ANNUAL REPORT 2017


BANK O


OF MALDIVES

بسم الله الرحمن الرحيم

CONTENTS

ONE BANK IS INVESTING IN MALDIVES

260,000 CUSTOMERS

34 BRANCHES IN 20 ATOLLS

95 ATMS IN 20 ATOLLS

230 CASH AGENTS IN 165 ISLANDS

5,000 POS MERCHANTS

34 SELF SERVICE BANKING CENTRES

2,000 DHONI BANKING TRIPS

MVR 12 BILLION LOANS TO INDIVIDUALS & BUSINESS

MVR 15 BILLION CUSTOMER DEPOSITS

MVR 1 BILLION GOVERNMENT LOAN SCHEMES

950 JOBS WITH 1/3 IN ATOLLS

99% STAFF ARE MALDIVIANS

THAT BANK IS BANK OF MALDIVES

Bank of Maldives (BML) is the leading financial institution in Maldives. We are a full-service bank engaging across the complete spectrum of personal, business and corporate financial services.

We are privileged to touch the lives of almost every citizen and business in Maldives through our extensive network of branches, agents, relationship managers and online banking facilities. This privilege brings with it great responsibility which we take extremely seriously.

We understand that we play a pivotal role as an engine of growth and a partner for success for thousands of individuals, families and businesses. Our aim is to actively participate in community development and to create long-term value for our shareholders.

Our business is built on a clear and compelling strategy focused on 3 strategic pillars of Customer Service, Support for Business and Financial Inclusion. Our strategic foundations are People Excellence and Robust Risk Management.

We are firmly focused on being a professionally managed, customer-oriented organization which follows international best practices.

OUR BUSINESS STRENGTHS

SOLID FINANCIAL PLATFORM

- Deposit base MVR 15 billion
- Assets MVR 22 billion
- Strong capital position well above regulatory requirement

STRONG CUSTOMER BASE

- 260,000 customers
- Leading market share in Retail, Corporate and SME segments
- Market leader in self-service banking with largest number of online and ATM users

LEADERSHIP IN INNOVATION

- First to launch POS services in Maldives
- First to launch Internet and Mobile Banking
- First to launch cash and cheque deposit machines

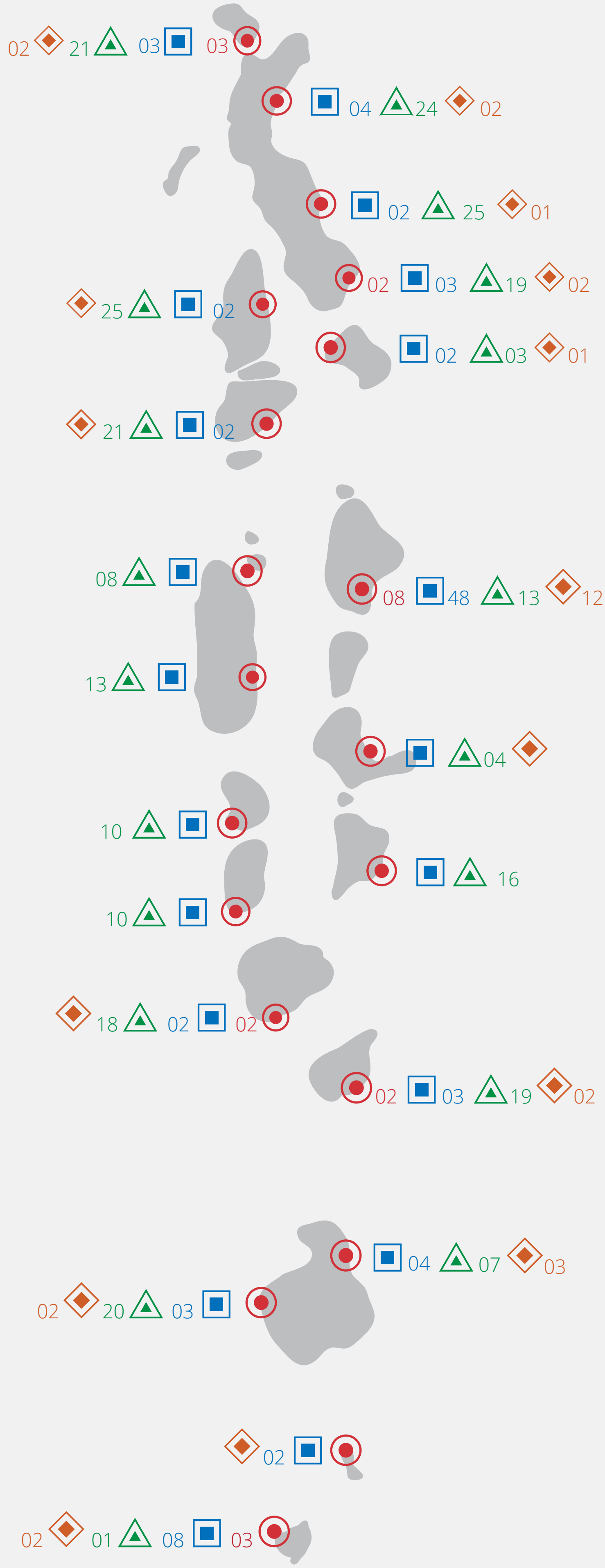
LEADERSHIP IN SERVICE DELIVERY

- Largest network of Branches, Agents, ATMs and POS terminals in Maldives
- Exclusive acquirer and issuer of American Express cards in Maldives
- Principal member in Maldives for Visa and MasterCard

EXPERIENCED AND DEDICATED TEAM

- Largest employer in the banking sector
- 99% of our employees are locals with almost one third employed in the atolls
- Strong executive leadership team with experience across many countries and banking markets

OUR NETWORK



BRANCH

ATM

CASH AGENT

SELF SERVICE BANKING CENTRE

ONE BANK IS INVESTING IN MALDIVES

VISION

To be the best managed company in the Maldives, with the highest standards of corporate governance and customer satisfaction as well as the best shareholder returns.

VALUES

INTEGRITY

BML staff adhere strictly to a high standard of conduct, ethics and honesty in all that we do.
We are bankers.

CUSTOMER FIRST

We ensure our customers are our key focus. We always strive to exceed their expectations.

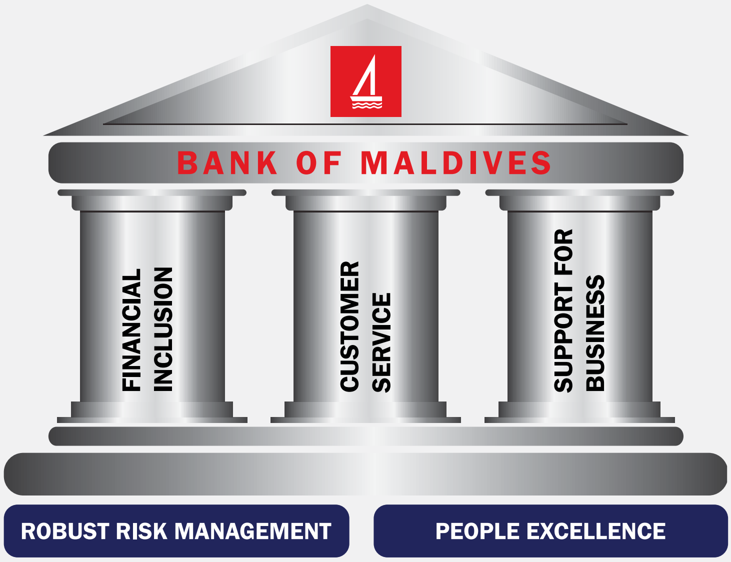
ACCESSIBILITY

We can be easily accessed by our customers through whatever means they choose.

TEAMWORK

We work together and collaborate for the good of our customers. Working for BML and serving our customers is a privilege. But it is also fun.

STRATEGIC PILLARS




BML
34
BRANCHES
100
ATMs
5000
POS
205
CASH AGENTS
33
SELF SERVICE
BANKING CENTRES
MVR 12 BILLION
LOANS
INTERNET
BANKING
MOBILE
BANKING
BANK OF MALDIVES

CHAIRPERSON'S STATEMENT

A PROUD YEAR – RECORD FINANCIAL PERFORMANCE AND COMMUNITY INVESTMENT

Dear Shareholders,

On behalf of the Board of Directors, I take great pleasure in presenting to you the Annual Report of Bank of Maldives for the financial year ending 31st December 2017.

This was a very positive year for the Bank. Solid business growth was accompanied by further improvements in loan book quality which resulted in a very satisfactory Profit Before Tax outturn of MVR 1.416 billion, up 20% on a like-for-like basis and our best ever performance. It was particularly pleasing that we concurrently managed to step up, also to a record level of MVR 300 million, our investment under our "Aharenge Bank" ("My Bank") program which continues to benefit communities throughout the country.

As a Board, we are very pleased with the positive trajectory of our business which has given us the platform to propose to shareholders a record dividend for 2017.

The Bank has worked hard over recent years to implement a strategy designed to deliver the highest international standards in every aspect of our business. We feel we have made good progress and that now is the right time to look beyond the shores of the Maldives. Our main focus will of course always be on our home country where our business growth and extensive ongoing investment program demonstrate our commitment. However, overseas expansion makes sense as it will bring much needed diversification benefits and it will generate revenue to support our investments

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at home. I am happy to advise that we are in the process of applying for a banking license in another Asian country and it is hoped we will be up and running before the end of the year.

I would like to thank Andrew and his executive team for their strong, prudent and excellent leadership in driving forward the Bank's development. In addition, I would like to sincerely express my deepest gratitude to the hardworking employees of the Bank for their commitment and dedication to make this year a successful one. Thank you also to our valued customers for your loyalty and for believing in us as a bank that works hard to make a difference in our community. We will continue to support you strongly. A final word of gratitude to my fellow board members for steering the bank's strategic direction and for ensuring our governance framework remains robust and effective. It has been a pleasure working with you.

This is a bank that is in good financial health. A bank that is supporting and enriching the community. A bank that all Maldivians can be proud of.

Saeeda Umar
Chairperson

CHIEF EXECUTIVE'S STATEMENT

PROUD OF OUR PROGRESS

Bank of Maldives experienced a very strong year in 2017 as we recorded our best ever financial performance while simultaneously doubling our investment in local communities. This outturn was in line with the strategic direction set out by our Board whereby financial robustness provides the necessary platform to step up initiatives to support individuals, families and businesses across the country.

While we encountered higher funding costs and lower margins as anticipated, solid business volumes and continued improvement in loan book quality helped to compensate. This resulted in Profit Before Tax coming in at MVR 1.416 billion, which is an increase of 20% on an underlying basis versus the prior year.

Financial Performance
Shareholders may recall my caution that profitability in 2017 would be impacted by a need for higher levels of external funding and by continued margin pressure. However, helped in no small measure by 23,000 new customers crossing our doors during the year, demand for our products and services was encouragingly high and boosted our financial results.

It was particularly pleasing to see deposit growth of 15% which was well ahead of the market. New lending of MVR 4.4 billion supported a number of local individuals and businesses and very importantly, we saw further substantial improvement in loan book quality with our ratio of non-performing to total loans falling from 7.0% to 4.1%. It is worth recalling that this ratio stood at 20.3% just three years ago. The Bank finished the year with an encouragingly strong capital position which was well ahead of regulatory requirements.

Leveraging Technology to improve Customer Experience and Convenience
As in other countries, banking customer behaviors in Maldives are changing, with less reliance on branches and ever-increasing demand for online services. An

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integral part of our customer service strategy has been to offer the convenience of 24/7 banking via a range of self-service channels. At the same time, we are adapting our branches to become more welcoming "advice centres" when face to face contact is required.

The increased adoption of online banking channels during the year – more than 90% of all transactions were conducted online, while 10 million deposits and withdrawals were through ATMs – has helped reduce branch footfall, leading to a better overall customer experience. In fact, recent independent research indicates that satisfaction among our Bank's customer base is higher than for other local banks and is well ahead of the regional average. This is very heartening.

BML Islamic

Bank of Maldives may be relatively new to Islamic banking but BML Islamic grew strongly during the year. Our deposit base increased significantly and helped to put us in a position to launch a suite of home financing products which are proving very popular. There is a clear appetite in the country for Shari'ah-compliant banking and we are on course to achieve our goal of providing a Shari'ah-compliant alternative to all of our conventional products by the end of 2018.

Community Investment

Under our 'Aharenge Bank' program, 2017 saw MVR 300 million invested in network expansion and in more than 50 distinct community projects which supported charitable, educational, sports and environmental causes. We opened 3 new branches in the atolls as well as 14 additional Self-Service Banking Centres. We also extended to 230 our network of agents providing services to those island communities without a branch or ATM.

Thanks & Appreciation

I would like to extend my sincere thanks and appreciation to all our customers, old and new, for your support. You can be assured that we will continue to work hard and humbly to meet your expectations.

Thank you to our wonderful team of staff for your extraordinary dedication during the year – you can be tremendously proud of your efforts. I would also like to pay tribute to my executive team colleagues for your excellent leadership, skill and support. Finally, thank you to our Board of Directors for your guidance and wise counsel over the year.

The Year Ahead

The past year has further strengthened our confidence in the Bank's strategic direction. We have a sound platform to continue to simultaneously grow and invest - both in the Maldives and, as our Chairperson has indicated, beyond these shores. The year ahead will therefore be a very busy one which will require a great deal of focus and diligence. We look forward to continuing to develop a Bank of which our staff, customers and shareholders can be extremely proud.

Andrew Healy
CEO and Managing Director

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2017 REVIEW

FINANCIAL HIGHLIGHTS

The Bank achieved a Net Profit Before Tax of MVR 1.416 billion, up 4% on 2016. When one-off factors are taken into account, Underlying Profit increased by a very satisfactory 20%. Performance benefited from solid growth across most core business sectors and income sources, while further improvements in loan book quality significantly strengthened the bottom line. The Bank is strongly capitalised with a Capital Adequacy Ratio of 34%, well above regulatory requirements.

MVR '000	2017	2016	+/-
Net Profit Before Tax	1,416,431	1,363,506	+4%
Underlying Profit Before Tax[1]	1,314,626	1,096,917	+20%
Net Profit After Tax	1,038,181	1,023,059	+2%
Gross NPA Ratio	4.1%	7.0%	
Provision Cover	100%	100%	
Capital Adequacy Ratio	34%	31%	
Net Loans and Advances	12,221,060	9,596,117	+27%
Customer Deposits	15,186,717	13,221,997	+15%
Total Assets	22,364,967	18,802,884	+19%
Total Liabilities	16,816,849	14,257,167	+18%
Shareholders' Funds	5,548,118	4,545,717	+22%
Dividend Per Share (MVR)	22[2]	20	+10%

1 Adjusted for one-off recoveries and impact of reduction in treasury bill rates.
2 Proposed. Subject to shareholders approval.

Income

Total Income reached MVR 2.3 billion, an increase of 8% with most lines showing satisfactory growth. Net Interest Income growth of 3% was constrained by higher funding costs and reduced treasury income. Non-Interest Income on the other hand, saw strong growth of 14%, mainly due to higher fee income from our card and corporate banking operations. At MVR 630 million, Non-Interest Income is now contributing almost one third of the Bank's total income which is positive.

Expenses

Costs increased by 8% versus 2016 due to strong growth in business volumes and the impact of our extensive investment program which saw high levels of spending in the strategically important areas of technology infrastructure, financial inclusion and customer service. Nevertheless, the Bank's cost/income ratio of 25% remains very healthy.

Loan Book Quality

Total non-performing loans less interest in suspense at the end of 2017 stood at MVR 504 million, with no significant new non-performing loans during the year. The ratio of non-performing loans to total loans reduced from 7.0% to 4.1%, while the provision cover ratio was maintained at 100%.

BALANCE SHEET

Assets and Liabilities

Total Assets finished the year at MVR 22.4 billion, up 19% on the previous year. The loan book grew on a net basis by MVR 2.6 billion or 27%. Total Liabilities at MVR 16.8 billion increased by 18% versus 2016, mainly due to strong growth in customer deposits (up 15%). Liquidity levels remained satisfactory.

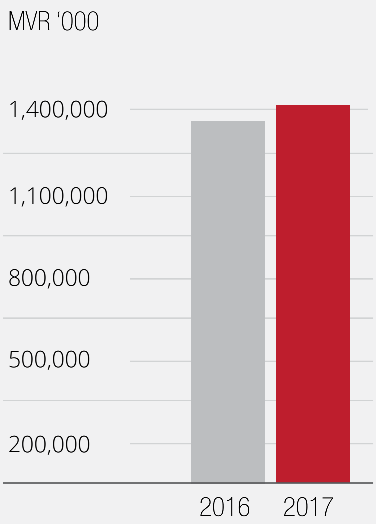
Shareholders' Funds

Total Shareholders' Funds stood at MVR 5.5 billion at year end. This represents an increase of over MVR 1 billion against 2016, driven by retained earnings. The Capital Adequacy Ratio was maintained well above the minimum regulatory requirement of 12% and finished the year at 34% (2016: 31%).

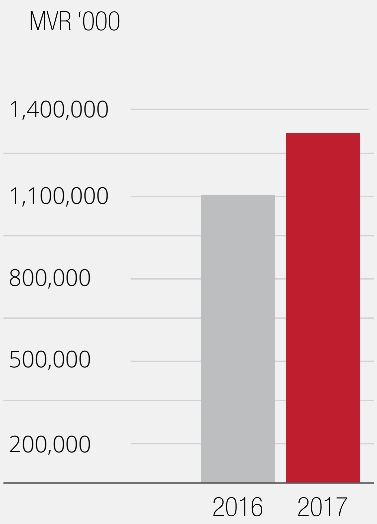
Dividend Payment

The issued and paid up share capital at end 2017 amounted to 5,381,920 shares of MVR 50 par value. On the back of the Bank's solid financial position, the Board has recommended a record final dividend of MVR 118,402,240 for 2017 which equates to MVR 22 per share.

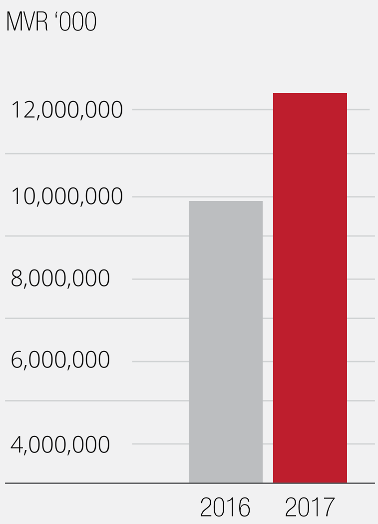
NET PROFIT BEFORE TAX



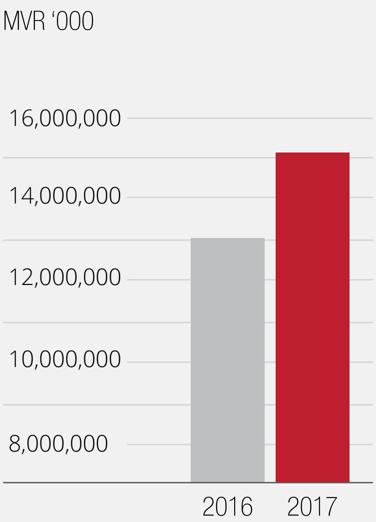
UNDERLYING PROFIT BEFORE TAX



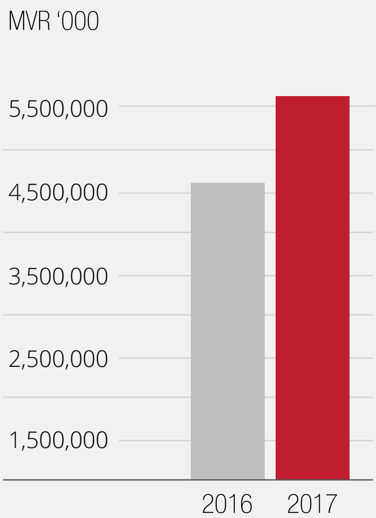
CUSTOMER LOANS



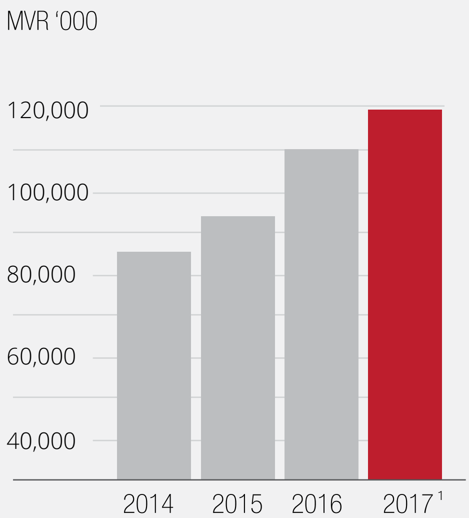
CUSTOMER DEPOSITS



SHAREHOLDERS' FUNDS



DIVIDEND PAYOUT



[1] PROPOSED

EXECUTING OUR STRATEGIC PLAN

The Bank's strategic plan was reviewed and updated by the Board of Directors during the year. The plan continues to focus on the three key pillars of financial inclusion, customer service and support for business, underpinned by our strategic foundations of robust risk management and people excellence.

FINANCIAL INCLUSION

Bank of Maldives continues to work tirelessly to ensure communities in all parts of the country have access to comprehensive and reliable banking services. Through our focus on financial inclusion, we help individuals and businesses in several ways.

Historically, many people in the atolls had to travel to another island for basic banking services – for example, to get cash or to make a payment. That has now changed. As recently as in 2013, we had a presence on just 24 islands, whereas today we are represented on every single inhabited island via a branch, ATM or agent.

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We saw 10 million ATM transactions through our network of Self Service Banking Centres and standalone ATMs last year, a quarter of which were deposits which shows how people have adapted to doing their banking differently. In fact, when you consider our mobile and internet banking services, virtually all forms of banking are now possible in all parts of the country.


BANK OF MALDIVES
CUSTOMER SERVICE CENTRE


BML
AGENT


BANK OF MALDIVES

CUSTOMER SERVICE

Optimizing customer service standards remains a key strategic priority for the Bank. While there are always aspects we can do better, it is worthwhile to highlight that we made significant strides in enhancing our service standards in 2017.

> "An integral part of our customer service strategy is to transform the role of branches to be less focused on transactions and more focused on advisory services. The increased adoption of online banking channels – more than 90% of all transactions were carried out online during the year – has helped reduce branch footfall, leading to a better customer experience where face-to-face interaction is required."

An integral part of our customer service strategy is to transform the role of branches to be less focused on transactions and more focused on advisory services. The increased adoption of online banking channels – more than 90% of all transactions were carried out online during the year – has helped reduce branch footfall, leading to a better customer experience where face-to-face interaction is required. Furthermore, independent research encouragingly points to satisfaction among our customer base being higher than both local and regional averages.

We achieved a notable step forward during the second half of the year when we opened doors to our new Customer Service Centre at Male' Square on Ameenee Magu, Male' which uses advanced technology to deliver services and reduce waiting times.


BANK OF MALDIVES

SUPPORT FOR BUSINESS

Bank of Maldives remains the leading bank for businesses of all sizes across the country. This is reflected in our growing numbers of SMEs and corporates and in our increased lending to these sectors.

During 2017, we invested in our people, products and infrastructure to support businesses. We tripled the number of dedicated business managers we have in place and the year ahead will see 4 dedicated business centres open in Male', Hulhumale', Kulhudhuffushi and Hithadhoo.

Our business customers will also benefit from a major upgrade of our business internet banking services which will be implemented over the course of 2018.

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RISK MANAGEMENT

Robust Risk Management represents a key strategic foundation for Bank of Maldives and responsibility for risk management resides at all levels in our Bank. The Bank has in place a risk management framework which is designed to provide a structured approach to managing risks. This framework identifies, assesses, manages and mitigates risks that could impair the delivery of the Bank's strategic and business objectives.

In 2017, significant steps were taken to further strengthen our risk management framework through enhancements to our policies, procedures, processes and people. Furthermore, we progressed, with external risk management expertise, our International Risk Standards Project which targets the very best international practices and standards.

There is in place a comprehensive risk governance structure, with an active and engaged Board of Directors supported by an experienced senior management team, including international professionals in the positions of Chief Risk Officer and Chief Internal Auditor. The Board is ultimately responsible for the risk management framework and defines, through the Risk Appetite Statement, the acceptable levels and types of risk exposures that it considers likely to arise in the delivery of the Bank's strategic objectives. The Board's risk governance is supported through a series of sub-committees and by management operating under delegated mandates.

The Bank is organized according to the principles of three lines of defense which separate our control functions (Risk Management, Compliance and Internal Audit) from our risk-taking functions and risk owners. The Risk team engage closely with business units to ensure risks are managed effectively and to embed a strong risk culture in the organization. The Compliance Unit assists management in ensuring employees comply with applicable laws and regulations as well as ethical standards. Additionally, the Internal Audit Unit tests and validates the adequacy and effectiveness of internal controls and reports directly to the Audit and Risk Management Committee of the Board.

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PEOPLE EXCELLENCE

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

In 2017, we were honoured to be awarded the prestigious "Asia's Best Employer Brand Award" from the World HRD Congress and the Employer Branding Institute who commended our advanced policies in recruiting, developing and retaining talent. This award affirmed the Bank's progress towards being one of the most attractive places to work in the region.

During the year, we launched the "BML Prospect – Connecting Talent with Opportunity" program in partnership with a number of higher education institutions. Through this initiative, students can gain valuable workplace experience to prepare them for the job market when they graduate.

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Throughout 2017, we implemented a number of training and other initiatives to improve staff engagement and to embed a culture of learning across the organization. We introduced a new employee engagement survey, 'BML Pulse' through which staff have the opportunity to provide confidential feedback on a range of important matters.

The Bank's recreational club for staff, 'United BML', organized various activities during the year to improve employee engagement. Bank teams participated in several inter-office sports tournaments, with a number of prestigious trophies proudly secured.

We held our annual Staff Awards event where our top performing employees were recognized for their hard work and contribution to the Bank. We also honoured our long-serving, loyal and dedicated staff at our annual Long Service Awards event where they were presented with special mementos of recognition.


STAFF CHARITY RUN


CHAMPIONS
Nestlé


BML ISLAMIC

BML ISLAMIC

Our Islamic banking arm, BML Islamic, continued to grow strongly during the year. Our deposit base increased significantly and helped to put us in a position to launch a suite of home financing products which are proving popular. We are on course to achieve our goal of providing a Shari'ah-compliant alternative to all our conventional products by the end of 2018.

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BML Islamic services are available through the Bank's existing network of branches, ATMs and POS terminals and are accessible via our Internet Banking and Mobile Banking platforms. The three key attributes of our offerings are:

- Products and services are fully Shari'ah compliant
- There is complete segregation of funds with separate ledgers to book Islamic products and funds
- All services conform to international best practice standards.

INVESTMENT IN TECHNOLOGY

Information Technology continues to play an important part in the Bank's strategic development. Our mobile and internet services have helped make banking possible in all parts of the country and at all times of the day. In addition, self-service transaction banking via our growing ATM network is proving increasingly popular, with some 10 million deposits and withdrawals conducted through this channel during the year. In aggregate, 9 out of every 10 transactions are now taking place online - through our ATM, Card, Internet and Mobile Banking channels.

Recent technology-based investments have included our new Customer Service Centre at Male' Square on Ameenee Magu, which uses iPad-based technology to reduce waiting times. Separately, more than 50,000 foreign travelers from around the country benefited from our online dollar booking service which allows them to order online and then collect their cash at our airport counter.

"Having upgraded our personal internet banking platform in 2017, our business customers will soon benefit from a major upgrade of our business internet banking services. We also have plans to launch a new personal mobile wallet product which will make it possible to send money abroad using only a mobile phone – no need to visit a branch or even to leave your home."

We must and will continue to invest in technology. Having upgraded our personal internet banking platform in 2017, our business customers will soon benefit from a major upgrade of our business internet banking services. We also have plans to launch a new personal mobile wallet product which will make it possible to send money abroad using only a mobile phone – no need to visit a branch or even to leave your home.

Of course, as technology grows in popularity, the associated risks also increase. A key element of our focus in 2017 was to further strengthen security and risk management in all our technology, systems and processes. We will invest further over the year ahead and we will actively test the resilience of all our systems, as well as our ability to recover from the ever-increasing number of cyber security threats.

