ANNUAL REPORT | 2019

BANK OF MALDIVES

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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 17 billion
- Assets MVR 26 billion
- Strong capital position well above regulatory requirement

STRONG CUSTOMER BASE

- 285,000 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 and mobile 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 the 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

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.

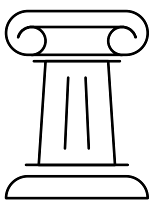
ACCESSIBILITY

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

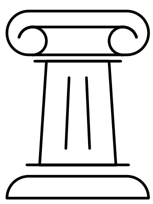
TEAMWORK

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.

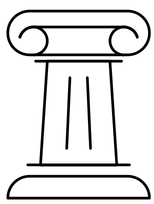
STRATEGIC PILLARS



FINANCIAL INCLUSION



CUSTOMER SERVICE



SUPPORT FOR BUSINESS

ROBUST RISK MANAGEMENT

PEOPLE EXCELLENCE

285,000
CUSTOMERS

38
BRANCHES IN ALL 20 ATOLLS

115
ATMS IN ALL 20 ATOLLS

277
CASH AGENTS ON 165 ISLANDS

6,300
POS MERCHANTS

52
SELF SERVICE BANKING CENTRES

2,000
DHONI BANKING TRIPS

MVR 13.3 bn
BILLION LOANS TO INDIVIDUALS & BUSINESSES

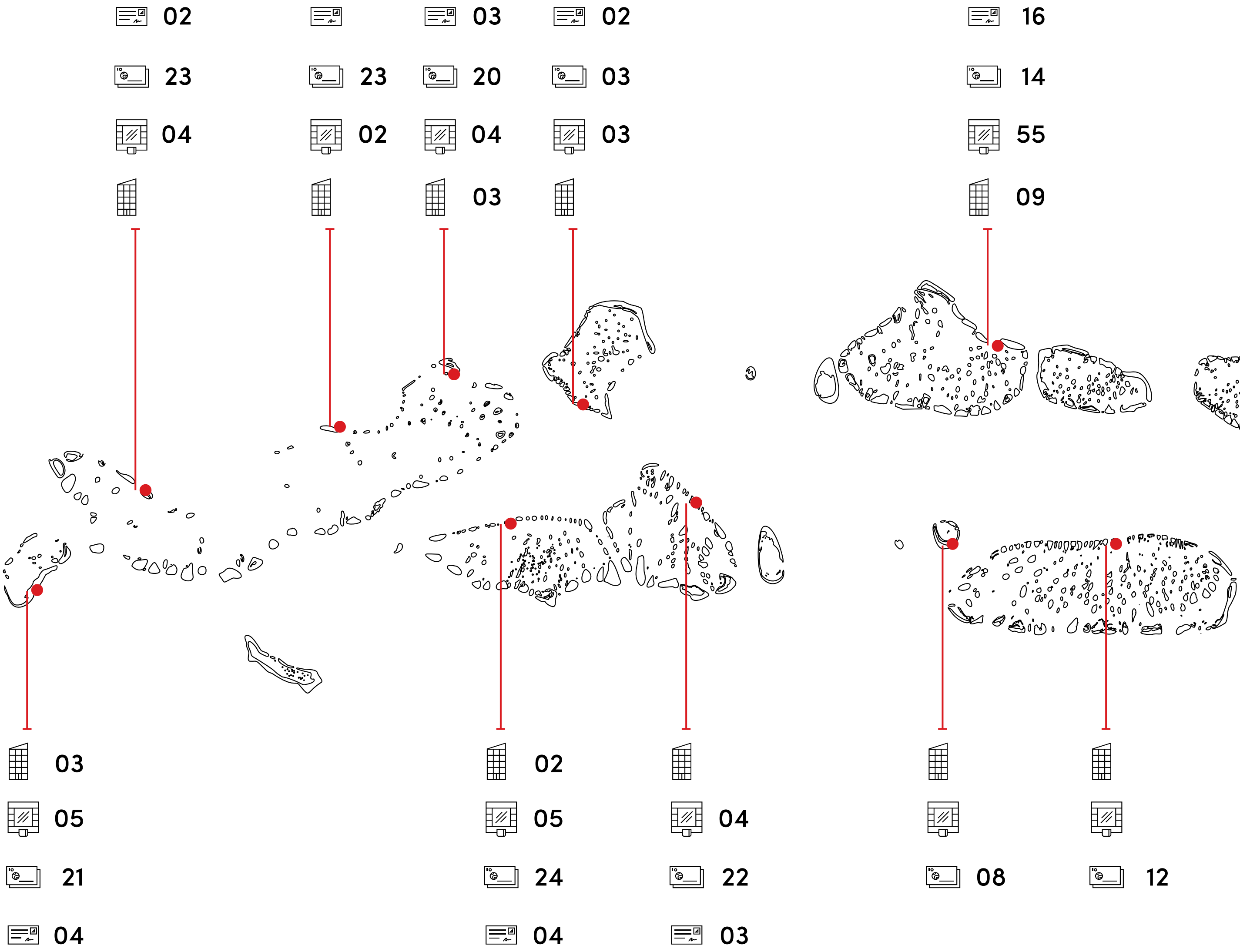
MVR 17.3 bn
CUSTOMER DEPOSITS

MVR 1 bn
GOVERNMENT LOAN SCHEMES

950
JOBS WITH 1/3 IN ATOLLS

99%
EMPLOYEES ARE MALDIVIANS

OUR NETWORK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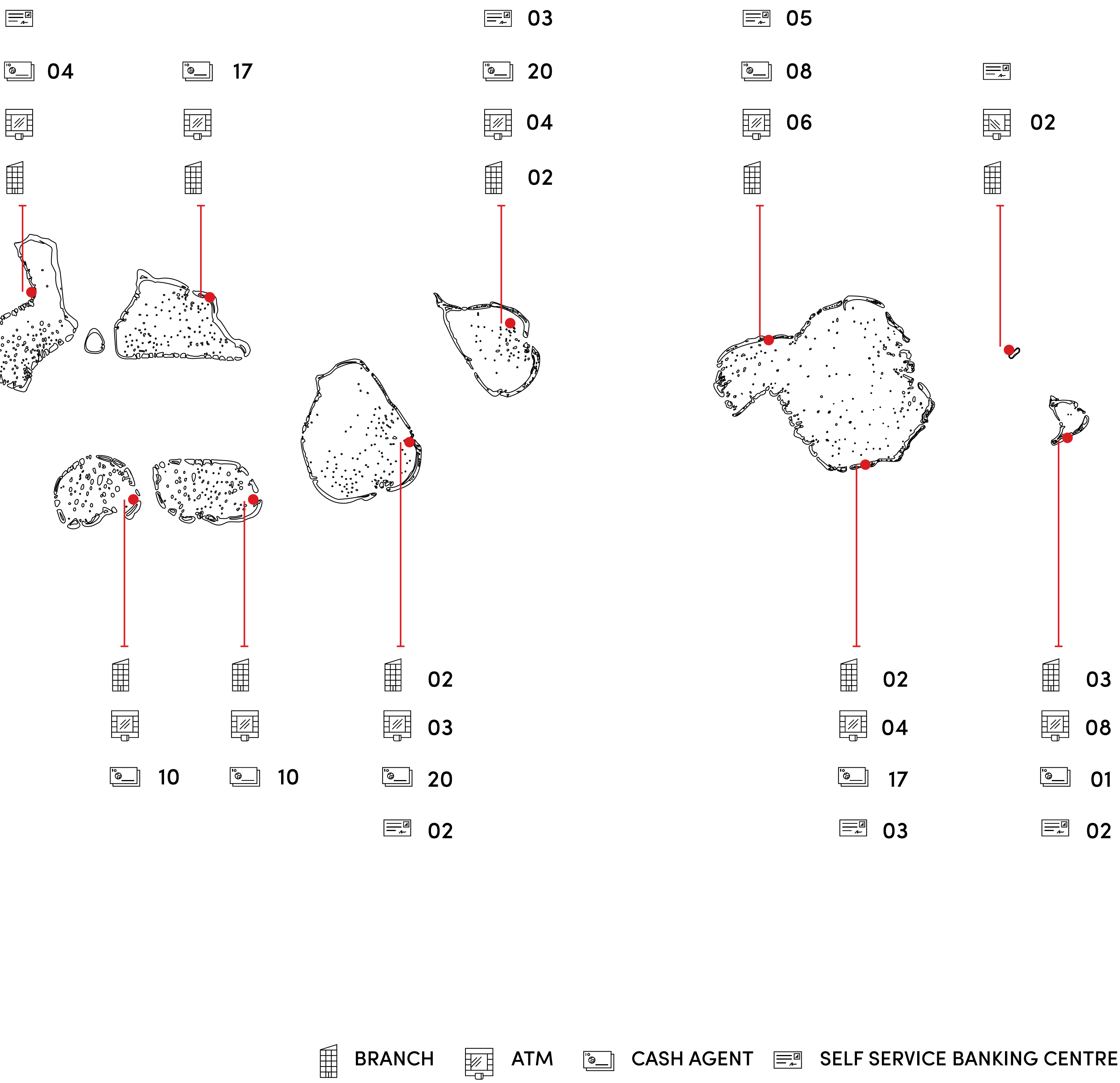
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BRANCH
ATM
CASH AGENT
SELF SERVICE BANKING CENTRE

STATEMENT FROM OUR BOARD OF DIRECTORS

A STRONG AND SUSTAINABLE BANK

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 2019.

I am proud to report that 2019 was another financially positive year for the Bank. Increased demand for our products and services led to solid business volumes across key business segments which helped achieve a Profit After Tax of MVR 1.04 billion. The Bank is in a strong position to build on financially and we look forward to continue this positive momentum.

In 2019, the Board reviewed the Bank's strategic plan and agreed to deliver on a new ambitious five year plan which will see further investment in the areas of customer service, risk management and technology.

