ANNUAL REPORT 2022

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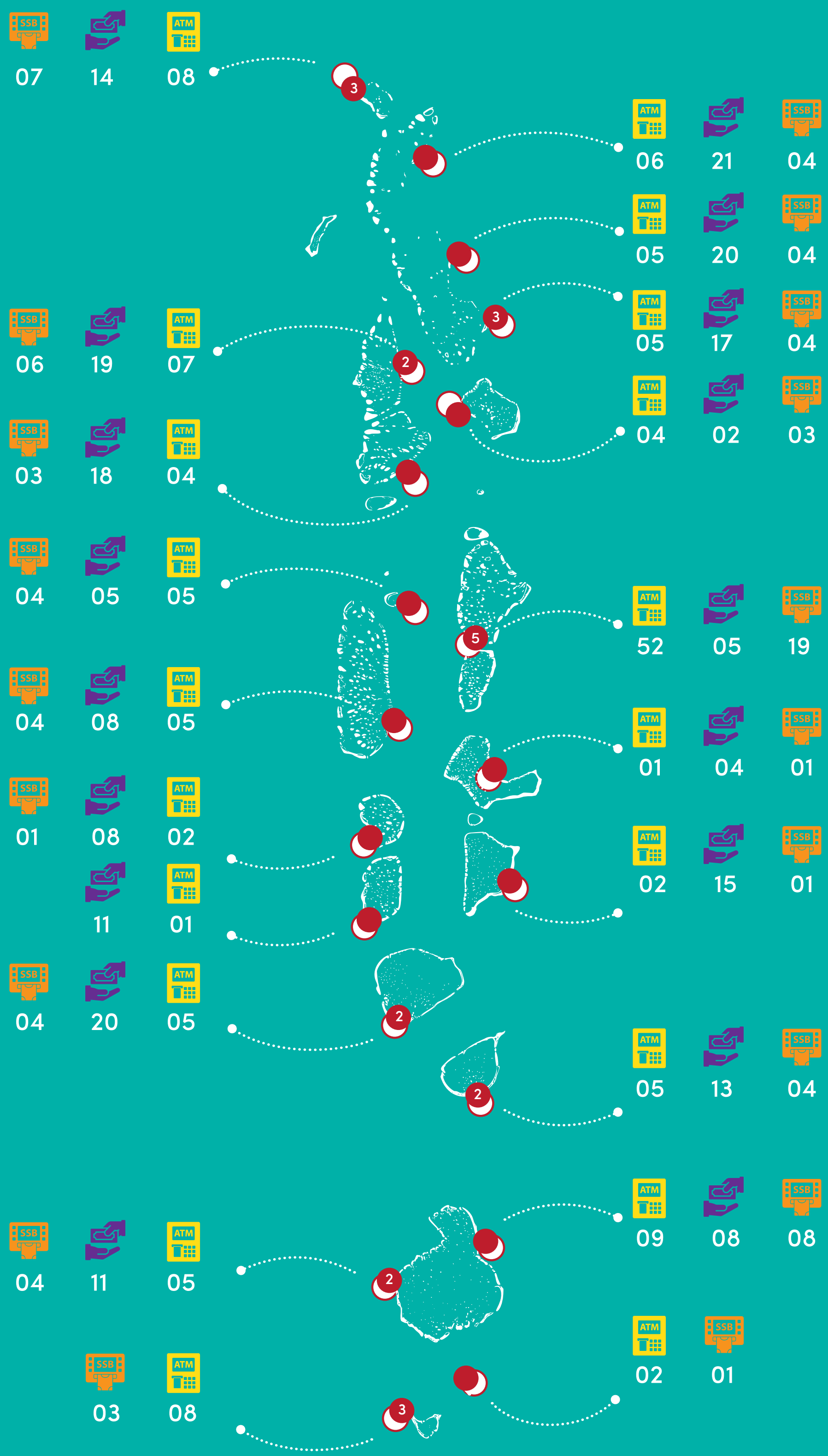
OUR NETWORK



BRANCH ATM SELF-SERVICE BANKING CENTRE CASH AGENT

OUR STRENGTHS

Leadership
Bank of Maldives has a skilled, gender balanced Management team with experience in various countries and banking markets, supported by an experienced Board of Directors.

Innovation
The Bank is the pioneer of the banking industry with many firsts. The first to launch POS and mPOS services in Maldives, first to launch debit and credit cards, first to launch internet and mobile banking, first to launch cash and cheque deposit machines.

Governance
The Bank's governance framework is built on the highest standards of international best practice. We are committed to upholding the values and standards that our local and international stakeholders expect.

People
The Bank is the largest employer in the Maldives banking sector with over 1,000 employees. 99% of employees are locals with almost one third employed in the atolls.

Customer Base
We are dominant in the Maldives with over 325,000 customers, and market leaders in Retail, Corporate and SME segments. We are also the market leader in Self Service banking with the largest number of online and ATM users.

Financial Strength
Bank of Maldives is a systemically important bank with Net Profit After Tax of MVR 1.6 billion, Total Assets of MVR 42 billion, a strong deposit base of MVR 29 billion and a strong capital position of 45% well above regulatory requirements.

Service Delivery
We have the largest network of branches, Agents, ATMs and POS terminals in Maldives. We are the exclusive acquirer and issuer of American Express cards in Maldives. We are the principle member in the Maldives for Visa and Mastercard.

POSTIVE IMPACT AT 40

WE CELEBRATED A SIGNIFICANT MILESTONE AS WE MARKED OUR 40TH ANNIVERSARY.

Over its 40 years history, the Bank has been an important partner in the development of the nation.

To celebrate this milestone, we carried out 12 high impact initiatives as a way of supporting and appreciating our customers, communities and colleagues, investing close to MVR 24 million over 12 months.

1. BML Scholarship Fund

BML Scholarship Fund was launched as an annual fund for academically meritorious students with a strong desire to contribute to the development of the local banking and finance industry after graduation. It is a fully funded merit-based international scholarship for three students through which recipients can select any undergraduate program from the top 200 universities in the world.

2. Project to upgrade the National Library

Under the refurbishment and upgrading project of the National Library, we revamped the entire library including the main reading area, Kiyavathi discussion room, silent reading and research room as well as the Makers Space and the National Collection rooms. Existing facilities were upgraded with new computer systems, audio and video booth for digitization and for the first time, a security gate was installed at the facility to offer modern, advanced security.

3. BML Startup Grant

The BML Startup Grant was introduced for emerging entrepreneurs to win grant funding of MVR 500,000 to start or grow a business in the Maldives. Following a highly competitive selection process, four winners were selected to receive funding for the winners to successfully implement their plans.

4. Housing Grant to Support Vulnerable Families

The grant aims to help the most vulnerable families in our communities by providing a safe and healthy environment to live in. Through this project, we aimed to build, renovate and fully furnish houses for three vulnerable families across the country. Local Councils and NGOs were invited to apply for the Grant, and recipients were selected through a comprehensive evaluation process.

5. BML Small Grants Fund

BML Small Grants Fund was opened for NGOs to carry out community-based projects that address environmental issues and promote sustainable development.

6. Supporting Home for People with Special Needs in K. Guraidhoo

Our support to Home for People with Special Needs (HPSN) include equipping of the Centre's new Children's Ward, modernizing and refurbishing the in-house kitchen, enhancing the existing library and revamping the staff facilities at the Centre. The project is ongoing, and we expect to complete it within 2023.

7. Fundraising Platform, 'Kindly by BML'

We launched 'Kindly by BML', the first of its kind online fundraising platform in the Maldives. The safe, secure and user-friendly platform can be utilized by NGOs to create fundraising campaigns and accept donations.

As a fundraiser, NGOs can create multiple campaigns, keep track of donations through easy to generate reports and promote campaigns across social media platforms. Locally registered NGOs with a minimum of 2 years in operation are eligible to register on Kindly.

8. BML Fehi Project

The BML Fehi Project was launched to help accelerate the establishment of healthy vegetation on islands while simultaneously creating positive social impact for communities. Five islands were selected to receive 10,000 plants each, sourced from local nurseries, to reforest and rejuvenate island land spaces that have been identified for greening.

9. Upgrading the Maldives National Museum

Through this initiative, we are supporting the care, preservation, and display of the National Museum's collection. This includes the upgrading of its conservation and preservation efforts as well as the development of the multimedia room to encourage public engagement and attract visitors to the Museum. The project is ongoing, and is expected to be completed during 2023.

10. Establishment of Oncology Ward at IGMH

Our provision of MVR 3.5 million in financing for the establishment of a critically needed, dedicated, Oncology Ward at the Indira Gandhi Memorial Hospital (IGMH) will enhance the hospital's services to provide better and advanced treatment for cancer patients.

11. BML Sports Scholarship

The BML Sports Scholarship supports athletes to achieve their sporting potential through targeted programs. The program offers fully funded scholarships for top national athletes to train and develop at recognized high performance training centres worldwide. The Scholarship was opened for all national associations.

12. BML Innovation Lab

We organized a 48-hour Hackathon under the theme of developing 'Banking Solutions to Enhance Customer Experience' to select participants for our new Innovation Lab. Over 30 participants took part to develop innovative fintech ideas and solutions to enhance customer experience and operational excellence.

VISION AND STRATEGIC FOCUS

We aspire to continue to be the bank of choice in Maldives.

We will deliver results through excellent service while being an accessible, responsible and sustainable business.

Focusing on

Sustainability

Treat Customers Fairly (TCF)

Digitalization

through

Engaged & Committed Workforce

to achieve

MVR 25 Billion Capital by our 50th Anniversary

Sustainability

Sustainability extends beyond financial stability. Environmental, Social and Governance (ESG) is part of modern day businesses and we at Bank of Maldives aspire to be one of the businesses in Maldives to bring in the ESG framework to the Maldives. As an initial step, we have undertaken a review of our CSR thinking and our ultimate goal is to channel customer loyalty from "has" to bank with us to "want" to bank with us.

Treat Customers Fairly

The concept focuses on what we can do to offer customers the best and most relevant products, pay claims fairly and promptly, and give customers what they pay for. We will be more flexible and service our customers with empathy, resolve complaints quickly and ensure more clear and transparent dealings.

Digitalization

Digitalization has and continues to be a focus area as we are committed to deliver fast, relevant and easy digital experiences to customers. We have been the Bank to bring in many firsts to the country and we will continue to partner with technology and innovation partners to introduce 'cutting edge' technology solutions to our customers, at speed.

Highlights

Financial Highlights

Operating Profit
MVR2.5bn

Net Profit
MVR1.63bn

Deposits
MVR29.2bn

Total Assets
MVR41.9bn

Net Loans
MVR16.9bn

New Loans to Individuals & Businesses
MVR4.3bn

Capital Adequacy
45%

Provision Cover
100%

Non-Financial Highlights

25,000+
New Customers

39,000
ATM Transactions per day

2m+
Mobile Banking Logins per day

232,000+
Internet Banking Transactions per day

40m
POS Transactions annually

14m+
ATM Transactions annually

85m+
Internet Banking Transactions annually

CHAIRPERSON'S STATEMENT

A LANDMARK YEAR - BUILDING ON PROGRESS

Dear Shareholders,

I take great pleasure in presenting to you the Annual Report of Bank of Maldives for the financial year ending 31st December 2022.

The past year, was one for celebration for Bank of Maldives, and an opportunity to reflect on its vibrant journey over the past 40 years. Despite the challenges it has faced over the years, the Bank has continued to prove itself to be a strong, resilient institution that has weathered the storms to celebrate this significant milestone.

As a way of showing our appreciation and support for our customers, communities, and colleagues during our anniversary, we launched a major new initiative every month across various sectors. From the launch of the BML Scholarship Fund to develop outstanding students to providing vulnerable families with housing through the BML Housing Grant or encouraging small business growth with the BML Start-up Grant, we are pleased to have been able to give back where it is needed the most. The platform to enable this level of investment is of course a direct result of our robust financial position over the past years.

The strong performance continued into 2022. We ended the year with a Profit After Tax of MVR 1.63 billion with underline earnings increasing year-on-year. Total Assets grew by MVR 2.9 billion while deposits grew by MVR 1.9 billion. On the back of our strong performance for the year, the Board proposed a dividend payout of MVR 215 million amounting to MVR 40 per share.

As we celebrated our past achievements, 2022 also gave us cause for reflection, resulting in the review and renewal of our strategy going forward. We are pleased to have agreed on a refreshed strategic direction for the next three years focused on Sustainability, Treating Customers Fairly and Digitalization to achieve our vision of continuing to be the Bank of choice in the country.

We already have the pieces in place. From ATMs to debit and credit cards, internet banking to cashless payments, the modern financial services we are accustomed to today were all introduced by the Bank of Maldives. Our investment and commitment to financial inclusion is evident in our banking footprint across the country. Our investment in technology will enable us to reshape our service delivery and enhance customer experience, ensuring sustainable growth and readiness for the highly competitive environment in the future.

We take great pride in being the national bank. We also understand the privilege and the responsibility we have as a sustainable and responsible business. We need to stay ahead of our competition. We need to fully utilize technology to reshape our service delivery and enhance customer experience. We need to be a bank that is ready for the future. We need to continue to be the bank of choice. As we embark on delivering our new strategy, we will continue to invest in our people and in technology to positively impact the services we deliver to our customers.

We made good progress over the last year, and we now go forward with renewed vigour to realize our ambitions. I extend my gratitude to the team of committed staff across the country for their hard work last year, often during uncertain times. I also thank the Executive Management for your leadership, my fellow Board members for your counsel and guidance, and our shareholders and customers, for your confidence in us.

Yooshau Saeed
Chairperson

We will continue to invest in our people and in technology to positively impact the services we deliver to our customers.

CHIEF EXECUTIVE'S STATEMENT

BUILDING ON PROGRESS

We have celebrated the first forty years but must now focus on the future. It is imperative to ensure that we have a solid foundation on which to leverage our products and services, and are sufficiently nimble to meet the new challenges and opportunities of a technology focused world.

I am delighted to witness the strength of our post Covid recovery and the resilience that the Maldivian economy has evidenced over the past three years. The increase in tourist arrivals and the expected economic growth should favor the bank in the year ahead.

We do need to be more mindful of global exogenous factors. Higher interest rates, firmer commodity prices, global political tensions and value chain dysfunction will challenge global economic growth and impact the Maldives. Under this scenario, we need to manage the Bank sensibly and conservatively and ensure that we remain committed to our over 325,000 customers.

SOLID FINANCIAL PERFORMANCE

The Bank has performed well in 2022, and the underlying profits have grown 8% year-on-year. Our balance sheet grew by over MVR 2.9 billion, setting a solid financial base. The loan book grew by 9% while our customer deposits grew by 7%. The Bank lent over MVR 4.3 billion last year, supporting both individual and corporate customers on their financial needs. Our dominance in the local market makes us sensitive to the health of the domestic economy. Whilst we expect GDP to grow in 2023, we remain cautious as to the possible impact of imported inflation and its negative consequences for domestic disposable income. We need to act responsibly, ensuring that our customers can meet their financial obligations. Despite the significant interest rate increase seen globally, the Bank has not increased local rates as it sought to absorb these additional costs in order to ease the interest burden to our customers.

Our key ratios are extremely robust. Our Capital Adequacy Ratio of 45% is amongst one of the highest, globally. This buffer gives depositors, investors, regulators and counter parties the comfort that we have sufficient capital buffer to absorb any unpredicted financial shocks and weather any abnormal changes to the credit quality of our portfolio.

While the Bank still faces significant challenges in selling USD against local currency, our Liquidity and Efficiency Ratios far exceed global standards and we do not see anything untoward in the future that may affect this.

TOWARDS EMPOWERING COMMUNITIES

We are supporting the government's financial inclusion initiatives and will roll out a further 56 ATMs this year. Whilst there is a significant increase in operating expenses and increased logistical complexities pertaining to this initiative, it will give physical access to more of our customers in remote islands.

As a result of our strong financial position, we were also able to re-invest back into our communities on a large scale. The initiatives to celebrate the 40th anniversary proved to be successful to drive small businesses, inspiring students, charitable organizations, innovative individuals, and communities across the atolls. We continued our support to people with mobility impairments across the Maldives with our wheelchair donation program. To date, we have delivered over 200 motorized wheelchairs enhancing the quality of life for these individuals and their families.

The Community Fund continues to be an important vehicle of change for communities. To date, we have supported over 80 islands with over MVR 4 million. From community development areas to environmental projects, refurbishing communal spaces and educational projects, the fund is a popular tool for local NGOs to create a lasting impact on their communities.

DIGITALIZATION

The digital journey must continue. It is only through full automation that we can we reduce errors, improve efficiencies, and give a degree of control back to the customer to decide when, how and where they want to bank. We plan to bring positive changes to many of the products and services that currently require manual intervention and put the power back into the hands of the customer. We operate 38 branches, which will remain unchanged in the foreseeable future. At the same time, we are seeing a radical shift to digital channels with 15 times more transactions done digitally, and our customers logging onto their digital channels over 800 million times in 2022.

As a result of our strong financial position, we were also able to re-invest back into our communities on a large scale. ”

In this growing digital world, just like customers across global banks, our customers are also exposed to a high number of fraudulent activities. Unfortunately, close to 60% of all reported scams were by customers who willingly transferred funds expecting goods or service. We continue to urge customers to be more vigilant when transferring funds to third parties and worked to increase public awareness. Last year, the Bank sent more than 1 million SMS, placed close to 1,800 TV and radio advertisements, and generated over 1.4 million social media impressions on scam awareness.

We are continuously adding new security controls as these scams evolve and as part of these enhancements in order to protect our customers, we recently introduced Two-Factor Authentication for logins and transactions on Internet and Mobile Banking as well as push notifications for transactions and logins. We are working on additional security features that will give more control to the customer based on the level of risk they are prepared to assume.

We are also placing a strong focus on increasing our digital support platforms. In addition to web chat, we will soon launch the first phase of our AI chatbot, providing additional means for customers to access information easily, at any time. We need to focus more on customer service and "walk the talk," holding ourselves accountable for the level of service offered to our customers. Wait times for service, turnaround times for products and complaint resolution will be a key area of focus for this year, and all staff will have customer related KPIs included in their Performance Management Plans for the year.

One of the key pillars of our new strategy is Treating Customers Fairly. In addition to offering customers the best products and giving customers what they pay for, it also focuses on service with empathy, quick complaint resolution and ensuring more transparency across our service points. We have already made significant changes in support of the strategy such as reducing rates on Kiyavaa Loans, reducing the interest charged on overdue loans and increasing the overall personal financing limit, which all lead to a decrease in the financial burden on our customers.

OUR PEOPLE

We are proud that 99% of our staff are Maldivian, and we will continue to train and develop them to be the leaders of tomorrow. Three of our staff also celebrated their 40th Year anniversary in 2022 and we have a long serving, loyal and dedicated work force attending to our customers' needs. Last year, we recognized 68 of our long-serving staff for their dedication and loyalty to the bank. Additionally, we recognized our high-achieving staff at the annual Staff Awards, rewarding them for their commitment to the success of the bank.

THE FUTURE

We do expect competition. It is inevitable, but we will strive to continue to be the Bank of Choice in the Maldives. Our dominance in the domestic market constrains our ability to grow exponentially and we will need to seek new avenues for income generation. We will need to scan external markets for new opportunities that may provide a platform for income diversification and hard currency generation. We will be looking more into the future and less to the past.

Our success will be measured by the customers "wanting" to bank with us versus "having" to bank with us and we must do everything in our power to make this paradigm shift over the next few years.

I would like to thank all our customers for their loyalty and support over the past 40 years, the staff for their dedication and loyalty.

Finally, the Board for their guidance and oversight and our shareholders for having faith in our continued success.

In a world where the "only constant is change" the successes of yesterday are now the minimum standards by which we will seek to be judged in the future.

Karl Stumke
CEO & Managing Director

2022
REVIEW

FINANCIAL REVIEW

Globally, 2022 faced significant challenges.

Rising inflation and interest rates, geo-political tensions, disrupted supply chains and China's border closure during 2022 all contributed to the uncertainties in the global economies and the resultant reduction in global economic growth.

Despite these challenges, Maldives achieved an overall economic growth of 12% surpassing those of other countries in the region. Tourism, the backbone of the Maldivian economy, was robust and welcomed 1.675 million tourists in 2022, an increase of 27% over 2021.

Bank of Maldives benefitted significantly from the positive economic activities which resulted in over MVR 2.9 billion growth in our balance sheet with Total Assets now at MVR 41.9 billion and an Operating Profit of MVR 2.5 billion, a 5% decrease compared prior year. This is despite significant investment related to our 40th anniversary initiatives.

The loan portfolio credit quality has improved significantly with the NPA ratio reducing from 2.5% to 1.2% and the IFRS 9 Stage 3 loan ratio improving from 17% to 9%, year on year. The majority of loans granted to provide temporary relief during Covid-19 are now performing.

Customer deposits grew by MVR 1.9 billion, mostly in USD, and we now hold over 55% market share. The Bank is strongly capitalized with a Total Capital Adequacy Ratio of 45%, well above the regulatory requirements. Despite challenges the Bank faces in providing USD against local currency MVR, liquidity both MVR and USD remain strong and healthy.

MVR '000	2022	2021	+/-
Operating Profit	2,496,585	2,628,350	-5%
Net Profit After Tax	1,628,062	1,862,019	-13%
Net Loans and Advances	16,891,036	15,556,667	+9%
Customer Deposits	29,221,667	27,331,592	+7%
Total Assets	41,871,711	38,950,986	+7%
Total Liabilities	31,599,796	30,150,462	+5%
Shareholders' Fund	10,271,915	8,800,524	+17%
Dividend Per Share (MVR)	40*	48**	
Gross NPA Ratio	1.2%	2.5%	-52%
Stage 3 Loans Ratio	9%	17%	-47%
Provision Cover	100%	100%	
Capital Adequacy Ratio	45%	44%	+2%
Liquidity Coverage Ratio – MVR	156%	255%	-39%
Liquidity Coverage Ratio - USD	140%	183%	-23%

* Proposed. Subject to shareholders' approval, which includes interim MVR 20 per share and final MVR 20 per share.
** 2021 dividend included interim MVR 13 per share and final MVR 35 per share.

NET INTEREST INCOME

Balance sheet growth and an increase in the investment book resulted in the bank earning MVR 2.4 billion in interest income, an increase of 11% over the prior year. All our business segments, Corporate, Retail and Islamic had positive trend in their business volumes.

Multiple increases in the USD Fed Reserve Rate have increased global borrowing costs significantly and the Bank has taken steps to absorb the additional cost without imposing a financial burden on its customers. The Maldives will not avoid higher imported inflation but published economic data will reflect this at more muted levels. Despite these headwinds, Net Interest Income was 12% higher year-on-year.

▲ 12%

NET INTEREST INCOME

NON-INTEREST INCOME

A significant NPA recovery in 2021 skewed the underlying fee income but 2022 reflected a 23% decrease, mainly in Other Fee Income. Excluding recoveries, fee based income accounts for more than 22% of the total gross income. Cards are a significant contributor to our Fee Income with almost 46% of total non-interest income on underlying basis.

MVR 3.2 billion

OPERATING INCOME

OPERATING EXPENSES

The Bank has extensive network coverage with 38 branches, 139 ATMs, 7,900 merchants, 7,061 POS machines and 223 cash agents. With continued investment in staff and improvements in its technological infrastructure and the 40th anniversary initiatives, the total expenses amounted to MVR 685 million in 2022, an increase of 11% compared to 2021. Nevertheless, the Bank maintained a lower cost-income ratio of 21% during 2022.

▼ 21%

COST INCOME RATIO 2022

IMPAIRMENT CHARGES

In 2022 the majority of our restructured resort loans were upgraded to performing status resulting in the reversal of a significant portion of impairment provisions. However, the Bank had to raise provision against an overseas government bond, which was the main reason for the provision charge for the year.

▼ 28%

REDUCTION ON STAGE 3 IMPAIRMENT ALLOWANCE FROM 2021

FINANCIAL POSITION (BALANCE SHEET)

Bank of Maldives finished the year with a balance sheet size of MVR 41.9 billion, a growth of over MVR 2.9 billion on the previous year. The growth was supported by loan book, investment book as well as liquid assets through profits earned and customer deposits. Our balance sheet stands very solid which is the key for our sustainable income growth.

MVR 2.9 billion

GROWTH FROM THE PREVIOUS YEAR

LOANS AND ADVANCES

The net loan book grew by over MVR 1.3 billion or 9% as the Bank continued it's lending to businesses and individuals to support the economy. We disbursed over MVR 4.3 billion as new loans to both individuals and businesses during the year.

▲ 9%

GROWTH IN THE NET LOAN BOOK

LOAN BOOK QUALITY

Total non-performing loans less interest in suspense at the end of 2022 stood at MVR 216 million, a decrease of MVR 208 million. IFRS 9 Stage 3 Loans were at MVR 1.6 billion, a reduction of MVR 1.3 billion with no significant new NPAs and as the Bank managed to upgrade most of its Covid-19 related restructured loans. IFRS 9 Stage 3 loans ratio also improved from 17% to 9%. Gross NPA ratio as per MMA requirements improved from 2.5% to 1.2% with a strong provision cover of 100%.

▼ 9%

REDUCTION IN STAGE 3 LOAN RATIO FROM 2021

LIQUIDITY

Liquidity, both in local currency MVR and USD is strong at end 2022 with LCR ratios of 156% and 140% in MVR and USD respectively. The most of USD liquidity has come from growth in our USD customer deposits (USD 74m). The drop in USD LCR was due to the Bank investing its short-term excess USD liquidity mainly in the money market. The Bank's USD LCR is well above the Basel recommended 100%.

156% MVR LCR

140% USD LCR ratio

CUSTOMER DEPOSITS

Customer deposits stood at MVR 29.2 billion with a growth of MVR 1.9 billion or 7% on 2021 with contribution from all business segments – Retail, Corporate and BML Islamic. CASA deposits cover over 90% of the total deposits. USD deposit counts more than 46% of the total deposits. Loans to deposit ratio is healthy at 60%.

▲ 7%

GROWTH IN CUSTOMER DEPOSITS

SHAREHOLDERS' FUNDS

Our strong capital base is one of the Bank's core strengths in underwriting large ticket loans and in our ability to absorb unpredicted financial shocks similar to what we experienced during the Covid–19 Pandemic. Total Shareholders' Funds stood at MVR 10.3 billion, driven by retained earnings. The Capital Adequacy Ratio (CAR) was maintained well above the minimum regulatory requirement of 12% and finished the year at 45% (2021: 44%).

SHAREHOLDER'S FUND

MVR 10.3 billion

▲ 17%

FROM 2021

DIVIDEND PAYMENT

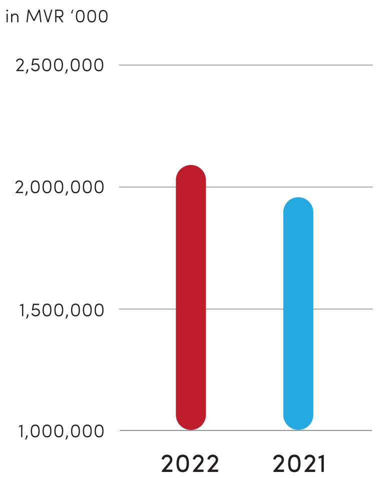
The Bank maintains a constant growth dividend policy which meant dividends were paid even when profit was significantly impacted due to the Covid-19 pandemic. In 2021, the Bank paid an interim dividend of MVR 70 milion to offset the lower dividend paid in 2020.

The issued and paid-up share capital at end 2022 remained at 5,381,920 shares of MVR 50 par value. On the back of the it's continued and solid financial position, the Bank declared a final dividend of MVR 40 for the year 2022, of which MVR 20 was paid as an interim dividend and MVR 20 as remaining dividend per share. (2021: an interim dividend of MVR 13 per share and final dividend of MVR 35 per share).

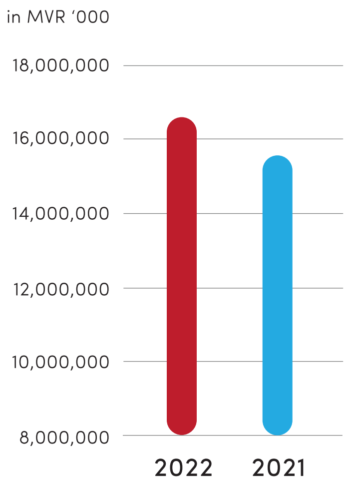
MVR 40

PER SHARE
PROPOSED FINAL DIVIDEND

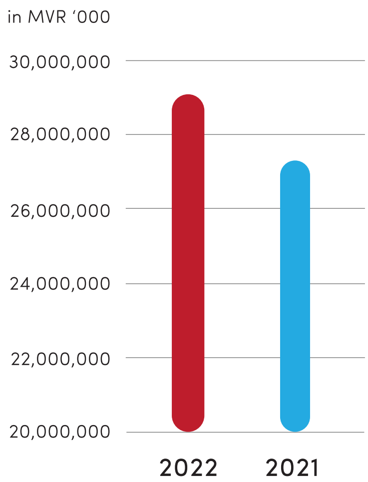
NET INTEREST INCOME



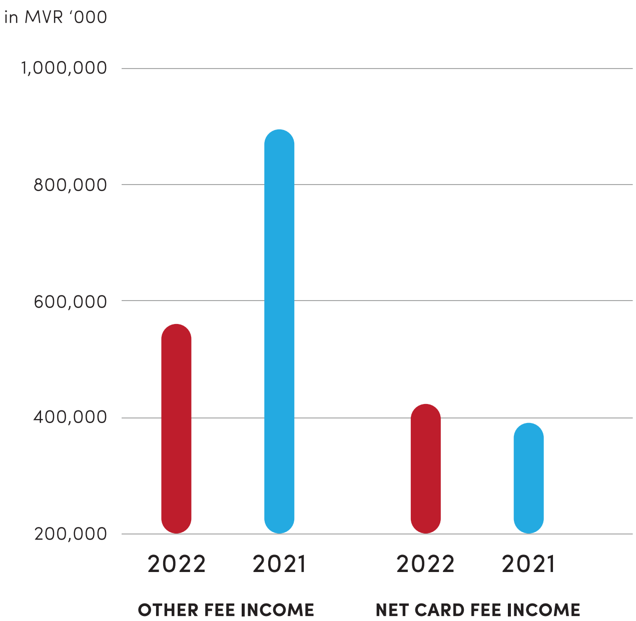
CUSTOMER LOANS



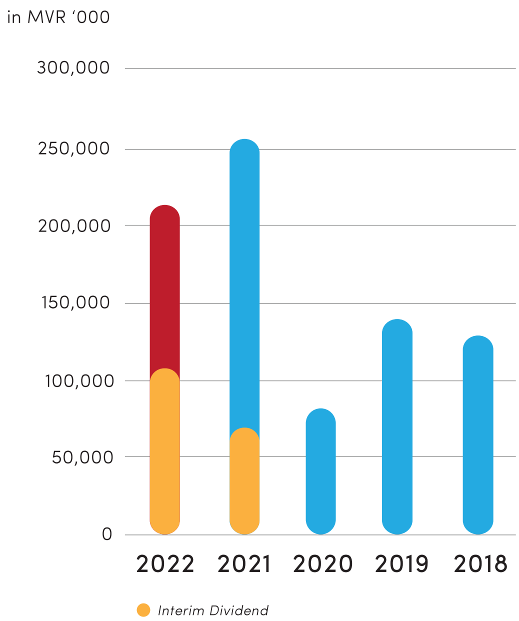
CUSTOMER DEPOSITS



FEE INCOME



DIVIDEND PAYMENT




BANK OF MALDIVES

DELIVERING OUR STRATEGY

The Bank's Strategic Plan was reviewed and updated during the year to focus on the next 3 years.

The section covers key developments in business and support areas of the Bank during the year 2022.


XPRESS
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RETAIL AND BUSINESS BANKING

During the year, we strengthened our presence by introducing Self-Service Banking Centres at 7 new strategic locations. We also enhanced our digital banking platform, introducing e-wallet to our Mobile App with NFC & Scan to Pay features. We now have a network of over 200 Cash Agents that enable customers to easily access banking services across all inhabited islands, and in early January 2022, we reached the milestone of introducing deposit and payment services at 100 of these Cash Agents.

With improvements to internet banking, new account opening for existing customers was fully automated which allowed customers to open current and savings accounts at any time, any place at their convenience. This resulted in process efficiency, reducing 30% of paperwork and significantly reducing frontline staff work. Our customers were able to open 30,000 accounts online instantaneously, without having to visit us or submit any paperwork.

Our international remittance service was also moved to an automated solution where customers can lodge applications online and with very limited to no manual intervention. This also allowed us to extend our service times, making it more convenient and efficient. With this, we were able to increase transaction processing capacity by 50% with improved turn-around-time and handled cross-border transactions amounting to USD 2.9 billion.The solution was made available for both individual and business clientele.

As part of our commitment to support new businesses to thrive, we ventured on our first-of-its-kind start-up grant program for emerging entrepreneurs who demonstrated eagerness and potential to grow and manage their businesses sustainably. These prospective businesses are supported by dedicated relationship officers to follow their progress and help with banking services as well as financial advise.

Our Business & SME segment saw growth with 1300+ new businesses onboarded across our network, with every single business opting for digital banking products including online banking and business debit cards.

With the Relationship Banking model for SMEs growing further, personalized focus for businesses to manage their banking and financing requirements were prioritized. This facilitated business financing leads valuing over MVR 300 million to be converted into MVR 110+ million in loans being approved for the segment.

CORPORATE BANKING

Corporate Banking continues to be a critical growth driver for the Bank. The continued success of the division is a testament to our team of dedicated Relationship Managers and Service Managers who possess in-depth industry knowledge and provide tailored solutions to meet the unique financial needs of customers.

In addition to our core corporate banking services, the Bank extended specialized services to businesses in key sectors of the economy such as tourism, trade, construction, aviation and health.

With an understanding of the unique opportunities and challenges that define these industries, the Bank is able to provide tailor-made solutions to meet the requirements of corporates through project financing, trade financing, working capital facilities and digital payment solutions.

We continued to prioritize innovation and customer convenience in our digital banking platforms, providing our clients with secure, instantaneous access to essential financial information. Our online banking platform has enabled our corporate clients to manage their financial operations securely and effectively.

During the past year, the Corporate Banking team has played an integral role in strengthening relationships with existing clients and establishing new relationships across multiple sectors.

Our personalized approach and focus on relationship management have made us a trusted partner for corporates.
Looking forward, we remain committed to investing and expanding our corporate banking offerings by leveraging strengths in technology and industry knowledge to provide customized solutions and better customer experience to our corporate clients.

ISLAMIC BANKING

BML Islamic is proud to be the leading Shari'ah compliant banking service provider in the Maldives. With the most extensive reach nationwide, our banking solutions are offered in accordance with international standards under the guidance of our Shari'ah Advisors.