INVESTMENT IN THE COMMUNITY

We continue to prioritise our responsibility to invest in supporting the local communities we serve. Under our 'Aharenge Bank' program, 2017 saw in excess of MVR 300 million invested in network expansion and community projects supporting charitable, educational, sports and environmental causes.

During the year, we implemented over 50 CSR initiatives that have benefited communities right across the country. For example, we invested in the upgrading of computer labs in atoll schools, we supported mobility-impaired residents on island communities through the provision of special motorized wheelchairs and we supported community organisations such as the Care Society, Mental Health Awareness Foundation, the Blind and Visually Impaired Society of Maldives and the Maldives Deaf Association.

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Our partnership with the Cancer Society of Maldives was further strengthened and we supported their second annual Pink Ribbon Run which seeks to raise awareness of ways to prevent cancer. We also held the second annual Wow Kidz Run in association with local sports gym TfG, which raised funds for a range of causes while promoting the importance of a healthy lifestyle for children.

It has been particularly encouraging to see the increasing number of staff volunteers who have been enlisting to help worthwhile causes. Our staff worked on a range of initiatives such as island clean-ups and visits to the disadvantaged, while they also raised over MVR 140,000 through events such as our Staff Charity Run.


BML
WOW
KIDZ RUN 2017
1065
BML
WOW
KIDZ RUN 2017

04

BOARD OF DIRECTORS

DIRECTORS NOMINATED BY THE GOVERNMENT

The seven directors elected at the 34th Annual General Meeting held on 23rd August 2017 are as follows:

MS. SAEEDA UMAR

Chairperson

Registry No: 621, Male'

(Independent, Non-Executive Director)

Ms. Saeeda is Policy Consultant at the Ministry of Economic Development and is currently Co-Chair of the China-Maldives Free Trade Agreement Working Group. She is also a member of the President's Council on the Economic Empowerment of Women and has a wealth of experience in consulting for government, the private sector and international organizations in areas of public policy, economic development and international trade.

Ms. Saeeda holds a Masters in Diplomacy and International Trade from Monash University, Australia.

Ms. Saeeda has no shares in the Bank.

MR. ANDREW HEALY

Chief Executive Officer and Managing Director

(Non-Independent, Executive Director)

Mr. Andrew Healy is Chief Executive Officer and Managing Director of the Bank. A career banker, Mr. Healy has over 25 years of international financial services experience, including ten years at CEO and Board level.

Mr. Healy has held a number of respected industry leadership positions, including Chairman of the Northern Ireland Banking Association and President of the Institute of Banking in Ireland. He holds a first class Master's degree in Business from University College Cork, Ireland and a Bachelor of Science degree in Financial Services from University College Dublin, Ireland. He is a Fellow of the Institute of Banking in Ireland and a Chartered Member of the UK Chartered Institute of Personnel and Development.

Mr. Healy holds no shares in the Bank.

MR. MOHAMED SHAREEF

M. Ifau, Male'

(Non-Independent, Executive Director)

Mr. Mohamed Shareef joined the Bank in 1995. Mr. Shareef is currently Deputy CEO and Director of Operations.

Prior to his current position, Mr. Shareef served as the Bank's Retail Banking Director where he successfully led the development of the Bank's business in this sector. He has also held the roles of Operations Director, Chief Operating Officer and Head of Card Centre.

Mr. Shareef holds a Master of Business Administration (Finance) degree from University of Manchester, United Kingdom.

Mr. Shareef has no shares in the Bank.

MR. MOHAMED LUVEIZ

Ma. Dhilaasaage, Male'

(Independent, Non-Executive Director)

Mr. Mohamed Luveiz is the Minister of State for Economic Relations at the President's Office, Male', Maldives. Prior to being appointed to this position, he served as Director at the Corporate Development Secretariat in the President's Office.

Mr. Luveiz began his career in 1995 and among many senior roles, he served as Advisor on Investments at the Ministry of Finance and Treasury and as Director of Economic Affairs at the Ministry of Economic Development where he was mandated with investment promotion and SME development.

Mr. Luveiz holds a Master of Business Administration degree from Victoria University of Technology, Australia and a Bachelor of Commerce degree from University of South Australia, Australia.

Mr. Luveiz has no shares in the Bank

MR. ABDUL HARIS

G. Ekra, Male'

(Non-Independent, Non-Executive Director)

Mr. Abdul Haris is Managing Director of Island Aviation Services Limited. Mr. Haris started his career in aviation with Air Maldives in 1985 where he gained hands-on experience in accounting and financial management. While at Air Maldives, he was instrumental in achieving IATA membership and acquiring the IATA billing and settlement plan for the flag carrier. Mr. Haris was also a member of the technical advisory committee to the Government on establishing an international airline in the Maldives.

After joining Island Aviation as Director of Finance and Accounts in 2000, Mr. Haris played a key role in making "Maldivian" a regional carrier. He became Managing Director in 2012.

Mr. Haris holds an Honors Degree in Accounting and Management Systems from Thames Valley University, United Kingdom and was the first Maldivian to achieve membership of the UK Association of Accounting Technicians.

Mr. Haris has no shares in the Bank.

MS. AISHATH ARSHA

Ma. Narugismaage aage, Male',

(Independent, Non-Executive Director)

Ms. Aishath Arsha is the Business Director of Maldives Boat Club Pvt. Ltd. She worked at Bank of Maldives as the Head of Risk and Re-engineering from 2011 to 2014 and before this she was employed as a Relationship Manager at Australia's Wespac Banking Corporation from 2007 to 2010.

Ms. Arsha has a Master's degree in International Economics and Finance from University of Queensland, Australia and a Bachelor of Business (Banking and Finance) degree from Charles Stuart University, Australia.

Ms. Arsha has no shares in the Bank.

MR. RABIH MOHAMED

Anbugasdhoshuge, Th. Vilufushi

(Non-Independent, Non-Executive Director)

Mr. Rabih is the Assistant Chief Executive Officer of Maldives Ports Ltd. Prior to being appointed to this position, he was the General Manager of Vara Maldives Pvt. Ltd and Marketing & Sales Executive of Crossworld Maldives Pvt Ltd.

Mr. Rabih holds a Bachelor of Arts (Honors) in Business Administration from the University of Abertay Dundee, United Kingdom.

Mr. Rabih has no shares in the Bank.

DIRECTORS ELECTED BY THE PUBLIC SHAREHOLDERS

The three directors elected at the 34th Annual General Meeting held on 23rd August 2017 are as follows.

MR. MOHAMED ABDUL SATTAR

Ma. Tulip Villa, Male'

(Independent, Non-Executive Director)

Mr. Mohamed Abdul Sattar is Managing Director of Coco Huts Pvt. Ltd. He was first elected to the Board of Directors of the Bank by the public shareholders from 08th September 2004 to 29th June 2005. On 30th October 2005, he was appointed to the Board by the Government and was last re-appointed on 13th June 2008. Since 07th August 2009, he has been elected to the Board by the public shareholders.

Mr. Sattar is the current Chairperson of the Bank's Appointment, Nomination and Remuneration Committee. He holds a Master of Business Administration degree from University of Wales, United Kingdom.

Mr. Sattar holds 2,770 shares in the Bank.

MR. IBRAHIM MOHAMED

Nelum, N. Holhudhoo

(Independent, Non-Executive Director)

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

A finance and tourism sector professional, Mr. Ibrahim currently serves on the boards of several companies. He is the current Chairperson of the Bank's Audit and Risk Management Committee.

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

Mr. Ibrahim holds 960 shares in the Bank.

MS. IBTHISHAMA AHMED SAEED

M. Exeter, Male'

(Independent, Non-Executive Director)

Ms. Ibthishama worked in Bank of Maldives from 2003 until 2014 where she held senior management posts such as Director of Corporate Banking and Associate Director, Investment Banking. She was the Chairperson of Maldives Tourism Development Corporation from June 2014 to November 2016.

Ms. Ibthishama holds a Bachelor of Commerce degree from Keralan University, India and a Master of Arts in Marketing Communication from University of Westminster, United Kingdom.

Ms. Ibthishama holds 15 shares in the Bank.

Note: As stated under section 1.2 (f) of the Corporate Governance Code, directors who are considered as 'Non-Executive' and 'Independent' are those directors who have not, or whose immediate family members have not, held a key position in the Bank and who have not, or whose immediate family members have not, had any substantial financial dealings with the Bank during the last year.

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EXECUTIVE TEAM

ANDREW HEALY

Chief Executive Officer

AISHATH NOORDEEN

Director of Centralized Services & Deputy Chief Executive Officer

MOHAMED SHAREEF

Director of Operations & Deputy Chief Executive Officer

Andrew Healy joined the Bank in January 2014. A career banker, Andrew has over 25 years of international financial services experience, including ten years at CEO and Board level.

Andrew has held a number of respected industry leadership positions, including Chairman of the Northern Ireland Banking Association and President of the Institute of Banking in Ireland. He holds a first class Master's degree in Business from University College Cork, Ireland and a Bachelor of Science degree in Financial Services from University College Dublin, Ireland. He is a Fellow of the Institute of Banking in Ireland and a Chartered Member of the UK Chartered Institute of Personnel and Development.

Aishath Noordeen joined the Bank in 1982. She is currently Deputy CEO and Director of Centralized Services.

Aishath has a career spanning over 30 years in the banking industry and has worked in numerous areas of the Bank. She has served as Acting CEO and Managing Director on two separate occasions and was a government-appointed director on the Bank's Board of Directors from 2008 until 2014.

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

Mohamed Shareef joined the Bank in 1995. He is currently Deputy CEO and Director of Operations.

Prior to his current position, Shareef served as the Bank's Retail Banking Director where he successfully led the development of the Bank's business in this sector. He has also held the roles of Operations Director, Chief Operating Officer and Head of Card Centre.

Shareef holds a Master of Business Administration (Finance) degree from University of Manchester, United Kingdom.

KULDIP PALIWAL

Director of Business

Kuldip Paliwal joined the Bank in January 2016. He is currently Director of Business with responsibility for Retail, SME and Corporate Banking.

Kuldip is a career banker with over 20 years of experience in Consumer, Commercial and Corporate Banking. He has worked in senior roles in a number of banks in India such as ICICI Bank, IDBI Bank and Citibank. Prior to joining Bank of Maldives, Kuldip was Head of Corporate & Investment Banking at Exim Bank, Tanzania.

Kuldip holds a Master of Business Economics (Finance) from D.A. University, Indore, India, a Master of Science (Statistics) from University of Allahabad, India and a Bachelor of Science (Statistics & Mathematics) from University of Allahabad, India. He is a Certified Associate of the Indian Institute of Bankers.

NANDANA SENEVIRATHNE

Chief Financial Officer

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

Nandana has 19 years of experience in the financial services sector in banks, leasing and insurance companies. Prior to joining Bank of Maldives, he was Chief Financial Officer of AIG Insurance Limited, Sri Lanka. He has also worked for KPMG Maldives.

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

ANDRE DEBAKHAPOUVE

Chief Risk Officer

Andre Debakhapouve joined the Bank as Chief Risk Officer in March 2018.

With over 20 years of banking and risk management experience, Andre has worked in a range of senior roles with international banks in a number of countries, including as Group Head of Risk Governance for APAC/EMEA at Standard Chartered Bank, based in Singapore.

Andre holds a Bachelor of Science degree in Mathematical Statistics and a Bachelor of Science degree in Computer Science and Mathematics from Monash University, Australia.

ZULKARNAIN BIN TAMAN

Director of BML Islamic

Zulkarnain Bin Taman joined the Bank as Director of BML Islamic in January 2017.

Zulkarnain is an experienced International Islamic Banking Professional with over 26 years of experience in the field of banking operations and finance. Prior to joining the Bank, he was CEO & Managing Director of Amanie Advisors Sdn Bhd, Malaysia.

Zulkarnain holds an Executive Master's degree in Business Administration from University Teknologi Mara, Malaysia.

FATHIMATH MANIKE

Islamic Banking Director

Fathimath Manike joined the Bank in 1982. She became Islamic Banking Director in 2012.

Fathimath has extensive knowledge and experience in the banking industry, gained through a career spanning over 30 years. She has previously served the Bank at Assistant General Manager level and has held responsibility for areas such as Development Banking, Human Resources and Operations.

SAHAR WAHEED

People & Change Director

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

Sahar has 11 years of experience in banking and prior to her appointment as People and Change Director, she served as Head of Strategic Planning and Change Management and as Deputy Manager, Credit Department.

Sahar holds a BSc. in Economics and Economic History from the London School of Economics and Political Science, United Kingdom.

RASHFA JAUFAR

Credit Director

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

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

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

ADLY AHMED DIDI

Technology Director

Adly Ahmed Didi joined the Bank in 1997.

With over 19 years of experience in the field of Information Technology, Adly started his career in the Bank as Manager, Information Technology. He also served as Head of Information Technology before joining the Bank's executive committee as Technology Director in 2014.

Adly holds a Bachelor of Engineering degree from Staffordshire University, United Kingdom.

AISHATH ZAMRA ZAHIR

Marketing Director

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

Prior to joining Bank of Maldives, Zamra worked at Ooredoo Maldives as Head of Marketing Communications where she was responsible for the management and coordination of all communications, advertising and public relations.

Zamra holds a Master's Degree in Public Relations from Bournemouth University, United Kingdom.

HARITHIRTHAM VIJAYABALAN

Chief Internal Auditor

Harithirtham Vijayabalan joined the Bank as Chief Internal Auditor in May 2016.

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

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

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SUBSIDIARY COMPANY

GAAF ALIF MAHADHDHOO PVT LTD

Gaaf Alif Mahadhdhoo Pvt Ltd (formerly B.M.L. Properties Pvt Ltd) was established in 2013 as a wholly owned subsidiary company of Bank of Maldives, with the aim of acquiring an asset mortgaged to the Bank as part of the recovery of long overdue debts. The asset held was disposed of in 2017 and the liquidation of the company is ongoing. The financial statements of Gaaf Alif Mahadhdhoo Pvt Ltd have been consolidated with the parent company, Bank of Maldives Plc, at year end 2017.

The Directors of Gaaf Alif Mahadhdhoo Pvt Ltd are as follows:

1. Ms. Aishath Noordeen, Managing Director.
2. Mr. Mohamed Shareef, Director.

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DIRECTORS' REPORTS

BOARD COMPOSITION

Article 47 of the Articles of Association (AOA) of the Bank states that the Board shall consist of 11 directors, from which 08 directors are nominated by the Government and elected by the shareholders, while the remaining 03 directors are to be elected only by the General Shareholders. Further, pursuant to Articles 79 and 80 of the Bank's AOA, the Chairperson and the Managing Director are appointed by the Board from among the elected directors nominated by the Government. This composition is in line with the requirements of the Maldives Banking Act (Law No. 24/2010).

In compliance with the Corporate Governance Code of the Capital Market Development Authority (CMDA), the Board of Directors represents a mix of Executive, Non-Executive and Independent Directors so that it is capable of providing impartial, competent and effective guidance to the Management, while upholding an environment of good governance. The Board of Directors encompasses a range of skills, qualifications, talents and expertise which are required to provide sound and prudent guidance with respect to the operations and interests of the Bank and its shareholders.

The year 2017 began with the following members of the Board of Directors.

1	Ms. Fareeha Shareef (Chairperson)	Government Nominee, Independent & Non-Executive
2	Mr. Andrew Healy (CEO & MD)	Government Nominee, Non-Independent & Executive
3	Mr. Mohamed Shareef	Government Nominee, Non-Independent & Executive
4	Mr. Mohamed Luveiz	Government Nominee, Independent & Non-Executive
5	Mr. Murthala Mohamed Didi	Government Nominee, Independent & Non-Executive
6	Mr. Abdul Haris	Government Nominee, Non-Independent & Non-Executive
7	Mr. Mohamed Umar	Government Nominee, Independent & Non-Executive
8	Ms. Aishath Arsha	Government Nominee, Independent & Non-Executive
9	Mr. Mohamed Abdul Sattar	Elected by Public Shareholders, Independent & Non-Executive
10	Mr. Ibrahim Mohamed	Elected by Public Shareholders, Independent & Non-Executive
11	Ms. Ibthishama Ahmed Saeed	Elected by Public Shareholders, Independent & Non-Executive

During the 34th Annual General Meeting held on 23rd August 2017, the Board of Directors was re-constituted and currently consists of 10 Directors as below, with one Nominee Director position vacant.

1	Ms. Saeeda Umar (Chairperson)	Government Nominee, Independent & Non-Executive
2	Mr. Andrew Healy (CEO & MD)	Government Nominee, Non-Independent & Executive
3	Mr. Mohamed Shareef	Government Nominee, Non-Independent & Executive
4	Mr. Mohamed Luveiz	Government Nominee, Independent & Non-Executive
5	Mr. Abdul Haris	Government Nominee, Non-Independent & Non-Executive
6	Ms. Aishath Arsha	Government Nominee, Independent & Non-Executive
7	Mr. Rabih Mohamed	Government Nominee, Non-Independent & Non-Executive
8	Mr. Mohamed Abdul Sattar	Elected by Public Shareholders, Non-Independent & Non-Executive
9	Mr. Ibrahim Mohamed	Elected by Public Shareholders, Independent & Non-Executive
10	Ms. Ibthishama Ahmed Saeed	Elected by Public Shareholders, Independent & Non-Executive

Meetings of the Board during 2017 were held with the mandatory quorum of 09 members, three fourths (3/4) of the entire Board, as required under section 15(g) of the Banking Act (Law No. 24/2010). The Board of Directors, under its discretionary powers as provided for under Articles 65 and 66 of the Bank's AOA, formed a Board Credit Committee compromising of 07 members and delegated a certain level of approval of credit proposals to this committee to ensure continuity of business.

FREQUENCY OF MEETINGS

Board meetings were held at least once per month as required under law. The Board of Directors held 18 meetings in 2017, with attendance as below.

DIRECTORS	MEETINGS TO ATTEND	MEETINGS ATTENDED
Ms. Saeeda Umar	7	7
Ms. Fareeha Shareef	11	11
Mr. Andrew Healy	18	18
Mr. Mohamed Shareef	18	18
Mr. Mohamed Abdul Sattar	18	16
Mr. Ibrahim Mohamed	18	18
Mr. Mohamed Luveiz	18	18
Mr. Abdul Haris	18	17
Ms. Aishath Arsha	18	18
Ms. Ibthishama Ahmed Saeed	18	16
Mr. Murthala Mohamed Didi	11	11
Mr. Mohamed Umar	11	10
Mr. Rabih Mohamed	7	7

The Board Credit Committee held 09 meetings during 2017, with attendance as below.

DIRECTORS	MEETINGS TO ATTEND	MEETINGS ATTENDED
Ms. Saeeda Umar[1]	3	3
Ms. Fareeha Shareef[2]	6	6
Mr. Andrew Healy	9	9
Mr. Mohamed Shareef	9	9
Mr. Ibrahim Mohamed	9	9
Mr. Mohamed Abdul Sattar	9	8
Ms. Ibthishama Ahmed Saeed	9	8
Mr. Murthala Mohamed Didi[2]	6	6
Mr. Aishath Arsha	3	3

[1] Appointed to the Committee after the 34th Annual General Meeting held on 23rd August 2017.

[2] Tenure ended after the 34th Annual General Meeting held on 23rd August 2017.

RELATIONSHIP WITH SHAREHOLDERS AND CUSTOMERS

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

All matters related to the shareholders are handled by the Bank's Corporate Affairs Unit. The Board of Directors and the Management welcome active participation from shareholders at the Bank's General Meetings.

DECLARATION OF DIVIDEND FOR 2016

In 2017, the Board of Directors resolved to declare a final dividend of MVR 107,638,400 which equates to MVR 20 per share for the year 2016.

FINANCIAL REPORTING

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

APPOINTMENT OF EXTERNAL AUDITORS

At the 34th Annual General Meeting, the Board of Directors approved to select and recommend for the approval of shareholders that Ernst & Young be appointed as the External Auditors of the Bank for the year 2017.

CORPORATE GOVERNANCE

In compliance with the Corporate Governance Code of the Capital Market Development Authority (CG Code):

- The Bank published its Annual Report for the year 2017 within the regulatory timeframe.
- The audited accounts, prepared in accordance with International Accounting Standards, were made available to shareholders and other stakeholders.
- To ensure firm adherence to good corporate governance practices as stated in the CG Code, the Bank abided by the Corporate Governance Code of the Bank.
- Performance Assessments of individual directors and of the Board as a whole were conducted.
- In all instances where a conflict of interest arose or had the potential to arise, the relevant board member(s) removed himself/herself from the meeting of the Board and/ or its sub-committees.

DUTIES OF THE BOARD

The overall duties of the board are:

- Providing control and direction to the Management, including providing apex level leadership and setting strategic aims / objectives for the Bank in conjunction with Management.
- Deliberating on the Business Plan and the Annual Budget for the Bank.
- Reviewing the business and financial performance of the Bank measured against the business plan and the annual budget on a quarterly basis.
- Ensuring the establishment of effective internal controls within the Bank which will enable risks to be assessed, managed, and monitored to determine the effectiveness of such controls.
- Ensuring the Bank has adequate human resources to meet its objectives.
- Ensuring obligations to shareholders and other stakeholders are understood and met.
- Ensuring the Bank complies with all relevant laws and regulations, including the Corporate Governance Code of the Capital Market Development Authority and other codes of best practices.

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

RESPONSIBILITY STATEMENT

The Board of Directors hereby certifies that:

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

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

iii. It has taken proper and sufficient care in terms of the maintenance of adequate accounting records in accordance with the provisions of Companies' Act of the Republic of Maldives (Law no. 10/96), Maldives Banking Act (Law no. 24/2010), Prudential Regulations issued by the Maldives Monetary Authority for safeguarding the assets of the Bank and preventing and detecting frauds and other irregularities, Maldives Securities Act (Law no. 02/2006), the Listing Rules and Securities (Continuing Disclosure Obligations of Issuers) Regulations 2010 issued by the Capital Market Development Authority.

iv. It has followed the Corporate Governance Code issued by the Capital Market Development Authority.

v. All statements and accounts were prepared on an ongoing concern basis.

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

vii. The borrowings of the Bank as at the end of the 2017 accounting period were as follows:

	(In '000 MVR)
Not later than 1 year	406,803
Between 1 to 2 years	203,951
Between 2 to 3 years	130,590
Over 3 years	52,258

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

	(In '000 MVR)
2016	14,257,167
2017	16,816,849

ix. The Board of Directors affirms that there are no other interests of the Directors of the Bank except those disclosed in this report and the accompanying financial statements. Please refer to the notes to the financial statements, page no. 134 and 135 for details on related party transactions.

x. The Board of Directors further affirms that no major events have occurred since the balance sheet date which would require adjustments to, or disclosure, in the financial statements.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Audit Committee was established in 2008 in accordance with Article 69 of the Articles of Association (AOA) of the Bank and Section 1.8 of the Corporate Governance Code issued by the Capital Market Development Authority, with a membership of 03. Subsequent to a review of the Bank's organizational structure during 2009, a risk function was incorporated into the terms of reference of the Committee and it was renamed as the Audit and Risk Management Committee. With the increased scope of work, the membership of the Committee was increased to 05 members. The 11th Audit and Risk Management Committee of the Bank was constituted after the 34th Annual General Meeting.

OBJECTIVES OF THE COMMITTEE

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

- The integrity of the Bank's financial statements and financial reporting process and its systems of internal accounting and financial controls.
- The adequacy of the internal audit function, including reviewing the scope and results of audits carried out with respect to the operations of the Bank.
- The annual independent audit of the Bank's financial statements.
- The engagement of the external auditors and the evaluation of the external auditors' qualifications, independence, objectivity, and performance.
- Compliance by the Bank with legal and regulatory requirements, including its disclosure requirements, controls and procedures.
- Monitoring the effectiveness of the Bank's risk management framework related to the identification, measurement, monitoring and controlling of risks.

COMPOSITION AND FREQUENCY OF MEETINGS

A total of 24 meetings of the Audit and Risk Management Committee were held during 2017. Membership and attendance details were as below:

DIRECTORS	MEETINGS TO ATTEND	MEETINGS ATTENDED
Mr. Ibrahim Mohamed Chairperson of the Committee Non-Executive & Independent	24	24
Mr. Mohamed Abdul Sattar Non-Executive & Independent	24	22
Mr. Mohamed Luveiz Non-Executive & Independent	24	20
Ms. Aishath Arsha Non-Executive & Independent	24	24
Mr. Mohamed Umar [1] Non-Executive & Independent	18	17
Mr. Rabih Mohamed [2] Non-Executive & Non- Independent	06	06

COMMITTEE ACTIVITIES

The Committee reviewed all of the Bank's policies during the year. Amendments to the following policies were recommended to, and approved by, the Board of Directors.

- Delegation of Authority Policy
- Procurement Policy
- Operational Risk Policy
- Credit Policy
- Collateral Policy
- Compliance Policy

The following were also reviewed by the Committee:

- Annual Accounts for the year 2016
- External Auditor's Management Letter for the year 2016
- Proposals regarding the appointment of External Auditors for the year 2017
- Internal Audit Reports, including Quarterly Report
- Risk Reports, including Quarterly Report
- Quarterly Financials Statements
- MMA Onsite Examination Report
- Risk Appetite Statement
- Budget for the year 2018
- Audit Plan for the year 2018

[1] Tenure ended after the 34th Annual General Meeting held on 23rd August 2017.

[2] Appointed after the 34th Annual General Meeting held on 23rd August 2017.

INTERNAL CONTROLS

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

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

The Committee is satisfied that the Bank's internal controls are adequate.

During 2017, the Committee reviewed and followed up on issues raised through the Bank's Whistle Blowing System.

EXTERNAL AUDIT

Ernst & Young were confirmed as the Bank's External Auditors with the approval of shareholders in the 34th Annual General Meeting held on 23rd August 2017.

During 2017, the external auditors have not provided any non-audit related services to the Bank or its subsidiary.

On behalf of the Audit and Risk Management Committee

Ibrahim Mohamed
Chairperson
Audit and Risk Management Committee

APPOINTMENT, NOMINATION AND REMUNERATION COMMITTEE REPORT

The 11th Appointment, Nomination and Remuneration Committee (ANR Committee) was constituted after the 34th Annual General Meeting, in accordance with Articles 54 and 63 of the Articles of Association (AOA) of the Bank and Section 1.8 (a) and (b) of the Corporate Governance Code issued by the Capital Market Development Authority (CMDA).

The Committee performs the functions of both a Nominating Committee and a Remuneration Committee. It was combined as the Board considered the required functions of these two committees would be better undertaken by a single committee in view of the scope, functions and expertise of the members of the Board. The purpose of the ANR Committee is to establish and recommend to the Board a framework of remuneration packages for Directors and Executive Management. With respect to appointment and nomination issues, the Committee identifies and makes recommendations on Board and Executive Management appointments and conducts an annual review of the Board's performance and training needs. The Committee also undertakes tasks which affect staff, including but not limited to the review of policies related to employees, salaries and benefits.

The primary roles and responsibilities of the Committee stipulated under Article 54 of the AOA of the Bank are:

- Identify and shortlist suitable candidates to be nominated by the Government as Independent Directors.
- Identify suitable candidates who meet the requirements of Article 53 of the AOA of the Bank to be nominated by the Government for Board appointment or reappointment to ensure a suitable mix of Executive and Non-Executive members on the Board of Directors; in this regard, a minimum of 14 names must be recommended to the Government for consideration.
- Review the qualifications and experience of candidates nominated to the Board prior to the Annual General Meeting to ensure the information provided to shareholders is accurate.
- Identify suitable candidates with sufficient banking qualifications and experience to be nominated for appointment as the Managing Director of the Company by the Board of Directors pursuant to Article 80 of the AOA of the Bank.

Under Article 47 of the AOA of the Bank, at least 03 directors appointed to the Board shall be persons nominated by the General Shareholders from among the General Shareholders. Subsequent to the notice issued on 25th January 2017 inviting public shareholders to apply, a total of 05 candidates applied, all of whom were shortlisted for the Public Directorship positions.