Digitalization and automation will be a core component of our strategy as we continue to enhance service experience through technology. To deliver this strategy and to ensure we apply international best practices, Timothy Sawyer was appointed as the new Chief Executive Officer; and with over 30 years of international experience in financial services, Timothy brings with him the expertise to lead the Bank as it focuses on its steady growth and maintaining its position as the leading bank in the country. As part of the wider changes to the organization structure to drive forward our strategy, key appointments were made to the positions of Chief Risk Officer, Director of Islamic Banking, Director of Customer Service and Director of Operations.

We have the opportunity to progress further and I look forward to reporting back to our shareholders on the progress.

The Bank's profitability continues to provide the platform to continue our nationwide community investment program. During 2019 we implemented 140 CSR initiatives in addition to investment in our network. As part of the Bank's commitment and support for SME's, Business Centres were also opened in Addu, Male' and Hulhumale'. It

"The Bank's profitability continues to provide the platform to continue our nationwide community investment program."

Sana Mansoor
On behalf of the Board of Directors

is our goal to expand our business banking services to have a presence in key economic hubs within the country.

The Bank's excellent financial position has put us in the position to propose a record dividend for 2019 as well. Owing to our shareholder confidence and loyalty, supported by our growing customer base and support from individuals and businesses, we are well positioned to execute our strategic plan for the future ahead.

I thank my fellow Board members for your valuable contribution and support in steering the Bank's strategic direction. You have brought greater diversity and depth to the Board which has led to the continuation of strong governance throughout the year. I see many opportunities in the Bank's next phase of growth and the Board will continue to guide the management in providing the highest international standards of service, risk management and governance.

"In 2019, the Board reviewed the Bank's strategic plan and agreed to deliver on a new ambitious five year plan which will see further investment in the areas of customer service, risk management and technology. Digitalization and automation will be a core component of our strategy as we continue to enhance service experience through technology."

