Maldives Islamic Bank PLC

Audited Financial Statements - 31 December 2024

MALDIVES ISLAMIC BANK

Deloitte.

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Independent auditor's report

To the Shareholders of Maldives Islamic Bank Plc

Our opinion

We have audited the financial statements of Maldives Islamic Bank Plc (the "Bank"). The financial statements of the Bank comprise:

- the statement of financial position as at 31 December 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Impairment of receivable from financing activities As at 31 December 2024, 50.1 % of the total assets of the bank consisted of receivables from financing activities amounting to MVR 5.7 billion shown net of loss allowance of MVR 146.8 million. The Bank adopts an individual impairment assessment approach for individually significant credit impaired receivables from financing activities and a collective impairment assessment approach for receivables from financing activities which are not individually significant and credit impaired. Individual impairment is based on assessing the amount and timing of estimated future cashflows from collateral. Under the collective approach, the Bank applies 3 stage model and allocates receivables to stage 1,2,3 using criteria in accordance with IFRS 9 and calculates expected credit loss (ECL) allowance by using following key inputs: probability of default (PD), loss given default (LGD) and exposure at default (EAD). PD is determined at segment level using historical collection trends, credit migration rate in the Markov chain approach. The data used to derive the PD is based on the Bank's own experience at the reporting date. The output PD is then adjusted to reflect macro-economic conditions of Maldives using score card approach. The LGD used for segments is driven by estimation of loss rates, taking into account the Bank's history from internal debt collection activities and customer repayments. The Bank formulates and incorporates multiple forward looking scenarios reflecting management views of potential future economic developments into ECL	Specific work that we performed on the loss allowance on receivables from financing activities recognised by management included the following: - Tested the completeness of the receivables from financing activities considered in the loss calculation by checking the mathematical accuracy of the listing obtained and matched the outstanding balances with the general ledger. - Tested the receivables from financing activities in stage 1, 2 and 3 on a sample basis to verify they were classified to the appropriate stage in accordance with IFRS 9. - Assessed the reasonableness of management's estimated future recoveries of individual customer receivable from financing activities including the expected future cash flows, discount rates and valuation of collateral held by testing the key underlying assumptions and evaluating the process by which those were drawn up. - Tested the accuracy and completeness of underlying information in receivable from financing activities used in the expected financing activities loss allowance calculation, such as disbursed and undisbursed facility amounts, deposits, values of the collateral, aging and tenure periods by agreeing details with the respective customer statements and files on a sample basis. - Tested the methodology applied in the loss allowance calculation including the ECL model by checking compliance with the requirements of IFRS 9, Financial instruments; recognition and measurement, and also considered reasonableness of macro-economic and other factors used by the management by comparing

estimates involve use of significant judgements. Significant estimates and assumptions used by the management in such calculations and the basis for impairment allowance is disclosed in Note 12 and 37. The loss allowance in respect of receivables from financing activities represent management's best estimate of the impairment loss incurred and expected within the receivable portfolio at the reporting date. We have identified expected credit loss allowance for receivables from financing activities as a key audit matter as the calculation of the loss allowance is a complex area and requires management to make significant assumptions and judgements.	them with publicly available data and information sources. - Assessed the adequacy of the related financial statement disclosures as set out on Notes 12 and 37 for compliance with required IFRS 9 disclosures.

Other information

Management is responsible for the other information. The other information comprises the Annual Report for the year ended 31 December 2024 but does not include the financial statements and our auditor's report thereon which is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation of the financial statements that gives true and fair view in accordance with the IFRS Accounting Standards as issued by International Accounting Standards Board, 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 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 judgment and maintain professional scepticism 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 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.

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.

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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 Mohamed Siraj Muneer.

MALE`

22 March 2025

For DELOITTE PARTNERS

Mohamed Siraj Muneer
Partner

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2024

	Note	2024 MVR	2023 MVR
ASSETS			
Cash and balances with other banks	7	416,135,436	419,351,119
Balances with Maldives Monetary Authority	8	1,620,234,331	921,280,143
Due from banks	9	153,992,319	-
Investments in equity securities	10	127,000,000	112,500,000
Investments in other financial instruments	11	2,897,867,398	2,277,083,866
Net receivables from financing activities	12	5,744,456,182	4,105,764,559
Property and equipment	13	118,284,687	91,979,547
Right-of-use assets	14	105,995,474	115,065,782
Intangible assets	15	12,014,527	11,292,622
Other assets	16	261,404,312	176,377,600
Deferred tax asset	34.5	5,020,273	4,193,876
Total assets		11,462,404,939	8,234,889,114
LIABILITIES			
Customers' accounts	17	9,127,012,881	6,837,876,381
Due to banks and other financial institutions	18	955,364,134	258,051,674
Provisions	19	3,051,972	7,097,459
Current tax liability	34	64,753,647	39,560,190
Lease liabilities	20	85,558,849	90,556,067
Other liabilities	21	75,001,643	73,631,800
Total liabilities		10,310,743,126	7,306,773,571
EQUITY			
Share capital and share premium	22	337,500,070	337,500,070
Statutory reserve	24	150,000,000	150,000,000
Non-distributable capital reserve	25	17,402,318	16,108,242
Fair value reserve	10	60,000,000	49,125,000
Retained earnings		586,759,425	375,382,231
Total equity		1,151,661,813	928,115,543
Total liabilities and equity		11,462,404,939	8,234,889,114
Commitments	42	1,272,476,204	1,414,983,971
Net asset value per share		51.18	41.25

The financial statements are to be read in conjunction with the related notes which form an integral part of the financial statements of the Bank set out on pages 10 to 78. The report of the independent auditors is given on pages 1 and 5.

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

Mr. Ali Wasif Chief Financial Officer	Mr. Mufaddal Idris Khumri Managing Director / Chief Executive Officer	Mr. Iyaz Waheed Chairman of Board Audit Committee

19th March 2025
Male'

Deloitte Partners
Male', Maldives

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2024

	Note	2024 MVR	2023 MVR
Income from financing activities using the effective profit method	26.1	599,348,633	401,763,833
Profit paid on customer accounts and others	26.2	(130,642,491)	(77,468,213)
Net profit earned from financing activities		**468,706,142**	**324,295,620**
Fee and commission income	27.1	145,540,120	75,122,199
Fee and commission expense	27.2	(32,999,413)	(13,490,924)
Net fee and commission income		**112,540,707**	**61,631,275**
Net foreign exchange (loss)/gain	28	(99,170)	305,875
Income from investments in equity securities	29	5,001,000	4,726,400
Net income from other financial instruments	30	123,108,004	84,601,096
Total operating income		**709,256,683**	**475,560,266**
Net impairment losses on financial assets	12.4	(30,925,156)	(23,097,696)
Personnel expenses	31	(155,130,103)	(115,583,135)
General and administrative expenses	32	(110,528,936)	(67,826,287)
Depreciation and amortization	33	(43,788,092)	(35,312,343)
Total operating expenses including impairment provision		**(340,372,287)**	**(241,819,461)**
Profit before tax		**368,884,396**	**233,740,805**
Income tax	34.1	(90,963,106)	(57,210,772)
Profit for the year		**277,921,290**	**176,530,033**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Movement in fair value reserve (equity instruments):			
Net change in fair value - equity investment at FVOCI	10.2	14,500,000	10,400,000
Income tax related to net change in fair value of equity investment	34.5	(3,625,000)	(2,600,000)
		10,875,000	7,800,000
Total other comprehensive income, net of tax		10,875,000	7,800,000
Total comprehensive income		**288,796,290**	**184,330,033**
Basic and diluted earnings per share	35.1	**12.35**	**7.85**

Figures in brackets indicate deductions

The financial statements are to be read in conjunction with the related notes which form an integral part of the financial statements of the company set out on pages 10 to 78. The report of the independent auditors is given on pages 1 and 5.

STATEMENT OF CHANGES IN EQUITY

AS AT 31ST DECEMBER 2024

	Share capital and premium MVR	Statutory reserve MVR	Non distributable capital reserve MVR	Fair value reserve MVR	Retained earnings MVR	Total MVR
As at 1st January 2023	337,500,070	150,000,000	23,775,443	41,325,000	230,560,010	783,160,523
Profit for the year	-	-	-	-	176,530,033	176,530,033
Other comprehensive income						
Equity instruments at FVOCI - Change in fair value (Note 10.2)	-	-	-	10,400,000	-	10,400,000
Recognition of deferred tax impact on fair value change (Note 34.5)	-	-	-	(2,600,000)	-	(2,600,000)
Total comprehensive income for the year	-	-	-	7,800,000	176,530,033	184,330,033
(Release) / recognition of non-distributable capital reserve (Note 25)	-	-	(7,667,201)	-	7,667,201	-
Transaction with owners of the bank						
Dividends (Note 22.4)	-	-	-	-	(39,375,013)	(39,375,013)
As at 31st December 2023	337,500,070	150,000,000	16,108,242	49,125,000	375,382,231	928,115,543
As at 1st January 2024	337,500,070	150,000,000	16,108,242	49,125,000	375,382,231	928,115,543
Profit for the year	-	-	-	-	277,921,290	277,921,290
Other comprehensive income						
Equity instruments at FVOCI - Change in fair value (Note 10.2)	-	-	-	14,500,000	-	14,500,000
Recognition of deferred tax impact on fair value change (Note 34.5)	-	-	-	(3,625,000)	-	(3,625,000)
Total comprehensive income for the year	-	-	-	10,875,000	277,921,290	288,796,290
(Release) / recognition of non-distributable capital reserve (Note 25)	-	-	1,294,076	-	(1,294,076)	-
Transaction with owners of the bank						
Dividends (Note 22.4)	-	-	-	-	(65,250,020)	(65,250,020)
As at 31st December 2024	337,500,070	150,000,000	17,402,318	60,000,000	586,759,425	1,151,661,813

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes which form an integral part of the financial statements of the Company set out on pages 10 to 78. The Report of the Independent Auditors is given on pages 1 and 5.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2024

	Note	2024 MVR	2023 MVR
Cash flows from operating activities			
Profit before tax		368,884,396	233,740,805
Adjustments for:			
Depreciation and amortization	**33**	43,788,092	35,312,343
Net impairment loss on financial assets	**12.4**	30,925,156	23,097,696
Net impact of modification of financial assets measured at amortised cost	**26.1**	(353,155)	1,801,179
Dividend income on equity securities	**29**	(5,001,000)	(4,726,400)
Profit on disposal of right-of-use asset and lease liability		-	(98,446)
Loss / (gain) on disposal of property and equipment		-	44,911
Written off of property and equipment	**13**	-	2,544
Written off of intangible assets	**15**	-	399,941
Profit expense on inter-bank financing	**26.2**	21,081,074	5,235,927
Operating profit before working capital changes		459,324,563	294,810,500
Changes in;			
Customers' accounts	**17**	2,289,136,500	1,693,255,440
Other assets	**16**	(85,026,712)	(65,104,641)
Other liabilities	**21**	887,428	30,593,526
Net receivables from financing activities	**12**	(1,673,172,817)	(1,304,896,985)
Due from banks	**9**	(154,026,975)	-
Investment in other financial instrument	**11**	(621,127,279)	(361,771,845)
Cash (used in) / generated from operations		215,994,708	286,885,995
Dividend received	**29**	5,001,000	4,726,400
Profit paid on inter-bank financing		(48,768,614)	(3,631,876)
Tax paid	**34.4**	(70,221,046)	(58,961,917)
Net cash (used in) / generated from operating activities		102,006,048	229,018,602
Cash flows from investing activities			
Acquisition of property and equipment	**13**	(49,202,043)	(47,971,108)
Acquisition of intangible assets	**15**	(6,206,515)	(4,446,685)
Net movement in minimum reserve requirement of MMA	**8**	(183,030,079)	(179,328,644)
Net cash used in investing activities		(238,438,637)	(231,746,437)
Cash flows from financing activities			
Principal element of lease liability paid	**20**	(11,333,489)	(9,218,095)
Interbank Wakalah placement / (settlement)		725,000,000	225,000,000
(Payments) / fundings during the year		-	(61,580,000)
Dividends paid during the year		(64,767,606)	(42,347,078)
Net cash generated from / (used in) financing activities		648,898,905	111,854,827
Net increase / (decrease) in cash and cash equivalents		512,466,316	109,126,992
Cash and cash equivalents at beginning of the year		679,831,850	570,704,858
Cash and cash equivalents at end of the year	**7.2**	1,192,298,166	679,831,850

Figures in brackets indicate deductions.

The financial statements are to be read in conjunction with the related notes which form an integral part of the financial statements of the Company set out on pages 10 to 78. The Report of the Independent Auditors is given on pages 1 and 5.

1. REPORTING ENTITY

Maldives Islamic Bank Public Limited Company (the "bank") was incorporated and domiciled in the Republic of Maldives since 01st April 2010 as a private limited liability company and presently governed under the Companies' Act No.7 of 2023 and Maldives Banking Act No 24 of 2010. The bank received the banking license under the Maldives Monetary Authority Act No. 6 of 1981 on 02nd August 2010 to conduct Islamic banking business in the Maldives and obtained certificate of approval to commence operations on 06th March 2011. The bank subsequently converted to a Public Company on 19th June 2019 under the Companies Act and the bank listed its shares on the Maldives Stock Exchange on 17th November 2019. The registered office of the bank is at H. Medhuziyaaraiydhoshuge, 20097, Medhuziyaaraiy Magu, Male' City, Republic of Maldives.

The bank provides full range of banking services based on Shari'ah principles including accepting deposits, granting of financing facilities and other ancillary services.

2. BASIS OF PREPARATION

i. Statement of compliance

These financial statements have been prepared and presented in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). They were authorised for issue by the bank's Board of Directors on 19th March 2025.

ii. Functional and presentation currency

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

iii. Use of judgements and estimates

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

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

A. Judgements

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

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

2. BASIS OF PREPARATION (CONTINUED)

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31st December 2024 is included in the following notes.

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

C. Going concern

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

3. CHANGE IN ACCOUNTING POLICY

Except for the described accounting policies below, the applied accounting policies in these financial statements are the same as those applied in the financial statements as at and for the year ended 31st December 2024.

The following amendments to IFRS have been applied by the bank in preparation of these financial statements. The below were effective from 1st January 2024:

(a) New and amended accounting standards adopted by the bank

The bank has applied the following standards and amendments for the first time for their annual reporting periods commencing 1 January 2024. Most of the amendments listed below did not have any significant impact on amounts recognised in prior periods and are not expected to significantly affect current or future periods. The bank did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards:

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures titled Supplier Finance
- Arrangements Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 Presentation of Financial Statements— Non-current Liabilities with Covenants

3. CHANGE IN ACCOUNTING POLICY (CONTINUED)

(b) New and amended standards and interpretations issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the bank has not early adopted the new or amended standards in preparing these financial statements.