The Bank is committed to promoting gender diversity in the boardroom and its policy is to welcome female representation on the Board of Directors in accordance with Section 1.6 (a)(vi) of the Corporate Governance Code issued by CMDA. At present there are 03 female representatives on the Board of Directors.

COMPOSITION AND FREQUENCY OF MEETINGS

There were 16 meetings of the Appointment, Nomination and Remuneration Committee of the Board during 2017. Membership and attendance details were as below.

DIRECTORS	MEETINGS TO ATTEND	MEETINGS ATTENDED
Mr. Mohamed Abdul Sattar Chairperson of the Committee Non-Executive and Independent	16	16
Mr. Ibrahim Mohamed Non-Executive and Independent	16	16
Mr. Abdul Haris Non-Executive & Non-Independent	16	13
Mr. Mohamed Luveiz Non-Executive & Independent	16	12
Mr. Murthala Mohamed Didi [1] Non-Executive & Independent	10	10
Ms. Ibthishama Ahmed Saeed [2] Non-Executive & Independent	06	05

BOARD EVALUATION

Fostering good governance has been and continues to be a high priority of the Bank. An evaluation of individual directors and an evaluation of the Board as a whole was conducted in 2017 as mandated under section 2.2 of the Corporate Governance Code of the Capital Market Development Authority. The results of these evaluations were reviewed by the Board of Directors.

[1] Tenure ended after the 34th Annual General Meeting held on 23rd August 2017.

[2] Appointed after the 34th Annual General Meeting held on 23rd August 2017.

REMUNERATION

Directors were remunerated as per Article 63 of the Articles of Association of the Bank. There were no Executive Directors of the Bank serving as Non-Executive Directors elsewhere during 2017.

The table below sets out the breakdown of remuneration paid from 01st January 2017 to 31st December 2017 for the Board of Directors and Executive Management. Aggregate remuneration details are disclosed as further breakdown would place the Bank at a relative disadvantage versus competitors who do not disclose such information.

REMUNERATION DETAILS	AMOUNT (MVR)
Board of Directors	1,829,419
Executive Management	26,237,449

COMMITTEE ACTIVITIES

The following appointments were recommended to, and approved by, the Board of Directors during 2017:

- Ms. Saeeda Umar — Chairperson
- Dr. Ismail Nizam — Shari'ah Advisory Committee Member
- Mr. Andre Debakhapouve — Chief Risk Officer

The Committee reviewed the following during the year:

- Names proposed for Nominee Director positions.
- Applications received for Public Director positions.

On behalf of the Appointment, Nomination and Remuneration Committee

Mohamed Abdul Sattar
Chairperson
Appointment, Nomination and Remuneration Committee

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SHARI'AH ADVISORY COMMITTEE REPORT

The Shari'ah Advisory Committee (SAC) was established by the Board of Directors in 2013 to advise on the operations of the Bank's Islamic Banking window, "BML Islamic", and to ensure its operations are fully Shari'ah compliant. The SAC provides its opinions with due regard to the regulations of the Maldives Monetary Authority (MMA) and the opinions of the Shari'ah Council of MMA.

The duties and responsibilities of the SAC pursuant to the Islamic Banking Regulation 2011 and the Shari'ah Compliance Manual of BML Islamic include to:

- Advise the Bank on Shari'ah related matters.
- Endorse a Shari'ah Compliance Manual.
- Endorse product documentation to ensure Shari'ah compliance.
- Assess internal Shari'ah compliance and audit reports, and
- Provide written Shari'ah opinions.

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

During 2017, the Shari'ah Department submitted four quarterly reports to the SAC detailing its monitoring of BML Islamic's operations, the degree of compliance, and the steps taken to strengthen operations.

Based on the Shari'ah Department's reports and Management representations, in our opinion, the operations of BML Islamic in 2017 have been conducted in accordance with the rules and principles of Islamic Shari'ah and the guidelines and directives given by the Shari'ah Advisory Council of MMA and the Bank's SAC.

Sheikh Mahomed Shoaib Omar
Chairman

Mufti Yusuf Suliman
Member

Dr. Ziyaad Mahomed
Member

Dr. Ismail Nizam
Member

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INDEPENDENT AUDITOR'S REPORT

EY
Building a better working world

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Reg. No: C-192/95

AHF/DP

Independent Auditor's Report

To the Shareholders of Bank of Maldives PLC

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Bank of Maldives PLC and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Impairment provision for Loans and Advances as per IAS 39

The allowance for impairment of loans and advance to customers is considered to be a matter of most significance as it requires the application of judgment and use of subjective assumptions by management. The Group records both individual and collective impairment provision in accordance with IAS 39. Loans and advances to customers contribute approximately 54% of total assets.

The Bank has established a process whereby all loans and advances above the identified threshold are assessed for individual impairment. In this regard our work involved testing and evaluating the management identification of impairment indicators and forecast of recoverable cash flows by understanding the financial conditions of the borrowers and the surrounding economic circumstances, comparing expected market price and expected timing of proposed action for recovery with the experience data gathered by the Bank. We spent a significant amount of time on this area since this is highly judgmental.

Loans and advances were also subjected to collective impairment. This estimation of collective impairment losses is subject to significant management judgment and assumptions as disclosed in note 2.8. In this respect, we focused on the appropriateness of the models used and the historical experience of the probability and loss given default data used for the calculations.

IT Controls

Due to the significant number of transactions processed daily with the use of technology, the Bank's internal controls around IT processes are important. The financial statement balances and disclosures are also primarily generated via applications used by the Bank. Accordingly our audit approach extensively relied on automated controls.

We understood the key areas of IT controls including logical access management for privileged and general user accounts, change management, system integrations, and cyber security. These were in turn observed to determine mitigation of the risk of potential unauthorized access, threats or vulnerabilities that could result in unauthorized changes to the application and data.

Identification and disclosure of related party transactions

The majority of the shares of the Bank are held by the Government of Maldives through the Ministry of Finance and Treasury and other government related entities. The Bank enters into transactions with those entities and such transactions are summarized and disclosed in Note 37.5. Given the dispersed structure of government and government related entities, we focused on the identification of related parties connected with government and government related entities and the completeness of disclosures, as required by IAS 24 - Related Party Disclosures.

As disclosed in note 37.4, the Bank enters into arrangements and agreements with key management personnel, close members of their families and entities in which such parties have certain ownership interests. In this regard, we reviewed the procedure established by the Bank to obtain declaration by such personnel of their interest in entities and transactions and the procedures in place to capture details of the disclosures as provided therein.

Other information included in the Group's 2017 Annual Report

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

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

EY Ernst & Young
Chartered Accountants
Malé, Maldives
Reg. No.: 192/95

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 controls.
- Obtain an understanding of internal controls 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 Group's internal controls.
- 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 controls that we identify during our audit.

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Malé, Maldives
Reg. No.: 192/95

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and these are represented as 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 partner in charge of the audit resulting in this independent Auditor's report is Hisham Fawzy.

Ernst & Young

14 March 2018

Male'

Ernst & Young
EY
Chartered Accountants
Malé, Maldives
Reg. No.: 192/95

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FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

(All amounts in MVR '000 unless otherwise stated)

		Bank		Group	
	Notes	**2017**	**2016**	**2017**	**2016**
GROSS INCOME		2,300,798	2,132,735	2,290,672	2,114,260
Interest Income	3	1,408,666	1,362,003	1,395,263	1,343,528
Interest Expense	3	(92,328)	(83,476)	(92,328)	(83,476)
NET INTEREST INCOME	3	1,316,338	1,278,527	1,302,935	1,260,052
Fees and Commission Income	4	796,435	674,248	796,435	674,248
Fees and Commission Expense	4	(261,759)	(217,471)	(261,759)	(217,471)
NET FEE AND COMMISSION INCOME	4	534,676	456,777	534,676	456,777
Net Foreign Exchange Income	5	68,686	52,673	68,686	52,673
Other Operating Income (Net)	6	27,011	43,810	30,289	43,810
TOTAL OPERATING INCOME		1,946,711	1,831,787	1,936,586	1,813,312
Impairment of Loans and Other Credit Losses	7	(44,224)	(17,188)	(30,679)	7,471
NET OPERATING INCOME		1,902,486	1,814,599	1,905,907	1,820,783
Personnel Expenses	8	(254,296)	(226,859)	(254,296)	(226,859)
Other Operating Expenses	9	(231,759)	(224,234)	(271,644)	(226,428)
TOTAL OPERATING EXPENSES		(486,055)	(451,093)	(525,940)	(453,287)
PROFIT BEFORE TAX		1,416,431	1,363,506	1,379,967	1,367,496
Income Tax Expense	10	(378,250)	(340,446)	(378,250)	(340,446)
PROFIT FOR THE YEAR		1,038,181	1,023,060	1,001,717	1,027,050
OTHER COMPREHENSIVE INCOME NET OF TAX					
Deferred Tax Impact on Revaluation of Bank Premises	10.3	(4,773)	527	(4,773)	527
Revaluation Surplus of Bank Premises		47,435	-	47,435	-
Net Gains on Re-measuring of Available for Sale Financial Assets		38,927	1,165	38,927	1,165
Net Income Tax (Reversal) Relating to Components of Re-measuring of Available for Sale Financial Assets	10.3	(9,732)	(291)	(9,732)	(291)
OTHER COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX		71,857	1,401	71,857	1,401
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,110,038	1,024,461	1,073,574	1,028,451
NET PROFIT ATTRIBUTABLE TO:					
- Equity Holders of the Bank		1,038,181	1,023,060	999,923	1,027,257
- Non Controlling Interest		-	-	1,794	(207)
		1,038,181	1,023,060	1,001,717	1,027,050
Earnings Per Share - Basic/Diluted (MVR)	11	193	190	186	191
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
- Equity Holders of the Bank		1,110,038	1,024,461	1,071,780	1,028,658
- Non Controlling Interest		-	-	1,794	(207)
		1,110,038	1,024,461	1,073,574	1,028,451

The accounting policies and notes on pages 69 through 139 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

(All amounts in MVR '000 unless otherwise stated)

		Bank		Group	
ASSETS	**Notes**	**2017**	**2016**	**2017**	**2016**
Cash and Cash Equivalents	13	1,322,853	1,041,247	1,322,853	1,041,247
Balances with Maldives Monetary Authority	14	1,913,495	1,664,317	1,913,495	1,664,317
Placements with Banks	15	1,750,216	1,549,986	1,750,216	1,549,986
Loans and Receivables to Other Customers	16	12,221,060	9,596,117	12,221,060	9,596,117
Financial Investments - Available for Sale	17	123,483	84,556	123,483	84,556
Financial Investments - Held to Maturity	18	4,381,825	4,246,300	4,381,825	4,246,300
Investment in Subsidiaries	19	10	10	-	-
Property, Plant and Equipment	20	336,894	265,997	336,894	265,997
Intangible Assets	21	72,089	77,700	72,089	77,700
Deferred Tax Assets	10.3	-	58,889	-	58,889
Other Assets	22	243,042	217,766	243,042	254,320
TOTAL ASSETS		22,364,967	18,802,884	22,364,957	18,839,428
LIABILITIES					
Due to Customers	23	15,186,717	13,221,997	15,186,717	13,221,997
Term Debt and Other Borrowed Funds	24	793,602	318,482	793,602	318,482
Custodian Accounts of Maldives Retirement Pension Scheme	26	16,189	33,113	16,189	33,113
Current Tax Liabilities	10.2	310,644	317,221	310,644	317,221
Deferred Tax Liabilities	10.3	22,848	-	22,848	-
Other Liabilities	25	486,849	366,354	486,849	366,435
TOTAL LIABILITIES		16,816,849	14,257,167	16,816,849	14,257,249
EQUITY					
Share Capital	27	362,096	362,096	362,096	362,096
Retained Earnings		1,064,343	1,084,068	1,026,084	1,088,265
Other Reserves	28	4,121,680	3,099,553	4,159,928	3,133,612
Equity Attributable to Equity Holders of the Parent		5,548,118	4,545,717	5,548,108	4,583,973
Non Controlling Interest		-	-	-	(1,794)
TOTAL EQUITY		5,548,118	4,545,717	5,548,108	4,582,179
TOTAL LIABILITIES AND EQUITY		22,364,967	18,802,884	22,364,957	18,839,428
Commitments and Contingencies	35	2,766,672	3,033,380	2,766,672	3,033,380

The Board of Directors are responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by;

…………………………	…………………………	…………………………
Nandana Senevirathne	Andrew Healy	Saeeda Umar
Chief Financial Officer	CEO and Managing Director	Chairperson

The accounting policies and notes on pages 69 through 139 form an integral part of the Financial Statements.

14 March 2018
Male'

BANK OF MALDIVES PLC AND ITS SUBSIDIARY

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

(All amounts in MVR '000 unless otherwise stated)

Bank	Share Capital		Reserves							
	Ordinary Voting Shares	Share Premium	Retained Earnings	Statutory Reserve	Assigned Capital Reserve	General Reserve	Revaluation Reserve	Available For Sale Reserve	Reserve for Loan Loss Provision	Total
Balance as at 1 January 2016	269,096	93,000	611,742	150,000	6,000	1,648,315	85,711	62,304	686,582	3,612,750
Net Profit for the Year	-	-	1,023,060	-	-	-	-	-	-	1,023,060
Other Comprehensive Income Net of Tax	-	-	-	-	-	-	527	874	-	1,401
Dividends to Equity Holders	-	-	(91,493)	-	-	-	-	-	-	(91,493)
Transfer to General Reserves	-	-	(520,249)	-	-	520,249	-	-	-	-
Transfer to Reserve for Loan Loss Provision (Note 28.1)	-	-	58,902	-	-	-	-	-	(58,902)	-
Depreciation Transfer on Revaluation Assets	-	-	2,107	-	-	-	(2,107)	-	-	-
Balance as at 31 December 2016	269,096	93,000	1,084,068	150,000	6,000	2,168,564	84,131	63,178	627,680	4,545,717
Net Profit for the Year	-	-	1,038,181	-	-	-	-	-	-	1,038,181
Other Comprehensive Income Net of Tax	-	-	-	-	-	-	42,662	29,196	-	71,858
Dividends to Equity Holders	-	-	(107,638)	-	-	-	-	-	-	(107,638)
Transfer to General Reserves	-	-	(976,430)	-	-	976,430	-	-	-	-
Transfer to Reserve for Loan Loss Provision (Note 28.1)	-	-	21,439	-	-	-	-	-	(21,439)	-
Depreciation Transfer on Revaluation Assets	-	-	4,723	-	-	-	(4,723)	-	-	-
Balance as at 31 December 2017	269,096	93,000	1,064,343	150,000	6,000	3,144,994	122,070	92,374	606,241	5,548,118

The accounting policies and notes on pages 69 through 139 form an integral part of the Financial Statements.

BANK OF MALDIVES PLC AND ITS SUBSIDIARY

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

(All amounts in MVR '000 unless otherwise stated)

Group	Share Capital		Reserves								
	Ordinary Voting Shares	Share Premium	Retained Earnings	Statutory Reserve	Assigned Capital Reserve	General Reserve	Revaluation Reserve	Available For Sale Reserve	Reserve for Loan Loss Provision	Non-Controlling Interest	Total
Balance as at 1 January 2016	269,096	93,000	717,479	150,000	6,000	1,577,475	85,711	62,304	686,582	(1,587)	3,646,060
Net Profit for the Year	-	-	1,027,257	-	-	-	-	-	-	(207)	1,027,050
Other Comprehensive Income Net of Tax	-	-	-	-	-	-	527	874	-	-	1,401
Disposal of Subsidiary	-	-	-	-	-	(839)	-	-	-	-	(839)
Dividends to Equity Holders	-	-	(91,493)	-	-	-	-	-	-	-	(91,493)
Transfer to General Reserves	-	-	(625,987)	-	-	625,987	-	-	-	-	-
Transfer to Reserve for Loan Loss Provision (Note 28.1)	-	-	58,902	-	-	-	-	-	(58,902)	-	-
Depreciation Transfer on Revaluation Assets	-	-	2,107	-	-	-	(2,107)	-	-	-	-
Balance as at 31 December 2016	269,096	93,000	1,088,265	150,000	6,000	2,202,623	84,131	63,178	627,680	(1,794)	4,582,179
Net Profit for the Year	-	-	999,923	-	-	-	-	-	-	1,794	1,001,717
Other Comprehensive Income Net of Tax	-	-	-	-	-	-	42,662	29,196	-	-	71,857
Disposal of Subsidiary	-	-	-	-	-	(7)	-	-	-	-	(7)
Dividends to Equity Holders	-	-	(107,638)	-	-	-	-	-	-	-	(107,638)
Transfer to General Reserves	-	-	(980,627)	-	-	980,627	-	-	-	-	-
Transfer to Reserve for Loan Loss Provision (Note 28.1)	-	-	21,439	-	-	-	-	-	(21,439)	-	-
Depreciation Transfer on Revaluation Assets	-	-	4,723	-	-	-	(4,723)	-	-	-	-
Balance as at 31 December 2017	269,096	93,000	1,026,084	150,000	6,000	3,183,243	122,070	92,374	606,241	-	5,548,108

The accounting policies and notes on pages 69 through 139 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2017

(All amounts in MVR '000 unless otherwise stated)

		Bank		Group	
	Notes	**2017**	**2016**	**2017**	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit Before Tax		1,416,431	1,363,506	1,379,967	1,367,496
Adjustment for:					
Other Non Cash Items Included in Profit Before Tax	33.4	(449,408)	(4,550)	(239,566)	(30,049)
Change in Operating Assets	33.2	(2,555,022)	304,867	(2,728,318)	320,987
Change in Operating Liabilities	33.3	2,543,411	(931,487)	2,543,329	(931,457)
Income Tax Paid	10.2	(317,596)	(224,794)	(317,596)	(240,740)
Net Cash Flows Generated from Operating Activities		637,816	507,542	637,816	486,238
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Property, Plant and Equipment		(69,074)	(47,464)	(69,074)	(47,464)
Proceeds from the Sale of Property, Plant and Equipment		513	1,316	513	1,316
Purchase of Financial Investments - Available for Sale		(38,927)	(1,165)	(38,927)	(1,165)
Net Proceeds from Financial Investments - Held to Maturity		(135,525)	(1,198,058)	(135,525)	(1,198,058)
Liquidation of Subsidiary		-	10	-	-
Purchase of Intangible Assets		(5,560)	(4,539)	(5,560)	(4,539)
Net Cash Flows Used in Investing Activities		(248,572)	(1,249,900)	(248,572)	(1,249,910)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends Paid to Equity Holders		(107,638)	(91,493)	(107,638)	(91,493)
Net Cash Flows Used in Financing Activities		(107,638)	(91,493)	(107,638)	(91,493)
Net Increase/(Decrease) in Cash and Cash Equivalents		281,606	(833,850)	281,606	(855,164)
Cash and Cash Equivalents at 1 January		1,041,247	1,875,097	1,041,247	1,896,411
Cash and Cash Equivalents at 31 December	33.1	1,322,853	1,041,247	1,322,853	1,041,247

The accounting policies and notes on pages 69 through 139 form an integral part of the Financial Statements.

1. CORPORATE INFORMATION

1.1 Reporting Entity

Bank of Maldives PLC ("the Bank") is a public quoted company incorporated on 11 November 1982 with limited liability and domiciled in the Republic of Maldives. The registered office of the Bank is situated at 11, Boduthakurufaanu Magu, Male' 20094, Republic of Maldives. The Bank is listed on the Maldives Stock Exchange.

The Bank is the ultimate parent of the Group which includes a fully owned subsidiary.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of the Group as at and for the year ended 31 December 2017 comprise the Bank (Parent Company) and its subsidiary (together referred to as the "Group" and individually as "Group entities"). The (sole) subsidiary of the Group as at 31 December 2017 was Gaaf Alif Mahadhdhoo Private Limited, which is under liquidation.

1.3 Principle Activities and Nature of Operations

1.3.1 Bank

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

1.3.2 Subsidiaries

Ownership of Subsidiaries as of 31 December 2017 and 31 December 2016 was as follows:

Subsidiary	*Principle activities*	*31 December 2017*	*31 December 2016*
Gaaf Alif Mahadhdhoo Private Limited	Holding investment property	99.99%	99.99%

During the year, the above subsidiary disposed of its assets and initiated a liquidation process. However, the liquidation process was not concluded as at the reporting date.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Bank, which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements, have been prepared and presented in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

2.2 Approval of Financial Statements by Directors

The Financial Statements of the Group for the year ended 31 December 2017 were authorized for issue by the Board of Directors (together referred to as the "Board") in accordance with the resolution of the Board on 14th March 2018.

2.3 Basis of Measurement

The Financial Statements of the Group have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position which are measured at fair value:

- Loans and receivables.
- Available for sale investments.
- Financial instruments designated at fair value through profit or loss.
- Land and buildings.

2.4 Functional and Presentation Currency

The Financial Statements of the Group are presented in Maldivian Rufiyaa, which is the currency of the primary economic environment in which the Group operates. Financial information presented in Maldivian Rufiyaa has been rounded to the nearest thousand unless indicated otherwise.

Each entity in the Group determines its own functional currency and items included in the Financial Statements of each individual entity are measured using that functional currency. There was no change in the Group's presentation and functional currency during the year under review.

2.5 Presentation of Financial Statements

The Group's items presented in their Statements of Financial Position are grouped by nature and are listed in an order that reflects their relative liquidity and maturity pattern. No adjustments have been made for inflationary factors affecting the Financial Statements. An analysis of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 34.

2.6 Materiality and Aggregation

In compliance with IAS 01 Presentation of Financial Statements, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions are also presented separately unless they are considered to be immaterial.

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

2.7 Comparative Information

The accounting policies have been consistently applied by the Bank and the Group with those of the previous financial year in accordance with IAS 01 Presentation of Financial Statements. Further, information has been reclassified wherever necessary to provide better relative comparisons. The details of any reclassification have been provided in Note 41.

2.8 Significant Accounting Judgments, Estimates and Assumptions

The preparation of Financial Statements of the Group in conformity with International Financial Reporting Standards requires the Bank to make judgments, estimates and assumptions that affect the application of 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 accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements of the Group are as follows.

2.8.1 Going Concern

Bank

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

Group

The Financial Statement of the subsidiary has not been prepared on a going concern basis as liquidation proceedings commenced before the end of the financial year.

2.8.2 Fair Value of Financial Instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. The valuation of financial instruments is described in more detail in Note 30 to the financial statements.

2.8.3 Effective Interest Rate (EIR) Method

The Bank's EIR methodology recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and receivables and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by its nature, requires an element of judgement regarding the expected behaviour and life-cycle of the products, as well as expected changes to market interest rates and other fee income/expenses that are integral parts of the products.

2.8.4 Impairment Losses on Loans and Advances

Individual Impairment Assessment

The Bank and the Group review individually significant loans and receivables at each reporting date to assess whether an impairment loss should be recorded in the Statement of Profit or Loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions regarding a number of factors and actual results may differ, resulting in future changes to the impairment allowance made.

Collective Impairment Assessment

Loans and receivables that have been assessed individually and found not to be impaired and all individually insignificant loans and receivables are then assessed collectively by categorising them into groups of assets with similar risk characteristics, to determine whether a provision should be made due to incurred loss events for which there is objective evidence but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio and judgments on the effect of concentrations of risks and economic data. The impairment loss on loans and advances is disclosed in Note 16 to the financial statements.

2.8.5 Fair Value of Property, Plant and Equipment

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

2.8.6 Useful Life Time of Property, Plant and Equipment

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

2.8.7 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote.

2.9 Significant Accounting Policies

The significant accounting policies applied by the Group in the preparation of the Financial Statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements of the Group, unless otherwise indicated.

2.9.1 Consolidation

2.9.1.1 Subsidiaries

Subsidiaries are entities that are controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee.
- Exposure or rights to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the above.

The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. Where subsidiaries have been sold or acquired during the year, assets, liabilities, income and expenses of the said subsidiaries are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries not owned directly or indirectly by the Bank. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity attributable to the equity holders of the Group. Non-controlling interest in the profit or loss of the Group is disclosed separately in the Consolidated Statement of Comprehensive Income.

Any losses applicable to the non-controlling interest are allocated against the interests of the non-controlling interest even if this results in a negative balance.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. Upon the loss of control, the Group derecognises the assets (including goodwill) and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the statement of changes in equity. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

The subsidiary of the Group as at the reporting date was incorporated in Maldives. Details of this subsidiary are provided in Note 19 to the Financial Statements.

2.9.1.2 Transactions Eliminated on Consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee against the investment in the investee. Unrealized losses are eliminated the same way as unrealized gains, except that they are eliminated to the extent that there is no evidence of impairment.

2.9.1.3 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method as per the requirements of IFRS 3 - Business Combinations.

The Group measures goodwill at the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally, the fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, the Group incurs in connection with a business combination are expensed as incurred.

2.9.1.4 Foreign Currency Transactions and Balances

All foreign currency transactions are translated into the functional currency, which is Maldivian Rufiyaa, using the exchange rates prevailing at the dates after the transactions were effected.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Maldivian Rufiyaa using the spot exchange rate applying at that date and all differences arising on non-trading activities are taken to other operating income in the Statement of Comprehensive Income.

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

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

2.10 Financial Instruments - Initial Recognition, Classification and Subsequent Measurement

2.10.1 Date of Recognition

All financial assets and liabilities are initially recognized on the trade date, i.e. the date that the Group becomes a party to the contractual provisions of the instrument. This includes ‘regular way trades’. Regular way trades means purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place.

2.10.2 Classification and Initial Measurement of Financial Instruments

The classification of financial instruments at the initial recognition depends on their purpose and characteristics and the management’s intention in acquiring them. Further details on classification of financial assets and financial liabilities are given under 2.10.3 and 2.10.6 respectively.

All financial instruments are measured initially at their fair value including transaction costs that are directly attributable to acquisition or issue of such financial instruments except in the case of financial assets and financial liabilities at fair value through profit or loss as per the IAS 39 - Financial Instruments: Recognition and Measurement. Transaction cost in relation to financial assets and financial liabilities at fair value through profit and loss are dealt with in the Statement of Comprehensive Income.

2.10.3 Classification and Subsequent Measurement of Financial Assets

At inception a financial asset is classified into one of the following:

- Financial assets at fair value through profit or loss:
  - Financial assets held for trading.
  - Financial assets designated at fair value through profit or loss.
- Held-to-maturity financial investments.
- Loans and receivables to other customers.
- Financial assets available for sale.

The subsequent measurement of financial assets depends on their classification.

2.10.3.1 Financial Assets at Fair Value Through Profit or Loss (FVTPL)

A financial asset is classified at fair value through profit or loss if it is held for trading or is designated at fair value through profit or loss.

a. Financial Assets Held for Trading

The Group does not have any Financial Assets Held for Trading.

b. Financial Assets Designated at Fair Value Through Profit or Loss

The Group designates financial assets at fair value through profit or loss in the following circumstances:

- Such designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring the assets.
- Assets are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The asset contains one or more embedded derivatives that significantly modify the cash flows that would otherwise have been required under the contract.

Financial Assets at Fair Value Through Profit or Loss are recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in 'Net gain or loss on financial instruments designated at fair value through profit or loss' in the Statement of Comprehensive Income. Interest earned is accrued in 'Interest Income', using the Effective interest Rate (EIR) method, while dividend income is recorded in 'Other Operating Income' when the right to receive the payment has been established.

The Group has not designated any financial assets upon initial recognition which qualify as fair value through profit or loss.

2.10.3.2 Financial Investments - Held to Maturity

Financial Investments - Held to Maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group has the intention and ability to hold to maturity. After the initial recognition, Held to Maturity financial investments are subsequently measured at amortised cost using the EIR less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'interest income' in the Statement of Comprehensive Income. The losses arising from impairment of such investments are recognised in 'impairment gain/loss on loans and other losses' in the Statement of Comprehensive Income.

If the Group were to sell or reclassify more than an insignificant amount of Held to Maturity investments before maturity other than in certain specific circumstances permitted in the IAS 39 - Financial Instruments: Recognition and Measurement, the entire category would be tainted and would have to be reclassified as 'Available for Sale'. Furthermore, the Group would be prohibited from classifying any financial asset as 'Held to Maturity' during the following two years.