CHIEF EXECUTIVE'S STATEMENT

STRONG PERFORMANCE AS INVESTMENT CONTINUES

I look back on 2019 with pride as we celebrate another positive, financially solid year for the Bank. Our capital position remains strong and well above regulatory requirements. The Bank surpassed industry standards with increase in Total Assets by over MVR 3 billion and Total Deposits by MVR 2 billion. We welcomed over 15,000 new customers to the Bank over the year, and continued to support individuals and businesses with over MVR 2.7 billion in new lending.

STRONG FINANCIAL PERFORMANCE

2019 ended on a positive financial note for the Bank as solid business growth accompanied by improvements in loan book resulted in a positive Operating Profit of MVR 1.7 billion, up 9% on 2018 despite higher interest and operating expense. Profit After Tax as anticipated, was lower than 2018 at MVR 1.04 billion, impacted by higher funding costs and provision charges. The ratio of non-performing to total loans finished the year at 5.5% which is well ahead of the industry average. The proposed dividend of MVR 140 million (MVR 26 per share) is once again the highest payout proposed in the Bank's history. After taking into account both dividend and taxation payments, the State benefited from total receipts amounting to MVR 423 million.

INVESTMENT TO THE COMMUNITY

The nationwide 'Aharenge Bank' community investment program saw the Bank invest in expanding our network further across the country. We opened 2 new branches and 10 new Self Service Banking Centres and expanded our cash agent network further to deliver basic banking services through 277 agents. Deposit and loan repayment services were also introduced through selected agents and will be rolled out further during the current year. Our commitment to investing back into our community continued with 140 projects implemented across the country in the areas of education, sports, environment and community development. The 'Aharenge Bank' Community Fund was launched in 2019 as a collaborative community development initiative resulting

"We welcomed over 15,000 new customers to the Bank over the year, and continued to support individuals and businesses with over MVR 2.7 billion in new lending."

T(Sawyer

Timothy Sawyer
CEO & Managing Director

in the development of parks and community areas, upgrading school facilities including those for students with disabilities and environmental projects across the country.

"The nationwide 'Aharenge Bank' community investment program saw the Bank invest in expanding our network further across the country. We opened 2 new branches and 10 new Self Service Banking Centres and expanded our cash agent network further to deliver basic banking services through 277 agents."

SUPPORT FOR BUSINESS

We continue to maintain our strong relationship with local businesses and in 2019, we took our support a step further. Last year saw the opening of our very first Business Centre in Addu, followed by the Business Centres in Male' and Hulhumale' as part of our ongoing support to SMEs. Dedicated Relationship Managers and their teams provide a range of business banking services to provide the best suited financial solutions to our customers. Changes were also made to our Payment Gateway services to offer small businesses better financial flexibility and convenience to develop e-commerce platforms. 2019 also saw the launch of the first Business Debit card in Maldives enabling customers to make transactions on business accounts across the local and worldwide Mastercard network. Through further investments in technology we also launched convenient multi-channel payment solutions for retailers to accept payments instantly, transforming the digital payment landscape. We remain committed to supporting businesses and further strengthen the decades-long relationship we have enjoyed with businesses.

BML ISLAMIC

Our Islamic Banking arm, BML Islamic, delivered on its commitment to customers and we now have Shari'ah-compliant alternatives to almost all our conventional products for both personal as well as business customers. Over the year, we opened a new modern headquarters in Male' which will help serve our growing customer base and with the appointment of the new Director of Islamic Banking, Ms Suri Hanim Mohamed, we look forward to strengthening the Shari'ah compliant business further.

APPRECIATION

I would like to thank our loyal customers for their continued confidence in the Bank. Our customers are our key focus and we are committed to delivering greater convenience through our products and services.

I express my gratitude to our dedicated staff who have worked hard throughout the year for the Bank to celebrate another successful year. We take great pride in our forward-looking human resources policies which earned us the coveted "Asia's Best Employer Brand" award three years in a row, supported by the "Excellence in Training and Development Award" from the World HRD Congress in 2019.

LOOKING AHEAD

2020 will be an exceptionally challenging year as Covid-19 hits the global economy. Bank of Maldives is firm in its resolve to support the Maldives both during and after the pandemic.

2019 REVIEW

FINANCIAL HIGHLIGHTS

The Bank achieved a Net Profit After Tax of MVR 1.04 billion in 2019, down 5% as anticipated compared to last year due to high interest expenses and provision charge. This was the fourth year in succession Bank achieved a PAT of over MVR 1 billion. Operating Profit amounted MVR 1.7 billion, up 9% reflecting good growth in business as performance benefited from solid growth across most core business sectors and income sources. Total Assets grew by over MVR 3 billion with a sound growth in the loan book of over MVR 1 billion and customer deposits by MVR 2 billion. Even with a relatively higher NPA ratio of 5.5% compared to the previous year, the Bank's loan book quality remains better than the industry average. The Bank is strongly capitalized with a Capital Adequacy Ratio of 43%, well above regulatory requirements. Liquidity of both local currency MVR and USD remains adequate.

NET PROFIT AFTER TAX OF

MVR 1.04 billion

5% ▼ 2018

OPERATING PROFIT

MVR 1.7 billion

9% ▲ 2018

MVR '000	2019	2018	+/-
Operating Profit	1,719,328	1,579,647	+9%
Net Profit Before Tax	1,386,991	1,601,899	-13%
Net Profit After Tax	1,039,127	1,098,760	-5%
Gross NPA Ratio	5.5%	3.5%	+2%
Provision Cover	100%	100%	
Capital Adequacy Ratio	43%	40%	+3%
Net Loans and Advances	13,366,916	12,198,904	+10%
Customer Deposits	17,317,359	15,257,418	+14%
Total Assets	26,277,818	22,973,103	+14%
Total Liabilities	19,471,125	17,125,926	+14%
Shareholders' Funds	6,806,693	5,847,177	+16%
Dividend Per Share (MVR)	26*	24	

* Proposed. Subject to shareholders approval.