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

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates titled Lack of Exchangeability
- IFRS 18 Presentation and Disclosures in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures

4. MATERIAL ACCOUNTING POLICY INFORMATION

4.1 Foreign currency transactions

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

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

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

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

4.2 Profit

i. Effective profit rate

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.2 Profit (continued)

i. Effective profit rate (continued)

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

ii. Amortised cost and gross carrying amount

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

iii. Calculation of profit income and expense

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.2 Profit (continued)

iii. Calculation of profit income and expense (continued)

- Income from short-term placements is recognised on a time-apportioned basis over the period of the contract using the effective profit rate method. The effective profit is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of a financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective profit rate is established on initial recognition of the financial asset and liability and is not revised subsequently.
- Placement fees income for arranging a financing between a financier and investor and other investment income are recognised on an accrual basis.
- Income from dividends is recognised when the right to receive the dividend is established.

Presentation

Profit income calculated using the effective profit method presented in the statement of profit or loss includes:

- Profit on financial assets and financial liabilities measured at amortised cost.
- Profit income on other financial assets mandatorily measured at FVTPL are presented in net income from other financial instruments at FVTPL.

Profit expense presented in the statement of profit or loss includes:

- Financial liabilities measured at amortised cost.

4.3 Fees and commission

Fee and commission income and expenses that are integral to the EIR (Effective Interest (Profit) Rate) of a financial asset or financial liability are capitalised and included in the measurement of the EIR (Effective Interest (Profit) Rate) and recognised 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 recognised as the related services are performed.

As per IFRS 15, the bank adopts principles based five step model for revenue recognition. Accordingly, revenue is recognised 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.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.4 Net income from other financial instruments at fair value through profit or loss

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

4.5 Dividend income

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

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

4.6 Leases

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

Bank acting as a lessee

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.6 Leases (continued)

Bank acting as a lessee (continued)

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

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

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

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

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

Short term leases and leases of low-value assets

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

4.7 Income tax

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

The bank has determined that fines and penalties related to income tax, including uncertain tax treatments do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, contingent liabilities and contingent assets.

i. Current tax

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.7 Income tax (continued)

ii. Deferred tax

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

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

4.8 Financial assets and financial liabilities

i. Recognition and initial measurement

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

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

ii. Classification

Financial assets

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit (“SPPP”).

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.8 Financial assets and financial liabilities (continued)

ii. Classification (continued)

Financial assets (continued)

Financial assets measured at amortised cost comprise receivables from Murabaha, Istisna', Diminishing Musharaka, Education Financing, balances with Maldives Monetary Authority ("MMA"), cash in hand and balances with banks.

On initial recognition of an equity investment that is not held for trading, the bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. Accordingly, the bank has irrevocably elected to present subsequent changes in fair value in OCI.

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

Other financial assets are classified as measured at amortized cost or FVTPL based on the SPPP test. Financial assets measured at FVTPL comprise bank's money market placements and, Wakala and Mudharaba placements with a variable rate of return, where SPPP criteria are not met. Wakala facilities with fixed rate of return are measured at amortized cost.

Financial assets are not reclassified subsequent to their initial recognition unless the bank change its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Business model assessment

The bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.8 Financial assets and financial liabilities (continued)

ii. Classification (continued)

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition.

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

In assessing whether the contractual cash flows are solely payments of principal and profit, the bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, The bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the bank's claim to cash flows from specified assets (e.g. non-recourse financing facilities); and
- features that modify consideration of the time value of money (e.g. periodical reset of profit rates).

The bank holds a portfolio of long-term fixed rate financing facilities for which the bank has the option to propose to revise the profit rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers (customers) have an option to either accept the revised rate or redeem the finance facility subject to rebate policy of the bank. The bank has determined that the contractual cash flows of these financing facilities are solely payments of principal and profit because the option varies the profit rate in a way that is consideration for the time value of money, credit risk, other basic lending (financing) risks and costs associated with the principal amount outstanding.

iii. Subsequent measurement

Subsequent measurement of debt instruments depends on the bank’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the bank classifies its debt instruments:

• Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and profit, are measured at amortised cost. Profit income from these financial assets is included in finance income using the effective profit rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.8 Financial assets and financial liabilities (continued)

iii. Subsequent measurement (Continued)

• FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, profit income and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Profit income from these financial assets is included in finance income using the effective profit rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the statement of profit or loss.

• FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments are subsequently measured at FVOCI.

Reclassifications

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

Financial liabilities

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

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

Interest (Profit) rate benchmark reform

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.8 Financial assets and financial liabilities (continued)

iii. Subsequent measurement (Continued)

Interest (Profit) rate benchmark reform (continued)

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

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

iv. Derecognition

Financial assets

The bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any profit in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

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

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

Financial liabilities

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.8 Financial Assets and Financial Liabilities (continued)

v. Modification of financial assets

Financial assets

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

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

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

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

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

vi. Offsetting

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

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

vii. Fair value measurement

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.8 Financial Assets and Financial Liabilities (continued)

vii. Fair value measurement (continued)

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

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

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

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

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

viii. Impairment

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

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

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

No impairment loss is recognised on equity investments measured at FVOCI.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.8 Financial assets and financial liabilities (continued)

viii. Impairment (continued)

The Bank measures loss allowances at an amount equal to lifetime ECL except for financial instruments for which credit risk has not increased significantly since initial recognition. For such instruments loss allowances are measured as 12-months ECL.

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

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

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

Measurement of ECL

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

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.8 Financial assets and financial liabilities (continued)

viii. Impairment (continued)

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.8 Financial assets and financial liabilities (continued)

viii. Impairment (continued)

Credit-impaired financial assets (continued)

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

The Bank assigns floor rate (a minimum PD) based on Basel II framework for sovereign debts since there are no defaults in the past.

For credit-impaired financial assets the effective profit rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

Purchased or originated credit-impaired (POCI) financial assets

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

Presentation of allowance for ECL in the statement of financial position

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.8 Financial assets and financial liabilities (continued)
viii. Impairment (continued)

Write-off

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

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

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

Financial guarantee contracts held

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

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

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

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

ix. Designation at fair value through profit or loss

On initial recognition, the Bank has designated certain financial assets as at FVTPL.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.9 Cash and cash equivalents

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

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

4.10 Receivables from financing activities

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

The bank has the following receivables and balances from financing activities

(a) Murabahah financing

Murabahah financing consists of the cost and the profit margin of the bank which resulted from Murabahah (Sale) transactions and are stated net of deferred profit and provision for impairment.

Murabahah is a cost plus sale contract where the bank purchases the subject matter requested by the customer and sell it to the customer with a profit. Under the Murabahah contract, the bank is liable to disclose the details of the cost including the direct expenses to the customer at the time of sale. The sale price may be paid in lump sum or in installments over the agreed period. These financing facilities are initially measured at fair value. Further the instruments are subsequently measured at their amortised cost using the effective profit method, since the instruments carry fixed profit rates and are held-to-maturity.

(b) Commodity Murabahah financing

Commodity Murabahah is a popular term used in the market to imply a contract of Bi al-Tawarruq. The term Tawarruq generally implies a sale contract whereby a buyer buys an asset from a seller with deferred payment and subsequently sells the asset to a third party on cash with a price less than the deferred price for the purpse of obtaining cash.

(c) Istisna' financing

Istisna' is a sale contract between the ultimate buyer (customer) and the seller (bank), whereby the bank, based on an order of the customer, undertakes to construct/produce/manufacture or otherwise acquire the subject matter of the contract, according to the agreed specification and deliver it to the customer for an agreed price on an agreed date. The method of settlement may be agreed in advance, by installments or deferred to a specific future time. Istisna' contracts represent the disbursements made either in advance, progressive as agreed in the contract against the subject matter constructed/produced/manufactured/acquired for Istisna' project, plus income (profit) recognised, less payment received from the customer as installments. These financing facilities are initially measured at fair value. Further the instruments are subsequently measured at their amortised cost using the effective profit method, since the instruments carry fixed profit rates and are held-to-maturity.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.10 Receivables from financing activities (continued)

(d) Diminishing musharakah financing

Diminishing Musharakah is a form of partnership where both parties enter into a Musharakah (partnership) contract to jointly acquire an asset. Subsequently, under a separate sale contract, which may be secured under a unilateral undertaking to purchase by the customer, one party (customer) buys the equity share (ownership units) of the other party (Bank) gradually at cost price until the title to the asset is completely transferred to the customer. During the tenure of the facility, the ownership units of the Bank will be leased out to the customer and the income of the Bank will be collected in the form of rentals. These financing facilities are initially measured at fair value. Further the instruments are subsequently measured at their amortised cost using the effective profit method, since the instruments carry fixed profit rates and are held-to-maturity.

(e) Education financing / Ijarat-ul-Askhas

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

The Bank will provide the educational service (service Ijarah) to the customer after the Bank purchases the educational placement from the educational institutions. The service payment by the customer is made on monthly basis on an agreed tenure. These financing facilities are initially measured at fair value. Further the instruments are subsequently measured at their amortised cost using the effective profit method, since the instruments carry fixed profit rates and are held-to-maturity.

(f) Wakalah Bi Al-Istithmar

Wakalah Bi Al-Istithmar is an investment agency contract where a principal (Muwakkil) appoints an agent (Wakil) to invest funds on their behalf, either with or without a fee. This arrangement is commonly used in Islamic finance to facilitate Shariah-compliant investments while ensuring proper delegation of fund management.

In this context, the Muwakkil refers to the bank, which provides funds under the Wakalah contract for investment in a business. The Wakil is an eligible customer who receives these funds and is responsible for utilizing them in accordance with the agreed-upon investment strategy. The Wakil is expected to manage the investment prudently and in compliance with Shariah principles, ensuring that the funds are not used for prohibited (haram) activities.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.11 Investments in other financial instruments

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

(a) Mudharabah

Mudharabah is a type of partnership for profit in which one partner provides the capital and the other partner contributes his labour. The profits are shared on pre-agreed profit-sharing ratios. The losses, if any, are borne by the fund provider. The profit rates of the instrument are linked to the profit of the borrower (customer), and they vary with the variations in profit. Mudharabah instruments are mandatorily measured at FVTPL with changes recognized immediately in the statement of profit or loss. The Mudharabah instrument fails the "SPPP" test due to variability in the profit earned, thus, irrespective of the business model test, the instruments are classified at FVTPL. The instruments are measured by adding actual profit declared to the principal outstanding. Since the period of the instrument is less than 12 months, the future cash flow is not discounted to determine the fair value.

Instruments measured at FVTPL are not subject to impairment as per IFRS 9, and are therefore not impaired.

(b) Wakalah Bi Al-Isthithmar

"Wakalah Bi Al-Isthithmar" or "Investment agency" indicates appointing another person to invest and grow one's wealth, with or without a fee. In this structure the Wakeel conducts financial transactions through Commodity Murabaha and deploys bank's funds on short-term basis. The bank is remunerated through an indicative rate. The Wakalah Bi Al-Isthithmar profit rates does not vary from the indicative profit rate provided in the contract and are held to maturity. Therefore, this meets the SPPY criteria and held to collect business model test. Hence, Wakalah Bi Al-Isthithmar treasury certificate is to be classified as a financial asset measured at amortized cost.

4.12 Investments in equity securities

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

- equity investment securities designated as at FVOCI.

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

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

5. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.13 Deposits

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

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

Deposits comprise following products;

a) Current accounts

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

Salient features:

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

b) Savings accounts

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

The Bank invests deposited funds and shares the profits between the bank and the customer based on the bank's declared profit ratio at the end of each month following the concept of Mudharabah.

Salient features:

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

b) General investment accounts

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

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

Salient features:

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.13 Deposits (continued)

b) Margin accounts

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

The Bank maintains margin accounts for the following services:

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

4.14 Financial guarantees and finance commitments

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

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

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

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

For other finance commitments:

- the Bank recognises loss allowance;

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

4.15 Share capital and reserves

Ordinary shares

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.16 Property and equipment

i. Recognition and measurement

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

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

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

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

ii. Subsequent costs

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

ii. Subsequent costs (continued)

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

iii. Derecognition

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

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.16 Property and equipment (continued)

iv. Depreciation

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

Leasehold building	Over the lease period
Computer equipment	4 Years
Furniture and fittings	5 Years
Office equipment	5 Years
Machinery and equipment	10 Years
Motor vehicles	5 Years
Vault	10 Years

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

4.17 Intangible assets

i. Recognition and measurement

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

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

ii. Subsequent expenditure

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

iii. Derecognition of intangible assets

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

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.17 Intangible assets (continued)

iv. Amortisation

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

Computer software	5 Years
Core banking and database software	7 Years

4.18 Impairment of non-financial assets

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

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

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

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

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

4.19 Provisions

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

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

4.20 Short-term employee benefits

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

4.21 Defined contribution plans

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

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

4.22 Operating expenses

All operating expenses incurred in the running of the Bank and in maintaining the capital assets in a state of efficiency has been charged to the profit or loss in arriving at profits or loss for the period.Expenses incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the Bank have been treated as capital expenses.

4.23 Earnings per share

The Bank presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Bank by the weighted-average number of ordinary shares outstanding during the period. The basic and diluted EPS are the same for the Bank.

4.24 Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Bank's other components, whose operating results are regularly reviewed by the Bank's chief operating decision maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

5. STANDARDS ISSUED BUT NOT YET ADOPTED

A number of new standards are effective for annual periods beginning after 1st January 2024 and earlier application is permitted; however, the Bank has not early adopted the new or amended standards in preparing these financial statements.