Details of 'Financial Investments - Held to Maturity' are given in Note 18 to the Financial Statements.

2.10.3.3 Loans and Receivables

Loans and Receivables to other customers include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Group intends to sell immediately or in the near term and those that the Group, upon initial recognition, designates at fair value through profit or loss.
- those that the Group, upon initial recognition, designates as available for sale.
- those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and Receivables to other customers are initially recognised at fair value, which is the cash consideration to originate the loan including any transaction costs and carried subsequently with accrued interest. Interest on loans and receivables is included in the Statement of Comprehensive Income and is reported as 'Interest income'. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and receivable and recognised in the Statement of Comprehensive Income as 'Impairment of Loans and Other Credit losses'.

Details of Loans and Receivables to other customers are given in Note 16 to the Financial Statements.

2.10.3.4 Financial Investments - Available for Sale

Financial Investment Available for Sale includes unquoted equity. Equity investments classified as 'Available for Sale' are those which are neither classified as held for trading nor designated at fair value through profit or loss. The Group has not designated any loans or receivables as 'Available for Sale'. After initial measurement, Financial Investments - Available for Sale are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity (Other Comprehensive Income). When the investment is disposed off, the cumulative gain or loss previously recognised in equity is recognised, in the Statement of Comprehensive Income in 'Net Gain/ (Loss) from Financial Investments'. Where the Group holds more than one investment in the same security, they are deemed to be disposed off on a first-in first-out basis. Dividends earned whilst holding Available for Sale Financial Investments' are recognised in the Statement of Comprehensive Income as 'Net Gain/ (Loss) from Financial Investments' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in 'Impairment for Loans and Other Losses' in the Statement of Comprehensive Income and removed from Equity.

2.10.4 Cash and Cash Equivalents

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

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position. Details of cash and cash equivalents are given in Note 13 to the Financial Statements.

For the purpose of the Statement of Cash Flow, cash and cash equivalents consist of cash and short term deposits as defined above.

2.10.5 Statutory Deposit with Maldives Monetary Authority (MMA)

MMA regulations on minimum reserve require the commercial banks to maintain a reserve of 10% of demand deposits and time deposits (excluding interbank deposits of other banks in Maldives and letter of credit margin deposits), for both foreign and local currency separately. These deposits are not available for the Bank's day-to-day operations. Minimum reserve requirement for Rufiyaa deposits carry an interest rate of 1% per annum and for foreign currency deposits carry an interest rate of 0.01% per annum on the balances not exceeding the minimum reserve requirement. Further the Bank maintains a separate reserve of 10% of demand and time deposits for Islamic Banking.

The details of statutory deposits with Maldives Monetary Authority are given in Note 14 to the Financial Statements.

2.10.6 Financial Liabilities at Fair Value Through Profit or Loss (FVTPL)

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes therein recognized in profit or loss.

Financial liabilities are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or held as a part of a portfolio that is managed together for short-term profit or position taking. This category includes derivatives financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by the IAS 39 - Financial Instruments: Recognition and Measurement.

Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the Statement of Comprehensive Income.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

2.10.7 Financial Liabilities at Amortised Cost

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

After initial recognition, such financial liabilities are substantially measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Statement of Comprehensive Income. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised as well as through the EIR amortisation process.

The details of the Group's financial liabilities at amortised cost are shown in Note 24 and Note 25 to the Financial Statements.

2.10.8 Reclassification of Financial Instruments

The Group does not reclassify any financial instrument into the 'FVTPL' category after initial recognition. Also the Group does not reclassify any financial instrument out of the 'FVTPL' category if upon initial recognition it was designated as at fair value through profit or loss.

The Group reclassifies non derivative financial assets out of the 'held for trading' category and into the 'available for sale', 'loans and receivables', or 'held to maturity' categories as permitted by the IAS 39 - Financial Instruments: Recognition and Measurement. In certain circumstances the Group is also permitted to reclassify financial assets out of the 'available for sale' category and into the 'loans and receivables', 'held for trading' or 'held- to-maturity' category.

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset reclassified out of the 'available for sale' category, any previous gain or loss on that asset that has been recognised in Equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in Equity is recycled to the Statement of Comprehensive Income.

The Group may reclassify a non-derivative trading asset out of the 'held for trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument by instrument basis.

2.10.9 Derecognition of Financial Instruments

2.10.9.1 Derecognition of Financial Assets

The Group derecognises a financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass–through arrangement and either the

Group has transferred substantially all the risks and rewards of the asset or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.10.9.2 Derecognition of Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

2.10.10 Securities Lending and Borrowing

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the Statement of Financial Position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability. Securities borrowed are not recognised in the Statement of Financial Position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in 'net trading income'.

2.10.11 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position is when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle 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 IAS / IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

2.10.12 Impairment of Financial Assets

The Group assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset, or a group of financial assets, is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.10.12.1 Financial Assets Carried at Amortised Cost

The Group considers objective evidence of impairment for loans and advances to customers and held-to-maturity investments at both a specific asset and collective level. All individually significant loans and advances to customers and held-to-maturity investments are first assessed for specific impairment. All individually significant loans and advances to customers and held-to-maturity investments found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are individually assessed for impairment and for which an impairment loss is recognised are not included in a collective assessment of impairment.

Loans and advances to customers and held-to-maturity investments that are not individually significant are collectively assessed for impairment by grouping together loans and advances to customers and held-to-maturity investments with similar risk characteristics. If there is objective evidence that impairment loss has been incurred, impairment losses on assets carried at amortised cost are measured based on the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. If the loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The Group has reclassified trading assets to loans and receivables, the discount rate for measuring any impairment loss is the new effective interest rate determine the date of reclassification. The impairment allowances on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established estimate. Interest on impaired assets continues to be recognised through the unwinding of the discount. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from the foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable. The methodology and the assumptions used for estimating future cash flows are reviewed regularly to reduce any difference between loss estimates and actual loss experience.

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

For the purpose of collective evaluation of impairment, financial assets are grouped on a basis which takes in to consideration credit risk characteristics such as asset type, industry past status and other relevant factors. Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Details of impairment losses on financial assets carried at amortised cost are given in Note 16 to the financial statements.

2.10.12.2 Assets Classified as Available for Sale

For available for sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available for sale, the Group assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Comprehensive Income. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. This interest income is recorded as part of Interest Income under 'loans and receivables to customers'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the Statement of Comprehensive Income, the impairment loss is reversed through the Statement of Comprehensive Income.

The Group writes off Financial Investments - Available for Sale when they are determined to be uncollectible.

Collateral Valuation

The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, guarantees, real estate, receivables, inventories, and other non-financial assets and credit enhancements such as netting arrangements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Group's approved valuation policy.

To the extent possible, the Group uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent professional valuers.

Collateral Repossessed

The Group's policy is to sell the repossessed assets at the earliest possible opportunity. Such collateral repossessed are held on a memorandum basis without derecognising the underlying receivable.

2.10.12.3 Renegotiated Loans

Loans whose original terms have been modified, including those subject to forbearance strategies, are considered to be rescheduled loans. Such loans may involve extending the payment arrangements and the agreement of new loan conditions. If the renegotiations are on terms that are not consistent with those readily available in the market, this provides objective evidence of impairment. Once the terms have been renegotiated, any impairment is measured using the EIR as calculated before the modification of terms and the loan/advance is no longer considered past due. Management continually reviews renegotiated loans and advances to ensure that all criteria are met and the future payments are likely to occur. The loans continue to be subjected to an individual or collective impairment assessment, calculated using the loan's original EIR.

2.11 Finance and Operating Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.11.1 Finance Lease

Finance Lease Assets leased to customers which transfer substantially all the risks and rewards associated with ownership other than legal title, are classified as finance leases. Leasing balances are stated in the statement of financial position after deduction of unearned lease income and the impairment for rentals doubtful of recovery. Amounts receivable under finance leases are classified as lease receivables and presented within loans and receivables to customers in the statement of financial position.

The Group does not have any Finance Lease Assets.

2.11.2 Operating Lease

Operating leases are those leasing arrangements that do not transfer to the Group, substantially all the risks and rewards incidental to ownership of the leased items. When the Group is the lessee, leased assets are not recognised on the Statement of Financial Position, rentals payable under operating leases are accounted for on a straight line basis over the periods of the leases and are included in 'other operating expenses'.

2.12 Property, Plant and Equipment

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

2.12.1 Recognition

Property, Plant and Equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

2.12.2 Measurement

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

2.12.3 Cost Model

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

2.12.4 Revaluation Model

The Group applies the revaluation model to the entire class of freehold land and buildings. Such properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and buildings of the Group are revalued every five years on a roll over basis to ensure that the carrying amounts do not differ materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognised in 'Other Comprehensive Income' and accumulated in Equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of Comprehensive Income. In this circumstance, the increase is recognised as income to the extent of the previous write-down. Any decrease in the carrying amount is recognised as an expense in the Statement of Comprehensive Income or debited in the Other Comprehensive Income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognised in Other Comprehensive Income reduces the amount accumulated in Equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to Retained Earnings on retirement or disposal of the asset.

2.12.5 Subsequent Cost

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

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

2.12.6 Derecognition

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

When replacement costs are recognised in the carrying amount of an item of property, plant 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.

2.12.7 Depreciation

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

Asset Category	***Depreciation Rate per annum***
Building Freehold	2.85% - 4%
Building Leasehold	4% or lease term, whichever is higher
Computer Hardware	10% - 33.33%
Furniture and Fittings	12.5% - 25%
Office Equipment	25% - 33.33%
Motor Vehicles / Vessels	10% - 20%

2.12.8 Changes in Estimates

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. During the year ended 31 December 2016 the Group conducted an operational efficiency review and revised the estimates on useful life for asset categories upon Board approval, with effect from 1 January 2017.

2.12.9 Capital Work in Progress

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

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

2.13 Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes.

Details of intangible assets are given in Note 21 to the Financial Statements.

2.13.1 Basis of Recognition

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

2.13.2 Computer Software

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

2.13.3 Subsequent Expenditure

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

2.13.4 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 de-recognition of an item of intangible asset is included in the Statement of Comprehensive Income when the item is derecognised.

2.13.5 Amortisation of Intangible Assets

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

Asset Category	*Useful life years*
Computer Software	5 – 10 years

2.14 Investment Properties

Investment Properties are properties held either to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes.

2.14.1 Measurement

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

2.14.2 Derecognition

Investment properties are derecognized either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Statement of Comprehensive Income in the year of retirement or disposal.

Transfers are made to and from investment properties only when there is a change in use.

2.15 Impairment of Non-financial Assets

The Group assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit's (CGU's) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded Subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Comprehensive Income.

Impairment losses relating to goodwill are not reversed in future periods.

2.16 Dividend Payable

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

Dividends for the year that are declared after the reporting date are disclosed in Note 38 to the Financial Statements as an Event after the Reporting Period in accordance with the IAS 10 - Events after the Reporting Period.

2.17 Employee Benefits

2.17.1 Staff Provident Fund

The Group operates a Staff Provident Fund. All local employees of the Group who have subscribed to the fund are the members of this fund to which the Group contributes 3%. This contribution is recognised as an employee benefit expense in the Statement of Comprehensive Income.

2.17.2 Retirement Pension Scheme

The Group commenced its Retirement Pension Scheme for employees on 1 May 2011. This is based on the Regulation on Maldives Retirement Pension Scheme published by the Government of Maldives. The Group deducts 7% of pensionable wages from its employees and matches this contribution. The amount of the Group's contribution is recognised as an employee benefit expense in the Statement of Comprehensive Income.

2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

2.19 Fiduciary Activities

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

Custodian Account of Maldives Retirement Pension Scheme (MPAO)

Pursuant to the agreement entered into with MPAO, the administrator of the Maldives Retirement Pension Scheme, the Bank performs custodial and other services relating to the establishment and maintenance of contribution collection and contribution holding accounts of Maldives Retirement Pension Scheme, in which the Bank keeps the funds and, at the direction of MPAO or a person authorised by MPAO, invests the funds in the designated financial instruments, in consideration for which MPAO pays a fee to the Bank. The movement in the Contribution Holding Account held by the Bank on behalf of MPAO has been separately disclosed in Note 26.

2.20 Commitments and Contingencies

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

To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Letters of credit and guarantees commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans. Operating lease commitments of the Group (as a lessor and as a lessee) and pending legal claims against the Group too form part of commitments of the Group. Contingent liabilities are not recognised in the statement of financial position but are disclosed unless they are remote. But these contingent liabilities do contain credit risk and are therefore form part of the overall risk of the Group.

All discernible risks are accounted for in determining the amount of all known liabilities. The Group's share of any contingencies and capital commitments of a subsidiary, associate or joint venture for which the Group is also liable severally or otherwise are also included with appropriate disclosures.

Details of commitments and contingencies are given in Note 35 to the Financial Statements.

2.20.1 Financial Guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the Financial Statements (within 'other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortization recognised in the Statement of Comprehensive Income, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the Statement of Comprehensive Income as 'impairment loss on loans and receivables'. The premium received is recognised in the Statement of Comprehensive Income as 'net fees and commission income' on a straight line basis over the life of the guarantee.

2.20.2 Legal Claims

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Group has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. There were no pending litigations against the Group as at 31 December 2017 which would have a material impact on the Financial Statements. Further details are provided under Note 35.3 to the Financial Statements.

2.21 Operational Risk Events

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

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

2.22 Significant Accounting Policies – Recognition of Income and Expenses

Revenue is recognised to the extent that it is probable the economic benefits will flow to the Group and can be reliably measured. The following specific recognition criteria must also be met before recognising revenue.

2.22.1 Interest Income and Interest Expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available for sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the Effective Interest Rate (EIR) method. EIR is the rate that estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation of EIR takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded ‘interest income’ for financial assets and ‘interest expense’ for financial liabilities.

However, for a reclassified financial asset for which the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.22.2 Fee and Commission Income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories.

2.22.2.1 Fee Income Earned from Services that are provided over a Certain Period of Time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include professional fees, trade service fees, commission income and asset management fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

2.22.2.2 Fee Income from Providing Transaction Services

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

2.22.3 Fee and Commission Expenses

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

2.22.4 Dividend Income

Dividend income is recognised in profit or loss on an accrual basis when the Bank's right to receive the dividend is established. This is usually on the ex-dividend date for equity securities. Dividend income is presented in Note 6 'other operating income' in the Financial Statements.

2.22.5 Profit / (Loss) from Sale of Property, Plant and Equipment

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

2.22.6 Profit / (Loss) from Sale of Investment Properties

Any profits or losses on retirement or disposal of investment properties are recognised in the month of retirement or disposal.

2.22.7 Rental Income

Rental income is recognised on an accrual basis.

2.23 Significant Accounting Policies – Tax Expense

As per IAS 12 - Income Taxes, tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognised in the Statement of Comprehensive Income except to the extent it relates to items recognised directly in 'Equity' or 'Other Comprehensive Income (OCI)', in which case it is recognised in Equity or in OCI.

2.23.1 Current Tax

Provision for taxation is made on the basis of the profit for the year as adjusted for taxation purposes in accordance with provisions of the prevailing Bank Profit Tax regulations issued by Ministry of Finance and Treasury, Republic of Maldives.

2.23.2 Deferred Tax

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

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

2.24 Standards Issued but Not Yet Effective

The Accounting Standards and Interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these Standards, if applicable, when they become effective.

2.24.1 IFRS 9 Financial Instruments

Introduction

In July 2014, the IASB issued IFRS 9 Financial Instruments, the standard which will replace IAS 39 from 1 January 2018. During 2017, the necessary work related to the classification, measurement and impairment of the Bank's financial assets and liabilities was completed, together with an assessment of related disclosure requirements.

Classification and Measurement

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Bank's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow the Bank to irrevocably designate instruments that qualify for amortised cost or fair value through Other Comprehensive Income (OCI) as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from the Bank's own credit risk relating to liabilities designated at FVPL. Such movements will be presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise. Having completed its initial assessment, the Bank has concluded that:

- The majority of loans and advances to banks and customers, cash collateral for reverse repo agreements and cash settlement balances with clearing houses that are classified as loans and receivables under IAS 39 are expected to be measured at amortised cost under IFRS 9.

- Financial assets and liabilities held for trading and financial assets and liabilities designated at FVPL are expected to continue to be measured at FVPL.

- The majority of the debt securities classified as available for sale under IAS 39 are expected to be measured at amortised cost or FVOCI. Some securities, however, will be classified as FVPL, either because of their contractual cash flow characteristics or the business model within which they are held.

- Debt securities classified as held to maturity are expected to continue to be measured at amortised cost.

Impairment of Financial Assets

Overview

IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach. The Bank will be required to record an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. This allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case the allowance is based on the probability of default over the life of the asset.

The Bank has established a policy to perform an assessment at the end of each reporting period to determine whether credit risk has increased significantly since initial recognition. This is done by considering the change in the risk of default occurring over the remaining life of the financial instrument.

To calculate ECL, the Bank will estimate the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e. the difference between:

- The contractual cash flows that are due to the Bank under the contract, and

- The cash flows that the Bank expects to receive, discounted at the effective interest rate of the loan.

In comparison to IAS 39, the Bank expects the impairment charge under IFRS 9 to be more volatile than under IAS 39, and to result in an increase in the total level of current impairment allowances.

The Bank groups its loans into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

- Stage 1 – Performing loans: when loans are first recognised, the Bank recognises an allowance based on 12-month expected credit losses.

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

- Stage 3 – Impaired loans: the Bank recognises the lifetime expected credit losses for these loans. In addition, in Stage 3 the Bank accrues interest income on the amortised cost of the loan net of allowances.

The Bank will record impairment for FVOCI debt securities, depending on whether they are classified as Stage 1, 2, or 3, as explained above. However, the expected credit losses will not reduce the carrying amount of these financial assets in the statement of financial position, which will remain at fair value. Instead, an amount equal to the allowance that would arise if the asset were measured at amortised cost will be recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss.

For 'low risk' FVOCI debt securities, the Bank intends to apply a policy which assumes that the credit risk on the instrument has not increased significantly since initial recognition and will calculate ECL as explained in Stage 1 below. Such instruments will generally include traded investment grade securities where the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and any adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Bank will not consider instruments to have low credit risk simply because of the value of collateral. Financial instruments are also not considered to have low credit risk simply because they have a lower risk of default than the Bank's other financial instruments.

Stage 01
Under IAS 39 the Bank has been recording an allowance for Incurred But Not Identified (IBNI) impairment losses. These are designed to reflect impairment losses that had been incurred in the performing portfolio but have not been identified. Under IFRS 9, the impairment of financial assets that are not considered to have suffered a significant increase in their credit risk will be measured on a 12-month ECL basis.

Stage 02
IFRS 9 requires financial assets to be classified in Stage 2 when their credit risk has increased significantly since their initial recognition. For these assets, a loss allowance needs to be recognised based on their lifetime ECLs. Since this is a new concept compared to IAS 39, it might result in increased allowance as most such assets are not considered to be credit-impaired under IAS 39.

Stage 03
Financial assets will be included in Stage 3 when there is objective evidence that the loan is credit impaired. Loans in Stage 3 are not expected to be significantly different from IAS 39 calculations on individual impairment. However, collateral values will be adjusted to reflect the amounts that can be expected to be realised.

Forward Looking Information

The Bank will incorporate forward-looking information into the assessment of any significant increase in credit risk and the measurement of ECLs.

The Bank considers forward-looking information such as macroeconomic factors (e.g. unemployment, GDP growth, interest rates, house prices) and economic forecasts.

Limitation of Estimation Techniques

The models applied by the Bank may not always capture all characteristics of the market at a point in time as they cannot be recalibrated at the same pace as changes in market conditions. Interim adjustments are expected to be made until the base models are updated. Although the Bank will use data that is as current as possible, models used to calculate ECLs will be based on data that is one month in arrears and adjustments will be made for significant events that occur prior to the reporting date.

Capital Management

The Bank has factored into its 2018 budget the additional impairment provision required under IFRS 9. The Bank does not expect this additional provision requirement to have a significant impact on its capital ratios.

Ongoing risk management, operation and finance structure

The Bank will compute its first impairment calculation under IFRS 9 as at 31 March 2018. The impact, together with the ECL module for Impairment Assessment, will be presented to the Board of Directors for approval.

2.24.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 is effective from 1 January 2018. This standard defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g. IFRS 9, IFRS 16).

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows from customers.

A preliminary evaluation of relevant existing contracts, which fall mainly under fee and commission based income, has been performed by the Bank in relation to the adoption of IFRS 15. This assessment has not revealed any significant change to the Bank’s revenue recognition pattern. However, the Bank is currently in the process of further evaluating and quantifying the accounting impact and its systems and processes will be modified where necessary.

2.24.3 IFRS 16 Leases

The IASB issued the new standard for accounting for leases, IFRS 16, in January 2016. The new standard does not significantly change the accounting treatment for lessors. However, it does require lessees to recognise most leases on their balance sheet as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise ‘short-term’ leases and leases of ‘low-value’ assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today’s finance lease accounting, with interest and depreciation expenses recognised separately in the Statement of Comprehensive Income.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

The Bank does not anticipate early adoption of IFRS 16 and is currently evaluating its impact. The Bank does not have any lease assets for the year ended 31 December 2017.

(All amounts in MVR '000 unless otherwise stated)

3 NET INTEREST INCOME

	Bank 2017	Bank 2016	Group 2017	Group 2016
Interest Income				
Placements with Banks	27,310	62,034	27,310	62,034
Loans and Receivables to Other Customers	1,183,416	1,067,407	1,170,013	1,048,932
Financial Investments - Held to Maturity	190,263	224,770	190,263	224,770
Financial Assets - Available for Sale	-	13	-	13
Assigned Capital and Reserve Deposits	7,677	7,779	7,677	7,779
	1,408,666	1,362,003	1,395,263	1,343,528
Less: Interest Expense				
Due to Customers	68,502	69,071	68,502	69,071
Term Debts and Other Borrowed Funds	23,826	14,405	23,826	14,405
	92,328	83,476	92,328	83,476
Net Interest Income	1,316,338	1,278,527	1,302,935	1,260,052

3.1 Net Interest Income from Government of Maldives Securities and related Financial Instruments

	Bank 2017	Bank 2016	Group 2017	Group 2016
Interest Income	173,913	201,461	173,913	201,461
Net Interest Income	173,913	201,461	173,913	201,461

The net income from Government of Maldives Securities includes interest income from Treasury Bills.

4 NET FEE AND COMMISSION INCOME

	Bank 2017	Bank 2016	Group 2017	Group 2016
Cards Operation	566,647	481,860	566,647	481,860
Pay Orders	52,392	45,686	52,392	45,686
Loans	63,157	39,385	63,157	39,385
Administration Fees on Development Funds	37,329	33,163	37,329	33,163
Miscellaneous Income on Branch Operations	54,975	45,223	54,975	45,223
Trade Services	9,957	16,132	9,957	16,132
Custodian Services Fee	7,677	8,713	7,677	8,713
Others	4,301	4,086	4,301	4,086
	796,435	674,248	796,435	674,248
Fee and Commission Expense	(261,759)	(217,471)	(261,759)	(217,471)
Net Fee and Commission Income	534,676	456,777	534,676	456,777

5 NET FOREIGN EXCHANGE INCOME

	Bank 2017	Bank 2016	Group 2017	Group 2016
Net Foreign Exchange Income	68,686	52,673	68,686	52,673
	68,686	52,673	68,686	52,673

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

(All amounts in MVR '000 unless otherwise stated)

	Bank		Group	
6 OTHER OPERATING INCOME (NET)	**2017**	**2016**	**2017**	**2016**
Recoveries of Writing off Loan and Receivables	15,606	34,935	15,606	34,935
Dividend Income	1,210	65	1,210	65
Others	10,195	8,810	13,473	8,810
	27,011	43,810	30,289	43,810

	Bank		Group	
7 IMPAIRMENT OF LOANS AND OTHER CREDIT LOSSES	**2017**	**2016**	**2017**	**2016**
Loans and Receivables to Other Customers				
Individually Significant Customer Loan Impairment	107	81,303	(13,296)	62,829
Collective Loan Impairment	41,550	(70,173)	41,550	(70,173)
Other Debtors	2,567	6,058	2,425	(127)
	44,224	17,188	30,679	(7,471)

8 PERSONNEL EXPENSES	Bank		Group	
	2017	**2016**	**2017**	**2016**
Salaries, Wages and Other Related Expenses	242,035	215,534	242,035	215,534
Defined Contribution Plan Expenses - 7% Contribution to Maldives Retirement Pension Scheme	9,439	8,629	9,439	8,629
Defined Contribution Plan Expenses - 3% to Employee Provident Fund	2,822	2,697	2,822	2,697
	254,296	226,859	254,296	226,859

9 OTHER OPERATING EXPENSES	Bank		Group	
	2017	**2016**	**2017**	**2016**
Depreciation of Property, Plant and Equipment	45,595	37,777	45,595	37,777
Administration and Establishment Expenses	44,118	39,570	44,610	40,439
Amortisation of Intangible Assets	11,170	12,197	11,170	12,197
Software License Fees and Hardware Maintenance Expenses	32,007	27,084	32,007	27,084
Communication Expenses	17,978	15,783	17,978	15,783
Operating Lease Rental	18,329	17,940	54,875	19,114
Advertising and Promotional Expenses	17,686	17,294	17,686	17,294
Travel and Transport Expenses	14,647	14,646	14,647	14,646
Directors' Emoluments	1,819	1,876	1,819	1,876
Auditors' Remuneration	1,496	1,258	1,520	1,282
Professional and Legal Expenses	1,254	6,944	1,254	6,944
Donation	1,521	1,105	1,521	1,105
Consultancy Fees	7,461	14,879	7,461	14,879
Correspondent Bank Charges	7,617	5,453	7,617	5,453
Other Expenses	9,061	10,428	11,884	10,555
	231,759	224,234	271,644	226,428

(All amounts in MVR '000 unless otherwise stated)

10 INCOME TAX

The major components of income tax expense are as follows.

	Bank		Group	
	2017	2016	2017	2016
Income Tax				
Current Income Tax Charge (Note 10.1)	310,631	317,221	310,631	317,221
Adjustment in respect of Current Income Tax of Prior Years	388	37	388	37
Deferred Tax				
Origination and Reversal of Temporary Differences (Note 10.3)	67,231	23,188	67,231	23,188
Income Tax Expense Reported in the Statement of Comprehensive Income	378,250	340,446	378,250	340,446

10.1 Reconciliation of the Income Tax Expenses

A reconciliation between the income tax expense and the accounting profit is as follows.

	Bank		Group	
	2017	2016	2017	2016
Accounting Profit Before Tax	1,416,431	1,363,506	1,379,967	1,367,496
Add:- Non Deductible Expenses	343,480	351,824	343,480	351,824
Less:- Deductible Expenses	(517,388)	(446,445)	(480,923)	(450,434)
Taxable Income	1,242,524	1,268,885	1,242,524	1,268,885
Current Income Tax Charge	310,631	317,221	310,631	317,221
Effective Tax Rate (Excluding Deferred Tax)	22%	23%	23%	23%
Effective Tax Rate (Including Deferred Tax)	27%	25%	27%	25%

10.2 Income Tax Liabilities

	Bank		Group	
	2017	2016	2017	2016
At 1 January	317,221	224,756	317,221	240,702
Current Income Tax Charge	310,631	317,221	310,631	317,221
Adjustment in Respect of Prior Year	388	37	388	37
Tax Paid During the Year	(317,596)	(224,794)	(317,596)	(240,740)
As at 31 December	310,644	317,221	310,644	317,221

10.3 Deferred Tax - Bank/Group

The following table shows deferred tax liabilities recorded on the Statement of Financial Position and changes recorded in the Statement of Comprehensive Income and Other Comprehensive Income net of Tax.

