shariah Board.

· In-house Shariah Unit conducts half yearly Shariah Audit to confirm the key functions and business operations comply with Shariah and provide the report to Shariah Board;

· The Shariah non-compliant risk is being managed under operational risk management function of the Risk Management and Compliance Unit.

· In-house Shariah Unit conducts Shariah research on matters related to Shariah and provide advise to the Management

· Shariah Secretariat issues and disseminates the decisions endorsed by Shariah Board to the relevant stakeholders.

SHARIAH BOARD MEMBERS

Dr. Ejaz Ahmed Samadani

Chairman

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

As a Shariah scholar, Dr. Ejaz became the Shariah Advisor/ Shariah Board Member to a number of Islamic financial institutions and investment houses such as Habib Bank Limited- Islamic Banking Division, UBL Ameen Islamic Banking, Bank of Punjab Taqwa Islamic Banking, Al Hamra Shariah Compliant Funds of MCB, Arif Habib Investment Management Limited and JS Islamic Pension Fund. Given his knowledge, he lectures at Jamia Uloom Karachi as well as a number of Training Institutions such as Institute of Business and Administration- Centre for Excellence in Islamic Finance (IBA-CEIF) and Hira Foundation Academy (HFA). He is also a faculty member of the Centre of Economics (CIE), a division of Jamia Darul Uloom Karachi which is under the chairmanship of Mufti Muhammad Taqi Usmani.

As a member and Chairman of the Shariah Board of the Bank since 2011, Dr. Ejaz was instrumental in providing Shariah guidance and supervision and had issued a number of Fatwas on Islamic banking operations and documentation to the Bank. His books on Islamic Banking covering the philosophy and the practical application on Takaful, Murabahah and Ijarah, among others, are invaluable sources of reference for bankers and practitioners.

Mufti Mohammed Ibrahim Mohammed Rizwe

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

He had his early education in Sri Lanka and is a graduate of Jami'athul Uloomil Islamiyya, Karachi where he specialized in Islamic Jurisprudence. He gained Master of Arts in Arabic and Islamic Studies which is recognized by the Higher Education Commission of Pakistan.

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

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

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

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

Dr. Ibrahim Zakariyya Moosa

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

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

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

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

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

بسم الله الرحمن الرحيم

Shariah Board's Annual Report
(For Financial year 2019)

To the Shareholders of Maldives Islamic Bank PLC.

Assalamualaikum Wa Rahmatullah Wa Barakatuh.

Alhamdulillah, Maldives Islamic Banking PLC (MIB) has successfully completed its 8 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 number of dedicated Islamic Banking Branches of the bank has now reached to 6 by end of the year 2019

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

SHARIAH BOARD MEETINGS:
In line with Shariah Compliance Manual of Maldives Islamic Bank, Shariah Board (SB) is required to meet at least on quarterly basis. Hence, **four** (**4)** meetings were conducted during the financial year 2019. All Shariah Board Members presented to the meetings and the minutes of the meetings, after duly signed by Shariah Board, were sent to all the stakeholders for enforcement of the decisions made by the SB. In addition to the above, various discussions held through teleconference meetings regarding the matters related to Product Development and Shariah Compliance.

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

PRODUCTS AND SERVISES LAUNCHED AND REVISED:
In 2019, the following products were launched and the existing products were revised after approval of the Shariah Board.

ASSET SIDE
Consumer products: during the year existing consumer product, Consumer Goods Financing (CGF) was revised and rebranded as **"UJALA *Dhiriulhun*"**. The legal documents of consumer goods financing were also revised and approved by Shariah Board accordingly.

Small and Medium Enterprises (SME) product: Asset Financing product was developed and the product manual and Standard Process Flows were reviewed and approved by Shariah Board.

LIABILITIES SIDE

Kids account: During the year, a new Mudarabah based deposit product, **"Kaamiyaabu Kids"** was launched after the approval of Shariah Board. The product has been designed with the aim to facilitate minors with Shariah compliant investments and to encourage savings for future.

In term of Bank's strategy, the existing Account Opening Form (AOF) was reviewed and modified in respect of KYC/AML regulations. The AOF of both for Individual and Non-Individual depositors was reviewed and endorsed by Shariah Board accordingly.

Apart from these, the Shariah Compliance Manual and the policy for charity fund was also revised during the year and are duly approved by the Shariah Board.

PROFIT & LOSS DISTRIBUTION AND POOL MANAGEMENT:

During the year, Profit distribution mechanism, i.e. Pool calculations and weightages were discussed with the SB and were verified accordingly. Internal Shariah Unit (ISU) conducted its post distribution audit and presented its report to Shariah Board for opinions where required.

TRAINING:

During the year 2019, **6** training sessions were conducted and more than **180** 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 Internal Shariah Unit and Shariah Board 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.

SHARIAH OPINION:

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

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

Based on above, we are of the view that:

A. The contracts, transactions and dealings relating to the Bank's activities during the year ended 31st December 2019 that we have reviewed were generally in compliance with Shariah.

B. We have noted areas that require improvement in the mode of operation and documentation for certain financing transactions of the Bank that require rectifications, are highlighted in the annual Shariah audit report and we have provided guidelines to implement the required improvements.

C. On the management of the Mudaraba Pool (Liability Side), we found that the allocation of profit and charging of losses relating to Mudaraba investment accounts conform overall to the policies and procedures approved by the Shariah Board.

D. During the year, there was no transaction found null and void. Hence no amount was credited to charity account due to the violation of Shariah. At the beginning of 2019, there was a balance of MVR1.53 million in the Charity account and during the year, an amount of MVR 1.125 Million was received as a result of undertaking from customer in case of late payment and credited to charity account, hence, the total amount accumulated in 2019 was MVR 2.655 million. During the year, an amount of MVR 2.288 Million was distributed to the charitable organizations after following the due diligence.

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

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

Wallahu A'lam.
Wassalamualaikum Wa Rahmatullah Wa Barakatuh

03rd March 2020

…………………………….	…………………………….	…………………………….
Dr. Ejaz Ahmed Samadani	Mufti M I M Rizwe	Dr. Ibrahim Zakariyya Moosa
Chairman	Member	Member

WE HAVE PARTNERED WITH THE GOVERNMENT & SOE'S TO FINANCE PUBLIC TRANSPORTATION IN KEEPING WITH OUR COMMITMENT TO CREATE A MORE ACCESSIBLE COMMUNITY FOR ALL

We have financed 22 buses for MPL and 3 aircrafts for Island Aviation to expand their fleet.

03 AUDITED FINANCIAL STATEMETS

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2019

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

FOR THE YEAR ENDED 31ST DECEMBER 2019

CONTENTS

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Independent Auditors' Report
To the Shareholders of
Maldives Islamic Bank PLC
(Previously known as Maldives Islamic Bank Private Limited Company)

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 2019, 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 78 to 150.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31st December 2019 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' Code of Ethics for Professional Accountants ("IESBA Code") 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. IT Systems and Controls over Financial Reporting

Risk Description	Our Response
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.	Our audit procedures included: - 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.

Independent Auditor's Report (Continued)

KPMG

To the Shareholders of Maldives Islamic Bank PLC
(Previously known as Maldives Islamic Bank Private Limited Company)

Key Audit Matters (Continued)

1. IT Systems and Controls over Financial Reporting (Continued)

Risk Description	Our Response
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. 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.	- Testing of key controls, assisted by our own 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.

2. Impairment of Receivables from Financing Activities – Financial Instruments

(Refer to the accounting policies and critical accounting estimates, assumptions and judgments in note 4.8 of the financial statements)

Risk Description	Our Response
IFRS 9 Financial Instruments requires impairment based on expected credit losses ("ECL"), rather than the impairment applied as per the guidelines issued by Maldives Monetary Authority ("MMA"). This has resulted in developing models which are reliant of large volumes of data as well as number of significant estimates including the impact of multiple economic scenarios. Given this complex accounting standard requires considerable judgment on determining the classification and	We performed audit procedures to gain assurance on the process of estimating the impairment allowance on receivables from financing activities. This included evaluating the accounting interpretations for compliance with IFRS 9 and testing the adjustments and disclosures. - Assessing the design, implementation and operating effectiveness of key controls including key IT controls over impairment of receivables from financing activities assisted by our IRM specialists.

Independent Auditor's Report (Continued)

KPMG

To the Shareholders of Maldives Islamic Bank PLC
(Previously known as Maldives Islamic Bank Private Limited Company)

Key Audit Matters (Continued)

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

Risk Description	Our Response
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. Key judgements and estimates in respect of the timing and measurement of ECL include: - 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.	- 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 IFRS 9 specialists. This includes assessing the appropriateness of model design, formulas used, recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models. - Assessing the completeness, accuracy and relevance of data used for the ECL calculation. - With the support of our IFRS 9 specialists, assessing the base case, best case, worst case and alternative economic scenarios, including challenging probability weights. Assessing whether forecasted macroeconomic variables such as GDP growth rate and inflation rate were appropriate. Challenging the correlation and impact of the macroeconomic factors to the ECL including how non-linearity was captured. - Assessing the completeness and appropriateness of the assessment of required post model adjustments. - With the support of our IFRS 9 specialists, recalculating a sample of individually assessed provisions including comparing to alternative scenarios and challenging probability weights assigned.

Independent Auditor's Report (Continued)

To the Shareholders of Maldives Islamic Bank PLC
(Previously known as Maldives Islamic Bank Private Limited Company)

Key Audit Matters (Continued)

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

(Refer to the accounting policies and critical accounting estimates, assumptions and judgments in note 4.8 of the financial statements)

Risk Description	Our Response
	- 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.

3. IFRS 16 Lease Arrangements (Transition)

(Refer to the accounting policies and critical accounting estimates, assumptions and judgments in notes 3 and 4.6 of the financial statements)

Risk Description	Our Response
IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Bank, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. The Bank initially applied IFRS 16: Leases with effect from 01st January 2019. A number of judgements have been applied and estimates made such as incremental borrowing rate in determining the impact of the standard. Further, adoption of IFRS 16 required new accounting policies and disclosures in the financial statements whereas the new policies and disclosures provided in the financial statements would not be adequate and accurate.	Our audit procedures included: - Evaluating the appropriateness of the selection of accounting policies based on the requirements of IFRS 16, our business understanding and industry practice. - Assessing whether transition gave rise to any indicators of management bias. - Evaluating management's process and the controls implemented to ensure the completeness and accuracy of the transition adjustments. - Evaluating the reasonableness of management's key judgements and estimates made in preparing the transition adjustments. - Evaluating the completeness, accuracy and relevance of data used in preparing the transition adjustments. - Evaluating the completeness, accuracy and relevance of the transition disclosures in the Bank's financial statements.

Independent Auditor's Report (Continued)

To the Shareholders of Maldives Islamic Bank PLC
(Previously known as Maldives Islamic Bank Private Limited Company)

Other Matter

Reporting Framework of the Financial Statements

The Bank has prepared these financial statements for the year ended 31st December 2019 in accordance with the International Financial Reporting Standards ("IFRSs") whereas prior to 01st January 2018, the Bank had prepared its financial statements in accordance with IFRSs as adopted by MMA. The difference between the financial reporting frameworks is solely relating to the impairment of the receivables from financing activities as the Bank earlier recognized the provision for impairment of its receivables from financing activities based on the guidelines provided by the Maldives Monetary Authority.

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 in 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 will 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.

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 Management.

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.

Auditor's 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:

Independent Auditor's Report (Continued)

KPMG

To the Shareholders of Maldives Islamic Bank PLC
(Previously known as Maldives Islamic Bank Private Limited Company)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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.

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 auditor's report is R.W.M.O.W. Duminda B. Rathnadiwakara.

kpmg.