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

- Amendments to IAS 21 - Lack of Exchangeability (effective for annual periods beginning on or after 1 January 2025)
- Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after 1 January 2026)
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after 1 January 2027)
- IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027)

6 OPERATING SEGMENT

(a) Basis for segmentation

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

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

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

(b) Information about reportable segments

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

	Corporate and retail banking	Card and electronic banking	Treasury	Total
	MVR	MVR	MVR	MVR
For the year ended 31st December 2024				
Income from financing activities	599,348,633	-	-	599,348,633
Profit paid on customer accounts	(130,642,491)	-	-	(130,642,491)
Net profit earned from financing activities	**468,706,142**	**-**	**-**	**468,706,142**
Fee and commission income	72,199,425	73,340,695	-	145,540,120
Fee and commission expense	(1,788,514)	(31,210,899)	-	(32,999,413)
Net fee and commission income	**70,410,911**	**42,129,796**	**-**	**112,540,707**
Foreign exchange gain	(99,170)	-	-	(99,170)
Dividend income	-	-	5,001,000	5,001,000
Net income from other financial instruments	-	-	123,108,004	123,108,004
Total operating income	**539,017,883**	**42,129,796**	**128,109,004**	**709,256,683**
Net impairment losses on financial assets	(30,546,754)	-	(378,402)	(30,925,156)
Personnel costs	(132,443,090)	(16,485,869)	(6,201,144)	(155,130,103)
General and administrative expenses	(88,403,617)	(16,681,469)	(5,443,850)	(110,528,936)
Depreciation and amortisation	(34,051,302)	(9,255,472)	(481,318)	(43,788,092)
Total operating expenses including impairment provision	**(285,444,763)**	**(42,422,810)**	**(12,504,714)**	**(340,372,287)**
Profit before tax				**368,884,396**
Income tax				(90,963,106)
Profit for the year				**277,921,290**
Other comprehensive income, net of tax				10,875,000
Total comprehensive income				**288,796,290**

6 OPERATING SEGMENT

(b) Information about reportable segments (continued)

	Corporate and retail banking	Card and electronic banking	Treasury	Total
	MVR	MVR	MVR	MVR
For the year ended 31st December 2023				
Income from financing activities	401,763,833	-	-	401,763,833
Profit paid on customer accounts	(77,468,213)	-	-	(77,468,213)
Net profit earned from financing activities	**324,295,620**	**-**	**-**	**324,295,620**
Fee and commission income	50,135,181	24,987,018	-	75,122,199
Fee and commission expense	(770,820)	(12,720,104)	-	(13,490,924)
Net fee and commission income	**49,364,361**	**12,266,914**	**-**	**61,631,275**
Foreign exchange gain	305,875	-	-	305,875
Dividend income	-	-	4,726,400	4,726,400
Net income from other financial instruments	-	-	84,601,096	84,601,096
Total operating income	**373,965,856**	**12,266,914**	**89,327,496**	**475,560,266**
Net impairment losses on financial assets	(23,048,820)	-	(48,876)	(23,097,696)
Personnel costs	(96,750,742)	(14,104,123)	(4,728,269)	(115,583,135)
General and administrative expenses	(54,228,239)	(10,287,336)	(3,310,712)	(67,826,287)
Depreciation and amortisation	(28,029,808)	(6,814,107)	(468,428)	(35,312,343)
Total operating expenses including impairment provision	**(202,057,610)**	**(31,205,566)**	**(8,556,285)**	**(241,819,461)**
Profit before tax				**233,740,805**
Income tax				(57,210,772)
Profit for the year				**176,530,033**
Other comprehensive income, net of tax				7,800,000
Total comprehensive income				**184,330,033**

	Corporate and retail banking	Card and electronic banking	Treasury	Total
As at 31st December 2024	MVR	MVR	MVR	MVR
Assets				
Cash and balances with other banks	416,135,436	-	-	416,135,436
Balances with Maldives Monetary Authority	1,620,234,331	-	-	1,620,234,331
Due from banks	-	-	153,992,319	153,992,319
Investments in equity securities	-	-	127,000,000	127,000,000
Investments in other financial instruments	-	-	2,897,867,398	2,897,867,398
Net receivables from financing activities	5,744,456,182	-	-	5,744,456,182
Property and equipment	90,838,437	27,446,250	-	118,284,687
Right-of-use assets	86,415,491	15,509,558	4,070,425	105,995,474
Intangible assets	9,670,326	2,344,201	-	12,014,527
Other assets	261,404,312	-	-	261,404,312
Deferred tax asset (unallocated)	-	-	-	5,020,273
Total assets	**8,229,154,515**	**45,300,009**	**3,182,930,142**	**11,462,404,939**

6 OPERATING SEGMENT

(b) Information about reportable segments (Continued)

As at 31st December 2024 (Continued)	Corporate and retail banking MVR	Card and electronic banking MVR	Treasury MVR	Total MVR
Liabilities				
Customers' accounts	9,127,012,881	-	-	9,127,012,881
Due to banks	-	-	955,364,134	955,364,134
Provision	3,051,972	-	-	3,051,972
Current tax liability (unallocated)	-	-	-	64,753,647
Lease liabilities	66,793,722	15,688,422	3,076,705	85,558,849
Other liabilities	71,823,449	3,178,194		75,001,643
Total liabilities	**9,268,682,024**	**18,866,616**	**958,440,839**	**10,310,743,126**

As at 31st December 2023	Corporate and retail banking MVR	Card and electronic banking MVR	Treasury MVR	Total MVR
Assets				
Cash and balances with other banks	419,351,119	-	-	419,351,119
Balances with Maldives Monetary Authority	921,280,143	-	-	921,280,143
Investments in equity securities	-	-	112,500,000	112,500,000
Investments in other financial instruments	-	-	2,277,083,866	2,277,083,866
Net receivables from financing activities	4,105,764,559	-	-	4,105,764,559
Property and equipment	64,533,297	27,446,250	-	91,979,547
Right-of-use assets	94,024,521	16,638,893	4,402,368	115,065,782
Intangible assets	8,948,421	2,344,201	-	11,292,622
Other assets	176,377,600	-	-	176,377,600
Deferred tax asset (unallocated)	-	-	-	4,193,876
Total assets	**5,790,279,660**	**46,429,344**	**2,393,986,234**	**8,234,889,114**
Liabilities				
Customers' accounts	6,837,876,381	-	-	6,837,876,381
Due to banks	-	-	258,051,674	258,051,674
Provision	7,097,459	-	-	7,097,459
Current tax liability (unallocated)	-	-	-	39,560,190
Lease liabilities	71,790,940	15,688,422	3,076,705	90,556,067
Other liabilities	73,196,562	435,236	-	73,631,800
Total liabilities	**6,989,961,342**	**16,123,658**	**261,128,379**	**7,306,773,571**

7 CASH AND BALANCES WITH OTHER BANKS

	2024 MVR	2023 MVR
Cash in hand (Note 7.1)	271,563,239	167,172,232
Balances with other banks (Note 7.2)	144,810,000	252,658,800
	416,373,239	419,831,032
Less: Impairment allowance on balances with other banks	(237,803)	(479,913)
Cash and balances with other banks	**416,135,436**	**419,351,119**

7.1 Cash in hand

	2024			2023		
	Foreign currency	**Exchange rate**	**Carrying amount**	**Foreign currency**	**Exchange rate**	**Carrying amount**
USD	8,982,727	15.395	138,289,083	4,090,458	15.395	62,972,601
MVR	-	-	133,274,156	-	-	104,199,631
Total			271,563,239			167,172,232

7.2 Balances with other banks

	2024			2023		
	Foreign currency	**Exchange rate**	**Carrying amount**	**Foreign currency**	**Exchange rate**	**Carrying amount**
Habib American Bank (USD)	1,591,323	15.395	24,498,411	8,245,054	15.395	126,932,602
AB Bank Limited (USD)	504,648	15.395	7,769,056	260,395	15.395	4,008,782
Bank of Maldives PLC (USD)	102,061	15.395	1,571,236	256,014	15.395	3,941,342
Bank of Maldives PLC (MVR)	-	-	14,840,074	-	-	2,318,915
State Bank of India (USD)	282,941	15.395	4,355,877	283,041	15.395	4,357,416
State Bank of India (MVR)	-	-	637,879	-	-	638,754
Amana Bank PLC (USD)	35,095	15.395	540,294	53,390	15.395	821,935
Mashreq Bank (USD)	5,884,844	15.395	90,597,173	7,121,731	15.395	109,639,054
Total			144,810,000			252,658,800

The bank has its Nostro accounts at Habib American Bank - New York (HAB) and Mashreq Bank - Dubai. This account is used to facilitate its foreign remittance and trade finance activities.

	2024 MVR	2023 MVR
Cash and balances with banks as per the statement of financial position	416,373,239	419,831,032
Add: Balance with MMA in excess of minimum reserve requirement	775,924,927	260,000,818
Cash and cash equivalents as per the cash flow statement	1,192,298,166	679,831,850

8 BALANCES WITH MALDIVES MONETARY AUTHORITY

	2024 MVR	2023 MVR
Minimum Reserve Requirement (MRR) (Note 8.1)	844,309,404	661,279,325
Balance in Excess of MRR with MMA (Note 8.2)	775,924,927	260,000,818
Total	1,620,234,331	921,280,143

8.1 Minimum Reserve Requirement ("MRR")

As per the regulations of the Maldives Monetary Authority (the "MMA"), the bank is required to maintain a reserve deposit based on 10% for MVR and 10% for USD of 14 days average of the Customers' deposits with the bank excluding interbank deposits of other banks in Maldives and letter of credit margin deposits. The bank has maintained the minimum reserve requirement according to the regulations issued by the MMA. These deposits are not available for the bank’s day-to-day operations.

8.2 Balance in excess to minimum reserve requirement

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

9 DUE FROM BANKS

	2024 MVR	2023 MVR
Wakalah facility	154,026,975	-
Less: Impairment allowance on balances due from banks	(34,656)	-
Due from banks	153,992,319	-

The Wakalah facility represents a placement made on 26th December 2024 with Bank of Maldives for a tenure of 3 months.

10 INVESTMENT IN EQUITY SECURITIES

	2024 MVR	2023 MVR
Investment securities designated at FVOCI - (Note 10.1)	127,000,000	112,500,000
	127,000,000	112,500,000

10.1 Investment securities designated at FVOCI - equity investments

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

	Fair value as at 31 December 2024 MVR	Dividend income recognised for the year 2024 MVR	Fair value as at 31 December 2023 MVR	Dividend income recognised for the year 2023 MVR
Investment in equity shares - Ooredoo Maldives PLC	110,500,000	4,251,000	97,500,000	3,952,000
Investment in equity shares - Dhivehi Rajjeyge Gulhun PLC	16,500,000	750,000	15,000,000	774,400
	127,000,000	5,001,000	112,500,000	4,726,400

	Ooredoo Maldives PLC	Dhivehi Raajjeyge Gulhun PLC	Total
As at 1st January 2023	91,000,000	11,100,000	102,100,000
Change in the fair value during the year	6,500,000	3,900,000	10,400,000
As at 31st December 2023	97,500,000	15,000,000	112,500,000
As at 1st January 2024	97,500,000	15,000,000	112,500,000
Change in the fair value during the year	13,000,000	1,500,000	14,500,000
As at 31st December 2024	110,500,000	16,500,000	127,000,000

Equity investment securities designated at FVOCI are the investments in the quoted shares of Dhivehi Rajjeyge Gulhun PLC (Dhiraagu) and Ooredoo Maldives PLC (Ooredoo). The investment at Dhiraagu comprised of 100,000 shares with nominal value of MVR 2.5 which were purchased at MVR 80 per share. As at 31st December 2024, the shares were valued at MVR 165 each (2023: MVR 150). The investment at Ooredoo comprised of 1,300,000 shares with nominal value of MVR 1 which were purchased at MVR 30 per share. The shares were valued at MVR 85 each as at 31st December 2024 (2023: MVR 75).

No strategic investments were disposed off during 2024, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2024

10 INVESTMENT IN EQUITY SECURITIES (CONTINUED)

10.2 Fair value reserve

	2024 MVR	2023 MVR
As at 1st January	49,125,000	41,325,000
Recognised / (reversal) during the year	14,500,000	10,400,000
Deferred tax on (recognition) / reversal during the year	(3,625,000)	(2,600,000)
As at 31st December	60,000,000	49,125,000

11 INVESTMENTS IN OTHER FINANCIAL INSTRUMENTS

	2024 MVR	2023 MVR
Investments mandatorily measured at FVTPL (Note 11.1)	121,682,729	120,501,238
Investments measured at amortised cost (Note 11.2)	2,776,819,559	2,156,873,771
Less: Impairment loss allowance on other financial instruments (Note 11.2)	(634,890)	(291,143)
	2,897,867,398	2,277,083,866

11.1 Investments in other financial instruments mandatorily measured at FVTPL

Investments in other financial instruments include Wakalah and Mudharabah placements where the return is linked to the profit generated by the investee. Since this criteria does not meet the requirement of SPPI as per the 'IFRS 9 - Financial Instruments', these instruments have been reclassified as FVTPL.

Investment	Invested currency	Contract type	Country	Maturity	2024 MVR	2023 MVR
Islamic Treasury Bill	MVR	Mudharabah	Maldives	98 Days	121,682,729	120,501,238
					121,682,729	120,501,238

11.2 Investments measured at amortised cost

Investment	Invested currency	Contract type	Country	Maturity	2024 MVR	2023 MVR
Islamic Treasury Bills	MVR	Wakalah Bi Al-Isthithmar	Maldives	28-364 days	1,731,242,655	1,393,701,534
Overnight Deposit Facility	MVR	Commodity Murabahah	Maldives		469,153,111	116,276,386
Sale & Lease Back Facility	MVR	SLBF	Maldives	3 years	264,221,629	400,395,160
Islamic Treasury Bills	USD	Wakalah Bi Al-Isthithmar	Maldives	1 year	312,202,164	246,500,691
					2,776,819,559	2,156,873,771

	2024 MVR	2023 MVR
Impairment loss allowance on Wakalah Bi Al-Isthithmar Treasury Bills	(592,228)	(275,480)
Impairment loss allowance on Commodity Murabahah Overnight Deposit Facility	(42,662)	(15,663)
Impairment loss allowance	(634,890)	(291,143)
Net investments measured at amortised cost	2,897,867,398	2,277,083,866

12 NET RECEIVABLES FROM FINANCING ACTIVITIES

	2024 MVR	2023 MVR
Receivables from financing activities measured at amortised cost (Note 12.1)	5,891,258,987	4,217,733,015
Less: Impairment loss allowance (Note 12.1)	(146,802,805)	(111,968,456)
Net receivables from financing activities	5,744,456,182	4,105,764,559

12 NET RECEIVABLES FROM FINANCING ACTIVITIES

12.1 Receivables from financing activities measured at amortised cost

	2024 MVR	2023 MVR
Diminishing Musharaka	3,096,257,669	2,375,048,569
Murabaha	1,833,240,022	1,618,157,980
Istisna'	107,256,687	131,464,771
Wakala Bi Al-Isthithmar	46,390,956	-
Tawarruq	808,113,650	93,060,244
Ijarat-ul-Askhas	3	1,451
Total gross receivables from financing activities	5,891,258,987	4,217,733,015
Impairment loss allowance on individually assessed customers	(64,441,151)	(40,446,639)
Impairment loss allowance on collectively assessed customers	(82,361,654)	(71,521,817)
Total loss allowance	(146,802,805)	(111,968,456)
Net receivables from financing activities	5,744,456,182	4,105,764,559

12.2 Movement in impairment allowance

	Receivables from financing activities MVR	Financial assets at amortised cost MVR	Due from banks MVR	Placements with other banks MVR	Total MVR
As at 1st January 2023	92,668,277	242,267	-	516,324	93,426,868
Impairment expenses recognized during the year for on balance sheet exposure	19,300,179	48,876	-	(36,411)	19,312,644
As at 31st December 2023	111,968,456	291,143	-	479,913	112,739,512
As at 1st January 2024	111,968,456	291,143	-	479,913	112,739,512
Impairment expenses recognized during the year for on balance sheet exposure	34,834,349	343,747	34,656	(242,110)	34,970,642
As at 31st December 2024	146,802,805	634,890	34,656	237,803	147,710,154