	2017			2016		
	Deferred Tax Assets / (Liabilities)	Statement of Comprehensive Income	Other Comprehensive Income Net of Tax	Deferred Tax Assets	Statement of Comprehensive Income	Other Comprehensive Income Net of Tax
Property, Plant and Equipment	(39,669)	10,232	-	(29,437)	3,824	-
Provision of Loans and Receivables	60,813	56,999	-	117,812	19,364	-
Revaluation of Bank Premises	(13,201)	-	(4,773)	(8,427)	-	527
Net gains on re-measuring of available-for-sale financial assets	(30,791)	-	(9,732)	(21,059)	-	(291)
	(22,848)	67,231	(14,505)	58,889	23,188	236

(All amounts in MVR '000 unless otherwise stated)

11 EARNINGS PER SHARE

Basic Earnings Per Share is calculated by dividing the profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

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

The profit and ordinary share details used in the Basic/Diluted Earnings Per Share calculations are given below.

	Bank		Group	
	2017	**2016**	**2017**	**2016**
Profit Attributable to Ordinary Shareholders (MVR)	1,038,180,884	1,023,059,544	1,001,716,773	1,027,049,695
Weighted Average Number of Ordinary Shares in Issue	5,381,920	5,381,920	5,381,920	5,381,920
Basic/Diluted Earnings Per Share (MVR)	193	190	186	191

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

12 DIVIDENDS PER SHARE

	Bank		Group	
	2017	**2016**	**2017**	**2016**
12.1 Declared and Paid During the Year				
First and final dividend of MVR 20 per share for 2016 was paid in 2017 (First and final dividend for 2015: MVR 17 per share)	107,638	91,493	107,638	91,493
12.2 Proposed for Approval at Annual General Meeting (not recognised as a liability as at 31 December)				
First and Final Dividend for 2017: MVR. 22 per share (2016: MVR 20 per share)	118,402	107,638	118,402	107,638

13 CASH AND CASH EQUIVALENTS

	Bank		Group	
	2017	**2016**	**2017**	**2016**
Cash in Hand (Note 33.1)	670,045	624,107	670,045	624,107
Balances With Other Banks	652,808	417,140	652,808	417,140
	1,322,853	1,041,247	1,322,853	1,041,247

14 BALANCES WITH MALDIVES MONETARY AUTHORITY

	Bank		Group	
	2017	**2016**	**2017**	**2016**
Statutory Deposit for Conventional Banking	1,787,440	1,607,367	1,787,440	1,607,367
Statutory Deposit for Islamic Banking	126,055	56,950	126,055	56,950
	1,913,495	1,664,317	1,913,495	1,664,317

MMA regulations on minimum reserve require commercial banks to maintain a reserve of 10% of demand deposits and time deposits (excluding interbank deposits of other banks in Maldives and letter of credit margin deposits), for both foreign and local currency. These deposits are not available for the Bank’s day-to-day operations. Rufiyaa deposits carry an interest rate of 1% per annum and foreign currency deposits carry an interest rate of 0.01% per annum on balances equal to or below the minimum reserve requirement. Further the Bank maintains a separate reserve of 10% of demand and time deposits for its Islamic banking operations.

(All amounts in MVR '000 unless otherwise stated)

15 PLACEMENTS WITH BANKS

	Bank		Group	
	2017	2016	2017	2016
Placements with Banks	1,750,216	1,549,986	1,750,216	1,549,986
	1,750,216	1,549,986	1,750,216	1,549,986

16 LOANS AND RECEIVABLES TO OTHER CUSTOMERS

	Bank		Group	
	2017	2016	2017	2016
Gross Loans and Receivables	12,515,771	10,394,992	12,515,771	10,228,008
Less: Total Impairment For Loans and Receivables (Note 16.6)	(294,711)	(798,875)	(294,711)	(631,891)
Net Loans and Receivables	12,221,060	9,596,117	12,221,060	9,596,117

16.1 Product wise Analysis

	Bank		Group	
	2017	2016	2017	2016
Term Loans (Note 16.3)	10,828,466	8,986,831	10,828,466	8,986,831
Overdrafts	1,207,605	831,041	1,207,605	831,041
Credit Cards	343,285	282,468	343,285	282,468
Staff Loans	111,799	93,330	111,799	93,330
Trade Finance (Note 16.5)	24,616	34,338	24,616	34,338
Loans given to Subsidiary (Note 16.4)	-	166,984	-	-
	12,515,771	10,394,992	12,515,771	10,228,008

16.2 Currency wise Analysis

	Bank		Group	
	2017	2016	2017	2016
Maldivian Rufiyaa	7,676,147	5,890,793	7,676,147	5,723,808
United States Dollar	4,813,154	4,431,758	4,813,154	4,431,758
Euro	26,470	62,630	26,470	62,630
Japanese Yen	-	9,811	-	9,811
	12,515,771	10,394,992	12,515,771	10,228,008

16.3 Term Loans

	Bank		Group	
	2017	2016	2017	2016
Commercial Term Loans	9,520,148	7,591,640	9,520,148	7,591,640
Lui Loans	1,034,609	914,999	1,034,609	914,999
Islamic Financing Facilities	171,728	-	171,728	-
Development Banking Loans	57,418	43,267	57,418	43,267
Loans Under EIB Refinance Scheme	44,563	436,925	44,563	436,925
	10,828,466	8,986,831	10,828,466	8,986,831

16.4 Loans given to Subsidiary

	Bank		Group	
	2017	2016	2017	2016
Gaaf Alif Mahadhdhoo Private Limited	-	166,984	-	-
	-	166,984	-	-

16.5 Trade Finance

	Bank		Group	
	2017	2016	2017	2016
Trust Receipts	18,276	25,611	18,276	25,611
Bills of Exchange	6,340	8,727	6,340	8,727
	24,616	34,338	24,616	34,338

(All amounts in MVR '000 unless otherwise stated)

16 LOANS AND RECEIVABLES TO OTHER CUSTOMERS (Contd..)

16.6 Movement in Provision for Impairment Losses

	Bank 2017	Bank 2016	Group 2017	Group 2016
(i) Individually Significant Customer Loan Impairment				
As at 1 January	351,248	339,915	184,264	191,405
Net Charge to Profit or Loss	107	81,303	(13,296)	62,829
Loans Written Off During the Year as Uncollectible	(256,131)	(69,970)	(75,744)	(69,970)
As at 31 December	95,224	351,248	95,224	184,264
Gross Loans Determined Individually to be Impaired	865,707	768,999	865,707	602,014
(ii) Collective Loan Impairment				
As at 1 January	447,627	519,165	447,627	519,165
Net (Reversal)/Charge to Profit or Loss	41,550	(70,173)	41,550	(70,173)
Loans Written Off During the Year as Uncollectible	(289,690)	(1,365)	(289,690)	(1,365)
As at 31 December	199,487	447,627	199,487	447,627
Total Impairment	294,711	798,875	294,711	631,891

Industry-wise analysis of loans and receivables to customers is given in Note 31.4.1

Interest in suspense on collectivelly impaired loans amounting to MVR 47,381,824/- (2016: MVR 74,784,878/-) was netted off against gross loans.

17 FINANCIAL INVESTMENTS - AVAILABLE FOR SALE

	Bank / Group 2017	Bank / Group 2016
Equities - Quoted (Note 17.1)	123,164	84,236
Equities - Unquoted (Note 17.2)	319	319
	123,483	84,556

17.1 Equities - Quoted

Bank/Group	2017 No. of Shares	2017 Per Share Price (US$)	2017 Amount (MVR)	2016 No. of Shares	2016 Per Share Price (US$)	2016 Amount (MVR)
Visa Incorporated	60,120	114.02	104,263	60,120	78.02	71,343
MasterCard Incorporated	8,210	151.36	18,901	8,210	103.25	12,893
			123,164			84,236

17.2 Equities - Unquoted

Bank/Group	2017 No. of Shares	2017 Amount	2016 No. of Shares	2016 Amount
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	6	319	6	319
		319		319

All unquoted Available for Sale Equities are recorded at cost since their fair value cannot be reliably estimated. There is no market for these investments and the Bank intends to hold these for the long term.

(All amounts in MVR '000 unless otherwise stated)

18 FINANCIAL INVESTMENTS - HELD TO MATURITY

	Bank / Group	
	2017	**2016**
Government of Maldives Treasury Bills	4,217,316	3,709,765
Sri Lanka Development Bonds	-	383,822
Corporate Bonds	147,321	152,713
Wakala Investments	17,188	-
	4,381,825	4,246,300

19 INVESTMENT IN SUBSIDIARIES

Bank	**2017**		**2016**	
Non-Quoted	**Cost**	**Directors' Valuation**	**Cost**	**Directors' Valuation**
Gaaf Alif Mahadhdhoo Private Limited	10	10	10	10
Total Non-Quoted Investments in Subsidiaries	10	10	10	10

During the year, the subsidiary, Gaaf Alif Mahadhdhoo Private Limited, disposed of its assets and initiated a liquidation process. However, the liquidation process was not concluded as at the reporting date.

(All amounts in MVR '000 unless otherwise stated)

20 PROPERTY, PLANT AND EQUIPMENT
Bank / Group

20.1 Cost/Fair Value	**Land**	**Buildings**	**Buildings on Leasehold Land**	**Computer Hardware**	**Furniture and Fittings**	**Office Equipment**	**Motor Vehicles**	**Total**
As at 1 January 2016	56,234	98,944	14,001	139,288	78,582	27,839	11,217	426,105
Additions/Transfers at Cost	-	3,620	5,976	25,716	11,661	7,236	-	54,208
Disposals/Witten-off	-	-	(2,375)	(5,498)	(5,332)	(2,133)	(41)	(15,379)
As at 31 December 2016	56,234	102,564	17,602	159,506	84,912	32,941	11,175	464,934
Revaluation adjustment on Accumulated Depreciation	-	(23,884)	-	-	-	-	-	(23,884)
Revaluation Surplus	26,235	21,200	-	-	-	-	-	47,435
Additions/Transfers at Cost	-	6,672	6,876	43,524	7,544	8,571	-	73,187
Disposals/Witten-off	-	-	-	(18,737)	(23)	(17)	(2,252)	(21,029)
As at 31 December 2017	82,469	106,553	24,478	184,292	92,433	41,495	8,923	540,643
20.2 In the Course of Construction								
As at 1 January 2016	-	-	-	14,684	-	-	-	14,684
Additions/Transfers at Cost	-	-	3,518	(10,266)	-	3	-	(6,745)
As at 31 December 2016	-	-	3,518	4,418	-	3	-	7,940
Additions/Transfers at Cost	-	2,885	(2,580)	(4,416)	-	(3)	-	(4,114)
As at 31 December 2017	-	2,885	938	2	-	-	-	3,826
Total Cost/Fair Value 2016	56,234	102,564	21,120	163,924	84,912	32,945	11,175	472,874
Total Cost/Fair Value 2017	82,469	109,438	25,416	184,294	92,433	41,495	8,923	544,469
20.3 Depreciation and Impairment								
As at 1 January 2016	-	14,498	7,720	94,306	42,151	16,868	7,644	183,188
Depreciation Charge for the Year	-	4,409	2,119	17,543	9,070	3,954	683	37,777
Disposals/Witten-off	-	-	(2,118)	(5,021)	(5,019)	(1,888)	(41)	(14,088)
As at 31 December 2016	-	18,907	7,721	106,828	46,202	18,934	8,286	206,877
Revaluation adjustment on Accumulated Depreciation	-	(23,884)	-	-	-	-	-	(23,884)
Depreciation Charge for the Year	-	5,999	2,099	20,494	10,301	6,051	651	45,595
Disposals/Witten-off	-	-	-	(18,720)	(23)	(17)	(2,252)	(21,012)
As at 31 December 2017	-	1,022	9,820	108,602	56,480	24,968	6,685	207,576
20.4 Net Book Value								
As at 31 December 2016	56,234	83,657	13,399	57,096	38,710	14,011	2,890	265,997
As at 31 December 2017	82,469	108,416	15,597	75,693	35,954	16,527	2,238	336,894

(All amounts in MVR '000 unless otherwise stated)

20 PROPERTY, PLANT AND EQUIPMENT (Contd..)

20.5 Property, plant and equipment as at the reporting date include fully depreciated assets amounting to MVR 113,112,544/- (2016: MVR 106,875,763/-).

20.6 There were no restrictions on the title of property, plant and equipment as at the Statement of Financial Position date.

20.7 There were no items of property, plant and equipment pledged as securities against liabilities as at the Statement of Financial Position date.

20.8 Information on Freehold Land and Buildings of the Bank - Extents and Locations

Location	Land Extent Sq.Ft	Cost / Valuation of Land	Cost / Valuation of Building	Total Value	Accumulated Depreciation	Net Book Value 31 Dec 2017	Net Book Value 31 Dec 2016
Head Office	3,080	36,960	41,780	78,740	174	78,566	60,566
Gan Branch	7,500	2,250	3,110	5,360	240	5,120	5,190
Naifaru Branch	4,934	1,480	1,900	3,380	8	3,372	3,361
Kulhudhuffushi Branch	11,608	3,482	1,868	5,350	103	5,247	4,677
Fonadhoo Branch	8,980	2,694	2,016	4,710	7	4,703	4,135
Hithadhoo Branch	10,481	3,144	5,606	8,750	23	8,727	7,818
Muli Branch	5,311	1,593	2,097	3,690	9	3,681	3,172
Thinadhoo Branch	8,000	2,400	5,020	7,420	17	7,403	6,155
Fuahmulaku Branch	6,058	1,817	4,783	6,600	13	6,587	5,475
GA. Vilingili Branch	10,000	3,000	5,020	8,020	17	8,003	6,655
Dhidhoo Branch	5,684	1,705	2,855	4,560	12	4,548	3,773
Vilimale Branch	2,906	8,718	8,702	17,420	29	17,391	11,355
Hulhumeedhoo Branch	10,000	3,000	5,020	8,020	21	7,999	6,759
Manadhoo Branch	12,192	3,658	3,032	6,690	13	6,677	5,912
Nilandhoo Branch	7,584	2,275	2,265	4,540	9	4,531	2,176
Felidhoo Branch	3,617	1,085	1,435	2,520	4	2,516	194
Holhudhoo Branch	1,603	481	1,439	1,920	6	1,914	-
Velidhoo Branch	468	140	760	900	3	897	698
Ihavandhoo Branch	3,000	900	1,250	2,150	3	2,147	-
L. Gan Branch	572	-	790	790	-	790	-
Guraidhoo Branch	2,029	609	781	1,390	25	1,365	109
Hoarafishi Branch	1,636	491	1,219	1,710	4	1,706	-
Hinnavaru ATM Booth	300	90	490	580	1	579	-
Kolamafushi ATM Booth	1,050	315	215	530	-	530	-
Gemanafushi ATM Booth	300	90	490	580	-	580	-
Faresmathoda ATM Booth	300	90	490	580	-	580	-
Dhuvaafaru ATM Booth	-	-	73	73	4	69	73
Kulhudhuffushi Branch ATM	-	-	375	375	68	308	326
Main Branch	-	-	1,531	1,531	207	1,324	1,310
In Course of Construction	-	-	2,885	2,885	-	2,885	-
		82,469	109,438	191,907	1,022	190,885	139,891

(All amounts in MVR '000 unless otherwise stated)

20 PROPERTY, PLANT AND EQUIPMENT (Contd..)

20.9 Information on Valuation of Freehold Land and Buildings of the Bank

The Bank revalued its premises as at 31 December 2017 and the valuation was performed by Gedor Consulting Pvt. Ltd Professional Valuers. The valuation was based on either of the depreciated replacement cost or the market comparable method. The following parameters were applied in arriving at fair value:

- Land - price per square foot.
- Building - construction rate for building.

		Net Book Value before Revaluation of		Revalued Amount of		Revaluation Gain / (Loss) Recognised on	
Location	**Range of Estimates**	**Land**	**Building**	**Land**	**Building**	**Land**	**Building**
Head Office	12,000.00 p.sq.ft 27,000.00	26,180	32,412	36,960	41,780	10,780	9,368
Gan Branch	300.00 p.sq.ft 14,000.00	1,875	3,024	2,250	3,110	375	86
Naifaru Branch	300.00 p.sq.ft 14,000.00	1,750	1,519	1,480	1,900	(270)	381
Kulhudhuffushi Branch	300.00 p.sq.ft 14,000.00	2,902	1,660	3,482	1,868	580	207
Fonadhoo Branch	300.00 p.sq.ft 14,000.00	2,236	1,728	2,694	2,016	458	288
Hithadhoo Branch	300.00 p.sq.ft 14,000.00	2,620	4,905	3,144	5,606	524	700
Muli Branch	300.00 p.sq.ft 14,000.00	1,328	1,738	1,593	2,097	266	358
Thinadhoo Branch	300.00 p.sq.ft 14,000.00	2,000	3,951	2,400	5,020	400	1,069
Fuahmulaku Branch	300.00 p.sq.ft 14,000.00	1,515	3,788	1,817	4,783	303	995
GA. Vilingili Branch	300.00 p.sq.ft 14,000.00	2,500	3,951	3,000	5,020	500	1,069
Dhidhoo Branch	300.00 p.sq.ft 14,000.00	1,421	2,051	1,705	2,855	284	804
Vilimale Branch	3,000.00 p.sq.ft 13,000.00	4,359	6,365	8,718	8,702	4,359	2,337
Hulhumeedhoo Branch	300.00 p.sq.ft 14,000.00	2,500	4,016	3,000	5,020	500	1,004
Manadhoo Branch	300.00 p.sq.ft 14,000.00	3,048	2,704	3,658	3,032	610	329
Nilandhoo Branch	300.00 p.sq.ft	-	2,065	2,275	2,265	2,275	200
Felidhoo Branch	300.00 p.sq.ft	-	1,230	1,085	1,435	1,085	204
Holhudhoo Branch	300.00 p.sq.ft	-	1,091	481	1,439	481	348
Velidhoo Branch	300.00 p.sq.ft	-	628	140	760	140	131
Ihavandhoo Branch	300.00 p.sq.ft	-	914	900	1,250	900	336
L. Gan Branch	300.00 p.sq.ft	-	574	-	790	-	216
Guraidhoo Branch	300.00 p.sq.ft	-	457	609	781	609	324
Hoarafishi Branch	300.00 p.sq.ft	-	1,045	491	1,219	491	175
Hinnavaru ATM Booth	300.00 p.sq.ft	-	481	90	490	90	9
Kolamafushi ATM Booth	300.00 p.sq.ft	-	221	315	215	315	(6)
Gemanafushi ATM Booth	300.00 p.sq.ft	-	271	90	490	90	219
Faresmathoda ATM Booth	300.00 p.sq.ft	-	443	90	490	90	47
		56,234	83,231	82,469	104,431	26,235	21,200

(All amounts in MVR '000 unless otherwise stated)

21 INTANGIBLE ASSETS

Computer Software	Bank / Group	
Cost	**2017**	**2016**
As at 1 January	134,370	147,066
Additions	4,329	9,221
Disposals/Written-off	-	(21,917)
As at 31 December	138,699	134,370
In the Course of Construction		
As at 1 January	17	4,699
Additions/Transfers at Cost	1,230	(4,682)
As at 31 December	1,247	17
Total Cost as at 31 December	139,946	134,387
Amortisation and Impairment		
As at 1 January	56,687	66,362
Amortisation Charge for the Year	11,170	12,197
Disposals/Written-off	-	(21,872)
As at 31 December	67,857	56,687
Net Book Value		
As at 31 December	72,089	77,700

21.1 Nature and Amortisation Method

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

21.2 Intangible assets as at the reporting date include fully amortised assets amounting to MVR 26,736,040/- (2016: MVR 25,366,260/-).

22 OTHER ASSETS

	Bank		Group	
	2017	**2016**	**2017**	**2016**
Deposits and Prepayments	222,235	176,902	222,235	176,902
Card and Other Receivables	16,215	38,212	16,215	74,766
Un-amortised cost on staff loans	12,699	8,335	12,699	8,335
Amounts Due from Subsidiaries (Note 22.1)	-	42,866	-	-
	251,150	266,314	251,150	260,003
Less : Provision for Other Losses (Note 22.2)	(8,108)	(48,548)	(8,108)	(5,683)
	243,042	217,766	243,042	254,320

22.1 AMOUNT DUE FROM SUBSIDIARIES	Bank		Group	
	2017	**2016**	**2017**	**2016**
Gaaf Alif Mahadhdhoo Private Limited	-	42,866	-	-
	-	42,866	-	-

22.2 PROVISION FOR OTHER LOSSES	Bank		Group	
	2017	**2016**	**2017**	**2016**
Provision As at 1 January	48,548	44,053	5,683	7,372
Provision Made /(Reversed) During the Year	2,568	6,058	2,425	(127)
Written-off During the Year as Uncollectible	(43,008)	(1,563)	-	(1,563)
Provision As at 31 December	8,108	48,548	8,108	5,683

(All amounts in MVR '000 unless otherwise stated)

23 DUE TO CUSTOMERS

	Bank / Group 2017	Bank / Group 2016
Total Amount Due to Customers	15,186,717	13,221,997
	15,186,717	13,221,997

23.1 Product wise Analysis

	Bank / Group 2017	Bank / Group 2016
Demand Deposits	8,870,433	6,889,787
Savings Deposits	5,291,650	5,497,484
Time Deposits	624,477	586,703
Wadi'ah Deposits of BML Islamic	334,329	169,601
Margins on Letters of Credit	25,059	46,460
Margins on Bank Guaranty	40,769	31,962
	15,186,717	13,221,997

23.2 Currency wise Analysis

	Bank / Group 2017	Bank / Group 2016
Maldivian Rufiyaa	9,265,841	8,266,531
USD	5,896,577	4,937,124
Euro	24,299	18,118
Others	-	224
	15,186,717	13,221,997

24 TERM DEBT AND OTHER BORROWED FUNDS

	Bank / Group 2017	Bank / Group 2016
Loans Under Government of Maldives:		
International Fund for Agricultural Development (IFAD) Credit Line	11,045	15,052
Organisation of Petroleum Exporting Countries (OPEC) Credit Line	-	668
European Investment Bank (EIB) Credit Line	96,255	143,218
Asian Development Bank (ADB) Credit Line	47,572	54,016
Islamic Development Bank (IDB) Credit Line	26,979	29,138
Loans from Commercial Banks Abroad	611,751	76,390
	793,602	318,482

The Bank received funds from the above institutions through on-lending agreements with the Government of Maldives. In addition, loans from commercial banks were obtained from time to time to manage short term liquidity requirements in the normal course of business. The Bank has pledged part of its United States Dollar (USD) loan book as security against a term borrowing from an international bank at a Loan to Value ratio of 140%. The outstanding balance of this borrowing was USD 25 million as at 31 December 2017.

(All amounts in MVR '000 unless otherwise stated)

24.1 Maturity of Borrowings

Lender	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Weighted Average Rate of Interest	Currency
Borrowing under Government of Maldives:					
IFAD Credit Line	3,126	7,370	549	4.0%	SDR / USD
EIB Credit Line	49,070	47,185	-	(LIBOR + 0.099%) + 0.5%	USD / EURO
ADB Credit Line	6,597	32,097	8,878	3.0%	SDR / USD
IDB Credit Line	2,434	8,593	15,952	4.0%	MVR
Borrowing from Commercial Banks Abroad	345,576	266,175	-	LIBOR + (3.0%-5.25%)	USD

25 OTHER LIABILITIES

	Bank 2017	Bank 2016	Group 2017	Group 2016
Development Fund	154,270	147,602	154,270	147,602
Sundry Creditors	188,660	81,688	188,660	81,688
Defined Contribution Plan - 3% to Employee Provident Fund (Note 25.1)	121,936	117,682	121,936	117,682
Accrued Expenses	14,857	16,665	14,857	16,746
Cashier's Cheques	7,126	2,717	7,126	2,717
	486,849	366,354	486,849	366,435

25.1 Defined Contribution Plan - Obligations

Movements of the Defined Contribution Plan Obligations are as follows:	Bank 2017	Bank 2016	Group 2017	Group 2016
Balance as at 1 January	117,682	111,105	117,682	111,105
Contribution Made During the Year	5,643	5,394	5,643	5,394
Interest For the Year	5,439	8,168	5,439	8,168
Benefits Paid during the Year	(6,828)	(6,985)	(6,828)	(6,985)
Balance as at 31 December	121,936	117,682	121,936	117,682

26 CUSTODIAN ACCOUNTS OF MALDIVES RETIREMENT PENSION SCHEME

	Bank / Group 2017	Bank / Group 2016
As at 1 January	33,113	16,344
Collection from Beneficiaries	1,075,459	988,424
Disbursement to Beneficiaries Towards Payment of Pension	(54,585)	(48,055)
Investment In Financial Instrument	(5,400,316)	(4,930,062)
Proceed Received on Maturity of Investments	4,415,669	4,054,689
Administration Fee Charge by MPAO to Beneficiaries	(53,151)	(48,227)
As at 31 December	16,189	33,113

Pursuant to the agreement entered into with Maldives Pension Administration Office (MPAO), the administrator of Maldives Retirement Pension Scheme (MRPS), the Bank has performed custodial and other services relating to the establishment and maintenance of contribution collection and contribution holding accounts of MRPS since 16 May 2010. The Bank keeps the funds and, at the direction of MPAO or a person authorised by MPAO, invests the funds in designated financial instruments. The last renewal of the agreement between MPAO and the Bank was on 1 July 2017 effective until 30 June 2020.

MPAO paid a fee of MVR 7,677,415/- (2016: MVR 8,712,618/-) to the Bank for these custodian services in 2017.

(All amounts in MVR '000 unless otherwise stated)

27 SHARE CAPITAL

	Bank / Group			
	No. of Shares	Ordinary Share Capital	Premium	Total Share Capital
As at 1 January 2017	5,381,920	269,096	93,000	362,096
As at 31 December 2017	5,381,920	269,096	93,000	362,096

28 OTHER RESERVES

Bank	Statutory Reserve	Assigned Capital Reserve	General Reserve	Revaluation Reserve	Available For Sale Reserve	Reserve for Loan Loss Provision	Total
As at 1 January 2016	150,000	6,000	1,648,315	85,711	62,304	686,582	2,638,912
Transferred During the Year 2016	-	-	520,249	(1,580)	874	(58,902)	460,641
As at 31 December 2016	150,000	6,000	2,168,564	84,131	63,178	627,680	3,099,553
Transferred During the Year 2017	-	-	976,430	37,939	29,196	(21,439)	1,022,126
As at 31 December 2017	150,000	6,000	3,144,994	122,070	92,374	606,241	4,121,680

Group	Statutory Reserve	Assigned Capital Reserve	General Reserve	Revaluation Reserve	Available For Sale Reserve	Reserve for Loan Loss Provision	Total
As at 1 January 2016	150,000	6,000	1,577,475	85,711	62,304	686,582	2,568,073
Transferred During the Year 2016	-	-	625,147	(1,580)	874	(58,902)	565,539
As at 31 December 2016	150,000	6,000	2,202,623	84,131	63,178	627,680	3,133,612
Transferred During the Year 2017	-	-	980,620	37,939	29,196	(21,439)	1,026,316
As at 31 December 2017	150,000	6,000	3,183,243	122,070	92,374	606,241	4,159,928

(a) Statutory Reserve

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

(b) Assigned Capital Reserve

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

(c) General Reserve

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

(d) Revaluation Reserve

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

(e) Available For Sale Reserve

Net gains on re-measuring of available-for-sale financial assets is recognised as a reserve to the Statement of Changes in Equity.

(f) Reserve for Loan Loss Provision

The difference between provision for loan losses as per MMA Prudential Regulation 2015/R-168 and loan loss provision as per IAS 39 is maintained in a separate reserve in the Statement of Changes in Equity. The reserve can be utilised against any future losses recognised as a result of impairment.

(All amounts in MVR '000 unless otherwise stated)

28 OTHER RESERVES (Contd..)

28.1 Movement in Reserve for Loan Loss Provision

The movement in Reserve for Loan Loss Provision arises due to differences in impairment amounts provided between IFRS provision base (IAS 39 Financial Instruments: Recognition and Measurement) and MMA provision base (MMA Prudential Regulation 2015/R-168: Regulation on Asset Classification, Provisioning and Suspension of Interest).