We remain highly focused on enhancing customer experience to deliver the most innovative Shari'ah compliant products by leveraging on the technological developments in the industry. An important enhancement to financing application process was made to key consumer financing products by enabling customers to submit applications through online channels at their convenience.

Implementation of this change has positively impacted customer demand, contributing to strong growth in our financing asset portfolio.

As part of our ongoing commitment to support businesses, we have expanded our card product offerings to include Mastercard Business Debit which enables business customers to manage expenses and gain control over cash-based transactions. Our dedicated Sales and Business team actively engages with business customers to offer customized, customer-centric and exclusive Shari'ah compliant solutions. Availability of such exclusive solutions in BML Islamic has fostered business customer confidence in Shari'ah compliant financing solutions.

Islamic finance awareness remains a key focus of BML Islamic. Successful public awareness sessions were held in prime locations across the nation, while dedicated sessions were held by the Bank's Shari'ah Committee members for local stakeholders. This has made a meaningful impact on the community reflecting the role of BML Islamic as a Shari'ah compliant banking partner.

The past year has been a momentous year for BML Islamic continuing as a major Islamic banking industry player in Maldives. During 2022, we financed MVR 880 million new facilities to retail and business customers which contributed to a significant growth in our financing asset portfolio while maintaining a robust asset quality. With the most innovative product portfolio, BML Islamic remains the leading Shari'ah compliant banking service provider in Maldives.

CUSTOMER SERVICE

The year 2022 was a year of significant progress and growth for our organization. We continued to focus on efficiency, digitalization, and customer-centricity, which resulted in improved service levels and customer experience.

One of our key initiatives in 2022 was expanding our call center to open a second one in Hulhumale, which allowed us to handle an increased call volume. We also expanded our premium services to prioritize premium customer calls and introduced an outbound calls team. These initiatives helped us to improve service levels by 38% despite a 7% increase in calls received.

To improve our case resolution time frame, we implemented a complaint management system, which resulted in an 85% improvement from the start of the year to the end. We also introduced customer notifications for case creation and resolution, which further improved the overall customer experience.

Digitalization was a key focus area in 2022, and we introduced several initiatives to improve processing time and customer journey. We introduced TT automation, which helped us to process 50% more TT requests compared to 2021 and extend our service times. We also made more loan services and payment options available on our online self-service platform, which improved the digital customer experience.

To improve our reach, we launched 7 ATMs and onboarded 8 deposit agents. This helped us to expand our services to more customers and improve our overall reach.

Finally, we initiated a culture change program in the first quarter of 2022, which helped us to move towards customer-centricity. This included customer service training for all employees, senior employee front-line visits, and implementing staff ideas for service improvement. These initiatives, along with digitalization, helped us to improve our Net Promoter Score by 11 points from 2021.

OUR PEOPLE

Our Human Resources strategy focuses on developing competent, motivated, customer-oriented employees to deliver the Bank's strategy. We are committed to attracting and retaining employees who are proud to work for Bank of Maldives and who will act as good ambassadors for the organization.

In 2022, we continued to promote employee wellbeing as well as keeping them engaged and connected. Our commitment to support the wellbeing of our employees continued with the launch of our Mental Wellbeing program, the first of its kind in the country, by partnering with leading institutions to provide mental health related services. Throughout the year, we continued a series of mental health awareness sessions for all staff.

Employee Engagement is a key focus area of the Bank and during the year, multiple engagement activities were conducted for both Male'-based and Atoll-based staff. A special 40th Anniversary event filled with fun and celebration was also held with all employees across the country celebrating the Bank's success.

During the year, over 15,000 individual trainings were completed for over 400 courses on BML Kiyeveni, our online learning platform. This includes mandatory compliance training as well as personal skills development programs. We provided 12 opportunities under the BML Kiyavama program to study Bachelor's and Master's Degree programs and 15 opportunities to study Diploma in Banking & Finance provided under BML Riveli.

We are committed to ensure our workplace is free from harassment or bullying. Our Workplace Non-Harassment Policy was implemented in 2010. Our Committee on Prevention of Sexual Harassment and Abuse at workplace is responsible to ensure awareness on the subject, investigate complaints and take necessary action. During 2022, no such case was raised.

Under our recognition schemes, we honored our long-serving, loyal and dedicated staff at our annual Long Service Awards event where 68 team members were presented with special mementos of recognition including recognition of our longest serving 3 employees – Aishath Noordeen (Deputy CEO), Fathimath Manike (Director of Development Banking) and Moosa Mohamed (Senior Facilities Officer).

We held our annual Staff Awards ceremony to recognize employees who have distinguished themselves through exceptional performance and dedication to the Bank with 57 awards presented to individuals and teams.

GIVING BACK TO THE COMMUNITY

As a sustainable and responsible business, we continued to deliver on our CSR strategy with the aim of promoting national and societal development, supporting community initiatives in the areas of education, sports, and community development.

We were proud to continue our Community Fund last year which enabled 20 projects in winning islands. The program, launched in 2019, encourages communities to identify and implement sustainable projects and to date, has seen the successful delivery of projects including the installation of solar powered streetlights, development of eco parks and establishment of libraries and reading areas.

We continued to support local NGOs in our community deliver sustainable support including working with Family Legal Clinic to provide free legal advice to vulnerable families, Deaf Association to develop sign language skills as well as develop a sign language dictionary, Advocating for the Rights of the Child and MOMS to distribute essential food packages for vulnerable children and families; and Cancer Society of Maldives to raise awareness and run cancer screening programs in selected islands.

An important initiative is our dedicated programs to help children with special needs, reach learning milestones. We donated educational tools to equip Special Education Need (SEN) classrooms in 9 schools across the country and continued our wheelchair donation program which saw over 30 additional wheelchairs distributed across the country. With this donation, the program which began in 2017 has now seen the successful delivery of over 200 motorized wheelchairs across the Maldives, enhancing the quality of life for people living with physical disabilities.

We place great importance in being conscious of the environment in everything we do by continuing to raise awareness for environmental protection, preservation and sustainable development. We worked to instill a love for our marine environment by creating opportunities for children with disabilities to experience the ocean through scuba diving which is also proven to be both therapeutic and rehabilitative. Our staff continued their efforts to collect marine litter from the reefs and beaches in Male' and Addu City. As a social investment for sustainable development, we also continued our support to sports with programs to develop young talent in swimming, tennis and surfing.

The year 2022 also saw the implementation of our high impact monthly initiatives as part of the Bank's 40th anniversary celebrations. These initiatives saw close to MVR 24 million invested to benefit our communities, customers and colleagues.

RISK MANAGEMENT

Risk Overview

The Bank has in place a robust risk management framework designed to provide a structured approach to managing risks. This framework identifies, assesses, manages, and mitigates risks that could impair the delivery of the Bank's strategic and business objectives.

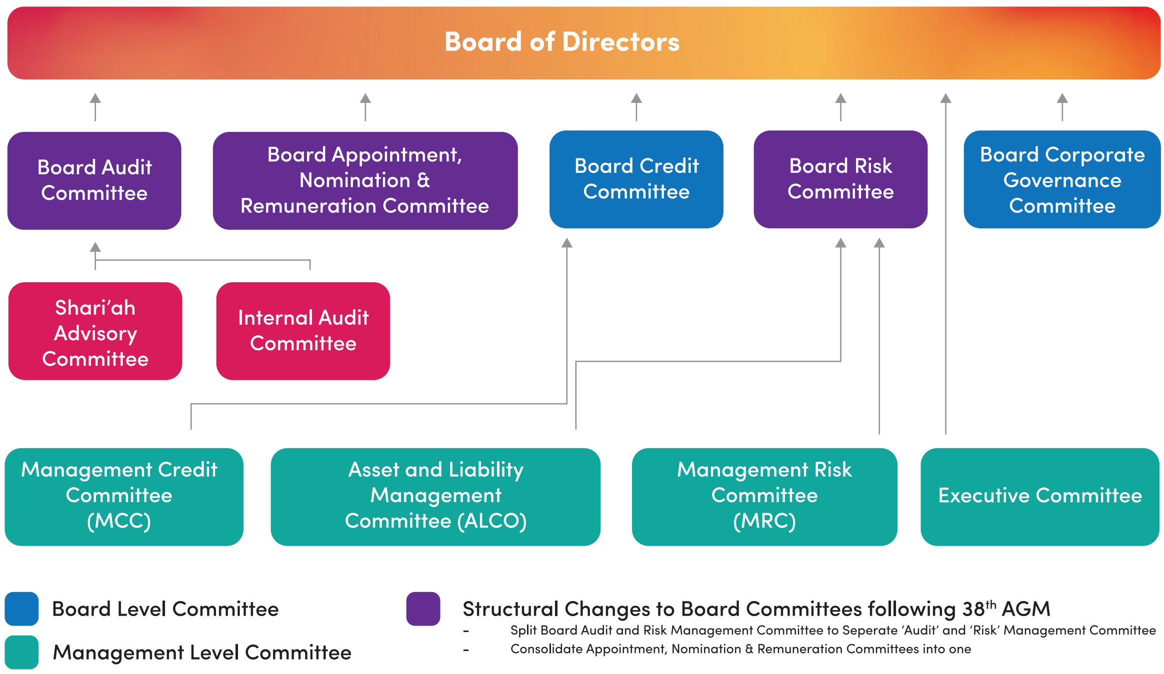
The Bank continues to review our internal processes and bring enhancements to our control environment to improve efficiency and effectiveness of the Risk Management program and framework. The Bank has implemented a multi-faceted approach that involves ongoing assessments and evaluations of current processes and systems to keep in line with industry best practices. This includes regular stress testing to assess the resilience of the Bank's risk management framework. The Bank regularly communicates its Risk Management strategies and results to its stakeholders, including shareholders, regulators, and customers. Through these efforts, the Bank remains committed to maintaining the highest standards of risk management and ensuring its ability to provide a secure and stable platform for its customers.

Risk Governance

A comprehensive risk governance structure is embedded throughout the Bank, with an active and engaged Board of Directors supported by an experienced Senior Management team. The ultimate responsibility for the risk management framework falls unto the Board. The Bank's Risk Appetite Statement addresses the broad set of risks that we face and supports the Bank in achieving its strategic objectives. The Board's risk governance is supported by the Board Risk Committee and various management committees within delegated mandates.

The Bank's governance structure follows the principles of three lines of defense, which separates the control functions (Risk Management, Compliance, and Internal Audit) from risk-taking functions and risk owners. The Risk Management department engages with business units to ensure risks are managed effectively and to instill and enhance a robust risk culture within the organization including key training provided to all staff. The Compliance Department assists management in ensuring compliance with internal procedures and processes, applicable laws, regulations, and ethical standards. The Internal Audit Department validates the adequacy and effectiveness of internal controls and directly reports to the Board Audit Committee.

1st Line - Risk Ownership	2nd Line - Risk Control & Monitoring	3rd Line - Independent Assurance & Validation
Risk Taking Business / Support functions	Oversight Functions Risk Management, Compliance	Audit Committee Supported by Internal Audit



BOARD COMMITTEES

Board Audit Committee (BAC)

Board Audit Committee reviews the integrity of the Bank's financial statements and financial reporting process and its systems of internal accounting and financial controls. In addition, the committee oversees Bank's Compliance with legal and regulatory requirements, reviews the engagement of the external auditors and the evaluation of the independence, objectivity and performance of the external auditors. The Chief Internal Auditor reports directly to the Committee.

Appointment, Nomination and Remuneration Committee (ANR)

The Appointment, Nomination and Remuneration Committee recommends to the Board a framework of remuneration packages for the Bank and specific remuneration packages for Senior Management and CEO/MD. The Committee identifies and makes recommendations on Board of Directors and Senior Management appointments. In addition, the Committee reviews and approves the Bank's succession plan and necessary HR related policies.

Board Credit Committee (BCC)

The Board of Directors has delegated the responsibility for the oversight of credit risk to the Board Credit Committee up to a specific level and the Committee's responsibilities include reviewing and approving credit proposals in line with the Bank's Delegation of Authority Policy and within the Board approved Risk Appetite Statement and Limit Framework.

Board Risk Committee (BRC)

Board Risk Committee reviews the Bank's risk strategy, risk tolerance and risk appetite which the Board of Directors considers acceptable, keeping in mind current and potential future risks and existing operating environment. In addition, BRC examines the adequacy and effectiveness of Bank's risk management framework, which covers principles, policies, guidelines, instructions, methodologies, systems, processes, procedures and people. The Committee also oversees the risk culture of the Bank, and reviews the Bank's reputational and non-financial risks and business continuity plans.

Corporate Governance Committee (CGC)

The Corporate Governance Committee assists the Board in establishing the Bank as a recognized leader in Corporate Governance, advices on Governance principles and aims to compose a diverse and skilled Board. The Committee reviews the Bank's Articles of Association and monitors the effectiveness of Board operations, performance and governance policies.

MANAGEMENT COMMITTEES

Management Credit Committee (MCC)

Management Credit Committee is the credit approving Committee with responsibilities delegated up to a specific level. The Committee's responsibilities include reviewing and approving credit proposals in line with the Bank's Delegation of Authority Policy. Furthermore, the Committee ensures that the Bank's loan portfolios and credit risk profiles are in compliance with the Bank's Credit Policy and Risk appetite and Limit Framework.

Asset and Liability Management Committee (ALCO)

The Asset and Liability Management Committee (ALCO) is responsible for the sound management of Asset and Liability Management (ALM) by monitoring and managing the Bank's liquidity, interest rate and foreign exchange risk as well as ensuring that adequate liquidity is maintained to manage the expected and unexpected fluctuations in the assets and liabilities of the Bank.

Management Risk Committee (MRC)

The Management Risk Committee is established to ensure the Bank's risk management framework is robust and well-functioning. The Committee reviews the risk environment and the Bank's performance against the full spectrum of risks faced in its activities, determining appropriate preventive and mitigating actions where necessary. The Committee is responsible for ensuring that risk management strategies, policies, systems and plans are in place in line with the Committee's objectives and responsibilities.

Operational Risk Committee (ORC

The Operational Risk Committee (ORC) is established to ensure Bank's overall operational risk management standards are robust and well-functioning. The Committee acts as a forum for discussion on efficient and effective management of Bank's operational risks and determining appropriate preventive and mitigating actions where necessary.

Executive Committee (EXCO)

Executive Committee is responsible for the overall management and operation of the Bank. The Committee reviews weekly MIS from each business area as well as monthly financial statements and data including key risk indicators. EXCO executes strategies and monitors performance with the Bank's strategic plan.

Risk Appetite Statement & Limit Framework

Risk Appetite Framework sets out the Board-mandated risk appetite which acts as a guide to express the acceptable risk profile of the Bank. The framework sets broad criteria relating to Board expectations with respect to Board's risk tolerance levels, Bank performance, sustainability, and risk management. The risk appetite framework sets appropriate concentration risk, liquidity risk, and capital limits. Limits are set with regard to industry, geography, asset class, and Board's overall tolerance for risk.

The Bank's goal is to provide its customers with the best value whilst creating and retaining trust to ensure strong customer satisfaction and efficiency in service. A key concept of the statement is the creation of an optimal risk-return profile for the Bank, which translates into the commitment to optimize fair returns according to the safety of depositors and shareholders relative to the risk Bank is prepared to accept. The framework is designed to ensure that sufficient capital, resources, and liquidity are in place and that regulatory and legislative criteria are fulfilled.

The Management Risk Committee (MRC, previously named All Risk Committee - ARC) was established to ensure the Bank's risk management framework subscribes to sound corporate governance principles and is efficient and robust.

Risk Culture is closely intertwined with our corporate values and describes the general awareness, attitudes, and behavior we expect of our employees when considering risk. The Risk Management Department engages with business units to ensure risks are monitored and managed effectively and to instill and enhance a robust risk culture within the organization. A learning culture is encouraged and includes specialist key training on risk topics which is provided to all staff.

Key Risk Metrics / Figures

Operating Profit	2022	2021
Net Loans and Advances	16,891,036	15,556,667
Loans and Advances as % of Deposits	58%	57%
Total Risk Weighted Assets	22,276,544	19,588,596
Stage 3 Exposures as a % of Total Loans and Advances	9%	17%
Total Capital base	10,104,196	8,585,927
Tier 1 Capital	8,162,934	6,491,282
Total Capital Ratio	45%	44%
Tier 1 Capital Ratio	37%	33%
Leverage Ratio	25%	23%

RISK CATEGORIES

a) Credit Risk

Credit risk is the risk of financial loss due to the failure of a customer or a counterparty to meet their contractual obligations. Credit risk arises mainly from country exposure, interbank exposure, commercial loans, consumer loans, advances, and loan commitments arising from various lending activities but can also arise from credit enhancement provided, such as through issuing or receiving financial guarantees, letters of credit, endorsements, and acceptances.

For the financial year ended 31st December 2022, Stage 3 Loan Ratio improved from 17% to 9%. There were improvements in underlying cash flows of large customers in the tourism industry, who were affected by weak economic conditions caused by the pandemic. The segment performance has improved subsequently. The remaining stage 3 loans continue to improve and have been fully covered by the Expected Credit Loss (ECL) provisions.

Despite the substantial economic slowdown and consequent pressure on the Bank's lending portfolios due to Covid-19 the Bank's asset quality continues to improve and Bank remains both liquid and substantially well-capitalized. The Bank's credit risk improved during the year and is in line with the prescribed risk appetite parameters set by the Board. The Bank is prudent in its approach to credit risk and is well-positioned to absorb potential increases in provisions for credit losses. The Bank's moratoriums on existing loans ended in 2021. Overall, lending and performance of the portfolio saw a substantial improvement in 2022 alongside higher economic activity and trade.

Management of Credit Risk

The effective management of credit risk is a critical component of the Bank's comprehensive approach to its overall risk management and is fundamental to the safety and soundness of the Bank. The goal of credit risk management is to maximize the Bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The Bank manages the credit risk inherent in the entire loan portfolio as well as the risk in individual credits and transactions. The Bank has a well-defined Credit Policy which has been approved by the Board of Directors and which sets out the credit appetite of the Bank. The policy is supported by detailed credit guidelines and procedures.

The Bank's credit risk management process broadly encompasses the following;

1. Loan origination and credit appraisal including initial screening is conducted for all loan proposals.
2. Clear guidelines and policies have been established for loan approvals within delegated credit approval authorities. Credit administration and disbursement is performed by the Loan Service Department (for retail loans) and Corporate Banking Division (for corporate loans). These units are responsible for ensuring that the origination and disbursement of credit is made only after stipulated conditions have been met and relevant security documents obtained in order to protect the Bank's rights as lender.
3. Timely portfolio reviews are performed to evaluate the existing and developing risks.
4. Responsibilities for monitoring and tracking any early warning signals pertaining to a deterioration in the financial health of borrowers have been assigned to the respective business units who are also responsible for identifying and managing any customers who need special attention or close monitoring.
5. Non-performing loans and receivables are managed by the Recoveries Unit. This unit's

responsibilities include restructuring of the credit, monitoring the value of the applicable collateral and liaising with the customer until all legal recovery matters are finalized. The Bank's credit risk management process is articulated in the relevant lending policies, which are approved by the Board of Directors. These policies lay down the conditions and guidelines for the granting, maintenance, monitoring and management of credit at both individual transaction and portfolio levels. These policies are consistent with prudent practices and with relevant regulatory requirements. Limits have been prescribed for the Bank's exposure to any single borrower, group of specific borrowers and specific industries/ sectors in order to avoid concentration of credit risk.

A well structured loan review mechanism is in place and a comprehensive review is carried out on a quarterly basis for individually significant loans. Customers that require special attention are identified and more frequent updates are carried out for "Watch List" exposures.

The Bank's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. However, current standards require the Bank to undertake a quarterly review of all accounts.

Risk Appetite and Positioning

The Bank has continually aimed to build a diversified loan portfolio whilst supporting the Maldivian economy and its constituents with our lending. Acknowledging the Bank's significant lending within certain segments of the economy, the Bank has in place limits for lending concentration to segments, borrowing groups, as well as single borrowers to ensure the portfolio remains appropriately diverse and our lending remains prudent. Furthermore, our credit risk monitoring regime assesses relevant key risk indicators to ensure we promptly identify, and respond to increasing levels of risk within our portfolio

We currently remain within all tolerance levels in our broader Risk Appetite for Credit Risk. The Stage 3 Loans ratio has improved from previous years considering the recovery of the Maldivian economy and the tourism sector.

b) Liquidity Risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

Management of Liquidity Risk

Maintaining adequate liquidity is essential to manage the expected and unexpected fluctuations in the assets and liabilities of the Bank and to provide funds for growth. The Bank deals with the management of risks arising from changes in liquidity due to internal and external factors, changes in interest rate movements and changes in exchange rates.

Monitoring and reporting take the form of cash flow measurement and projections on a regular basis. The starting point for projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The Bank also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

The Bank maintains a statutory deposit with MMA equal to 10% of customer deposits and maintains a separate reserve of 10% for foreign and local currencies respectively, of demand and time deposits for its Islamic banking operations, and no interest income is earned on these balances. Furthermore, the Bank maintains a ratio of net liquid assets to liabilities to reflect market conditions.

Risk Appetite and Positioning

Liquidity risk is an area of primary focus for the Bank's Risk Management activities. The Bank maintains a high-level of liquidity sufficient to support both customer remittances and facilitate local and international trade payments.

The Liquidity Coverage Ratio and Net Stable Funding Ratio levels of the Bank were maintained above the minimum required level throughout the year. Despite the challenges posed in managing foreign currency liquidity, the close monitoring and coordinated efforts of the Bank meant sufficient liquidity was available to meet customer and Bank needs.

c) Market Risk

Market risk relates to the impact of fluctuations in market rates on the Bank's assets and liabilities, or the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Bank does not have a trading portfolio.

Management of Market Risk

The Bank has in place appropriate policies, processes and procedures to support the ongoing management of market risk. The market risks arising from non-trading activities are reviewed by the Bank's Asset and Liability Management Committee (ALCO).

Risk Appetite and Positioning

There is limited market risk that arises for the Bank given the lack of an active trading portfolio for the Bank. Nevertheless, the Bank is still exposed to fluctuations in foreign currency rates, which would affect the value of its placements and investment assets.

The Bank has in place limits on its overall foreign currency exposure as well as the open positions on each currency relative to the Bank Capital Base, which limits the exposures of the Bank to currency fluctuations.

d) Operational Risk

Operational risk is the loss resulting from inadequate or failed internal processes, people and systems or from external events. The Bank manages and controls operational risk by identifying and controlling risks in all activities according to a set of pre-determined parameters by applying appropriate management policies and procedures. The full spectrum of Operational Risk is extensive and there are a number of sub-types which are managed within the ambit of the broader Operational Risk Management framework. These sub-types include Business Continuity Risk, Conduct Risk, Technology Risk, Cyber Risk, Legal Risk, Reputational Risk, Fraud Risk and Third party Risk. The Bank continues to expand its Operational Risk Management framework to cover the full spectrum of material Operational Risk types.

Management of Operational Risk

The management of operational risk represents a fundamental component of the Bank's overall approach to risk management. Operational risk is inherent in every part of the Bank including its products, people, processes and technology. The Bank has an Operational Risk Policy which outlines its framework for the management of operational risk including identification, assessment, measurement, monitoring, reporting and mitigation.

The Bank's Management Risk Committee has responsibility for reviewing the risk environment and the Bank's performance against the full spectrum of risks faced in its activities, determining appropriate preventive and mitigating actions where necessary. In terms of operational risk specifically, the Bank has in place an Operational Risk Committee (ORC) which meets monthly and which reports to the Management Risk Committee (MRC).

Risk Appetite and Positioning

The Bank maintains a sound operational risk management program and practices that help identify and manage operational risk. The bank monitors the level of acceptable operational risk exposure loss through regular monitoring and reporting functions, including incident reporting, KRIs, and specific categories of losses falling under the Basel Operational loss Events (EV) categories. Furthermore, the Bank measures system downtime and cybersecurity threats to ensure our systems are robust, secure, and highly available.

The Bank has in place an extensive process of review and response to identify, investigate, review, and mitigate future losses following the emergence of an operational loss incident.

e) Compliance Risk

Compliance Risk is the threat posed to the Bank's financial and/or reputational standing resulting from breaches of internal policies, procedures and/or external laws and regulations. In line with Basel, and local regulatory requirements the Bank has in place a Compliance function to ensure strict compliance with all internal policies, procedures and/or external laws and regulations. To identify Compliance risk, the Compliance division of the bank:

- Reviews laws and regulations as applicable to the Bank and advises Senior Management and Board of Directors on any developments in such laws and regulations.
- Provides analysis and early warning of any new regulatory changes which may impact the Bank.
- Identifies and assesses the compliance risk associated with the Bank's business activities including the development of new products and services and the expansions of new business activities.

- Reviews and monitors the adequacy and effectiveness of the measures and procedures in place and the actions taken to mitigate compliance risk.
- Third party reviews and assessments to ensure adherence to international best practices.
- Monitors compliance with the Policy by performing regular and comprehensive compliance risk assessment and testing.
- Ensures regulatory reporting obligations across the organization are met on a timely manner, and if not, immediately escalate any breaches to Senior Management and Board.

Stress Testing

Stress testing is integral to Bank's risk management in that it alerts bank management to unexpected adverse outcomes arising from a wide range of risks and provides an indication of the financial resources that may be needed to absorb losses should shocks occur.

Stress testing is the Bank's examination of its risks and the potential impact of stress scenarios on its financial condition. Stress testing evaluates the economic circumstances and shocks that the Bank may be exposed to. Stress testing helps the Bank identify and understand the depth and breadth of its risk exposures and assist in formulating effective risk mitigation measures and techniques. Stress tests aid in identifying possible fault limits in the Bank's Risk disclosures and help to inform on mitigation techniques. The stress test results are shared with Maldives Monetary Authority every alternate month.

GOVERNANCE

BOARD OF DIRECTORS

DIRECTORS NOMINATED BY THE GOVERNMENT

Mr. Yooshau Saeed
H. Sandy Beach, K. Male'

Mr. Yooshau Saeed is the Chairperson of the Bank. Mr. Yooshau is also the General Manager at SIMDI Pvt Ltd. Prior to being appointed as General Manager at SIMDI Pvt Ltd, Mr. Yooshau has served as National Project Manager to the NCSA Project of Energy and Water, and as the Corporate Affairs and Finance Manager at Maldives National Shipping Ltd. Further, from 1994 to 2004 Mr. Yooshau has served in various positions at the Audit Office of the Maldives.

Mr. Yooshau was also a Board Member of SME Development Finance Corporation (SDFC) from February 2019 until 14th July 2021. He also served as a Licensed Stock Broker of Capital Market Development Authority. Mr. Yooshau has also served as Chairperson of Thilafushi Corporation Ltd.

Mr. Yooshau holds a Bachelor of Commerce (Accounting) from the Murdoch University, Australia.

Other Directorship:
None

Mr. Karl Stumke
Chief Executive Officer and Managing Director

Mr. Karl Stumke is the Chief Executive Officer and Managing Director of the Bank and was appointed to the Board during the Extraordinary General Meeting held on 10th January 2023.

With more than 36 years of experience, Mr. Stumke has worked extensively in the Middle East, Africa, Indian Oceans, and the United Kingdom. He was previously CEO of Al Ahli Bank of Kuwait in United Arab Emirates. Prior to joining Al Ahli Bank of Kuwait, Mr. Stumke held the position of Regional Corporate Director at Bank Muscat International Bank in Bahrain.

Mr. Stumke has held Executive Directorships at Barclays Bank Tanzania as well as non-Executive Directorships in various institutions including Money on Demand, Barclays Leasing and Barclays Bank Seychelles.

Mr. Stumke is an Associate of the Chartered Institute of Bankers (South Africa), holds a Bachelor's Degree in Accounting Science from the University of South Africa and has completed executive programs in France, Switzerland and South Africa.

Other Directorship:
None

Ms. Aishath Noordeen
M. Thaangeedhoshuge, K. Male'

Ms. Aishath Noordeen joined the Bank in 1982. She is currently the Deputy Chief Executive Officer of the Bank.

Ms. Aishath has a career spanning over 40 years' experience in numerous areas of the banking industry. She has served as the Acting CEO and Managing Director of the Bank on four separate occasions and was a government appointed director on the Bank's Board from June 2008 to May 2014. Ms. Aishath was in-charge of the Bank in 2019 until Mr. Timothy Sawyer was appointed as CEO in July 2019. Ms. Aishath most recently took charge of the Bank on 14th July 2022 until Mr. Karl Stumke was appointed as CEO on 16th October 2022.

Ms. Aishath was instrumental in establishing the Bank's award-winning international banking business. She is also a member of the Bank's Board Credit Committee.

Other Directorship:
None

Ms. Juwairiya Saeed
Ma. Kosheege, K. Male'

Ms. Juwairiya Saeed is the current Chairperson of Cancer Society of Maldives since 2012. She is also a member of the President's Action Committee since January 2019.

Ms. Juwairiya has served as a director at a number of government shareholding companies, including Island Aviation Pvt Ltd, Maldives Islamic Bank and Maldives Ports Authority. She has also served as an Independent Director of Centurion Plc, Chairperson of Dhiraagu Plc, Privatization Committee Member at the President's Office and Director of Public Enterprise Monitoring and Evaluation at the Ministry of Finance.

Ms. Juwairiya was the Co-Founder and an Executive Director at FJS Consulting Pvt. Ltd. Since 2007, Ms. Juwairiya has provided financial consultancy and worked as a financial advisor in numerous government projects and private sector in Maldives.

Some of these projects include the Maldives Environmental Management Project, Maldives Global Climate Change Project and the Rapid Assessment of Water and Sanitation Status in Maldives Project lead by the World Bank.

Ms. Juwairiya holds a Master of Arts with Distinction in Business with Financial Management from Northumbria University, UK, and a Bachelor of Commerce from the University of Western Australia.

Other Directorship:
Director, Eleven K Holdings Pvt. Ltd.

Mr. Abdulla Hassan
Naseemaa Manzil, R. Alifushi

Mr. Abdulla Hassan is the Debt Expert of Debt Management Project, Ministry of Finance. He has served in various posts in Allied Insurance Company Pvt Ltd and Ministry of Finance. Mr. Abdulla has previously served as the General Manager of Fasriyaa Pvt Ltd and Chairman of Lafarge Maldives Pvt Ltd, a subsidiary of STO Plc.

Mr. Abdulla is the current Chairperson of the Board Appointment, Nomination & Remuneration Committee.

Mr. Abdulla holds a Bachelor of Science (Statistics, Mathematics and Computer Science) from Bangalore University, India.

Other Directorship:
Director, Beso Pvt. Ltd.

Mr. Abdulla Husam Shareef
Dhiguvaandu. Savaa, Gn.Fuvahmulah

Mr. Abdulla Husam Shareef is a Partner and Senior Tax Advisor of CTL Strategies LLP since 2015. Mr. Husam is a member of the team that represents clients at the courts and tribunals of the Maldives on tax related matters.

Mr. Husam has served as the Under Secretary to the Policy Office of the President's Office from December 2018 to November 2019, and as a Principal Officer of Maldives Inland Revenue Authority from 2011 to 2013.

Mr. Husam holds a Master of Governance and Public Policy from University of Queensland, Australia, and a Bachelor of Honors in Economics from the International Islamic University, Malaysia.

Other Directorship:
Director, Topside Pvt.Ltd.

Mr. Mohamed Sharah
Kothange, GDh.Fiyoaree

Mr. Mohamed Sharah is the Director, Accounting and Finance at the Housing Development Corporation Ltd.

Mr. Sharah has over 9 years' experience in numerous areas of finance sector. He has served as a Financial Consultant at Arena Beach Private Limited, Delivery Lead at Moody's Analytics Knowledge Services Lanka (Private) Ltd, Company Secretary at Pruksa-HDC Housing Private Limited. He also worked as an Assistant Director at Housing Development Corporation.

Mr. Sharah is the current Chairperson of the Board Risk Committee.

Mr. Sharah holds a Master of Science Degree in Finance from Thammasat University, Thailand, and a Bachelor of Degree in Business Administration (Major in Finance) from the National University of Singapore.

Other Directorship:
None

Ms. Aishath Sajny
Tharividhaage, S. Hithadhoo

Ms. Aishath Sajny is the Policy and Research Consultant for the Ministry of Economic Development, appointed in September 2020. Prior to this, Ms. Sajny served as an Economist at the International Monetary Fund from February 2019 to March 2020.

Ms. Sajny has over 10 years of professional experience in Macroeconomics and Finance. She was the Economist and Head of Research Division of Maldives Monetary Authority from 2017 to 2019. She has held various positions in MMA including Senior Research Analyst of Economic Research Section, Debt Manager of Public Debt Unit and Head of Market Operations.

Ms. Sajny holds a Masters in Applied Economics from Eastern Michigan University, USA and a Bachelor of Science in Economics and Finance from London School of Economics, Singapore.

Other Directorship:
None

Mr. Timothy Sawyer
Former Chief Executive Officer and Managing Director

Mr. Timothy Sawyer was Chief Executive Officer and Managing Director of the Bank until his contract expired in July 2022. He has over 30 years of international experience in financial services. Prior to joining Bank of Maldives Plc, he was the Chief Investment Officer at Innovate UK, the investment arm of the UK Government.

Mr. Sawyer has also had the honor of leading several financial institutions including Cahoot and Kent Reliance, and was the Chairman at Banque Dubois of Switzerland as well as Folk2Folk.

Mr. Sawyer holds first class honors in Master of Arts in History from the University of Oxford, UK. He is an Associate of Chartered Institute of Bankers.

DIRECTORS ELECTED BY THE PUBLIC SHAREHOLDERS

Mr. Ahmed Mohamed
G. Ufaa, K. Male'

Mr. Ahmed Mohamed is the Chief Executive Officer and Managing Director of Univiya Holdings Pvt Ltd. He previously served as the Ambassador of Maldives to India from 2015 to 2018. Mr. Ahmed also was the Minister of Economic Development from 2012 to 2013. Prior to being appointed to this position, he also served as the Chief Executive Officer of State Trading Organization Plc.

Mr. Ahmed served the Bank from 2008 -2012 as a member of the Board. He also served as Chairman of the Board in STO Plc, Maldives Oil Company, Fuel Supply Maldives and Allied Insurance. Mr. Ahmed also served as a Board Director of Dhivehi Ekuveri Kunfuni Plc, Hulhumale' Development Corporation, Island Aviation Services Limited and Maldives Ports Authority.

Mr. Ahmed Mohamed is the current Chairperson of the Board Audit Committee.

Mr. Ahmed holds a Master's Degree in Economics (Public Policy) from the University of Hull, UK.

Other Directorship:
Managing Director, Extranine Pvt Ltd.

Mr. Ibrahim Mohamed
Nelum, N. Holhudhoo

Mr. Ibrahim Mohamed is the Executive Director of NPH Investment Pvt Ltd and NPH Developments Pvt Ltd. Mr. Ibrahim has served on the Bank's Board both as a Government appointed director as well as a director elected by the public shareholders.