12.3 Receivables from financing activities measured at amortised cost

	2024			2023		
	Gross amount MVR	ECL allowance MVR	Net carrying amount MVR	Gross amount MVR	ECL allowance MVR	Net carrying amount MVR
Diminishing Musharaka	3,096,257,669	33,444,178	3,062,813,491	2,375,048,569	17,395,983	2,357,652,586
Murabaha	1,833,240,022	112,148,443	1,721,091,579	1,618,157,980	93,340,390	1,524,817,590
Istisna'	107,256,687	1,208,645	106,048,042	131,464,771	1,232,083	130,232,688
Wakala Bi Al-Isthithmar	46,390,956	1,539	46,389,417	-	-	-
Tawarruq	808,113,650	-	808,113,650	93,060,244	-	93,060,244
Education financing	3	-	3	1,451	-	1,451
Total gross receivable	5,891,258,987	146,802,805	5,744,456,182	4,217,733,015	111,968,456	4,105,764,559

12.4 Net impairment loss on financial assets

	2024 MVR	2023 MVR
Impairment recognized during the year for on balance sheet exposure (Note 12.2)	34,970,642	19,312,644
Impairment recognized / (reversed) during the year for off balance sheet exposure (Note 19)	(4,045,486)	3,785,052
	30,925,156	23,097,696

12.5 Significant changes in the gross carrying amount

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

	2024			2023		
	Impact: Increase / (decrease)			Impact: Increase / (decrease)		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Murabaha	4,319,204	1,406,874	5,228,342	11,664,828	1,282,052	(2,604,606)
Istisna'	-	-	-	(2,503)	-	-
Diminishing Musharakah	1,337,479	(708,969)	6,393,172	1,433,524	(3,124)	-
Tawarruq	5,417,611	1,258,396	949,617	1,494,566	-	-
Wakala Bi Al-Isthithmar	1,539	-	-	-	-	-
	11,075,833	1,956,301	12,571,131	14,590,415	1,278,928	(2,604,606)
Commitments	(4,045,486)			3,785,051		

13 PROPERTY AND EQUIPMENT

	Leasehold building MVR	Computer equipment MVR	Furniture and fittings MVR	Office equipment MVR	Machinery and equipment MVR	Motor vehicles MVR	Capital work in progress MVR	Total MVR
Cost								
As at 1st January 2024	40,712,342	63,483,875	13,084,181	35,903,795	2,909,247	1,407,178	19,827,182	177,327,800
Additions during the year	2,603,464	7,111,046	3,361,367	1,112,228	-	-	35,013,938	49,202,043
Disposals during the year	-	-	-	-	-	-	-	-
Write offs during the year	-	-	-	-	-	-	-	-
Transferred from capital work-in progress	7,202,604	13,936,411	915,835	19,830,759	-	-	(41,885,609)	-
As at 31st December 2024	50,518,410	84,531,332	17,361,383	56,846,782	2,909,247	1,407,178	12,955,511	226,529,843
Accumulated depreciation								
As at 1st January 2024	14,295,901	41,508,651	6,646,278	21,852,983	690,007	354,433	-	85,348,253
Depreciation for the year (Note 33)	4,216,637	9,506,733	2,137,413	6,510,073	291,941	234,106	-	22,896,903
As at 31st December 2024	18,512,538	51,015,384	8,783,691	28,363,056	981,948	588,539	-	108,245,156
Net carrying amount								
As at 31st December 2024	32,005,872	33,515,948	8,577,692	28,483,726	1,927,299	818,639	12,955,511	118,284,687

Notes:

- Capital work in progress includes the amount incurred by the Bank on construction of ATMs, new data recovery center and office space.
- There were no restrictions existed on the title of the property and equipment of the Bank as at the reporting date.
- There were no items of property and equipment pledged as securities for liabilities as at the reporting date.
- There were no idle property and equipment as at the reporting date.
- The cost of fully-depreciated property and equipment of the Bank as at 31st December 2024 is MVR 61,935,286

13 PROPERTY AND EQUIPMENT (CONTINUED)

	Leasehold building	Computer equipment	Furniture and fittings	Office equipment	Machinery and equipment	Motor vehicles	Capital work in progress	Total
	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
Cost								
As at 1st January 2023	27,497,711	45,272,474	8,192,255	28,178,069	1,117,659	283,978	22,516,988	133,059,134
Additions during the year	1,594,042	5,811,632	1,505,089	817,681	276,675	-	37,965,991	47,971,108
Disposals during the year	-	(2,018,931)	(354,906)	(1,326,062)	-	-	-	(3,699,898)
Write offs during the year	-	-	-	-	-	-	(2,544)	(2,544)
Transferred from capital work-in progress	11,620,589	14,418,700	3,741,743	8,234,107	1,514,913	1,123,200	(40,653,253)	-
As at 31st December 2023	40,712,342	63,483,875	13,084,181	35,903,795	2,909,247	1,407,178	19,827,182	177,327,800
Accumulated depreciation								
As at 1st January 2023	11,059,117	35,785,484	5,327,460	19,363,391	437,750	217,717	-	72,190,919
Depreciation for the year (Note 33)	3,236,784	7,735,975	1,664,534	3,786,055	252,257	136,716	-	16,812,321
Released for the year	-	(2,012,808)	(345,716)	(1,296,463)	-	-	-	(3,654,987)
As at 31st December 2023	14,295,901	41,508,651	6,646,278	21,852,983	690,007	354,433	-	85,348,253
Net carrying amount								
As at 31st December 2023	26,416,441	21,975,224	6,437,903	14,050,812	2,219,240	1,052,745	19,827,182	91,979,547

Notes:

- Capital work in progress includes the amount incurred by the Bank on construction of Sales centers, ATMs and office space.
- There were no restrictions existed on the title of the property and equipment of the Bank as at the reporting date.
- There were no items of property and equipment pledged as securities for liabilities as at the reporting date.
- There were no idle property and equipment as at the reporting date.
- The cost of fully-depreciated property and equipment of the Bank as at 31st December 2023 is MVR 49,973,039.

14 RIGHT-OF-USE ASSETS

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

	2024 MVR	2023 MVR
Cost		
As at 1st January	172,231,120	168,790,305
Additions during the year	2,926,025	7,382,820
Modifications during the year	3,410,246	(3,942,005)
As at 31st December	178,567,391	172,231,120
Accumulated depreciation		
As at 1st January	57,165,338	43,961,885
Depreciation charged during the year (Note 33)	15,406,579	14,162,563
Terminations during the year	-	(959,110)
As at 31st December	72,571,917	57,165,338
Net carrying amount	**105,995,474**	**115,065,782**

15 INTANGIBLE ASSETS

As at 31st December 2024	Core banking and database software MVR	Other computer software MVR	Capital work in progress MVR	Total MVR
Cost				
As at 1st January 2024	20,057,883	22,827,995	1,129,238	44,015,116
Additions during the year	-	1,115,628	5,090,887	6,206,515
Transferred from capital work-in-progress	-	1,315,882	(1,315,882)	-
As at 31st December 2024	20,057,883	25,259,505	4,904,243	50,221,631
Accumulated amortization				
As at 1st January 2024	18,943,220	13,779,274	-	32,722,494
Amortization for the year (Note 33)	617,960	4,866,650	-	5,484,610
As at 31st December 2024	19,561,180	18,645,924	-	38,207,104
Net carrying amount as at 31st December 2024	496,703	6,613,581	4,904,243	12,014,527

As at 31st December 2023	Core banking and database software MVR	Other computer software MVR	Capital work in progress MVR	Total MVR
Cost				
As at 1st January 2023	20,057,883	18,227,181	1,683,308	39,968,372
Additions during the year	-	(170,053)	4,616,737	4,446,685
Write-off during the year	-	-	(399,941)	(399,941)
Transferred from capital work-in-progress	-	4,770,867	(4,770,867)	-
As at 31st December 2023	20,057,883	22,827,995	1,129,238	44,015,116
Accumulated amortization				
As at 1st January 2023	18,200,005	10,185,029	-	28,385,034
Amortization for the year (Note 33)	743,215	3,594,245	-	4,337,460
As at 31st December 2023	18,943,220	13,779,274	-	32,722,494
Net carrying amount as at 31st December 2023	1,114,663	9,048,721	1,129,238	11,292,622

15.1 Software work-in-progress mainly includes payments made by the bank for procuring software relating to card-scheme implementation.

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

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FOR THE YEAR ENDED 31ST DECEMBER 2024

16 OTHER ASSETS

	2024 MVR	2023 MVR
Refundable deposits	18,497,796	13,626,875
Prepayments	8,301,847	8,100,151
Advance payments against financing assets (Note 16.1)	174,255,586	136,708,038
Other receivables	60,349,083	17,942,536
	261,404,312	176,377,600

16.1 Advance payments against financing assets comprised of the advance payments made to suppliers for the procurement of goods under Trade and Ujala consumer financing facilities.

17 CUSTOMERS' ACCOUNTS

	2024 MVR	2023 MVR
Current accounts	2,614,385,323	1,676,009,108
Savings accounts	3,726,920,576	2,791,075,051
Term deposits	2,624,417,938	2,288,330,530
Margin accounts	49,773,101	34,165,403
Other deposits	111,515,943	48,296,289
	9,127,012,881	6,837,876,381

18 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2024 MVR	2023 MVR
Wakalah Placement by BML, Maldives (Note 18.1)	643,921,175	227,042,466
Wakalah Placement by MMA (Note 18.2)	311,442,959	-
Islamic Corporation for the Development of private sector (ICD) (Note 18.3)	-	31,009,208
	955,364,134	258,051,674

18.1 During the year, the Bank has entered in to further Wakala arrangements with Bank of Maldives ("BML"). The Bank has been appointed as agent of the BML for investing their funds and the Bank is authorized to enter into Shariah compliant transactions on behalf of BML.

18.2 During the year, the Bank has entered in to Wakala arrangements with Maldives Monetary Authority ("MMA"). The Bank has been appointed as agent of MMA for investing their funds and the Bank is authorized to enter into Shariah compliant transactions on behalf of MMA.

18.3 The Commodity Murabaha Facility from the Islamic Corporation for the Development of private sector ("ICD") was fully settled during the year.

19 PROVISIONS

	2024 MVR	2023 MVR
As at 1st January	7,097,459	3,312,408
Provision (reversed) / made during the year - Undrawn credit facilities	(4,045,487)	3,785,051
As at 31st December	3,051,972	7,097,459

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

20 LEASE LIABILITIES

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

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

	2024 MVR	2023 MVR
As at 1st January	90,556,067	95,472,683
Additions during the year	2,926,024	7,382,820
Modifications during the year	3,410,247	(3,081,341)
Financing expense on lease liabilities	5,051,593	5,272,498
Payments made during the year	(16,385,082)	(14,490,593)
As at 31st December	85,558,849	90,556,067

Maturity analysis of undiscounted cash flows as follows

	2024 MVR	2023 MVR
Less than one year	17,033,395	15,759,002
More than one year	86,757,358	96,322,228
	103,790,753	112,081,230

Sensitivity analysis of lease liabilities

The below table reflects the sensitivity of lease liabilities as at 31st December 2024 to reasonably possible changes in Incremental Borrowing Rate (Incremental Financing Rate).

	-1%	No Change	+1%
Lease liabilities	91,122,362	85,558,849	80,522,651

20.1 Amount recognised in profit or loss

	2024 MVR	2023 MVR
Financing expense on lease liabilities	5,051,593	5,272,498
Amortization of right of use asset	15,406,579	14,162,563

20.2 Amount recognised in statement of cash flows

	2024 MVR	2023 MVR
Amount recognised in statement of cash flows	11,333,489	9,218,095

20.3 Extension options

Some leases of branches contain extension options exercisable by the Bank up to three/five years before the end of the non-cancellable contract period. The Bank included extension options in lease agreements to provide operational flexibility and the management decided that the Bank is most likely to exercise the extension options. The future lease payments resulted in an increase in lease liability of MVR 11,390,277 as a result of the extensions as at 31st December 2024 (as at 31st December 2023: MVR 6,885,110).

21 OTHER LIABILITIES

	2024 MVR	2023 MVR
Accrued expenses	5,645,887	3,565,351
Pension payable	852,913	679,887
Payable to suppliers	20,625,238	8,433,583
Cashiers cheque	425,150	555,693
Charity funds from financing	934,647	1,007,318
Retention on Istisna' projects	431,440	431,440
Dividend payable	595,351	465,482
Other liabilities*	45,491,017	58,493,046
	75,001,643	73,631,800

*Other liabilities mainly include bonus payable to staff, clearing inter-bank transfers, withholding tax payable to MIRA and other fund-clearing accounts.

22 SHARE CAPITAL

22.1 Authorized share capital

	2024 MVR	2023 MVR
100,000,000 ordinary shares of MVR 10 each (2023: 100,000,000 ordinary shares of MVR 10 each)	1,000,000,000	1,000,000,000

22.2 Issued and fully paid up share capital

	2024		2023	
	Value MVR	No. of shares	Value MVR	No. of shares
Ordinary shares issued before initial public offering- at par	180,000,070	18,000,007	180,000,070	18,000,007
Initial public offering - at par	45,000,000	4,500,000	45,000,000	4,500,000
-share premium	112,500,000		112,500,000	
	337,500,070	22,500,007	337,500,070	22,500,007

18,000,007 ordinary shares of MVR 10 each issued at par and, 4,500,000 ordinary shares of MVR 10 each issued at a premium of MVR 25 each (2023: 18,000,007 ordinary shares of MVR 10 each issued at par and, 4,500,000 ordinary shares of MVR 10 each issued at a premium of MVR 25 each).

22.3 Shareholders

	2024		2023	
	No. of shares	%	No. of shares	%
Islamic Corporation for the Development of the Private Sector	7,425,000	33%	7,425,000	33%
The Government of Maldives	6,300,000	28%	6,300,000	28%
Maldives Pension Administration Office	2,369,370	11%	2,369,370	11%
Amana Takaful Maldives Plc	1,806,372	8%	1,806,372	8%
Others	4,599,265	20%	4,599,265	20%
Total	22,500,007	100%	22,500,007	100%

22.4 Dividends and voting rights

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

The bank has declared dividends of MVR 2.90 per share, amounting to MVR 65,250,020 during the year ended 31st December 2024. During the year ended 31st December 2023 the bank declared dividends of MVR 1.75 per share, amounting to MVR 39,375,012.

23 FAIR VALUE RESERVE

The bank has elected to recognise changes in the fair value of certain investments in equity securities in OCI (Note 10). These changes are accumulated within the FVOCI reserve within equity. The bank transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

24 STATUTORY RESERVE

In accordance with the Maldives Banking Act No 24/2010 / Prudential Regulation on Capital Adequacy (2015/R-166) issued by the Maldives Monetary Authority ("MMA"), the bank shall allocate, after taxes, at least 50% of its net distributable profits for the formation of a capital reserve until the reserve totals 50% of its minimum required unimpaired paid-up capital or assigned capital. Once the reserve reaches 50% of the bank’s minimum required unimpaired paid-up capital or assigned capital, the allocation shall not be less than 25% of the bank’s net distributable profit until the reserve totals an amount equal to the bank’s minimum required unimpaired paid-up capital or assigned capital. The bank may not reduce its capital and the reserve accumulated in the manner described in the Act / Prudential Regulation or in any other manner without prior approval of the MMA. The bank has not transferred any amounts to the statutory reserve during the year ended 31 December 2024.