INCOME

Total Income amounted to MVR 2.8 billion, an increase of 10% with most core income lines showing satisfactory growth. Net Interest Income grew by 8% despite significant increase in funding costs. Net Fees and Commission Income also increased by 7% with yet another strong performance in Cards. Fees and Commission Income of MVR 882 million, now contributes almost one third of the Bank's total income.

TOTAL INCOME

MVR 2.8 billion

10% ▲ 2018

EXPENSES

Operating costs increased by 7% versus 2018 owing to the robust growth in business volumes and our extensive investment program which saw high levels of spending in strategically important areas of technology infrastructure, financial inclusion and customer service. Nevertheless, the Bank's cost/income ratio was maintained at 24%.

LOAN BOOK QUALITY

Total non-performing loans less interest in suspense at the end of 2019 stood at MVR 783 million, an increase of MVR 330 million mostly due to a couple of non-performing corporate loans. Although the ratio of non-performing loans to total loans increased from 3.5% to 5.5%, the Bank's loan book quality remains better than the industry average and provision cover ratio was maintained at 100%.

COST/INCOME RATIO

24% ▲▼ 2018

TOTAL ASSETS

MVR 26.3 billion

13% ▲ 2018

BALANCE SHEET

ASSETS AND LIABILITIES

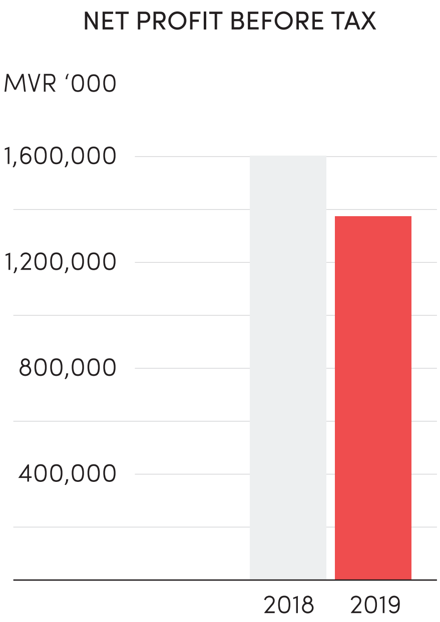
Total Assets finished the year at MVR 26.3 billion, a growth of MVR 3.3 billion on the previous year. The loan book grew by MVR 1.2 billion or 10% as the Bank continued it's lending to businesses and individuals. Total Liabilities at MVR 19.5 billion increased by 14% versus 2018. Deposits grew by more than MVR 2 billion or 14% which accounts to almost 2/3 of the industry growth. Liquidity levels remained satisfactory.

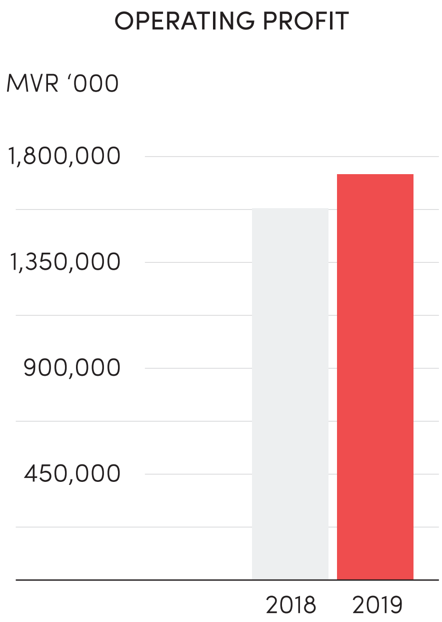
SHAREHOLDERS' FUNDS

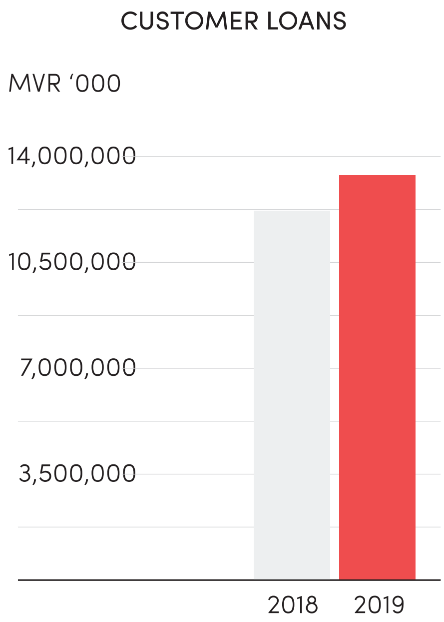
Total Shareholders' Funds stood at MVR 6.8 billion at year end, driven by retained earnings. The Capital Adequacy Ratio was maintained well above the minimum regulatory requirement of 12% and finished the year at 43% (2018: 40%).