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

Provision for Loan Impairment	MMA	IFRS	Reserve for Loan Loss Provision
As at 1 January 2016	**1,596,036**	**909,453**	**686,582**
Impairment movement during 2016	(94,695)	(35,793)	(58,902)
As at 31 December 2016	**1,501,341**	**873,660**	**627,680**
Impairment movement during 2017	(553,007)	(531,567)	(21,439)
As at 31 December 2017	**948,334**	**342,093**	**606,241**

28.2 Movement in Provision for Impairment as per MMA Prudential Regulation Guidelines

The movement in provision based on MMA prudential guidelines is as follows.

	Bank		Group	
	2017	2016	2017	2016
(i) Specific Provision				
As at 1 January	741,279	843,185	741,279	843,185
Provision Made During the Year	130,154	243,812	130,154	243,812
Provision Reversed During the Year	(241,465)	(344,353)	(241,465)	(344,353)
Loans Written Off During the Year as Uncollectible	(208,970)	(1,365)	(208,970)	(1,365)
As at 31 December	420,998	741,279	420,998	741,279
(ii) General Provision				
As at 1 January	350,699	332,351	183,714	183,841
Provision Made During the Year	218,492	146,350	205,089	127,875
Provision Reversed During the Year	(86,963)	(128,002)	(86,963)	(128,002)
Loans Written Off During the Year as Uncollectible	(180,388)	-	-	-
As at 31 December	301,840	350,699	301,840	183,714
Total Provision	722,838	1,091,978	722,838	924,993

28.3 Movement in Interest In Suspense

	Bank		Group	
	2017	2016	2017	2016
As at 1 January	409,363	420,500	409,363	420,500
Amount Suspended During the Year	113,534	209,381	113,534	209,381
Amount Reversed During The Year	(54,251)	(149,698)	(54,251)	(149,698)
Loans Written Off During the Year as Uncollectible	(243,150)	(70,820)	(243,150)	(70,820)
As at 31 December	225,496	409,363	225,496	409,363

(All amounts in MVR '000 unless otherwise stated)

28.4 TOTAL EQUITY

Bank

Total equity of the Bank excluding Reserve for Loan Loss Provision (Note 28.1) as at December 31, 2017 was MVR 4,941,876,186/- (2016: MVR 3,918,037,047/-).

Group

Total equity of the Group excluding Reserve for Loan Loss Provision (Note 28.1) as at December 31, 2017 was MVR 4,941,866,186/- (2016: MVR 3,954,498,000/-).

29 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

Bank / Group

Financial assets and financial liabilities are measured on an ongoing basis at either fair value or amortized cost. The summary of significant accounting policies in Note 2.10 describes how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. The following table provides details of the carrying amount of financial assets and liabilities by category as defined in IAS 39 Financial Instruments: Recognition and Measurement and by Statement of Financial Position.

As at 31 December 2017	**Available for Sale Financial Assets at Fair Value**	**Financial Assets and Liabilities at Amortized Cost**	**Financial Assets Held to Maturity Amortized Cost**	**Total**
Financial Assets				
Cash and Cash Equivalents	-	1,322,853	-	1,322,853
Balances with Maldives Monetary Authority	-	1,913,495	-	1,913,495
Placements with Banks	-	1,750,216	-	1,750,216
Loans and Receivables to Other Customers	-	12,221,060	-	12,221,060
Financial Investments - Available for Sale	123,483	-	-	123,483
Financial Investments - Held to Maturity	-	-	4,381,825	4,381,825
Total Financial Assets	123,483	17,207,623	4,381,825	21,712,931
Financial Liabilities				
Due to Other Customers	-	15,186,717	-	15,186,717
Term Debt and Other Borrowed Funds	-	793,602	-	793,602
Custodian Accounts of Maldives Retirement Pension Scheme	-	16,189	-	16,189
Total Financial Liabilities	-	15,996,508	-	15,996,508

As at 31 December 2016	**Available for Sale Financial Assets at Fair**	**Financial Assets and Liabilities at Amortized Cost**	**Financial Assets Held to Maturity Amortized Cost**	**Total**
Financial Assets				
Cash and Cash Equivalents	-	1,041,247	-	1,041,247
Balances with Maldives Monetary Authority	-	1,664,317	-	1,664,317
Placements with Banks	-	1,549,986	-	1,549,986
Loans and Receivables to Other Customers	-	9,596,117	-	9,596,117
Financial Investments - Available for Sale	84,556	-	-	84,556
Financial Investments - Held to Maturity	-	-	4,246,300	4,246,300
Total Financial Assets	84,556	13,851,667	4,246,300	18,182,523
Financial Liabilities				
Due to Other Customers	-	13,221,997	-	13,221,997
Term Debt and Other Borrowed Funds	-	318,482	-	318,482
Custodian Accounts of Maldives Retirement Pension Scheme	-	33,113	-	33,113
Total Financial Liabilities	-	13,573,592	-	13,573,592

(All amounts in MVR '000 unless otherwise stated)

30 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Instruments Recorded at Fair Value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Determination of Fair Value and Fair Value Hierarchy

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

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

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

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

a) Financial Investments - Available for Sale

Available for Sale Financial Assets consists of quoted and unquoted equity securities. Quoted equity securities are valued using quoted market prices in the active markets as at the reporting date. Unquoted shares are valued at cost as explained in Note 17.

b) Determination of Fair Value and Fair Value Hierarchy

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

	Bank / Group			
	31 December 2017		31 December 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and Cash Equivalents	1,322,853	1,322,853	1,041,247	1,041,247
Balances with Maldives Monetary Authority	1,913,495	1,913,495	1,664,317	1,664,317
Placements with Banks	1,750,216	1,750,216	1,549,986	1,549,986
Loans and Receivables to Other Customers	12,221,060	12,221,060	9,596,117	9,596,117
Financial Investments - Held to Maturity	4,381,825	4,381,825	4,246,300	4,246,300
Total Financial Assets	21,589,449	21,589,449	18,097,967	18,097,967
Financial Liabilities				
Due to Customers	15,186,717	15,186,717	13,221,997	13,221,997
Term Debt and Other Borrowed Funds	793,602	793,602	318,482	318,482
Custodian Accounts of Maldives Retirement Pension Scheme	16,189	16,189	33,113	33,113
Total Financial Liabilities	15,996,508	15,996,508	13,573,592	13,573,592

30 FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd..)

c) Fair Value of Financial Assets and Liabilities not Carried at Fair Value

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

Assets for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short term maturity it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity and unquoted shares.

31 RISK MANAGEMENT

Bank / Group

31.1 Introduction

Risk is inherent in the Group's activities but is managed through a process of ongoing identification, measurement and monitoring, and is subject to risk limits and other controls as per the risk appetite of the Group. The Group's most significant risk exposures are considered to be in the areas of Credit Risk, Market Risk, Operational Risk and Liquidity Risk. The impact of other risks such as Reputational Risk, Compliance Risk and Legal Risk are also monitored carefully as are external risks such as changes in the political, regulatory and industry environment. During the year, the Group progressed, with external risk management expertise, the International Risk Standards Project which targets the very best international practices and standards.

31.2 Risk Management Objectives, Policies and Processes

The foremost objective of risk management is to assess the uncertainty of the future in order to make the best possible decision at present so as to protect the Group's stability and financial strength. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor adherence to these limits and controls. Further, all risk management policies are updated regularly to reflect, among other things, changes in market conditions, products and services offered by the Group as well as prevailing regulatory requirements.

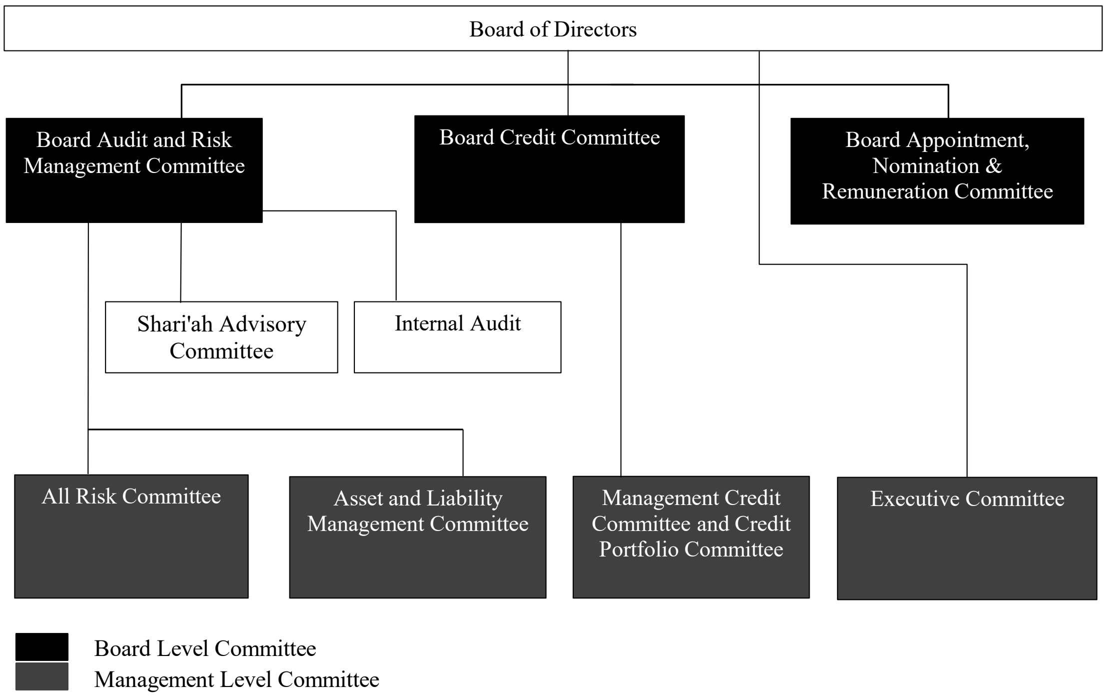
The measurement of financial instruments is done in accordance with IAS 39: Financial Instruments Recognition and Measurement for asset classification and provisioning, with appropriate assessment of expectation of future cash flows. The most appropriate methods of ascertaining the risk of such instruments is done by way of assessing the future settlement plan. Early identification of any issues is essential to address the challenges of the environment and to determine the future cash flows of the Group. Having identified the categories of the measurements, the Group implemented mitigating controls for better portfolio management. Separate management methods were introduced as per collateral, risk rating, and cash flow attached to each instrument. Stringent measures were introduced for products which needed close monitoring.

(All amounts in MVR '000 unless otherwise stated)

31 RISK MANAGEMENT (Contd..)

31.3 Risk Management Structure

Overall responsibility for risk management in the Group lies with the Board of Directors. The Group has in place appropriate policies which define its risk appetite and risk management framework, including the responsibilities of senior management in implementing these policies. There are committees at both Board and Management levels to ensure that appropriate risk governance is in place. The Group's governance model is organized according to the principles of three lines of defense which separates the Group's control functions (Risk Management, Compliance and Internal Audit) from its risk-taking functions.



Board Audit and Risk Management Committee

The Audit and Risk Management Committee reviews the effectiveness of the Group’s risk management framework related to the identification, measurement, monitoring and controlling of risks. The Committee also reviews and monitors the integrity of the Group’s financial statements and financial reporting process and its systems of internal accounting and financial controls. In addition, the Committee reviews and challenges where necessary the consistency of, and any changes to, accounting policies. The Committee reviews the compliance of the Group with legal and regulatory requirements including its disclosure requirements, controls and procedures. Furthermore, the Committee reviews the engagement of the external auditors and the evaluation of the independence, objectivity and performance of the external auditors. The Chief Internal Auditor reports directly to the Committee. Moreover, the Committee investigates any matters within its terms of reference and in this regard the Committee is given full access to information and full-cooperation is provided by the management to enable it to discharge its functions properly.

Board Credit Committee

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

31 RISK MANAGEMENT (Contd..)

31.3 Risk Management Structure (Contd..)

31.3.1 All Risk Committee

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

31.3.2 Asset and Liability Management Committee

The Asset and Liability Committee is responsible for ensuring the Group manages its liquidity in the most productive and prudent manner in compliance with the its Liquidity Management Policy. The Committee reviews key risks such as liquidity risk, interest rate risk, currency risk and market risk.

31.3.3 Management Credit Committee

The Management Credit Committee is a credit approving entity with responsibilities delegated up to a specific level and the Committee's responsibilities include reviewing and approving credit proposals in line with the Group's Delegation of Authority Policy.

31.3.4 Credit Portfolio Committee

The Credit Portpolio Committee is a management level committee established to ensure that the Group's loan portfolio and credit risk profile are in compliance with the Group's Credit Policy.

31.4 Credit Risk

Credit Risk is the risk of loss due to the failure of a customer or a counterparty to meet their contractual obligations towards the Group. The Group manages and controls this risk, among other things, by establishing limits for borrowers, counterparties, industries and the overall credit portfolio based on economic conditions, regulatory requirements and other factors.

Management of Credit Risk

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

The Group's credit risk management process broadly encompasses the following.

a) Loan origination and risk appraisal comprising initial screening and credit appraisal are conducted for all loan proposals.

b) Clear guidelines and policies have been established for loan approvals within delegated credit approval authorities.

c) Credit administration and disbursement is performed by the Loan Service Unit (for retail loans) and Corporate Banking Division (for corporate loans). These units are responsible for ensuring that the origination and disbursement of credit is made only after stipulated conditions have been met and relevant security documents obtained in order to protect the Group's rights as lender.

31 RISK MANAGEMENT (Contd..)

31.4 Credit Risk (Contd..)

d) Timely portfolio reviews are performed pertaining to inherent and evolving risk. Additionally, responsibilities for monitoring and tracking any early warning signals pertaining to a deterioration in the financial health of borrowers have been assigned to the respective business units who are also responsible for identifying and managing any customers who need special attention or close monitoring.

e) Non-performing advances are managed by the Recoveries Unit. This unit's responsibilities include restructuring of the credit, monitoring the value of the applicable collateral and liaising with the customer until all legal recovery matters are finalized.

The Group's credit risk management process is articulated in the relevant lending policies, which are approved by the Board of Directors. These policies lay down the conditions and guidelines for the granting, maintenance, monitoring and management of credit at both individual transaction and portfolio levels. These policies are consistent with prudent practices and with relevant regulatory requirements. Limits have been prescribed for the Group's exposure to any single borrower, group of specific borrowers and specific industries/sectors in order to avoid concentration of credit risk.

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

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. However, current regulations require the Group to undertake a quarterly review of all accounts. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the date of statement of financial position on a case-by-case basis, and are applied to all individually significant accounts.

Impairment Assessment

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the date of statement of financial position based on objective evidence of impairment. The impairment provision shown in the statement of financial position at year-end is derived as described in Note 2.10.12.

Individually Assessed Allowances

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. However, current regulations require the Group to undertake a quarterly review of all accounts. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at date of statement of financial position on a case-by-case basis, and are applied to all individually significant accounts.

Collectively Assessed Allowances

Allowances for collective impairment are assessed on the basis of continuous review of all advances to customers, in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Financial guarantees and letters of credit are assessed in a similar manner as for loans when assessing for impairment.

Commitment Related Credit Risks

Letters of credit and guarantees commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods and in some cases to provide assurance of the performance of certain obligations by the customer under a contract. Such commitments expose the Group to similar risks to loans and are mitigated by the same control processes and policies.

(All amounts in MVR '000 unless otherwise stated)

31 RISK MANAGEMENT (Contd..)

31.4 Credit Risk (Contd...)

Analysis of Maximum Exposure to Credit Risk and Collateral and Other Credit Enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The Group obtains cash, property, guarantees, other movable and immovable property as collateral against lending. An approved list of acceptable securities and the applicable percentage of cash security category are defined under the Collateral Policy. The Management monitors the market value of collateral, and will request additional collateral in accordance with the underlying agreement. It is the Group's policy to dispose of repossessed properties in an orderly manner. The proceeds are used to reduce or repay the outstanding claim.

Maximum Exposure to Credit risk before Collateral Held or other Credit Enhancements

The table below shows the maximum exposure to credit risk for the components of the Statement of Financial Position.

	31 December 2017			
	Bank		Group	
	Maximum exposure to credit risk	Net exposure to credit risk	Maximum exposure to credit risk	Net exposure to credit risk
Balances With Other Banks	652,808	652,808	652,808	652,808
Placements with Banks	1,750,216	1,750,216	1,750,216	1,750,216
Loans and Receivables to Other Customers	12,515,771	1,488,634	12,515,771	1,488,634
Financial Investments - Available for Sale	123,483	123,483	123,483	123,483
Financial Investments - Held to Maturity	4,381,825	4,381,825	4,381,825	4,381,825
	19,424,103	8,396,965	19,424,103	8,396,965

	31 December 2016			
	Bank		Group	
	Maximum exposure to credit risk	Net exposure to credit risk	Maximum exposure to credit risk	Net exposure to credit risk
Balances With Other Banks	417,140	417,140	417,140	417,140
Placements with Banks	1,549,986	1,549,986	1,549,986	1,549,986
Loans and Receivables to Other Customers	10,394,992	1,290,606	10,228,008	1,290,606
Financial Investments - Available for Sale	84,556	84,556	84,556	84,556
Financial Investments - Held to Maturity	4,246,300	4,246,300	4,246,300	4,246,300
	16,692,974	7,588,588	16,525,990	7,588,588

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

(All amounts in MVR '000 unless otherwise stated)

31 RISK MANAGEMENT (Contd..)

31.4 Credit Risk (Contd..)

Credit Quality by Class of Financial Assets

The Group manages the credit quality of financial assets through IAS 39: Financial Instruments - Recognition and Measurement for Provisioning and Assets Classification. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk. The amounts presented are gross of impairment allowances.

	Bank						
31 December 2017	**Neither Past Due Nor Impaired**	**Past Due But Not Impaired**				**Individually Impaired**	**Total**
		1-90 Days	**91-180 Days**	**181-360 Days**	**More than 360 Days**		
Cash and Cash Equivalents	1,322,853	-	-	-	-	-	1,322,853
Statutory Deposit with the Maldives Monetary Authority	1,913,495	-	-	-	-	-	1,913,495
Placements with Banks	1,750,216	-	-	-	-	-	1,750,216
Loans and Receivables to Other Customers	10,334,650	795,499	46,116	42,163	431,636	865,707	12,515,771
Financial Investments - Available for Sale	123,483	-	-	-	-	-	123,483
Financial Investments - Held to Maturity	4,381,825	-	-	-	-	-	4,381,825
Total	19,826,522	795,499	46,116	42,163	431,636	865,707	22,007,643

31 December 2016	**Neither Past Due Nor Impaired**	**Past Due But Not Impaired**				**Individually Impaired**	**Total**
		1-90 Days	**91-180 Days**	**181-360 Days**	**More than 360 Days**		
Cash and Cash Equivalents	1,041,247	-	-	-	-	-	1,041,247
Statutory Deposit with the Maldives Monetary Authority	1,664,317	-	-	-	-	-	1,664,317
Placements with Banks	1,549,986	-	-	-	-	-	1,549,986
Loans and Receivables to Other Customers	7,337,176	1,282,697	396,120	33,522	576,478	768,999	10,394,992
Financial Investments - Available for Sale	84,556	-	-	-	-	-	84,556
Financial Investments - Held to Maturity	4,246,300	-	-	-	-	-	4,246,300
Total	15,923,582	1,282,697	396,120	33,522	576,478	768,999	18,981,398

IFRS 7 - Financial Instruments - Disclosures specifically require the disclosure of quality of loans that are neither impaired nor past due and an analysis of the age of financial assets that are past due but not impaired as at the reporting date. The Group considers any amounts uncollected for one day or more beyond their contractual due date as 'past due'. The classification of the previous years have been amended for better presentation and to be comparable with those of the current year.

(All amounts in MVR '000 unless otherwise stated)

31 RISK MANAGEMENT (Contd..)

31.4 Credit Risk (Contd..)

Credit Quality by Class of Financial Assets

The Group manages the credit quality of financial assets through IAS 39: Financial Instruments - Recognition and Measurement for Provisioning and Assets Classification. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk. The amounts presented are gross of impairment allowances.

	Group						
31 December 2017	**Neither Past Due Nor Impaired**	**Past Due But Not Impaired**				**Individually Impaired**	**Total**
		1-90 Days	**91-180 Days**	**181-360 Days**	**More than 360 Days**		
Cash and Cash Equivalents	1,322,853	-	-	-	-	-	1,322,853
Statutory Deposit with the Maldives Monetary Authority	1,913,495	-	-	-	-	-	1,913,495
Placements with Banks	1,750,216	-	-	-	-	-	1,750,216
Loans and Receivables to Other Customers	10,334,650	795,499	46,116	42,163	431,636	865,707	12,515,771
Financial Investments - Available for Sale	123,483	-	-	-	-	-	123,483
Financial Investments - Held to Maturity	4,381,825	-	-	-	-	-	4,381,825
Total	19,826,522	795,499	46,116	42,163	431,636	865,707	22,007,643

31 December 2016	**Neither Past Due Nor Impaired**	**Past Due But Not Impaired**				**Individually Impaired**	**Total**
		1-90 Days	**91-180 Days**	**181-360 Days**	**More than 360 Days**		
Cash and Cash Equivalents	1,041,247	-	-	-	-	-	1,041,247
Statutory Deposit with the Maldives Monetary Authority	1,664,317	-	-	-	-	-	1,664,317
Placements with Banks	1,549,986	-	-	-	-	-	1,549,986
Loans and Receivables to Other Customers	7,337,176	1,282,697	396,120	33,522	576,478	602,014	10,228,008
Financial Investments - Available for Sale	84,556	-	-	-	-	-	84,556
Financial Investments - Held to Maturity	4,246,300	-	-	-	-	-	4,246,300
Total	15,923,583	1,282,697	396,120	33,522	576,478	602,014	18,814,414

IFRS 7 - Financial Instruments - Disclosures specifically require the disclosure of quality of loans that are neither impaired nor past due and an analysis of the age of financial assets that are past due but not impaired as at the reporting date. The Group considers any amounts uncollected for one day or more beyond their contractual due date as 'past due'. The classification of the previous years have been amended for better presentation and to be comparable with those of the current year.

(All amounts in MVR '000 unless otherwise stated)

31 RISK MANAGEMENT (Contd..)

31.4 Credit Risk (Contd..)

31.4.1 Loans and Receivables

Loans and advances are summarised as follows:

	Bank		Group	
	2017	**2016**	**2017**	**2016**
Neither past due nor impaired	10,334,650	7,337,176	10,334,650	7,337,176
Past due but not impaired	1,315,414	2,288,817	1,315,414	2,288,817
Individually Impaired	865,707	768,999	865,707	602,014
Gross	12,515,771	10,394,992	12,515,771	10,228,008
Less: allowance for impairment	(294,711)	(798,875)	(294,711)	(631,891)
Net	12,221,060	9,596,117	12,221,060	9,596,117

Further information of the impairment allowance for loans and advances to customers is provided in Note 16.6.

Group's loans and advances neither past due nor impaired

	Bank/Group	
Analysed by industry	**2017**	**2016**
Commerce	673,699	586,692
Construction	2,400,561	1,787,100
Fishing	198,040	150,283
Manufacturing	78,827	67,091
Services	675,392	467,501
Tourism	3,076,005	2,421,943
Real Estate	733,446	61,463
Consumer	1,477,352	1,292,559
Other	1,021,327	502,545
	10,334,650	7,337,176

(a) Loans neither past due nor impaired

Currently, the Group does not maintain an internal credit rating system except for exposures which are classified as non-performing. However, the Group carries out an in-depth credit risk assessment on a qualitative and quantitative basis before granting a facility. Exposure to each borrower is reviewed on a scheduled basis.

In evaluating credit risks, the Group considers qualitative criteria pertinent to the borrower, including management depth and reputation, the borrower’s past track record, the industry, business risks and operating environment. The Group looks for quality, stability and sustainability of performance. In terms of quantitative assessment, the Group analyses the borrower’s historical and projected financial statements, where pertinent.

To manage and mitigate risk of loss in the event of default, the Group looks firstly at the protection accorded by the borrower’s net assets versus the Group’s exposure to the borrower. Where appropriate, the Group will examine the quality, liquidity and hence the realisable value of the borrower's principal operating assets such as account receivables, inventory and capital assets. In establishing financial protection for its exposure, the Group may take a security interest in such assets by way of mortgages, pledges, assignments and the like. In addition, the Group may also take additional collateral offered by the borrower’s principals or third parties to ensure adequate protection with a margin. Taking collateral is a prevalent practice in the local lending environment as an additional prudent measure to mitigate against potential loss at default.

Gross amount of loans and advances by class to customers that were neither past due nor impaired were as follows.

Bank/Group	Individual (retail customers)					
31 December 2017	**Overdrafts**	**Credit cards**	**Term Loans**	**Mortgages**	**Retail Banking**	**Total**
Neither Past Due Nor Impaired	25,505	303,701	610,893	2,899,831	1,246,841	5,086,772
Total	25,505	303,701	610,893	2,899,831	1,246,841	5,086,772

	Corporate Entities
	Total
Neither Past Due Nor Impaired	5,247,878
	5,247,878

(All amounts in MVR '000 unless otherwise stated)

31 RISK MANAGEMENT (Contd..)

31.4 Credit Risk (Contd..)

Bank/Group	**Individual (retail customers)**					
31 December 2016	**Overdrafts**	**Credit cards**	**Term Loans**	**Mortgages**	**Retail Banking**	**Total**
Neither Past Due Nor Impaired	28,793	259,636	489,765	1,595,322	1,054,171	3,427,687
Total	28,793	259,636	489,765	1,595,322	1,054,171	3,427,687

	Corporate Entities Total
Neither Past Due Nor Impaired	3,909,490
	3,909,490

(b) Loans and advances past due but not impaired

Loans and advances past due are not considered as impaired unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows.

Bank/Group	**Individual (retail customers)**					
31 December 2017	**Overdrafts**	**Credit cards**	**Term Loans**	**Mortgages**	**Retail Banking**	**Total**
Past due up to 29 days	-	21,900	1,044	185,089	17,722	225,755
Past due 30-59 days	1,580	6,344	108,485	210,382	17,260	344,051
Past due 60-89 days	902	-	93,822	72,139	16,366	183,229
Past due 90-179 days	899	4,857	18,774	14,019	7,506	46,054
Past due 180-359 days	4,954	6,483	16,863	8,388	5,475	42,163
Past due more than 360 days	5,944	-	85,740	5,094	15,199	111,979
Total	14,279	39,584	324,729	495,110	79,528	953,230

31 December 2017	**Corporate Entities Total**
Past due up to 29 days	593
Past due 30-59 days	0
Past due 60-89 days	41,870
Past due 90-179 days	62
Past due 180-359 days	-
Past due more than 360 days	319,657
Total	362,183

(All amounts in MVR '000 unless otherwise stated)

31 RISK MANAGEMENT (Contd..)

31.4 Credit Risk (Contd..)

Bank/Group 31 December 2016	Individual (retail customers) Overdrafts	Credit Cards	Term Loans	Mortgages	Retail Banking	Total
Past due up to 29 days	-	11,301	304,220	645,321	68,530	1,029,372
Past due 30-59 days	608	4,926	53,157	53,570	15,074	127,334
Past due 60-89 days	635	-	3,125	21	5,897	9,679
Past due 90-179 days	316	3,281	29,371	26,022	5,751	64,741
Past due 180-359 days	219	2,544	24,271	3,627	2,861	33,522
Past due more than 360 days	4,744	781	75,866	1,434	9,305	92,130
Total	6,522	22,832	490,010	729,996	107,418	1,356,777

31 December 2016	Corporate Entities Total
Past due up to 29 days	21,861
Past due 30-59 days	2,457
Past due 60-89 days	91,995
Past due 90-179 days	331,379
Past due 180-359 days	-
Past due more than 360 days	484,348
Total	932,040

(c) Loans and advances individually impaired

The individually impaired loans and advances to customers after taking into consideration the cash flows from collateral held is MVR 934,268,843/- (2016: MVR 768,998,661/-) at Bank and MVR 934,268,843/- (2016: MVR 602,014,394/-) at Group.