However, the bank has the statutory reserve amounting to MVR 150,000,000 as at 31st December 2024 and that is an amount equal to the bank's minimum required assigned capital of MVR 150,000,000 as specified under sections 12 and 13 of the Maldives Banking act No. 24/2010.

25 NON-DISTRIBUTABLE CAPITAL RESERVE

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

Total provision for impairment in accordance with MMA guidelines was higher than the ECL provision, and there was an additional amount of MVR 1,294,076 transferred to the non-distributable capital reserve as at 31st December 2024 (31st December 2023: reversal of MVR 7,667,201 from the non-distributable capital reserve).

	2024 MVR	2023 MVR
Impairment provision per MMA Prudential Regulation as at 31st December	167,257,095	135,174,157
Less: Impairment provision per IFRS 9 as at 31st December (Note 12.2 & 19)	(149,854,777)	(119,065,915)
Non-distributable capital reserve as at 31st December	17,402,318	16,108,242

26 NET PROFIT EARNED FROM FINANCING ACTIVITIES

	2024 MVR	2023 MVR
Income from financing activities (Note 26.1)	599,348,633	401,763,833
Profit paid on customer accounts (Note 26.2)	(130,642,491)	(77,468,213)
Net profit from financing activities	468,706,142	324,295,620

26.1 Income from financing activities - measured at amortised cost

	2024 MVR	2023 MVR
Income from Education financing	664	7,611
Income from Murabaha	305,269,910	202,092,928
Income from Istisna'	12,915,873	14,121,948
Income from Diminishing Musharaka	280,870,576	183,740,167
Income from Wakalah Bi Al-Isthithmar	644,765	-
Income from financing activities using the effective profit method	599,701,788	399,962,654
Net impact of modification of financial assets measured at amortised cost (Note 26.3)	(353,155)	1,801,179
Total income from finance activities using the effective profit method	599,348,633	401,763,833

26.2 Profit paid on customer accounts & others - measured at amortised cost

	2024 MVR	2023 MVR
General investment accounts	68,155,991	49,943,503
Savings accounts	41,405,426	22,288,783
Inter-bank financing	21,081,074	5,235,927
	130,642,491	77,468,213

26.3 Net loss arising from modification of financial assets measured at amortised cost

The bank has recognized additional losses from the modification of financial assets measured at amortized cost. These losses primarily relate to modifications made to restructuring and rescheduling of financing facilities.

26 NET PROFIT EARNED FROM FINANCING ACTIVITIES (CONTINUED)

26.3 Net loss arising from modification of financial assets measured at amortised cost (Continued)

	2024			2023		
	Murabaha	**Diminishing Musharakah**	**Total**	**Murabaha**	**Diminishing Musharakah**	**Total**
Amortised cost before modification	7,063,998	63,513,976	70,577,974	255,017	11,166,061	11,421,078
Loss on modification	(213,520)	(2,837,809)	(3,051,329)	(10,645)	(963,601)	(974,246)
Unwinding effect during the year	583,452	2,114,722	2,698,174	493,475	2,281,950	2,775,425
Net impact to profit or loss	369,932	- 723,087	- 353,155	482,830	1,318,349	1,801,179

27 NET FEE AND COMMISSION INCOME

	2024 MVR	2023 MVR
Fee and commission income (Note 27.1)	145,540,120	75,122,199
Fee and commission expense (Note 27.2)	(32,999,413)	(13,490,924)
Net fee and commission income	112,540,707	61,631,275

27.1 Disaggregation of fee and commission income

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

	Corporate and retail banking		ATM card and electronic banking		Total	
	2024 MVR	**2023 MVR**	**2024 MVR**	**2023 MVR**	**2024 MVR**	**2023 MVR**
Banking services	38,950,898	28,370,810	-	-	38,950,898	28,370,810
Trade finance services	2,734,732	884,211	-	-	2,734,732	884,211
Remittances	30,507,874	20,880,160	-	-	30,507,874	20,880,160
ATM, POS, Faisa Net and Gateway services	-	-	73,340,695	24,987,018	73,340,695	24,987,018
Other fees and commissions income	5,921	-	-	-	5,921	-
Total fee and commission income from contracts with customers	72,199,425	50,135,181	73,340,695	24,987,018	145,540,120	75,122,199

27.2 Fee and commission expense

Fund transfer expenses	1,788,514	770,820	31,210,899	12,720,104	32,999,413	13,490,924
	1,788,514	770,820	31,210,899	12,720,104	32,999,413	13,490,924

28 NET FOREIGN EXCHANGE (LOSS)/GAIN

	2024 MVR	2023 MVR
Net foreign exchange (loss)/gain	(99,170)	305,875

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2024

29 INCOME FROM INVESTMENTS IN EQUITY SECURITIES

	2024 MVR	2023 MVR
Dividend income from investment measured at FVOCI	5,001,000	4,726,400
	5,001,000	4,726,400

The dividend income represents the dividend received during the year from investments in the quoted shares of Dhivehi Raajjeyge Gulhun PLC ("Dhiraagu") and Ooredoo Maldives PLC ("Ooredoo"). The dividend income includes, from Dhiraagu, MVR 5.84 per share as final dividend for 2023 and interim dividend of MVR 1.66 per share for 2024 (2023: Final of MVR 5.67 for 2022 and MVR 1.66 per share as interim dividend of 2023), from Ooredoo, MVR 3.27 per share as the final dividend for 2023. (2023: final dividend of MVR 3.04 for 2022).

30 NET INCOME FROM OTHER FINANCIAL INSTRUMENTS

30.1 Investments in other financial instruments mandatorily measured at FVTPL

	2024 MVR	2023 MVR
Mudharabah income mandatorily measured at FVTPL	12,208,946	11,219,410
	12,208,946	11,219,410

30.2 Income from investments measured at amortised cost

	2024 MVR	2023 MVR
Income from Wakalah Bi Al-Isthithmar & SLBF	94,771,204	62,261,393
Income from Commodity Murabaha placement	12,118,739	11,120,293
Income from Wakalah Bi Al-Isthithmar inter-bank facility	4,009,115	-
	110,899,058	73,381,686

31 PERSONNEL EXPENSES

	2024 MVR	2023 MVR
Salaries and wages	80,116,975	64,299,625
Housing allowance	13,919,908	10,877,195
Annual and ramadhan bonus	35,661,581	23,716,982
Contribution to defined contribution plans	4,849,799	3,712,885
Medical insurance (Takaful)	4,427,355	2,334,787
Other staff expenses	9,857,046	5,414,015
Training and development	4,840,496	3,782,963
Executive allowance	1,358,846	1,059,708
Uniforms	98,097	384,975
	155,130,103	115,583,135

32 GENERAL AND ADMINISTRATIVE EXPENSES

	2024 MVR	2023 MVR
Technology related expenses	22,523,094	16,642,633
Financing expenses on lease liabilities	5,051,593	5,272,498
Connectivity and internet charges	6,626,443	4,544,962
Electricity expenses	5,984,828	4,580,727
Marketing and advertising expenses	11,751,136	7,284,387
Premises security and insurance	4,523,700	4,010,613
Directors allowance and board related expenses	8,486,192	5,101,187
Other operating expenses	11,752,673	3,008,885
Stationary costs	2,075,999	2,363,687
Legal and professional expenses	13,964,712	2,467,656
Communication expenses	2,933,367	1,781,801
Financing related expenses	3,398,612	1,961,154
Utility expenses	2,241,853	1,268,947
Maintenance expense	5,875,066	4,322,918
Travelling expenses	1,868,937	2,205,172
Shari'ah committee related expenses	1,454,913	1,009,060
Rent	15,818	-
	110,528,936	67,826,287

33 DEPRECIATION AND AMORTISATION

	2024 MVR	2023 MVR
Depreciation on property plant and equipment (Note 13)	22,896,903	16,812,320
Depreciation on right of use assets (Note 14)	15,406,579	14,162,563
Amortisation on intangible assets (Note 15)	5,484,610	4,337,460
	43,788,092	35,312,343

34 INCOME TAX

34.1 Amounts recognised in profit or loss

	2024 MVR	2023 MVR
Current tax (Note 34.3)	95,414,503	63,366,214
Deferred tax asset (Note 34.5)	(4,451,397)	(6,155,442)
	90,963,106	57,210,772

34.2 Amounts recognised in other comprehensive income

Items that will not be reclassifed to profit or loss;

Deferred tax liability / (asset) on movement in fair value reserve (equity instruments) (Note 34.5)	3,625,000	2,600,000

34.3 Current tax

The bank is liable to pay income tax (at the rate of 25%) in accordance with the Income Tax Act (Law Number 25/2019) issued on 17 December 2019 by the Government of Maldives. A reconciliation between taxable profit and the accounting profit is as follows.

	2024 MVR	2023 MVR
Accounting profit before tax	368,884,396	233,740,805
Tax effect at the Income tax rate - 25%	92,221,099	58,435,201
Tax effect of non-deductible expenses	14,826,667	11,073,097
Tax effect of deductible expenses	(11,633,263)	(6,142,084)
Current tax	95,414,503	63,366,214

Numerical reconciliation of income tax expense to prima facie tax payable

	2024	2023
Accounting profit before tax	368,884,396	233,740,805
Tax effect at the Income tax rate - 25%	92,221,099	58,435,201
Tax effect of non-deductible expenses	9,537,056	3,808,764
Tax effect of deductible expenses	(7,248,878)	(2,433,193)
Income tax expense reported in the statement of comprehensive income	94,509,277	59,810,772
Effective tax rate (Excluding deferred tax)	26%	27%
Effective tax rate (Including deferred tax)	25%	25%

34.4 Current tax liability

	2024 MVR	2023 MVR
As at 1st January	39,560,190	35,155,893
Current tax	95,414,503	63,366,214
Tax paid during the year	(70,221,046)	(58,961,917)
As at 31st December	64,753,647	39,560,190

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2024

34 INCOME TAX (CONTINUED)

34.5 Deferred tax (asset) / liability

	2024 MVR	2023 MVR
As at 1st January	(4,193,876)	(638,434)
Recognition in profit or loss		
Deferred tax asset recognized during the year	(4,451,397)	(6,155,442)
Recognition in other comprehensive income		
Deferred tax liabilities recognised during the year	3,625,000	2,600,000
As at 31st December	(5,020,273)	(4,193,876)

34.6 Deferred tax liability / (asset) attributable for following:

	2024		2023	
	Temporary difference MVR	Tax effect MVR	Temporary difference MVR	Tax effect MVR
Property and equipment	(16,715,240)	(4,178,810)	(8,916,484)	(2,229,121)
Intangible assets	2,920,468	730,117	6,031,312	1,507,828
Investments in equity securities	80,000,000	20,000,000	65,500,000	16,375,000
Impairment loss allowance on receivables from finacing activities	(86,286,320)	(21,571,580)	(79,390,332)	(19,847,583)
	(20,081,092)	(5,020,273)	(16,775,504)	(4,193,876)

Deferred tax assets and liabilities are calculated on all taxable and deductible temporary differences arising from the differences between accounting bases and tax bases of assets and liabilities. Deferred tax is provided at the rate of 25% (2023: 25%).

Movement in deferred tax (asset) / liability	Balance as at 1st January 2024 MVR	Recognized in profit or loss MVR	Recognized in OCI MVR	Balance as at 31st December 2024 MVR
Property and equipment	(2,229,121)	(1,949,689)	-	(4,178,810)
Intangible assets	1,507,828	(777,711)	-	730,117
Investments in equity securities	16,375,000	-	3,625,000	20,000,000
Impairment loss allowance on receivables from finacing activities	(19,847,583)	(1,723,997)	-	(21,571,580)
	(4,193,876)	(4,451,397)	3,625,000	(5,020,273)

35 BASIC AND DILUTED EARNINGS PER SHARE

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

	2024 MVR	2023 MVR
Profit attributable to ordinary shareholders	277,921,290	176,530,033
Weighted average number of ordinary shares	22,500,007	22,500,007
Basic earnings per share - MVR	12.35	7.85

35.2 Net assets per share as of 31st December	51.18	41.25

36 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

31st December 2024	Note	Mandatorily at FVTPL MVR	Designated at FVOCI MVR	Amortised cost MVR	Total carrying amount MVR
Cash and balances with other banks	**7**	-	-	416,135,436	416,135,436
Balances with Maldives Monetary Authority	**8**	-	-	1,620,234,331	1,620,234,331
Due from banks	**9**	-	-	154,026,975	154,026,975
Investments in equity securities	**10**	-	127,000,000	-	127,000,000
Investments in other financial instruments	**11**	121,682,729	-	2,776,819,559	2,898,502,288
Net receivables from financing activities	**12**	-	-	5,744,456,182	5,744,456,182
Other assets	**16**	-	-	253,102,465	253,102,465
Total financial assets		121,682,729	127,000,000	10,964,774,948	11,213,457,677
Customers' accounts	**17**	-	-	9,127,012,881	9,127,012,881
Due to banks and other financial institutions	**18**	-	-	955,364,134	955,364,134
Lease liabilities	**20**	-	-	85,558,849	85,558,849
Other liabilities	**21**	-	-	69,355,756	69,355,756
Total financial liabilities		**-**	**-**	10,237,291,620	10,237,291,620

31st December 2023	Note	Mandatorily at FVTPL MVR	Designated at FVOCI MVR	Amortised cost MVR	Total carrying amount MVR
Cash and balances with other banks	**7**	-	-	419,351,119	419,351,119
Balances with Maldives Monetary Authority	**8**	-	-	921,280,143	921,280,143
Investments in equity securities	**10**	-	112,500,000	-	112,500,000
Investments in other financial instruments	**11**	120,501,238	-	2,156,873,771	2,277,375,009
Net receivables from financing activities	**12**	-	-	4,105,764,559	4,105,764,559
Other assets	**16**	-	-	168,277,449	168,277,449
Total financial assets		120,501,238	112,500,000	7,771,547,041	8,004,548,279
Customers' accounts	**17**	-	-	6,837,876,381	6,837,876,381
Due to banks and other financial institutions	**18**	-	-	258,051,674	258,051,674
Lease liabilities	**20**	-	-	90,556,067	90,556,067
Other liabilities	**21**	-	-	70,066,449	70,066,449
Total financial liabilities		**-**	**-**	7,256,550,571	7,256,550,571

37 FINANCIAL RISK MANAGEMENT

The Bank has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Bank's objectives, policies and processes for measuring and managing risk.