Chartered Accountants

For and on behalf of KPMG

Male'
16th March 2020

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

AS AT	Note	31/12/2019 MVR	31/12/2018 MVR
ASSETS			
Cash and Balances with Other Banks	7	201,188,743	227,117,732
Balances with Maldives Monetary Authority	8	791,824,758	582,613,740
Investments in Equity Securities	9	57,300,000	53,500,000
Investments in Other Financial Instruments	10	404,201,481	794,561,076
Net Receivables from Financing Activities	11	2,131,991,129	1,529,242,312
Property and Equipment	12	46,475,369	32,256,046
Right-of-Use Assets	13	96,600,834	-
Intangible Assets	14	9,581,456	5,734,391
Other Assets	15	69,850,720	57,118,271
Total Assets		3,809,014,490	3,282,143,568
LIABILITIES			
Customers' Accounts	16	2,974,646,504	2,881,644,904
Provisions	17	2,725,670	926,129
Current Tax Liability	33.2	26,786,804	20,097,055
Deferred Tax Liability	33.3	6,230,772	4,344,673
Lease Liabilities	18	94,362,352	-
Other Liabilities	19	134,197,733	34,130,313
Total Liabilities		3,238,949,835	2,941,143,074
EQUITY			
Share Capital	20	337,500,070	180,000,000
Statutory Reserve	22	113,930,904	92,927,381
Non Distributable Capital Reserve	23	10,392,318	7,708,794
Fair Value Reserve	9.2	7,725,000	4,875,000
Retained Earnings		100,516,363	55,489,319
Total Equity		570,064,655	341,000,494
Total Liabilities and Equity		3,809,014,490	3,282,143,568
Commitments	41	725,333,391	360,035,934
Net Asset Value Per Share	34.2	25.34	18.94

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 82 to 150. The Report of the Independent Auditors is given on pages 72 to 77.

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

....	....	....
Mr. Najmul Hassan	Mrs. Fathimath Shafeega	Mr. A. E. A Muhaimen
Chairman	Director	Managing Director / Chief Executive Officer

16th March 2020
Male'

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

FOR THE YEAR ENDED	Note	31/12/2019 MVR	31/12/2018 MVR
Income from Financing Activities using the Effective Profit Method	24.1	206,488,164	144,671,427
Profit Paid on Customer Accounts	24.2	(44,139,462)	(32,053,172)
Net Profit Earned from Financing Activities	24	**162,348,702**	**112,618,255**
Fee and Commission Income	25.1	30,019,971	21,646,884
Fee and Commission Expense	25.2	(778,079)	(699,749)
Net Fee and Commission Income	25	**29,241,892**	**20,947,135**
Foreign Exchange Gain	26	128,334	35,270
Income from Investments in Equity Securities	27	5,195,000	5,341,000
Net Income from Other Financial Instruments Mandatorily Measured at FVTPL	28	48,006,024	34,017,876
Income from Investments Measured at Amortized Cost	29	765,152	1,630,629
Total Operating Income		**245,685,104**	**174,590,165**
Loss on Fair Valuation of Financial Instruments Mandatorily Measured at FVTPL	10.4	(1,439,233)	(2,869,496)
Net Impairment Losses on Financial Assets	11.4	(12,577,680)	(4,241,584)
Personnel Expenses	30	(61,820,391)	(52,031,930)
General and Administrative Expenses	31	(37,378,339)	(34,794,894)
Depreciation and Amortization	32	(20,546,952)	(7,849,718)
Total Operating Expenses Including Impairment Provision		**(133,762,595)**	**(101,787,622)**
Profit before Tax		**111,922,509**	**72,802,543**
Income Tax	33	(27,908,418)	(20,252,078)
Profit for the Year		**84,014,091**	**52,550,465**
Other Comprehensive Income			
Items that will not be reclassified to Profit or Loss			
Movement in Fair Value Reserve (Equity Instruments):			
Net Change in Fair Value - Equity Investment at FVOCI	9.2	3,800,000	1,300,000
Income Tax Related to Net Change in Fair Value of Equity Investment	33.3	(950,000)	(350,000)
		2,850,000	**950,000**
Total Other Comprehensive Income, Net of Tax		**2,850,000**	**950,000**
Total Comprehensive Income		**86,864,091**	**53,500,465**
Basic and Diluted Earnings Per Share	34	**4.51**	**2.92**

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 82 to 150. The Report of the Independent Auditors is given on pages 72 to 77.

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

FOR THE YEAR ENDED 31ST DECEMBER 2019

	Share Capital MVR	Statutory Reserve MVR	Non Distributable Capital Reserve MVR	Fair Value Reserve MVR	Retained Earnings MVR	Total MVR
As at 01st January 2018	180,000,000	66,652,148	-	3,925,000	47,268,347	297,845,495
Adjustment on Initial Application of IFRS 9 as at 01st January 2018	-	-	-	-	4,054,534	4,054,534
Restated Balance as at 01st January 2018	180,000,000	66,652,148	-	3,925,000	51,322,881	301,900,029
Profit for the Year	-	-	-	-	52,550,465	52,550,465
Other Comprehensive Income						
Equity Instruments at FVOCI - Change in Fair Value	-	-	-	1,300,000	-	1,300,000
Recognition of Deferred Tax Impact on Fair Value Change	-	-	-	(350,000)	-	(350,000)
Total Comprehensive Income	-	-	-	950,000	52,550,465	53,500,465
Transferred to Statutory Reserve **(Note 22)**	-	26,275,233	-	-	(26,275,233)	-
Recognition of Non-Distributable Capital Reserve **(Note 23)**	-	-	7,708,794	-	(7,708,794)	-
Transactions with Owners						
Dividends **(Note 20.7)**	-	-	-	-	(14,400,000)	(14,400,000)
As at 31st December 2018	180,000,000	92,927,381	7,708,794	4,875,000	55,489,319	341,000,494
As at 01st January 2019	180,000,000	92,927,381	7,708,794	4,875,000	55,489,319	341,000,494
Profit for the Year	-	-	-	-	84,014,091	84,014,091
Other Comprehensive Income						
Equity Instruments at FVOCI - Change in Fair Value	-	-	-	3,800,000	-	3,800,000
Recognition of Deferred Tax Impact on Fair Value Change	-	-	-	(950,000)	-	(950,000)
Total Comprehensive Income	-	-	-	2,850,000	84,014,091	86,864,091
Transferred to Statutory Reserve **(Note 22)**	-	21,003,523	-	-	(21,003,523)	-
Recognition of Non-Distributable Capital Reserve **(Note 23)**	-	-	2,683,524	-	(2,683,524)	-
Transactions with Owners						
Issue of Shares **(Note 20.4)**	157,500,070	-	-	-	-	157,500,070
Dividends **(Note 20.7)**	-	-	-	-	(15,300,000)	(15,300,000)
As at 31st December 2019	337,500,070	113,930,904	10,392,318	7,725,000	100,516,363	570,064,655

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 82 to 150. The Report of the Independent Auditor's is given on pages 72 to 77.

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

FOR THE YEAR ENDED	Note	31/12/2019 MVR	31/12/2018 MVR
Cash Flows from Operating Activities			
Profit before Tax		111,922,509	72,802,543
Adjustments for:			
Depreciation and Amortization	**32**	10,776,203	7,849,718
Depreciation on Right-of-Use Assets	**32**	9,770,749	-
Financing Expense on Lease Liabilities	**31**	5,575,698	-
Net Impairment Loss on Financial Assets	**11.4**	12,577,680	4,241,584
Dividend Income on Equity Securities	**27**	(5,195,000)	(5,341,000)
Income from Investment in Other Financial Instruments Mandatorily Measured at FVTPL	**28**	(48,006,024)	(34,017,876)
Fair Value Loss on Investment in Other Financial Instruments Mandatorily Measured at FVTPL	**10.4**	1,439,233	2,869,496
Income from Investment in Other Financial Instruments Measured at Amortized Cost	**29**	(765,152)	(1,630,629)
		98,095,896	46,773,836
Changes in;			
Customers' Accounts		93,001,600	443,819,170
Other Assets		(18,025,932)	1,440,417
Other Liabilities		110,147,420	9,188,468
Net Receivables from Financing Activities		(613,526,956)	(356,643,642)
Cash (Used in) / Generated from Operations		(330,307,972)	144,578,249
Dividends Received	**27**	5,195,000	5,341,000
Tax Paid	**33.2**	(20,282,570)	(13,728,922)
Net Cash (Used in) / from Operating Activities		(345,395,542)	136,190,327
Cash Flows from Investing Activities			
Acquisition of Property and Equipment	**12**	(23,518,362)	(18,572,647)
Acquisition of Intangible Assets	**14**	(5,324,229)	(2,599,430)
Investment in Assets Measured at Amortized Cost		-	(57,467,707)
Proceeds from Matured Investments Measured at Amortized Cost		28,733,854	28,733,854
Income from Investments Measured at Amortized Cost		801,588	1,594,193
Investment in Assets Mandatorily Measured at FVTPL		(230,000,000)	(216,945,586)
Proceeds from Matured Investments Mandatorily Measured at FVTPL		609,963,635	50,000,000
Income from Investments Mandatorily Measured at FVTPL		28,192,461	34,581,838
Investment Made in Minimum Reserve Requirement of MMA		(4,517,563)	(50,118,316)
Repayment of Lease Liabilities	**18**	(12,291,446)	-
Net Cash from / (Used in) Investing Activities		392,039,938	(230,793,801)
Cash Flows from Financing Activities			
Proceeds from Issue of Share Capital		157,500,070	-
Dividends Paid		(25,380,000)	(4,320,000)
Net Cash from / (Used in) Financing Activities		132,120,070	(4,320,000)
Net Increase / (Decrease) in Cash and Cash Equivalents		178,764,466	(98,923,474)
Cash and Cash Equivalents at the Beginning of the Year		524,208,956	623,132,430
Cash and Cash Equivalents at the End of the Year	**7**	702,973,422	524,208,956

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 82 to 150. The Report of the Independent Auditors is given on pages 72 to 77.

MALDIVES ISLAMIC BANK PLC
(PREVIOUSLY KNOWN AS MALDIVES ISLAMIC BANK PRIVATE LIMITED COMPANY)
(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 07th 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 16th March 2020.

This is the first set of the Bank's annual financial statements in which IFRS 16 Leases has been applied. The related changes to significant accounting policies are described in Note 3.

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
(PREVIOUSLY KNOWN AS MALDIVES ISLAMIC BANK PRIVATE LIMITED COMPANY)
(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 2019 is included in the following notes.

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

C. Going concern

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

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Bank initially applied the IFRS 16 Leases from 01st January 2019.

A number of other new standards are also effective from 01st January 2019, but they do not have a material effect on the Bank's financial statements.

IFRS 16 Leases

The Bank applied IFRS 16 Leases using the modified retrospective approach, under which there is no effect of the initial application to retained earnings as at 01st January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

i. Definition of a lease

Previously, the Bank determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease.* The Bank now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4.6.

On transition to IFRS 16, the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Bank applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16.

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

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 16 Leases (Continued)

ii. As a lessee

As a lessee, the Bank leases its head office premises, branches and ATM locations. The Bank previously classified these leases as operating leases under IAS 17 based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Bank. Under IFRS 16, the Bank recognises right-of-use assets and lease liabilities for leases of head office premises, branches and ATM locations – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each component on the basis of its relative stand-alone prices.

However, for leases of head office premises, branches and ATM locations the Bank has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

On transition, for these leases, lease liabilities and right-of-use assets were measured at the present value of the remaining lease payments, discounted at the Bank's incremental borrowing rate as at 01st January 2019.

Right-of-use assets are measured at an amount equal to lease liabilities adjusted by the amount of any prepaid or accrued lease payments. The Bank applied this approach to all leases.

The Bank used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:
– relied on its assessment of whether leases are onerous under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review;
– did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
– did not recognise right-of-use assets and liabilities for leases of low-value assets.
– excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
– used hindsight when determining the lease term.

iii. Impact on financial statements

Impact on transition

On transition to IFRS 16, the Bank recognised right-of-use assets and lease liabilities. The impact on transition is summarised below.

	01st January 2019 (MVR)
Right-of-use assets recognised	105,968,284
Lease liabilities	100,674,801

When measuring lease liabilities for leases that were classified as operating leases, the Bank discounted lease payments using its incremental borrowing rate at 01st January 2019. The weighted average rate applied is 5.71%.

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3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 16 Leases (Continued)

iii. Impact on financial statements (Continued)

	01st January 2019 (MVR)
Operating lease commitments at 31st December 2018 as disclosed under IAS 17 in the Bank's financial statements	137,363,866
Discounted using the incremental borrowing rate at 01st January 2019	100,674,801
Lease liabilities recognised at 01st January 2019	100,674,801

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Foreign Currency Transactions

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

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

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

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

4.2 Profit

i. Effective Profit Rate

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Profit (Continued)

i. Effective Profit Rate (Continued)

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

ii. Amortised Cost and Gross Carrying Amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, 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 is recognised on time apportionment basis using the decline installment method.
- Income on Istisna’ financing 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.