Mr. Ibrahim currently serves on the Boards of several private companies in finance trading, fisheries, hospitality and travel sector, including Tropical Island Holidays Pvt Ltd and Maldives Travel and Trading Co. Pvt Ltd.

A finance and tourism sector professional, Mr. Ibrahim has been part of the Board of Directors of several government shareholding companies, including State Electric Company Ltd, Island Aviation Services Ltd, Villingili Investment, Maldives Post Ltd, Maldives Ports Ltd, Mifco Boat Yard Ltd, Maldives Airports Company Ltd. Mr. Ibrahim has also served as Chairman of the Hulhumale Development Corporation Ltd, Maldives Inflight Catering Pvt Ltd and Male' Health Services Corporation Ltd.

Mr. Ibrahim holds a Higher National Diploma in Business and Finance (Tourism) from South Glamorgan Institute of Higher Education (Cardiff Metropolitan University), United Kingdom and a Master's Degree in Tourism from University of Strathclyde, United Kingdom.

Other Directorship:
None

Mr. Abdulla Naseem
Karankaa Villa, Ha.Filladhoo

Mr. Naseem is the principal shareholder and Managing Director of Health and Glow Pvt Ltd. Mr. Naseem previously served as the Assistant Manager, Accounts and Finance of Rainbow Enterprises Private Limited.

Mr. Naseem also served as a Government appointed Director in the Bank's Board from 8th November 2012 to 18th November 2013.

Mr. Naseem is the current Chairperson of Board Corporate Governance Committee.

Mr. Naseem has completed Technician Level of Association of Chartered Certified Accountants (ACCA), UK and is a Certified Accounting Technician (CAT).

Other Directorship:
None

EXECUTIVE TEAM

Mr. Karl Stumke
CEO and Managing Director
Bank of Maldives Plc

Mr. Karl Stumke is the Chief Executive Officer and Managing Director of the Bank and was appointed to the Board during the Extraordinary General Meeting held on 10th January 2023.

With more than 36 years' of experience, Mr. Stumke has worked extensively in the Middle East, Africa, Indian Oceans, and the United Kingdom. He was previously CEO of Al Ahli Bank of Kuwait in United Arab Emirates. Mr. Stumke has held Executive Directorships at Barclays Bank Tanzania as well as non-Executive Directorships in various institutions including Money on Demand, Barclays Leasing and Barclays Bank Seychelles.

Mr. Stumke is an Associate of the Chartered Institute of Bankers (South Africa), holds a Bachelor's Degree in Accounting Science from the University of South Africa and has completed executive programs in France, Switzerland and South Africa.

Ms. Aishath Noordeen
Deputy Chief Executive Officer

Ms. Aishath Noordeen joined the Bank in 1982. She is currently the Deputy CEO of the Bank.

Ms. Aishath has a career spanning over 40 years' in the banking industry and has worked in numerous areas of the Bank. She has served as Acting CEO and Managing Director on four separate occasions and was a government-appointed director on the Bank's Board of Directors from 2008 until 2014.

Ms. Aishath was In-charge of the Bank in 2019 until Mr. Timothy Sawyer was appointed as the CEO in July 2019. She was also In-charge of the Bank from 14th July 2022 until current CEO Mr. Karl Stumke was appointed on 16th October 2022.

Ms. Aishath was instrumental in establishing the Bank's award-winning international banking business.

Mr. Nandana Senevirathne
Chief Financial Officer

Mr. Nandana Senevirathne joined the Bank as Finance Director in January 2014.

Mr. Nandana has over 20 years' of experience in the financial services sector in banks, leasing and insurance companies. Prior to joining Bank of Maldives, he was Chief Financial Officer of AIG Insurance Limited, Sri Lanka. He has also worked for KPMG Maldives.

Mr. Nandana holds a BSc. in Accountancy and Financial Management from University of Sri Jayawardenapura, Sri Lanka. He is an Associate Member of the Institute of Chartered Accountants, Sri Lanka.

Mr. Gary Laughton
Chief Risk Officer

Mr. Gary Laughton joined the Bank in January 2020.

Mr. Gary has over 35 years' of extensive risk management and banking experience in corporate, commercial and private client banking. Prior to joining the Bank, he held the position of Chief Credit Officer at Investec Bank Plc, London.

Mr. Gary holds a Master of Leadership (MBL) degree, Bachelor of Commerce (Bcom) degree, in addition to the professional qualifications which includes CAIB (Associate Diploma of the Institute of Bankers South Africa) and LIB (Licentiate Diploma in Commercial Banking) of the Institute of Bankers South Africa.

Mr. Bishwajit Mazumder
Chief Internal Auditor

Mr. Bishwajit Mazumder joined the Bank in April 2022.

Mr. Bishwajit has over 35 years' of experience as a banker in Asia and Africa. He has been managing Internal Auditing, Business Operations, Information Technology and Strategic Planning. Bishwajit has held chief audit positions in several commercial and central banks.

He is a Certified Internal Auditor (CIA) from IIA, USA and a Chartered Accountant (ACA) from ICAI, New Delhi, India. He has a LLB from Calcutta University and also holds several relevant professional certificates including Certified Information Systems Auditor (CISA) and Certified Fraud Examiner (CFE) from USA.

Ms. Gulnaz Mahir
Director of Customer Service

Ms. Gulnaz Mahir joined the Bank in February 2020.

Ms. Gulnaz has over 15 years' experience in the field of customer experience management, digital transformation and revenue management. She most recently held the position of Head of Customer Care at Ooredoo Maldives.

Ms. Gulnaz holds a Master's degree in Economics and Finance from the University of Bristol, UK.

Mr. Moosa Nimal
Director of Retail, Business and SME Banking

Mr. Nimal joined the Bank in 2003 as an Assistant at the Bank's Main Branch. He became Director of Retail, Business & SME Banking in October 2020.

During the span of his career at the Bank, he has gained extensive knowledge and experience in multiple areas of banking. Nimal has held various positions in branch operations, customer services as well as in international banking and retail banking; and has been part of notable projects and change initiatives. Prior to his appointment as Director of Retail, Business & SME Banking, he held the position of Head of Retail Banking.

Mr. Nimal holds a Bachelor of Commerce in Accounting and Applied Finance from the University of South Australia. He is an Affiliate Member of, and holds a professional banker qualification from Asian Institute of Chartered Bankers.

Mr. Ahmed Aseef
Director of Corporate Banking

Mr. Aseef joined the Bank in 2012 as a Relationship Manager. He became Director of Corporate Banking in October 2020.

During the span of his career at the Bank, he has developed his career within the Corporate Banking team, playing a vital role in managing the Bank's vast corporate customer portfolio.

Prior to his appointment as Director of Corporate Banking, he held the position of Head of Corporate Banking.

Mr. Aseef holds a Master's Degree in International Accounting and Finance from the University of Birmingham, UK.

Ms. Rashfa Jaufar
Credit Director

Ms. Rashfa Jaufar joined the Bank in 2004. She became Credit Director in 2014.

A credit risk management professional, during her tenure Ms. Rashfa has fulfilled the roles of Acting Chief Credit Officer, Manager, Credit Department and Head of Credit.

Ms. Rashfa holds a Master of Arts in Accountancy – Political Economy from the University of Aberdeen, Scotland.

Ms. Sahar Waheed
People & Change Director

Ms. Sahar Waheed joined the Bank in 2006. She became People & Change Director in 2014.

Ms. Sahar has 16 years' of experience in banking and prior to her appointment as People and Change Director, she served as Head of Strategic Planning and Change Management and as Deputy Manager, Credit Department.

Ms. Sahar holds a BSc. in Economics and Economic History from the London School of Economics and Political Science, United Kingdom, and a Chartered Banker professional qualification from the Asian Institute of Chartered Bankers.

Ms. Aishath Zamra Zahir
Marketing Director

Ms. Aishath Zamra Zahir joined the Bank as Marketing Director in April 2015.

Ms. Zamra has over 17 years' of experience in marketing and communications. Prior to joining Bank of Maldives, Ms. Zamra worked at Ooredoo Maldives as Head of Marketing Communications where she was responsible for the management and coordination of all communications, advertising and public relations.

Ms. Zamra holds a Master's Degree in Public Relations from Bournemouth University, UK.

Mr. Adly Ahmed Didi
Technology Director

Mr. Adly Ahmed Didi joined the Bank in 1997.

With over 25 years' of experience in the field of Information Technology, Mr. Adly started his career in the Bank as Manager, Information Technology. He also served as Head of Information Technology before joining the Bank's executive committee as Technology Director in 2014.

Mr. Adly holds a Bachelor of Engineering degree from Staffordshire University, UK.

Mr. Hassan Kalaam
Director of Islamic Banking

Mr. Hassan Kalaam joined the Bank in 2013. He was appointed to the position of Director of Islamic Banking on 7th February 2022.

During his 9 years' at the Bank, Kalaam has played a key role in contributing to the success of the Bank's steadily growing Islamic Banking arm. Prior to his appointment as Islamic Banking Director, Kalaam held the position of Head of Islamic Banking.

Mr. Kalaam is a licensed Shari'ah Advisor and holds a Master's Degree in Islamic Finance from INCEIF, Malaysia and is a Senior Associate member of Chartered Institute of Islamic Finance Professionals.

Ms. Aishath Samah
Director of Legal and Corporate Affairs

Ms. Aishath Samah joined the Bank in 2007. She became Director of Legal and Corporate Affairs in March 2021.

Ms. Samah has 15 years' of experience in banking and prior to her appointment as Director of Legal and Corporate Affairs, she served as Head of Legal and Corporate Affairs. And she is also holding the position of Company Secretary since 2009.

Ms. Samah holds a LL.M. in Democratic Governance and Rule of Law from the Claude W. Petit College of Law, Ohio Northern University, U.S.A.

Ms. Fathimath Manike
Development Banking Director

Ms. Fathimath Manike joined the Bank in 1982.

She became Development Banking Director in August 2018. Ms. Fathimath has extensive knowledge and experience in the banking industry, gained through a career spanning over 40 years. She has previously served the Bank at Assistant General Manager level and has held responsibility for areas such as Development Banking, Human Resources and Operations. She was the Islamic Banking Director before her appointment to the current role.

Mr. Timothy Sawyer
Former Chief Executive Officer and Managing Director
Bank of Maldives Plc

Mr. Timothy Sawyer was Chief Executive Officer and Managing Director of the Bank until his contract expired in July 2022. He has over 30 years of international experience in financial services.

Prior to joining Bank of Maldives Plc, he was the Chief Investment Officer at Innovate UK, the investment arm of the UK Government.

Mr. Sawyer has also had the honor of leading several financial institutions including Cahoot and Kent Reliance, and was the Chairman at Banque Dubois of Switzerland as well as Folk2Folk. Mr. Sawyer holds first class honors in Master of Arts in History from the University of Oxford, UK. He is an Associate of Chartered Institute of Bankers.

Ms. Laura Jamieson
Former Director of Operations

Ms. Laura joined the Bank in March 2020 and departed the Bank upon expiry of her contract in March 2023.

Ms. Laura has over 30 years of experience in retail financial services and is an industry specialist in customer experience, operations and business transformation.

Ms. Laura has held senior management positions in financial services including Barclays Bank, Ivobank Ltd and Santander in UK, throughout UK and India. She was most recently a Transformation Programme Director for Anglian Water where she led a large scale operations and IT transformation programme.

Ms. Laura holds a Master of Business Administration degree from University of Bradford, UK and is a certified Project Manager from Stanford University, USA.

Mr. Harithirtham Vijayabalan
Former Chief Internal Auditor

Mr. Harithirtham Vijayabalan joined the Bank as Chief Internal Auditor in May 2016 and departed the Bank upon expiry of his contract in April 2022.

Mr. Vijayabalan has over 30 years of experience in auditing. Prior to joining Bank of Maldives, he worked at Oman Reinsurance Company S.A.O.G as Head of Internal Audit. He has held senior management positions in companies such as HSBC Bank, Oman, DCB Bank, India, ICICI OneSource Solutions Ltd, India and Reserve Bank of India.

Mr. Vijayabalan holds a Master of Business Administration degree from University of Cochin, India and a Bachelor of Science degree from Madras Christian College, India. He is a Certified Internal Auditor, Certified Information System Auditor and a Certified Associate of the Indian Institute of Bankers.

DIRECTORS' GOVERNANCE REPORT

BOARD COMPOSITION

The Board of Directors comprises of 11 members. Eight directors including the Chairperson and Managing Director are nominated by the Government and elected by the Shareholders. The remaining three directors are elected by the General Shareholders. Further, pursuant to Article 79 and 80 of the Bank's Articles of Association (AOA), the Chairperson and the Managing Director are appointed by the Board from among the directors nominated by the Government. This composition is in line with the requirements of the Maldives Banking Act (Law No.24/2010).

In compliance with Corporate Governance (CG) Code of Capital Market Development Authority (CMDA) and the Maldives Monetary Authority (MMA) Regulation on Corporate Governance for Banks, Insurance Companies and Finance Companies, the Board of Directors represents a mix of executive, non-executive and independent directors. This is to ensure the Board remains impartial, is competent, and provides effective guidance to the Management, while upholding an environment of good governance. The Board of Directors encompasses a range of skills, qualifications, talents, and expertise required to provide sound and prudent guidance with respect to the operations and interests of the Bank and its shareholders.

DUTIES OF THE BOARD

The overall duties of the board are:

- Provide control and direction of the Bank, including providing apex level leadership and setting strategic aims and objectives for the Bank;
- Deliberate and approve the strategic plan, business plan and the annual budget for the Bank;
- Review the business and financial performance of the Bank measured against the business plan and the annual budget;
- Ensure the establishment of effective internal controls within the Bank which will enable risks to be assessed and managed; monitor and assess the effectiveness of such internal controls established;
- Set the strategic objectives and risk appetite of the Bank, and lead the culture, values and behaviors that deliver them;
- Oversee the management, performance, and corporate governance frameworks of the Bank;
- Ensure that the Bank has adequate human resources to meet the objectives of the Bank;
- Ensure that the obligations to shareholders and other stakeholders are understood and met;
- Ensure that the Bank complies with all relevant laws and regulations, Board Charter, Bank's AOA and relevant corporate governance codes.

In order to fulfil the aforementioned duties or any other function that the Board is obliged to carry out, the Board may delegate its authorities to the most suitable subcommittee(s) of the Board, corporate management, external professional(s), consultant(s) or to any such party or parties that the Board deems fit in the best interests of the Bank.

The year 2022, began with the following members on the Board.[1]

1.	Mr. Yooshau Saeed	Chairperson, Independent & Non-Executive Director
2.	Mr. Timothy Sawyer	CEO & Managing Director, Executive Director
3.	Ms. Aishath Noordeen	Executive Director
4.	Ms. Juwairiya Saeed	Non-Independent & Non-Executive Director
5.	Mr. Abdulla Hassan	Independent & Non-Executive Director
6.	Mr. Mohamed Sharah	Independent & Non-Executive Director
7.	Mr. Abdulla Husam Shareef	Non-Independent & Non- Executive Director
8.	Ms. Aishath Sajny	Independent & Non-Executive Director
9.	Mr. Ibrahim Mohamed	Non-Independent & Non-Executive Director
10.	Mr. Ahmed Mohamed	Independent & Non-Executive Director
11.	Mr. Abdulla Naseem	Independent & Non-Executive Director

During the 39th Annual General Meeting (AGM) held on 29th May 2022, the Board was re-constituted with the above members. However, the employment contract with Mr. Timothy Sawyer came to an end on 13th July 2022 and as such Board had appointed Ms. Aishath Noordeen as Acting MD and In-charge of the Bank effective 14th July 2022. As such, the Board composition comprised of a total ten Directors including seven Nominee Directors and three Public Directors for the year ended 31st December 2022 with one Nominee Director position vacant. The Board appointed Mr. Karl Stumke as the Bank's Chief Executive Officer on 16th October 2022. Mr. Stumke was appointed to the Board during the Extraordinary General Meeting (EGM) held on 10th January 2023 upon which the Board reassumed its full strength.

1 **Note:**
1. As stated under Part 2, section 1.2 (f), (h) and (j) (ii) of the Corporate Governance Code of CMDA, directors who are considered as 'Non-Executive' and 'Independent' are those directors who:
• have completed six consecutive years of directorship will not be eligible to be re-elected as independent directors for the new term unless a minimum of one year has passed following completion of the six years.; or
• have not, or whose immediate family members have not, held a key position in the Bank and who have not, or whose immediate family members have not, had any substantial financial dealings with the Bank during the last one (1) year.

2. (a)All Directors nominated by the Government must be considered as "Non-Independent" as per section 5(c) (2) of Regulation on Corporate Governance for Banks, Insurance Companies and Finance Companies (Reg. No. 2020/R-59).
(b) All Directors elected by the General Shareholders must be considered as "Independent" as per section 5 (c) of Regulation on Corporate Governance for Banks, Insurance Companies and Finance Companies (Reg. No. 2020/R-59).

Meetings of the Board during 2022 were held with the mandatory quorum, three fourths of the entire Board, as required under section 15(g) of the Maldives Banking Act (Law No. 24/2010). Board meetings were held at least once per month as required under law.

FREQUENCY OF MEETINGS

Board meetings were held at least once per month as required under law. The Board of Directors held 18 meetings in 2022, with attendance as below.

DIRECTORS	MEETINGS ATTENDED	MEETINGS TO ATTEND
Mr. Yooshau Saeed	18	18
Mr. Timothy Sawyer[1]	9	10
Ms. Aishath Noordeen	18	18
Ms. Juwairiya Saeed	18	18
Mr. Abdulla Hassan	17	18
Mr. Mohamed Sharah	18	18
Mr. Abdulla Husam Shareef	18	18
Ms. Aishath Sajny	18	18
Mr. Ibrahim Mohamed	18	18
Mr. Ahmed Mohamed	17	18
Mr. Abdulla Naseem	18	18

The Board of Directors, under its discretionary powers as provided for under Articles 65 and 66 of the Bank's AOA, formed a Board Credit Committee comprising of seven members and delegated a certain level of approval of credit proposals to this committee to ensure continuity of business. The Board Credit Committee held 10 meetings during 2022, with attendance as below.

DIRECTORS	MEETINGS ATTENDED	MEETINGS TO ATTEND
Mr. Yooshau Saeed	10	10
Mr. Timothy Sawyer[1]	5	5
Ms. Aishath Noordeen	10	10
Mr. Ibrahim Mohamed	10	10
Mr. Abdulla Hassan[2]	4	4
Mr. Mohamed Sharah[2]	4	4
Mr. Abdulla Naseem	8	10
Mr. Abdulla Husam Shareef[3]	5	6
Ms. Aishath Sajny[3]	6	6

1 Ceased to be a member upon completion of the employment contract with the Bank on 13th July 2022.

2 Stepped down from BCC after the 39th AGM held on 29th May 2022.

3 Appointed to BCC after the 39th AGM held on 29th May 2022.

The Board of Directors also formed a Board Special Committee on 25th May 2022 comprising of five members and delegated all powers of the Board of Directors to the said Special Committee for the purpose of recruitment of a new CEO. The Board Special Committee was dissolved by the Board of Directors following the completion of this task.

The Board Special Committee held 22 meetings during 2022, with attendance as below.

DIRECTORS	MEETINGS ATTENDED	MEETINGS TO ATTEND
Mr. Yooshau Saeed	22	22
Mr. Abdulla Hassan	22	22
Ms. Juwairiya Saeed	21	22
Mr. Ibrahim Mohamed	22	22
Mr. Ahmed Mohamed	18	22

DIRECTORS' SHAREHOLDING

Details of Director's Shareholdings as at 31st December 2022 are disclosed below.

DIRECTOR	NO. OF SHARES HELD
Ms. Juwairiya Saeed	100
Mr. Ahmed Mohamed	30
Mr. Ibrahim Mohamed	960
Mr. Abdulla Naseem	100

BOARD EXPERTISE AND ATTRIBUTES

The board comprises directors that bring a wide range of skills, expertise and experience which enhances overall board effectiveness.

The Appointment Nomination and Remuneration (ANR) Committee assesses and recommends to the board, core skill sets required by directors to enable the board to perform its oversight function effectively. These span across parameters such as industry experience, technical/ strategic competencies, behavioral and personal attributes, and other skills.

The ANR Committee had identified the skills/expertise required by the directors of the Bank, keeping in mind the business requirements. These are periodically re-assessed to meet evolving changes and requirements of the Bank.

The Bank has mapped the skills possessed by the directors vis-à-vis those identified, based on the information provided by the directors. A tabular representation of the same is as below:

SKILL AREA	MR. YOOSHAU SAEED	MR. KARL STUMKE	MS. AISHATH NOORDEEN	MS. JUWAIRIYA SAEED	MR. ABDULLA HASSAN	MR. MOHAMED SHARAH	MR. ABDULLA HUSAM SHAREEF	MS. AISHATH SAJNY	MR. IBRAHIM MOHAMED	MR. AHMED MOHAMED	MR. ABDULLA NASEEM
CEO/DCEO/Chairperson/CFO	✓	✓	✓	✓	✓	✓			✓	✓	✓
Banking	✓	✓	✓	✓				✓	✓	✓	✓
Finance	✓	✓		✓	✓	✓		✓	✓	✓	✓
Business	✓			✓		✓	✓		✓	✓	✓
Accounting & Auditing	✓	✓		✓		✓			✓		✓
IT					✓						
Governance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Insurance					✓						
Tourism					✓				✓	✓	
Tax							✓				
Securities Market	✓			✓	✓			✓			
Real Estate						✓			✓		
International Exposure		✓				✓		✓	✓	✓	
Experience (in years)	16+	36+	41+	28+	11+	09+	11+	11+	37+	28+	13+
Age	47	58	63	53	38	36	36	36	60	52	44

BOARD REMUNERATION

During the 39th AGM held on 29th May 2022, the Shareholders unanimously approved the Chairperson Fee as per below table. The Directors Fee for the other Board members remains unchanged during the year.

DETAILS	AMOUNT (MVR)
Remuneration	10,000
Board Allowance	1,500
Chairperson Special Allowance	10,000
Board Subcommittee Sitting Fee	3,000

The Board members were paid a total of MVR 3,026,952 for the year 2022. The attendance of the Board members at Board meetings and subcommittee meetings from Jan-Dec 2022, together with remuneration paid for the year 2022 is given below.

NAME	BOARD	BCC	AC	ANR	CG	RC	BSC	AMOUNT (MVR)
Mr. Yooshau Saeed	18	10	-	-	-	-	22	322,129
Mr. Timothy Sawyer[1]	9	5	-	-	-	-	-	88,823
Ms. Aishath Noordeen	18	10	-	-	-	-	-	168,000
Mr. Abdulla Hassan	17	4	23	16	-	-	22	333,000
Ms. Juwairiya Saeed	18	-	23	7	15	12	21	372,000
Mr. Abdulla Husam Shareef	18	5	-	13	-	-	-	192,000
Mr. Mohamed Sharah	18	4	23	3	8	13	-	291,000
Ms Aishath Sajny	18	6	-	13	7	5	-	231,000
Mr. Ibrahim Mohamed	18	10	23	10	15	13	22	417,000
Mr. Ahmed Mohamed	17	-	23	15	13	13	18	384,000
Mr. Abdulla Naseem	18	8	-	-	15	7	-	228,000
TOTAL								**3,026,952**

1 Ceased to be a member upon completion of the employment contract with the Bank on 13th July 2022.

Aggregate remuneration paid to Key Management Personnel (Executive Management) amounts to MVR 34,850,422. Aggregate remuneration details are disclosed as further breakdown would place the Bank at a relative disadvantage versus local competitors who do not disclose such information.

CONFLICTS OF INTEREST

In accordance with the CG Code, Regulation on Corporate Governance for Banks, Insurance Companies and Finance Companies and AOA of the Bank, the Board has approved a Conflict of Interest Policy and this ensures that the influence of third parties does not compromise the independent judgement of the Board. Directors are required to declare any potential or actual conflict of interest that could interfere with their ability to act in the best interests of the Bank. The Company Secretary maintains conflicts register, which is a record of actual and potential conflicts.

RELATIONSHIP WITH SHAREHOLDERS AND CUSTOMERS

The Bank ensures by being transparent that all necessary information and services are made available to shareholders and customers. In this regard, important developments including quarterly financials of the Bank, announcements and notices are displayed on the Bank's website and on social media for the information of shareholders and the public.

The Bank's Corporate Affairs Unit is committed to responding to daily enquiries from shareholders and attending to all matters related to the shareholders. Information on shareholding details and dividend payment history are promptly provided.

The Board and the Management welcome and encourage active participation from the shareholders at the Bank's General Meetings.

The Bank is committed to engaging its stakeholders through various channels to identify, understand and address their key concerns.

GENERAL MEETINGS

The Board and the staff of the Bank consider our General Meetings as a key date for shareholder engagement. The Bank held its 39th Annual General Meeting (AGM) on 29th May 2022 and all of the resolutions proposed by the Board at the AGM were considered by poll voting and passed with a high majority of votes.

After a two-year break due to Covid-19 pandemic restrictions, the Board decided to hold Bank's AGM in person. The meeting was concurrently held online as well allowing shareholders to participate virtually through "Fahivote", an online general meeting management system developed by Maldives Security Depository Pvt. Ltd.

The attendance of members at the AGM are given below.

NAME	AGM
Mr. Yooshau Saeed	✓
Mr. Timothy Sawyer	✓
Ms. Aishath Noordeen	✓
Mr. Abdulla Hassan	✓
Ms. Juwairiya Saeed	✓
Mr. Abdulla Husam Shareef	✓
Mr. Mohamed Sharah	✓
Mr. Ibrahim Mohamed	✓
Mr. Ahmed Mohamed	✓
Ms. Aishath Sajny	✓
Mr. Abdulla Naseem	✓

DECLARATION OF DIVIDEND FOR 2021

In 2022, the Board resolved to declare a dividend of MVR 258,332,160 which equates to a total of MVR 48 per share for the year 2021.

An interim dividend of MVR 13 per share amounting to MVR 69,964,960 was distributed to shareholders on 14th April 2022. Following the shareholders' approval at the AGM, distribution also commenced for final dividend of MVR 35 per share, amounting to MVR 188,367,200 on 30th May 2022.

FINANCIAL REPORTING

The Bank published its annual consolidated financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS), MMA and CMDA Regulations, with comprehensive disclosures, enabling both existing and prospective shareholders to make a timely and fair assessment of the Bank's performance and prospects. The Bank, on quarterly basis, published its latest financial performance on its website.

APPOINTMENT OF EXTERNAL AUDITORS

The Audit Committee annually reviews the appointment of the external auditor. The Committee advises the Board on the assessment and make recommendations. At the 39th AGM, the Board of Directors approved to select and recommend for the approval of shareholders to appoint Ernest & Young (EY) as the External Auditors of the Bank for the year 2022.

OTHER BOARD DECISIONS

The Board directly reviewed and where appropriate approved the following during the year.

- Half yearly Corporate Social Responsibility Reports.
- Half yearly Procurement Committee Reports.

- Counterparty Exposure Limit for 2022.
- USD Funding Strategy.
- Capital Planning.
- Transactions with Related Parties.
- Effect of Omicron on Maldivian Economy.
- Board Evaluation 2021.
- Quarterly Correspondences with Regulatory Agencies.
- Brand Health Survey and Customer Satisfaction (CSAT).
- Monthly Board Committee Reports.
- Custodian Compliance Report 2021.
- Bank's Insurance.
- Amendments to the Retail Banking Products and BML Islamic Personal Financing Products.
- Quarterly Non-Performing Assets and Loan Portfolio Report.
- Bank's 40th Anniversary monthly initiatives.
- Potential Charitable Organizations for Distribution of Charity Fund.
- Banks Budget for the year 2023.
- Bank's Strategic Plan 2023-2025.

CORPORATE GOVERNANCE

The Board in compliance with CG Code of CMDA undertook the following:

- Published its Annual Report for the year 2022 within the regulatory timeframe.

- Prepared the audited accounts in accordance with International Accounting Standards, were made available to shareholders and other stakeholders.

- In all instances where a conflict of interest arose or had the potential to arise, the relevant board member(s) removed himself/herself from the meeting of the Board and/ or its sub-committees.

- The non-executive directors met and deliberated on key matters and strategic direction of the Bank without the presence of Management and the executive directors.

BOARD TRAINING AND ACCESS TO INFORMATION

Directors underwent the following trainings during the year 2022.

TRAINING	TRAINING TYPE	INSTITUTE	TRAINING PERIOD
Islamic Finance	• Reviewing the fundamentals of Islamic finance and its value proposition. • Shari'ah principles and their broad application in the context of Islamic finance. • Shari'ah Governance for BOD – A global assessment. • Sustainable Islamic finance - Current evolution and future development.	Shari'ah Advisory Committee	August 2022
Professional Board Training 2022	• The composition, role, and dynamics of Boards. • Engaging fully with stakeholders. • Influencing and effectively managing board relations. • Governance and its role in sustainable success. • Reputation and corporate, social and community responsibility. Henley Business School, UK November 2022	Henley Business School, University of Reading	November 2022

It is the responsibility of the Chairperson, to ensure that Board agendas are focused on key strategy, risk, performance and other value creation issues, and that members of the Board receive timely and high quality information to enable them to make sound decisions and promote the success of the Bank. An online system is used to provide access to board papers and relevant information is circulated via this system allowing adequate time for directors to prepare for the meetings. Throughout the year, the Executive Directors keep the Board informed of key business developments through regular updates. These are in addition to the presentations that the Board and Board Committees receive as part of their formal meetings.

RESPONSIBILITY STATEMENT

The Board of Directors hereby certifies that:

i. The relevant accounting policies were considered and followed all through the preparation of the Bank's annual accounts with proper explanations relating to material departures.

ii. Accounting policies selected were applied consistently and made judgements and estimates that are reasonable and prudent so as to give a fair and true view of the Bank's state of affairs.

iii. Proper and sufficient care were taken in terms of the maintenance of adequate accounting records in accordance with International Financial Reporting Standards (IFRS), the provisions of Companies' Act of the Republic of Maldives (Law no. 10/96), Maldives Banking Act (Law no. 24/2010), Prudential Regulations issued by the MMA for safeguarding the assets of the Bank and preventing and detecting frauds and other irregularities, Maldives Securities Act (Law no. 02/2006), the Listing Rules and Securities (Continuing Disclosure Obligations of Issuers) Regulations (2019/R-1050) issued by the CMDA.

iv. The CG Code issued by the CMDA and Regulation on Corporate Governance for Banks, Insurance Companies and Finance Companies by MMA were followed.

v. All statements and accounts were prepared on going concern basis.

vi. There were no unexpired service contracts within one year without payment of compensation of any director proposed for election.

vii. The borrowings of the Bank as at the end of 2022 accounting period were as follows:

DETAILS	(IN '000 MVR)
Not later than 1 year	550,445
Between 1 to 2 years	177,718
Between 2 to 3 years	2,743
Over 3 years	13,309

viii. The Bank's Total Liabilities for the past two financial years were as follows:

	IN '000 MVR
2021	30,150,462
2022	31,599,796

ix. There are no other interests of the Directors of the Bank except those disclosed in this report and the accompanying financial statements. Please refer to the notes to the financial statements – Note no.: 39, for details on related party transactions.

x. No major events have occurred since the balance sheet date which would require adjustments to, or disclosure, in the financial statements.

xi. Controlling shareholders have no shares pledged.

DECLARATION BY THE BOARD OF DIRECTORS

The Board of Directors declare that to the best of our knowledge and belief, the information presented in this Annual Report is true and accurate and that there are no other facts, the omission of which would make any statement herein misleading or inaccurate.

The Board of Directors declare that this report has been prepared in compliance with the Companies Act of the Republic of Maldives (Law No.: 10/96), Maldives Banking Act (Law No.: 24/2010), Prudential Regulation issued by the MMA, the Maldives Securities Act (Law No.: 2/2006), the Securities (Continuing Disclosure Obligations of Issuers) Regulations 2019 (Regulation No.: 2019/R-1050), the CG Code of CMDA, the MMA's Regulation on Corporate Governance for Banks, Insurance Companies and Finance Companies (Regulation No: 2020/R-59) and the Listing Rules of the Maldives Stock Exchange (the "Listing Rules").

While performing the duties and responsibilities of the Company, the Board of Directors has practiced transparency, fairness and diligence by giving our utmost devotion to safeguard the interest of the shareholders and worked towards creating the best value for our shareholders.

On behalf of the Board of Directors:

Mr. Yooshau Saeed Chairperson	Mr. Karl Stumke CEO & Managing Director

APPOINTMENT, NOMINATION AND REMUNERATION COMMITTEE REPORT

The 17th Appointment, Nomination and Remuneration Committee (ANR Committee) was constituted after the 39th AGM, in accordance with Articles 55 and 63 of the AOA of the Bank and Part 2, Section 1.8 (b) of the CG Code issued by the CMDA. The Committee performs the functions of both a Nomination Committee and a Remuneration Committee.

The Appointment and Remuneration (AR) Committee and Nomination Committee (NC) before performed their functions separately as two separate committees. Following the Bank's 38th Annual General Meeting the Board of Directors, on 15th July 2021 resolved to combine AR and NC Committee to one committee namely, ANR Committee. The Board considered the required functions of these two committees would be better undertaken by a single committee in view of the scope, functions and expertise of the members of the Board.

The purpose of the ANR Committee is to establish and recommend to the Board a framework of remuneration packages for Directors and Executive Management. With respect to appointment and nomination issues, the Committee identifies and makes recommendations on Board and Executive Management appointments. The Committee also reviewed policies related to employees, salaries and benefits.

OBJECTIVES OF THE COMMITTEE

The primary purpose of the ANR Committee is to assist the Board in fulfilling its responsibilities relating to:

- Identify and make recommendations on Board of Directors and Senior Management appointments;
- Establish and recommend to the Board a framework of remuneration for the Bank and the specific remuneration packages of Senior Management and the CEO & MD;
- Review and recommend changes where necessary to the organizational structure of the Bank.
- Review and place for approval succession plan of the Bank;
- Review and place for approval necessary policies of the Bank; and
- Review and recommend all general matters relating to Human Resources of the Bank including staff remuneration, bonus and staff health insurance to the Board.

COMPOSITION AND FREQUENCY OF MEETINGS

The Committee comprises solely of Non-Executive Directors. Details of the membership and attendance of Appointment, Nomination and Remuneration Committee (ANR) are given below.

DIRECTORS	MEETINGS ATTENDED	MEETINGS TO ATTEND
Mr. Abdulla Hassan	16	16
Mr. Abdulla Husam Shareef*	13	13
Mr. Ahmed Mohamed	15	16
Ms. Aishath Sajny*	13	13
Mr. Ibrahim Mohamed[2]*	10	10
Ms. Juwairiya Saeed[1]	07	09
Mr. Mohamed Sharah*	03	03

*The ANR Committee composition was amended for 3 ANR meetings in 2022 to include Mr. Ibrahim Mohamed and Mr. Mohamed Sharah from the Audit Committee (in place of Mr. Abdulla Husam Shareef and Ms. Aishath Sajny) for the CIA Interviews.