The Bank's Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established the Risk Management and Compliance Unit (RMCU), which is responsible for developing and monitoring risk management policies.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Audit Committee (BAC) oversees how management monitors compliance with the Bank's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The BAC is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the BAC.

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

(i) Credit risk

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

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

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

Settlement risk

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

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

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (Continued)

Management of credit risk

The Board of Directors has delegated responsibility for the oversight of credit risk to its Board Risk and Compliance Committee (BRCC). A separate Risk Management Department, reporting to the board of directors, is responsible for managing the Bank's credit risk, including the following:

- Formulating credit policies in accordance with the financing manual approved by the Board and in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to Financing & Investment Committee (FIC) of the Management. Larger facilities require approval by the Board of Directors as appropriate.
- Reviewing and assessing credit risk: FIC of the Management assesses all credit exposures within its designated limits while exposures are assessed by BRCC in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for financing receivable and advances "financing", financial guarantees and similar exposures), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Developing and maintaining risk grading system to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of five grades reflecting varying degrees of risk of default. The responsibility for setting risk grades lies with the Business department while its validation and regular reviews is the responsibility of the RMCU.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to FIC, which may require appropriate corrective action to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

The business unit is required to implement Bank's credit policies and procedures and is responsible for the

quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios.

Regular audits of business units and RMCU's processes are undertaken by internal audit department.

Diversification of financing and investment activities;

Reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties, industries and countries and reviewing limits in accordance with risk management strategy and market trends.

In addition, the Bank manages the credit exposure by obtaining security where appropriate and limiting the duration of exposure. In certain cases, the Bank may also close out transactions or assign them to other counterparties to mitigate credit risk.

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (Continued)

(a) i. Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For financing commitments (undrawn financing facilities), the amounts in the table represent the amounts committed respectively.

Explanation of terms "Stage 1", "Stage 2" and "Stage 3" is included in Note 4.8 (vii)

	2024				2023			
Receivable from financing activities measured at amortised cost - gross carrying amount	Stage 1 MVR	Stage 2 MVR	Stage 3 MVR	Total MVR	Stage 1 MVR	Stage 2 MVR	Stage 3 MVR	Total MVR
Grade 1 - low risk (0 days)	5,173,331,172	-	-	5,173,331,172	3,792,142,346	-	-	3,792,142,346
Grade 2 - low risk (1 - 30 days)	373,434,813	-	-	373,434,813	176,760,151	-	-	176,760,151
Grade 3 - fair risk (31 - 60 days)	-	47,785,972	-	47,785,972	-	40,787,547	-	40,787,547
Grade 4 - fair risk (61 - 89 days)	-	36,900,889	-	36,900,889	-	33,942,854	-	33,942,854
Grade 5 - default (over 90 days)	-	-	259,806,141	259,806,141	-	-	174,100,117	174,100,117
	5,546,765,985	84,686,861	259,806,141	5,891,258,987	3,968,902,497	74,730,401	174,100,117	4,217,733,015
Loss allowance	(21,834,349)	(8,258,360)	(116,710,096)	(146,802,805)	(27,136,656)	(6,028,125)	(78,803,675)	(111,968,456)
Carrying amount	5,524,931,636	76,428,501	143,096,045	5,744,456,182	3,941,765,841	68,702,276	95,296,442	4,105,764,559
Receivable from financing activities measured at amortised cost - gross carrying amount								
Current	5,173,331,172	-	-	5,173,331,172	3,792,142,346	-	-	3,792,142,346
Overdue < 30 days	373,434,813	-	-	373,434,813	176,760,151	-	-	176,760,151
Overdue > 30 days	-	84,686,861	259,806,141	344,493,002	-	74,730,401	174,100,117	248,830,518
Total	5,546,765,985	84,686,861	259,806,141	5,891,258,987	3,968,902,497	74,730,401	174,100,117	4,217,733,015
Financing commitments (undrawn financing facilities)								
Grades 1-4: low-fair risk	1,172,292,826	831,079	97,063	1,173,220,968	1,354,690,292	194,623	97,063	1,354,981,978
Loss allowance	(2,939,048)	(112,924)	-	(3,051,972)	(7,088,587)	(8,872)	-	(7,097,459)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (Continued)

(a) ii. Cash and cash equivalents

The Bank held cash and cash equivalents of MVR 1,192,298,166 as at 31st December 2024 (31st December 2023 - MVR 679,831,850). The cash and cash equivalents are held with central banks and financial institution counterparties which have got minimum credit risk exposure.

(b) i. Collateral held and other credit enhancement

Type of credit exposure	Note	Percentage of exposure that is subject to collateral requirements 2024	2023	Principal type of collateral held
Receivable from financing activities				
Education financing		0%	0%	None
Tawarruq		4%	5%	Land and property
Murabaha		15%	15%	Land and property
Wakala		100%	-	Land and property
Istisna'		100%	100%	Land and property
Diminishing Musharaka		100%	100%	Land and property

ii. Finance-to-value ratio

The table below stratify credit exposures from financing facilities to customers by ranges of Finance-to-value (FTV) ratio. FTV is calculated as the ratio of the gross amount of the finance facility or the amount committed for finance facility commitments to the value of the collateral. The value of the collateral is based on the collateral value at origination updated to reflect the current market values. For credit-impaired finance the value of collateral is based on the most recent appraisals.

FTV Ratio	2024 MVR	2023 MVR
Less than 50%	1,627,427,140	1,218,466,380
51% - 70%	803,149,063	665,099,920
71% - 90%	686,490,586	440,463,825
91% - 100%	417,615,803	425,803,971
No collateral required (consumer financing)	2,356,576,395	1,467,898,919
Total	5,891,258,987	4,217,733,015
Credit-impaired financing		
Less than 50%	177,130,021	123,737,521
51% - 70%	2,245,539	3,133,317
More than 70%	-	-
No collateral required (consumer financing)	80,430,581	47,229,279
	259,806,141	174,100,117

As at 31st December 2024, the Bank did not hold any financial instruments for which no loss allowance is recognized because of collateral.

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (Continued)

(b) ii. Finance-to-value ratio (Continued)

Receiveble from financing activities given to corporate customers

As at 31st December 2024, the net carrying amount of credit impaired financing facilities granted to corporate customers is MVR 91,356,912 (2023: MVR 47,705,667) and the value of identifiable collateral (mainly land and property) held against those financing facilities amounted to MVR 445Mn (2023: MVR 127Mn). For each financing facility , the value of disclosed collateral is capped at the nominal amount of the finance facility that it is held against.

Receivable from financing facilities mandatorily measured at FVTPL

As at 31st December 2024, the maximum exposure to credit risk of investment securities measured at FVTPL was their carrying amount of MVR 121,682,729 (2023: MVR 120,501,238). The bank has minimized the credit risk exposure of all of these financing activities by obtaining sovereign guarantee.

(c) Amounts arising from expected credit loss ("ECL")

Inputs, assumptions and techniques used for estimating impairment

(c) i. Significant increase in credit risk

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

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

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

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

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

(c) ii. Generating the term structure of Probability of Default (PD)

Days past due has taken as the primary input into determination of the term structure of PD for exposures. The bank collects performance and default information about its credit risk exposures analyzed by type of product and customer.

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

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

This analysis includes the identification and calibration of relationship between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of the certain other factors (e. g. forbearance experience) on the risk of default. For forward looking adjustments, the bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for the loan (financing) portfolio.

The bank has used a score card approach for further refining the ECL model in order to obtain a more realistic default rate. The score card incorporates qualitative and quantitative macro-economic factors which are selected based on the relevancy and appropriateness. Each factor is assigned a weightage based on the relative interdependence with the default rate. Quantitative factors include GDP growth rate, inflation, unemployment rate and qualitative factors include management outlook on loan (financing) portfolio, regulatory impact, government policies and industry and business. Quantitative factors are based on economic data and forecasts published by IMF.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2024

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (Continued)

(c) Amounts arising from expected credit loss ("ECL") (Continued)

(c) iii. Determining whether credit risk has increased significantly

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

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

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

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

(c) iv. Definition of default

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

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

- the customer is more than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or

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

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

- qualitative: e.g. extension to terms granted, arrears within the last 12 months, significant changes in business, financial and/or economic conditions of the customer and actual or expected restructuring.
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

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

(c) v. Incorporation of Forward-looking Information

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

The bank has used a score card approach for further refining the ECL model in order to obtain a more realistic default rate. The score card incorporates qualitative and quantitative macro-economic factors which are selected based on the relevancy and appropriateness. Each factor is assigned a weightage based on the relative interdependence with the default rate. Quantitative factors include GDP growth rate, inflation, unemployment rate and qualitative factors include management outlook on loan (financing) portfolio, regulatory impact, government policies and industry and business. Quantitative factors are based on economic data and forecasts published by IMF.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses.

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (Continued)

(c) Amounts arising from expected credit loss ("ECL") (Continued)

(c) v. Incorporation of forward-looking information (Continued)

Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios the Bank's internal team.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses.

The economic scenarios used as at 31st December 2024 included the following key indicators for Maldives for the years ending 31st December 2025 to 2029.

		2025	2026	2027	2028	2029
GDP growth rate	*Base*	4.7%	4.8%	4.5%	4.5%	4.5%
	Upside	8.0%	8.0%	7.8%	7.8%	7.7%
	Downside	1.4%	1.5%	1.3%	1.3%	1.2%
Inflation rate	*Base*	4.5%	2.2%	2.0%	2.0%	2.0%
	Upside	3.8%	1.5%	1.3%	1.3%	1.3%
	Downside	5.2%	2.8%	2.7%	2.7%	2.7%
Unemployment rate	*Base*	3.8%	4.2%	4.2%	4.2%	4.2%
	Upside	2.9%	3.3%	3.3%	3.3%	3.3%
	Downside	4.7%	5.1%	5.1%	5.1%	5.1%

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 6 years.

Economic variable assumptions

The below table reflects the sensitivity of Expected Credit Losses as at 31st December 2024 to reasonably possible changes to the key economic factor adjustments held constant in the ECL model.

	-1%	No Change	+1%
Inflation rate	145,638,984	149,854,777	153,960,385
GDP growth rate	150,173,737	149,854,777	149,534,987
Unemployment rate	143,764,980	149,854,777	155,698,422

(c) vi. Modified financial assets

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

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

The bank renegotiates loans (financing facilities) to customers in financial difficulties (referred to as "forbearance activities") to maximise collection opportunities and minimise the risk of default.

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

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

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (Continued)

(c) Amounts arising from expected credit loss ("ECL") (Continued)

(c) vii. Measurement of ECL

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

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

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

Probability of default (PD)

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

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

Loss given default (LGD)

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

Exposure at default (EAD)

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

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

However, for Murabahah Trade Financing facilities that include both a financing and an undrawn commitment component, the bank measures ECL over a period longer than the maximum contractual period if the bank's contractual ability to demand repayment (payment) and cancel the undrawn commitment does not limit the bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment (payment) structure and are managed on a collective basis. The bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management. but only when the bank becomes aware of an increase in credit risk at the facility level.

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (Continued)

(c) Amounts arising from expected credit loss ("ECL") (Continued)

(c) vii. Measurement of ECL (Continued)

Exposure at default (EAD) (Continued)

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type
- collateral type
- remaining term to maturity

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

(c) viii. Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments.

	31st December 2024			
	Stage 1 MVR	**Stage 2 MVR**	**Stage 3 MVR**	**Total MVR**
Receivable from financing activities measured at amortised cost and undrawn financing facilities.				
Balance as at 01st January 2024	18,544,688	4,018,153	96,503,074	119,065,915
Transfers:				
Transfer from Stage 1 to Stage 2	(753,299)	3,614,301	-	2,861,002
Transfer from Stage 1 to Stage 3	(902,342)	-	19,372,768	18,470,426
Transfer from Stage 2 to Stage 3	-	(1,794,838)	6,500,004	4,705,166
Transfer from Stage 3 to Stage 2	-	785,357	(242,638)	542,719
Transfer from Stage 3 to Stage 1	15,254	-	(10,940,884)	(10,925,630)
Transfer from Stage 2 to Stage 1	119,979	(2,582,790)	-	(2,462,811)
Net remeasurement of loss	(19,574,910)	(527,244)	3,482,497	(16,619,657)
New financial assets originated	11,747,524	2,735,449	19,734,674	34,217,647
Balance as at 31st December 2024	9,196,894	6,248,388	134,409,495	149,854,777

	31st December 2023			
	Stage 1 MVR	**Stage 2 MVR**	**Stage 3 MVR**	**Total MVR**
Receivable from financing activities measured at amortised cost and undrawn financing facilities.				
Balance as at 01st January 2023	5,780,644	3,795,418	86,404,623	95,980,685
Transfers:				
Transfer from Stage 1 to Stage 2	(546,289)	3,413,853	-	2,867,564
Transfer from Stage 1 to Stage 3	(253,429)	-	2,934,878	2,681,449
Transfer from Stage 2 to Stage 3	-	(2,434,063)	5,366,912	2,932,849
Transfer from Stage 3 to Stage 2	-	129,877	(215,802)	(85,925)
Transfer from Stage 3 to Stage 1	20,794	-	(6,977,264)	(6,956,470)
Transfer from Stage 2 to Stage 1	95,130	(1,601,125)	-	(1,505,995)
Net remeasurement of loss	(1,828,521)	(755,569)	8,786,393	6,202,303
New financial assets originated	15,276,359	1,469,762	203,334	16,949,455
Balance as at 31st December 2023	18,544,688	4,018,153	96,503,074	119,065,915

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (Continued)

(c) Amounts arising from expected credit loss ("ECL") (Continued)

(c) viii. Loss allowance (Continued)

Credit-impaired financial assets

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

	2024 MVR	2023 MVR
Opening balance of credit-impaired financing facilities to customers	174,100,117	161,469,757
Classified as credit-impaired during the year	153,377,317	44,915,854
Transferred to not credit-impaired during the year	(58,808,608)	(25,333,410)
Change in carrying amount of facilities that remained credit-impaired	(8,862,684)	(6,952,084)
Closing balance of credit-impaired financing facilities to customers	259,806,141	174,100,117

(d) Concentration of credit risk

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

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

	Receivable from financing activities		Finance commitments and financial guarantees issued	
Concentration by Industry	**2024 MVR**	**2023 MVR**	**2024 MVR**	**2023 MVR**
Consumer goods	2,340,123,764	1,493,272,859	580,268,985	299,815,603
Transport and communications	175,775,645	77,292,302	14,653,954	62,989,896
Commerce - wholesale and retail trade	330,260,504	247,449,457	363,535,910	305,405,437
Construction - residential financing	2,202,651,352	1,717,391,706	136,649,121	598,124,797
Construction - commercial building financing	436,804,474	400,014,623	131,150,338	142,011,207
Electricity, lighting and power	11,802,451	16,629,976	-	-
Tourism	337,831,613	197,647,551	46,217,896	6,000,000
Fishing	48,348,931	67,496,789	-	637,031
Others	7,660,253.00	537,752.00	-	-
Total	5,891,258,987	4,217,733,015	1,272,476,204	1,414,983,971
Concentration by sector				
Business	1,337,206,495	964,221,091	633,853,641	684,581,731
Individual	4,554,052,492	3,253,511,924	638,622,563	730,402,240
Total	5,891,258,987	4,217,733,015	1,272,476,204	1,414,983,971

(ii) Liquidity risk

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

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Liquidity risk

Management of liquidity risk

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

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

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

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

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

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

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

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

(a) Exposure to liquidity risk

The key measure used by the bank for managing liquidity risk is the ratio of liquid assets to liquid liabilities. For this purpose, liquid assets are those assets that are traded in active and primary market and include, Cash in hand, Current account balances with MMA, Balances with other banks including placements, Un-encumbered approved government securities, Investments in shares (held for trading), and Units of open-ended mutual funds. Liquid liabilities are amounts which fall due for immediate payment, e.g. demand liabilities etc. Details of the reported bank ratio of liquid assets to liquid liabilities at the reporting date were as follows.