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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.

- Profit expense on lease liabilities

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.

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.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Dividend Income

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

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

4.6 Leases

The Bank has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 01st January 2019

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.

This policy is applied to contracts entered into or changed on or after 01st January 2019.

Bank acting as a lessee

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

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

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Leases (Continued)

Policy applicable from 01st January 2019 (Continued)

Bank acting as a lessee (Continued)

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

The lease liability is measured at amortised cost using the effective profit method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets and lease liabilities as separate captions in the statement of financial position.

Short term leases and leases of low-value assets

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

Policy applicable before 01st January 2019

For contracts entered into before 01st January 2019, the Bank determined whether the arrangement was or contained a lease based on the assessment of whether:
- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset.

As a lessee

The Bank did not have any finance leases under IAS 17.

Assets held under other leases were classified as operating leases and were not recognised in the Bank's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

i. Current Tax

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

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

ii. Deferred Tax

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

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

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.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial Assets and Financial Liabilities (Continued)

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”).

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/Murabahah 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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial Assets and Financial Liabilities (Continued)

ii. Classification (Continued)

Business model assessment (Continued)

– the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending 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 at par without penalty. The Bank has determined that the contractual cash flows of these financing facilities are solely payments of principal and profit because the option varies the profit rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

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

Reclassifications

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial Assets and Financial Liabilities (Continued)

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.

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:

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial Assets and Financial Liabilities (Continued)

iv. Modification of Financial Assets (Continued)

Financial Assets (Continued)

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

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

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

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.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial Assets and Financial Liabilities (Continued)

vi. Fair Value Measurement (Continued)

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

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

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

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

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

vii. Impairment

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

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

No impairment loss is recognised on equity investments.

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial Assets and Financial Liabilities (Continued)

vii. Impairment (Continued)

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

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

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

Measurement of ECL

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

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

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

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

Restructured Financial Assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial Assets and Financial Liabilities (Continued)

vii. Impairment (Continued)

Restructured Financial Assets (Continued)

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

Credit-Impaired Financial Assets

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

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

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

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial Assets and Financial Liabilities (Continued)

vii. Impairment (Continued)

Purchased or Originated Credit-Impaired (POCI) Financial Assets

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

Presentation of Allowance for ECL in the Statement of Financial Position

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost*: as a deduction from the gross carrying amount of the assets;
- *finance commitments and financial guarantee contracts*: generally, as a provision;
- *where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the finance commitment component separately from those on the drawn component*: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-off

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

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

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

Financial Guarantee Contracts Held

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.8 Financial Assets and Financial Liabilities (Continued)

vii. Impairment (Continued)

Financial Guarantee Contracts Held (Continued)

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:

– 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.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 Receivables from Financing Activities (Continued)

(a) Murabahah Financing (Continued)

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

The Bank will provide the educational service (service Ijarah) to the customer after the Bank purchases the educational placement from the educational institutions. The service payment by the customer is made on monthly basis on an agreed tenure.

4.11 Investments in Other Financial Instruments

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 Investments in Equity Securities

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

– equity investment securities designated as at FVOCI.

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

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

4.13 Deposits

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

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

Deposits comprise following products;

a) Current Accounts

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

Salient features:

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

b) Savings Accounts

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.13 Deposits (Continued)

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 Sharia'a compliant manner based on Mudaraba concept.

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

Salient features:

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

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.

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;

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.14 Financial Guarantees and Finance Commitments (Continued)

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 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.

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.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.16 Property and Equipment (Continued)

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 develop software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

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.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.17 Intangible Assets (Continued)

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. 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.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.20 Employee Benefits

i. Short-Term Employee Benefits

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

ii. Defined Contribution Plans

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

The Bank has enrolled its employees in the Maldives Retirement Pension Scheme ("MRPS") with effect from 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.

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.

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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 2019 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.

– *Amendments to References to Conceptual Framework in IFRS Standards.*
– *Definition of Material (Amendments to IAS 1 and IAS 8)*

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6 OPERATING SEGMENT

(a) Basis for Segmentation

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

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

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

(b) Information About Reportable Segments

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

For the Year Ended 31st December 2019	Corporate and Retail Banking MVR	Card and Electronic Banking MVR	Treasury MVR	Total MVR
Income from Financing Activities	206,488,164	-	-	206,488,164
Profit Paid on Customer Accounts	(44,139,462)	-	-	(44,139,462)
Net Profit Earned from Financing Activities	**162,348,702**	**-**	**-**	**162,348,702**
Fee and Commission Income	25,456,164	4,563,807	-	30,019,971
Fee and Commission Expense	(778,079)	-	-	(778,079)
Net Fee and Commission Income	**24,678,085**	**4,563,807**	**-**	**29,241,892**
Foreign Exchange Gain	128,334	-	-	128,334
Income from Investments in Equity Securities	-	-	5,195,000	5,195,000
Net Income from Other Financial Instruments at FVTPL	-	-	48,006,024	48,006,024
Income from Investments Measured at Amortized Cost	-	-	765,152	765,152
Total Operating Income	**187,155,121**	**4,563,807**	**53,966,176**	**245,685,104**
Loss on Fair Valuation of Financial Instruments at FVTPL	-	-	(1,439,233)	(1,439,233)
Net Impairment Losses on Financial Assets	(12,577,680)	-	-	(12,577,680)
Personnel Expenses	(53,287,432)	(6,160,347)	(2,372,612)	(61,820,391)
General and Administrative Expenses	(30,985,484)	(4,871,717)	(1,521,138)	(37,378,339)
Depreciation and Amortization	(16,204,292)	(4,010,732)	(331,928)	(20,546,952)
Segment Results	**74,100,233**	**(10,478,989)**	**48,301,265**	**111,922,509**
Profit before Tax				**111,922,509**
Income Tax				(27,908,418)
Profit for the Year				**84,014,091**
Other Comprehensive Income, Net of Tax				2,850,000
Total Comprehensive Income				**86,864,091**

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6 OPERATING SEGMENT (CONTINUED)

(b) Information About Reportable Segments (Continued)

For the Year Ended 31st December 2018	Corporate and Retail Banking MVR	Card and Electronic Banking MVR	Treasury MVR	Total MVR
Income from Financing Activities	144,671,427	-	-	144,671,427
Profit Paid on Customer Accounts	(32,053,172)	-	-	(32,053,172)
Net Profit Earned from Financing Activities	**112,618,255**	**-**	**-**	**112,618,255**
Fee and Commission Income	17,691,327	3,955,557	-	21,646,884
Fee and Commission Expense	(699,749)	-	-	(699,749)
Net Fee and Commission Income	**16,991,578**	**3,955,557**	**-**	**20,947,135**
Foreign Exchange Gain	35,270	-	-	35,270
Income from Investments in Equity Securities	-	-	5,341,000	5,341,000
Net Income from Other Financial Instruments at FVTPL	-	-	34,017,876	34,017,876
Income from Investments Measured at Amortized Cost	-	-	1,630,629	1,630,629
Total Operating Income	**129,645,103**	**3,955,557**	**40,989,505**	**174,590,165**
Loss on Fair Valuation of Financial Instruments at FVTPL	-	-	(2,869,496)	(2,869,496)
Net Impairment Losses on Financial Assets	(4,241,584)	-	-	(4,241,584)
Personnel Expenses	(44,936,957)	(5,204,642)	(1,890,331)	(52,031,930)
General and Administrative Expenses	(29,334,970)	(3,936,780)	(1,523,144)	(34,794,894)
Depreciation and Amortization	(6,448,935)	(1,400,783)	-	(7,849,718)
Segment Results	**44,682,657**	**(6,586,648)**	**34,706,534**	**72,802,543**
Profit before Tax				**72,802,543**
Income Tax				(20,252,078)
Profit for the Year				**52,550,465**
Other Comprehensive Income, Net of Tax				950,000
Total Comprehensive Income				**53,500,465**

As at 31st December 2019	Corporate and Retail Banking MVR	Card and Electronic Banking MVR	Treasury MVR	Total MVR
Assets				
Cash and Balances with Other Banks	201,188,743	-	-	201,188,743
Balances with Maldives Monetary Authority	791,824,758	-	-	791,824,758
Investments in Equity Securities	-	-	57,300,000	57,300,000
Investments in Other Financial Instruments	-	-	404,201,481	404,201,481
Net Receivables from Financing Activities	2,131,991,129	-	-	2,131,991,129
Property and Equipment	40,395,581	6,079,788	-	46,475,369
Right-of-Use Assets	74,722,479	18,243,122	3,635,233	96,600,834
Intangible Assets	5,618,298	3,963,158	-	9,581,456
Other Assets	69,850,720	-	-	69,850,720
Total Assets	**3,315,591,708**	**28,286,068**	**465,136,714**	**3,809,014,490**

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6 OPERATING SEGMENT (CONTINUED)

(b) Information About Reportable Segments (Continued)

As at 31st December 2019 (Continued)	Corporate and Retail Banking MVR	Card and Electronic Banking MVR	Treasury MVR	Total MVR
Liabilities				
Customers' Accounts	2,974,646,504	-	-	2,974,646,504
Provisions	2,725,670	-	-	2,725,670
Current Tax Liability (Unallocated)	-	-	-	26,786,804
Deferred Tax Liability (Unallocated)	-	-	-	6,230,772
Lease Liabilities	72,530,334	18,355,172	3,476,846	94,362,352
Other Liabilities	134,184,243	13,490	-	134,197,733
Total Assets	**3,184,086,751**	**18,368,662**	**3,476,846**	**3,238,949,835**

As at 31st December 2018	Corporate and Retail Banking MVR	Card and Electronic Banking MVR	Treasury MVR	Total MVR
Assets				
Cash and Balances with Other Banks	227,117,732	-	-	227,117,732
Balances with Maldives Monetary Authority	582,613,740	-	-	582,613,740
Investments in Equity Securities	-	-	53,500,000	53,500,000
Investments in Other Financial Instruments	-	-	794,561,076	794,561,076
Net Receivables from Financing Activities	1,529,242,312	-	-	1,529,242,312
Property and Equipment	27,917,625	4,338,421	-	32,256,046
Intangible Assets	3,815,689	1,918,702	-	5,734,391
Other Assets	57,118,271	-	-	57,118,271
Total Assets	**2,427,825,369**	**6,257,123**	**848,061,076**	**3,282,143,568**
Liabilities				
Customers' Accounts	2,881,644,904	-	-	2,881,644,904
Provisions	926,129	-	-	926,129
Current Tax Liability (Unallocated)	-	-	-	20,097,055
Deferred Tax Liability (Unallocated)	-	-	-	4,344,673
Other Liabilities	34,130,007	306	-	34,130,313
Total Assets	**2,916,701,040**	**306**	**-**	**2,941,143,074**

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7 CASH AND BALANCES WITH OTHER BANKS

	31/12/2019 MVR	31/12/2018 MVR
Cash in Hand **(Note 7.1)**	127,900,344	100,637,874
Balances with Other Banks **(Note 7.2)**	73,288,399	126,479,858
	201,188,743	227,117,732

7.1 Cash in Hand

	As at 31st December 2019			As at 31st December 2018		
	Foreign Currency	Exchange Rate	Carrying Amount	Foreign Currency	Exchange Rate	Carrying Amount
USD	1,566,370	15.395	24,114,266	1,065,202	15.395	16,398,785
MVR	-	-	103,786,078	-	-	84,239,089
Total			127,900,344			100,637,874

7.2 Balances with Other Banks

	As at 31st December 2019			As at 31st December 2018		
	Foreign Currency	Exchange Rate	Carrying Amount MVR	Foreign Currency	Exchange Rate	Carrying Amount MVR
HAB (USD)	1,965,428	15.395	30,257,767	6,433,808	15.395	99,048,478
AB Bank (USD)	6,633	15.395	102,112	964	15.395	14,840
BML (USD)	630,396	15.395	9,704,948	596,924	15.395	9,189,639
BML (MVR)	-	-	30,751,591	-	-	16,469,611
SBI (USD)	150,211	15.395	2,312,498	40,211	15.395	619,048
SBI (MVR)	-	-	159,483	-	-	1,138,242
Total			73,288,399			126,479,858

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.