The breakdown of the gross amount of individually impaired loans and advances by class are as follows:

Bank 31 December 2017	Individual (retail customers) Overdrafts	Credit Cards	Term Loans	Mortgages	Retail Banking	Large Corporate Customers	Total
Individually impaired loans	-	-	19,556	42,910	-	803,241	865,707
Total	-	-	19,556	42,910	-	803,241	865,707

Group 31 December 2017	Individual (retail customers) Overdrafts	Credit Cards	Term Loans	Mortgages	Retail Banking	Large Corporate Customers	Total
Individually impaired loans	-	-	19,556	42,910	-	803,241	865,707
Total	-	-	19,556	42,910	-	803,241	865,707

(All amounts in MVR '000 unless otherwise stated)

31 RISK MANAGEMENT (Contd..)

31.4 Credit Risk (Contd..)

Bank	**Individual (retail customers)**					**Large**	**Total**
31 December 2016	**Overdrafts**	**Credit Cards**	**Term Loans**	**Mortgages**	**Retail Banking**	**Corporate Customers**	
Individually impaired	-	-	26,438	67,387	-	675,173	768,999
Total	-	-	26,438	67,387	-	675,173	768,999

Group	**Individual (retail customers)**					**Large**	**Total**
31 December 2016	**Overdrafts**	**Credit Cards**	**Term Loans**	**Mortgages**	**Retail Banking**	**Corporate Customers**	
Individually impaired loans	-	-	26,438	67,387	-	508,189	602,014
Total	-	-	26,438	67,387	-	508,189	602,014

(d) Loans and Advances Renegotiated

Renegotiated loans totaled MVR 963,026,956/- (2016: MVR 1,235,071,616/-) as at 31 December 2017.

	Bank/Group	
Renegotiated loans and advances to customers –	**2017**	**2016**
Individuals:		
Continuing to be impaired after restructuring	29,166	80,396
Non–impaired after restructuring – would otherwise have been impaired	22,091	32,764
Non–impaired after restructuring – would otherwise not have been impaired	106,300	21,297
Corporate entities:		
Continuing to be impaired after restructuring	641,272	357,374
Non–impaired after restructuring – would otherwise have been impaired	13,936	-
Non–impaired after restructuring – would otherwise not have been impaired	150,262	743,241
	963,027	1,235,072

31.4.2 Commitments and Contingencies

To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk exposure of the Group.

The table below shows the Group's maximum credit risk exposure for commitments and guarantees.

	Bank/Group	
As at 31 December	**2017**	**2016**
Guarantees	45,606	77,020
Documentary Credit	89,417	169,551
Acceptances	25,831	15,351
Operating lease Commitments	35,867	24,067
Capital Commitments	58,552	15,919
Loan Commitments	2,378,536	1,748,641
Overdraft Commitments	132,862	145,455
Other Financial Commitments	-	837,376
	2,766,672	3,033,380

Details of commitments and contingencies are given in Note 35.

(All amounts in MVR '000 unless otherwise stated)

31 RISK MANAGEMENT (Contd..)

31.4 Credit Risk (Contd..)

31.4.3 Analysis of Risk Concentration

a) Concentrations by sector

The Group monitors concentration of credit risk by sector and by geographic location. An analysis of risk concentration by industry for the financial assets is given below.

	Bank		Group	
	2017	**2016**	**2017**	**2016**
Manufacturing	93,003	99,458	93,003	99,458
Tourism	3,994,678	3,594,189	3,994,678	3,594,189
Transport and Services	710,453	529,076	710,453	529,076
Construction	2,873,287	2,660,357	2,873,287	2,660,357
Commerce	795,160	754,475	795,160	754,475
Fishing	508,038	526,976	508,038	526,976
Real Estate	914,650	133,846	914,650	133,846
Consumer	1,603,202	1,419,512	1,603,202	1,419,512
Other	1,023,299	677,102	1,023,299	510,118
	12,515,771	10,394,992	12,515,771	10,228,008

31.5 Liquidity Risk

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

Management of Liquidity Risk

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

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

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

The Group maintains a statutory deposit with MMA equal to 10% of customer deposits. Furthermore, the Group maintains a ratio of net liquid assets to liabilities to reflect market conditions.

(All amounts in MVR '000 unless otherwise stated)

31 RISK MANAGEMENT (Contd..)

31.5 Liquidity Risk (Contd..)

Contractual Maturities of Undiscounted Cash Flows of Assets and Liabilities

	Bank				
As at 31 December 2017	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Total**
Financial Assets					
Cash and Cash Equivalents	1,322,853	-	-	-	1,322,853
Balances with Maldives Monetary Authority	1,913,495	-	-	-	1,913,495
Placements with Banks	1,750,216	-	-	-	1,750,216
Loans and Receivables to Other Customers	2,593,602	427,834	2,305,442	7,188,893	12,515,771
Financial Investments - Available for Sale	-	-	-	123,483	123,483
Financial Investments - Held to Maturity	1,423,782	2,793,534	17,188	147,321	4,381,825
Total Undiscounted Financial Assets	9,003,947	3,221,368	2,322,630	7,459,697	22,007,643
Non Financial Assets					
Investment in Subsidiaries	-	10	-	-	10
Property, Plant and Equipment	-	-	-	336,894	336,894
Intangible Assets	-	-	-	72,089	72,089
Other Assets	100,173	-	-	142,869	243,042
Total Undiscounted Non-Financial Assets	100,173	10	-	551,852	652,035
Total Undiscounted Assets	9,104,120	3,221,378	2,322,630	8,011,549	22,659,677
Financial Liabilities					
Due to Customers	14,850,945	335,767	-	5	15,186,717
Term Debt and Other Borrowed Funds	371,290	35,512	361,420	25,380	793,602
Custodian Accounts of Maldives Retirement Pension Scheme	16,189	-	-	-	16,189
Total Undiscounted Financial Liabilities	15,238,424	371,279	361,420	25,385	15,996,508
Non Financial Liabilities					
Current Tax Liabilities	-	310,644	-	-	310,644
Deferred Tax Liabilities	-	-	-	22,848	22,848
Other Liabilities	486,849	-	-	-	486,849
Total Undiscounted Non-Financial Liabilities	486,849	310,644	-	22,848	820,341
Total Undiscounted Liabilities	15,725,273	681,923	361,420	48,232	16,816,848
Net Undiscounted Financial Assets/(Liabilities)	(6,234,477)	2,850,089	1,961,210	7,434,313	6,011,135
Net Undiscounted Assets/(Liabilities)	(6,621,153)	2,539,455	1,961,210	7,963,316	5,842,829

(All amounts in MVR '000 unless otherwise stated)

31 RISK MANAGEMENT (Contd..)

31.5 Liquidity Risk (Contd..)

	Bank				
As at 31 December 2016	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Total**
Financial Assets					
Cash and Cash Equivalents	1,041,247	-	-	-	1,041,247
Balances with Maldives Monetary Authority	1,664,317	-	-	-	1,664,317
Placements with Banks	1,394,921	155,065	-	-	1,549,986
Loans and Receivables to Other Customers	1,283,963	594,144	2,924,003	5,592,881	10,394,992
Financial Investments - Available for Sale	-	-	-	84,556	84,556
Financial Investments - Held to Maturity	1,407,937	2,685,650	-	152,713	4,246,300
Total Undiscounted Financial Assets	6,792,385	3,434,859	2,924,003	5,830,150	18,981,398
Non Financial Assets					
Investment in Subsidiaries	-	-	-	10	10
Property, Plant and Equipment	-	-	-	265,997	265,997
Intangible Assets	-	-	-	77,700	77,700
Deferred Tax Assets	-	-	-	58,889	58,889
Other Assets	74,883	-	-	142,882	217,766
Total Undiscounted Non-Financial Assets	74,883	-	-	545,478	620,361
Total Undiscounted Assets	6,867,268	3,434,859	2,924,003	6,375,629	19,601,759
Financial Liabilities					
Due to Customers	12,804,019	417,673	300	5	13,221,997
Term Debt and Other Borrowed Funds	102,743	36,173	146,610	32,957	318,482
Custodian Accounts of Maldives Retirement Pension Scheme	33,113	-	-	-	33,113
Total Undiscounted Financial Liabilities	12,939,875	453,846	146,910	32,962	13,573,592
Non Financial Liabilities					
Current Tax Liabilities	-	317,221	-	-	317,221
Other Liabilities	366,354	-	-	-	366,354
Total Undiscounted Non-Financial Liabilities	366,354	317,221	-	-	683,575
Total Undiscounted Liabilities	13,306,228	771,067	146,910	32,962	14,257,167
Net Undiscounted Financial Assets/(Liabilities)	(6,147,489)	2,981,013	2,777,093	5,797,188	5,407,806
Net Undiscounted Assets/(Liabilities)	(6,438,960)	2,663,792	2,777,093	6,342,667	5,344,592

(All amounts in MVR '000 unless otherwise stated)

31 RISK MANAGEMENT (Contd..)

31.5 Liquidity Risk (Contd..)

	Group				
As at 31 December 2017	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Total**
Financial Assets					
Cash and Cash Equivalents	1,322,853	-	-	-	1,322,853
Balances with Maldives Monetary Authority	1,913,495	-	-	-	1,913,495
Placements with Banks	1,750,216	-	-	-	1,750,216
Loans and Receivables to Other Customers	2,593,602	427,834	2,305,442	7,188,893	12,515,771
Financial Investments - Available for Sale	-	-	-	123,483	123,483
Financial Investments - Held to Maturity	1,423,782	2,793,534	17,188	147,321	4,381,825
Total Undiscounted Financial Assets	9,003,947	3,221,368	2,322,630	7,459,697	22,007,643
Non Financial Assets					
Property, Plant and Equipment	-	-	-	336,894	336,894
Intangible Assets	-	-	-	72,089	72,089
Other Assets	100,173	-	-	142,869	243,042
Total Undiscounted Non-Financial Assets	100,173	-	-	551,852	652,025
Total Undiscounted Assets	9,104,120	3,221,368	2,322,630	8,011,550	22,659,667
Financial Liabilities					
Due to Customers	14,850,945	335,767	-	5	15,186,717
Term Debt and Other Borrowed Funds	371,290	35,512	361,420	25,380	793,602
Custodian Accounts of Maldives Retirement Pension Scheme	16,189	-	-	-	16,189
Total Undiscounted Financial Liabilities	15,238,424	371,279	361,420	25,385	15,996,508
Non Financial Liabilities					
Current Tax Liabilities	-	310,644	-	-	310,644
Deferred Tax Liabilities	-	-	-	22,848	22,848
Other Liabilities	486,849	-	-	-	486,849
Total Undiscounted Non-Financial Liabilities	486,849	310,644	-	22,848	820,341
Total Undiscounted Liabilities	15,725,273	681,923	361,420	48,232	16,816,848
Net Undiscounted Financial Assets/(Liabilities)	(6,234,477)	2,850,089	1,961,210	7,434,313	6,011,135
Net Undiscounted Assets/(Liabilities)	(6,621,153)	2,539,445	1,961,210	7,963,317	5,842,819

(All amounts in MVR '000 unless otherwise stated)

31 RISK MANAGEMENT (Contd..)

31.5 Liquidity Risk (Contd..)

	Group				
As at 31 December 2016	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Total**
Financial Assets					
Cash and Cash Equivalents	1,041,247	-	-	-	1,041,247
Balances with Maldives Monetary Authority	1,664,317	-	-	-	1,664,317
Placements with Banks	1,394,921	155,065	-	-	1,549,986
Loans and Receivables to Other Customers	1,283,963	594,144	2,757,019	5,592,881	10,228,008
Financial Investments - Available for Sale	-	-	-	84,556	84,556
Financial Investments - Held to Maturity	1,407,937	2,685,650	-	152,713	4,246,300
Total Undiscounted Financial Assets	6,792,385	3,434,859	2,757,019	5,830,150	18,814,414
Non Financial Assets					
Property, Plant and Equipment	-	-	-	265,997	265,997
Intangible Assets	-	-	-	77,700	77,700
Deferred Tax Assets	-	-	-	58,889	58,889
Other Assets	111,438	-	-	142,882	254,320
Total Undiscounted Non-Financial Assets	111,438	-	-	545,468	656,906
Total Undiscounted Assets	6,903,823	3,434,859	2,757,019	6,375,619	19,471,320
Financial Liabilities					
Due to Customers	12,804,019	417,673	300	5	13,221,997
Term Debt and Other Borrowed Funds	102,743	36,173	146,610	32,957	318,482
Custodian Accounts of Maldives Retirement Pension Scheme	33,113	-	-	-	33,113
Total Undiscounted Financial Liabilities	12,939,874	453,846	146,910	32,962	13,573,592
Non Financial Liabilities					
Current Tax Liabilities	-	317,221	-	-	317,221
Other Liabilities	366,435	-	-	-	366,435
Total Undiscounted Non-Financial Liabilities	366,435	317,221	-	-	683,656
Total Undiscounted Liabilities	13,306,309	771,067	146,910	32,962	14,257,249
Net Undiscounted Financial Assets/(Liabilities)	(6,147,489)	2,981,013	2,610,109	5,797,188	5,240,822
Net Undiscounted Assets/(Liabilities)	(6,402,486)	2,663,792	2,610,109	6,342,657	5,214,072

(All amounts in MVR '000 unless otherwise stated)

31 RISK MANAGEMENT (Contd..)

31.5 Liquidity Risk (Contd..)

Contractual Maturities of Commitments and Contingencies

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called upon.

	Bank/Group				
As at 31 December 2017 Contingencies	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Total**
Guarantees	11,465	26,603	7,538	-	45,606
Documentary Credit	15,932	73,485	-	-	89,417
Acceptances	25,831	-	-	-	25,831
	53,228	100,088	7,538	-	160,854
Commitments					
Operating lease Commitments	-	18,109	15,976	1,782	35,867
	-	18,109	15,976	1,782	35,867
Capital Commitments	58,552	-	-	-	58,552
	58,552	-	-	-	58,552
Loan Commitments	573,655	1,804,881	-	-	2,378,536
Overdraft Commitments	13,120	119,736	6	-	132,862
	586,775	1,924,617	6	-	2,511,398
	698,554	2,042,814	23,520	1,782	2,766,672
As at 31 December 2016 Contingencies	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Total**
Guarantees	23,880	33,786	19,354	-	77,020
Documentary Credit	139,301	24,166	6,084	-	169,551
Acceptances	15,351	-	-	-	15,351
	178,532	57,952	25,438	-	261,922
Commitments					
Operating lease Commitments	205	6,374	11,110	6,378	24,067
	205	6,374	11,110	6,378	24,067
Capital Commitments	15,919	-	-	-	15,919
	15,919	-	-	-	15,919
Loan Commitments	472,230	976,655	299,755	-	1,748,641
Overdraft Commitments	13,566	131,886	4	-	145,455
Other Financial Commitments	837,376	-	-	-	837,376
	1,323,172	1,108,541	299,759	-	2,731,472
	1,517,829	1,172,867	336,307	6,378	3,033,380

31 RISK MANAGEMENT (Contd..)

31.6 Market Risk

Market Risk relates to the impact of fluctuations in market rates on the Group’s assets and liabilities, or the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Group does not have a trading portfolio or quoted equity investments. Therefore the Group is not open to any equity price risk.

Non-trading portfolios primarily arise from the interest rate management of the Group's financial assets and liabilities.

Management of Market Risk

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

31.6.1 Interest Rate Risk

Interest Rate Risk is an inherent risk created when there is a mismatch between the tenors of an asset vis-à-vis the tenors of liabilities or when there is a mismatch between floating and fixed rate assets and liabilities. Interest Rate Risk results from the differences in interest rate changes on assets, liabilities and off-balance sheet instruments.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Management of Interest Rate Risk

The Group does not carry a trading portfolio and does not generally invest in stocks or shares other than Government treasury bills and money market placements. These investments are generally less than 12 months and are held to maturity. The Group prepares an Interest Rate Sensitivity of Assets and Liabilities which is presented to the Group's Asset and Liability Management Committee (ALCO) on a monthly basis.

(All amounts in MVR '000 unless otherwise stated)

31 RISK MANAGEMENT (Contd..)

31.6 Market Risk (Contd..)

The table below analyses the Group's interest rate risk exposure on financial assets and liabilities. Financial assets and liabilities are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

The Group's interest rate risk exposure on financial assets and liabilities of the previous year have been amended to conform with the current year presentation.

	Bank					
	Interest Bearing				Non Interest Bearing	Total
As at 31 December 2017	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**		
Financial Assets						
Cash and Cash Equivalents	-	-	-	-	1,322,853	1,322,853
Statutory Deposit with the Maldives Monetary Authority	1,506,087	-	-	-	407,408	1,913,495
Placements with Banks	1,750,216	-	-	-	-	1,750,216
Loans and Receivables to Other Customers	2,593,602	427,834	2,305,442	7,188,893	-	12,515,771
Financial Investments - Available for Sale	-	-	-	123,483	-	123,483
Financial Investments - Held to Maturity	1,423,782	2,793,534	17,188	147,321	-	4,381,825
Total Undiscounted Financial Assets	7,273,686	3,221,368	2,322,630	7,459,697	1,730,261	22,007,643
Financial Liabilities						
Due to Customers	5,580,355	335,767	-	5	9,270,591	15,186,717
Term Debt and Other Borrowed Funds	371,290	35,512	361,420	25,380	-	793,602
Custodian Accounts of Maldives Retirement Pension Scheme	-	-	-	-	16,189	16,189
Total Undiscounted Financial Liabilities	5,951,645	371,279	361,420	25,385	9,286,779	15,996,508
Total Interest Rate Sensitivity Gap	1,322,041	2,850,089	1,961,210	7,434,313	(7,556,518)	6,011,135

(All amounts in MVR '000 unless otherwise stated)

31 RISK MANAGEMENT (Contd..)

31.6 Market Risk (Contd..)

	Bank					
	Interest Bearing				Non Interest Bearing	Total
As at 31 December 2016	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**		
Financial Assets						
Cash and Cash Equivalents	-	-	-	-	1,041,247	1,041,247
Statutory Deposit with the Maldives Monetary Authority	1,278,439	-	-	-	385,878	1,664,317
Placements with Banks	1,394,921	155,065	-	-	-	1,549,986
Loans and Receivables to Other Customers	1,283,963	594,144	2,924,003	5,592,881	-	10,394,992
Financial Investments - Available for Sale	-	-	-	84,556	-	84,556
Financial Investments - Held to Maturity	1,407,937	2,685,650	-	152,713	-	4,246,300
Total Undiscounted Financial Assets	5,365,260	3,434,859	2,924,003	5,830,150	1,427,125	18,981,398
Financial Liabilities						
Due to Other Customers	5,666,209	417,673	300	5	7,137,810	13,221,997
Term Debt and Other Borrowed Funds	102,743	36,173	146,610	32,957	-	318,482
Custodian Accounts of Maldives Retirement Pension Scheme	-	-	-	-	33,113	33,113
Total Undiscounted Financial Liabilities	5,768,951	453,846	146,910	32,962	7,170,923	13,573,592
Total Interest Rate Sensitivity Gap	(403,691)	2,981,013	2,777,093	5,797,188	(5,743,798)	5,407,806

	Group					
	Interest Bearing				Non Interest Bearing	Total
As at 31 December 2017	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**		
Financial Assets						
Cash and Cash Equivalents	-	-	-	-	1,322,853	1,322,853
Statutory Deposit with the Maldives Monetary Authority	1,506,087	-	-	-	407,408	1,913,495
Placements with Banks	1,750,216	-	-	-	-	1,750,216
Loans and Receivables to Other Customers	2,593,602	427,834	2,305,442	7,188,893	-	12,515,771
Financial Investments - Available for Sale	-	-	-	123,483	-	123,483
Financial Investments - Held to Maturity	1,423,782	2,793,534	17,188	147,321	-	4,381,825
Total Undiscounted Financial Assets	7,273,686	3,221,368	2,322,630	7,459,697	1,730,261	22,007,643
Financial Liabilities						
Due to Customers	5,580,355	335,767	-	5	9,270,591	15,186,717
Term Debt and Other Borrowed Funds	371,290	35,512	361,420	25,380	-	793,602
Custodian Accounts of Maldives Retirement Pension Scheme	-	-	-	-	16,189	16,189
Total Undiscounted Financial Liabilities	5,951,645	371,279	361,420	25,385	9,286,779	15,996,508
Total Interest Rate Sensitivity Gap	1,322,041	2,850,089	1,961,210	7,434,313	(7,556,518)	6,011,135

(All amounts in MVR '000 unless otherwise stated)

31 RISK MANAGEMENT (Contd..)

31.6 Market Risk (Contd..)

Interest Rate Sensitivity Analysis

	Group					
	Interest Bearing				**Non Interest Bearing**	**Total**
As at 31 December 2016	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**		
Financial Assets						
Cash and Cash Equivalents	-	-	-	-	1,041,247	1,041,247
Statutory Deposit with the Maldives Monetary Authority	1,278,439	-	-	-	385,878	1,664,317
Placements with Banks	1,394,921	155,065	-	-	-	1,549,986
Loans and Receivables to Other Customers	1,283,963	594,144	2,757,019	5,592,881	-	10,228,008
Financial Investments - Available for Sale	-	-	-	84,556	-	84,556
Financial Investments - Held to Maturity	1,407,937	2,685,650	-	152,713	-	4,246,300
Total Undiscounted Financial Assets	5,365,260	3,434,859	2,757,019	5,830,150	1,427,125	18,814,414
Financial Liabilities						
Due to Customers	5,666,209	417,673	300	5	7,137,810	13,221,997
Term Debt and Other Borrowed Funds	102,743	36,173	146,610	32,957	-	318,482
Custodian Accounts of Maldives Retirement Pension Scheme	-	-	-	-	33,113	33,113
Total Undiscounted Financial Liabilities	5,768,951	453,846	146,910	32,962	7,170,923	13,573,592
Total Interest Rate Sensitivity Gap	(403,691)	2,981,013	2,610,109	5,797,188	(5,743,798)	5,240,822

31.6.2 Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. This represents exposures the Group has due to changes in the values of current holdings and future cash flow positions denominated in currencies other than the local currency.

	Impact on Equity			
Foreign Currency	**Bank**		**Group**	
Strengthening of US$ by 10%	25,118	204,920	25,118	204,920
Weakening of US$ by 10%	(25,118)	(204,920)	(25,118)	(204,920)
Strengthening of Euro by 10%	967	5,204	967	5,204
Weakening of Euro by 10%	(967)	(5,204)	(967)	(5,204)
Strengthening of GBP by 10%	61	529	61	529
Weakening of GBP by 10%	(61)	(529)	(61)	(529)
Strengthening of JPY by 10%	221	1,203	221	1,203
Weakening of JPY by 10%	(221)	(1,203)	(221)	(1,203)
Strengthening of SGD by 10%	319	80	319	80
Weakening of SGD by 10%	(319)	(80)	(319)	(80)

(All amounts in MVR '000 unless otherwise stated)

31 RISK MANAGEMENT (Contd..)

31.6 Market Risk (Cont'd)

Management of Currency Risk

The majority of transactions in the Group, other than those in the local currency of Maldivian Rufiyaa (MVR), are carried out in United States Dollars (USD). Up to April 2011, the exchange rate of USD against MVR was fixed and since then it has been maintained within the 20% cap and floor of the base rate determined by the Maldives Monetary Authority (MMA). Therefore, the Group is not susceptible to any major currency fluctuation risk. The Group does not engage in large scale transactions in foreign currencies on a speculative basis.

The risk associated with changes in foreign exchange rates from holding open positions in a particular currency or combination of currencies, is controlled through a combination of foreign exchange position limits and transaction limits which comply with regulatory requirements. These exposures are monitored on a weekly basis and reported to the Group's Asset and Liability Management Committee.

	Bank							
As at 31 December 2017	**MVR**	**USD**	**EUR**	**GBP**	**JPY**	**SGD**	**OTHERS**	**Total**
Assets								
Cash and balances with banks	3,283,532	1,680,346	15,008	606	2,211	3,186	1,677	4,986,564
Financial Investments - Held to Maturity	4,234,504	147,321	-	-	-	-	-	4,381,825
Financial Investments - Available for Sale	-	123,483	-	-	-	-	-	123,483
Loans and Receivables to Other Customers	7,676,147	4,813,154	26,470	-	-	-	-	12,515,771
Investment in Subsidiaries	10	-	-	-	-	-	-	10
Other assets	405,344	245,702	978	-	-	-	-	652,025
Total assets	15,599,537	7,010,006	42,456	606	2,211	3,186	1,677	22,659,678
Liabilities								
Due to Customers	9,265,841	5,896,577	24,299	-	-	-	-	15,186,717
Term Debt and Other Borrowed Funds	85,263	700,550	7,789	-	-	-	-	793,602
Other liabilities	674,123	161,704	702	-	-	-	-	836,529
Total liabilities	10,025,227	6,758,830	32,790	-	-	-	-	16,816,848
Net on-balance sheet financial position	**5,574,309**	**251,175**	**9,666**	**606**	**2,211**	**3,186**	**1,677**	**5,842,830**

(All amounts in MVR '000 unless otherwise stated)

31 RISK MANAGEMENT (Contd..)

31.6 Market Risk (Contd..)

	Bank							
As at 31 December 2016	**MVR**	**USD**	**EUR**	**GBP**	**JPY**	**SGD**	**OTHERS**	**Total**
Assets								
Cash and balances with banks	2,279,367	1,950,078	15,894	5,293	2,443	799	1,676	4,255,550
Financial Investments - Held to Maturity	3,710,566	535,734	-	-	-	-	-	4,246,300
Financial Investments - Available for Sale	-	84,556	-	-	-	-	-	84,556
Loans and Receivables to Other Customers	5,890,793	4,431,758	62,630	-	9,811	-	-	10,394,992
Investment in Subsidiaries	10	-	-	-	-	-	-	10
Other assets	321,055	298,420	873	-	3	-	-	620,351
Total assets	12,201,791	7,300,546	79,397	5,293	12,257	799	1,676	19,601,759
Liabilities								
Due to Customers	8,266,531	4,937,124	18,118	-	224	-	-	13,221,997
Term Debt and Other Borrowed Funds	98,874	210,441	9,167	-	-	-	-	318,482
Other liabilities	612,827	103,784	77	-	-	-	-	716,688
Total liabilities	8,978,232	5,251,349	27,362	-	224	-	-	14,257,167
Net on-balance sheet financial position	**3,223,558**	**2,049,197**	**52,035**	**5,293**	**12,033**	**799**	**1,676**	**5,344,592**

	Group							
As at 31 December 2017	**MVR**	**USD**	**EUR**	**GBP**	**JPY**	**SGD**	**OTHERS**	**Total**
Assets								
Cash and balances with banks	3,283,532	1,680,346	15,008	606	2,211	3,186	1,677	4,986,564
Financial Investments - Held to Maturity	4,234,504	147,321	-	-	-	-	-	4,381,825
Financial Investments - Available for Sale	-	123,483	-	-	-	-	-	123,483
Loans and Receivables to Other Customers	7,676,147	4,813,154	26,470	-	-	-	-	12,515,771
Other assets	405,344	245,702	978	-	-	-	-	652,025
Total assets	15,599,527	7,010,006	42,456	606	2,211	3,186	1,677	22,659,668
Liabilities								
Due to Customers	9,265,841	5,896,577	24,299	-	-	-	-	15,186,717
Term Debt and Other Borrowed Funds	85,263	700,550	7,789	-	-	-	-	793,602
Other liabilities	674,123	161,704	702	-	-	-	-	836,529
Total liabilities	10,025,227	6,758,830	32,790	-	-	-	-	16,816,848
Net on-balance sheet financial position	**5,574,299**	**251,175**	**9,666**	**606**	**2,211**	**3,186**	**1,677**	**5,842,819**

(All amounts in MVR '000 unless otherwise stated)

31 RISK MANAGEMENT (Contd..)

31.6 Market Risk (Contd..)

As at 31 December 2016	Group							
	MVR	**USD**	**EUR**	**GBP**	**JPY**	**SGD**	**OTHERS**	**Total**
Assets								
Cash and balances with banks	2,279,367	1,950,078	15,894	5,293	2,443	799	1,676	4,255,550
Financial Investments - Held to Maturity	3,710,566	535,734	-	-	-	-	-	4,246,300
Financial Investments - Available for Sale	-	84,556	-	-	-	-	-	84,556
Loans and Receivables to Other Customers	5,723,808	4,431,758	62,630	-	9,811	-	-	10,228,008
Other assets	357,610	298,420	873	-	3	-	-	656,906
Total assets	**12,071,351**	**7,300,546**	**79,397**	**5,293**	**12,257**	**799**	**1,676**	**19,471,320**
Liabilities								
Due to Customers	8,266,531	4,937,124	18,118	-	224	-	-	13,221,997
Term Debt and Other Borrowed Funds	98,874	210,441	9,167	-	-	-	-	318,482
Other liabilities	612,909	103,784	77	-	-	-	-	716,770
Total liabilities	**8,978,314**	**5,251,349**	**27,362**	**-**	**224**	**-**	**-**	14,257,249
Net on-balance sheet financial position	**3,093,037**	**2,049,197**	**52,035**	**5,293**	**12,033**	**799**	**1,676**	**5,214,071**

31.7 Country Risk

Country risk is the risk that an occurrence within a country could have an adverse affect on the Group directly by impairing the value of the Group or indirectly through an obligor's ability to meet its obligations to the Group.