	2024	2023
As at the reporting date	63.24%	62.93%

(b) Maturity analysis for financial liabilities and financial assets

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

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Maturity analysis for financial liabilities and financial assets (Continued)

(ii) Liquidity risk (Continued)

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

As at 31st December 2024	Carrying amount	Gross nominal inflow (outflow)	0-12 Months	1-2 Years	2-5 Years	More than five years
Financial assets by type - Non derivative	MVR	MVR	MVR	MVR	MVR	MVR
Cash and balances with other banks	416,135,436	416,373,239	416,373,239	-	-	-
Balances with Maldives Monetary Authority	1,620,234,331	1,620,234,331	1,620,234,331	-	-	-
Due from banks	153,992,319	154,026,975	154,026,975	-	-	-
Investments in equity securities *	127,000,000	127,000,000	-	-	-	127,000,000
Investments in other financial instruments *	2,897,867,398	2,898,502,288	2,634,280,659	264,221,629	-	-
Net receivables from financing activities	5,744,456,182	8,488,476,513	2,004,940,844	1,422,231,786	2,628,716,855	2,432,587,028
Other assets	253,102,465	253,102,465	253,102,465	-	-	-
	11,212,788,131	13,957,715,811	7,082,958,513	1,686,453,415	2,628,716,855	2,559,587,028
Financial liability by type - Non derivative						
Deposits from customers *	9,127,012,881	9,127,012,881	8,482,793,525	376,667,983	267,551,373	-
Due to banks and other financial institutions *	955,364,134	955,364,134	955,364,134	-	-	-
Lease liabilities	85,558,849	103,790,753	17,033,395	15,045,213	43,223,665	28,488,480
Other liabilities	69,355,756	69,355,756	69,355,756	-	-	-
	10,237,291,620	10,255,523,524	9,524,546,810	391,713,196	310,775,038	28,488,480
Net gap	975,496,511	3,702,192,287	(2,441,588,297)	1,294,740,219	2,317,941,817	2,531,098,548

As at 31st December 2023	Carrying amount	Gross nominal inflow (outflow)	0-12 Months	1-2 Years	2-5 Years	More than five years
Financial assets by type - Non derivative	MVR	MVR	MVR	MVR	MVR	MVR
Cash and balances with other banks	419,351,119	419,831,032	419,831,032	-	-	-
Balances with Maldives Monetary Authority	921,280,143	921,280,143	921,280,143	-	-	-
Investments in equity securities *	112,500,000	112,500,000	-	-	-	112,500,000
Investments in other financial instruments *	2,277,083,866	2,277,375,009	2,017,876,567	160,824,723	98,673,719	-
Net receivables from financing activities	4,105,764,559	6,445,051,572	1,639,290,947	1,293,167,290	1,763,654,621	1,748,938,714
Other assets	168,277,449	168,277,449	168,277,449	-	-	-
	8,004,257,136	10,344,315,205	5,166,556,138	1,453,992,013	1,862,328,340	1,861,438,714
Financial liability by type - Non derivative						
Deposits from customers *	6,837,876,381	6,837,876,381	6,119,615,448	397,844,410	320,416,523	-
Due to banks and other financial institutions *	258,051,674	258,051,674	258,051,674	-	-	-
Lease liabilities	90,556,067	112,081,230	15,759,002	15,799,001	42,437,216	38,086,011
Other liabilities	70,066,449	70,066,449	70,066,449	-	-	-
	7,256,550,571	7,278,075,734	6,463,492,573	413,643,412	362,853,738	38,086,011
Net gap	747,706,565	3,066,239,471	(1,296,936,434)	1,040,348,601	1,499,474,601	1,823,352,703

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

Management believes that in spite of substantial portion of customer accounts being on demand, diversification of these deposits by numbers and type of depositors and the past experience of the bank indicate that these customer accounts provide a long-term and stable source of funding for the bank.

(c) Liquidity reserves

The following table sets out the components of the Bank's liquidity reserves. The carrying value of the balances equals the fair value of such balances.

	2024	2023
	MVR	MVR
Balances with Maldives Monetary Authority	1,620,234,331	921,280,143
Balances with other banks	144,572,197	252,178,887
Other cash and cash equivalents	271,563,239	167,172,232
Total liquidity reserves	2,036,369,767	1,340,631,262

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and profit rates will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Management of market risk

Board has approved Market Risk policy defining parameters for each type of risk in aggregate and for portfolios. MC is set-up with authority to implement these policies and monitor limits on day-to-day basis with market liquidity being a primary factor in determining the level of exposures set for trading portfolios within the defined parameters.

The Bank employs a range of tools to monitor and limit market risk exposures. These are discussed below.

Exposure to market risk - Non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market profit rates. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre-approved limits for repricing bands. MC is the monitoring body for compliance with these limits and is assisted by Treasury function in its day-to-day monitoring activities.

Equity price risk is subject to regular monitoring by MC, but is not currently significant in relation to the overall results and financial position of the Bank.

The Bank monitors any concentration risk in relation to any individual foreign currency or in regard to the translation of foreign currency transactions and monetary assets and liabilities into the functional currency of the Bank in accordance with the Foreign Exchange Exposure Limits (FEEL) and Net Open Position (NOP) thresholds stipulated by Maldives Monetary Authority.

(a) Exposure to market risk

The following table sets out the allocation of assets and liabilities subject to market risk.

	Carrying amount	
	2024	**2023**
Assets subject to market risk	**MVR**	**MVR**
Cash and cash equivalents	138,289,083	62,972,601
Receivables from financing activities	2,748,610,359	1,842,682,995
Investment in equity securities	127,000,000	112,500,000
Investment in money market securities and other investments	121,682,729	120,501,238
	3,135,582,171	2,138,656,834
Liabilities subject to market risk		
Deposits	6,351,338,514	5,079,405,581
Lease liabilities	85,558,849	90,556,067
	6,436,897,363	5,169,961,648

(b) Exposure to profit rate risk - Non-trading portfolios

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

At the reporting date, the Banks profit rate-bearing financial instruments were:

Fixed rate instruments	**2024**	**2023**
Financial assets	**MVR**	**MVR**
Net receivables from financing activities	5,744,456,182	4,105,764,559
Investments measured at amortised cost	2,776,819,559	2,156,873,771
	8,521,275,741	6,262,638,330
Financial liabilities		
Customers' accounts	6,351,338,514	5,079,405,581
Due to banks and other financial institutions	955,364,134	258,051,674
	7,306,702,648	5,337,457,255
Variable rate instruments		
Financial assets		
Investments mandatorily measured at FVTPL	121,682,729	120,501,238

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2024

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market risk (Continued)

(c) Profit rate sensitivity

The table below analyses the bank's profit rate risk exposure on financial assets and liabilities. Financial assets and liabilities are included at carrying amount.

	Profit-bearing				Non-profit bearing	Total
As at 31st December 2024	**0 - 12 Months**	**1 - 2 Years**	**2 - 5 Years**	**More than 5 Years**		
Assets	**MVR**	**MVR**	**MVR**	**MVR**	**MVR**	**MVR**
Cash and balances with other banks	-	-	-	-	416,135,436	416,135,436
Balances with Maldives Monetary Authority	-	-	-	-	1,620,234,331	1,620,234,331
Due from banks	154,026,975	-	-	-	-	154,026,975
Net receivables from financing activities	1,305,842,291	965,991,394	1,841,626,844	1,630,995,653	-	5,744,456,182
Investments in other financial instruments	2,633,645,769	264,221,629	-	-	-	2,897,867,398
	4,093,515,035	1,230,213,023	1,841,626,844	1,630,995,653	2,036,369,767	10,832,720,322
Liabilities						
Customer's liabilities	5,707,119,158	376,667,983	267,551,373	-	2,775,674,367	9,127,012,881
Due to banks and other financial institutions	955,364,134	-	-	-	-	955,364,134
Lease liabilities	12,551,737	11,233,130	35,733,300	26,040,682	-	85,558,849
Other liabilities	-	-	-	-	69,355,756	69,355,756
	6,675,035,029	387,901,113	303,284,673	26,040,682	2,845,030,123	10,237,291,620
Profit rate sensitivity gap	(2,581,519,994)	842,311,910	1,538,342,171	1,604,954,971	(808,660,356)	595,428,702

	Profit-bearing				Non-profit bearing	Total
As at 31st December 2023	**0 - 12 Months**	**1 - 2 Years**	**2 - 5 Years**	**More than 5 Years**		
Assets	**MVR**	**MVR**	**MVR**	**MVR**	**MVR**	**MVR**
Cash and balances with other banks	-	-	-	-	419,351,119	419,351,119
Balances with Maldives Monetary Authority	-	-	-	-	921,280,143	921,280,143
Net receivables from financing activities	707,062,218	976,189,560	1,247,416,537	1,175,096,244	-	4,105,764,559
Investments in other financial instruments	2,017,585,424	160,824,723	98,673,719	-	-	2,277,083,866
	2,724,647,642	1,137,014,283	1,346,090,256	1,175,096,244	1,340,631,262	7,723,479,687
Liabilities						
Customer's liabilities	4,361,144,648	397,844,410	320,416,523	-	1,758,470,800	6,837,876,381
Due to banks and other financial institutions	258,051,674	-	-	-	-	258,051,674
Lease liabilities	10,946,999	11,606,690	33,506,294	34,496,084	-	90,556,067
Other liabilities	-	-	-	-	70,066,449	70,066,449
	4,630,143,321	409,451,100	353,922,817	34,496,084	1,828,537,249	7,256,550,571
Profit rate sensitivity gap	(1,905,495,679)	727,563,183	992,167,439	1,140,600,160	(487,905,987)	466,929,116

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Market risk (Continued)

(d) Exposure to currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to change in foreign exchange rates and arises from financial instrument denominated in foreign currency. In accordance with MMA's prudential regulations, the foreign exchange risk exposure in any single currency, shall not exceed 25% of a bank’s capital base for a long position, and 15% of a bank’s capital base for a short position. The overall foreign currency exposure (short and long currency positions) for all currencies and on-balance sheet and off-balance sheet combined, using spot mid-rates and the shorthand method shall not exceed 40% of a bank’s capital base.

(d) i. Exposure to currency risk - Non-trading Portfolios

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

	2024	2023
	US$	US$
Cash and balances with other banks	17,368,419	20,279,740
Balances with Maldives Monetary Authority	52,882,561	22,118,241
Investments in other financial instruments	20,273,105	16,008,237
Net receivables from financing activities	51,843,449	42,728,954
Other assets	11,840,777	9,398,241
Customers' accounts	(131,638,802)	(101,436,275)
Other liabilities	(2,346,257)	3,070,598
Net statement of financial position exposure	20,223,252	12,167,736

The following significant exchange rates were applied during the year:

	Average rate		Reporting date spot rate	
	Year ended 2024	Year ended 2023	Year ended 2024	Year ended 2023
1 US$: Maldivian Rufiyaa	15.395	15.395	15.395	15.395

In respect of the monetary assets and liabilities denominated in US$, the Bank has a limited currency risk exposure on such balances since the Maldivian Rufiyaa is pegged to the US Dollar within a band to fluctuate within ± 20% of the mid-point of exchange rate.

(e) Exposure to equity price risk

Equity price risks arises as a result of fluctuations in market prices of individual equities.

For equity investments designated as FVOCI equity investments, a 10% decrease in the prices of Maldives Stock Exchange would have decreased equity and Investments measured at FVOCI as at 31st December 2024 by MVR 12,700,000 (2023: MVR 11,250,000).

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the bank's operations.

The bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the bank's reputation with overall cost effectiveness and innovation. In all cases, the bank's policy requires compliance with all applicable legal and regulatory requirements.

The board of directors has delegated responsibility for operational risk to the bank's management committee, which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall the bank standards for the management of operational risk in the following areas:

• Requirements for appropriate segregation of duties, including the independent authorisation of transactions;

• Requirements for the reconciliation and monitoring of transactions;
• Compliance with regulatory and other legal requirements;
• Documentation of controls and procedures;
• Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
• Requirements for the reporting of operational losses and proposed remedial action;
• Development of contingency plans;
• Training and professional development;
• Ethical and business standards; and
• Risk mitigation, including insurance where this is cost effective.

Compliance with the bank's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of internal audit reviews are submitted to the audit committee and senior management of the bank.

38 CAPITAL MANAGEMENT

The bank has in place a capital management policy to support its long term capital objectives, risk appetite and business activities, as well as to meet its regulatory requirements. The bank's objectives when managing capital are:

1. Maintain sufficient capital to meet minimum regulatory capital requirements set by the Maldives Monetary Authority ("MMA")
2. Hold sufficient capital to support the bank's risk appetite.
3. Allocate capital to support the bank's strategic objectives.
4. Ensure that the bank maintains capital in order to achieve debt rating objectives and to withstand the impact of potential stress events.

(a) Regulatory capital adequacy

MMA, as the regulator of the bank sets and monitors capital requirements for the bank. In implementing current capital ratio requirements, MMA requires the bank to maintain prescribed minimum ratios.

Maldives Monetary Authority has allowed the bank to recognize the full impact on the adoption of the impairment requirements under IFRS 9 and has requested the banks that the banks may recognize the additional impairment provision under its equity when Regulatory impairment provision exceeds the impairment provision calculate under the requirement of IFRS 9.