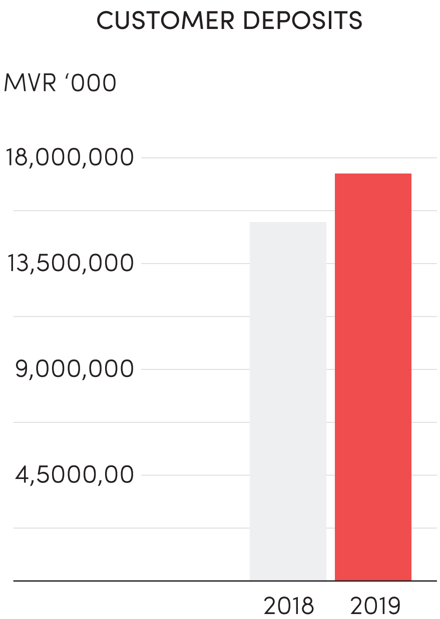
DIVIDEND PAYMENT

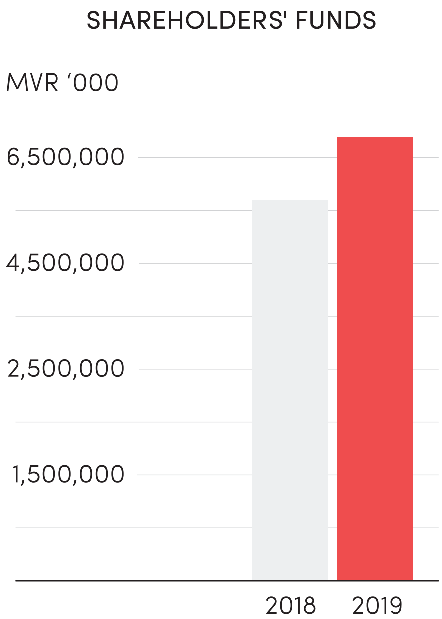
The issued and paid up share capital at end 2019 amounted to 5,381,920 shares of MVR 50 par value. On back of the Bank's solid financial position, the Board has recommended a record final dividend of MVR 139,929,920 for 2019 which equates to MVR 26 per share (2018: MVR 24 per share).

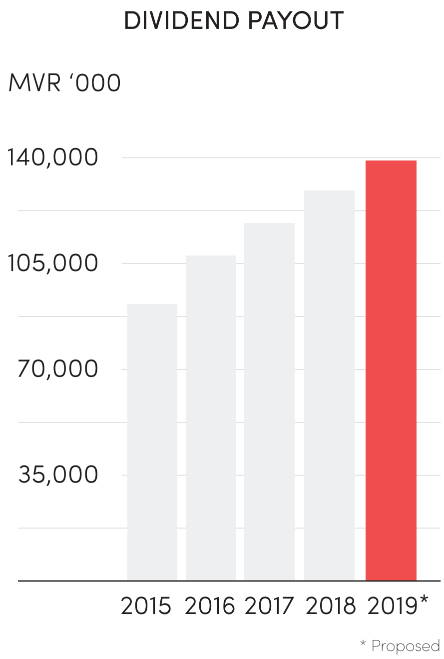

NET PROFIT BEFORE TAX
MVR ‘000
1,600,000
1,200,000
800,000
400,000
2018
2019


OPERATING PROFIT
MVR ‘000
1,800,000
1,350,000
900,000
450,000
2018
2019


CUSTOMER LOANS
MVR ‘000
14,000,000
10,500,000
7,000,000
3,500,000
2018
2019


CUSTOMER DEPOSITS
MVR ‘000
18,000,000
13,500,000
9,000,000
4,5000,00
2018
2019


SHAREHOLDERS' FUNDS
MVR ‘000
6,500,000
4,500,000
2,500,000
1,500,000
2018
2019


DIVIDEND PAYOUT
MVR ‘000
140,000
105,000
70,000
35,000
2015
2016
2017
2018
2019*
* Proposed

EXECUTING OUR STRATEGIC PLAN

The Bank's Strategic Plan 2014 – 2018 was fully delivered in 2018 and a new plan focusing on the next 5 years was developed by the Board of Directors. This plan was reviewed in 2019 to continue 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' commitment to provide financial inclusion across the country and provide comprehensive and reliable banking services remains unwavering. Today we are present in every inhabited island through a branch, outlet, self-service banking ATM or an agent service ensuring communities across the country have access to banking facilities.

During the year we further expanded our branch networks and self-service banking network across the country as we opened 2 new branches and 10 new Self Service Banking Centres in the atolls. We saw over 55 million transactions through our online channels last year. We also continued to increase our service network including facilitation of our deposit and payment services through our agents.

As part of our financial inclusion strategy, we introduced technologically advanced, convenient and reliable payment solutions in 2019. The introduction of mobile POS (mPOS), QR payments, acceptance of digital wallets and through the issuance of the Mastercard portfolio and with it, contactless payments, saw more accessible means of banking and payments introduced for our communities.

During 2019, we also launched the Masveriyaa Card which allows individuals working in the fishing industry to conveniently receive funds and make payments through a unique card linked to a digital wallet. By leveraging developments in technology, we will continue to make banking easier and accessible for our customers.

"During the year we further expanded our branch networks and self-service banking network across the country as we opened 2 new branches and 10 new Self Service Banking Centres in the atolls. We saw over 55 million transactions through our online channels last year. We also continued to increase our service network including facilitation of our deposit and payment services through our agents."

CUSTOMER SERVICE

Customer service continues to be a key strategic priority for the Bank. In 2019 we made significant investments to introduce convenient banking and payment solutions for our customers. As part of this, we saw the enhancement to our MobilePay app and the introduction of payments via QR codes and payment links sent via SMS, email or messaging platforms to enable faster payments anywhere.

During the year we further enhanced our reach to our customers via new branches and ATMs in the atolls and an additional USD ATM in Hulhumale' to meet the growing customer demand. Cash deposit agents across the atolls continued to provide basic banking services while selected agents began to provide deposit and payment services to communities.

Digitalization will continue to be a key focus in delivering convenient banking for our customers. Taking our service standards to the next level will also require our continued focus on transforming the way we deliver our service. Last year, we announced plans to open new dedicated service centres and introduce innovative products of the highest international standards. In February 2020, we opened the first Account Opening and Loan Centre and has seen significant improvement in customer experience.

The new Director of Customer Service reporting directly to CEO has now been recruited to take our customer service strategy forward. The year 2020 will see us focus on improving and streamlining our processes for better customer experience while introducing modern convenient banking solutions such as the first digital branch of the country.

“Digitalization will continue to be a key focus in delivering convenient banking for our customers. Taking our service standards to the next level will also require our continued focus on transforming the way we deliver our service.”

SUPPORT FOR BUSINESS

Bank of Maldives remains the banking partner of choice for businesses of all sizes across the country, from micro and small and medium sized companies (SMEs) to large corporates.