APPOINTMENT OF NEW DIRECTORS

The Board of Directors has delegated the responsibilities to the ANR Committee to ensure the composition of the Board reflects a range of skills and qualities needed to take appropriate decisions objectively in the best interests of the Bank. In identifying qualified candidates for nomination to the Board, the Committee strives to look for prospective candidates based on merit and needs of the Bank, having regard to those competencies, expertise, skills, background, and other qualities identified from time to time by the Board. This selection and nomination process is carried out annually by the Committee.

Under Article 47 of the AOA of the Bank, at least eight directors appointed to the Board shall be persons nominated by the Government. The eight directors nominated by the Government were submitted to the 39th Annual General Meeting for shareholder's approval.

Under Article 47 of the AOA of the Bank, also at least three directors appointed to the Board shall be persons nominated by the General Shareholders. Following the notice issued on 26th January 2022 inviting public shareholders to apply for the position, a total of three candidates applied were submitted to the 39th Annual General Meeting for shareholder's approval.

SUCCESSION PLANNING

Executive succession is a key consideration and during the year, the Committee reviewed the status and progress of Bank's strategies for attracting and retaining best talent. The Succession Plan of the Bank is reviewed annually by the Committee.

The Committee also played an important role in the Senior Management appointments which took place during the year.

1 Stepped down from ANR Committee after reconstitution on 30th May 2022.

2 Appointed after reconstitution on 30th May 2022.

GENDER DIVERSITY

Bank recognizes the importance of measuring progress around gender diversity and in 2022 the Bank had met the Board gender diversity target of having 30% female representatives on the Board in accordance with the CG Code issued by CMDA.

COMMITTEE ACTIVITIES

The Committee recommended to the Board the following appointments during 2022:

• Mr. Karl Stumke	Chief Executive Officer
• Mr. Hassan Kalaam	Director of Islamic Banking
• Mr. Bishwajit Mazumder	Chief Internal Auditor

All Bank's policies under the mandate of the ANR Committee were reviewed during the year. Amendments to the following policies were recommended to, and approved by, the Board.

- Provident Fund Rules
- Human Resources Policy
- Employee Handbook
- Flexible Working Procedure

The Committee also reviewed the following:

- Corporate (Staff) Health Insurance Scheme for 2022
- Succession Planning and Talent Management Plan
- Applications received for Public Director positions
- Nominations for the Nominee Director positions
- Applications received for CIA position
- Employment contract of Chief Executive Officer
- Annual Performance Bonus for the year 2021
- Employment contracts of four Executive Committee members
- Performance Bonus of CEO & MD and Performance Objectives of CEO & MD for 2022
- Proposed changes to Remuneration of Board Chairperson
- Employee Benefits
- Quarterly Flexible Work Reports
- Staff related whistles passed from Audit Committee for ANR Committee action
- Performance Objectives of CEO & MD for 2023
- Employee Withholding Tax Audit Report

On behalf of the Appointment, Nomination and Remuneration Committee.

Abdulla Hassan
Chairperson

AUDIT COMMITTEE REPORT

The Audit Committee was established in 2008 in accordance with Article 69 of the AOA of the Bank, Section 1.8 (c) of the CG Code issued by the CMDA, Section 22 of the Banking Act and Section 10 of the Regulation on Corporate Governance For Banks, Insurance Companies and Finance Companies with a membership of three directors. Subsequent to a review of the Bank's organizational structure in 2009, a risk function was incorporated into the terms of reference of the Committee, and it was renamed as the Audit and Risk Management Committee. With the increased scope of work, the membership of the Committee was increased to 5 members.

The Bank's Board of Directors, during their meeting held on 15th July 2021 resolved to separate ARM Committee into two separate committees namely Audit Committee and Risk Committee in view of the scope, functions and the international best practices of corporate governance. The Audit and Risk Management (ARM) Committee previously performed both functions of an Audit Committee and Risk Committee.

OBJECTIVES OF THE COMMITTEE

The primary purpose of the Audit Committee is to assist the Board in fulfilling its responsibilities relating to:

- Oversee the integrity of the Bank's financial statements and the Bank's accounting and financial reporting processes and financial audits;
- Oversee the Bank's compliance with legal and regulatory requirements;
- Oversee the internal and external auditor's qualification, appointment, remuneration, independence and dismissal;
- Oversee the performance of the Bank's external auditor and internal audit function;
- Oversee the Bank's systems of disclosure controls and procedures;
- Oversee the Bank's Internal controls over financial and compliance reporting;
- Oversee the Bank's compliance with internal policies and procedures adopted by the Bank;
- Review and recommend the quarterly and annual financial statements to the Board;
- Recommend interim and final dividend of the Bank to the Board;
- Review and approve the scope of audit, procedure and frequency;
- Receive key audit reports and ensure management is taking necessary corrective action in a timely manner to address control weaknesses and other control functions;
- Oversee the effectiveness and efficacy of whistle blowing system; and
- Review and place for approval necessary policies of the Bank.

COMPOSITION AND FREQUENCY OF MEETINGS

The Committee is composed solely of Non-Executive Directors, with membership designed to provide the breadth of financial expertise and commercial acumen it needs to fulfil its responsibilities. Its members as a whole have recent and relevant experience of the banking and financial services sector, in addition to general management and commercial experience, and are financially literate. During 2022, the Committee met 23 times and the table below shows its membership and attendance details.

DIRECTORS	MEETINGS ATTENDED	MEETINGS TO ATTEND
Mr. Ahmed Mohamed	23	23
Ms. Juwairiya Saeed	23	23
Mr. Ibrahim Mohamed	23	23
Mr. Abdulla Hassan	23	23
Mr. Mohamed Sharah	23	23

COMMITTEE ACTIVITIES

All Bank's policies under the mandate of the Audit Committee were reviewed during the year. Amendments to the following policies were recommended to, and approved by, the Board of Directors.

- Whistleblower Policy
- Compliance Policy
- Capital Policy
- IFRS 9 Impairment Policy
- Dividend Distribution Policy
- Shari'ah Compliance Manual

The Committee also reviewed the following:

- Bank's Financial Statements for the year 2021
- External Auditor's Management Letter for the year 2021 and Report on Reliability of Internal Controls
- Proposals regarding the appointment of External Auditors for the year 2022
- Internal Audit Plan for the year 2022
- Internal Audit Plan 2023- 2025
- MMA Onsite Examination Report
- Internal Audit Reports, including Quarterly Report
- Grant Thornton Cards Forensic Audit Actions
- Quarterly Financial Statements
- Quarterly Compliance Reports
- Proposed Interim and Final Dividend for 2021
- Performance Management of CIA for 2021
- Performance Objectives of CIA for 2022
- Enterprise Wide Risk Assessment on Anti Bribery and Corruption Report and Actions
- Financial Actions Task Force APG Mutual Evaluation Report

- Proposed amendments to the Listing Rules of Maldives Stock Exchange
- Financial Reforecast for 2022
- Islamic Monetary Policy Instruments for Open Market Operations
- Transfer of Retained Earnings to General Reserve
- Minutes of the Shari'ah Committee
- Half Yearly Compliance Report of Laws Regulations and Internal Policies and Procedures mandated under MMA Regulation on Corporate Governance for Banks, Insurance companies and Finance companies
- MMA's Financial Intelligence Unit Ad hoc Onsite Examination Report

INTERNAL CONTROLS

To further reinforce the internal control mechanisms of the Bank, the Committee, with the assistance of the Chief Internal Auditor (CIA) and the Internal Audit Department (IAD), reviewed the effectiveness of the Bank's internal controls, which includes financial, operational, and compliance controls, and procedures for the identification, assessment and reporting of risks.

The IAD tests and validates the adequacy of internal controls and reports directly to the Audit Committee of the Board. As per the approved Audit Plan, the CIA reported to the Committee on a quarterly basis. Action points were highlighted and conveyed to the management to strengthen internal controls.

The Bank has instituted adequate internal control systems commensurate with nature of its business and the size of operations. The Committee is satisfied that the Bank's internal controls are adequate.

Read more about Bank's internal control and risk management processes on pages 29 to 38.

WHISTLEBLOWING

The Bank is committed to the highest standards of accountability and probity. A Whistleblower Policy has been implemented which provides the channels to report wrongdoings by employees and/or other stakeholders whilst ensuring the integrity of the process and information and also protecting the rights of informants. The implementation of this policy enables the Bank to address such concerns that may adversely affect the reputation and interests of the Bank more effectively.

Employees are also encouraged to raise concerns through the usual escalation channels, to their Line Manager, as well as Human Resources or Compliance Department.

In 2022, a total of 44 issues received through Bank's whistleblowing system were reviewed and addressed by the Committee. These included issues relating to customer service complaints, people, compromised confidential information and unauthorized access. All issues were deliberated by the Committee and where necessary forwarded to management for necessary action.

Whistle blowing options are available on the Bank's website and intranet website to all staff.

EXTERNAL AUDIT

Ernst and Young (EY) were appointed as the Bank's External Auditors with the approval of shareholders in the 39th Annual General Meeting held on 29th May 2022. EY are among the leading professional services networks providing Assurance, Tax and Advisory services in the world.

The Committee:

- Met with key members of the EY audit team to discuss the 2022 Audit Plan and areas of focus.
- Assessed reports from EY on the progress of the 2022 audit and any material accounting controls identified.
- Discussed EY feedback on Bank's critical accounting estimates and judgements.
- Discussed EY's draft report and the draft opinion and considered that the EY had maintained its independence and objectivity and that the audit process was effective.

In order to safeguard the auditor's independence and objectivity, during 2022, the external auditors have not provided any non-audit related services to the Bank.

On behalf of the Audit Committee

Ahmed Mohamed
Chairperson
Audit Committee

CORPORATE GOVERNANCE COMMITTEE REPORT

The Bank's Board of Directors, on 28th June 2020 resolved to establish a Corporate Governance (CG) Committee in accordance with Article 60 of the AOA of the Bank. The 5th CG Committee was reconstituted after the 39th Annual General Meeting held on 29th May 2022.

The CG Committee assists the Board in maintaining high standards of corporate governance by developing, recommending and monitoring effective guidelines and procedures applicable to the Bank and in establishing the Bank as a recognized leader in corporate governance.

OBJECTIVES OF THE COMMITTEE

The primary purpose of the Corporate Governance Committee is to assist the Board in fulfilling its responsibilities relating to:

- Assist the Board in establishing the Bank as recognized leader in corporate governance;
- Advising Board on governance principles and working to compose a diverse, skilled Board;
- Reviewing the Bank's Article of Association and make recommendations to the Board;
- Monitor the effectiveness of board operations, board performance and governance policies;
- Oversee such areas as political spending & environmental sustainability, communications, and level of customer service;
- Play a key role in the board evaluations, oversee board committee evaluations, and individual director evaluations;
- Oversee for director orientation and continuing board director education; and
- Review and place for approval necessary policies of the Bank.

COMPOSITION AND FREQUENCY OF MEETINGS

The Committee comprises solely of Non-Executive Directors. During 2022, the Committee met 15 times and the table below shows its membership and attendance details.

DIRECTORS	MEETINGS ATTENDED	MEETINGS TO ATTEND
Mr. Abdulla Naseem	15	15
Mr. Ibrahim Mohamed	15	15
Mr. Ahmed Mohamed	13	15
Ms. Juwairiya Saeed	15	15
Ms. Aishath Sajny[1]	7	7
Mr. Mohamed Sharah[2]	8	8

1 Stepped down from CG Committee after reconstitution on 30th May 2022

2 Appointed to CG Committee after reconstitution on 30th May 2022

ASSESSING BOARD EFFECTIVENESS

The Bank has a structured process to assess the effectiveness of the Board, its committees and Board members each year as required by the Code. This process is carried out through an appraisal mechanism. Each Director is required to complete questionnaires (relating to Board of Directors, Committees, Board Chairperson, and Individual Directors') and submit to Company Secretary. The result of the evaluation is presented to the Board.

COMMITTEE ACTIVITIES

All Bank's polices under the mandate of the CG Committee were reviewed during the year. Amendments to the following policies were recommended to, and approved by the Board of Directors:

- Conflict of Interest Policy
- Insider Trading Policy

The Committee reviewed the following during the year 2022:

- Draft Extraordinary General Meeting Minutes held on 24th October 2022
- Board Charter
- Amendments to Bank's Articles of Association
- Directors' Governance Reports and Board Subcommittee Reports of Annual Report 2021
- Board Committee Reports
- Board Evaluation Forms of Board, Chairperson, Committees, Individual Director, and Company Secretary
- Corporate Governance Action Plan of International Finance Corporation (IFC)
- Composition of Board Sub-Committees
- Board Training Proposals
- Terms of Reference and proposals received for Independent Banking market survey
- Standard Operating Procedures (SOP) for Customer Service
- Environment Social Governance (ESG) framework
- Draft 39th AGM Minutes held on 29th May 2022
- Version Control Guidance for Polices

On behalf of the Corporate Governance Committee

Abdulla Naseem
Chairperson
Corporate Governance Committee

RISK COMMITTEE REPORT

RISK COMMITTEE REPORT

Subsequent to a review of the Bank's organizational structure during 2009, a risk function was incorporated into the terms of reference of the Audit Committee. The Committee was renamed as the Audit and Risk Management (ARM) Committee and with the increased scope of work, the membership of the Committee was increased from 3 members to 5 members. The functions of the Risk Committee was performed by the ARM Committee till the 38th AGM held on 15th July 2021. The Bank's Board, on 15th July 2021 resolved to separate ARM Committee to two committees, namely Audit Committee and Risk Committee based on the international best practices and good corporate governance. Following the Bank's 39th AGM held on 29th May 2022, the Risk Committee was reconstituted for the 3rd time by the Board on 29th May 2022.

OBJECTIVES OF THE COMMITTEE

The primary purpose of the Risk Committee is to assist the Board in fulfilling its responsibilities relating to:

- Review the Bank's risk strategy, risk tolerance and risk appetite, which the Board of Directors considers acceptable, keeping in mind current and potential future risks and the operating environment;
- Oversee the Bank's risk culture;
- Review the Bank's position in relation to regulatory risk requirements and advice on best practice in risk matters;
- Examine the adequacy and effectiveness of Bank's risk management framework, which shall cover principles, policies, guidelines, instructions, methodologies, systems, processes, procedures and people;
- Review the Bank's reputation, non-financial risks, enterprise management risks, business continuity plans and safety strategies;
- Assist the Board of Directors in overseeing the implementation of the risk strategy and the corresponding tolerance limits set;
- Review any third party opinions on the design and effectiveness of the overall risk governance framework and internal control systems of the Bank; and
- Review and place for approval necessary policies of the Bank.

COMPOSITION AND FREQUENCY OF MEETINGS

The Committee comprises solely of Non-Executive Directors, with members who have the basic experience and competencies of risk management and control practices. During 2022, the Committee met 13 times and the table below shows its membership and attendance details.

DIRECTORS	MEETINGS ATTENDED	MEETINGS TO ATTEND
Mr. Mohamed Sharah	13	13
Mr. Ahmed Mohamed	13	13
Ms. Juwairiya Saeed	12	13
Mr. Ibrahim Mohamed	13	13
Mr. Abdulla Hassan	13	13
Ms. Aishath Sajny[1]	5	6
Mr. Abdulla Naseem[2]	7	7

COMMITTEE ACTIVITIES

All Bank's policies under the mandate of the Risk Committee were reviewed during the year. Amendments to the following policies were recommended to, and approved by, the Board of Directors.

- Strategic Plan Policy
- Collateral Policy
- Asset Liability Management Policy
- Procurement Policy
- Risk Appetite Statement and Framework
- Operational Risk Policy
- Marketing Policy
- Record Retention Policy
- Business Continuity Management Policy
- Information Security Policy
- Cyber Security Policy
- Credit Policy
- Delegation of Authority Policy
- Anti-Bribery and Corruption Policy
- Anti-Money Laundering/Countering Financing of Terrorism (AML/CFT) Policy
- Payment System Policy
- Fraud Risk Management Policy
- Politically Exposed Persons (PEP) Policy
- Physical Security Policy

1 Stepped down after the reconstitution of Risk Committee on 30th May 2022

2 Appointed after reconstitution of Risk Committee on 30th May 2022

The Committee also reviewed the following:

- Risk Management Reports, including Quarterly Report
- Potential risk of default of Bank's existing Investments in Sri Lanka
- Islamic Personal Financing Tawarruq Risk Appetite Limit
- Action Plan of Enterprise Wide Risk Assessment on Fraud Risk
- Know Your Customer (KYC) update process
- MMA Risk Management Guideline for Banks, Finance Companies and Insurance Companies
- Government Exposure limit for 2022 & 2023
- Action taken by the Bank to combat scams
- Asia Pacific Group Mutual Evaluation Report of Financial Action Task Force (FATF)
- Basel III capital computations
- Environment, Social and Governance (ESG) Statement
- Maldives Economic Outlook
- Review of Unsecured lending cap

On behalf of the Risk Committee

Mohamed Sharah
Chairperson
Risk Committee

SHARI'AH COMMITTEE REPORT

The Shari'ah Committee (SC) was established by the Board of Directors to advise on the operations of the Bank's Islamic Banking window, "BML Islamic", and to ensure its operations are Shari'ah compliant. The SC provides its opinions with due regard to the regulations of the Maldives Monetary Authority (MMA) and the opinions of the Shari'ah Council of MMA.

In carrying out the roles and responsibilities of the SC as prescribed in the Islamic Banking Regulation 2011, we hereby submit the following report for the financial year ended 31 December 2022;

It is the responsibility of the Board of Directors and the Management to ensure that BML Islamic's activities are carried out in a Shari'ah compliant manner and in accordance with the Shari'ah Compliance Manual endorsed by the SC. A dedicated Shari'ah Department is in place at the Bank to continuously monitor the activities of BML Islamic and to report directly to the SC.

During 2022, the Shari'ah Department submitted four quarterly reports to the SC detailing its monitoring of BML Islamic's operations, the degree of compliance, and the steps taken to strengthen operations. In addition, BML Islamic has also submitted a Shari'ah Audit and disclosed its Quarterly Financial Reports to the SC.

On that note, we, being the members of the SC, do hereby confirm that, with the exception of identified issues that are being remedied or resolved, in our opinion:

(a) nothing has come to the SC's attention that causes the SC to believe that the operations, business, affairs and activities of the Bank involve any material Shari'ah non-compliance; and
(b) all earnings that have been realised from sources or by means prohibited by Shari'ah principles have been channeled to the Charity Fund.

Therefore, in our opinion, the operations of BML Islamic for the financial year ended 31 December 2022 have been conducted in accordance with the rules and principles of Islamic Shari'ah and the guidelines and directives given by the Shari'ah Council of MMA and the Bank's SC.

We pray to Allah the Almighty to grant us success and the path of continued guidance.

Sheikh Mahomed Shoaib Omar	Mufti Yusuf Suliman	Asst. Professor Dr. Ziyaad Mahomed	Uza. Aishath Khaleela Abdul Sattar
Chairperson	Member	Member	Member


BANK OF MALDIVES

EXTERNAL AUDITOR'S REPORT

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Chartered Accountants
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Rahdhebai Magu
Malé, Republic of Maldives

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KR/NJ/KA

Independent auditor's report
To the Shareholders of Bank of Maldives PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bank of Maldives PLC ("the Bank"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2022 and 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 Auditor's responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (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 judgement, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Provision for credit impairment on financial assets carried at amortised cost Provision for credit impairment on financial assets carried at amortised cost as stated in Note 20 is determined by management in accordance with the accounting policies described in Note 3.7.6 ii.	In addressing the adequacy of the provision for credit impairment on financial assets carried at amortized cost, our audit procedures included the following key procedures. We assessed the alignment of the Bank's provision for credit impairment computations and underlying methodology with its accounting policies, based on the best available information up to the date of our report.

Key audit matter	How our audit addressed the key audit matter
This was a key audit matter due to the materiality of the reported provision for credit impairment which involved complex calculations, degree of judgements, significance of assumptions and level of estimation uncertainty associated with estimating future cashflows management expects to receive from such financial assets. Key areas of significant judgements estimate, and assumptions used by management in the assessment of the provision for credit impairment included the following. – The incorporation of forward-looking information such that expected cashflows reflect current and anticipated future external factors, in the multiple economic scenarios. – The probability weighting determined for each of these multiple economic scenarios.	We assessed the alignment of the Bank's provision for credit impairment computations and underlying methodology with its accounting policies, based on the best available information up to the date of our report. • We have evaluated the internal controls over estimation of credit impairment, which included assessing the level of oversight, review and approval of provision for credit impairment policies and procedures by the Board and management. • We checked the completeness and accuracy of the underlying data used in the impairment computation by agreeing details to relevant source documents and accounting records of the Bank. • In addition to the above following procedures were performed For loans and advances assessed on an individual basis for impairment - We evaluated the reasonableness of credit quality assessments. - We checked the arithmetical accuracy of the underlying individual impairment calculations. - We evaluated the reasonableness of key inputs used in the provision for credit impairment made. Such evaluations were carried out considering the value and timing of cash flow forecasts. For financial assets assessed on a collective basis for impairment: - We tested the key inputs and the calculations used in the provision for credit impairment. - We assessed whether judgements, assumptions and estimates used by the management when estimating future cashflows in the underlying methodology were reasonable. Our testing included evaluating the reasonableness of forward-looking information used based on available market data, economic scenarios considered, and probability weighting assigned to each of those scenarios. - We assessed the adequacy of the related financial statement disclosures set out in note 20 and Note 34.4.3.

Key audit matter	How our audit addressed the key audit matter
Information Technology (IT) systems and controls over financial reporting. Bank's financial reporting process is significantly reliant on multiple IT systems with automated processes and internal controls. Further, key financial statement disclosures are prepared using data and reports generated by IT systems, that are compiled and formulated with the use of spreadsheets. Accordingly, IT systems and related internal controls over financial reporting were considered a key audit matter.	Our audit procedures included the following key procedures: - We obtained an understanding of the internal control environment of the processes and test checked relevant controls relating to financial reporting and related disclosures. - We identified and test checked relevant controls of IT systems related to the Bank's financial reporting process. - We involved our internal specialized resources to check and evaluate the design and operating effectiveness of IT systems and relevant controls, including those related to user access and change management. - We also obtained a high-level understanding, primarily through inquiry, of the cybersecurity risks affecting the bank and the actions taken to address these risks. - We checked source data of the reports used to generate disclosures for accuracy and completeness, including review of the general ledger reconciliations.

Other information included in the Bank's 2022 annual report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other matter

The financial statements of Bank of Maldives PLC for the year ended December 31, 2021, were audited by another auditor expressed an unmodified opinion on those financial statements on 24th March 2022.

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

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's responsibilities for the audit of the financial statements (Continued)

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

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with IESBA code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Krishna Rengaraj.

For and on behalf of Ernst & Young
Partner: Krishna Rengaraj
Licensed Auditor: ICAM-IL-PKC

22 March 2023
Male'

FINANCIAL STATEMENTS

BANK OF MALDIVES PLC

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

(All amounts in MVR '000 unless otherwise stated)

	Notes	2022	2021
Gross income	4	4,038,667	3,930,630
Interest income	5	2,382,045	2,151,889
Interest expense	5	(192,245)	(195,972)
Net interest income	5	2,189,800	1,955,917
Fees and commission income	6	1,367,367	1,156,672
Fees and commission expense	6	(665,146)	(491,709)
Net fee and commission income	6	702,221	664,963
Net foreign exchange income	7	76,476	55,436
Other operating income	8	212,779	566,633
Total operating income		3,181,276	3,242,949
Credit impairment losses	9	(368,646)	(91,658)
Net operating income		2,812,630	3,151,291
Personnel expenses	10	(361,773)	(333,885)
Other operating expenses	11	(322,918)	(280,714)
Total operating expenses		(684,691)	(614,599)
Profit before tax		2,127,939	2,536,692
Income tax expense	12	(499,877)	(674,673)
Net profit for the year		1,628,062	1,862,019
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net gains on re-measuring of FVOCI equity investments		(9,507)	(1,550)
Net income tax relating to components of re-measuring of equity investments	12.3	2,408	389
Revaluation surplus of the Bank premises	22.1	143,841	-
Net income tax relating to revaluation	12.3	(35,961)	-
Other comprehensive income for the year net of tax		100,782	(1,161)
Total comprehensive income for the year		1,728,844	1,860,858
Earnings per share - Basic/diluted (MVR)	13	303	346

The accounting policies and notes form an integral part of the financial statements.

BANK OF MALDIVES PLC

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(All amounts in MVR '000 unless otherwise stated)

	Notes	2022	2021
Assets			
Cash and cash equivalents	15	4,506,026	5,546,920
Statutory deposit with Maldives Monetary Authority	16	3,687,890	2,971,388
Financial assets at amortized cost	19	8,401,783	7,279,367
Placements with banks	17	6,441,062	5,615,984
Loans and advances to customers	18	16,891,036	15,556,667
Financial assets at FVOCI	21	234,109	243,616
Property, plant and equipment	22	711,011	523,321
Right-of-use assets	23	157,514	158,412
Intangible assets	24	93,314	94,920
Deferred tax assets	12.3	85,273	149,718
Other assets	25	662,693	810,673
Total assets		41,871,711	38,950,986
Liabilities			
Due to customers	26	29,221,667	27,331,592
Term debt and other borrowed funds	27	744,215	1,139,233
Lease liability	28	147,531	151,726
Income tax liability	12.2	313,313	427,559
Other liabilities	29	1,173,070	1,100,352
Total liabilities		31,599,796	30,150,462
Equity			
Share capital	30	362,096	362,096
Retained earnings		1,631,582	1,865,539
Other reserves	31	8,278,237	6,572,889
Total equity		10,271,915	8,800,524
Total liabilities and equity		41,871,711	38,950,986
Commitments and contingencies	34.4.15	2,326,031	1,249,010

The Board of Directors are responsible for these financial statements. Signed for and on behalf of the Board by;

....	....	....
Nandana Senevirathne	Karl Stumke	Ahmed Mohamed
Chief Financial Officer	CEO and Managing Director	Audit Committee Chairperson

The accounting policies and notes form an integral part of the financial statements.

22 March 2023
Male'

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

(All amounts in MVR '000 unless otherwise stated)

		Share capital		Reserves						Total
	Notes	Ordinary voting shares	Share premium	Retained earnings	Statutory reserve	Assigned capital reserve	General reserve	Revaluation reserve	FVOCI reserve	
Balance at 1 January 2021		269,096	93,000	328,587	150,000	6,000	5,875,046	114,150	183,636	7,019,515
Net profit for the year		-	-	1,862,019	-	-	-	-	-	1,862,019
Other comprehensive income		-	-	-	-	-	-	-	(1,550)	(1,550)
Deferred tax on OCI		-	-	-	-	-	-	-	389	389
Total comprehensive income		-	-	1,862,019	-	-	-	-	(1,161)	1,860,858
Depreciation transfer on revaluation assets		-	-	3,520	-	-	-	(3,520)	-	-
Deferred tax on excess depreciation	12.3	-	-	-	-	-	-	880	-	880
Transfer to general reserves		-	-	(247,858)	-	-	247,858	-	-	-
Dividends to equity holders	14.1	-	-	(80,729)	-	-	-	-	-	(80,729)
Balance as at 31 December 2021		269,096	93,000	1,865,539	150,000	6,000	6,122,904	111,510	182,475	8,800,524
Net profit for the year		-	-	1,628,062	-	-	-	-	-	1,628,062
Other comprehensive income		-	-	-	-	-	-	143,841	(9,507)	134,334
Deferred tax on OCI		-	-	-	-	-	-	(35,961)	2,408	(33,553)
Total comprehensive income		-	-	1,628,062	-	-	-	107,880	(7,099)	1,728,844
Depreciation transfer on revaluation assets		-	-	3,520	-	-	-	(3,520)	-	-
Deferred tax on excess depreciation	12.3	-	-	-	-	-	-	880	-	880
Transfer to general reserves		-	-	(1,607,207)	-	-	1,607,207	-	-	-
Dividends to equity holders	14.1	-	-	(258,332)	-	-	-	-	-	(258,332)
Balance as at 31 December 2022		269,096	93,000	1,631,582	150,000	6,000	7,730,111	216,750	175,376	10,271,915

The accounting policies and notes form an integral part of the financial statements.

BANK OF MALDIVES PLC

STATEMENT OF CASH FLOWS

Year ended 31 December 2022

(All amounts in MVR '000 unless otherwise stated)

	Notes	2022	2021
Cash flows from operating activities			
Profit before tax		2,127,939	2,536,692
Adjustments for:			
Other non cash items included in profit before tax	36.2	43,387	(276,420)
Increase in operating assets	36.3	(3,804,220)	(3,423,653)
Increase in operating liabilities	36.4	1,500,565	5,619,520
Finance cost of lease		(12,769)	(12,239)
Income tax paid	12.2	(582,350)	(394,964)
Net cash flows generated from operating activities		(727,448)	4,048,936
Cash flows from investing activities			
Purchase of property, plant and equipment	22.1	(102,150)	(48,522)
Purchase of intangible assets	24	(14,729)	(29,521)
Proceeds from the sale of property, plant and equipment	22.9	1,713	345
Net cash flows used in investing activities		(115,166)	(77,698)
Cash flows from financing activities			
Principal element of lease liability paid	28	(7,156)	(6,743)
Dividends paid to equity holders		(191,124)	(199,251)
Net cash flows used in financing activities		(198,280)	(205,994)
Net (decrease)/ increase in cash and cash equivalents		(1,040,893)	3,765,244
Cash and cash equivalents at 1 January		5,546,920	1,781,676
Cash and cash equivalents at 31 December	36.1	4,506,026	5,546,920

The accounting policies and notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

(All amounts in MVR '000 unless otherwise stated)

1 Corporate information

1.1 Reporting entity

Bank of Maldives PLC ("the Bank") is a public quoted company incorporated on 11 November 1982 (Reg. no. C-22/1982) with limited liability and domiciled in the Republic of Maldives. The registered office of the Bank is situated at 11, Boduthakurufaanu Magu, Male' 20094, Republic of Maldives. The Bank is listed on the Maldives Stock Exchange.

1.2 Principal activities and nature of operations

The Bank provides a comprehensive range of financial services including corporate and retail banking, deposit services, treasury and investment services, project financing, trade financing, issuing and acquiring of credit cards and debit cards, electronic banking and money remittance services. It is engaged in both Conventional and Islamic banking.

2 Basis of preparation

2.1 Statement of compliance

The financial statements of the Bank, which comprise the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements, have been prepared and presented in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

2.2 Approval of financial statements by the Board of Directors

The financial statements of the Bank for the year ended 31 December 2022 were authorized for issue by the Board of Directors (together referred to as the "Board") in accordance with the resolution of the Board on 22 March 2023.

3 Summary of significant accounting policies

3.1 Basis of measurement

The financial statements of the Bank have been prepared on the historical cost basis, except for the following material items in the statement of financial position which are measured at fair value:

- Financial instruments at amortized cost.
- Financial instruments at fair value through other comprehensive income (FVOCI).
- Financial instruments at fair value through profit and loss (FVTPL).
- Land and buildings at revalued value.

3.2 Functional and presentation currency

The financial statements of the Bank are presented in Maldivian Rufiyaa (MVR), which is the currency of the primary economic environment in which the Bank operates. Financial information presented in MVR has been rounded to the nearest thousand unless indicated otherwise.

The Bank determines its own functional currency and items included in the financial statements are measured using that functional currency. There was no change in the Bank's presentation and functional currency during the year under review.

3.3 Presentation of financial statements

The Bank's items presented in the statements of financial position are grouped by nature and are listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the financial statements. An analysis of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 37 to the financial statements.

3.4 Materiality and aggregation

In compliance with IAS 1 Presentation of Financial Statements, each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or functions are also presented separately unless they are considered to be immaterial.

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of comprehensive income unless required or permitted by accounting standards.

3.5 Comparative information

The accounting policies have been consistently applied by the Bank with those of the previous financial year in accordance with IAS 1 Presentation of Financial Statements. Further, information has been reclassified wherever necessary to provide better relative comparisons.

3.6 Significant accounting judgements, estimate and assumption

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Bank's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

3.6.1 Going concern

The Board of Directors made an assessment of the Bank's ability to continue as a going concern and is 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 the Bank's operations. Therefore, the financial statements continue to be prepared on the going concern basis.

3.6.2 Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. The valuation of financial instruments is described in more detail in Note 33 to the financial statements.

3.6.3 Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns Probability of Defaults (PD) to the individual grades.
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Life Time Expected Credit Loss (LTECL) basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).
- Selection of forward-looking macroeconomic scenarios and their probability weightings into the ECL models and detailed information about the judgements and estimates made by the Bank in the above areas is set out in Note 34.4.3 to the financial statements.

3.6.4 Fair value of property, plant and equipment

Land and buildings of the Bank are reflected at fair value. The Bank engaged independent valuation specialists to determine the fair value of land and buildings. When current market prices of similar assets are available, such evidence is considered in estimating fair values of these assets.

3.6.5 Useful lifetime of property, plant and equipment and intangible asset

The Bank reviews the residual values, useful lives and methods of depreciation of property, plant and equipment and intangible assets at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

3.6.6 Estimating the incremental borrowing rate

As the Bank cannot readily determine the interest rate implicit in the lease, it uses its Incremental Borrowing Rate ('IBR') to measure the lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the Right-of-Use asset in a similar economic environment.

3.6.7 Provisions for liabilities, commitments and contingencies

The Bank operates in a regulatory and legal environment with relevant laws and regulations introduced by the relevant agencies that addresses the risk inherent to its operations.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case to mitigate the risk, the Bank records a provision against such case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed by the Bank.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Based on these factors Bank makes a judgement required to conclude on these estimates.

3.7 Financial instruments – initial recognition, classification, and subsequent measurement

3.7.1 Date of Recognition

Financial assets and liabilities, with the exception of loans and advances to customers, balances due to customers and Bank borrowings are initially recognized on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Bank recognizes balances due to customers when funds are transferred to the Bank.

3.7.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 3.7.6 to the financial statements. Financial instruments are initially measured at their fair value (as defined in Note 3.7.6 to the financial statements), except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Loans and advances are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

3.7.3 Day 1 Profit or loss

When the transaction price of the financial instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognizes the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred.

The deferred amounts are recognized in profit or loss when there is a change in a factor (including time) that market participants would take into account when pricing the financial asset or liability. On this basis, the Bank has assessed that amortizing the deferred amount on a straight–line basis is appropriate.

Any outstanding amount is immediately recognized in profit or loss when the instrument is derecognized or when the input(s) becomes observable.

3.7.4 Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost, as explained in Note 3.7.6 to the financial statements.
- FVOCI, as explained in Notes 3.7.6 to the financial statements.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost.

3.7.5 Determination of fair value

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarized below:

- Level 1 financial instruments – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Bank has access to at the measurement date. The Bank considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.

- Level 2 financial instruments – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank will classify the instruments as Level 3.
- Level 3 financial instruments – Those that include one or more unobservable input that is significant to the measurement as whole.