	31/12/2019 MVR	31/12/2018 MVR
Cash and Balances with Banks as per the Statement of Financial Position	201,188,743	227,117,732
Add: Balance with MMA in excess of Minimum Reserve Requirement	501,784,679	297,091,224
Cash and Cash Equivalents as per the Cash Flow Statement	702,973,422	524,208,956

8 BALANCES WITH MALDIVES MONETARY AUTHORITY

	31/12/2019 MVR	31/12/2018 MVR
Minimum Reserve Requirement (MRR) **(Note 8.1)**	290,040,079	285,522,516
Balance in Excess of MRR with MMA **(Note 8.2)**	501,784,679	297,091,224
Total	791,824,758	582,613,740

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. Accordingly, the Bank has to maintain 10% of customers deposit 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.

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.

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9 INVESTMENTS IN EQUITY SECURITIES

	31/12/2019 MVR	31/12/2018 MVR
Investment Securities Designated at FVOCI - **(Note 9.1)**	57,300,000	53,500,000
	57,300,000	53,500,000

9.1 Investment Securities Designated at FVOCI - Equity Investments

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

	Fair Value as at 31st December 2019 MVR	Dividend Income Recognized for the Year 2019 MVR	Fair Value as at 31st December 2018 MVR	Dividend Income Recognized for the Year 2018 MVR
Investment in Equity Shares - Ooredoo Maldives PLC	46,800,000	4,186,000	45,500,000	4,160,000
Investment in Equity Shares - Dhivehi Rajjeyge Gulhun PLC	10,500,000	1,009,000	8,000,000	1,181,000
	57,300,000	5,195,000	53,500,000	5,341,000

	Ooredoo Maldives PLC MVR	Dhivehi Raajjeyge Gulhun PLC MVR	Total MVR
As at 01st January 2019	45,500,000	8,000,000	53,500,000
Change in Fair Value during the Year	1,300,000	2,500,000	3,800,000
As at 31st December 2019	46,800,000	10,500,000	57,300,000

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 the reporting date, the shares were valued at MVR 105/- each (2018: MVR 80/-). The investment in Ooredoo comprises of 1,300,000 shares with nominal value of MVR 1/- which were purchased at MVR 30/- per share. As at the reporting date, the shares were valued at MVR 36/- each (2018: MVR 35/-).

None of these strategic investments were disposed during the year 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments. The change in fair value on these investments was MVR 3,800,000/- in 2019 (2018: MVR 1,300,000/-)

9.2 Fair Value Reserve

	31/12/2019 MVR	31/12/2018 MVR
Opening Balance	4,875,000	3,925,000
Other Comprehensive Income	3,800,000	1,300,000
Recognition of Deferred Tax Impact	(950,000)	(350,000)
Closing Balance	7,725,000	4,875,000

10 INVESTMENTS IN OTHER FINANCIAL INSTRUMENTS

	31/12/2019 MVR	31/12/2018 MVR
Investments Mandatorily Measured at FVTPL **(Note 10.1)**	404,201,481	765,790,786
Investments Measured at Amortized Cost **(Note 10.2)**	-	28,770,290
	404,201,481	794,561,076

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10 INVESTMENTS IN OTHER FINANCIAL INSTRUMENTS (CONTINUED)

10.1 Investments in Other Financial Instruments Mandatorily Measured at FVTPL

Investments in other financial instruments represents Wakalah, Musharakah and Mudharabah placements where the return is linked to the profit of the investee. Since this criteria doesn't meet the requirement of SPPI as per the "IFRS 09 - Financial Instruments", these financial instruments are reclassified as FVTPL.

	Invested Currency	Contract Type	Country	Maturity	Indicative Rate	31/12/2019 MVR	31/12/2018 MVR
HDFC, Maldives **(Note 10.3)**	MVR	Wakalah	Maldives	1 Year	7% - 8.5%	30,617,534	30,617,534
Treasury Bills	MVR	Mudharabah	Maldives	91 Days	5.5% - 8%	373,583,947	709,202,983
ICD Money Market **(Note 10.4**	USD	Musharakah	Malaysia	On Demand	4.54%	-	25,970,269
						404,201,481	765,790,786

10.2 Investments in Other Financial Instruments Measured at Amortized Cost

	Invested Currency	Contract Type	Country	Maturity	Indicative Rate	31/12/2019 MVR	31/12/2018 MVR
Treasury Bills	MVR	Murabahah	Maldives	1 Year	5.5%	-	28,770,290

10.3 The placement with HDFC Amna (Islamic window) consists of a principal amounting of MVR 30,000,000/- and profits accrued as at 31st December 2019.

10.4 Fair Value Loss on Other Financial Instruments Mandatorily Measured at FVTPL	**31/12/2019 MVR**	**31/12/2018 MVR**
Opening Balance	25,970,269	27,758,217
Profit Accrued during the Year	808,564	1,081,548
Less: Fair Value Loss Recognized during the Year	(1,439,233)	(2,869,496)
Redeemed during the Year	(25,339,600)	-
Closing Balance	-	25,970,269

11 NET RECEIVABLES FROM FINANCING ACTIVITIES	**31/12/2019 MVR**	**31/12/2018 MVR**
Receivables from Financing Activities Measured at Amortized Cost **(Note 11.1)**	2,161,497,659	1,547,134,020
Less: Impairment Loss Allowance **(Note 11.2)**	(29,506,530)	(17,891,708)
Net Receivable from Financing Activities	2,131,991,129	1,529,242,312
11.1 Receivables from Financing Activities Measured at Amortized Cost		
Education Financing	2,378,126	2,539,850
Murabaha	1,060,040,023	625,562,011
Istisna'	416,342,427	395,670,789
Diminishing Musharakah	682,737,083	523,361,370
Total Gross Receivables from Financing Activities	2,161,497,659	1,547,134,020
Less: Impairment Loss Allowance		
Individual Impairment Loss Allowance	(19,631,441)	(7,532,031)
Collective Impairment Loss Allowance	(9,875,089)	(10,359,677)
	(29,506,530)	(17,891,708)
Net Receivables from Financing Activities	2,131,991,129	1,529,242,312

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11 NET RECEIVABLES FROM FINANCING ACTIVITIES (CONTINUED)

11.2 Movement in Impairment Allowance

	31/12/2019 MVR	31/12/2018 MVR
Opening Balance	17,891,708	18,285,143
Opening Adjustment to Impairment Provision due to the Adoption of IFRS 09 over the Financing Assets	-	(4,641,006)
Opening Impairment Provision	17,891,708	13,644,137
Transfer of Profit in Suspense	836,683	195,644
Impairment Expenses Recognized during the Year for on Balance Sheet Exposure	10,778,139	4,051,927
	29,506,530	17,891,708

11.3 Receivables from Financing Activities Measured at Amortized Cost

	31/12/2019			31/12/2018		
	Gross Carrying Amount MVR	ECL Allowance MVR	Net Carrying Amount MVR	Gross Carrying Amount MVR	ECL Allowance MVR	Net Carrying Amount MVR
Education Financing	2,378,126	31,788	2,346,338	2,539,850	54,406	2,485,444
Murabaha	1,060,040,023	28,192,782	1,031,847,241	625,562,011	17,098,427	608,463,584
Istisna'	416,342,427	441,677	415,900,750	395,670,789	554,196	395,116,593
Diminishing Musharakah	682,737,083	840,283	681,896,800	523,361,370	184,679	523,176,691
Net Financing	2,161,497,659	29,506,530	2,131,991,129	1,547,134,020	17,891,708	1,529,242,312

11.4 Net Impairment Loss on Financial Assets

	31/12/2019 MVR	31/12/2018 MVR
Impairment Recognized during the Year for On Balance Sheet Exposure **(Note 11.2)**	10,778,139	4,051,927
Impairment Recognized during the Year for Off Balance Sheet Exposure **(Note 17)**	1,799,541	189,657
	12,577,680	4,241,584

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12 PROPERTY AND EQUIPMENT

12.1 Gross Carrying amount

	As at 01/01/2019 MVR	Additions MVR	Transferred from CWIP MVR	As at 31/12/2019 MVR
Leasehold Building	12,718,633	5,755,432	7,015,029	25,489,094
Computer Equipment	19,942,628	1,728,413	11,853,504	33,524,545
Furniture and Fittings	3,720,601	304,840	1,908,674	5,934,115
Office Equipment	15,224,868	61,607	2,261,024	17,547,499
Machinery and Equipment	-	1,117,659	-	1,117,659
Motor Vehicles	-	283,978		283,978
Total Gross Carrying Amount	51,606,730	9,251,929	23,038,231	83,896,890

12.2 Capital Work in Progress

	As at 01/01/2019 MVR	Incurred During the Year MVR	Transferred During the Year MVR	As at 31/12/2019 MVR
Leasehold Building	2,758,965	4,497,525	(7,015,029)	241,461
Computer Equipment	7,253,781	6,628,684	(11,853,504)	2,028,961
Furniture	1,131,624	777,050	(1,908,674)	-
Office Equipment	1,094,680	2,363,174	(2,261,024)	1,196,830
	12,239,050	14,266,433	(23,038,231)	3,467,252

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

12.3 Accumulated Depreciation

	As at 01/01/2019 MVR	Charge for the Year MVR	As at 31/12/2019 MVR
Leasehold Building	5,883,098	2,029,448	7,912,546
Computer Equipment	15,269,587	4,090,721	19,360,308
Furniture and Fittings	2,326,472	821,278	3,147,750
Office Equipment	8,110,577	2,207,810	10,318,387
Machinery and Equipment	-	102,452	102,452
Motor Vehicles	-	47,330	47,330
Total Accumulated Depreciation	31,589,734	9,299,039	40,888,773
Net Book Value	**32,256,046**		**46,475,369**

12.4 Gross Carrying amount

	As at 01/01/2018 MVR	Additions MVR	Transferred from CWIP MVR	As at 31/12/2018 MVR
Leasehold Building	11,875,479	835,954	7,200	12,718,633
Computer Equipment	18,459,953	1,274,745	207,930	19,942,628
Furniture and Fittings	3,445,521	275,080	-	3,720,601
Office Equipment	10,193,909	4,478,283	552,676	15,224,868
Total Gross Carrying Amount	43,974,862	6,864,062	767,806	51,606,730

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12 PROPERTY AND EQUIPMENT

12.5 Capital Work in Progress

	As at 01/01/2018 MVR	Incurred During the Year MVR	Transferred During the Year MVR	As at 31/12/2018 MVR
Leasehold Building	227,820	2,538,345	(7,200)	2,758,965
Computer Equipment	562,378	6,899,333	(207,930)	7,253,781
Furniture and Fittings	-	1,131,624	-	1,131,624
Office Equipment	508,073	1,139,283	(552,676)	1,094,680
	1,298,271	11,708,585	(767,806)	12,239,050

Capital work in progress represents the amount incurred by the Bank for the new head office, which is under development at H. Medhuziyaaraidhoshuge, Male' Republic of Maldives.

12.6 Accumulated Depreciation

	As at 01/01/2018 MVR	Charge for the Year MVR	As at 31/12/2018 MVR
Leasehold Building	4,836,067	1,047,031	5,883,098
Computer Equipment	12,371,443	2,898,144	15,269,587
Furniture	1,796,264	530,208	2,326,472
Office Equipment	6,386,426	1,724,151	8,110,577
Total Accumulated Depreciation	25,390,200	6,199,534	31,589,734
Net Book Value	**19,882,933**		**32,256,046**

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

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

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

12.10 The cost of fully-depreciated property and equipment of the Bank as at 31st December 2019 is MVR 34,812,928/- (as at 31st December 2018: MVR 31,901,655/-)

13 RIGHT-OF-USE ASSETS

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

	31/12/2019 MVR	31/12/2018 MVR
Cost		
Recognition of Right-of-Use Assets on Initial Application of IFRS 16	105,968,284	-
Additions during the Year	403,299	
Closing Balance	106,371,583	-
Accumulated Depreciation		
Depreciation Charged during the Year	9,770,749	
Closing Balance	9,770,749	
Net Carrying Value	96,600,834	-

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14 INTANGIBLE ASSETS

14.1 Gross Carrying Amount

	As at 01/01/2019 MVR	Additions MVR	As at 31/12/2019 MVR
Core Banking and Database Software	18,182,152	1,875,731	20,057,883
Other Computer Software	3,476,050	436,974	3,913,024
Total Gross Carrying Amount	21,658,202	2,312,705	23,970,907

14.2 Software Work in Progress

	As at 01/01/2019 MVR	Incurred During the Year MVR	As at 31/12/2019 MVR
Core Banking and Database Software	249,052	3,011,524	3,260,576
	249,052	3,011,524	3,260,576

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

14.3 Accumulated Amortization

	As at 01/01/2019 MVR	Charged for the Year MVR	As at 31/12/2019 MVR
Core Banking and Database Software	13,037,679	1,263,872	14,301,551
Other Computer Software	3,135,184	213,292	3,348,476
Total Accumulated Amortization	16,172,863	1,477,164	17,650,027
Net Book Value	**5,734,391**		**9,581,456**

14.4 Gross Carrying Amount

	As at 01/01/2018 MVR	Additions MVR	As at 31/12/2018 MVR
Core Banking and Database Software	15,872,902	2,309,250	18,182,152
Other Computer Software	3,434,922	41,128	3,476,050
Total Gross Carrying Amount	19,307,824	2,350,378	21,658,202

14.5 Software Work in Progress

	As at 01/01/2018 MVR	Incurred During the Year MVR	As at 31/12/2018 MVR
Core Banking and Database Software	-	249,052	249,052
	-	249,052	249,052

Software work in progress represents, advance payments made by the bank to acquire core banking and database software (SWIFT platform).