31.8 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Group manages and controls this risk, among other things, by identifying and controlling risks in all activities according to a set of pre-determined parameters by applying appropriate management policies and procedures.

Management of Operational Risk

The management of operational risk represents a fundamental component of the Group's overall approach to risk management. Operational risk is inherent in every part of the Group including its products, people, processes and technology. The Group has an Operational Risk Policy which outlines its framework for the management of operational risk including the identification, assessment, measurement, monitoring, mitigation and reporting of operational risk. The Group's Operational Risk Policy has been framed in line with the Principles for the Sound Management of Operational Risk (June 2011) issued by the Basel Committee on Banking Supervision.

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

(All amounts in MVR '000 unless otherwise stated)

32 NET ASSET VALUE PER ORDINARY SHARE

	Bank		Group	
	2017	2016	2017	2016
Total Equity Holders Funds (MVR)	5,548,118,093	4,545,717,330	5,548,108,041	4,582,178,808
Number of Ordinary Shares in Issue	5,381,920	5,381,920	5,381,920	5,381,920
Net Assets Per Share (MVR)	1,031	845	1,031	851

33 ADDITIONAL CASH FLOW INFORMATION

33.1 Cash and Cash Equivalents for Cash Flow Purpose

	Bank		Group	
	2017	2016	2017	2016
Cash in Hand (Note 13)	670,045	624,107	670,045	624,107
Balance With Other Banks	652,808	417,140	652,808	417,140
	1,322,853	1,041,247	1,322,853	1,041,247

33.2 Change in Operating Assets

	Bank		Group	
	2017	2016	2017	2016
Net Change in Statutory Deposit with Balances with Maldives Monetory Authority	249,178	26,415	249,178	26,415
Net Change in Placement with Bank	200,229	(2,036,833)	200,229	(2,036,833)
Net Change in Loans and Receivables to Other Customers	2,120,779	1,710,420	2,287,763	1,691,946
Net Change in Other Assets	(15,164)	(4,870)	(8,852)	(2,515)
	2,555,022	(304,867)	2,728,318	(320,987)

33.3 Change in Operating Liabilities

	Bank		Group	
	2017	2016	2017	2016
Net Change in Due to Other Customers	1,964,721	(924,357)	1,964,721	(924,357)
Net Change Term Debt and Other Borrowed Funds	475,120	(18,053)	475,120	(18,053)
Net Change in Custodian Accounts of MRPS	(16,925)	16,769	(16,925)	16,769
Net Change in Other Liabilities	120,495	(5,846)	120,414	(5,816)
	2,543,411	(931,487)	2,543,329	(931,457)

33.4 Other Non-Cash Items Included in Profit before Tax

	Bank		Group	
	2017	2016	2017	2016
Depreciation of Property, Plant and Equipment	45,595	37,777	45,595	37,777
Amortisation of Intangible Assets	11,170	12,197	11,170	12,197
(Profit) on Disposal of Property, Plant and Equipment	(496)	20	(496)	20
Provision on Loans and Receivables	41,657	11,131	28,253	(7,344)
Recoveries of General Provision	(289,690)	(1,365)	(289,690)	(1,365)
Recoveries of Specific Provision	(256,131)	(69,970)	(75,744)	(69,970)
Impairment Losses on Other Assets	(40,441)	4,495	2,425	(1,690)
Gain on Liquidation of Subsidiary	-	-	(7)	(839)
Net gains on re-measuring of Available-For-Sale Financial Assets	38,927	1,165	38,927	1,165
	(449,408)	(4,550)	(239,566)	(30,049)

(All amounts in MVR '000 unless otherwise stated)

34 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	Bank			Group		
As at 31 December 2017	**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
Assets						
Cash and Cash Equivalents	1,322,853	-	1,322,853	1,322,853	-	1,322,853
Statutory Deposit with the Maldives Monetary Authority	1,913,495	-	1,913,495	1,913,495	-	1,913,495
Placements with Banks	1,750,216	-	1,750,216	1,750,216	-	1,750,216
Loans and Receivables to Other Customers	3,021,436	9,494,335	12,515,771	3,021,436	9,494,335	12,515,771
Financial Investments - Available for Sale	-	123,483	123,483	-	123,483	123,483
Financial Investments - Held to Maturity	4,217,316	164,509	4,381,825	4,217,316	164,509	4,381,825
Investment in subsidiaries	10	-	10	-	-	-
Property, Plant and Equipment	-	336,894	336,894	-	336,894	336,894
Intangible Assets	-	72,089	72,089	-	72,089	72,089
Other Assets	100,173	142,869	243,042	100,173	142,869	243,042
Total Assets	12,325,498	10,334,179	22,659,677	12,325,488	10,334,179	22,659,667
Liabilities						
Due to Customers	15,186,712	5	15,186,717	15,186,712	5	15,186,717
Term Debt and Other Borrowed Funds	406,802	386,800	793,602	406,802	386,800	793,602
Custodian Accounts of Maldives Retirement Pension Scheme	16,189	-	16,189	16,189	-	16,189
Current Tax Liabilities	310,644	-	310,644	310,644	-	310,644
Deferred Tax Liabilities	-	22,848	22,848	-	22,848	22,848
Other Liabilities	486,849	-	486,849	486,849	-	486,849
Total Liabilities	16,407,196	409,652	16,816,848	16,407,196	409,652	16,816,849
Net	(4,081,698)	9,924,526	5,842,829	(4,081,708)	9,924,526	5,842,819

(All amounts in MVR '000 unless otherwise stated)

34 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Contd..)

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	Bank			Group		
As at 31 December 2016	**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
Assets						
Cash and Cash Equivalents	1,041,247	-	1,041,247	1,041,247	-	1,041,247
Statutory Deposit with the Maldives Monetary Authority	1,664,317	-	1,664,317	1,664,317	-	1,664,317
Placements with Banks	1,549,986	-	1,549,986	1,549,986	-	1,549,986
Loans and Receivables to Other Customers	1,878,107	8,516,885	10,394,992	1,878,107	8,349,901	10,228,008
Financial Investments - Available for Sale	-	84,556	84,556	-	84,556	84,556
Financial Investments - Held to Maturity	4,093,587	152,713	4,246,300	4,093,587	152,713	4,246,300
Investment in subsidiaries	-	10	10	-	-	-
Investment Properties	-	-	-	-	-	-
Property, Plant and Equipment	-	265,997	265,997	-	265,997	265,997
Intangible Assets	-	77,700	77,700	-	77,700	77,700
Deferred Tax Assets	-	58,889	58,889	-	58,889	58,889
Other Assets	74,883	142,882	217,766	111,438	142,882	254,320
Total Assets	10,302,127	9,299,632	19,601,760	10,338,682	9,132,637	19,471,319
Liabilities						
Due to Customers	13,221,692	305	13,221,997	13,221,692	305	13,221,997
Term Debt and Other Borrowed Funds	138,915	179,567	318,482	138,915	179,567	318,482
Custodian Accounts of Maldives Retirement Pension Scheme	33,113	-	33,113	33,113	-	33,113
Current Tax Liabilities	317,221	-	317,221	317,221	-	317,221
Other Liabilities	366,354	-	366,354	366,435	-	366,435
Total Liabilities	14,077,295	179,872	14,257,167	14,077,377	179,872	14,257,249
Net	(3,775,168)	9,119,760	5,344,593	(3,738,694)	8,952,765	5,214,071

(All amounts in MVR '000 unless otherwise stated)

35 COMMITMENTS AND CONTINGENCIES

To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised in the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the Group.

Documentary Credit and Guarantees commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Details of commitments and contingencies are given below.

35.1 Contingencies	Bank/Group 2017	Bank/Group 2016
Guarantees	45,606	77,020
Documentary Credit	89,417	169,551
Acceptances	25,831	15,351
	160,854	261,922

35.2 Commitments	Bank/Group 2017	Bank/Group 2016
Capital Commitments :		
Capital Expenditure Contracted but not yet Incurred (Note 35.2.1)	58,552	15,919
Operating Lease Commitments :		
Less Than 1 Year	18,109	6,579
Not Less Than 1 Year but not later than 5 Years	15,976	11,110
Later Than 5 Year	1,782	6,378
Financial Commitments :		
Commitments on Loan	2,378,536	1,748,641
Commitments on Overdraft	132,862	145,455
Other Financial Commitments (Note 35.2.2)	-	837,376
	2,605,818	2,771,458
Total	2,766,672	3,033,380

35.2.1 Capital expenditure approved by the Board of Directors for which provision has not been made in the Financial Statements amounts to MVR. 58,551,937/- (2016: MVR 15,919,141/-).

35.2.2 Other Financial Commitments includes a 3 month currency swap transaction entered into with the Maldives Monetary Authority which matured on 8th February 2017, with associated repayments amounting to MVR 837,376,295/- (USD 55,054,326/-). This transaction was rolled over for a further 90 days on 8 February 2017 for an amount of USD 25 million with repayment on maturity amounting to MVR 382,156,817/- (USD 25,125,366/-). The Bank fully settled the transaction and there is no oustanding balance as of the reporting date.

35.3 Material Litigation Against the Group

Litigation is a common occurrence in the Banking Industry due to the nature of the business undertaken. The Group has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year-end, the Group had a small number of unresolved legal claims but none that would materially impact the Financial Statements of the Group.

36 LEASE ARRANGEMENTS

36.1 Operating Lease Commitments - Group as Lessee

The Group has entered into commercial lease agreements of premises for its use. These agreements have an average life of between five and twenty five years with no renewal option included in the contracts.

(All amounts in MVR '000 unless otherwise stated)

36 LEASE ARRANGEMENTS (Contd..)

36.1 Operating Lease Commitments - Group as Lessee (Contd..)

Future minimum lease payments under non-cancellable operating leases as at reporting period are as follows.

	Bank / Group	
	2017	2016
Within One Year	18,109	6,579
After One Year But Not More Than Five Years	15,976	11,110
More than Five Years	1,782	6,378
	35,867	24,067

The Group has not entered into any agreements with third parties in the capacity of lessor of an operating lease asset.

37 RELATED PARTY DISCLOSURE

The Group carries out transactions in the ordinary course of business with parties who are defined as 'Related Parties' in IAS 24 - ' Related Party Disclosures'. The terms and conditions of such transactions are disclosed under notes 37.4 and 37.5.

37.1 Parent and Ultimate Controlling Party

The Government of Maldives holds 58.13% of the ordinary shares of the Group whereas the remaining 41.87% of the shares are widely held.

37.2 Transactions with Key Management Personnel of the Group

The Group has identified and disclosed personnel having authority and responsibility for planning, directing and controlling the activities of the Group as 'Key Management Personnel' in accordance with IAS 24 - 'Related Party Disclosures'. Accordingly, the Board of Directors and Chief Executive Officer have been identified as 'Key Management Personnel'.

37.3 Compensation of Key Management Personnel of the Group

The following represents the compensation paid to Key Management Personnel of the Group.

	Bank / Group	
	2017	2016
Short-term Benefits	9,112	7,707
Provident Fund Contribution	151	165
	9,263	7,872

37.4 Transactions with Key Management Personnel of the Group

The group enters into transactions, arrangements and agreements with Key Management Personnel and close family members of Key Management Personnel in the ordinary course of business. The transactions below were made in the ordinary course of business and on substantially the same terms, including interest/commission rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees.

	Bank / Group	
	2017	2016
Assets		
Loans and Advances	8,289	12,408
Liabilities		
Deposits	5,089	13,894
Income and Expenses		
Interest Income	668	1,313
Interest Expense	50	48

(All amounts in MVR '000 unless otherwise stated)

37 RELATED PARTY DISCLOSURE (Contd..)

37.5 Transactions with Government and Government Related Entities of the Group

The Group enters into transactions, arrangements and agreements with Government and Government-related entities in the ordinary course of business. The transactions below were made in the ordinary course of business on substantially the same terms, including interest/commission rates and security, as for comparable transactions with unrelated counterparties.

	Bank / Group	
Assets	**2017**	**2016**
Loans and Advances (Gross)	1,338,092	848,335
Provision for Loans and Receivable	(9,761)	(12,275)
Loans and Advances (Net)	1,328,331	836,060
Investment on Government of Maldives Treasury Bills	4,217,316	3,709,765
Investment on Corporate Bonds	164,509	152,713
Balances with Maldives Monetary Authority	1,913,495	1,664,317
	7,623,651	6,362,855
Liabilities		
Deposits and Borrowings	2,044,952	1,724,503
Commitments and Contingencies		
Guarantees, Letter of Credit and Others	645,944	1,080,425
Income and Expenses		
Interest Income	295,969	294,766
Interest Expense	10,564	11,171
Fee and Commission Income	55,200	56,359

37.6 Transactions with Subsidiary

The Bank had the following financial dealings during the year with its subsidiary companies.

		Bank / Group	
Subsidiary company	**Nature of facility / transaction**	**2017**	**2016**
Gaaf Alif Mahadhdhoo Private Limited	Loans and advances	-	166,984
	Interest income	13,403	18,474
	Provision made during the year	(13,403)	(18,474)
	Other receivables	143	42,866
	Provision made for other receivables	(143)	(42,866)

During the year the Bank fully wrote-off loans and advances amounting to MVR 180,387,546/- and other receivables amounting to MVR 43,008,432/- due from its subsidiary. All balances written-off carried full provisioning. The subsidiary is in the process of being liquidated.

37.7 Net Accommodation to Key Management Personnel and Related Parties

Net direct and indirect accommodation granted to Key Management Personnel and Related Parties having a substantial interest as at 31 December 2017 amounts to MVR 15,072,904/- (2016: MVR 12,407,768/-) and MVR 1,338,091,618/- (2016: MVR 848,335,124/-), which represent 0.2% (2016: 0.3%) and 27.1% (2016: 21.8%) of the total regulatory capital of the Group respectively.

38 EVENTS AFTER THE REPORTING DATE

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in, the Financial Statements, other than those disclosed below and in Note 35.2.2.

Directors have recommended a final dividend of MVR 22 per share to be paid for the financial year ended 31 December 2017, in the form of cash dividend. This dividend must be approved by the shareholders at the Annual General Meeting.

(All amounts in MVR '000 unless otherwise stated)

39 CAPITAL MANAGEMENT

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

- To comply with the capital requirements under the Maldives Monetary Authority (MMA) Prudential Regulation on Capital Adequacy.
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- To maintain a strong capital base to support the development of its business.

MMA requires each bank or banking group to hold a minimum level of regulatory capital of MVR 150 million and to maintain a ratio of total regulatory capital to risk-weighted assets (the 'Basel ratio') at or above 12%.

The Group's regulatory capital is divided into two tiers:

- Tier 1 Capital: share capital, retained earnings and reserves created by appropriations of retained earnings; and
- Tier 2 Capital: current year earnings, general provision and qualifying subordinated loan capital.

Risk-weighted assets reflect an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees as per MMA Prudential Regulation on Capital Adequacy. A similar treatment is adopted for off-balance sheet exposures, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the Group for the years ended 31 December 2017 and 31 December 2016. The Group complied with all regulatory capital requirements during both years.

	Bank		Group	
	2017	**2016**	**2017**	**2016**
Tier 1 Capital				
Share Capital	269,096	269,096	269,096	269,096
Assigned Capital Reserve	6,000	6,000	6,000	6,000
Share Premium	93,000	93,000	93,000	93,000
General Reserve	3,144,994	2,168,564	3,183,243	2,202,623
Statutory Reserves	150,000	150,000	150,000	150,000
Add: Minority Interests in the Equity of Consolidated Subsidiaries	-	-	-	(1,794)
Less: Future Tax Benefits	-	(58,889)	-	(58,889)
Total Qualifying Tier 1 Capital	3,663,090	2,627,771	3,701,339	2,660,036
Tier 2 Capital				
Current earnings	1,038,181	1,023,060	1,001,717	1,027,050
Revaluation reserve	54,931	37,859	54,932	37,859
General provision	183,512	155,876	183,512	156,333
Total Qualifying Tier 2 Capital	1,276,625	1,216,794	1,240,161	1,221,242
Total Regulatory Capital	4,939,715	3,844,565	4,941,499	3,881,278
Risk-weighted Assets				
On-balance sheet	11,914,307	10,274,058	11,914,307	10,310,613
Off-balance sheet	2,766,672	2,196,005	2,766,672	2,196,005
Total Risk-Weighted Assets	14,680,979	12,470,063	14,680,979	12,506,618
Tier 1 Risk Based Capital Ratio	25%	21%	25%	21%
Total Risk Based Capital Ratio	34%	31%	34%	31%

Basel 2 Capital Computation

The Group during the year updated its capital computation methodology to comply with the Basel 2 Standardized Approach. As per Basel 2 guidelines, the Total Capital Ratio must be maintained at or above 15% for both Tier 1 and Tier 2 Capital. The Group reported 29% and 39% for Tier 1 and Tier 2 Capital respectively for the year ended 2017.

(All amounts in MVR '000 unless otherwise stated)

40 SEGMENT ANALYSIS

a) By Business Segment

The Group operates in different business segments, each of which has unique risks and returns. The primary segments of the Group are:

- Corporate, Business and Retail Banking: Providing loan facilities, trade finance and deposit services to large corporate, business (micro, small and medium sized enterprises) and retail customers respectively.
- Cards and Electronic Banking: Acquiring and issuing debit and credit cards and managing POS, ATM and Internet Banking services.
- Treasury: Capital and liquidity management activities such as investments, borrowings and managing money market instruments.
- BML Islamic: The Islamic banking window operated by the Group.
- Subsidiary: Gaaf Alif Mahadhdhoo Private Limited, a special purpose vehicle which is under liquidation.

Transactions between business segments are on normal commercial terms and conditions. Segment assets and liabilities comprise loans and advances and customer deposits.

40.1 Segment Reporting

	2017					
	Corporate and Retail Banking	**Card and Electronic Banking**	**Treasury**	**BML Islamic**	**Subsidiary**	**Total**
OPERATING INCOME						
Third Party	1,350,316	706,431	237,446	9,883	(13,403)	2,290,672
Inter-segment	97,901	(4,713)	(93,187)	-	-	-
TOTAL OPERATING INCOME	1,448,217	701,717	144,259	9,883	(13,403)	2,290,672
EXTRACTS OF RESULTS						
Interest Income/Income from Financing and Investments held to maturity	1,096,193	83,146	225,249	4,078	(13,403)	1,395,263
Interest Expense/Profit paid	(68,502)	-	(23,826)	-	-	(92,328)
Inter - Segment	(13,403)	-	-	-	13,403	-
NET INTEREST/PROFIT INCOME	1,014,288	83,146	201,423	4,078	-	1,302,935
Fees and Commission Income	225,044	566,647	-	4,744	-	796,435
Fees and Commission Expense	-	(261,723)	-	(36)	-	(261,759)
NET FEE AND COMMISSION INCOME/(EXPENSE)	225,044	304,924	-	4,708	-	534,676
Net Gain/(Loss) from Trading	-	56,638	10,987	1,061	-	68,686
Other Operating Income (Net)	29,079	-	1,210	-	-	30,289
Impairment for Loans and Other Losses	(18,180)	(10,685)	-	(1,813)	-	(30,679)
NET OPERATING INCOME	1,348,132	429,309	120,433	8,034	-	1,905,907
Depreciation of Property, Plant and Equipment	(44,317)	(925)	-	(353)	-	(45,595)
Amortisation of Intangible Assets	(6,523)	(227)	(4,421)	-	-	(11,170)
SEGMENT RESULT	1,297,292	428,157	116,012	7,681	-	1,849,142
Expenses by BML Islamic	-	-	-	(12,875)	-	(12,875)
Un-allocated Expenses						(456,300)
PROFIT BEFORE TAX						1,379,967
Income Tax Expense						(378,250)
PROFIT FOR THE YEAR						1,001,716
Other Comprehensive Income for the Year Net of Tax						71,857
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						1,073,574
SEGMENT ASSETS	12,445,909	445,196	8,681,156	361,426	(10)	21,933,677
Unallocated Assets	-	-	-	-	-	431,280
TOTAL ASSETS	12,445,909	445,196	8,681,156	361,426	(10)	22,364,957
SEGMENT LIABILITIES	14,868,577	52,410	915,538	348,915	-	16,185,439
Borrowing by BML Islamic	-	-	-	26,369	-	26,369
Retained Earning of BML Islamic	-	-	-	(13,858)	-	(13,858)
Unallocated Liabilities	-	-	-	-	-	6,167,007
TOTAL LIABILITIES AND EQUITY	14,868,577	52,410	915,538	361,426	-	22,364,957

(All amounts in MVR '000 unless otherwise stated)

40 SEGMENT ANALYSIS (Contd..)

40.1 Segment Reporting

	2016					
	Corporate and Retail Banking	Card and Electronic Banking	Treasury	BML Islamic	Subsidiary	Total
OPERATING INCOME						
Third Party	1,236,970	591,408	302,659	1,696	(18,474)	2,114,260
Inter-segment	93,538	(3,802)	(89,299)	-	(438)	-
TOTAL OPERATING INCOME	1,330,508	587,607	213,360	1,696	(18,911)	2,114,260
EXTRACTS OF RESULTS						
Interest Income/Income from Investments held to maturity	1,001,727	65,547	294,597	132	(18,474)	1,343,528
Interest Expense/Profit paid	(69,071)	-	(14,340)	(65)	-	(83,476)
Inter - Segment	(18,474)	-	-	-	18,474	-
NET INTEREST/PROFIT INCOME	914,181	65,547	280,256	68	-	1,260,052
Fees and Commission Income	191,557	481,860	-	831	-	674,248
Fees and Commission Expense	-	(217,471)	-	-	-	(217,471)
NET FEE AND COMMISSION INCOME/(EXPENSE)	191,557	264,389	-	831	-	456,777
Net Gain/(Loss) from Trading	-	44,002	7,998	674	-	52,673
Other Operating Income (Net)	43,686	-	65	59	-	43,810
Impairment for Loans and Other Losses	11,993	(4,522)	-	-	-	7,471
NET OPERATING INCOME	1,254,955	365,614	199,020	1,632	(438)	1,820,783
Depreciation of Property, Plant and Equipment	(36,845)	(720)	-	(212)	-	(37,777)
Amortisation of Intangible Assets	(10,299)	(232)	(1,666)	-	-	(12,197)
SEGMENT RESULT	1,207,812	364,662	197,354	1,420	(438)	1,770,809
Expenses by BML Islamic	-	-	-	(6,360)	-	(6,360)
Un-allocated Expenses						(396,953)
PROFIT BEFORE TAX						1,367,496
Income Tax Expense						(340,446)
PROFIT FOR THE YEAR						1,027,050
Other Comprehensive Income for the Year Net of Tax						1,401
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						1,028,451
SEGMENT ASSETS	9,870,787	349,436	7,877,744	190,876	36,545	18,325,387
Unallocated Assets	-	-	-	-	-	514,041
TOTAL ASSETS	9,870,787	349,436	7,877,744	190,876	36,545	18,839,428
SEGMENT LIABILITIES	13,085,509	32,636	436,165	185,656	82	13,740,047
Borrowing by BML Islamic	-	-	-	13,235	-	13,235
Retained Earning of BML Islamic	-	-	-	(8,015)	-	(8,015)
Unallocated Liabilities	-	-	-	-	-	5,094,161
TOTAL LIABILITIES	13,085,509	32,636	436,165	190,876	82	18,839,428

(All amounts in MVR '000 unless otherwise stated)

41 RECLASSIFICATION

41.1 The bank issues loans to staff at rates below than the market rate and as per IAS 39, such staff loans are required to be fair valued to market rate. Accordingly the loans were discounted to fair value and the difference was recognised as prepaid employee benefits for 2016.

	Bank / Group		
	As Reported Previously	**Reclassification**	**Current Presentation**
Gross Loans and Receivables			
- Staff Loans	101,664	(8,335)	93,330
Other Assets			
- Unamortised Cost of Staff Loans	-	8,335	8,335
	101,664	-	101,664

41.2 As per IAS 39, the interest income for staff loans must be recorded at market interest rate. In parallel, prepaid benefits to employees for staff loans must be amortised through the remaining life of the loan. In order to comply with IAS 39, interest income and employee benefit expenses in 2016 have been reclassified. This reclassification did not impact the profit figure for the year 2016.

	Bank		
	As Reported Previously	**Reclassification**	**Current Presentation**
Interest Income			
- Loans and Receivables to Other Customers	1,065,792	1,615	1,067,407
Personnel Expenses			
- Salaries, Wages and Other Related Expenses	213,918	1,615	215,534

	Group		
	As Reported Previously	**Reclassification**	**Current Presentation**
Interest Income			
- Loans and Receivables to Other Customers	1,047,317	1,615	1,048,932
Personnel Expenses			
- Salaries, Wages and Other Related Expenses	213,918	1,615	215,534

11

INVESTOR INFORMATION

CAPITAL STRUCTURE

During the financial year 2017, the Authorized Share Capital of the Bank remained unchanged at MVR 800,000,000 while the Issued, Subscribed and Paid-up Capital of the Bank as at 31st December 2017 also remained unchanged at MVR 269,096,000.

SHAREHOLDING STRUCTURE

Following is the shareholding structure of the Bank at the end of the year 2016 and 2017.

	2017			2016		
Shareholders	**Total Shares**	**Share Capital (MVR)**	**%**	**Total Shares**	**Share Capital (MVR)**	**%**
Government (MOFT)	2,733,868	136,693,400	50.80%	2,733,868	136,693,400	50.80%
Government Employees Provident Fund	394,380	19,719,000	7.33%	394,380	19,719,000	7.33%
Maldives Transport and Contracting Company PLC	219,096	10,954,800	4.07%	219,096	10,954,800	4.07%
Atoll/Island Community Accounts	219,096	10,954,800	4.07%	219,096	10,954,800	4.07%
General Public	1,815,480	90,774,000	33.73%	1,815,480	90,774,000	33.73%
Total	**5,381,920**	**269,096,000**	**100.00%**	**5,381,920**	**269,096,000**	**100.00%**

SHARE PRICE MOVEMENT

During 2017, a total of 19 transactions amounting to 5,374 shares were traded through the Maldives Stock Exchange. The Weighted Average Price over the year was MVR 206.70 and the total value of the shares traded was MVR 1,110,825. At the beginning of 2017, the market price per share was MVR 150.00 per share and the first traded price amounted to MVR 170.00 per share while the last traded price at the close of the year was MVR 340.00. The highest quoted price during the year amounted to MVR 350.00 while the lowest amounted to MVR 150.00.

	2017	2016
Market Statistics (MVR)		
First Traded Price	170.00	150.00
Highest Price	350.00	200.00
Lowest Price	150.00	150.00
Last Traded Price	340.00	150.00
Weighted Average Price	206.70	151.08
Market Capitalization at financial year end	**1,829,852,800**	**807,288,000**

Information on Share Trading		
Number of Transactions	19	53
Number of Shares Traded	5,374	15,800
Value of Shares Traded (MVR)	**1,110,825**	**2,387,020**

	2017	2016
Information per ordinary share (MVR)		
Earnings per share	192.90	190.09
Net Asset per share	1,030.88	844.63
Market value per share	340.00	150.00


BANK OF MALDIVES