The fair value of financial instruments is generally measured on an individual basis. However, in cases where the Bank manages a group of financial assets and liabilities on the basis of its net market or credit risk exposure, the fair value of the group of financial instruments is measured on a net basis, however the underlying financial assets and liabilities are presented separately in the financial statements, unless they satisfy the IFRS offsetting criteria.

3.7.6 Financial assets

(i) Classification and subsequent measurement of financial assets

The Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Amortized cost; or
- Fair value through other comprehensive income (FVOCI).

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

- The Bank's business model for managing the asset; and
- The cash flow characteristics of the asset.

Based on these factors, the Bank classifies its debt instruments into one of the following two measurement categories:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in Note 34.4.3 to the financial statements. Income from these financial assets is included in 'interest income' using the effective interest rate method.

- **Fair value through other comprehensive income (FVOCI)**: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized as 'net investment income'. Income from these financial assets is included in 'interest income' using the effective interest rate method.

Business model Assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI Test

As a second step of its classification process the Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Bank's right to receive payments is established.

Gains and losses on equity investments at FVTPL are included in the 'net trading income' line in the statement of comprehensive income.

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. After the initial recognition, financial assets are subsequently measured at amortized cost using the Effective Interest Rate (EIR) less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'interest income' in the statement of comprehensive income. The losses arising from impairment of such investments are recognized in 'credit impairment losses' in the statement of comprehensive income.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss and recorded as part of 'interest income'.

Financial assets measured at amortized cost are given under notes below.

Debt instruments and placements with banks

After initial measurement, these assets are subsequently measured at amortized cost (gross carrying amount using the EIR, less provision for impairment). Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in interest income, while the losses arising from impairment are recognized in credit impairment losses in the statement of comprehensive income.

Loans and advances to customers

The Bank measures Loans and advances to customers at amortized cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

Loans and advances to customers are initially recognized at amortized cost, which is the cash consideration to originate the loan including any transaction costs and carried subsequently with accrued interest. Interest on loans and advances is included in the statement of comprehensive income and is reported as interest income.

In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and advances and recognized in the statement of comprehensive income as credit impairment losses.

Details of loans and advances to customers are given in Note 18 to the financial statements.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances with banks, and money at call and short notice that are subject to an insignificant risk of changes in their value.

Cash and cash equivalents are carried at amortized cost in the statement of financial position. Details of cash and cash equivalents are given in Note 15 to the financial statements.
For the purpose of the statement of cash flow, cash and cash equivalents consist of cash and short-term deposits as defined above.

Financial assets at fair value through other comprehensive income (FVOCI)

Financial assets at FVOCI includes both quoted and unquoted equity. Equity investments classified as FVOCI are financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL. The Bank has not designated any loans or receivables as FVOCI. After initial measurement, financial assets are subsequently measured at fair value. Unrealized gains and losses are recognized directly in the statement for other comprehensive income as part of equity. When the investment is disposed off, the cumulative gain or loss previously recognized in equity is recognized, in the statement of comprehensive income in 'net gain/ (loss) from financial investments. Where the Bank holds more than one investment in the same security, they are deemed to be disposed off on a first-in first-out basis. Dividend earned whilst holding financial investments are recognized in the statement of comprehensive income as 'dividend income' when the right of the payment has been established. The losses arising from impairment of such investments are recognized in 'credit impairment losses' in the statement of comprehensive income and removed from equity.

For FVOCI financial investments, the Bank assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as FVOCI, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of comprehensive income. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. This interest income is recorded as part of interest income under loans and advances to customers.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

The Bank writes off financial assets at FVOCI when they are determined to be uncollectible.

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance (calculated as described in Note 34.4.3 to the financial statements); and
- The premium received on initial recognition less income recognized in accordance with the principles of IFRS 15 (Revenue from contract with customers).

Loan commitments provided by the Bank are measured as the amount of the loss allowance (calculated as described in Note 34.4.3 to the financial statements). The Bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the

Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognized as a provision.

(ii) Impairment of Financial Assets

The Bank records an allowance for expected credit loss (ECL) for all loans and advance to customers and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section, all referred to as financial assets.

Individual assessment - Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired and assesses the 'Individually Significant' loans and advances for impairment based on the materiality.

The Bank individually reviews at each reporting date, loans and advances above a predefined threshold to identify whether the credit risk has increased significantly since origination before an exposure is in default. Such indicators include:

- Significant financial difficulty of the borrower or issuer.
- A breach of contract such as a default or past due event.
- The restructuring of a loan and advance 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 re-organization; or
- The disappearance of an active market for a security because of financial difficulties.

A loan and advance 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, financing facilities provided to the customers that are overdue for 90 days or more are considered credit impaired.

Collective assessment

Those financial assets for which, the Bank determines that no provision is required under individual impairment are then collectively assess for Expected Credit Loss ("ECL").

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

- Cash and cash equivalent.
- Placement with banks.
- Loans and advances to customers.
- Financial assets at amortized cost debt and other financial instruments.

- Loan commitments and financial guarantee contracts issued.
- No impairment loss is recognized on equity investments.

Measurement of ECL

Significant increase in credit risk of loans and advances is measured based on the number of days past due, which is calculated from the contractual due date of the payment. Accordingly, the Bank does not rebut the presumption of 90 days as the default point as set out in IFRS 9 and staging is done for loans and advances as follows;

Stage 1 – Performing loans: when loans are first recognized, the Bank recognizes an allowance based on 12 months expected credit losses.

Stage 2 – Underperforming loans: when a loan shows a significant increase in credit risk, the Bank records an allowance for the lifetime expected credit loss.

Stage 3 – Credit impaired loans: the Bank recognizes the lifetime expected credit losses for these loans.

In addition, in Stage 3, the Bank accrues interest income on the amortized cost of the loan net of impairment allowances.

The calculation of ECL

The Bank calculates ECL based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is a difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The technics of the ECL calculations are outlined below and the key elements are, as follows:

- **Probability of Default (PD)**

  The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The concept of PD is further explained in Note 34.4.3.3 to the financial statements.

- **Exposure At Default (EAD)**

  The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 34.4.3.3 to the financial statements.

- **Loss Given Default (LGD)**

  The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral or credit enhancements that are integral to the loan and not required to be recognized separately. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 34.4.3.3 to the financial statements.

Forward looking information

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Inflation rates

The Bank incorporated forward-looking information into the measurement of ECLs (refer Note 34.4.3.4 to the financial statements).

(iii) Modification of loans and advances

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans and advances to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms.

The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate. Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Change in the currency the loan was originally denominated. Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

The impact of modifications of financial assets on the Expected Credit Loss (ECL) calculation is discussed in Note 34.4.7 to the financial statements.

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Bank:

- Has no obligation to make payments unless it collects equivalent amounts from the assets.
- Is prohibited from selling or pledging the assets.
- Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognized because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitization transactions in which the Bank retains a subordinated residual interest.

3.7.7 Financial liabilities

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortized cost.

- Financial liabilities at amortized cost: Financial instruments issued by the Bank that are not designated at fair value through profit or loss, are classified as liabilities under 'due to banks', 'due to customers' and 'debt issued and other borrowed funds' as appropriate, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares at amortized cost using the EIR method.

- After initial recognition, such financial liabilities are substantially measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortization is included in 'interest expenses' in the statement of comprehensive income. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

- The details of the Bank's financial liabilities at amortized cost are shown in Note 26,27,28 and Note 29 to the financial statements.
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognized for the consideration received for the transfer. In subsequent periods, the Bank recognizes any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments (refer Note 3.8 to the financial statements).

(ii) Derecognition

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

3.7.8 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. Financial assets and financial liabilities are generally reported gross in the statement of financial position except when IFRS netting off criteria are met.

3.8 Foreign currency transactions and balances

All foreign currency transactions are translated into the functional currency, which is Maldivian Rufiyaa (MVR), using the exchange rates prevailing at the dates the transactions were affected (spot rate).

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Maldivian Rufiyaa using the mid exchange rate (simple average of buy and sell exchange rates) applying at that date and all differences arising on non-trading activities are taken to other operating income in the statement of comprehensive income.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items in foreign currency measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange differences arising on the settlement or reporting of monetary items at rates different from those which were initially recorded are dealt with in the statement of comprehensive income.

3.9 IFRS 16 Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16. This policy is applied to contracts entered on or after 1st January 2019.

3.9.1 The Bank's leasing activities and how these are accounted for

The Bank leases various offices and godowns as leased buildings and rental contracts are typically made for fixed periods of 12 months or longer but may have extension options as described in (Note 3.10.5 to the financial statements) below.

Leases of real estate for which the Bank is a lessee, has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. None of the Bank's leased assets are used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank."

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed lease payments (including in-substance fixed payments). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Bank uses a build-up approach that starts with a third-party reference rate adjusted for credit risk for leases held by the Bank, and made adjustments on criteria such as term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date
- Any initial direct costs, and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Bank is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Bank revalues its land and buildings that are presented within property, plant and equipment, has chosen not to do so for the right-of-use buildings held by the Bank.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

3.9.2 Short-term leases and leases of low-value assets

The Bank has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. Short term leases are leases with a lease term of 12 months or less. Low-value assets comprise underlying asset value of which is less than MVR 5,000.

3.9.3 Practical expedients applied

In applying IFRS 16, the Bank has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019.
- Payments of operating leases with low-value assets are recognized on a straight-line basis as an expense to statement of comprehensive income, under other operating

expenses.
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

3.9.4 Lessor accounting

The Bank did not hold assets in the form of a lessor under any operating lease agreement.

3.9.5 Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Bank. These are used to maximize operational flexibility in terms of managing the assets used in the Bank's operations. The majority of extension and termination options held are exercisable only by the Bank and not by the respective lessor.

3.10 Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Bank applies the requirements of the IAS 16 - Property, Plant and Equipment in accounting for these assets.

3.10.1 Recognition

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the Bank and the cost of the asset can be reliably measured.

3.10.2 Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of, or service it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of computer equipment.

3.10.3 Cost model

The Bank applies the cost model to property, plant and equipment except for freehold land and buildings and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses. Such costs include the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

3.10.4 Revaluation model

The Bank applies the revaluation model to the entire class of freehold land and buildings. Such properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and buildings of the Bank are revalued every five years on a roll over basis to ensure that the carrying amounts do not differ materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognized in 'other comprehensive income' and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the statement of comprehensive income. In this circumstance, the increase is recognized as income to the extent of the previous write-down.

Any decrease in the carrying amount is recognized as an expense in the statement of comprehensive income or debited in the other comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

3.10.5 Subsequent cost

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

The costs of day-to-day servicing of property, plant and equipment are charged to the statement of comprehensive income as incurred. Cost incurred in using or redeploying an item is not included under carrying amount of an item.

3.10.6 Derecognition

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

3.10.7 Depreciation

The Bank provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight-line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Bank of the different types of assets. Depreciation of an asset ceases at the earlier date that the asset is classified as held for sale or the date that the asset is derecognized. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

(All amounts in MVR '000 unless otherwise stated)

Asset Category	Depreciation rate per annum
Bank premises	5%
Computer equipment	20% - 33.33%
Furniture and equipment	25%
Motor vehicles / vessels	20%

3.10.8 Changes in estimates

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted prospectively as appropriate.

3.10.9 Capital work in progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalization.

Capital work-in-progress would be transferred to the relevant asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work-in-progress is stated at cost less any accumulated impairment losses.

3.11 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes. Details of intangible assets are given in Note 24 to the financial statements.

3.11.1 Basis of recognition

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably. An intangible asset is initially measured at cost.

3.11.2 Computer software

Cost of purchased licenses and all computer software costs incurred, licensed for use by the Bank, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it is probable that they will lead to future economic benefits, are included in the statement of financial position under the category intangible assets and carried at cost less accumulated amortization and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in MVR '000 unless otherwise stated)

3.11.3 Subsequent expenditure

Expenditure incurred on software is capitalized only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

3.11.4 Derecognition of intangible assets

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

3.11.5 Amortization of intangible assets

Intangible assets, except for goodwill, are amortized on a straight-line basis in the statement of comprehensive income from the date when the asset is available for use, over the best estimate of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the Bank. Amortization methods, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate. The Bank assume that there is no residual value for its intangible assets.

Asset Category	Useful life years
Computer Software	5-10 years

3.11.6 Impairment of intangible assets not available for use

Intangible assets that are not available for use are tested annually for possible impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. As at the reporting date, the Bank does not have any intangible assets that have impaired.

3.12 Dividend payable

Provision for the final dividend is recognized at the time the dividend recommended and declared by the Board is approved by the shareholders. Interim dividend payable is recognized when the Board approves such dividend in accordance with the Companies Act No 10 of 1996 and Maldives Banking Act No 24 of 2010.

Dividends for the year that are declared after the reporting date are disclosed in Note 40 to the financial statements as an event after the reporting period in accordance with the IAS 10 - Events after the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

(All amounts in MVR '000 unless otherwise stated)

3.13 Employee benefits

3.13.1 Staff provident fund

The Bank operates a staff provident fund. All local employees of the Bank who have subscribed to the fund are the members of this fund to which the Bank contributes 3%. This contribution is recognized as an employee benefit expense in the statement of comprehensive income.

3.13.2 Retirement pension scheme

The Bank commenced its retirement pension scheme for employees on 1 May 2011. This is based on the Regulation on Maldives Retirement Pension Scheme published by the Government of Maldives. The Bank deducts 7% of pensionable wages from its employees and matches this contribution. The amount of the Bank's contribution is recognized as an employee benefit expense in the statement of comprehensive income.

3.14 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

3.15 Fiduciary activities

The Bank acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. Those assets that are held in a fiduciary capacity are not included in these financial statements of the Bank.

3.15.1 Custodian account of Maldives Retirement Pension Scheme (MRPS)

Pursuant to the agreement entered into with Maldives Pension Administration Office (MPAO), the administrator of the MRPS, the Bank performs custodial and other services relating to the establishment and maintenance of contribution collection and contribution holding accounts of MRPS, in which the Bank keeps the funds and, at the direction of MPAO or a person authorized by MPAO, invests the funds in the designated financial instruments, in consideration for which MPAO pays a fee to the Bank.

NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in MVR '000 unless otherwise stated)

3.16 Commitments and contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Letters of credit and guarantees commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans. Pending legal claims against the Bank also form part of commitments of the Bank. Contingent liabilities are not recognized in the statement of financial position but are disclosed unless they are remote. But these contingent liabilities do contain credit risk and are therefore form part of the overall risk of the Bank. All identifiable risks are accounted for in determining the amount of all known liabilities.

Details of commitments and contingencies are given in Note 34.4.15 to the financial statements.

3.16.1 Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements (within 'other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the statement of comprehensive income, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is recorded in the statement of comprehensive income as credit impairment losses. The premium received is recognized in the statement of comprehensive income as 'fees and commission income'.

3.16.2 Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. There were no pending litigations against the Bank as at 31 December 2022, which would have a material impact on the financial statements. Further details are provided under Note 38 to the financial statements.

3.17 Operational risk events

Provisions for operational risk events are recognized as losses incurred by the Bank which do not relate directly to amounts of principal outstanding for loans and advances.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision.

3.18 Recognition of income and expenses

Income is recognized to the extent that it is probable the economic benefits will flow to the Bank and can be reliably measured, whereas the expense consists of the economic cost the Bank incurs through its operations to earn income. The following specific recognition criteria must also be met before recognizing income and expenses.

3.18.1 Interest income and interest expense

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortized cost. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortized cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset. The EIR (and therefore, the amortized cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR.

The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges). If expectations of fixed rate financial assets or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the statement of financial positions with a corresponding increase or decrease in interest income and expense calculated using the Effective Interest Rate method (EIR).

3.18.2 Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee and commission income is recognized at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. Fee income can be divided into the following two categories.

3.18.2.1 Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include professional fees, trade service fees, commission income and asset management fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees are recognized when the obligation is fulfilled. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognized over the commitment period on a straight-line basis.

3.18.2.2 Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

3.18.3 Fee and commission expenses

Fee and commission expenses relate mainly to transaction and services fees, which are expensed as the services are received. Fee and commission expenses are recognized on accrual basis.

3.18.4 Dividend income

Dividend income is recognized in profit or loss on an accrual basis when the Bank's right to receive the dividend is established. This is usually on the ex-dividend date for equity securities. Dividend income is presented in Note 8 'other operating income' in the financial statements.

3.18.5 Profit/(loss) from sale of property, plant and equipment

Profit / (loss) from sale of property, plant and equipment is recognized in the period in which the sale occurs and is classified as other operating income.

3.19 Tax expense

In accordance with IAS 12 - Income Taxes, tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognized in the statement of comprehensive income except to the extent it relates to items recognized directly in 'equity' or 'other comprehensive income (OCI)', in which case it is recognized in equity or in OCI.

3.19.1 Current tax

With effect from 1 January 2020, Ministry of Finance replaced the prevailing Bank Profit Tax Act (9/85) and introduced the Income Tax Act (25/2019) which governs all taxation matters for banks. The new Income Tax regulation impacts the Bank's financial statements from the year ended 31 December 2020.

Provision for taxation is made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the new Income Tax regulations issued by Ministry of Finance, Republic of Maldives.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

(All amounts in MVR '000 unless otherwise stated)

3.19.2 Deferred tax

Deferred taxation is provided on temporary differences using the liability method providing for temporary differences between the carrying amount of the assets and liabilities for financial reporting purposes. Provision is made for deferred taxation only to the extent that the temporary differences would reverse in the foreseeable future.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

3.20 IFRS 15 Revenue from Contracts with Customers

Fee and commission income and expenses that are integral to the EIR of a financial asset or financial liability are capitalized and included in the measurement of the EIR and recognized in the income statement over the expected life of the instrument.

Other fee and commission income, including card operations fees, investment management fees and commission on trade services are recognized as the related services are performed.

As per IFRS 15, the Bank adopts five step model for revenue recognition. Accordingly, revenue is recognized only when all of the following criteria are met.

- The parties to the contract have approved the contract/s.
- The entity can identify each party's rights regarding the goods or services to be transferred.
- The entity can identify the payment terms for the goods or services to be transferred.
- The contract has commercial substance.
- It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

The scope of IFRS 15 is limited to fees and commission revenue of the Bank.

3.21 Changes in significant accounting policies

The accounting policies have consistently been applied by the Bank and are consistent with those used in the previous year. Further, comparative information is reclassified wherever necessary to comply with the current year presentation.

3.22 New and amended Accounting Standards and Interpretation

The Bank applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in MVR '000 unless otherwise stated)

3.22.1 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Bank applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the financial statements of the Bank as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

3.22.2 IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Bank applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Bank as there were no modifications of Bank's financial instruments during the year.

3.23 Accounting Standards issued but not yet effective

The new and amended accounting standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

3.23.1 Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimated that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Bank's financial statements.

3.23.2 Disclosure of Accounting Polices – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgement to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirements for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in MVR '000 unless otherwise stated)

4 Gross income

	2022	2021
Interest income (Note 5)	2,382,045	2,151,889
Fees and commission income (Note 6)	1,367,367	1,156,672
Foreign exchange income (Note 7)	76,476	55,436
Other operating income (Note 8)	212,779	566,633
	4,038,667	3,930,630

5 Net interest income

	2022	2021
Interest income		
Loans and advances to customers	1,875,462	1,743,377
Financial assets at amortized cost (Note 5.1)	372,185	337,307
Placements with banks	120,528	60,464
Reserve deposits	13,870	10,741
	2,382,045	2,151,889
Less: interest expense		
Due to customers	122,327	137,263
Term debts and other borrowed funds	57,149	46,470
Finance cost for lease liabilities (Note 28)	12,769	12,239
	192,245	195,972
Net interest income	2,189,800	1,955,917

5.1 Interest income - financial assets at amortized cost

	2022	2021
Interest income from Government of Maldives Securities and related financial instruments	336,038	300,173
Interest income from financial instruments other than securities issued by Government of Maldives	36,147	37,134
	372,185	337,307

The interest income from Government of Maldives Securities includes interest income from treasury bills and treasury bonds.

6 Net fee and commission income

	2022	2021
Cards operation	1,065,939	865,146
Pay orders	134,322	119,279
Loans	70,157	65,743
Administration fees on development funds	15,743	27,769
Miscellaneous income on branch operations	56,994	61,484
Trade services	16,365	8,652
Custodian services fee	5,400	5,700
Others	2,447	2,899
	1,367,367	1,156,672
Fee and commission expense	(665,146)	(491,709)
Net fee and commission income	702,221	664,963

Fee and commission expense mainly include the payments made towards card related transactions.

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7 Net foreign exchange income

	2022	2021
Net foreign exchange income	76,476	55,436
	76,476	55,436

Net foreign exchange income has mainly derived from card operations, sale and purchase of foreign currencies and through revaluation of foreign currency denominated monetary assets and liabilities at each reporting date.

8 Other operating income

	2022	2021
Recoveries of written off loan and receivables	173,496	541,471
Dividend income	1,098	3,705
Others	38,185	21,457
	212,779	566,633

9 Credit impairment losses

	2022	2021
Loans and advances to customers	106,407	82,045
Financial assets at amortized cost	243,287	127
Placements with banks	(5,485)	933
Other assets	24,437	8,553
	368,646	91,658

10 Personnel expenses

	2022	2021
Salaries, wages and other related expenses	344,101	317,751
Defined contribution plan expense - 7% contribution to Maldives Retirement Pension Scheme	13,255	12,134
Defined contribution plan expense - 3% to Employee Provident Fund	4,417	4,000
	361,773	333,885

11 Other operating expenses

	2022	2021
Depreciation of property, plant and equipment (Note 22.3)	52,925	51,680
Amortisation of intangible assets (Note 24)	16,335	13,237
Depreciation of right-of-use assets (Note 23)	13,674	12,791
Administration and establishment expenses	45,440	44,637
Software license fees and hardware maintenance expenses	59,358	48,899
Loan modification loss	-	-
Provision for claims	24,091	24,195
Communication expenses	27,340	22,437
Advertising and promotional expenses	16,430	13,421
Travel and transport expenses	16,354	12,118
Consultancy fees	6,212	9,909
Subscription fees	11,023	6,974
Expense relating to short term leases	1,230	5,454
Donation	16,760	5,414
Directors' emoluments	3,027	2,630
Auditors' remuneration	1,671	1,562
Professional and legal expenses	1,130	1,068
Other expenses	9,918	4,288
	322,918	280,714

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12 Income tax expense

	2022	2021
Income tax		
Income tax charge (Note 12.2)	502,242	543,377
Adjustment in respect of Income tax of prior years	(34,138)	87,486
Deferred tax		
Origination and reversal of temporary differences (Note 12.3)	31,773	43,810
Income tax expense reported in the statement of comprehensive income (Note 12.1)	499,877	674,673

12.1 Reconciliation of the income tax expenses

Reconciliation between accounting profit to taxable income;	2022	2021
Accounting profit before tax	2,127,939	2,536,692
Non-deductible expenses	395,508	206,292
Deductible expenses	(514,479)	(569,476)
Taxable income for the year	2,008,968	2,173,508
Income tax @25%	502,242	543,377

Reconciliation between income tax expense reported in the statement of comprehensive income multiplied by Income tax rate is as follows.

	2022	2021
Accounting profit before tax	2,127,939	2,536,692
Tax effect at the Income tax rate - 25%	531,985	634,173
Tax effect of non-deductible expenses	75,338	43,814
Tax effect of deductible expenses	(73,308)	(90,800)
Under/(over) provision of taxes in respect of prior years	(34,138)	87,486
Income tax expense reported in the statement of comprehensive income	499,877	674,673
Effective tax rate (excluding deferred tax and prior year adjustment)	24%	21%
Effective tax rate (including deferred tax and prior year adjustment)	23%	27%

12.2 Income tax liability

	2022	2021
At 1 January	427,559	191,660
Income tax charge for the year	502,242	543,377
Adjustment in respect of prior year	(34,138)	87,486
Tax paid during the year	(582,350)	(394,964)
As at 31 December	313,313	427,559

12.3 Deferred tax

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

Deferred tax assets / (liabilities)	Property, plant and equipment	Provision of loans and receivables	Revaluation of the bank premises	Net gains on re-measuring of FVOCI equity investments	Total
As at 1 January 2021	(37,994)	302,026	(10,560)	(61,213)	192,259
Statement of comprehensive income	54,222	(98,032)	-	-	(43,810)
Other comprehensive income	-	-	-	389	389
Statement of changes in equity	-	-	880	-	880
As at 31 December 2021	16,228	203,994	(9,680)	(60,824)	149,718
Statement of comprehensive income	(20,612)	(11,160)	-	-	(31,772)
Other comprehensive income	-	-	(35,961)	2,408	(33,553)
Statement of changes in equity	-	-	880	-	880
As at 31 December 2022	(4,384)	192,834	(44,761)	(58,416)	85,273

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(All amounts in MVR '000 unless otherwise stated)

13 Earnings per share - basic/diluted (MVR)

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As there were no potential ordinary equity outstanding at year end, diluted earnings per share is equal to the basic earnings per share for the year.

The profit and ordinary share details used in the basic/diluted earnings per share calculations are given below.

	2022	2021
Profit attributable to ordinary equity holders	1,628,062	1,862,019
Weighted average number of ordinary shares in issue	5,381,920	5,381,920
Basic/diluted earnings per share (MVR)	303	346

There were no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these financial statements which would require the restatement of earnings per share.

14 Dividends to equity holders

14.1 Declared and paid during the year

	2022	2021
First and final dividend of MVR 15 per share was declared for 2020 and paid in 2021	-	80,729
Interim dividend of MVR 13 per share and final dividend of MVR 35 per share was declared for 2021 and paid in 2022	258,332	-

14.2 Proposed for approval at the Annual General Meeting (not recognised as a liability as at 31 December)

	2022	2021
Final dividend		
Dividend per share 2022: MVR 20 (2021: MVR 35)	107,638	188,367
Interim dividend		
Dividend per share 2022: MVR 20 (2021: MVR 13)	107,638	69,965
Total dividend	215,276	258,332

15 Cash and cash equivalents

	2022	2021
Cash in hand (Note 36.1)	759,156	686,921
Balances with other banks	3,746,870	4,859,999
	4,506,026	5,546,920

16 Statutory deposit with Maldives Monetary Authority

	2022	2021
Statutory deposit for Conventional banking	3,517,577	2,813,076
Statutory deposit for Islamic banking	170,313	158,312
	3,687,890	2,971,388

The Bank maintains statutory deposits with MMA (minimum reserve requirement - MRR) equal to 10% of customer deposits for MVR and USD separately and applies to the Islamic banking operation of the bank as well. MRR balances exclude interbank deposits in the Maldives and L/C margin deposits. These deposits are not available for the Bank's day-to-day operations. The MRR balances for Conventional banking are paid an interest amount of 1% per annum for the MVR balances and 0.01% per annum for the USD dollar balances. Further, the Bank maintains separate MRR balances for its Islamic banking operations, and no income was earned on these balances in 2022.

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17 Placements with banks

	2022	2021
Placements with banks	6,442,367	5,622,774
Less: total impairment for placement with banks (Note 20)	(1,305)	(6,790)
Net placements with banks	6,441,062	5,615,984

18 Loans and advances to customers

	2022	2021
Gross loans and advances	18,260,045	17,225,389
Less: total impairment for loans and advances to customers (Note 20)	(1,369,009)	(1,668,722)
Net loans and advances	16,891,036	15,556,667

18.1 Product wise analysis

	2022	2021
Commercial term loans	11,184,785	11,559,050
Overdrafts	2,181,326	1,641,048
Lui loans	2,125,750	1,986,674
Islamic financing facilities	1,876,828	1,311,633
Credit cards	573,239	428,936
Staff loans	266,862	261,994
Development banking loans	7,101	14,285
Trade finance	44,154	21,769
	18,260,045	17,225,389

18.2 Currency wise analysis

	2022	2021
Maldivian Rufiyaa	12,221,953	11,345,927
United States Dollar	6,035,099	5,873,432
Euro	2,846	3,345
Singapore Dollar	147	2,685
	18,260,045	17,225,389

19 Financial assets at amortized cost

	2022	2021
Debt instruments		
Treasury bills issued by Government of Maldives	8,048,205	6,673,696
Ttreasury bonds issued by Government of Maldives	201,069	201,069
Bonds issued by overseas government	326,271	307,293
Corporate bonds	21,810	49,594
Wakala investments	50,000	50,000
Less: total impairment for financial assets at amortized cost (Note 20)	(245,572)	(2,285)
	8,401,783	7,279,367

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20 Movement in provision for impairment losses

	Loans and advances to customers	Financial assets at amortized cost	Placements with banks	Other assets	Total
As at 1 January 2021	2,024,878	2,158	5,857	36,337	2,069,230
Net charge to profit or loss (Note 9)	82,045	127	933	8,553	91,658
Reversal of interest	18,764	-	-	-	18,764
Written-off during the year as uncollectible	(456,965)	-	-	(20,542)	(477,507)
As at 31 December 2021	1,668,722	2,285	6,790	24,348	1,702,145
Net charge to profit or loss (Note 9)	106,407	243,287	(5,485)	24,437	368,646
Reversal of interest	(59,871)	-	-	-	(59,871)
Written-off during the year as uncollectible	(346,249)	-	-	(8,691)	(354,940)
As at 31 December 2022	1,369,009	245,572	1,305	40,094	1,655,980

21 Financial assets at FVOCI

	2022	2021
Equity instruments:		
Equities - quoted (Note 21.1)	233,403	243,035
Equities - unquoted (Note 21.2)	706	581
	234,109	243,616

21.1 Equities - quoted

	2022			2021		
	No. of shares	Per share price (US$)	Amount (MVR'000)	No. of shares	Per share price (US$)	Amount (MVR'000)
Visa Incorporated	15,030	831.04	189,981	15,030	866.84	198,165
MasterCard Incorporated	8,210	347.73	43,422	8,210	359.32	44,870
			233,403			243,035

21.2 Equities - unquoted

	2022		2021	
	No. of shares	Amount (MVR'000)	No. of shares	Amount (MVR'000)
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	6	706	6	581
		706		581

The value of a SWIFT share is re-calculated every year and confirmed based on the SWIFT Share Position Report.

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22 Property, plant and equipment

	Land	Buildings	Buildings on leasehold land	Computer hardware	Furniture and fittings	Office equipment	Motor vehicles	Total
22.1 Cost/fair value								
As at 1 January 2021	141,200	189,329	39,903	272,105	125,746	61,898	10,822	841,003
Transfer from CWIP	-	18,019	651	28,858	8,774	8,035	943	65,280
Disposals/written-off	-	-	-	(16,588)	(239)	(208)	(2,368)	(19,403)
As at 31 December 2021	141,200	207,348	40,554	284,375	134,281	69,725	9,397	886,880
Revaluation adjustment	-	(32,556)	-	-	-	-	-	(32,556)
Revaluation Surplus	87,003	56,838	-	-	-	-	-	143,841
Additions at cost		5,129	-	68,665	18,784	8,272	-	100,850
Reclassification at cost	(30)	837	(837)	-	30	-	-	-
Disposals/written-off	-	-	(1,443)	(29,945)	(1,160)	(445)	(3,177)	(36,170)
As at 31 December 2022	228,173	237,596	38,274	323,095	151,935	77,552	6,220	1,062,845
22.2 In the course of construction (CWIP)								
As at 1 January 2021	-	86	13,175	9,646	104	171	-	23,182
Reclassification at cost	-	3,642	(12,468)	-	6,413	2,413	-	-
Additions at cost	-	14,291	1,602	23,926	2,276	5,484	943	48,522
Transfers at cost	-	(18,019)	(651)	(28,858)	(8,774)	(8,035)	(943)	(65,280)
As at 31 December 2021	-	-	1,658	4,714	19	33	-	6,424
Additions at cost	-	3,912	15,978	66,910	8,555	8,238	-	103,593
Transfers at cost	-	(6,572)	(0)	(68,665)	(18,784)	(8,272)	-	(102,293)
Reclassification at cost	-	2,660	(12,870)	-	10,210	-	-	-
As at 31 December 2022	-	-	4,766	2,959	-	(1)	-	7,724
Total cost/fair value 2021	141,200	207,348	42,212	289,089	134,300	69,758	9,397	893,304
Total cost/fair value 2022	228,173	237,596	43,040	326,054	151,935	77,551	6,220	1,070,569
22.3 Depreciation								
As at 1 January 2021	-	16,754	15,902	155,274	91,676	47,484	8,926	336,016
Depreciation charge for the year	-	8,063	1,495	21,898	11,959	7,522	743	51,680
Disposals/written-off	-	-	-	(14,909)	(232)	(203)	(2,369)	(17,713)
As at 31 December 2021	-	24,817	17,397	162,263	103,403	54,803	7,300	369,983
Revaluation adjustment	-	(32,556)	-	-	-	-	-	(32,556)
Depreciation charge for the year	-	8,524	1,418	22,519	11,831	7,893	740	52,925
Disposals/written-off	-	-	(1,443)	(25,331)	(1,055)	(356)	(2,609)	(30,794)
As at 31 December 2022	-	785	17,372	159,451	114,179	62,340	5,431	359,558
22.4 Net book value								
As at 31 December 2021	141,200	182,531	24,815	126,826	30,897	14,955	2,097	523,321
As at 31 December 2022	228,173	236,811	25,668	166,603	37,756	15,211	789	711,011

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22 Property, plant and equipment (Continued)

22.5 At 31 December 2022, property, plant and equipment included fully depreciated assets which are still in use, the cost of which amounted MVR 243,593,113 (2021: MVR 223,914,969).

22.6 There were no restrictions on the title of property, plant and equipment as at the statement of financial position date. Further, there were no items of property, plant and equipment pledged as securities against liabilities as at the statement of financial position date.

22.7 Information on valuation of freehold land and buildings of the Bank

The Bank applies the revaluation model for the entire class of freehold land and buildings for measurement after initial recognition. Freehold land and buildings of the Bank are revalued by independent professional valuers every five years or more frequently if the fair values are substantially different from carrying amounts, to ensure that the carrying amounts do not differ from the fair values as at the reporting date.

The Bank revalued its premises as at 28 December 2022 and the valuation was performed by G.H.A.P.K Fernando FRICS, Chartered Valuation Surveyor at the request of Faris & Co. LLP. The valuation was based on either of the depreciated replacement cost or the market comparable method. The following parameters were applied in arriving at fair value:

The main level 2 and 3 inputs used by the valuer are derived and evaluated as follows:

- Land - Price per square foot.
- Building - Construction rate for building.