We understand that our success is related to the success of our business customers, and supporting businesses will continue to be a key strategic pillar of the Bank. Our commitment to our business customers is reflected in our business loan portfolio as we lend more to businesses than all other banks combined.

During the year we have strengthened our commitment to SMEs by opening new Business Centres in Addu City, Male' and Hulhumale', with more planned to open across the country over the coming years. At these locations, businesses can avail services ranging from business account opening to merchant services and loan applications, all at one place. For our SME customers, we also introduced a relationship model.

We have a well-established Corporate Banking Department (CBD) with dedicated Relationship Managers (RMs) and Service Managers (SMs) to support larger corporate clients. Our CBD team works closely with our corporate customers offering them in-depth knowledge and tailored financial solutions.

2019 signified another year of our continued investment in people, products and infrastructure to support businesses and improve efficiency for us and our customers.

"We understand that our success is related to the success of our business customers, and supporting businesses will continue to be a key strategic pillar of the Bank. Our commitment to our business customers is reflected in our business loan portfolio as we lend more to businesses than all other banks combined."

RISK MANAGEMENT

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

Significant steps were taken to further strengthen Bank's risk management framework in 2019, driven by a risk based approach and through enhancement to policies, procedures, processes and people.

A comprehensive risk governance structure is embedded throughout the Bank, with an active and engaged Board of Directors supported by an experienced senior management team. The ultimate responsibility for the risk management framework falls unto the Board. The Risk appetite statement defines the acceptable levels and types of risk exposures that are identified as likely to emerge in the pursuit of the Bank's strategic objective. The Board's risk governance is supported by a series of sub-committees and management within delegated mandates. With the aim of further strengthening and increasing focus on this area, a Chief Risk Officer directly reporting to CEO has been recruited to drive our risk management strategy. Bank has taken significant steps in the past year to meet international best practices and with the new addition to our executive team, we are confident that we will be able to deliver our business objectives.

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

"The Bank's governance structure follows the principles of three lines of defense, which separate the control functions (Risk Management, Compliance and Internal Audit) from risk-taking functions and risk owners."

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 2019, our progressive human resource policies once again earned the Bank the prestigious "Asia's Best Employer Brand" award from the World HRD Congress and the Employer Branding Institute. The Bank was recognized for its commitment to people excellence and continued emphasis to implement progressive policies for recruiting, developing and retaining talent.

During the year, the Bank launched 'BML Riveli' program, the first of its kind in Maldives approved by the Maldives Qualifications Authority, which aims to harness young and prominent bankers in the country with knowledge and skills required for banking and finance industry. We also continued with batch two of our Graduate Internship Program which allows top students and graduates to gain valuable on the job experience and a pathway to permanent employment with the Bank. Our development initiatives earned the coveted 'Excellence in Training and Development' award from the World HRD Congress. This is an overall award for best results based training.

Throughout 2019, we conducted a number of training and other initiatives to improve staff engagement and to embed a culture of learning across the organization.

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 honored our long-serving, loyal and dedicated staff at our annual Long Service Awards event where they were presented with special mementos of recognition.

"In 2019, our progressive human resource policies once again earned the Bank the prestigious "Asia's Best Employer Brand" award from the World HRD Congress and the Employer Branding Institute. The Bank was recognized for its commitment to people excellence and continued emphasis to implement progressive policies for recruiting, developing and retaining talent."

BML ISLAMIC

2019 was a significant year for BML Islamic as we continued our investment to offer comprehensive and competitive product offerings to be positioned as a major industry player of Islamic Banking in the country.

During the year, BML Islamic successfully delivered on its commitment to offer Shari'ah compliant alternatives to our conventional products. BML maintained its strategic focus on supporting businesses with the launch of the full suite of business products and becoming the only Bank in the country to offer Shari'ah compliant Overdraft facility and Working Capital financing. With the addition of Shari'ah compliant Letter of Credit and Bank Guarantee facilities, BML Islamic is now equipped to provide complete banking solutions for its business customers.

We also introduced the widely popular Savings and Investment Accounts for personal customers to complete the Shari'ah compliant deposit portfolio of the Bank. The new products and the renewed focus on service delivery saw a significant growth of our customer base as well as our financing and deposit portfolio in 2019.

BML Islamic continues to be recognized as a preferred Shari'ah compliant bank nationwide, offering services through the countrywide branch network. Throughout the year, BML Islamic financed a wide range of projects while maintaining a robust asset quality. We also opened the new BML Islamic Headquarters providing easy access to our customers in Male'.

"BML Islamic continues to be recognized as a preferred Shari'ah compliant bank nationwide, offering services through the countrywide branch network. Throughout the year, BML Islamic financed a wide range of projects while maintaining a robust asset quality."

INVESTMENT IN TECHNOLOGY

Information Technology continues to play a pivotal role in the Banks's strategic development. The year 2019 saw important investments in a range of services including mobile Point-of-Sale (mPOS) payment solution and BML Merchant Portal. mPOS allows retailers to transform smartphones into payment terminals to accept electronic payments. BML Merchant Portal, a service that can be accessed through desktops allows merchants to send payment links, check transaction status and generate simplified reports. Customers can pay just by scanning the QR Code at retailers, or pay for goods from anywhere by clicking on the payment link which merchants send through message, online messaging apps or email.

The Bank's Point-of-Sale network can now accept all contactless payments including cards and digital wallets.

We continue to be mindful of the risks associated with banking technology in the modern day and continue to actively test the resilience of all our systems to safeguard from increasing security threats. Strengthening the security of our systems remain a paramount objective.

We will remain committed to investing in technology to embrace modern and technologically advanced banking solutions. In this regard, 2020 will see us establish a digital branch, invest in more Self-Service ATMs in Atolls and introduce more convenient banking solutions in addition to upgrading of our core banking and back-end systems.

"We will remain committed to investing in technology to embrace modern and technologically advanced banking solutions."