14.6 Accumulated Amortization

	As at 01/01/2018 MVR	Charged for the Year MVR	As at 31/12/2018 MVR
Core Banking and Database Software	11,603,076	1,434,603	13,037,679
Other Computer Software	2,919,603	215,581	3,135,184
Total Accumulated Amortization	14,522,679	1,650,184	16,172,863
Net Book Value	**4,785,145**		**5,734,391**

14.7 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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15	**OTHER ASSETS**	**31/12/2019 MVR**	**31/12/2018 MVR**
	Refundable Deposits	1,141,787	1,833,338
	Prepayments	3,275,838	7,365,049
	Advance Payments Against Financing Assets **(Note 15.1)**	63,691,676	42,997,702
	Other Receivables	1,440,273	889,130
	Charity Funds from Financing	301,146	-
	Goods in Transit **(Note 15.2)**	-	4,033,052
		69,850,720	57,118,271

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

15.2 Goods in transit included goods purchased by the Bank for the purpose of selling on Murabahah basis under the previous Consumer Goods financing facilities. The Bank introduced a new Consumer Goods financing facility (Ujaalaa) from 2019 onwards under which the customers are appointed as agents of the Bank to take constructive possession of the goods to be sold under the facility. Hence the Bank does not record goods-in-transit as at 31st December 2019.

16	**CUSTOMERS' ACCOUNTS**	**31/12/2019 MVR**	**31/12/2018 MVR**
	Current Accounts	1,098,908,627	988,525,685
	Saving Accounts	1,111,325,497	993,169,619
	General Investment Accounts	740,166,670	873,529,859
	Margin Accounts	24,245,710	26,419,741
		2,974,646,504	2,881,644,904

17	**PROVISIONS**	**31/12/2019 MVR**	**31/12/2018 MVR**
	Opening Balance	926,129	-
	Opening Provision on Undrawn Credit Facilities due to Adoption of IFRS 09	-	736,472
	Provision Made during the Year - Undrawn Credit Facilities	1,799,541	189,657
	Closing Balance	2,725,670	926,129

The Bank requires to recognize an impairment provision on undrawn credit facilities with the adoption of IFRS 09. The above represents the ECL provision recognized by the Bank for undrawn credit facilities.

18	**LEASE LIABILITIES**	**31/12/2019 MVR**	**31/12/2018 MVR**
	Recognition of Lease Liabilities on Initial Application of IFRS 16	100,674,801	-
	Additions during the Year	403,299	-
	Financing Expense on Lease Liabilities	5,575,698	-
	Payments Made During the Year	(12,291,446)	-
	Balance as at 31st December	94,362,352	-

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19 OTHER LIABILITIES	**31/12/2019 MVR**	**31/12/2018 MVR**
Accrued Expenses	2,519,545	2,917,820
Pension Payable	414,259	364,831
Payable to Suppliers	3,144,674	7,221,244
Payable to ICD **(Note 19.1)**	86,625,000	-
Cashiers Cheque	2,339,627	2,998,539
Charity Funds from Financing	-	2,024,562
Retention on Istisna'a Projects	431,440	431,440
Dividend Payable	-	10,080,000
Other Liabilities	38,723,188	8,091,877
	134,197,733	34,130,313

19.1 Through the IPO, ICD sold 2,475,000 ordinary shares held by them to the public at a price of MVR 35/- per share. The Bank collected funds on behalf of ICD and as at 31st December 2019 this is due to be paid to ICD.

20 SHARE CAPITAL	**31/12/2019 MVR**	**31/12/2018 MVR**
20.1 Authorized Share Capital		
100,000,000 Ordinary Shares of MVR 10/- each (2018: 1,000,000 Ordinary Shares of MVR 1,000/- each)	1,000,000,000	1,000,000,000

20.2 Share Split

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

20.3 Share Transfer & Issuance of Additional Shares

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

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

20.4 Initial Public Offering ("IPO")

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

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

20.5 Issued and Fully Paid Up Share Capital	**31/12/2019**		**31/12/2018**	
	Value MVR	**No. of Shares**	**Value MVR**	**No. of Shares (Restated)**
Opening Balance	180,000,000	18,000,000	180,000,000	18,000,000
Issue of Ordinary Shares **(Note 20.3)**	70	7	-	-
Initial Public Offering **(Note 20.4)**	157,500,000	4,500,000	-	-
Closing Balance	337,500,070	22,500,007	180,000,000	18,000,000

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20 SHARE CAPITAL (CONTINUED)

20.6 Shareholders

	31/12/2019		31/12/2018	
	No. of Shares	%	No. of Shares (Restated)	%
(a) Before the Initial Public Offering				
Islamic Corporation for the Development of the Private Sector	8,100,000	36%	12,600,000	70%
The Government of Maldives	6,300,000	28%	4,500,000	25%
Amana Takaful Maldives PLC	1,125,000	5%	900,000	5%
(b) After the Initial Public Offering				
Maldives Pension Administration Office	2,369,370	11%	-	-
Others	4,605,637	20%	-	-
Total	22,500,007	100%	18,000,000	100%

20.7 Dividends and Voting Rights

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

The Board of Directors of the Bank has declared a dividend of MVR 15,300,000/- during the year ended 31st December 2019 (31st December 2018: MVR 14,400,000/-).

21 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.

22 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 21,003,523/- during the year ended 31st December 2019 (2018: MVR 26,275,233/-).

23 NON-DISTRIBUTABLE CAPITAL RESERVE

According to the Maldives Monetary Authority ("MMA") guideline on financing receivable loss provisioning (CN-BSD/2017/8), the Bank has created a separate reserve to record the difference in impairment amounts provided between IFRS provision (IFRS 9 -"Financial Instruments") and impairment provision made in accordance with MMA guidelines (MMA Prudential Regulation 2015/R-168: Regulation on Asset Classification, Provisioning and Suspense

Provision for impairment as per MMA guidelines was higher than the ECL provision, in accordance with IFRS 09 an additional amount of MVR 2,683,524/- has been transferred to Non-distributable Capital Reserve as at 31st December 2019 (31st December 2018: MVR 7,708,794/-).

	31/12/2019 MVR	31/12/2018 MVR
Impairment Provision as per MMA Prudential Regulation	42,624,518	26,526,631
Impairment Provision as per IFRS 09 **(Note 11.1 and Note 17)**	32,232,200	18,817,837
Non-distributable Capital Reserve	10,392,318	7,708,794

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24	NET PROFIT EARNED FROM FINANCING ACTIVITIES	2019 MVR	2018 MVR
	Income from Financing Activities **(Note 24.1)**	206,488,164	144,671,427
	Profit Paid on Customer Accounts **(Note 24.2)**	(44,139,462)	(32,053,172)
	Net Profit Earn from Financing Activities	162,348,702	112,618,255
24.1	**Income from Financing Activities - Measured at Amortized Cost**		
	Income from Education Financing	385,975	267,693
	Income from Murabaha	104,386,932	69,538,132
	Income from Istisna'a	47,175,290	38,293,296
	Income from Diminishing Musharaka	54,539,967	36,572,306
	Total Income from Finance Activities Using the Effective Profit Method	206,488,164	144,671,427
24.2	**Profit Paid on Customer Accounts - Measured at Amortized Cost**		
	General Investment Accounts	33,637,173	23,739,493
	Savings Accounts	10,502,289	8,313,679
	Total Profit Paid on Customer Accounts	44,139,462	32,053,172

25	NET FEE AND COMMISSION INCOME	2019 MVR	2018 MVR
	Fee and Commission Income **(Note 25.1)**	30,019,971	21,646,884
	Fee and Commission Expense **(Note 25.2)**	(778,079)	(699,749)
	Net Fee And Commission Income	29,241,892	20,947,135

25.1 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	
	2019 MVR	2018 MVR	2019 MVR	2018 MVR	2019 MVR	2018 MVR
Banking Services	8,596,599	1,987,297	-	-	8,596,599	1,987,297
Trade Finance Services	2,920,956	2,647,181	-	-	2,920,956	2,647,181
Remittances	13,862,556	13,011,188	-	-	13,862,556	13,011,188
ATM, POS, Faisa Net and Gateway services	-	-	4,563,807	3,955,557	4,563,807	3,955,557
Other Fees and Commissions Income	76,053	45,661	-	-	76,053	45,661
Total Fee and commission income from contracts with customers	25,456,164	17,691,327	4,563,807	3,955,557	30,019,971	21,646,884

25.2 Fee and Commission Expense

Fund Transfer Expenses	778,079	699,749	-	-	778,079	699,749
	778,079	699,749	-	-	778,079	699,749

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26 FOREIGN EXCHANGE GAIN

	2019 MVR	2018 MVR
Foreign Exchange Gain	128,334	35,270

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

27 INCOME FROM INVESTMENTS IN EQUITY SECURITIES

	2019 MVR	2018 MVR
Dividend Income from Investment Measured at FVOCI	5,195,000	5,341,000
	5,195,000	5,341,000

The dividend income represents the dividend received during the year from investments in the quoted shares of Dhivehi Raajjeyge Gulhun PLC ("Dhiraagu") and Ooredoo Maldives PLC ("Ooredoo"). The dividend income includes, from Dhiraagu, MVR 4.14/- per share as interim dividend for 2019 and MVR 5.95/- per share as final dividend for 2018 (2018: Interim of MVR 5.96/- for 2018 and final of MVR 5.85/- for 2017), from Oordoo, MVR 3.22/- per share as the final dividend for 2018. (2018: final dividend of MVR 3.20/- for 2017).