22.8 Carrying amounts of freehold land and buildings if stated at cost

Land	**2022**	**2021**
Cost	58,731	58,731
Net book value	58,731	58,731

Buildings	**2022**	**2021**
Cost	116,525	116,525
Additions at cost	6,572	18,019
Accumulated depreciation	(33,999)	(66,133)
Net book value	89,098	68,411

22.9 Property, plant and equipment disposed during the year

	2022	**2021**
Sales proceeds	1,713	345
Cost	36,170	19,403
Accumulated depreciation	(30,794)	(17,713)
Net book value	5,376	1,690
Loss from disposal of property, plant and equipment	(3,663)	(1,345)

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23 Right-of-use assets

Buildings at cost	2022	2021
As at 1 January	202,367	197,856
Additions	2,263	24,330
Disposals/written-off	(471)	(19,819)
Terminated leases	10,561	-
As at 31 December	214,720	202,367
Depreciation and impairment		
As at 1 January	43,955	41,690
Depreciation charge for the year (Note 11)	13,674	12,791
Disposals/written-off	(423)	(10,526)
As at 31 December	57,206	43,955
Net book value		
As at 31 December	157,514	158,412

23.1 The Bank has elected not to revalue its asset class recognized under right-of-use assets.

24 Intangible assets

Computer software

Cost	2022	2021
As at 1 January	200,962	159,571
Transfer from CWIP	12,207	41,391
As at 31 December	213,169	200,962
In the course of construction (CWIP)		
As at 1 January	10,982	22,852
Additions at cost	14,729	29,521
Transfers at cost	(12,207)	(41,391)
As at 31 December	13,504	10,982
Total cost as at 31 December	226,673	211,944
Amortisation and impairment		
As at 1 January	117,024	103,787
Amortisation charge for the year (Note 11)	16,335	13,237
As at 31 December	133,359	117,024
Net book value		
As at 31 December	93,314	94,920

24.1 Amortisation method

Intangible assets represent acquisition of computer software from third parties and are amortised over the estimated useful life of 5 - 10 years on a straight line basis.

24.2 Intangible assets as at the reporting date include fully amortised assets amounting to MVR 45,764,104 (2021: MVR 36,937,031).

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(All amounts in MVR '000 unless otherwise stated)

25 Other assets

	2022	2021
Deposits and prepayments	307,404	217,483
Card receivables	286,296	276,968
Other receivables	78,660	305,445
Un-amortised cost on staff loans (Note 25.1)	30,427	35,125
	702,787	835,021
Less : Provision for other losses (Note 20)	(40,094)	(24,348)
	662,693	810,673

25.1 Unamortised cost on staff loans

The total income lost to the Bank as a result of offering loans to staff at rates below market rates is considered as a prepaid benefit to staff and is amortised over the life of the staff loan.

26 Due to customers

	2022	2021
Total amount due to customers	29,221,667	27,331,592
	29,221,667	27,331,592

26.1 Product wise analysis

	2022	2021
Demand deposits	17,350,557	16,082,075
Saving deposits	8,153,287	8,005,513
Time deposits	2,013,025	1,804,930
Wadi'ah deposits of BML Islamic	1,003,327	905,294
Saving deposits of BML Islamic	580,620	414,462
Time deposits of BML Islamic	57,867	25,812
Margins on letters of credit	44,969	74,960
Margins on bank guarantee	18,015	18,546
	29,221,667	27,331,592

26.2 Currency wise analysis

	2022	2021
Maldivian Rufiyaa	15,723,237	15,585,913
United States Dollar	13,383,753	11,589,568
Euro	114,677	156,016
Singapore Dollar	-	95
	29,221,667	27,331,592

27 Term debt and other borrowed funds

	2022	2021
Borrowings from Government of Maldives (Note 27.1):		
International Fund for Agricultural Development (IFAD) credit line	1,678	2,796
Asian Development Bank (ADB) credit line	9,939	14,080
Islamic Development Bank (IDB) credit line	15,108	22,266
Borrowings from commercial banks and other financial instituitions abroad (Note 27.2)	717,490	927,416
Borrowings from commercial banks - local	-	172,675
	744,215	1,139,233

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(All amounts in MVR '000 unless otherwise stated)

27.1 Borrowings from Government of Maldives

The Bank received funds from the above institutions through on-lending agreements with the Government of Maldives.

27.2 Borrowings from commercial banks and other financial institutions abroad

Borrowings from commercial banks and other financial institutions were obtained to support lending to customers with their working capital requirements, trade finance requirements as well as the SME's impacted by Covid-19. The Bank has pledged part of its United States Dollar (USD) loan book as security against two term borrowings from two international financial institutions at a loan to value ratio of 140%. The outstanding balance of these two borrowings were USD 31.75 million as at 31 December 2022. The remaining borrowings are free from Bank's assets pledged as securities.

27.3 Maturity of borrowings

	2022				
Lender	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Weighted average rate of interest	Currency
Borrowings under Government of Maldives:					
IFAD Credit Line	1,098	580	-	5.0%	SDR / USD
ADB Credit Line	4,119	2,440	3,380	3.0%	SDR / USD
IDB Credit Line	2,133	8,533	4,442	4.0%	MVR
Borrowings from commercial banks and other financial institutions abroad	543,095	174,395	-	USD 12 months LIBOR + (3.50%) or 8.0345%, 4.772% to 6.555%	USD
	550,445	185,948	7,822		

	2021				
Lender	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Weighted average rate of interest	Currency
Borrowings under Government of Maldives:					
IFAD Credit Line	1,149	1,647	-	5.0%	SDR / USD
EIB Credit Line	-	-	-	(LIBOR + 0.181%) + 0.5%	USD / EURO
ADB Credit Line	4,178	5,936	3,966	3.0%	SDR / USD
IDB Credit Line	3,285	10,427	8,554	4.0%	MVR
Borrowings from commercial banks and other financial institutions abroad	310,294	617,124	-	USD 6 months LIBOR + (4.00%) or 6% flat rate, 4.772% to 6.555%	USD
Borrowings from commercial banks local	172,673	-	-	3% - 3.20%	USD / MVR
	491,579	635,134	12,520		

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28 Lease liability

This note provides information for leases where the Bank is a lessee.	2022	2021
Balance as at 1 January	151,726	144,059
Contracts added during the year	2,263	24,330
Finance cost	12,769	12,239
Lease modifications during the year	789	-
Derecognition of contracts	(91)	(9,920)
Interest paid	(12,769)	(12,239)
Lease principle payments during the year	(7,156)	(6,743)
Balance as at 31 December	147,531	151,726

28.1 Incremental borrowing rate

The incremental borrowing rates used for calculating the lease liabilities as follows;

Leases up to the 5 years	USD denominates	7.50%
	MVR denominates	8.00%
Leases more than 5 years	USD denominates	8.00%
	MVR denominates	8.50%

29 Other liabilities

	2022	2021
Development funds	490,108	539,775
Sundry creditors	471,332	454,546
Dividend payables	127,065	59,855
Accrued expenses	48,092	20,968
Prepaid card accounts	36,084	25,100
Cashier's cheques	389	108
	1,173,070	1,100,352

Sundry creditors consist of cards & merchant payables amounting to MVR 265,990,532 (2021: MVR 349,655,223), personnel expenses payable MVR 47,783,047 (2021: MVR 61,507,314), provision for other claims of MVR 24,195,353 (2021: MVR 24,195,353) and miscellaneous payable amounting to MVR 11,471,710 (2021: MVR 19,188,110).

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30 Share capital

	No. of shares	Ordinary share capital	Share premium	Total share capital
As at 1 January 2022	5,381,920	269,096	93,000	362,096
As at 31 December 2022	5,381,920	269,096	93,000	362,096

The total authorized number of ordinary shares are 16,000,000 shares (2021: 16,000,000 shares) with a par value of MVR 50 per share (2021: MVR 50 per share).

Share premium is the amount received by the Bank over and above the face value of its shares issued.

31 Other reserves

	Statutory reserve	Assigned capital reserve	General reserve	Revaluation reserve	FVOCI reserve	Reserve for loan loss provision	Total
As at 1 January 2021	150,000	6,000	5,875,046	114,150	183,636	-	6,328,832
Transferred during the year 2021	-	-	247,858	(2,640)	(1,161)	-	244,057
As at 31 December 2021	150,000	6,000	6,122,904	111,510	182,475	-	6,572,889
Transferred during the year 2022	-	-	1,607,207	105,240	(7,099)	-	1,705,348
As at 31 December 2022	150,000	6,000	7,730,111	216,750	175,376	-	8,278,237

(a) Statutory reserve

The Bank complied with the requirement of the Banking Act of Maldives to maintain a minimum paid-up capital of not less than MVR 150 million.

(b) Assigned capital reserve

In accordance with the loan agreement entered into in 1995 between the Bank and the Government of Maldives on the Atolls Credit and Development Banking Project, an assigned capital reserve of MVR 6 million was created.

(c) General reserve

General reserve represents the amounts set aside from the Bank's profits to meet future (known or unknown) obligations. The general reserve may not be used to declare dividends.

(d) Revaluation reserve

Revaluation reserve represents the difference between the initial acquisition cost and fair value of land and buildings.

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Year ended 31 December 2022

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31 Other reserves (continued)

(e) FVOCI reserve

Net gains on re-measuring of FVOCI financial assets is recognised as a reserve to the statement of changes in equity.

(f) Reserve for loan loss provision

The excess of provision for loan losses as per MMA Prudential Regulation 2015/R-168 over the impairment provision loss as per IFRS 9 is maintained in a separate reserve in the statement of changes in equity. As of the date of statement of financial position, impairment provision as per IFRS 9 was higher than loan loss provision as per MMA Prudential Regulation 2015/R-168 and therefore the bank does not require to reserve for loan loss provisions as at the reporting date. The amount of reserve created earlier had been transferred to retained earnings.

31.1 Movement in reserve for loan loss provision

The movement in reserve for loan loss provision arises due to differences in impairment amounts provided between IFRS 9 and MMA provision base (MMA Prudential Regulation 2015/R-168: Regulation on Asset Classification, Provisioning and Suspension of Interest).

The reserve was established on 1 January 2015 and the movement in balances during the year is as follows.

Provision for impairment of loans and receivables	MMA	IFRS	Total
Balance at 1 January 2021	1,815,531	2,024,878	-
Impairment movement during 2021	(643,905)	(356,156)	-
As at 31 December 2021	1,171,626	1,668,722	-
Impairment movement during 2022	(468,549)	(299,713)	-
As at 31 December 2022	703,077	1,369,009	-

31.2 Movement in provision for loan losses as per MMA Prudential Regulation guidelines

	2022	2021
(i) Specific provision		
As at 1 January	870,122	1,333,623
Provision made during the year	186,654	192,593
Provision reversed during the year	(391,009)	(350,066)
Loans written-off during the year as uncollectible	(213,657)	(306,028)
As at 31 December	452,110	870,122
(ii) General provision		
As at 1 January	182,447	296,222
Provision made during the year	133,592	47,644
Provision reversed during the year	(100,376)	(161,419)
As at 31 December	215,663	182,447
Total provision	667,773	1,052,569

31.3 Movement in interest in suspense as per MMA Prudential Regulation guidelines

	2022	2021
As at 1 January	119,057	185,686
Amount suspended during the year	77,522	87,524
Amount reversed during the year	(28,683)	(3,215)
Loans written-off during the year as uncollectible	(132,592)	(150,938)
As at 31 December	35,304	119,057
Total provision and IIS	703,077	1,171,626

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31.4 Total equity

Total equity of the Bank as at 31 December 2022 was MVR 10,271,915,426 (2021: MVR 8,800,524,314).

32 Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured on an ongoing basis at either fair value or amortized cost. The summary of significant accounting policies in Note 3.7 describes how the classes of financial instruments are measured and how the related income and expenses, including fair value gains and losses, are recognised. The following table provides details of the carrying amount of financial assets and liabilities by category as defined in IFRS 9 Financial Instruments in the statement of financial position.

As at 31 December 2022

	Amortized cost	Fair value through other comprehensive income (FVOCI)	Total
Financial assets			
Cash and cash equivalents	4,506,026	-	4,506,026
Statutory deposit with Maldives Monetary Authority	3,687,890	-	3,687,890
Placements with banks	6,441,062	-	6,441,062
Loans and advances to customers	16,891,036	-	16,891,036
Financial assets at amortized cost	8,401,783	-	8,401,783
Financial assets at FVOCI	-	234,109	234,109
Other assets	571,037	-	571,037
Total financial assets	40,498,834	234,109	40,732,943
Financial liabilities			
Due to customers	29,221,667	-	29,221,667
Term debt and other borrowed funds	744,215	-	744,215
Lease liability	147,531	-	147,531
Other liabilities	1,160,669	-	1,160,669
Total financial liabilities	31,274,082	-	31,274,082

As at 31 December 2021

	Amortized cost	Fair value through other comprehensive income (FVOCI)	Total
Financial assets			
Cash and cash equivalents	5,546,920	-	5,546,920
Statutory deposit with Maldives Monetary Authority	2,971,388	-	2,971,388
Placements with banks	5,615,984	-	5,615,984
Loans and advances to customers	15,556,667	-	15,556,667
Financial assets at amortized cost	7,279,367	-	7,279,367
Financial assets at FVOCI	-	243,616	243,616
Other assets	726,817	-	726,817
Total financial assets	37,697,143	243,616	37,940,759
Financial liabilities			
Due to customers	27,331,592	-	27,331,592
Term debt and other borrowed funds	1,139,233	-	1,139,233
Lease liability	151,726	-	151,726
Other liabilities	1,064,862	-	1,064,862
Total financial liabilities	29,687,413	-	29,687,413

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33 Fair value of financial instruments

Financial instruments recorded at fair value

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

33.1 Financial assets at FVOCI

Financial assets at FVOCI consists of quoted and unquoted equity securities. Quoted equity securities are valued using quoted market prices in the active markets as at the reporting date. Unquoted shares are valued as explained in Note 21.

33.2 Determination of fair value and fair value hierarchy

Set out below is a comparison, by class, of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	4,506,026	4,506,026	5,546,920	5,546,920
Statutory deposit with Maldives Monetary Authority	3,687,890	3,687,890	2,971,388	2,971,388
Placements with banks	6,441,062	6,441,062	5,615,984	5,615,984
Loans and advances to customers	16,891,036	16,891,036	15,556,667	15,556,667
Financial assets at amortized cost	8,401,783	8,401,783	7,279,367	7,279,367
Financial assets at FVOCI	234,109	234,109	243,616	243,616
Other assets	571,037	571,037	726,817	726,817
Total financial assets	40,732,943	40,732,943	37,940,759	37,940,759
Financial liabilities				
Due to customers	29,221,667	29,221,667	27,331,592	27,331,592
Term debt and other borrowed funds	744,215	744,215	1,139,233	1,139,233
Lease liability	147,531	147,531	151,726	151,726
Other liabilities	1,160,669	1,160,669	1,064,862	1,064,862
Total financial liabilities	31,274,082	31,274,082	29,687,413	29,687,413

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33.2 Determination of fair value and fair value hierarchy

As at 31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	-	4,506,026	-	4,506,026
Statutory deposit with Maldives Monetary Authority	-	3,687,890	-	3,687,890
Placements with banks	-	6,441,062	-	6,441,062
Loans and advances to customers	-	-	16,891,036	16,891,036
Financial assets at amortized cost	-	8,401,783	-	8,401,783
Financial assets at FVOCI	233,403	706	-	234,109
Other assets	-	571,037	-	571,037
Total financial assets	233,403	23,608,504	16,891,036	40,732,943
Financial liabilities				
Due to customers	-	-	29,221,667	29,221,667
Term debt and other borrowed funds	-	-	744,215	744,215
Lease liability	-	147,531	-	147,531
Other liabilities	-	1,160,669	-	1,160,669
Total financial liabilities	-	1,308,200	29,965,882	31,274,082

As at 31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	-	5,546,920	-	5,546,920
Statutory deposit with Maldives Monetary Authority	-	2,971,388	-	2,971,388
Placements with banks	-	5,615,984	-	5,615,984
Loans and advances to customers	-	-	15,556,667	15,556,667
Financial assets at amortized cost	-	7,279,367	-	7,279,367
Financial assets at FVOCI	243,035	581	-	243,616
Other assets	-	726,817	-	726,817
Total financial assets	243,035	22,141,057	15,556,667	37,940,759
Financial liabilities				
Due to customers	-	-	27,331,592	27,331,592
Term debt and other borrowed funds	-	-	1,139,233	1,139,233
Lease liability	-	151,726	-	151,726
Other liabilities	-	1,064,862	-	1,064,862
Total financial liabilities	-	1,216,588	28,470,825	29,687,413

33.3 Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity and unquoted shares. The fair value of fixed rate financial assets (eg: loans and advances) are estimated based on discounted cashflow approach. The carrying amount of such assets approximate fair value since the loans are given at the current market interest rates.

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33.4 Information on valuation of freehold land and buildings of the Bank

Location	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain / (loss) recognised on	
		Land	Building	Land	Building	Land	Building
Head office Building		36,960	33,630	41,580	45,900	4,620	12,270
• Price per square foot for land	MVR 13,500 p.sq.ft						
• Price per square foot for building	MVR 21,600 p.sq.ft						
Lh. Naifaru Branch		1,480	2,165	3,947	6,162	2,467	3,997
• Price per square foot for land	MVR 800 p.sq.ft						
• Price per square foot for building	MVR 1,800 p.sq.ft						
Hdh. Kulhudhuffushi Branch		3,482	5,586	8,996	11,613	5,514	6,027
• Price per square foot for land	MVR 775 p.sq.ft						
• Price per square foot for building	MVR 1,900 p.sq.ft						
Adh. Mahibadhoo Branch		-	4,321	1,500	5,823	1,500	1,502
• Price per square foot for land	MVR 800 p.sq.ft						
• Price per square foot for building	MVR 1,750 p.sq.ft						
K. Vilimale Branch		8,718	7,451	9,445	24,098	727	16,646
• Price per square foot for land	MVR 3,250 p.sq.ft						
• Price per square foot for building	MVR 2,250 p.sq.ft						
Orchidmaage Building - lease		-	60,767	-	66,822	-	6,055
• Price per square foot for building	MVR 2,500 p.sq.ft						
S. Gan Branch		2,250	2,514	4,627	3,597	2,377	1,084
• Price per square foot for land	MVR 650 p.sq.ft						
• Price per square foot for building	MVR 1,650 p.sq.ft						
L. Fonadhoo Branch		2,694	1,661	5,837	2,049	3,143	388
• Price per square foot for land	MVR 650 p.sq.ft						
• Price per square foot for building	MVR 1,700 p.sq.ft						
S. Hithadhoo Branch		3,144	4,462	6,813	4,224	3,668	(238)
• Price per square foot for land	MVR 650 p.sq.ft						
• Price per square foot for building	MVR 1,650 p.sq.ft						
M. Muli Branch		1,593	2,194	3,585	1,989	1,992	(206)
• Price per square foot for land	MVR 675 p.sq.ft						
• Price per square foot for building	MVR 1,650 p.sq.ft						
Gdh. Thinadhoo Branch		2,400	4,016	3,600	3,924	1,200	(92)
• Price per square foot for land	MVR 450 p.sq.ft						
• Price per square foot for building	MVR 1,800 p.sq.ft						

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33.4 Information on valuation of freehold land and buildings of the Bank (continued)

Location	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain / (loss) recognised on	
		Land	Building	Land	Building	Land	Building
Fuvahmulah Branch		1,817	3,986	2,423	4,261	606	276
• Price per square foot for land	MVR 400 p.sq.ft						
• Price per square foot for building	MVR 1,850 p.sq.ft						
Ga. Villingili Branch		3,000	4,159	4,500	3,924	1,500	(234)
• Price per square foot for land	MVR 450 p.sq.ft						
• Price per square foot for building	MVR 1,800 p.sq.ft						
Ha. Dhihdhoo Branch		1,705	2,924	2,700	4,166	995	1,242
• Price per square foot for land	MVR 475 p.sq.ft						
• Price per square foot for building	MVR 1,750 p.sq.ft						
S. Hulhumeedhoo Branch		3,000	4,293	6,500	3,801	3,500	(492)
• Price per square foot for land	MVR 650 p.sq.ft						
• Price per square foot for building	MVR 1,650 p.sq.ft						
N. Manadhoo Branch		3,658	2,428	8,230	6,102	4,572	3,675
• Price per square foot for land	MVR 675 p.sq.ft						
• Price per square foot for building	MVR 1,650 p.sq.ft						
F. Nilandhoo Branch		2,275	1,736	5,119	2,440	2,844	705
• Price per square foot for land	MVR 675 p.sq.ft						
• Price per square foot for building	MVR 1,700 p.sq.ft						
V. Felidhoo Branch		1,085	1,202	2,532	1,217	1,447	14
• Price per square foot for land	MVR 700 p.sq.ft						
• Price per square foot for building	MVR 1,600 p.sq.ft						
N. Holhudhoo Branch		481	1,112	1,202	1,292	721	180
• Price per square foot for land	MVR 750 p.sq.ft						
• Price per square foot for building	MVR 1,600 p.sq.ft						
N. Velidhoo Branch		140	673	351	674	211	1
• Price per square foot for land	MVR 750 p.sq.ft						
• Price per square foot for building	MVR 1,600 p.sq.ft						
Ha. Ihavandhoo Branch		900	1,042	1,350	1,413	450	371
• Price per square foot for land	MVR 450 p.sq.ft						
• Price per square foot for building	MVR 1,750 p.sq.ft						

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33.4 Information on valuation of freehold land and buildings of the Bank (continued)

Location	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain / (loss) recognised on	
		Land	Building	Land	Building	Land	Building
L. Gan Branch		-	660	372	689	372	28
• Price per square foot for land	MVR 650 p.sq.ft						
• Price per square foot for building	MVR 1,700 p.sq.ft						
Th. Guraidhoo Branch		609	668	1,319	1,584	710	915
• Price per square foot for land	MVR 650 p.sq.ft						
• Price per square foot for building	MVR 1,700 p.sq.ft						
Ha. Hoarafushi Branch		491	975	243	851	(248)	(125)
• Price per square foot for land	MVR 450 p.sq.ft						
• Price per square foot for building	MVR 1,750 p.sq.ft						
Th. Veymandoo Branch		-	528	2,775	3,039	2,775	2,511
• Price per square foot for land	MVR 650 p.sq.ft						
• Price per square foot for building	MVR 1,700 p.sq.ft						
Sh. Funadhoo Branch		-	2,814	1,750	4,272	1,750	1,458
• Price per square foot for land	MVR 500 p.sq.ft						
• Price per square foot for building	MVR 1,700 p.sq.ft						
R. Meedhoo Branch		-	865	1,523	1,372	1,523	508
• Price per square foot for land	MVR 800 p.sq.ft						
• Price per square foot for building	MVR 1,700 p.sq.ft						
R. Ungoofaaru Branch		-	2,580	3,200	4,141	3,200	1,561
• Price per square foot for land	MVR 800 p.sq.ft						
• Price per square foot for building	MVR 1,700 p.sq.ft						
K. Kashidhoo Branch		-	1,030	1,020	1,816	1,020	787
• Price per square foot for land	MVR 850 p.sq.ft						
• Price per square foot for building	MVR 2,250 p.sq.ft						
Gdh. Gadhdhoo Branch		-	958	1,834	1,453	1,834	495
• Price per square foot for land	MVR 450 p.sq.ft						
• Price per square foot for building	MVR 1,800 p.sq.ft						
B. Eydhafushi Branch		-	3,602	3,059	3,808	3,059	205
• Price per square foot for land	MVR 800 p.sq.ft						
• Price per square foot for building	MVR 1,650 p.sq.ft						

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33.4 Information on valuation of freehold land and buildings of the Bank (continued)

Location	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain / (loss) recognised on	
		Land	Building	Land	Building	Land	Building
Lh. Hinnavaru ATM Booth		90	408	240	288	150	(120)
• Price per square foot for land	MVR 800 p.sq.ft						
• Price per square foot for building	MVR 1,600 p.sq.ft						
Ga. Kolamafushi ATM Booth		315	224	473	288	158	64
• Price per square foot for land	MVR 450 p.sq.ft						
• Price per square foot for building	MVR 1,600 p.sq.ft						
Ga. Gemanafushi ATM Booth		90	405	135	288	45	(117)
• Price per square foot for land	MVR 450 p.sq.ft						
• Price per square foot for building	MVR 1,600 p.sq.ft						
Gdh. Faresmaathoda ATM Booth		90	452	135	288	45	(164)
• Price per square foot for land	MVR 450 p.sq.ft						
• Price per square foot for building	MVR 1,600 p.sq.ft						
Th. Thimarafushi ATM Booth		-	497	780	285	780	(212)
• Price per square foot for land	MVR 650 p.sq.ft						
• Price per square foot for building	MVR 1,500 p.sq.ft						
Sh. Komandoo ATM Booth		-	554	450	294	450	(260)
• Price per square foot for land	MVR 500 p.sq.ft						
• Price per square foot for building	MVR 1,500 p.sq.ft						
Sh. Maaungoodhoo ATM Booth		-	521	600	294	600	(227)
• Price per square foot for land	MVR 500 p.sq.ft						
• Price per square foot for building	MVR 1,500 p.sq.ft						
Sh. Milandhoo ATM Booth		-	117	143	386	143	269
• Price per square foot for land	MVR 500 p.sq.ft						
• Price per square foot for building	MVR 1,500 p.sq.ft						
R. Alifushi ATM Booth		-	652	720	285	720	(367)
• Price per square foot for land	MVR 800 p.sq.ft						
• Price per square foot for building	MVR 1,500 p.sq.ft						
R. Dhuvaafaru ATM Booth		-	51	108	183	108	132
• Price per square foot for land	MVR 800 p.sq.ft						
• Price per square foot for building	MVR 1,500 p.sq.ft						

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(All amounts in MVR '000 unless otherwise stated)

33.4 Information on valuation of freehold land and buildings of the Bank (continued)

Location	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain / (loss) recognised on	
		Land	Building	Land	Building	Land	Building
N. Kendikulhudhoo ATM Booth		-	520	600	285	600	(235)
• Price per square foot for land	MVR 500 p.sq.ft						
• Price per square foot for building	MVR 1,500 p.sq.ft						
Lh. Kurendhoo ATM Booth		-	720	827	320	827	(400)
• Price per square foot for land	MVR 800 p.sq.ft						
• Price per square foot for building	MVR 1,600 p.sq.ft						
L. Maavah ATM Booth		-	95	1,633	285	1,633	190
• Price per square foot for land	MVR 650 p.sq.ft						
• Price per square foot for building	MVR 1,500 p.sq.ft						
K. Dhiffushi ATM Booth		-	531	1,020	392	1,020	(139)
• Price per square foot for land	MVR 850 p.sq.ft						
• Price per square foot for building	MVR 2,000 p.sq.ft						
K. Himmafushi ATM Booth		-	531	1,020	392	1,020	(139)
• Price per square foot for land	MVR 850 p.sq.ft						
• Price per square foot for building	MVR 2,000 p.sq.ft						
Hdh. Makunudhoo ATM Booth		-	562	1,077	333	1,077	(229)
• Price per square foot for land	MVR 700 p.sq.ft						
• Price per square foot for building	MVR 1,700 p.sq.ft						
K. Guraidhoo ATM Booth		-	504	829	392	829	(112)
• Price per square foot for land	MVR 850 p.sq.ft						
• Price per square foot for building	MVR 2,000 p.sq.ft						
Ha. Baarah ATM Booth		-	573	428	285	428	(288)
• Price per square foot for land	MVR 475 p.sq.ft						
• Price per square foot for building	MVR 1,500 p.sq.ft						
Ha. Kelaa ATM Booth		-	463	428	285	428	(178)
• Price per square foot for land	MVR 475 p.sq.ft						
• Price per square foot for building	MVR 1,500 p.sq.ft						
Gdh. Dhaandhoo ATM Booth		-	64	405	304	405	240
• Price per square foot for land	MVR 450 p.sq.ft						
• Price per square foot for building	MVR 1,600 p.sq.ft						

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(All amounts in MVR '000 unless otherwise stated)

33.4 Information on valuation of freehold land and buildings of the Bank (continued)

Location	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain / (loss) recognised on	
		Land	Building	Land	Building	Land	Building
K. Thulusdhoo ATM Booth		-	437	1,700	380	1,700	(57)
• Price per square foot for land	MVR 850 p.sq.ft						
• Price per square foot for building	MVR 2,000 p.sq.ft						
Ga. Dhevvadhoo ATM Booth		-	512	540	314	540	(198)
• Price per square foot for land	MVR 450 p.sq.ft						
• Price per square foot for building	MVR 1,600 p.sq.ft						
Ga. Maamendhoo ATM Booth		-	502	405	304	405	(198)
• Price per square foot for land	MVR 450 p.sq.ft						
• Price per square foot for building	MVR 1,600 p.sq.ft						
Ga. Nilandhoo ATM Booth		-	360	405	304	405	(56)
• Price per square foot for land	MVR 450 p.sq.ft						
• Price per square foot for building	MVR 1,600 p.sq.ft						
B. Thulhaadhoo ATM Booth		-	116	720	276	720	159
• Price per square foot for land	MVR 800 p.sq.ft						
• Price per square foot for building	MVR 1,450 p.sq.ft						
Adh. Dhangethi ATM Booth		-	478	1,346	304	1,346	(174)
• Price per square foot for land	MVR 750 p.sq.ft						
• Price per square foot for building	MVR 1,550 p.sq.ft						
Adh. Dhigurah ATM Booth		-	639	675	304	675	(335)
• Price per square foot for land	MVR 750 p.sq.ft						
• Price per square foot for building	MVR 1,550 p.sq.ft						
AA. Thoddoo ATM Booth		-	269	585	285	585	16
• Price per square foot for land	MVR 650 p.sq.ft						
• Price per square foot for building	MVR 1,500 p.sq.ft						
AA. Ukulhas ATM Booth		-	531	1,000	285	1,000	(246)
• Price per square foot for land	MVR 650 p.sq.ft						
• Price per square foot for building	MVR 1,500 p.sq.ft						
R. Maduvvari ATM Booth		-	527	720	300	720	(227)
• Price per square foot for land	MVR 800 p.sq.ft						
• Price per square foot for building	MVR 1,500 p.sq.ft						

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NOTES TO THE FINANCIAL STATEMENTS

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(All amounts in MVR '000 unless otherwise stated)

33.4 Information on valuation of freehold land and buildings of the Bank (continued)

Location	Range of estimates for unobservable inputs	Net book value before revaluation of		Revalued amount of		Revaluation gain / (loss) recognised on	
		Land	Building	Land	Building	Land	Building
Gdh. Vaadhoo ATM Booth		-	536	405	320	405	(216)
• Price per square foot for land	MVR 450 p.sq.ft						
• Price per square foot for building	MVR 1,600 p.sq.ft						
L. Maamendhoo ATM Booth		-	497	780	300	780	(197)
• Price per square foot for land	MVR 650 p.sq.ft						
• Price per square foot for building	MVR 1,500 p.sq.ft						
Ha. Vashafaru ATM Booth		-	581	428	300	428	(281)
• Price per square foot for land	MVR 475 p.sq.ft						
• Price per square foot for building	MVR 1,500 p.sq.ft						
Ha. Filladhoo ATM Booth		-	363	428	300	428	(63)
• Price per square foot for land	MVR 475 p.sq.ft						
• Price per square foot for building	MVR 1,500 p.sq.ft						
Th. Hirilandhoo ATM Booth		-	608	768	300	768	(308)
• Price per square foot for land	MVR 650 p.sq.ft						
• Price per square foot for building	MVR 1,500 p.sq.ft						
Hulhumale Land		58,701	-	63,290	-	4,589	-
• Price per square foot for land	MVR 4,000 p.sq.ft						
		141,170	**182,404**	**228,173**	**239,241**	**87,003**	**56,838**

The above valuations were derived using the market comparable method (price per square foot).

Valuation technique	Significant unobservable valuation inputs (ranges of each property are given in the table above)	Sensitivity of the fair value measurement to inputs
Market comparable method This method considers the selling price of similar property within a reasonable period of time in determining the fair value of the property being revalued. This involves the evaluation of recent active market price of similar assets, making appropriate adjustments for differences in size, nature, location and conditions of the specific property. In this process outlier transaction indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	**Land** Price per square foot.	Estimated fair value would increase/ (decrease) if; Price per square foot for land would increase/(decrease).
	Building Price per square foot.	Estimated fair value would increase/ (decrease) if; Price per square foot for building would increase/(decrease). Depreciation rate for building would (decrease)/increase.

34 Risk management

34.1 Introduction

Risk management is an ongoing process of identification, measurement and monitoring, and is subject to risk limits and internal controls as outlined in the Bank's risk appetite statement. The Bank's most significant risk exposures are considered to be in the areas of credit risk, market risk, operational risk and liquidity risk. The impact of other risks such as reputational risk, compliance risk and legal risk are also monitored carefully along with external risks such as changes in the political, regulatory and economic environment.

The bank has developed a comprehensive risk governance framework to oversee its risk environment. The Bank is exposed to negligible market risk. Cyber risk, legal risk, reputation risk, compliance risk and fraud risk are all monitored by specialized resources within the Bank and reported to Risk Committees and the Board on a regular basis.

34.2 Risk management objectives, policies and processes

The primary objective of risk management is to forecast and assess uncertainty of the future in order to make the best possible decision in the present, in order to protect the Bank's stability and financial strength. The Bank's risk management policies are established to identify and analyze risks facing the Bank, to set appropriate risk limits and controls and to monitor adherence to these limits and controls. All risk management policies are reviewed regularly to address and reflect, changes in market conditions, portfolio of products and services offered by the Bank as well as prevailing regulatory requirements.

The measurement of financial instruments is done in accordance with IFRS 9: Financial Instruments for asset classification and provisioning, with appropriate assessment of expectation of future cash flows. The most appropriate methods of ascertaining the risk of such instruments is done by way of assessing the future settlement plan. Early identification of any issues is essential to address the challenges of the environment and to determine the future cash flows of the Bank. Having identified the categories of the measurements, the Bank implemented mitigating controls for enhanced portfolio management. Separate management methods were introduced for collateral, risk rating, and cash flow attached to each instrument. Stringent measures were introduced for products which requiring close monitoring.

34.3 Risk management structure

Overall responsibility for risk management in the Bank lies with the Board of Directors. The Bank has in place appropriate policies which define its risk appetite and risk management framework, including the responsibilities of senior management in implementing these policies. Committees at both Board and Management levels ensure appropriate risk governance is embedded in the organization's structure. The Bank's governance model is structured according to the principles of three lines of defense which separates the Bank's control functions (Risk management, compliance and internal audit) from its risk-taking functions and risk owners.