INVESTMENT IN THE COMMUNITY

As an integral part of being a responsible business, we continued our 'Aharenge Bank' program to invest in community initiatives supporting charitable, educational, sports and environmental causes.

During the year, we implemented 140 CSR initiatives benefiting communities across the country. The Aharenge Bank Community Fund, an initiative to empower individuals and local organizations to contribute to their communities through sustainable projects, saw an investment of MVR 1 million in 20 projects spread right across the country. Projects to develop community parks, equip classrooms and promote environment protection were among the successful projects implemented through the Fund.

Financial literacy was promoted across various communities during the year and we supported Maldives Monetary Authority's Global Money Week to nurture a culture of saving among young people. As part of our work to support people with disabilities, we equipped 10 schools with special learning aids for classrooms, invested in upgrading learning facilities and over the course of the year, donated 60 motorized wheelchairs, helping to enhance the quality of life for people living with physical disabilities. The Fethun Tharin project was also started to teach swimming skills to students with disabilities and we continued our support to young people to develop their sports skills to lead to a more active, healthy lifestyle.

We further strengthened our partnerships with charitable organizations to support important causes in our community. The fourth consecutive BML Wow Kidz Run raised money for Advocating the Rights of Children's (ARC) "Beat Bullying" campaign and we provided support to the Cancer Society of Maldives for the Pink Ribbon Run-Walk to raise funds for breast cancer awareness, hosting the event in 28 islands across Maldives.

Our staff volunteers across the country continued their support to communities, actively participating in community initiatives throughout the year. Through the annual Staff Charity Run, we made a donation to the Maldives Thalassemia Society and as part of our work to support women, donations were made on behalf of our staff to the Family Legal Clinic and Women in Tech.

"During the year, we implemented 140 CSR initiatives benefiting communities across the country. The Aharenge Bank Community Fund, an initiative to empower individuals and local organizations to contribute to their communities through sustainable projects, saw an investment of MVR 1 million in 20 projects spread right across the country."

BOARD OF DIRECTORS

DIRECTORS NOMINATED BY THE GOVERNMENT

The six directors elected at the 36th Annual General Meeting held on 30th July 2019 are as follows:

Mr. Timothy Sawyer

Chief Executive Officer and Managing Director
(Non-Independent, Executive Director)

Mr. Timothy Sawyer is the Chief Executive Officer and Managing Director of the Bank. He has over 30 years of international experience in financial services, including 20 years at Executive and Board level. Prior to joining Bank of Maldives, he was the Chief Investment Officer at Innovate UK, the investment arm of the UK Government.

Prior to Innovate UK, Mr. Sawyer was the CEO of Start Up Loans, where for his services to the UK industry in developing small businesses and entrepreneurs, was awarded Commander of the Most Excellent Order of the British Empire (CBE) by Queen Elizabeth.

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

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

Mr. Sawyer has no shares in the Bank.

Ms. Sana Mansoor

Ma. Manas, K. Male'
(Independent, Non-Executive Director)

Ms. Sana Mansoor is a Managing Partner at FJS Associates LLP. Ms. Sana worked at the State Trading Organisation Plc (STO) from 1988 to 2013. The last position she held at STO Plc was the Chief Financial Officer.

Ms. Sana has held a number of leadership positions, including Executive Board Director at State Trading Organization Plc, Chairperson of Allied Insurance Company of the Maldives Pvt Ltd, Board Director at Maldives Stock Exchange, Maldives Securities Depository Pvt Ltd and Maldives Structural Products Pvt Ltd.

Ms. Sana is the current Chairperson of the Bank's Appointment and Remuneration Committee. Ms. Sana holds a Bachelor of Commerce Degree from Griffith University, Australia. She is also a Certified Practicing Accountant (Australia) and a Licensed Auditor by the Auditor General's Office.

Ms. Sana has no shares in the Bank.

Ms. Juwairiya Saeed

Ma. Kosheege, K. Male'
(Non-Independent, Non-Executive Director)

Ms. Juwairiya Saeed is the Co-Founder and Executive Director at FJS Consulting Pvt Ltd. Ms. Juwairiya is also the current Chairperson of Cancer Society of Maldives.

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

Since 2007, Ms. Juwairiya has provided financial consultancy and worked as a financial advisor in numerous Government projects in Maldives. Some of these projects include the Maldives Environmental Management Project, Maldives Global Climate Change Project and the Rapid Assessment of Water and Sanitation Status in Maldives Project by World Bank.

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

Ms. Juwairiya has 100 shares in the Bank.

Mr. Najeem Ibrahim Zakariyya
M. Dhaashin, K. Male'
(Independent, Non-Executive Director)

Mr. Najeem Ibrahim Zakariyya has over 9 years' experience in different industries of the private sector. At present he is the General Manager and Chief Consultant at Shinetree Holding Pvt. Ltd. Mr. Najeem provides advisory services in tourism, start-up funding, personal finance, wealth planning and investment. In addition, Mr. Najeem was also an Assistant Lecturer at the Maldives College of Higher Education (National University), teaching Finance and Accounting subjects to Bachelor's Degree and Diploma level students.

Mr. Najeem Ibrahim holds a Master's Degree in Applied Finance and a Bachelor's Degree in Banking and Finance from the Monash University, Australia.

Mr. Najeem Ibrahim has no shares in the Bank.

Ms. Hawwa Safna
H. Vaifilaage, K. Male'
(Independent, Non-Executive Director)

Ms. Hawwa Safna is, at present, the Chief Funds Executive at the Ministry of Finance where she is the government executive responsible for the enforcement of the Public Finance Regulation. Ms. Safna has extensive experience in financial management having previously worked at the Capital Market Development Authority as a Market Development Expert in addition to various positions at the Ministry of Finance.

Ms. Safna is the current Chairperson of the Bank's Nomination Committee. She holds a Master of Business Administration with Finance Majors from INTI International University, Malaysia and a Master of Arts from University of Hertfordshire, United Kingdom.