28 NET INCOME FROM FINANCIAL INSTRUMENTS MANDATORILY MEASURED AT FVTPL

	2019 MVR	2018 MVR
Wakala/ Musharakah Placement Income	2,481,533	2,472,832
Mudharabah/ Murabahah Income Mandatorily Measured at FVTPL	44,715,927	30,463,496
Income from the ICD Money Market Investment	808,564	1,081,548
	48,006,024	34,017,876

29 INCOME FROM INVESTMENT MEASURED AT AMORTIZED COST

	2019 MVR	2018 MVR
Income from Murabahah Financial Instruments	765,152	1,630,629
	765,152	1,630,629

30 PERSONNEL EXPENSES

	2019 MVR	2018 MVR
Salaries and Wages	42,041,682	35,527,951
Housing Allowance	6,151,673	5,282,419
Annual and Ramadhan Bonus	5,776,606	5,304,181
Contribution to Defined Contribution Plans	2,375,546	2,085,167
Medical Insurance	1,528,476	1,225,554
Training and Development	879,575	1,137,517
Uniforms	537,470	375,526
Executive Allowance	287,806	216,000
Other Staff Expenses	2,241,557	877,615
	61,820,391	52,031,930

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31 GENERAL AND ADMINISTRATIVE EXPENSES

	2019 MVR	2018 MVR
Rent Expense	1,263,760	10,585,487
Technology Related Expenses	5,592,458	5,241,925
Financing Expense on Lease Liabilities	5,575,698	-
Electricity Expenses	2,910,336	2,805,480
Premises Security and Insurance	2,402,649	2,252,160
Connectivity and Internet Charges	3,079,710	2,682,811
Financing Related Expenses	289,427	188,777
Stationary Costs	2,712,522	1,863,272
Legal and Professional Expenses	3,261,940	1,602,949
Travelling Expenses	425,553	663,846
Directors Allowance and Board Related Expenses	1,612,973	1,354,480
Marketing and Advertising Expenses	3,742,140	2,285,873
Sharia Board Related Expenses	526,722	406,414
Utility Expenses	979,910	916,829
Communication Expenses	885,530	707,474
Maintenance Expense	869,786	499,189
Other Operating Expenses	1,247,225	737,928
	37,378,339	34,794,894

32 DEPRECIATION AND AMORTISATION

	2019 MVR	2018 MVR
Depreciation on Property and Equipment	9,299,039	6,199,534
Depreciation on Right-of-Use Assets	9,770,749	-
Amortisation on Intangible Assets	1,477,164	1,650,184
	20,546,952	7,849,718

33 INCOME TAX

	2019 MVR	2018 MVR
A. Amounts Recognised in Profit or Loss		
Current Tax **(Note 33.1)**	26,786,804	18,943,626
Additional Tax Expense Recognized due to Adoption of IFRS 09	-	1,153,429
Under Provision for the Previous Year	185,515	-
Deferred Tax Liability **(Note 33.3)**	936,099	155,023
	27,908,418	20,252,078
B. Amounts Recognised in Other Comprehensive Income		
Items that will not be reclassified to profit or loss;		
Deferred Tax Liability on Movement in Fair Value Reserve (Equity Instruments) **(Note 33.3)**	950,000	350,000

33.1 Current Tax

The Bank is liable to pay income tax (at the rate of 25%) in accordance with the Bank Profit Tax regulations issued in September 1999 by the Maldives Inland Revenue Authority. A reconciliation between taxable profit and the accounting profit is as follows.

	2019 MVR	2018 MVR
Accounting Profit before Tax	111,922,509	72,802,543
Add: Aggregate Disallowable Items	23,353,883	12,091,302
Less: Aggregate Allowable Items	(28,129,176)	(9,119,339)
Taxable Income for the Year	107,147,216	75,774,506
Income Tax @ 25%	26,786,804	18,943,626

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33 INCOME TAX (CONTINUED)

33.2 Current Tax Liability

	31/12/2019 MVR	31/12/2018 MVR
Opening Balance	20,097,055	13,728,923
Recognition of Additional Tax Expense due to the Adoption of IFRS 09	-	1,153,429
Current Tax for the Year	26,972,319	18,943,626
Tax Paid during the Year	(20,282,570)	(13,728,923)
Closing Balance	26,786,804	20,097,055

33.3 Deferred Tax Liability

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

	Property and Equipment MVR	Intangible Assets MVR	Changes in Fair Value of Equity Investments (Recognized in OCI) MVR	Total MVR
31st December 2019				
Deferred Tax Liability	2,660,331	995,441	2,575,000	6,230,772
Recognized in Profit or Loss	843,126	92,973	-	936,099
Other Comprehensive Income	-	-	950,000	950,000
31st December 2018				
Deferred Tax Liability	1,817,205	902,468	1,625,000	4,344,673
Recognized in Profit or Loss	231,035	(76,012)	-	155,023
Other Comprehensive Income	-	-	350,000	350,000

34 BASIC AND DILUTED EARNINGS PER SHARE

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

	2019 MVR	2018 MVR (Restated)
Profit Attributable to Ordinary Shareholders	84,014,091	52,550,465
Weighted Average Number of Ordinary Shares	18,616,443	18,000,000
Basic and Diluted Earnings Per Share	4.51	2.92

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

34.2 Net Assets Per Share as of 31st December	25.34	18.94

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35 LEASES

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

Previously, these leases were classified as operating leases under IAS 17.

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

i. Right-of-use Assets

Right-of-use assets relate to leased head office premises, branches and ATM locations presented under Note 13.

See Note 37 (ii) (b) for maturity analysis of lease liabilities as at 31st December 2019

As at 31st December 2018, the future minimum lease payments under non-cancellable operating leases were payable as follows.

Maturity Analysis - Contractual Undiscounted Cash Flows	**31/12/2018 MVR**
Less than One Year	14,255,994
Between One and Five Years	47,737,672
More than Five Years	75,370,200
Total Undiscounted Lease Liabilities as at 31st December 2018	137,363,866

ii. Amounts Recognised in Profit or Loss

2019 - Leases under IFRS 16	**31/12/2019 MVR**
Financing Expense on Lease Liabilities	5,575,698
Depreciation Charge on Right-of-Use Assets	9,770,749
	15,346,447

2018 - Operating Leases Under IAS 17	**31/12/2019 MVR**
Lease Expense	10,585,487

iii. Amounts Recognised in Statement of Cash Flows	**31/12/2019 MVR**
Depreciation on Right-of-Use Assets	9,770,749
Financing Expense on Lease Liabilities	5,575,698
Repayment of Lease Liabilities	(12,291,446)

iv. Extension Options

Some leases of branches contain extension options exercisable by the Bank up to three/five years before the end of the non-cancellable contract period. The Bank included extension options in lease agreements to provide operational flexibility and the management decided that the Bank is most likely to exercise the extension options. The future lease payments resulted in an increase in lease liability of MVR 5,401,440/- as a result of the extensions.

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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 2019	Note	Mandatorily at FVTPL MVR	Designated at FVOCI MVR	Amortized Cost MVR	Total Carrying Amount MVR
Cash and Balances with Other Banks	7	-	-	201,188,743	201,188,743
Balances with Maldives Monetary Authority	8	-	-	791,824,758	791,824,758
Investments in Equity Securities	9	-	57,300,000	-	57,300,000
Investments in Other Financial Instruments	10	404,201,481	-	-	404,201,481
Net Receivables from Financing Activities	11	-	-	2,131,991,129	2,131,991,129
Other Assets	15	-	-	66,273,736	66,273,736
Total Financial Assets		404,201,481	57,300,000	3,191,278,366	3,652,779,847
Customers' Accounts	16	-	-	2,974,646,504	2,974,646,504
Lease Liabilities	18	-	-	94,362,352	94,362,352
Other Liabilities	19	-	-	131,678,188	131,678,188
Total Financial Liabilities		-	-	3,200,687,044	3,200,687,044

31st December 2018	Note	Mandatorily at FVTPL MVR	Designated at FVOCI MVR	Amortized Cost MVR	Total Carrying Amount MVR
Cash and Balances with Other Banks	7	-	-	227,117,732	227,117,732
Balances with Maldives Monetary Authority	8	-	-	582,613,740	582,613,740
Investments in Equity Securities	9	-	53,500,000	-	53,500,000
Investments in Other Financial Instruments	10	765,790,786	-	28,770,290	794,561,076
Net Receivables from Financing Activities	11	-	-	1,529,242,312	1,529,242,312
Other Assets	15	-	-	45,720,170	45,720,170
Total Financial Assets		765,790,786	53,500,000	2,413,464,244	3,232,755,030
Customers' Accounts	16	-	-	2,881,644,904	2,881,644,904
Other Liabilities	19	-	-	31,212,493	31,212,493
Total Financial Liabilities		-	-	2,912,857,397	2,912,857,397

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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 4.8 (vii)

	31/12/2019				31/12/2018			
Receivable from Financing Activities Measured at Amortized	**Stage 1 MVR**	**Stage 2 MVR**	**Stage 3 MVR**	**Total MVR**	**Stage 1 MVR**	**Stage 2 MVR**	**Stage 3 MVR**	**Total MVR**
Grade 1 - Low Risk (0 Days)	1,889,748,857	-	-	1,889,748,857	1,257,616,321	-	-	1,257,616,321
Grade 2 - Low Risk (1 - 30 Days)	138,006,144	-	-	138,006,144	128,216,116	-	-	128,216,116
Grade 3 - Fair Risk (31 - 60 Days)	-	51,825,856	-	51,825,856	-	112,841,454	-	112,841,454
Grade 4 - Fair Risk (61 - 89 Days)	-	23,272,168	-	23,272,168	-	9,799,226	-	9,799,226
Grade 5 - Default (Over 90 Days)	-	-	58,644,634	58,644,634	-	-	38,660,903	38,660,903
	2,027,755,001	75,098,024	58,644,634	2,161,497,659	1,385,832,437	122,640,680	38,660,903	1,547,134,020
Loss Allowance	(5,075,048)	(1,643,332)	(22,788,150)	(29,506,530)	(3,592,205)	(4,477,313)	(9,822,190)	(17,891,708)
Carrying Amount	2,022,679,953	73,454,692	35,856,484	2,131,991,129	1,382,240,232	118,163,367	28,838,713	1,529,242,312
Receivable from Financing Activities Measured at Amortized Cost - Gross Carrying Amount								
Current	1,889,748,857	-	-	1,889,748,857	1,257,616,321	-	-	1,257,616,321
Overdue < 30 Days	138,006,144	-	-	138,006,144	128,216,116	-	-	128,216,116
Overdue > 30 Days	-	75,098,024	58,644,634	133,742,658	-	122,640,680	38,660,903	161,301,583
Total	2,027,755,001	75,098,024	58,644,634	2,161,497,659	1,385,832,437	122,640,680	38,660,903	1,547,134,020
Financing Commitments								
Grades 1-4: Low-Fair Risk	658,476,275	51,841	-	658,528,116	284,713,010	3,929,848	-	288,642,858
Loss Allowance	(2,725,321)	(349)	-	(2,725,670)	(926,129)	-	-	(926,129)
Carrying Amount (Provision)	655,750,954	51,492	-	655,802,446	283,786,881	3,929,848	-	287,716,729

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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 702,973,422/- as at 31st December 2019 (31st December 2018: MVR 524,208,956/-). 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 31/12/2019	31/12/2018	Principal Type of Collateral Held
Receivable from Financing Activities				
Education Financing		0%	0%	None
Murabahah		37%	54%	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	31/12/2019 MVR	31/12/2018 MVR
Less than 50%	683,440,227	461,091,053
51% - 70%	251,251,523	300,265,391
71% - 90%	362,256,709	263,920,550
91% - 100%	189,816,088	228,879,279
No Collateral	674,733,112	292,977,747
Total	2,161,497,659	1,547,134,020
Credit-impaired Financing Facilities		
Less than 50%	5,037,040	3,849,863
51% - 70%	5,148,813	3,505,206
More than 70%	68,171,418	26,932,164
No Collateral	13,164,657	9,621,325
	91,521,928	43,908,558

As at 31st December 2019, 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 2019, the net carrying amount of credit impaired financing facilities granted to corporate customers is MVR 34,400,940/- (2018: MVR 25,144,152/-) and the value of identifiable collateral (mainly land and property) held against those financing facilities amounted to MVR 32.0 million (2018: MVR 26.5 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 2019, the maximum exposure to credit risk of investment securities measured at FVTPL was their carrying amount of MVR 404.2 million (2018: MVR 765.8 million). The Bank has minimized the credit risk exposure of all of these financing activities by obtaining sovereign guarantee except for the investment made in HDFC.

(c) Amounts Arising from Expected Credit Loss ("ECL")

Inputs, assumptions and techniques used for estimating impairment

(c) i. Significant Increase in Credit Risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank uses below criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due.

(c) ii. Generating the Term Structure of Probability of Default (PD)

Days past due are the primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analyzed by type of product and borrower.

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

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

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

Using variety of external actual and forecasted information, the Bank formulates a "Base Case" view of the future direction of relevant economic variables (mainly GDP Growth with lag effect of these variables) as well as representative range (Best Case and Worst Case) of other possible forecast scenarios. The Bank then uses the forecasts to adjust its estimates of PDs.

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37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit Risk (Continued)

(c) Amounts Arising from Expected Credit Loss ("ECL") (Continued)

(c) iii. Determining whether Credit Risk has Increased Significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is equal or more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. When contractual terms of a financing facility have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews.

(c) iv. Definition of Default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);

- the borrower is more than 90 days past due on any material credit obligation to the Bank; or

- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

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

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

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

(c) v. Incorporation of Forward-looking Information

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

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

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.

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(i) Credit Risk (Continued)

(c) Amounts Arising from Expected Credit Loss ("ECL") (Continued)

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

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 2019 included the following key indicators for Maldives for the years ending 31st December 2020 to 2024.