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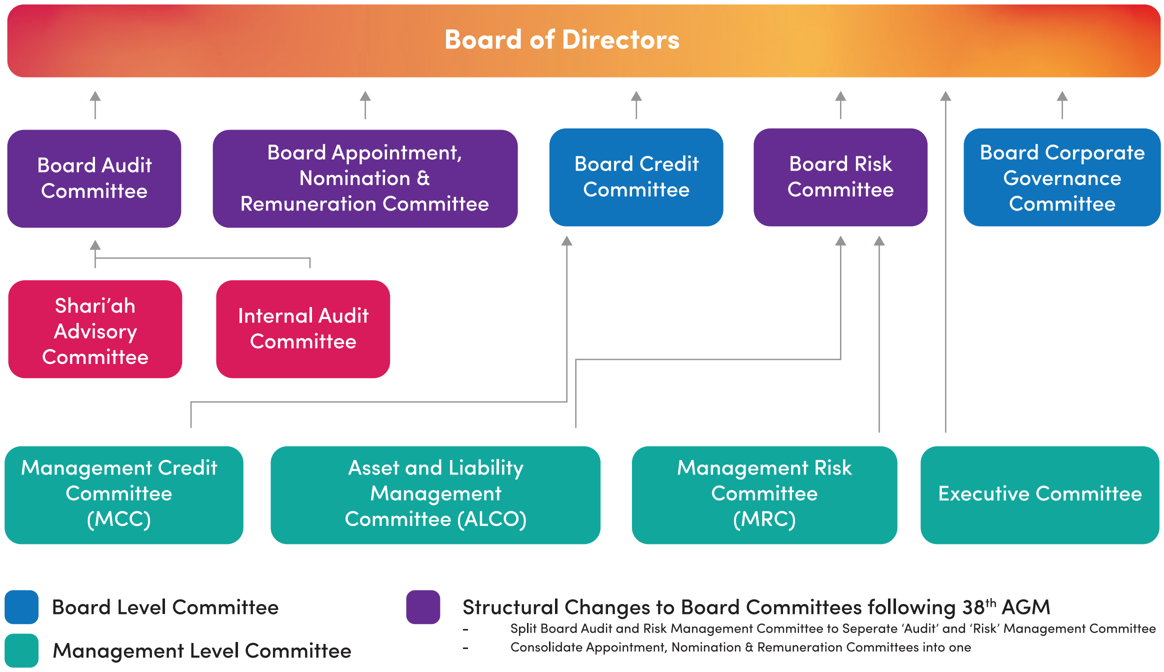
(All amounts in MVR '000 unless otherwise stated)

34.3 Risk management structure (Continued)



34.3.1 Board Risk Committee (BRC)

Board Risk Committee reviews the Bank's risk strategy, risk tolerance and risk appetite which the Board of Directors considers acceptable, keeping in mind current and potential future risks and operating environment. In addition, examine the adequacy and effectiveness of Bank's risk management framework, which cover principles, policies, guidelines, instructions, methodologies, systems, processes, procedures and people. The Committee also oversee risk culture of the Bank, and review the Bank's reputation, non-financial risks and business continuity plans.

34.3.2 Board Audit Committee (BAC)

Board Audit Committee reviews the integrity of the Bank's financial statements and financial reporting process and its systems of internal accounting and financial controls. In addition, oversees Bank's Compliance with legal and regulatory requirements, reviews the engagement of the external auditors and the evaluation of their independence, objectivity and performance of the external auditors. The Chief internal auditor reports directly to the Committee.

34.3.3 Board Credit Committee (BCC)

The Board of Directors has delegated the responsibility for the oversight of credit risk to the Board Credit Committee up to a specific level and the Committee's responsibilities include reviewing and approving credit proposals in line with the Bank's Delegation of Authority Policy.

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34.3.4 Corporate Governance Committee (CGC)

The Corporate Governance Committee assists the Board in establishing the Bank as a recognized leader in Corporate Governance, advice on Governance principles and compose a diverse and skilled Board. The Committee reviews the Bank's Articles of Association and monitors effectiveness of the Board operations, performance and governance policies.

34.3.5 Executive Committee (EXCO)

Executive Committee is responsible for overall management and operation of the the Bank. Review of weekly MIS from each business area as well as monthly financial statements and data including key risk indicators. Execute strategies and monitor performance with the Bank's strategic plan.

34.3.6 Management Risk Committee (MRC)

The Management Risk Committee is established to ensure the Bank's risk management framework is robust and well-functioning. The Committee reviews the risk environment and the Bank's performance against the full spectrum of risks faced in its activities, determining appropriate preventive and mitigating actions where necessary. The Committee is responsible for ensuring that risk management strategies, policies, systems and plans are in place in line with the Committee's objectives and responsibilities.

34.3.7 Asset and Liability Management Committee (ALCO)

The Asset and Liability Management Committee (ALCO) is responsible for the sound management of Asset Liability Management (ALM) by monitoring and managing the liquidity, interest rate and foreign exchange risk as well as ensuring that adequate liquidity is maintained to manage the expected and unexpected fluctuations in the assets and liabilities of the Bank.

34.3.8 Management Credit Committee (MCC)

Management Credit Committee is the credit approving Committee with responsibilities delegated upto a specific level and the Committee's responsibilities include reviewing and approving credit proposals in line with the Bank's Delegation of Authority Policy. Further the Committee ensures that the Bank's loan portfolio and credit risk profile are in compliance with the Bank's Credit Policy.

34.3.9 Operational Risk Committee (ORC)

The Operational Risk Committee (ORC) is established to ensure Bank's overall operational risk management standards are robust and well-functioning. The Committee acts as a forum for discussion on efficient and effective management of Bank's operational risks, and determining appropriate preventive and mitigating actions where necessary.

34.4 Credit risk

Credit risk is the risk of financial loss due to the failure of a customer or a counterparty to meet their contractual obligations. Credit risk arises mainly from interbank, commercial loans, consumer loans, advances, and loan commitments arising from such lending activities but can also arise from credit enhancement provided, such as through financial guarantees, letters of credit, endorsements, and acceptances.

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(All amounts in MVR '000 unless otherwise stated)

34.4.1 Management of credit risk

The effective management of credit risk is a critical component of the Bank's comprehensive approach to its overall risk management and is fundamental to the safety and soundness of the Bank. The goal of credit risk management is to maximize the Bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The Bank manages the credit risk inherent in the entire loan portfolio as well as the risk in individual credits and transactions. The Bank has a well-defined Credit Policy which has been approved by the Board of Directors and which sets out the credit appetite of the Bank. The policy is supported by detailed credit guidelines and procedures.

The Bank's credit risk management process broadly encompasses the following;

(a) Loan origination and risk appraisal comprising initial screening and credit appraisal are conducted for all loan proposals.

(b) Clear guidelines and policies have been established for loan approvals within delegated credit approval authorities.

(c) Credit administration and disbursement is performed by the Loan Service Unit (for retail loans) and Corporate Banking Division (for corporate loans). These units are responsible for ensuring that the origination and disbursement of credit is made only after stipulated conditions have been met and relevant security documents obtained in order to protect the Bank's rights as lender.

(d) Timely portfolio reviews are performed pertaining to inherent and evolving risk. Additionally, responsibilities for monitoring and tracking any early warning signals pertaining to a deterioration in the financial health of borrowers have been assigned to the respective business units who are also responsible for identifying and managing any customers who need special attention or close monitoring.

(e) Non-performing loans and receivables are managed by the Recoveries Unit. This unit's responsibilities include restructuring of the credit, monitoring the value of the applicable collateral and liaising with the customer until all legal recovery matters are finalized.

The Bank's credit risk management process is articulated in the relevant lending policies, which are approved by the Board of Directors. These policies lay down the conditions and guidelines for the granting, maintenance, monitoring and management of credit at both individual transaction and portfolio levels. These policies are consistent with prudent practices and with relevant regulatory requirements. Limits have been prescribed for the Bank's exposure to any single borrower, group of specific borrowers and specific industries/sectors in order to avoid concentration of credit risk.

A well structured loan review mechanism is in place and a comprehensive review is carried out on a quarterly basis for individually significant loans. Customers that require special attention are identified and more frequent updates are carried out for "Watch List" exposures.

The Bank's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. However, current standards require the Bank to undertake a quarterly review of all accounts.

34.4.2 Credit risk measurement

Loans and advances (including loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9. Refer to Note 34.4.3 for more details.

(All amounts in MVR '000 unless otherwise stated)

34.4.3 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below;

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Refer to Note 34.4.3.1 for a description of how the Bank determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Refer to Note 34.4.3.2 for a description of how the Bank defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to Note 34.4.3.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 34.4.3.4 includes an explanation of how the Bank has incorporated this in its ECL models.

Further explanation is also provided of how the Bank determines appropriate groupings when ECL is measured on a collective basis (refer to Note 34.4.3.5).

The following diagram summarises the impairment requirements under IFRS 9:

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard are discussed below.

34.4.3.1 Significant increase in credit risk (SICR)

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 cost or effort. This includes both quantitative and qualititave information analysis, based on the Bank's historical experience and expert credit assessment and including forward looking information.

The Bank considers and exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 days past due in accordance with the rebuttable presumption in IFRS 9.

34.4.3.1 Significant increase in credit risk (SICR) (Continued)

The Bank individually reviews at each reporting date, loans and advances above the predefined threshold to identify whether the credit risk has increased significantly since origination before exposure is in default, such indicators include;

Qualitative criteria

For retail portfolios, if the borrower meets one or more of the following criteria:

- Extension to the terms granted.
- Previous arrears within the last 12 months.

For corporate, business and investment portfolios, if the borrower is on the watch list and/or the instrument meets one or more of the following criteria:

- Significant increase in credit spread.
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates.
- Actual or expected forbearance or restructuring.
- Actual or expected significant adverse change in operating results of the borrower.
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default.
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors and loans.

The assessment of SICR incorporates forward-looking information (refer to Note 34.4.3.4 for further information) and is performed on a quarterly basis at a portfolio level for all retail financial instruments held by the Bank. In relation to corporate and investment financial instruments, where a watch list is used to monitor credit risk, this assessment is performed at the counterparty level and on a quarterly basis. The criteria used to identify SICR are monitored and reviewed annually for appropriateness by the Bank.

The Bank has not used the low credit risk exemption for any financial instrument in the year ended 31 December 2022.

34.4.3.2 Definition of default and credit-impaired assets

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria;

Quantitative criteria

- The borrower is past due for 90 days or more on its contractual payments.
- Provision percentage as per MMA Prudential Guidelines has reached 25% or more against the financial instrument.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance.
- The borrower is deceased.
- The borrower is insolvent.
- The borrower is in breach of financial covenant(s).
- An active market for that financial asset has disappeared because of financial difficulties.
- Concessions have been made by the lender relating to the borrower’s financial difficulty.
- It is becoming probable that the borrower will enter bankruptcy.

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Bank’s Expected Credit Loss (ECL) calculations.

(All amounts in MVR '000 unless otherwise stated)

34.4.3.2 Definition of default and credit-impaired assets (Continued)

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

34.4.3.3 Measuring ECL – Explanation of inputs, assumptions and estimation techniques

Probability of Default (PD) estimation process

PD is the estimate of the likelihood of default over a given time horizon. A default may only happen at a time horizon if the facility has not been previously derecognised and is still in the portfolio.

12 Months PD

This is the estimated PD occurring within the next 12 months. The 12 months PD is applied for the current and 1-30 days buckets since there is no significant deterioration in credit risk.

Ageing bucket	PD
Current	12 Months PD
1- 30 Days	12 Months PD

Lifetime PD

This is the estimated probability of default occurring over the remaining life of the financial instrument.

The lifetime PD is applied for the 31-60 days and 61-90 days buckets since there is a significant deterioration in credit risk.

Ageing bucket	PD
31 – 60 Days	Lifetime PD
61 – 90 Days	Lifetime PD

The PD for the above 90 days category is 100% since there is objective evidence of impairment as the default has occurred.

Ageing bucket	PD
Above 90 Days	100% PD

Exposure at Default (EAD)

The Exposure at Default represents the expected exposure in the event of a default. The bank estimates EAD taking into account the repayment of principal and interest from the reporting date to the default event together with any expected drawdowns of committed facilities. To calculate EAD for a stage 1 loan the Bank assesses the possible default events within 12 months. To calculate EAD of all other loans, default events over the lifetime of the financial instruments are considered.

Credit cards and revolving facilities

The Bank's product offering includes a veriety of corporate and retail overdraft and credit card facilities. The Bank reviews the sanction limits at least annualy and therefore has the right to cancel or reduce the limits. Therefore, the bank calculates only the 12 month ECL (12m ECL) allowance on these facilities. The EAD is arrived by taking the maximum of either sanction limit adjusted for credit conversion factor (CCF) and the gross carrying amount which is the utilised amount since it is assumed that the Bank freeze the limits of those contracts up to the utilised amount. The expected 12 month default probabilities are applied to EAD and multiplied by the expected LGD and discounted by and approximation to the original EIR.

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34.4.3.3 Loss Given at Default (LGD)

LGD is the magnitude of likely loss on exposure, and is expressed as a percentage of exposure. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g. product type, wider range of collateral types) as well as borrower characteristics.

For each year, closed contracts which have crossed above 90 days at least once in their lifetime are considered. LGD will factor in all cash flows subsequent to the point of default until the full settlement of the loan.

Grouping financial assets measured on a collective basis

The Bank calculates ECL either on a collective or an individual basis.

An individual impairment assessment is performed for exposures over the Individually Significant threshold of MVR 30 million based on amortised cost amount for entire customers in which there is objective evidence of expected loss based on the current status of the customer, i.e. based on whether the customer is performing, non-performing, rescheduled or internal downgrades.

Exposures that are assessed for individual impairment and for which an impairment provision has been recognised are not included in the collective assessment of impairment. If it is determined that no objective evidence of expected loss exists for an individually assessed exposure, or assessed for objective evidence and there is no requirement for individual impairment, whether significant or not, this is included in a group of exposures with similar credit risk characteristics that are collectively assessed for impairment under the relevant bucket.

A collective assessment is performed for exposures as follows;

- Exposures that have not been individually assessed i.e.falling below the individually significant threshold.
- Exposures that have been assessed for Objective Evidence of indicators of increase in Credit Risk and Incurred Loss and were found to have no such evidence/ indicators.
- Exposures that have been individually assessed and were found not to be impaired on an individual basis based on the cash flow estimation.

The Bank groups these exposures in to homogeneous portfolios to the extent possible so as to ensure that data points are available for meaningful calculations.

When estimating ECL on a collective basis for a group of similar assets, the Bank also applies the following in the categorisation of credit facilities/ exposures into stages for computation of expected credit losses.

Stage 1

All accounts which have not shown any sign of deterioration since origination. All accounts which have been identified as Low Credit Risk (LCR) (under low credit risk expedient) shall be classified as Stage 1. The Bank computes ECL based on the delinquency method where all facilities which are less than or equal to 30 days past due are considered under Stage 1. 12 months ECL shall be calculated for stage 1 facilities.

Stage 2

All accounts which have shown a significant deterioration in credit quality since origination. Lifetime losses are computed for all accounts classified as Stage 2. The Bank computes ECL based on the delinquency method where all facilities which are more than 30 days past due up to 90 days past due are considered under Stage 2.

Stage 3

All impaired assets (purchased impaired and originally credit impaired assets). Lifetime losses are computed for all accounts classified as Stage 3. The Bank computes ECL based on the delinquency method.

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34.4.3.4 Forward-looking information incorporated in the ECL model (continued)

Incorporation of Forward Looking information

The economic scenarios used as at December 31, 2022 included the following key indicators for Maldives for the years ending December 31, 2023 to 2027.

		2023	2024	2025	2026	2027
GDP growth rate	Base	7.51%	8.09%	7.81%	7.59%	7.42%
	Upside	11.30%	15.18%	17.50%	20.05%	22.81%
	Downside	6.37%	4.91%	4.11%	3.43%	2.86%
Interest rate	Base	11.63%	11.59%	11.61%	11.63%	11.66%
	Upside	11.55%	11.45%	11.39%	11.33%	11.28%
	Downside	11.79%	11.84%	11.96%	12.07%	12.19%
Exchange rate	Base	15.42	15.42	15.42	15.42	15.42
	Upside	15.42	15.42	15.42	15.42	15.42
	Downside	15.42	15.42	15.42	15.42	15.42
Inflation	Base	3.32%	3.26%	3.21%	3.16%	3.10%
	Upside	3.29%	3.22%	3.18%	3.14%	3.08%
	Downside	3.46%	3.49%	3.58%	3.66%	3.75%
Unemployment	Base	6.05%	6.13%	6.15%	5.99%	6.19%
	Upside	6.04%	6.01%	6.00%	4.93%	5.97%
	Downside	6.10%	6.11%	6.14%	6.17%	6.20%

Sensitivity of impairment provision on loans and advances to other customers

		Investments	Loan	Credit cards	LCs	Ods	Loan commitment	Total
Economic Factor Adjustment	+5%	259,283	1,316,404	29,110	10,494	4,237	27,717	1,647,246
Economic Factor Adjustment	-5%	234,595	1,284,577	27,073	9,495	3,834	25,078	1,584,651
Probability of Default	+5%	247,026	1,316,218	29,110	10,725	4,386	26,402	1,633,867
Probability of Default	-5%	234,533	1,284,598	27,073	9,824	3,968	25,078	1,585,074
Loss Given Default	+5%	259,221	1,333,288	28,091	10,858	4,386	27,717	1,663,561
Loss Given Default	-5%	234,533	1,267,693	26,687	9,824	3,968	25,078	1,567,782

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34.4.3.5 Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. The Bank segmented its portfolio using a hierarchical approach. The characteristics used to determine groupings are outlined below:

Segmentation approach

(a) Loan portfolio;

Level 1

The assets are segmented on the basis of the status of the borrower and/or purpose of the loan as under;

- Corporate.
- Business banking – Non corporate borrowers who have taken loans for business purpose.
- Retail – Non corporate borrowers who have taken loans for personal purpose.

Level 2

- Corporate borrowers and business banking borrowers pool, as per level 1 above, is further segmented on the basis of the Economic Sector to which they are associated
- Retail borrowers pool, as per level 1 above, is further segmented on the basis of the purpose of the loan.

(b) Investment portfolio:

- No segmentation was done within the investment portfolio.

The Bank monitors and reviews the appropriateness of groupings on a periodic basis.

34.4.4 Credit risk exposure

34.4.4.1 Maximum exposure to credit risk - Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

	2022			
	ECL staging			
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
Credit grade	**ECL**	**ECL**	**ECL**	**Total**
Investment grade	19,269,532	326,217	-	19,595,749
Standard monitoring	15,274,503	508,107	6,860	15,789,470
Special monitoring	-	826,562	44,505	871,067
Default	-	40	1,599,467	1,599,507
Gross carrying amount	34,544,035	1,660,926	1,650,832	37,855,793
Impairment allowance	(272,688)	(653,239)	(689,959)	(1,615,886)
Net carrying amount	34,271,347	1,007,687	960,873	36,239,907

Reconciliation to the financial statements line items

	Total
Cash and cash equivalents	4,506,026
Financial assets at amortized cost	8,401,783
Placements with banks	6,441,062
Loans and advances to customers	16,891,036
	36,239,907

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34.4.4.1 Maximum exposure to credit risk - Financial instruments subject to impairment (continued)

	2021			
	ECL staging			
	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime	Lifetime	
Credit grade	**ECL**	**ECL**	**ECL**	**Total**
Investment grade	18,451,346	-	-	18,451,346
Standard monitoring	13,783,021	253,746	30,508	14,067,275
Special monitoring	2,689	174,109	16,711	193,509
Default	-	-	2,964,605	2,964,605
Gross carrying amount	32,237,056	427,855	3,011,824	35,676,735
Impairment allowance	(667,275)	(55,520)	(955,002)	(1,677,797)
Net carrying amount	31,569,781	372,335	2,056,822	33,998,938

Reconciliation to the financial statements line items

	Total
Cash and cash equivalents	5,546,920
Financial assets at amortized cost	7,279,367
Placements with banks	5,615,984
Loans and advances to customers	15,556,667
	33,998,938

Information on how the Expected Credit Loss (ECL) is measured and how the three stages above are determined is included in Note 34.4.3.

34.4.4.2 Collateral and other credit enhancements

The Bank employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds lent. An approved list of acceptable securities and the applicable percentage of cash security category are defined under the Collateral Policy of the Bank.

The Bank prepares a valuation of the collaterals obtained as part of the loan origination process. The management monitors the market value of collateral, and will require additional collateral in accordance with the underlying agreement. It is the Bank's policy to dispose of repossessed properties in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. This assessment is reviewed periodically. The principal collateral types for loans and advances are;

- Business premises and resort properties.
- Mortgages over residential properties.
- Charges over business assets such as inventory and accounts receivable.
- Vessels and vehicles.
- Debt securities.
- Corporate and personal guarantees; and
- Cash.

To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using valuation models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent professional valuers.

Collateral held as security for financial assets other than loans and receivables depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

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34.4.4.2 Collateral and other credit enhancements (continued)

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below.

	2022			
Credit-impaired assets	**Gross exposure**	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
Loans to individuals:				
- Overdrafts	22,175	(20,358)	1,817	13,106
- Credit cards	13,106	(8,966)	4,140	-
- Term loans	111,662	(38,992)	72,670	30,052
- Mortgages	213,337	(129,821)	83,516	155,853
Loans to corporate entities:				
- Large corporate customers	1,198,862	(446,253)	752,609	2,478,918
- Small and medium-sized enterprises (SMEs)	91,690	(45,569)	46,121	68,577
Total credit-impaired assets	1,650,832	(689,959)	960,873	2,746,506

	2021			
Credit-impaired assets	**Gross exposure**	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
Loans to individuals:				
- Overdrafts	5,914	(5,914)	-	-
- Credit cards	6,481	(6,086)	395	-
- Term loans	165,760	(79,307)	86,453	70,530
- Mortgages	193,158	(83,692)	109,466	144,183
Loans to corporate entities:				
- Large corporate customers	2,588,731	(711,887)	1,876,844	2,607,114
- Small and medium-sized enterprises (SMEs)	51,780	(68,116)	(16,336)	31,374
Total credit-impaired assets	3,011,824	(955,002)	2,056,822	2,853,201

34.4.5 Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below;

- Transfers between Stage 1 and Stages 2 or Stage 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent step up (or step down) between 12-month and Lifetime ECL.
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period.
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models.
- Impacts on the measurement of ECL due to changes made to models and assumptions.
- Interest unwind within ECL due to the passage of time, as ECL is measured on a present value basis.
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period (see Note 34.4.6).

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34.4.5 Loss allowance (continued)

The following tables explain the changes in the impairment allowance between the beginning and the end of the annual period due to these factors.

	2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Impairment allowances;				
At 1 January 2022	667,248	55,546	955,003	1,677,797
Movements with profit or loss impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(287,745)	287,745	-	-
Transfer from Stage 1 to Stage 3	(68,209)	-	68,209	-
Transfer from Stage 2 to Stage 3	-	(22,449)	22,449	-
Transfer from Stage 3 to Stage 2	-	38,226	(38,226)	-
Transfer from Stage 3 to Stage 1	25,550	-	(25,550)	-
Transfer from Stage 2 to Stage 1	22,860	(22,860)	-	-
New financial assets originated	338,755	325,679	384,864	1,049,298
Financial assets derecognized during the period other than write-offs	(425,771)	(8,648)	(270,669)	(705,089)
Net reversal of interest	-	-	(59,871)	(59,871)
Total net charge to profit or loss during the year	(394,560)	597,693	81,205	284,338
Other movements with no profit or loss impact				
Write-offs	-	-	(346,249)	(346,249)
At 31 December 2022	272,688	653,239	689,959	1,615,886

	2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Impairment allowances;				
At 1 January 2021	486,341	38,497	1,508,055	2,032,893
Movements with profit or loss impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(32,400)	32,400	-	-
Transfer from Stage 1 to Stage 3	(123,175)	-	123,175	-
Transfer from Stage 2 to Stage 3	-	(8,425)	8,425	-
Transfer from Stage 3 to Stage 2	-	(9,046)	9,046	-
Transfer from Stage 3 to Stage 1	(244,540)	-	244,540	-
Transfer from Stage 2 to Stage 1	(17,557)	17,557	-	-
New financial assets originated	693,188	3,367	146,514	843,069
Financial assets derecognized during the period other than write-offs	(94,608)	(18,805)	(770,504)	(883,917)
Net reversal of interest	-	-	142,717	142,717
Total net charge to profit or loss during the year	180,907	17,049	(96,087)	101,869
Other movements with no profit or loss impact				
Write-offs	-	-	(456,965)	(456,965)
At 31 December 2021	667,248	55,546	955,003	1,677,797

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34.4.5 Loss allowance (continued)

The following table further explains changes in the gross carrying amount of the financial assets to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above.

	2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount;				
At 1 January 2022	32,237,056	427,855	3,011,824	35,676,735
Transfers:				
Transfer from Stage 1 to Stage 2	(746,207)	746,207	-	-
Transfer from Stage 1 to Stage 3	(125,774)	-	125,774	-
Transfer from Stage 2 to Stage 3	-	(64,224)	64,224	-
Transfer from Stage 3 to Stage 2	-	655,873	(655,873)	-
Transfer from Stage 3 to Stage 1	47,381	-	(47,381)	-
Transfer from Stage 2 to Stage 1	169,754	(169,754)	-	-
New financial assets originated	5,078,905	131,631	290,092	5,500,628
Financial assets derecognized during the period other than write-offs	(2,117,080)	(66,662)	(791,579)	(2,975,321)
Write-offs	-	-	(346,249)	(346,249)
At 31 December 2022	34,544,035	1,660,926	1,650,832	37,855,793

	2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount;				
At 1 January 2021	24,386,428	222,287	4,175,431	28,784,146
Transfers:				-
Transfer from Stage 1 to Stage 2	(308,326)	308,326	-	-
Transfer from Stage 1 to Stage 3	(288,469)	-	288,469	-
Transfer from Stage 2 to Stage 3	-	(21,200)	21,200	-
Transfer from Stage 3 to Stage 2	-	31,339	(31,339)	-
Transfer from Stage 3 to Stage 1	1,086,692	-	(1,086,692)	-
Transfer from Stage 2 to Stage 1	119,912	(119,912)	-	-
New financial assets originated	8,749,912	27,712	203,679	8,981,303
Financial assets derecognized during the period other than write-offs	(1,509,093)	(20,697)	(101,959)	(1,631,749)
Write-offs	-	-	(456,965)	(456,965)
At 31 December 2021	32,237,056	427,855	3,011,824	35,676,735

34.4.6 Write-off policy

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Bank may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2022 was MVR 346,249,336 (2021: MVR 456,964,538). The Bank still seeks to recover amounts which it is legally entitled to in full, but which have been fully/partially written off due to no reasonable expectation of full recovery.

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34.4.7 Modification of financial assets

The Bank sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These restructured facilities are kept under continuous review.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset (refer to Notes 3.7.3 (iii)). The Bank monitors the subsequent performance of modified assets. The Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more. The Bank continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific information for modified assets.

The following table includes summary of loans whose cash flows have been modified during the year.

	Loans and advances to customers
Amortised cost before modification	49,105,801
Net modification loss	-

34.4.8 Residential mortgages lending

The tables below summarise a distribution of the Bank's residential mortgages portfolio (gross carrying amounts and corresponding allowance for ECL by stage) by loan-to-value (LTV) ratios.

	Stage 1		**Stage 2**		**Stage 3**		**Total**	
	Gross caryying amount	**ECL**	**Gross caryying amount**	**ECL**	**Gross caryying amount**	**ECL**	**Gross caryying amount**	**ECL**
Less than 50%	942,896	12,377	44,662	19,386	47,220	31,113	1,034,778	62,876
50% to 59%	218,306	2,367	-	-	13,539	8,527	231,845	10,894
60% to 69%	191,709	2,158	17,694	9,467	95,307	57,477	304,709	69,103
70% to 79%	248,429	2,694	4,147	1,547	233	124	252,809	4,365
80% to 89%	155,327	1,622	-	-	6,230	2,722	161,557	4,345
90% to 99%	97,858	943	8,730	3,162	10,030	6,280	116,618	10,385
100% and more	43,308	513	668	249	1,355	595	45,331	1,357
	1,897,833	**22,674**	**75,901**	**33,811**	**173,914**	**106,838**	**2,147,647**	**163,325**

34.4.9 Investments in equity instruments designated at FVOCI

The investments were made for strategic purposes rather than with a view to profit on a subsequent sale, and the Bank has no plans to dispose of these investments in the short or medium term.

The fair value of these investments is MVR 234,109,040 as at 31 December 2022. There was no dividend recognised during the period nor transfers of the cumulative gain within equity.

34.4.10 Loans and advances to customers are summarised as follows

	2022	**2021**
Stage 1 - Performing	15,274,503	13,785,710
Stage 2 - Significant increase in credit risk (SICR)	1,334,710	427,855
Stage 3 - Credit impaired (Default)	1,650,832	3,011,824
Gross loans and advances to customers	18,260,045	17,225,389
Less: allowance for impairment	(1,369,009)	(1,668,722)
Net Loans and advances to customers	16,891,036	15,556,667

Further information of the impairment allowance for loans and receivables to customers is provided in Note 20.

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34.4.11 Gross loans and advances to customers - analysed by industry and stages of impairement

(a) Gross loans and advances to customers - Analysed by industry

	2022	2021
Tourism	6,449,802	6,311,515
Construction	4,089,505	4,134,400
Consumer	3,458,658	2,728,887
Transport and services	1,557,474	1,434,726
Real estate	1,012,397	1,019,600
Commerce	499,616	557,013
Fishing	74,172	119,850
Manufacturing	52,083	57,626
Other	1,066,338	861,772
	18,260,045	17,225,389

(b) Gross loans and advances to customers - analysed by industry and stages of impairement

An analysis of risk concentration in gross loans and advances by industry and stages of impairment and corresponding ECL is presented below.

	2022								
	Gross loans and advances			Allowance for ECL			ECL Coverage		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Tourism	4,564,925	954,415	930,462	77,951	266,264	266,854	2%	28%	29%
Construction	3,880,452	127,111	81,943	44,676	56,482	47,586	1%	44%	58%
Consumer	3,236,079	71,453	151,125	34,096	13,216	62,369	1%	18%	41%
Transport and services	1,301,960	8,963	246,551	34,075	2,222	157,114	3%	25%	64%
Real estate	828,530	42,350	141,518	11,038	20,126	88,672	1%	48%	63%
Commerce	328,827	123,320	47,470	6,666	48,787	24,245	2%	40%	51%
Fishing	55,615	7,055	11,502	990	1,806	7,450	2%	26%	65%
Manufacturing	21,117	40	30,926	207	10	25,247	1%	25%	82%
Other	1,057,000	3	9,336	23,059	-	7,376	2%	0%	79%
	15,274,503	1,334,710	1,650,832	232,758	408,913	686,913	2%	31%	42%

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34.4.12 Gross loans and advances to customers - analysed by Internal (Basel) rating grade

The table below shows the credit quality and the maximum exposure to credit risk based on the internal (Basel) credit rating system, 12-month Basel PD range and year-end stage classification. The amounts presented are gross of allowance for ECL.

		2022					
Internal (Basel) rating grade	**12 month Basel PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
High grade	0.00% -0.50%	15,131,093	73,101	400,714	228,561	31,931	245,589
Standard grade	0.50% -11.70%	143,221	-	69	603	68,994	152,570
Sub-standard grade	11.70 -29.50%	-	20,197	7,350	3,594	-	28
Lowgrade	29.50% -100%	189	196,475	292,184	-	4,825	2,247
Individual impairment	100%	-	1,044,937	950,515		303,163	286,479
Total		15,274,503	1,334,710	1,650,832	232,758	408,913	686,913
Coverage Ratio		**2%**	**31%**	**42%**			

34.4.13 Loans and advances are summarised as follows

By setting various concentration limits under different criteria within the established risk appetite framework (i.e. single borrower/group, industry sectors, product, counterparty and country etc.), the Bank ensures that an acceptable level of risk diversification is maintained on an ongoing basis. These limits are continuously monitored and periodically reviewed by the Board Audit Committee (BAC) to capture the developments in the market, political and economic environment both locally and globally to strengthen the dynamic portfolio management practices and to provide an early warning on possible credit concentrations.

(a) Stage 1 - Performing

Currently, the Bank does not maintain an internal credit rating system except for exposures which are classified as non-performing. However, the Bank carries out an in-depth credit risk assessment on a qualitative and quantitative basis before granting a facility. Exposure to each borrower is reviewed on a scheduled basis.

In evaluating credit risks, the Bank considers qualitative criteria pertinent to the borrower, including management depth and reputation, the borrower's past track record, the industry, business risks and operating environment. The Bank looks for quality, stability and sustainability of performance. In terms of quantitative assessment, the Bank analyses the borrower's historical and projected financial statements, where pertinent.

To manage and mitigate risk of loss in the event of default, the Bank looks firstly at the protection accorded by the borrower's net assets versus the Bank's exposure to the borrower. Where appropriate, the Bank will examine the quality, liquidity and hence the realisable value of the borrower's principal operating assets such as account receivables, inventory and capital assets. In establishing financial protection for its exposure, the Bank may take a security interest in such assets by way of mortgages, pledges, assignments and the like. In addition, the Bank may also take additional collateral offered by the borrower's principals or third parties to ensure adequate protection with a margin. Taking collateral is a prevalent practice in the local lending environment as an additional prudent measure to mitigate against potential loss at default.

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34.4.13 Loans and advances are summarised as follows: (continued)

Gross amount of loans and receivables to customers by class that were in Stage 1 are as follows.

Stage 1 – Performing	Overdrafts	Credit cards	Term loans	Mortgages	Retail banking	Corporate entities	Total
31 December 2022	12,484	560,133	261,469	4,413,901	2,724,050	7,302,466	15,274,503
31 December 2021	18,301	422,455	340,887	4,456,742	2,156,118	6,391,207	13,785,710

(b) Stage 2 – SICR

Loans and receivables to customers in Stage 2 are not considered as impaired unless information is available to indicate the contrary. Gross amount of loans and receivables to customers by class that were in Stage 2 are as follows.

Stage 2 – SICR	Overdrafts	Credit cards	Term loans	Mortgages	Retail banking	Corporate entities	Total
31 December 2022	551	-	35,239	150,019	71,617	1,077,284	1,334,710
31 December 2021	1,481	-	63,085	279,623	59,177	24,489	427,855

(c) Stage 3 – Credit impaired (Default)

Gross amount of loans and receivables by class to customers that were in Stage 3 are as follows.

Stage 3 – Credit impaired	Overdrafts	Credit cards	Term loans	Mortgages	Retail banking	Corporate entities	Total
31 December 2022	22,867	13,106	57,460	232,564	125,973	1,198,862	1,650,832
31 December 2021	19,481	6,481	48,226	224,627	124,279	2,588,730	3,011,824

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34.4.14 Loans and advances are summarised as follows: (continued)

(d) Loans and advances renegotiated

Renegotiated loans totaled MVR 1,717,875,299 as at 31 December 2022 (2021: MVR 2,110,769,752).

Renegotiated loans and advances to customers	2022	2021
Individuals		
Continuing to be impaired after restructuring	15,877	36,488
Non–impaired after restructuring – would otherwise have been impaired	63,899	33,155
Non–impaired after restructuring – would otherwise not have been impaired	109,061	28,481
Corporate entities		
Continuing to be impaired after restructuring	-	-
Non–impaired after restructuring – would otherwise have been impaired	685,810	-
Non–impaired after restructuring – would otherwise not have been impaired	843,228	2,012,646
	1,717,875	2,110,770

34.4.15 Commitments and contingencies

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall credit risk exposure of the Bank.