38 CAPITAL MANAGEMENT

(a) Regulatory capital adequacy (continued)

The bank's regulatory capital consists of the sum of the following elements;	2024 MVR	2023 MVR
Tier 1 ("Core") Capital		
Share capital	337,500,070	337,500,070
Retained earnings (shown as previous year amount as MMA requirement)	310,132,211	191,184,997
Statutory reserve (shown as previous year amount as MMA requirement)	150,000,000	150,000,000
Less: Future income tax benefits	(20,568,876)	(14,413,434)
Total Tier 1 Capital	777,063,405	664,271,633
Tier 2 ("Supplementary") Capital		
Current year-to-date profit	277,921,290	176,530,033
Valuation adjustment (discounted 55%)	27,000,000	22,106,250
General provisions (limited to 1.25% of RWA)	28,571,090	20,293,137
Sub total	333,492,380	218,929,420
Eligible Tier 2 Capital (Limited to 100% of Tier 1 Capital)	333,492,380	218,929,420
Total Tier 1 and Tier 2 Capital	1,110,555,785	883,201,053
Core capital (Tier 1 Capital)	777,063,405	664,271,633
Capital base (Tier 1 and Tier 2 Capital)	1,110,555,785	883,201,053
Risk-weighted assets	7,495,616,603	5,822,943,604
Tier 1 Risk based capital ratio (minimum 6%)	10.4%	11.4%
Total risk based capital ratio (minimum 12%)	14.8%	15.2%

The risk-weighted assets have been calculated by multiplying the value of each category of asset using the risk weight specified by the Maldives Monetory Authority.

The bank's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The bank complied with Basel I framework as adoped by the MMA.

(b) Capital allocation

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements, but in some cases the regulatory requirements do not fully reflect the varying degree of risk associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum amount required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by Risk Management and Compliance Unit (RMCU), and is subject to review by the Board Risk and Compliance Committee (BRCC).

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with longer-term strategic objectives of the bank. The bank's policies in respect of capital management and allocation are reviewed regularly by the board of directors.

39 (a) Valuation models

The bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include discounted cash flow models. Assumptions and inputs used in valuation techniques

include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The bank uses widely recognised valuation models to determine the fair value of common and simple financial instruments, such as profit rate, that use only observable market data and require little management judgment and estimation. Observable prices or model inputs are usually available in the market for listed equity securities. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

(b) Valuation framework

The bank has an established control framework with respect to the measurement of fair values. This framework includes a Product Control function, which is independent of front office management and reports to the Head of Finance, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

• Verification of observable pricing;

• Re-performance of model valuations;

• A review and approval process for new models and changes to models involving both Product Control and Bank Market Risk;

• Quarterly calibration and back-testing of models against observed market transactions;

39 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Valuation Framework (Continued)

• Analysis and investigation of significant daily valuation movements; and

• Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month, by a committee of senior Product Control and Bank Market Risk personnel. When third party information, such as broker quotes or pricing services, is used to measure fair value, Product Control assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

• Verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument;

• Understanding how the fair value has been arrived at, the extent to which it represents actual market transactions and whether it represents a quoted price in an active market for an identical instrument;

• When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and

• If a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

• Significant valuation issues are reported to the Audit Committee.

The bank uses widely recognised valuation models to determine the fair value of common and simple financial instruments. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. The Bank uses observable market prices and inputs to determine the value investment securities designated at FVOCI.

(c) Fair value hierarchy - financial instruments measured at fair value

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

Measured at fair value	**Level 1 MVR**	**Level 2 MVR**	**Level 3 MVR**	**Total MVR**
31st December 2024				
Investments mandatorily measured at FVTPL	-	121,682,729	-	121,682,729
Investments				
Equity investments measured at FVOCI	127,000,000	-	-	127,000,000
	127,000,000	121,682,729	-	248,682,729

Measured at fair value	**Level 1 MVR**	**Level 2 MVR**	**Level 3 MVR**	**Total MVR**
31st December 2023				
Investments mandatorily measured at FVTPL	-	120,501,238	-	120,501,238
Investments				
Equity investments measured at FVOCI	112,500,000	-	-	112,500,000
	112,500,000	120,501,238	-	233,001,238

Total gains and losses recognised in OCI:	**2024 MVR**	**2023 MVR**
Fair value reserve (equity instruments) - net change in fair value (excluding tax) (Note 10.2)	14,500,000	10,400,000

39 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Level 3 fair value measurements

i. Reconciliation

Except for one instrument, all the other financial instruments which needs to be measure mandatorily at fair value has got profit reset option to the bank for each 3 months and accordingly, the maximum fair value exposure would be for the next 3 months variation of the profit rate as the instruments are backed with the Sovereign guarantees. Further, the remaining maturity of the remaining financial instrument is 07 months and since the counterparty is a reputed financial institution, there had not been any significant fair value adjustment through that instrument and accordingly, it has been concluded that the carrying value of the instrument provides a fair approximation of the fair value.

ii. Observable inputs used in measuring fair value - Level 2

The Bank has determined the indicative profit rates in order to determine fair value of the instrument as the inputs used as

at 31st December 2022 in measuring financial instruments categorised as Level 2 in the fair value hierarchy.

iii. The effect of observable inputs on fair value measurement

Although the bank believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. However, as the bank only has done the fair valuation of the financial instruments mandatorily measured at FVTPL which are in short term nature with minor impact of the fair valuation due to the fact that those facilities are largely provided for 3 months period where the profit would be reset in each 3 months if required and one facility only with a total period of 1 year, there is no such fair value impact of those instruments and the change of methods or assumptions would not result in any major change to those fair values. Valuation technique for investments mandatorily measured at FVTPL are based on discount cashflow analysis and key inputs to the model is estimated cashflows and indicative profit rates.

(e) Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value. For the majority of the financial assets and liabilities, the fair values are not materially different from their carrying amounts, since the profit payable on these borrowings (fundings) is either close to market rates or the borrowings (fundings) are of a short-term nature.

31st December 2024	Financial assets at amortised cost MVR	Financial liabilities at amortised cost MVR	Total carrying amount MVR
Assets			
Cash and balances with other banks	416,135,436	-	416,135,436
Balances with Maldives Monetary Authority	1,620,234,331	-	1,620,234,331
Due from banks	154,026,975		154,026,975
Investments in other financial instruments measured at amortised cost	2,776,819,559	-	2,776,819,559
Receivables from financing activities	5,744,456,182	-	5,744,456,182
Other assets	253,102,465	-	253,102,465
	10,964,774,948	-	10,964,774,948
Liabilities			
Customers' accounts	-	9,127,012,881	9,127,012,881
Due to banks and other financial institutions	-	955,364,134	955,364,134
Lease liabilities	-	85,558,849	85,558,849
Other liabilities	-	69,355,756	69,355,756
	-	10,237,291,620	10,237,291,620

39 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Financial instruments not measured at fair value (continued)

31st December 2023	Financial assets at amortised cost MVR	Financial liabilities at amortised cost MVR	Total carrying amount MVR
Assets			
Cash and balances with other banks	419,351,119	-	419,351,119
Balances with Maldives Monetary Authority	921,280,143	-	921,280,143
Investments in other financial instruments measured at amortised cost	2,156,873,771	-	2,156,873,771
Receivables from financing activities	4,105,764,559	-	4,105,764,559
Other assets	168,277,449	-	168,277,449
	7,771,547,041	-	7,771,547,041
Liabilities			
Customers' accounts	-	6,837,876,381	6,837,876,381
Due to banks and other financial institutions	-	258,051,674	258,051,674
Lease liabilities	-	90,556,067	90,556,067
Other liabilities	-	70,066,449	70,066,449
	-	7,256,550,571	7,256,550,571

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

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

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

40 RELATED PARTY TRANSACTIONS

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

40.2

Name of the related party	Relationship	Product	Nature of the transaction	Amount 2024 MVR	Amount 2023 MVR
ICD	Shareholder	Commodity Murabaha (borrowing)	Opening balance	31,009,207	93,027,623
			Profit for the period	506,171	3,192,461
			Settlement	(31,515,378)	(65,210,877)
				-	31,009,207
Government of Maldives	Shareholder	Islamic T-Bills	Opening balance	1,760,427,983	1,253,341,460
			New investments	467,900,000	542,370,000
			Profit recognised for the period	106,980,150	73,480,803
			Profit received for the period	(170,180,585)	(108,641,682)
			Impairment allowance	(592,228)	(122,598)
				2,164,535,320	1,760,427,983

40 RELATED PARTY TRANSACTIONS (CONTINUED)

40.2

Name of the related party	Relationship	Product	Nature of the transaction	Amount 2024 MVR	Amount 2023 MVR
Government of Maldives	Shareholder	Istisna'	Opening balance	7,563,615	10,400,188
			Profit for the period	570,484	869,458
			Settlement	(3,720,814)	(3,706,031)
				4,413,285	7,563,615
			Impairment allowance	(993)	(1,021)
				4,412,292	7,562,594
Maldives Monetary Authority	Related to a shareholder	Central Bank Reserve	Minimum Reserve Requirement	844,309,404	661,279,325
			Balance in Excess of MRR with MMA	775,924,927	260,000,818
				1,620,234,331	921,280,143
Maldives Monetary Authority	Related to a shareholder	Commodity Murabaha	Investment in Commodity Murabaha	469,000,000	116,000,000
			Profit recognised for the period	12,118,739	11,120,293
			Profit received for the period	(11,965,628)	(10,843,907)
			Impairment allowance	(42,662)	(15,663)
				469,110,449	116,260,723
Maldives Monetary Authority	Related to a shareholder	Wakala Bi Al-Isthithmar	Investment in Wakala	307,900,000	-
			Profit recognised for the period	3,542,959	-
				311,442,959	-
Maldives Pension Administration Office	Shareholder	Deposit	Opening balance	588,343,006	476,403,899
			Transactions during the year	300,918,501	111,939,107
				889,261,507	588,343,006
Amana Takaful (Maldives) Plc.	Shareholder	Deposit	Opening balance	43,249,014	36,760,014
			Transactions during the year	(6,788,896)	6,489,000
				36,460,118	43,249,014

40.3 Collectively, but not individually, significant transactions

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

40.4 Transactions with key management personnel

The aggregate values of transactions and outstanding balances related to key management personnel were as follows.

	Transaction values for the year ended 31 December		Maximum balance for the year ended 31 December		Balance outstanding as at 31 December	
	2024	2023	2024	2023	2024	2023
Secured financing	4,171,811	1,173,597	27,601,657	5,359,508	17,615,722	3,674,483
Other financing	2,697,085	354,097	3,652,703	523,498	3,304,077	470,428
Deposits received	77,935,905	84,309,672	10,380,556	25,780,325	8,021,961	3,217,234
	84,804,801	85,837,365	41,634,916	31,663,331	28,941,761	7,362,145

The profit charged on balances outstanding from related parties amounted to MVR 922,635 (2023: MVR 179,851). The profit paid on balances outstanding to related parties amounted to MVR 29,484 (2023: 19,015). The mortgages and secured financing granted are secured over property of the respective borrowers (customers). Other balances are not secured and no guarantees have been obtained.

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

The key management personnel are the members of the Board of Directors and Executive members. The Bank has paid an amount of MVR 29,404,044 as short-term employment benefits to the key management personnel during the year ended 31st December 2024 (2023: MVR 9,567,972).

41 Maturity analysis for liabilities and assets

The table below shows the assets and liabilities according to when they are expected to be recovered or settled.

	31st December 2024			31st December 2023		
	Within 12 months	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
ASSETS	**MVR**	**MVR**	**MVR**	**MVR**	**MVR**	**MVR**
Cash and balances with other banks	416,135,436	-	416,135,436	419,351,119	-	419,351,119
Balances with Maldives Monetary Authority	1,620,234,331	-	1,620,234,331	921,280,143	-	921,280,143
Due from banks	153,992,319	-	153,992,319	-	-	-
Investments in equity securities	-	127,000,000	127,000,000	-	112,500,000	112,500,000
Investments in other financial instruments	2,633,645,769	264,221,629	2,897,867,398	2,017,585,424	259,498,442	2,277,083,866
Net receivables from financing activities	1,305,842,291	4,438,613,891	5,744,456,182	707,062,218	3,398,702,341	4,105,764,559
Property and equipment	-	118,284,687	118,284,687	-	91,979,547	91,979,547
Right-of-use assets	-	105,995,474	105,995,474	-	115,065,782	115,065,782
Intangible assets	-	12,014,527	12,014,527	-	11,292,622	11,292,622
Other assets	261,404,312	-	261,404,312	176,377,600	-	176,377,600
Deferred tax asset	5,020,273	-	5,020,273	4,193,876	-	4,193,876
Total assets	**6,396,274,731**	**5,066,130,208**	**11,462,404,939**	**4,245,850,380**	**3,989,038,734**	**8,234,889,114**
LIABILITIES						
Customers' accounts	8,482,793,525	644,219,356	9,127,012,881	6,119,615,448	718,260,933	6,837,876,381
Due to banks and other financial institutions	955,364,134	-	955,364,134	258,051,674	-	258,051,674
Provisions	-	3,051,972	3,051,972	-	7,097,459	7,097,459
Current tax liability	64,753,647	-	64,753,647	39,560,190	-	39,560,190
Lease liabilities	12,551,737	73,007,112	85,558,849	10,946,999	79,609,068	90,556,067
Other liabilities	75,001,643	-	75,001,643	73,631,800	-	73,631,800
Total liabilities	**9,590,464,686**	**720,278,440**	**10,310,743,126**	**6,501,806,111**	**804,967,460**	**7,306,773,571**
Net assets / (liabilities)	**(3,194,189,955)**	**4,345,851,768**	**1,151,661,813**	**(2,255,955,731)**	**3,184,071,274**	**928,115,543**

42 COMMITMENTS

	2024 MVR	2023 MVR
(i) Financial commitments		
Letter of credits	47,623,685	34,745,136
Guarantees and bonds	35,004,531	9,286,096
Bill collection acceptance	16,627,020	15,970,761
	99,255,236	60,001,993
(ii) Financing commitments		
Undrawn financing facilities	1,173,220,968	1,354,981,978
Total	1,272,476,204	1,414,983,971

43 CAPITAL COMMITMENTS

During the year, the Bank has entered into several agreements with suppliers for the implementation of a new data recovery center and the building of a new office space. As at 31st December 2024, the capital commitments of the Bank is MVR 17,859,755 (year ended 31st December 2023 - MVR 20,956,429).

44 EVENTS AFTER THE REPORTING DATE

On 19th March 2025 the Board of Directors has recommended a total dividend of MVR 103,050,032.06 equivalent to MVR 4.58 per ordinary share for the year ended on 31st December 2024.

The total dividend consists of both cash and bonus shares, with a payment of 50% cash dividend of MVR 2.29 per share and the remaining MVR 2.29 per share to be distributed as bonus shares in lieu of cash dividend, at the issue price of MVR 35 per share ("the bonus shares").

This dividend recommendation is subject to the final approval of the shareholders at the 15th Annual General Meeting (“AGM”) of the Bank.

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

45 TERMINOLOGY USED IN FINANCIAL STATEMENTS

As mentioned in Note 2 (i) " Basic of Preparation", these financial statements have been prepared and presented in accordance with International Financial Reporting Standards (“IFRSs”). The following comparison is given for the readers of the financial statements to understand the terminologies as in line with Shari'ah Law.

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