		2020	2021	2022	2023	2024
GDP Growth Rate	Base	6.0%	5.5%	5.5%	5.5%	5.5%
	Upside	7.0%	6.5%	6.5%	6.5%	6.5%
	Downside	5.0%	4.5%	4.5%	4.5%	4.5%
Inflation Rate	Base	2.3%	2.5%	2.5%	2.3%	2.0%
	Upside	3.0%	3.1%	3.2%	3.0%	2.7%
	Downside	1.6%	1.8%	1.9%	1.7%	1.3%

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

(c) vi. Modified Financial Assets

The contractual terms of a finance facility may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing finance facility whose terms have been modified may be derecognised and the renegotiated finance facility recognised as a new facility at fair value.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly by analysing both qualitative and based on the delinquency status before the modification of terms of the contract.

The Bank renegotiates financing facilities to customers in financial difficulties (referred to as "forbearance activities") to maximize collection opportunities and minimize the risk of default.

The revised terms usually include extending the maturity, changing the timing of profit payments and amending the terms of financing facility covenants.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect profit and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

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37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit Risk (Continued)

(c) Amounts Arising from Expected Credit Loss ("ECL") (Continued)

(c) vii. Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

Probability of default (PD)
Loss given default (LGD)
Exposure at default (EAD)

ECL for exposures in Stage 1 are calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL are calculated by multiplying the lifetime PD by LGD and EAD.

Probability of Default (PD)

PD estimates are estimates at a certain date, which are calculated based on statistical models, and assessed using various categories based on homogenous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties.

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

Loss Given Default (LGD)

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim and recovery costs of any collateral that is integral to the financial asset. For financings secured by retail property, FTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate financing, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective profit rate as the discounting factor.

Exposure at Default (EAD)

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For financing commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk. even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a financing commitment or guarantee.

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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)

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.

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.

	31/12/2019			
	Stage 1 MVR	Stage 2 MVR	Stage 3 MVR	Total MVR
Receivable from Financing Activities Measured at amortized cost and undrawn financing facilities.				
Balance as at 01st January 2019	4,518,135	4,477,510	9,822,192	18,817,837
Transfer to Stage 1	(1,230,902)	524,982	705,920	-
Transfer to Stage 2	65,401	(15,153,841)	15,088,440	-
Transfer to Stage 3	6,181	12,293	(18,474)	-
Net remeasurement of loss allowance	875,273	11,141,397	(3,537,742)	8,478,928
New financial assets originated	3,566,281	641,340	727,814	4,935,435
Balance as at 31st December 2019	7,800,369	1,643,680	22,788,150	32,232,200

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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)

	31/12/2018			
	Stage 1 MVR	**Stage 2 MVR**	**Stage 3 MVR**	**Total MVR**
Receivable from Financing Activities Measured at amortized cost and undrawn financing facilities.				
Balance as at 1st January 2018	3,970,039	1,871,223	8,539,347	14,380,609
Transfer to Stage 1	(2,411,833)	1,907,296	504,537	-
Transfer to Stage 2	29,122	(414,520)	385,398	-
Transfer to Stage 3	1,177	5,145	(6,322)	-
Net remeasurement of	913,998	(655,067)	(133,175)	125,756
New financial assets originated	2,015,632	1,763,433	532,407	4,311,472
Balance as at 31st December 2018	4,518,135	4,477,510	9,822,192	18,817,837

<u>Credit-Impaired Financial Assets</u>

The following table sets out a reconciliation of changes in the net carrying amount of credit impaired financing facilities to customers.

	31/12/2019 MVR	**31/12/2018 MVR**
Opening Balance of Credit-impaired Financing Facilities to Customers	34,086,368	43,925,940
Change in Allowance for Impairment	(12,965,963)	(1,282,844)
Classified as Credit-Impaired during the Year	64,854,678	12,738,828
Transferred to Not Credit-impaired during the Year	(863,494)	(21,295,556)
Closing Balance of Credit-impaired Financing Facilities to Customers	85,111,589	34,086,368

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37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit Risk (Continued)

(d) Concentration of Credit Risk

The Bank on a regular basis reviews its concentration of credit granted in each of the products offered. The diversification was made to ensure that an acceptable level of risk in line with the risk appetite of the Bank is maintained. The diversification decision was made at the Assets-Liability Committee (ALCO), where it sets targets and present strategies to the management and optimising the diversification. The product development team of the Bank is advised on the strategic decisions taken in diversification of the portfolio to align their product development activities accordingly.

The Bank monitors concentration of credit risk by industry and by whether the customer is a business customer or an individual customer. An analysis of concentrations of credit risk from financing and advances to customers and financing commitments and financial guarantees issued are shown below.

	Receivable from Financing Activities		Finance Commitments and Financial Guarantees Issued	
Balances Net of Impairment	**31/12/2019**	**31/12/2018**	**31/12/2019**	**31/12/2018**
Concentration by Industry	**MVR**	**MVR**	**MVR**	**MVR**
Consumer Goods	694,809,947	310,014,457	384,536,887	-
Transport and Communications	72,263,662	85,032,315	5,949,521	11,478,785
Commerce-Wholesale and Retail Trade	191,774,259	110,759,017	205,281,380	159,133,745
Construction-Residential Financing	966,124,609	923,171,794	102,968,403	178,958,475
Construction-Commercial Building Financing	60,778,818	23,832,345	-	-
Electricity, Lighting and Power	18,806,945	28,948,478	-	-
Tourism	116,042,640	37,545,553	19,977,561	-
Fishing	40,896,779	27,830,061	6,619,638	10,464,929
Total	2,161,497,659	1,547,134,020	725,333,390	360,035,934
Concentration by Sector				
Business	424,471,899	310,460,289	221,024,722	204,357,516
Individual	1,737,025,760	1,236,673,731	504,308,668	155,678,418
Total	2,161,497,659	1,547,134,020	725,333,390	360,035,934

(ii) Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Bank's management reviews the asset and liability position of the Bank on a regular basis to ensure that there is no mismatch of assets and liabilities.

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37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Liquidity Risk (Continued)

Management of Liquidity Risk

The Bank's Board of Directors sets the Bank's strategy for managing liquidity risk. Board has approved the liquidity policy for the Bank whereby responsibility for oversight of the implementation of this policy is delegated to the Management Committee (MC). MC oversees the implementation of the Bank's liquidity policies and procedures. Treasury department manages the Bank's liquidity position on a day-to-day basis and reviews daily reports assessing the liquidity position of the Bank. A summary report, including any exceptions and remedial action taken, is submitted regularly to MC.

The Bank's approach managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The key elements of the Bank's liquidity strategy are as follows.

• Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingency facilities, encumbered and so not available as potential collateral for obtaining funding.

• Carrying a portfolio of highly liquid assets, diversified by currency and maturity.

• Monitoring liquidity ratios, maturity mismatches, behavioral characteristics of the Bank's financial assets and financial liabilities, and the extent to which the Bank's assets are encumbered and so not available as potential collateral for obtaining funding.

• Carrying out stress testing of the Bank's liquidity position.

Treasury department receives information from other business units regarding the liquidity profile of their financial assets and financial liabilities and details of other projected cash flows arising from projected future business. Treasury department then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, financing and advances to banks and facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

Regular liquidity stress testing is performed under various scenarios to assess both normal and more severe market conditions. The scenarios are developed taking into account both Bank-specific events (e.g. a rating downgrade) and market-related events (e.g. prolonged market illiquidity, reduced fungibility of currencies, natural disasters or other catastrophes).

(a) Exposure to Liquidity Risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose. 'net liquid assets' includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. Details of the reported Bank ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows.

	31/12/2019	31/12/2018
As at the Reporting Date	33.65%	28.35%
Average for the Year	29.29%	32.22%
Maximum for the Year	33.65%	38.80%
Minimum for the Year	26.56%	26.29%

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37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Liquidity Risk (Continued)

(b) Maturity Analysis for Financial Liabilities and Financial Assets

The amounts shown in the maturity analysis below have been compiled by applying discounted cash flows which exclude future applicable profits. for the Issued financial guarantee contracts, and unrecognised finance commitments, earliest possible contractual maturity has been considered. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. Some estimated maturities will vary due to changes in contractual cash flows such as early repayment option of financing. As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents and balances with Maldives Monetary Authority.

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

As at 31st December 2019	**Carrying Amount**	**0-12 Months**	**1-2 Years**	**2-5 Years**	**More than Five Years**
Financial Assets by Type - Non Derivative	**MVR**	**MVR**	**MVR**	**MVR**	**MVR**
Cash and Balances with Other Banks	201,188,743	201,188,743	-	-	-
Balances with Maldives Monetary Authority	791,824,758	501,784,679	-	-	290,040,079
Investments in Equity Securities	57,300,000	-	-	-	57,300,000
Investments in Other Financial Instruments	404,201,481	404,201,481	-	-	-
Net Receivables from Financing Activities	2,131,991,129	227,299,428	158,646,275	782,319,786	963,725,640
Other Assets	66,273,736	66,273,736	-	-	-
	3,652,779,847	1,400,748,067	158,646,275	782,319,786	1,311,065,719
Financial Liability by Type - Non Derivative					
Deposits from Customers	2,974,646,504	2,780,408,620	135,119,778	59,118,106	-
Lease Liabilities	94,362,352	6,944,504	7,070,025	24,473,119	55,874,704
Other Liabilities	131,678,188	131,678,188	-	-	-
	3,200,687,044	2,919,031,312	142,189,803	83,591,225	55,874,704
Net Gap	452,092,803	(1,518,283,245)	16,456,472	698,728,561	1,255,191,015

As at 31st December 2018	**Carrying Amount**	**0-12 Months**	**1-2 Years**	**2-5 Years**	**More than Five Years**
Financial Assets by Type - Non Derivative	**MVR**	**MVR**	**MVR**	**MVR**	**MVR**
Cash and Balances with Other Banks	227,117,732	227,117,732	-	-	-
Balances with Maldives Monetary Authority	582,613,740	297,091,224	-	-	285,522,516
Investments in Equity Securities	53,500,000	-	-	-	53,500,000
Investments in Other Financial Instruments	794,561,076	794,561,076	-	-	-
Net Receivables from Financing Activities	1,529,242,312	343,002,377	244,742,969	377,009,402	564,487,564
Other Assets	45,720,170	45,720,170	-	-	-
	3,232,755,030	1,707,492,579	244,742,969	377,009,402	903,510,080
Financial Liability by Type - Non Derivative					
Deposits from Customers	2,881,644,904	2,584,318,479	220,601,959	76,724,466	-
Other Liabilities	31,212,493	31,212,493	-	-	-
	2,912,857,397	2,615,530,972	220,601,959	76,724,466	-
Net Gap	319,897,633	(908,038,393)	24,141,010	300,284,936	903,510,080

(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.

	31/12/2019	**31/12/2018**
	MVR	**MVR**
Balances with Maldives Monetary Authority	791,824,758	582,613,740
Balances with Other Banks	73,288,399	126,479,858
Cash in Hand	127,900,344	100,637,874
Total Liquidity Reserves	993,013,501	809,731,472

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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	
	31/12/2019	**31/12/2018**
Assets subject to market risk	**MVR**	**MVR**
Cash and Cash Equivalents	24,114,266	16,398,785
Receivable from Financing Activities	1,476,382,450	1,021,232,800
Investment in Equity Securities	57,300,000	53,500,000
Investment in Money Market Securities and Other Investments	404,201,481	765,790,786
	1,961,998,197	1,856,922,371
Liabilities subject to market risk		
Deposits	1,851,492,167	1,866,699,478
Lease Liabilities	94,362,352	-
	1,945,854,519	1,866,699,478

(b) Exposure to Profit Rate Risk - Non-trading Portfolios

Profit rate risk exists in profit-bearing assets, due to the possibility of a change in the asset's value resulting from the variability of profit rates. Since profit rate risk management has become imperative, the Bank takes proactive measures to manage the exposure by forecasting the rate fluctuations.