The table below shows the Bank's maximum credit risk exposure for commitments and guarantees.

As at 31 December	2022	2021
Guarantees	62,815	79,944
Documentary credit	200,896	225,240
Acceptances	32,938	37,117
Capital commitments	32,115	77,957
Loan commitments	1,596,335	587,059
Overdraft commitments	400,932	241,693
	2,326,031	1,249,010

34.5 Liquidity risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

34.5.1 Management of liquidity risk

Maintaining adequate liquidity is essential to manage the expected and unexpected fluctuations in the assets and liabilities of the Bank and to provide funds for growth. The Bank deals with the management of risks arising from changes in liquidity due to internal and external factors, changes in interest rate movements and changes in exchange rates.

Monitoring and reporting take the form of cash flow measurement and projections on a regular basis. The starting point for projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The Bank also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

The Bank maintains statutory deposit with MMA (minimum reserve requirement - MRR) equal to 10% of customer deposits for MVR and USD deposits separately and applies to Islamic banking operation of the bank as well. MRR balances excludes interbank deposits of other banks in the Maldives and L/C margin deposits. These deposits are not available for the Bank's day-to-day operations.

The MRR balances for conventional banking are paid an interest amount of 1% per annum for the MVR MRR balances and 0.01% per annum for the USD dollar MRR balances. Further, no profit was earned on the MRR balances of the Islamic banking operation.

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34.5.2 Contractual maturities of undiscounted cash flows of assets and liabilities

As at 31 December 2022	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial assets					
Cash and cash equivalents	4,506,026	-	-	-	4,506,026
Statutory deposit with Maldives Monetary Authority	3,687,890	-	-	-	3,687,890
Placements with banks	6,347,640	80,000	-	-	6,427,640
Loans and advances to customers	2,349,215	4,297,826	10,720,500	6,898,353	24,265,894
Financial assets at amortized cost	2,740,265	5,539,029	200,000	-	8,479,295
Financial assets at FVOCI	-	-	-	234,109	234,109
Other assets	364,956	-	-	206,081	571,037
Total undiscounted financial assets	19,995,992	9,916,855	10,920,500	7,338,543	48,171,891
Financial liabilities					
Due to customers	28,105,719	1,055,323	168,628	-	29,329,669
Term debt and other borrowed funds	162,638	416,644	191,479	8,143	778,904
Lease liability	6,914	20,743	81,748	105,721	215,126
Income tax liability	-	313,313	-	-	313,313
Other liabilities	1,173,070	-	-	-	1,173,070
Total undiscounted financial liabilities	29,448,341	1,806,023	441,855	113,864	31,810,082
Net undiscounted financial assets/(liabilities)	(9,452,349)	8,110,833	10,478,645	7,224,680	16,361,809

Management believes that in spite of substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding to the Bank.

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34.5.2 Contractual maturities of undiscounted cash flows of assets and liabilities (continued)

As at 31 December 2021	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial assets					
Cash and cash equivalents	5,546,920	-	-	-	5,546,920
Statutory deposit with Maldives Monetary Authority	2,971,388	-	-	-	2,971,388
Placements with banks	5,465,967	156,807	-	-	5,622,774
Loans and advances to customers	1,885,618	3,883,073	10,191,987	7,850,512	23,811,191
Financial assets at amortized cost	2,012,029	5,172,411	306,174	-	7,490,614
Financial assets at FVOCI	-	-	-	243,616	243,616
Other assets	582,413	-	-	144,404	726,817
Total undiscounted financial assets	18,464,335	9,212,291	10,498,161	8,238,532	46,413,320
Financial liabilities					
Due to customers	26,266,451	758,352	403,818	-	27,428,621
Term debt and other borrowed funds	330,287	267,813	675,877	13,397	1,287,374
Lease liability	5,481	16,061	85,069	131,401	238,012
Income tax liability	-	427,559	-	-	427,559
Other liabilities	1,064,862	-	-	-	1,064,862
Total undiscounted financial liabilities	27,667,081	1,469,785	1,164,764	144,798	30,446,428
Net undiscounted financial assets/(liabilities)	(9,202,746)	7,742,506	9,333,397	8,093,734	15,966,892

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34.5.3 Contractual maturities of commitments and contingencies

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called upon.

As at 31 December 2022	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Contingencies					
Guarantees	21,178	38,001	3,636	-	62,815
Documentary credit	66,046	129,281	5,569	-	200,896
Acceptances	872	32,066	-	-	32,938
	88,096	199,348	9,205	-	296,649
Commitments					
Capital commitments	-	32,115	-	-	32,115
Loan commitments	674,421	459,466	462,448	-	1,596,335
Overdraft commitments	121,127	279,805	-	-	400,932
	795,548	771,386	462,448	-	2,029,382
	883,644	970,734	471,653	-	2,326,031

As at 31 December 2021	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Contingencies					
Guarantees	33,281	37,446	9,217	-	79,944
Documentary credit	89,657	135,583	-	-	225,240
Acceptances	7,268	29,849	-	-	37,117
	130,206	202,878	9,217	-	342,301
Commitments					
Capital commitments	-	77,957	-	-	77,957
Loan commitments	243,135	265,533	78,391	-	587,059
Overdraft commitments	21,248	220,445	-	-	241,693
	264,383	563,935	78,391	-	906,709
	394,589	766,813	87,608	-	1,249,010

34.6 Market risk

Market risk relates to the impact of fluctuations in market rates on the Bank's assets and liabilities, or the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Bank does not have a trading portfolio.

Non-trading portfolios primarily arise from the interest rate management of the Bank's financial assets and liabilities.

Management of market risk

The Bank has in place appropriate policies, processes and procedures to support the ongoing management of market risk. The market risks arising from non-trading activities are reviewed by the Bank's Asset and Liability Management Committee (ALCO).

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34.6.1 Interest rate risk

Interest rate risk is an inherent risk created when there is a mismatch between the tenors of an asset vis-à-vis the tenors of liabilities or when there is a mismatch between floating and fixed rate assets and liabilities. Interest rate risk results from the differences in interest rate changes on assets, liabilities and off-balance sheet instruments.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Management of interest rate risk

The Bank does not carry a trading portfolio and does not generally invest in stocks or shares other than government treasury bills and money market placements. These investments are generally less than 12 months and are held to maturity. The Bank prepares an interest rate sensitivity of assets and liabilities which is presented to the Bank's Asset and Liability Management Committee (ALCO) on a monthly basis.

The table below analyses the Bank's interest rate risk exposure on financial assets and liabilities. Financial assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

As at 31 December 2022	Interest bearing				Non interest bearing	Total
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years		
Financial assets						
Cash and cash equivalents	-	-	-	-	4,506,026	4,506,026
Statutory deposit with Maldives Monetary Authority	2,657,536	-	-	-	1,030,354	3,687,890
Placements with banks	6,361,054	80,008	-	-	-	6,441,062
Loans and advances to customers	1,801,602	2,969,788	7,295,728	4,823,918	-	16,891,036
Financial assets at amortized cost	2,755,256	5,452,319	194,208	-	-	8,401,783
Financial assets at FVOCI	-	-	-	-	234,109	234,109
Other assets	364,956			206,081		571,037
Total discounted financial assets	13,940,404	8,502,115	7,489,936	5,029,999	5,770,489	40,732,943
Financial liabilities						
Due to customers	9,649,708	1,008,768	146,322	-	18,416,869	29,221,667
Term debt and other borrowed funds	154,393	396,051	185,949	7,822	-	744,215
Lease liability	1,338	5,731	32,337	108,125	-	147,531
Income tax liability	-	313,313	-	-	-	313,313
Other liabilities	1,173,070	-	-	-	-	1,173,070
Total discounted financial liabilities	10,978,509	1,723,863	364,608	115,947	18,416,869	31,599,796
Total interest rate sensitivity gap	2,961,895	6,778,252	7,125,328	4,914,052	(12,646,380)	9,133,147

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34.6.1 Interest rate risk (continued)

As at 31 December 2021	Interest bearing Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
Financial assets						
Cash and cash equivalents	-	-	-	-	5,546,920	5,546,920
Statutory deposit with Maldives Monetary Authority	1,970,601	-	-	-	1,000,787	2,971,388
Placements with banks	5,459,366	156,618	-	-	-	5,615,984
Loans and advances to customers	1,346,737	2,540,865	6,461,902	5,207,163	-	15,556,667
Financial assets at amortized cost	2,004,605	5,003,211	271,551	-	-	7,279,367
Financial assets at FVOCI	-	-	-	-	243,616	243,616
Other assets	582,413	-	-	144,404	-	726,817
Total undiscounted financial assets	11,363,722	7,700,694	6,733,453	5,351,567	6,791,323	37,940,759
Financial liabilities						
Due to customers	9,147,872	731,794	371,051	-	17,080,875	27,331,592
Term debt and other borrowed funds	262,852	228,727	635,134	12,520	-	1,139,233
Lease liability	2,373	7,031	45,509	96,813	-	151,726
Income tax liability	-	427,559	-	-	-	427,559
Other liabilities	1,064,862	-	-	-	-	1,064,862
Total undiscounted financial liabilities	10,477,959	1,395,111	1,051,694	109,333	17,080,875	30,114,972
Total interest rate sensitivity gap	885,763	6,305,583	5,681,759	5,242,233	(10,289,552)	7,825,787

34.6.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. This represents exposures the Bank has due to changes in the values of current holdings and future cash flow positions denominated in currencies other than the local currency.

Foreign currency	Impact on equity 2022	2021
Strengthening of US$ by 10%	(150,014)	(55,619)
Weakening of US$ by 10%	150,014	55,619
Strengthening of Euro by 10%	(2,865)	(10,104)
Weakening of Euro by 10%	2,865	10,104
Strengthening of GBP by 10%	159	199
Weakening of GBP by 10%	(159)	(199)
Strengthening of JPY by 10%	7	14
Weakening of JPY by 10%	(7)	(14)
Strengthening of SGD by 10%	573	838
Weakening of SGD by 10%	(573)	(838)

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34.6.3 Management of currency risk

The majority of transactions in the Bank, other than those in the local currency of Maldivian Rufiyaa (MVR), are carried out in United States Dollars (USD). Up to April 2011, the exchange rate of USD against MVR was fixed and since then it has been maintained within the 20% cap and floor of the base rate determined by the Maldives Monetary Authority (MMA). Therefore, the Bank is not susceptible to any major currency fluctuation risk. The Bank does not engage in large scale transactions in foreign currencies on a speculative basis.

The risk associated with changes in foreign exchange rates from holding open positions in a particular currency or combination of currencies, is controlled through a combination of foreign exchange position limits and transaction limits which comply with regulatory requirements. These exposures are monitored on a fortnight basis and reported to the Bank's Asset and Liability Management Committee (ALCO).

As at 31 December 2022	MVR	USD	EUR	GBP	JPY	SGD	Others	Total
Assets								
Cash and cash equivalents	402,998	4,012,236	83,181	1,589	74	5,586	362	4,506,026
Statutory deposit with Maldives Monetary Authority	1,750,898	1,936,992	-	-	-	-	-	3,687,890
Placements with banks	5,149,607	1,291,455	-	-	-	-	-	6,441,062
Loans and advances to customers	11,650,822	5,237,221	2,846	-	-	147	-	16,891,036
Financial assets at amortized cost	8,297,594	104,189	-	-	-	-	-	8,401,783
Financial assets at FVOCI	-	234,109	-	-	-	-	-	234,109
Other assets	970,221	739,584	-	-	-	-		1,709,805
Total assets	28,222,140	13,555,786	86,027	1,589	74	5,733	362	41,871,711
Liabilities								
Due to customers	15,723,237	13,383,753	114,677	-	-	-	-	29,221,667
Term debt and other borrowed funds	26,725	717,490	-	-	-	-	-	744,215
Lease liability	147,531	-	-	-	-	-	-	147,531
Income tax liability	313,313	-	-	-	-	-	-	313,313
Other liabilities	218,383	954,687	-	-	-	-	-	1,173,070
Total liabilities	16,429,189	15,055,930	114,677	-	-	-	-	31,599,796
Net on-balance sheet financial position	11,792,951	(1,500,144)	(28,650)	1,589	74	5,733	362	10,271,915

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34.6.3 Management of currency risk (continued)

As at 31 December 2021

	MVR	USD	EUR	GBP	JPY	SGD	Others	Total
Assets								
Cash and cash equivalents	389,729	5,095,835	50,876	1,986	139	5,877	2,478	5,546,920
Statutory deposit with Maldives Monetary Authority	1,453,733	1,517,655	-	-	-	-	-	2,971,388
Placements with banks	5,398,131	217,853	-	-	-	-	-	5,615,984
Loans and advances to customers	10,669,831	4,881,128	3,112	-	-	2,596	-	15,556,667
Financial assets at amortized cost	6,922,534	356,833	-	-	-	-	-	7,279,367
Financial assets at FVOCI	-	243,616	-	-	-	-	-	243,616
Other assets	1,347,546	388,508	990	-	-	-	-	1,737,044
Total assets	26,181,504	12,701,428	54,978	1,986	139	8,473	2,478	38,950,986
Liabilities								
Due to customers	15,585,913	11,589,568	156,016	-	-	95	-	27,331,592
Term debt and other borrowed funds	39,142	1,100,091	-	-	-	-	-	1,139,233
Lease liability	150,727	999	-	-	-	-	-	151,726
Income tax liability	427,559	-	-	-	-	-	-	427,559
Other liabilities	533,395	566,957	-	-	-	-	-	1,100,352
Total liabilities	16,736,737	13,257,614	156,016	-	-	95	-	30,150,462
Net on-balance sheet financial position	9,444,767	(556,186)	(101,038)	1,986	139	8,378	2,478	8,800,524

34.6.4 Equity price risk

Equity price risk arises as a result of any change in market prices and volatilities of individual equities. The table below summarises the impact to equity due to change of 10% on equity prices.

	2022	2021
Market value of equity securities as at 31 December	233,403	243,035
Stress level		
Shock of 10% on equity prices (upward)	23,340	24,303
Shock of 10% on equity prices (downward)	(23,340)	(24,303)

34.7 Country risk

Country risk is the risk that an occurrence within a country could have an adverse affect on the Bank directly by impairing the value of the Bank or indirectly through an obligor's ability to meet its obligations to the Bank. The Bank does not carry any exposures outside the country of operations other than short-term money market placements and investment in a government bond in overseas.

34.8 Operational risk

Operational risk is the loss resulting from inadequate or failed internal processes, people and systems or from external events. The Bank manages and controls operational risk by identifying and controlling risks in all activities according to a set of pre-determined parameters by applying appropriate management policies and procedures.

34.8.1 Management of operational risk

The management of operational risk represents a fundamental component of the Bank's overall approach to risk management. Operational risk is inherent in every part of the Bank including its products, people, processes and technology. The Bank has an Operational Risk Policy which outlines its framework for the management of operational risk including identification, assessment, measurement, monitoring, mitigation and reporting.

The Bank's Management Risk Committee (MRCC) is responsible for reviewing the risk environment and the Bank's performance against the full spectrum of risks faced in its activities, determining appropriate preventive and mitigating actions where necessary. In terms of operational risk specifically, the Bank has in place an Operational Risk Committee (ORC) and reports to the MRCC.

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35 Net asset value per ordinary share

	2022	2021
Total equity holders funds	10,271,915	8,800,524
Number of ordinary shares in issue	5,381,920	5,381,920
Net assets per share (MVR)	1,909	1,635

36 Additional cash flow information

36.1 Cash and cash equivalents for cash flow purpose

	2022	2021
Cash in hand (Note 15)	759,156	686,921
Balance with other banks	3,746,870	4,859,999
	4,506,026	5,546,920

36.2 Adjustments for items included in profit before tax

	2022	2021
Depreciation of property, plant and equipment (Note 22.3)	52,925	51,680
Amortisation of intangible assets (Note 24)	16,335	13,237
Depreciation of right-of-use assets (Note 23)	13,674	12,791
Gain on disposal of property, plant and equipment (Note 22.9)	3,663	1,345
Gain from derecognising lease liability	(9,815)	(627)
Finance cost on lease liabilities (Note 5)	12,769	12,239
Impairment charge and interest reversal on loans and receivables excluding impairment on other assets (Note 20)	284,338	101,869
Loans written-off during the year (Note 20)	(346,249)	(456,965)
Impairment (reversal) / charge on other assets	15,747	(11,989)
	43,387	(276,420)

36.3 Net change in operating assets

	2022	2021
Net change in statutory deposit with Maldives Monetary Authority	(716,502)	114,824
Net change in placement with banks	(819,593)	(1,541,084)
Net change in loans and receivables to customers	(1,034,656)	(740,612)
Net change in financial assets at amortized cost (Note 36.3.1)	(1,365,703)	(845,649)
Net change in other assets	132,234	(411,132)
	(3,804,220)	(3,423,653)

36.3.1 Net change in financial assets at amortized cost

	2022	2021
Investment made during the year	(1,367,612)	(832,525)
Proceeds from investment matured during the year	1,909	(13,124)
	(1,365,703)	(845,649)

36.4 Net change in operating liabilities

	2022	2021
Net change in due to customers	1,890,075	5,402,423
Net change in term debt and other borrowed funds (36.4.1)	(395,018)	232,527
Net change in other liabilities	5,508	(15,430)
	1,500,565	5,619,520

36.4.1 Net change in term debt and other borrowed funds (36.4.1)

	2022	2021
Borrowed during the year	228,133	537,350
Repaid during the year	(623,150)	(304,817)
	(395,017)	232,533

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

(All amounts in MVR '000 unless otherwise stated)

37 Maturity analysis of assets and liabilities

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

	2022			2021		
Assets	**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
Cash and cash equivalents	4,506,026	-	4,506,026	5,546,920	-	5,546,920
Statutory deposit with Maldives Monetary Authority	3,687,890	-	3,687,890	2,971,388	-	2,971,388
Placements with banks	6,441,062	-	6,441,062	5,615,984	-	5,615,984
Loans and advances to customers	4,771,390	12,119,646	16,891,036	3,887,602	11,669,065	15,556,667
Financial assets at amortized cost	8,207,575	194,208	8,401,783	7,007,816	271,551	7,279,367
Financial assets at FVOCI	-	234,109	234,109	-	243,616	243,616
Property, plant and equipment	-	711,011	711,011	-	523,321	523,321
Right-of-use assets	-	157,514	157,514	-	158,412	158,412
Intangible assets	-	93,314	93,314	-	94,920	94,920
Deferred tax assets	-	85,273	85,273	-	149,718	149,718
Other assets	518,289	144,404	662,693	666,270	144,403	810,673
Total assets	28,132,232	13,739,479	41,871,711	25,695,980	13,255,006	38,950,986
Liabilities						
Due to customers	29,075,345	146,322	29,221,667	26,960,541	371,051	27,331,592
Term debt and other borrowed funds	550,444	193,771	744,215	491,579	647,654	1,139,233
Lease liability	7,069	140,462	147,531	9,404	142,322	151,726
Income tax liability	313,313	-	313,313	427,559	-	427,559
Other liabilities	1,173,070	-	1,173,070	1,100,352	-	1,100,352
Total liabilities	31,119,241	480,555	31,599,796	28,989,435	1,161,027	30,150,462
Net assets/ (liabilities)	(2,987,009)	13,258,924	10,271,915	(3,293,455)	12,093,979	8,800,524
Commitments and contingencies	2,326,031	-	2,326,031	1,249,010	-	1,249,010

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

(All amounts in MVR '000 unless otherwise stated)

38 Material litigation against the Bank

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year-end, the Bank had a small number of unresolved legal claims but none that would materially impact the financial statements of the Bank.

39 Related Party Disclosure

The Bank carries out transactions in the ordinary course of business with parties who are defined as 'Related Parties' in IAS 24 - Related party disclosures. The terms and conditions of such transactions are disclosed under Notes 39.4 and 39.5.

39.1 Parent and ultimate controlling party

The Government of Maldives holds 50.80% of the ordinary shares of the Bank, 15.47% of shares by State Owned Enterprises and institutions, whereas the remaining 33.73% of the shares are widely held.

39.2 Transactions with key management personnel of the Bank

The Bank has identified and disclosed personnel having authority and responsibility for planning, directing and controlling the activities of the Bank as 'key management personnel' in accordance with IAS 24 - Related party disclosures. Accordingly, the Board of Directors, Chief Executive Officer and Managing Director and Deputy Chief Executive Officer have been identified as Key Management Personnel.

39.3 Compensation of key management personnel of the Bank

	2022	2021
Short-term benefits	7,929	9,369
Post employment benefits - Provident Fund contribution	277	259
	8,206	9,628

39.4 Transactions with key management personnel of the Bank

The Bank enters into transactions, arrangements and agreements with key management personnel and close family members of key management personnel in the ordinary course of business. The transactions below were made in the ordinary course of business and on substantially the same terms, including interest/commission rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees.

	2022	2021
Assets		
Loans and advances		
As at 1 January 2022	19,832	51,092
New loans granted during the year	35,096	2,801
Repayment made during the year	(678)	(34,061)
As at 31 December 2022	54,250	19,832
Liabilities		
Deposits		
As at 1 January 2022	17,817	30,746
New deposits during the year	4,081	6,471
Deposit withdrawals made during the year	(5,421)	(19,400)
As at 31 December 2022	16,476	17,817
Income and expenses		
Interest income	1,957	4,769
Interest expense	711	636

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

(All amounts in MVR '000 unless otherwise stated)

39.5 Transactions with Government of Maldives and government related entities of the Bank

The Bank enters into transactions, arrangements and agreements with Government of Maldives and government related entities in the ordinary course of business. The transactions below were made in the ordinary course of business on substantially the same terms, including interest/commission rates and security, as for comparable transactions with unrelated counterparties.

Assets	**2022**	**2021**
Loans and advances (Gross)	2,006,436	1,751,651
Provision for loans and advances	(210,085)	(75,984)
Loans and advances (Net)	1,796,351	1,675,667
Investment in Government of Maldives treasury bills and treasury bonds	8,249,274	6,874,765
Investment in corporate bonds	71,810	99,594
Statutory deposit with Maldives Monetary Authority	3,687,890	2,971,388
	13,805,325	11,621,414
Liabilities		
Deposits and borrowings	3,107,558	3,089,319
Commitments and contingencies		
Guarantees, letter of credit and others	1,080,420	282,015
Income and expenses		
Interest income	580,789	498,671
Interest expense	2,162	4,325
Fee and commission income	42,341	28,459

40 Events after the reporting date

The Board of Directors have recommended an interim dividend of MVR 20 per share and final dividend of MVR 20 per share to be paid for the financial year ended 31 December 2022, in the form of cash dividend.

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

41 Capital management

The Bank has in place a Capital 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:

- To comply with the capital requirements under the Maldives Monetary Authority (MMA) Prudential Regulation on Capital Adequacy.
- To safeguard the Bank’s ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- To maintain a strong capital base to support the development of its business.

MMA requires each bank or banking group to hold a minimum level of regulatory capital of MVR 150 million and to maintain a ratio of total regulatory capital to risk-weighted assets (the Basel ratio) at or above 12%.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

(All amounts in MVR '000 unless otherwise stated)

The Bank's regulatory capital is divided into two tiers:

- Tier 1 Capital: Share capital, retained earnings and reserves created by appropriations of retained earnings; and
- Tier 2 Capital: Current year earnings, general provision and qualifying subordinated loan capital.

Risk-weighted assets reflect an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees as per MMA Prudential Regulation on Capital Adequacy. A similar treatment is adopted for off-balance sheet exposures, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the capital adequacy ratios of the Bank for the years ended 31 December 2022 and 31 December 2021. The Bank complied with all regulatory capital requirements during both the years.

41.1 Capital adequacy as regulated by MMA

Tier 1 capital	**2022**	**2021**
Share capital	269,096	269,096
Assigned capital reserve	6,000	6,000
Share premium	93,000	93,000
General reserve	7,730,111	6,122,904
Statutory reserves	150,000	150,000
Less: Future tax benefits	(85,273)	(149,718)
Total qualifying tier 1 capital	8,162,934	6,491,282
Tier 2 Capital		
Current earnings	1,628,062	1,862,019
Revaluation reserve (discounted by 55%)	97,537	50,179
General provision (Limited to 1.25% of RWA)	215,663	182,447
Total qualifying tier 2 capital	1,941,262	2,094,645
Total capital base	10,104,196	8,585,927
Risk-weighted assets (RWA)		
On-balance sheet	19,950,513	18,339,586
Off-balance sheet	2,326,031	1,249,010
Total risk-weighted assets	22,276,544	19,588,596
Tier 1 risk based capital ratio	36.64%	33.14%
Total risk based capital ratio	45.36%	43.83%

41.2 Basel 3 capital computation

As per Basel 3 guidelines, the Total Capital Ratio must be maintained at or above 8% including Tier 1 and Tier 2 Capital. The Bank reported Tier 1 Capital Ratio - 37.3% and Total Capital Ratio - 46.5% for the year ended 2022 (2021: Tier 1 Capital Ratio - 33.4%, Total Capital Ratio - 44%).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

(All amounts in MVR '000 unless otherwise stated)

42 Segment analysis

By business segment

The Bank operates in different business segments, each of which has unique risks and returns. The primary segments of the Bank are:

- Corporate, Business and Retail banking: Providing loan facilities, trade finance and deposit services to large corporate, business (micro, small and medium sized enterprises) and retail customers respectively.
- Cards and Electronic banking: Acquiring and issuing debit and credit cards and managing POS, ATM and internet banking services.
- Treasury: Capital and liquidity management activities such as investments, borrowings and managing money market instruments.
- BML Islamic: Providing Shari'ah compliant banking products and services under the window basis.

Transactions between business segments are on normal commercial terms and conditions. Segment assets and liabilities comprise loans and advances and customer deposits.

42.1 Segment reporting - Statement of comprehensive income

	2022				
	Corporate, business and retail banking	**Card and electronic banking**	**Treasury**	**BML Islamic**	**Total**
Total operating income	2,054,920	1,256,671	491,348	235,728	4,038,667
Extracts of results					
Interest income/income from financing and investments held to maturity	1,550,290	139,262	491,347	201,145	2,382,045
Interest expense/profit paid	(126,907)	-	(50,735)	(14,602)	(192,245)
Net interest/profit income	1,423,383	139,262	440,612	186,543	2,189,800
Fees and commission income	285,415	1,065,939	-	16,013	1,367,367
Fees and commission expense	(31,223)	(633,923)	-	-	(665,146)
Net fee and commission income	254,192	432,016	-	16,013	702,221
Net foreign exchange income	9,605	50,371	-	16,500	76,476
Other operating income (net)	209,610	1,098	-	2,070	212,779
Credit impairment (losses)/reversal	(51,935)	(66,522)	(237,802)	(12,387)	(368,646)
Net operating income	1,844,855	556,226	202,810	208,739	2,812,630
Depreciation of property, plant and equipment	(49,655)	(3,080.45)	-	(190)	(52,925)
Amortisation of intangible assets	(13,916)	(2,419)	-	-	(16,335)
Segment result	1,781,284	550,726	202,810	208,550	2,743,370
Expenses of BML Islamic	-	-	-	(15,709)	(15,709)
Un-allocated expenses					(599,722)
Profit before tax					2,127,939
Income tax					(499,877)
Net profit for the year					1,628,062
Other comprehensive income net of tax					100,782
Total comprehensive income for the year					1,728,844

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

(All amounts in MVR '000 unless otherwise stated)

42.1 Segment reporting - Statement of comprehensive income (continued)

	2021				
	Corporate, business and retail banking	Card and electronic banking	Treasury	BML Islamic	Total
Total operating income	2,313,452	1,030,126	408,512	178,540	3,930,630
Extracts of results					
Interest income/income from financing and investments held to maturity	1,475,599	123,731	408,512	144,047	2,151,889
Interest expense/profit paid	(143,558)	-	(46,470)	(5,944)	(195,972)
Net interest/profit income	1,332,041	123,731	362,042	138,103	1,955,917
Fees and commission income	274,245	865,146	-	17,281	1,156,672
Fees and commission expense	(17,305)	(474,404)	-	-	(491,709)
Net fee and commission income	256,940	390,742	-	17,281	664,963
Net foreign exchange income	3,192	36,497	-	15,747	55,436
Other operating income (net)	560,416	4,752	-	1,465	566,633
Credit impairment losses	(37,310)	(12,844)	(1,060)	(40,444)	(91,658)
Net operating income	2,115,279	542,878	360,982	132,152	3,151,291
Depreciation of property, plant and equipment	(42,797)	(8,629)	-	(254)	(51,680)
Amortisation of intangible assets	(10,642)	(2,595)	-	-	(13,237)
Segment result	2,061,840	531,654	360,982	131,898	3,086,374
Expenses of BML Islamic	-	-	-	(15,243)	(15,243)
Un-allocated expenses					(534,439)
Profit before tax					2,536,692
Income tax					(674,673)
Net profit for the year					1,862,019
Other comprehensive income net of tax					(1,161)
Total comprehensive income for the year					1,860,858

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

(All amounts in MVR '000 unless otherwise stated)

42.2 Segment reporting - Statement of financial position

	2022				
	Corporate, business and retail banking	Card and electronic banking	Treasury	BML Islamic	Total
Assets					
Cash and cash equivalents	4,277,875	-	-	228,151	4,506,026
Statutory deposit with Maldives Monetary Authority	3,517,577	-	-	170,313	3,687,890
Placements with banks	-	-	6,216,039	225,023	6,441,062
Loans to and receivables from customers	14,459,557	545,148	-	1,886,332	16,891,036
Financial assets at amortized cost	-	-	8,351,793	49,990	8,401,783
Financial assets at FVOCI	706	233,403	-	-	234,109
Property, plant and equipment	690,855	17,644	-	2,512	711,011
Right-of-use assets	157,514	-	-	-	157,514
Intangible assets	75,012	18,302	-	-	93,314
Deferred tax assets (Unallocated)	-	-	-	-	85,273
Other assets	172,889	487,628	-	2,177	662,693
Total assets	23,351,985	1,302,124	14,567,832	2,564,497	41,871,711
Liabilities					
Due to customers	27,579,853	-	-	1,641,814	29,221,667
Term debt and other borrowed funds	-	-	514,893	229,322	744,215
Lease liability	147,531	-	-	-	147,531
Other liabilities	746,264	396,675	-	30,131	1,173,070
Income tax liability (Unallocated)	-	-	-	-	313,313
Total liabilities	28,473,649	396,675	514,893	1,901,267	31,599,797

	2021				
	Corporate, business and retail banking	Card and electronic banking	Treasury	BML Islamic	Total
Assets					
Cash and cash equivalents	5,319,433	-	-	227,487	5,546,920
Statutory deposit with Maldives Monetary Authority	2,813,076	-	-	158,312	2,971,388
Placements to banks	-	-	5,390,729	225,255	5,615,984
Loans to and receivables from customers	13,959,698	331,653	-	1,265,316	15,556,667
Financial assets at amortized cost	-	-	7,230,567	48,800	7,279,367
Financial assets at FVOCI	581	243,035	-	-	243,616
Property, plant and equipment	503,881	17,644	-	1,796	523,321
Right-of-use assets	158,412	-	-	-	158,412
Intangible assets	73,699	21,221	-	-	94,920
Deferred tax assets (Unallocated)	-	-	-	-	149,718
Other assets	734,679	41,714	-	34,280	810,673
Total assets	23,563,459	655,267	12,621,296	1,961,246	38,950,986
Liabilities					
Due to customers	25,986,024	-	-	1,345,568	27,331,592
Term debt and other borrowed funds	-	-	1,139,233	-	1,139,233
Lease Liability	151,726	-	-	-	151,726
Other liabilities	953,716	114,131	-	32,505	1,100,352
Income tax liability (Unallocated)					427,559
Total liabilities	27,091,466	114,131	1,139,233	1,378,073	30,150,462


ROOM

INVESTOR RELATIONS

CAPITAL STRUCTURE

During the financial year 2022, the Authorized Share Capital of the Bank remained unchanged at MVR 800,000,000 while the Issued, Subscribed and Paid-up Capital of the Bank as at 31st December 2022 also remained unchanged at MVR 269,096,000. The Bank listed its equity securities on the Maldives Stock Exchange on 29th December 2004.

SHAREHOLDING STRUCTURE

Following is the shareholding structure of the Bank at the end of the year 2021 and 2022.

	2022			2021		
Shareholders	Total Shares	Share Capital (MVR)	%	Total Shares	Share Capital (MVR)	%
Government (MOF)	3,128,248	156,412,400	58.13%	2,733,868	136,693,400	50.80%
Government Employees Provident Fund	-	-	-	394,380	19,719,000	7.33%
Maldives Transport and Contracting Company (MTCC)	219,096	10,954,800	4.07%	219,096	10,954,800	4.07%
Island/Atoll Councils	219,096	10,954,800	4.07%	219,096	10,954,800	4.07%
General Public	1,815,480	90,774,000	33.73%	1,815,480	90,774,000	33.73%
Total	**5,381,920**	**269,096,000**	**100.00%**	**5,381,920**	**269,096,000**	**100.00%**

TOP TEN SHAREHOLDERS

Top 10 shareholders of the Bank are listed in the table below.

No.	Shareholder Name	Number of shares
1	Ministry of Finance	3,128,248
2	Champa Brothers Maldives Pvt Ltd	267,505
3	Maldives Transport & Contracting Co. Plc	219,096
4	Individual Shareholder	73,880
5	H.Dh Atoll/Island Council	30,600
6	R. Atoll/Island Council	26,352
7	H.A Atoll/Island Council	18,792
8	A.Dh Atoll/Island Council	18,720
9	Individual Shareholder	17,316
10	B. Atoll/Island Council	15,912

SHARE PRICE MOVEMENT

During 2022, 96 transactions amounting to 3,716 shares were traded through the Maldives Stock Exchange. The Weighted Average Price over the year was MVR 561.54 and the total value of the shares traded was MVR 2,086,669. At the beginning of 2022, the market price per share was MVR 235 per share and the first traded price amounted to MVR 275.00 per share while the last traded price at the close of the year was MVR 775.00. The highest quoted price during the year amounted to MVR 800.00 while the lowest amounted to MVR 275.00.

	2022	2021
Market Statistics (MVR)		
First Traded Price	275.00	220.00
Highest Price	800.00	245.00
Lowest Price	275.00	216.00
Last Traded Price	775.00	235.00
Weighted Average Price	561.54	226.80
Market Capitalization at financial year end	4,170,988,000	1,264,781,200*

* Revised

Information on Share Trading	2022	2021
Number of Transactions	96	51
Number of Shares Traded	3,716	3,192
Value of Shares Traded (MVR)	2,086,669	723,955

Information per ordinary share (MVR)	2022	2021
Earnings per share	303	346
Net Asset per share	1,909	1,635
Market value per share	775	235*

* Revised