At the reporting date, the Bank's profit rate-bearing financial instruments were:

Fixed Rate Instruments	**31/12/2019**	**31/12/2018**
Financial Assets	**MVR**	**MVR**
Net Receivables from Financing Activities	2,131,991,129	1,529,242,312
Investments Measured at Amortized Cost	-	28,770,290
	2,131,991,129	1,558,012,602
Financial Liabilities		
Customers' Accounts	1,851,492,167	1,866,699,478
Variable Rate Instruments		
Financial Assets		
Investments Mandatorily Measured at FVTPL	404,201,481	765,790,786

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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 2019	Carrying Amount	0 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total Sensitive	Non Rate Sensitive
Assets	**MVR**	**MVR**	**MVR**	**MVR**	**MVR**	**MVR**	**MVR**
Cash and Balances with Other Banks	201,188,743	-	-	-	-	-	201,188,743
Balances with Maldives Monetary Authority	791,824,758	-	-	-	-	-	791,824,758
Net Receivables from Financing Activities	2,131,991,129	227,299,428	158,646,275	782,319,786	963,725,640	2,131,991,129	-
Investments in Other Financial Instruments	404,201,481	404,201,481	-	-	-	404,201,481	-
	3,529,206,111	631,500,909	158,646,275	782,319,786	963,725,640	2,536,192,610	993,013,501
Liabilities							
Customer's Liabilities	2,974,646,504	1,657,254,283	135,119,778	59,118,106	-	1,851,492,167	1,123,154,337
Other Liabilities	131,678,188	-	-	-	-	-	131,678,188
	3,106,324,692	1,657,254,283	135,119,778	59,118,106	-	1,851,492,167	1,254,832,525
Profit Rate Sensitive Gap	422,881,419	(1,025,753,374)	23,526,497	723,201,680	963,725,640	684,700,443	(261,819,024)

31st December 2018	Carrying Amount	0 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total Sensitive	Non Rate Sensitive
Assets	**MVR**	**MVR**	**MVR**	**MVR**	**MVR**	**MVR**	**MVR**
Cash and Balances with Other Banks	227,117,732	-	-	-	-	-	227,117,732
Balances with Maldives Monetary Authority	582,613,740	-	-	-	-	-	582,613,740
Net Receivables from Financing Activities	1,529,242,312	343,002,377	244,742,969	377,009,402	564,487,564	1,529,242,312	-
Investments in Other Financial Instruments	794,561,076	794,561,076	-	-	-	794,561,076	-
	3,133,534,860	1,137,563,453	244,742,969	377,009,402	564,487,564	2,323,803,388	809,731,472
Liabilities							
Customer's Liabilities	2,881,644,904	1,569,373,053	220,601,959	76,724,466	-	1,866,699,478	1,014,945,426
Other Liabilities	31,212,493	-	-	-	-	-	31,212,493
	2,912,857,397	1,569,373,053	220,601,959	76,724,466	-	1,866,699,478	1,046,157,919
Profit Rate Sensitive Gap	220,677,463	(431,809,600)	24,141,010	300,284,936	564,487,564	457,103,910	(236,426,447)

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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.

	31/12/2019 US$	31/12/2018 US$
Cash and Balances with Other Banks	4,319,038	8,137,109
Balances with Maldives Monetary Authority	29,373,780	22,075,262
Investments Mandatorily Measured at FVTPL	1,299,793	15,700,219
Receivables from Financing Activities	21,486,594	15,967,590
Other Assets	2,570,172	2,805,093
Customers' Accounts	(51,866,028)	(60,562,010)
Other Liabilities	(2,903,842)	(3,431,188)
Net Statement of Financial Position Exposure	4,279,508	692,075

The following significant exchange rates were applied during the year:

	Average Rate		Reporting Date Spot Rate	
	Year Ended 31/12/2019	Year Ended 31/12/2018	31/12/2019	31/12/2018
1 US$: Maldivian Rufiyaa	15.395	15.395	15.395	15.395

In respect of the monetary assets and liabilities denominated in US Dollar, the Bank has a limited currency risk exposure on such balances since the Maldivian Rufiyaa is pegged to the US Dollar within a band to fluctuate within ± 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 2019 by MVR 5,730,000/- (2018: 5,350,000/-)

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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;	31/12/2019 MVR	31/12/2018 MVR
Tier 1 ("Core") Capital		
Share Capital	337,500,070	180,000,000
Retained Earnings (Shown as Previous Year Amount as MMA Requirement)	40,189,319	36,922,881
Statutory Reserve (Shown as Previous Year Amount as MMA Requirement)	92,927,381	66,652,148
Total Tier 1 Capital	470,616,770	283,575,029
Tier 2 ("Supplementary") Capital		
Current Year-to-Date Profit	84,014,091	52,550,465
Valuation Adjustment on Equity Securities (Discounted by 55%)	3,476,250	2,193,750
General Provisions (Limited to 1.25% of RWA)	9,875,089	10,359,677
Sub Total	97,365,430	65,103,892
Eligible Tier 2 Capital (Limited to 100% of Tier 1 Capital)	97,365,430	65,103,892
Total Tier 1 and Tier 2 Capital	567,982,200	348,678,921
Core Capital (Tier 1 Capital)	470,616,770	283,575,029
Capital Base (Tier 1 and Tier 2 Capital)	567,982,200	348,678,921
Risk Weighted Assets	3,118,402,486	2,030,814,364
Tier 1 Risk Based Capital Ratio (Minimum 6%)	15.1%	14.0%
Total Risk Based Capital Ratio (Minimum 12%)	18.2%	17.2%

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 2019				
Wakala - HDFC Mandatorily Measured at FVTPL	-	-	30,617,534	30,617,534
Investments Mandatorily Measured at FVTPL	-	-	373,583,947	373,583,947
Investments				
Equity Investments Measured at FVOCI	57,300,000	-	-	57,300,000
	57,300,000	-	404,201,481	461,501,481

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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 2018				
Wakala - HDFC Mandatorily Measured at FVTPL	-	-	30,617,534	30,617,534
Investments Mandatorily Measured at FVTPL	-	-	709,202,983	709,202,983
Investments				
Equity Investments Measured at FVOCI	53,500,000	-	-	53,500,000
Money Market Investment - ICD Mandatorily Measured at FVTPL	-	25,970,269	-	25,970,269
	53,500,000	25,970,269	739,820,517	819,290,786

(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.

Total gains or losses for the year in the above table are presented in the OCI as follows.	31/12/2019 MVR	31/12/2018 MVR
Total gains and losses recognized in OCI:		
Fair value reserve (equity instruments) - net change in fair value (excluding tax)	(3,800,000)	(1,300,000)

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 2019 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.

31st December 2019	Level 1 MVR	Level 2 MVR	Level 3 MVR	Total Fair Values MVR	Total Carrying Amount MVR
Assets					
Cash and Balances with Other Banks	-	-	201,188,743	201,188,743	201,188,743
Balances with Maldives Monetary Authority	-	-	791,824,758	791,824,758	791,824,758
Receivables from Financing Activities	-	-	2,106,516,665	2,106,516,665	2,131,991,129
Other Assets	-	-	66,273,736	66,273,736	66,273,736
	-	-	3,165,803,902	3,165,803,902	3,191,278,366
Liabilities					
Customers' Accounts	-	-	2,974,646,504	2,974,646,504	2,974,646,504
Lease Liabilities	-	-	94,362,352	94,362,352	94,362,352
Other Liabilities	-	-	131,678,188	131,678,188	131,678,188
	-	-	3,200,687,044	3,200,687,044	3,200,687,044

31st December 2018	Level 1 MVR	Level 2 MVR	Level 3 MVR	Total Fair Values MVR	Total Carrying Amount MVR
Assets					
Cash and Balances with Other Banks	-	-	227,117,732	227,117,732	227,117,732
Balances with Maldives Monetary Authority	-	-	582,613,740	582,613,740	582,613,740
Receivables from Financing Activities	-	-	1,543,316,855	1,543,316,855	1,529,242,312
Investments in Other Financial Instruments Measured at Amortized Cost	-	-	28,883,841	28,883,841	28,770,290
Other Assets	-	-	45,720,170	45,720,170	45,720,170
	-	-	2,427,652,338	2,427,652,338	2,413,464,244
Liabilities					
Customers' Accounts	-	-	2,881,644,904	2,881,644,904	2,881,644,904
Other Liabilities	-	-	31,212,493	31,212,493	31,212,493
	-	-	2,912,857,397	2,912,857,397	2,912,857,397

Where they are available, the fair value of financing is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques.

To improve the accuracy of the valuation estimate for retail and smaller commercial financings, homogeneous financings are grouped into portfolios with similar characteristics such as vintage, FTV ratios. the quality of collateral, product and borrower type, prepayment and delinquency rates, and default probability.

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

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40 RELATED PARTY TRANSACTIONS

40.1 The Bank carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as Related Parties as per the International Accounting Standard – IAS 24 on "Related Party Disclosures".

40.2

Name of the Related Party	Relationship	Product	Nature of the Transaction	Amount 31/12/2019 MVR	Amount 31/12/2018 MVR
ICD Money Market Fund LLP	Affiliated Bank	Musharakah	Principal Investment	24,632,000	24,632,000
			Accumulated Profits	2,146,833	4,207,765
			Impairment Loss	(1,439,233)	(2,869,496)
			Redemption of the Investment	(25,339,600)	-
				-	25,970,269
Government of Maldives	Shareholder	Istisna'a	Opening Balance	19,058,954	21,074,531
			Profit for the period	1,928,337	1,979,542
			Settlement	(3,810,339)	(3,995,119)
				17,176,952	19,058,954
Maldives Pension Administration Office	Shareholder	Deposit	Opening Balance	130,511,387	103,677,527
			Transactions during the Year	(24,654,122)	26,833,860
				105,857,265	130,511,387

40.3 Collectively, but not Individually, Significant Transactions.
The Government of Maldives holds 28% of the shareholding of the Bank. The Bank has transactions with entities directly or indirectly controlled by the Government of Maldives through its authorities, agencies, affiliations and other organizations, collectively referred to as government entities. The Bank has transactions with other government related entities including but not limited to Investments, financing and deposits.

40.4 Transactions with Key Management Personnel
The aggregate values of transactions and outstanding balances related to key management personnel were as follows.

	Transaction Values for the		Maximum Balance for the		Balance Outstanding as at	
	Year Ended 31/12/2019 MVR	Year Ended 31/12/2018 MVR	Year Ended 31/12/2019 MVR	Year Ended 31/12/2018 MVR	31/12/2019 MVR	31/12/2018 MVR
Secured Financing	-	1,980,000	3,185,616	3,250,643	3,059,556	3,185,616
Other Financing	293,194	135,532	341,044	271,332	341,044	174,950
Deposits Received	6,358,969	3,249,187	466,603	1,429,218	111,461	187,751
	6,652,163	5,364,719	3,993,263	4,951,193	3,512,061	3,548,317

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 171,395/- (2018: MVR 156,458/-). The profit paid on balances outstanding to related parties amounted to MVR 871/- (2018: 762/-). The mortgages and secured financing granted are secured over property of the respective borrowers. Other balances are not secured and no guarantees have been obtained.

No impairment losses have been recorded against balances outstanding during the year with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the reporting date.

The key management personnel are the members of the Board of Directors and Executive Committee members. The Bank has paid an amount of MVR 5,665,387/- as emoluments to the key management personnel during the year ended 31st December 2019 (2018: MVR 3,106,083/-).

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41 COMMITMENTS

	31/12/2019 MVR	31/12/2018 MVR
(i) Financial Commitments		
Letter of Credits	44,090,125	44,085,529
Guarantees and Bonds	12,670,899	17,653,236
Bill Collection Acceptance	10,044,251	9,654,312
	66,805,275	71,393,077
(ii) Financing Commitments		
Undrawn Financing Facilities	658,528,116	288,642,857
Total	725,333,391	360,035,934

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 2019, the capital commitments of the Bank is MVR 3,622,444/- (year ended 31st December 2018 - MVR 9,122,322/- for interior works and supply of IT equipment to the new head office).

43 EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date there has been an increase in transmission and geographical spread of COVID-19. On 11th March 2020 the World Health Organization has declared this outbreak as a pandemic. Accordingly some governments and private entities have taken various precautionary actions including travel restrictions and other quarantine measures which would impact Maldives' economy. However the impact of COVID-19 outbreak on the Bank's financial statements cannot be measured accurately.

Other than above, no circumstances have arisen since the reporting date which require adjustments to/ or disclosure in the financial statements.

44 CONTINGENT LIABILITIES

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

45 COMPARATIVE FIGURES

Comparative figures have not been restated as a result of adoption of IFRS 16.

46 DIRECTOR'S RESPONSIBILITY

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

Maldives Islamic Bank

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