Ms. Safna has no shares in the Bank.

Mr. Hussain Thoufeeq Ali
Ma. Muiri, K. Male'
(Non-Independent, Non-Executive Director)

Mr. Hussain Thoufeeq Ali has been the Managing Director at Silver Sands Pvt. Ltd since 2008. Prior to being appointed as Managing Director at Silver Sands Pvt. Ltd, Mr. Thoufeeq Ali served the Ministry of Foreign Affairs for over 13 years. The last position held by him at the Ministry of Foreign Affairs was Director General.

Mr. Thoufeeq Ali was a Board Director at the Maldives Tourism Development Corporation Plc.

Mr. Thoufeeq Ali holds a Bachelor of Human Science (Political Science) honors degree from the International Islamic University of Malaysia, and a Postgraduate Level Certificate in Diplomatic Studies from the University of Oxford.

Mr. Thoufeeq Ali has no shares in the Bank.

DIRECTORS ELECTED BY THE PUBLIC SHAREHOLDERS

The three directors elected at the 36th Annual General Meeting held on 30th July 2019 are as follows.

Mr. Mohamed Abdul Sattar
Ma. Tulip Villa, K. 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 public shareholders in 2004, and has served on the Board as both a Director appointed by the Government and elected by shareholders.

Mr. Sattar holds a Master of Business Administration degree from University of Wales, United Kingdom.

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

Mr. Ibrahim Mohamed
Nelum, N. Holhudhoo
(Independent, Non-Executive Director)

Mr. Ibrahim Mohamed is the 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.

Mr. Ibrahim 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.

Mr. Ahmed Mohamed
G. Ufaa, K. Male'
(Independent, Non-Executive Director)

Mr. Ahmed Mohamed served as the Ambassador of Maldives to India from 2015 to 2018. Mr. Ahmed was also the Minister of Economic Development from 2012 – 2013. Prior to being elected to this position, he also served as the Chief Executive Officer of State Trading Organization Plc.

Mr. Ahmed served the Bank from 2008 – 2012 as a member of the Board. He also served as Chairman of the Board in STO Plc, Maldives Oil Company, Fuel Supply Maldives and Allied insurance. He has further been engaged as a member of the Board in Dhivehi Ekuweri Kunfuni Plc, Hulhumale' Development Corporation, Island Aviation Services Limited and Maldives Ports Authority.

Mr. Ahmed holds a First Class Honors Bachelor's degree in Engineering Sciences and a Master's degree in Economics (Public Policy) from the University of Hull, UK.

Mr. Ahmed holds 30 shares in the Bank.

Note: As stated under Part 2, 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 one (1) year.

EXECUTIVE TEAM

MR. TIMOTHY SAWYER
CEO & Managing Director

Mr. Timothy Sawyer joined the Bank in July 2019. He has over 30 years of international experience in financial services, including 20 years at Executive and Board level. Prior to joining Bank of Maldives, he was the Chief Investment Officer at Innovate UK, the investment arm of the UK Government.

Prior to Innovate UK, Mr. Sawyer was the CEO of Start Up Loans, where for his services to the UK industry in developing small businesses and entrepreneurs, was awarded Commander of the Most Excellent Order of the British Empire (CBE) by Queen Elizabeth.

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

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

MS. AISHATH NOORDEEN
Deputy Chief Executive Officer

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

Ms. 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 three separate occasions and was a government-appointed director on the Bank's Board of Directors from 2008 until 2014. Ms. Aishath was In-charge of the Bank in 2019 until Mr. Timothy Sawyer was appointed as the CEO in July 2019.

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

MR. MOHAMED SHAREEF*
Deputy Chief Executive Officer & Chief Operating Officer

Mr. Mohamed Shareef joined the Bank in 1995. He is currently Deputy CEO and Chief Operating Officer.

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 resigned from the Bank's services on 17th February 2020

MR. KULDIP PALIWAL
Director of Business

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

Mr. Kuldip is a career banker with over 21 years of experience in the field of Consumer, Commercial and Corporate Banking. He has worked in senior roles in a number of banks in India such as ICICI Bank, IDBI Bank & Citibank. Prior to joining Bank of Maldives, he was Head of Corporate & Investment Banking at Exim Bank, Tanzania.

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

MR. NANDANA SENEVIRATHNE
Chief Financial Officer

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

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

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

MR. HARITHIRTHAM VIJAYABALAN
Chief Internal Auditor

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

Mr. 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.

Mr. 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.

MS. SAHAR WAHEED
People & Change Director

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

Ms. Sahar has 13 years of experience in banking and prior to her appointment as People and Change Director, she served as Head of Strategic Planning and Change Management and as Deputy Manager, Credit Department.

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

MS. RASHFA JAUFAR
Credit Director

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

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

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

MR. ADLY AHMED DIDI
Technology Director

Mr. Adly Ahmed Didi joined the Bank in 1997.

With over 20 years of experience in the field of Information Technology, Mr. Adly started his career in the Bank as Manager, Information Technology. He also served as Head of Information Technology before joining the Bank's executive committee as Technology Director in 2014.

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

MS. AISHATH ZAMRA ZAHIR
Marketing Director

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

Ms. Zamra has over 15 years of experience in marketing and communications. Prior to joining Bank of Maldives, Ms. Zamra worked at Ooredoo Maldives as Head of Marketing Communications where she was responsible for the management and coordination of all communications, advertising and public relations.

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

MS. FATHIMATH MANIKE
Development Banking Director

Ms. Fathimath Manike joined the Bank in 1982. She became Development Banking Director in August 2018.

Ms. Fathimath has extensive knowledge and experience in the banking industry, gained through a career spanning over 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. She was the Islamic Banking Director before her appointment to the current role.

MR. GARY LAUGHTON
Chief Risk Officer

Mr. Gary Laughton joined the Bank in January 2020.

Mr. Gary has over 33 years of extensive experience in corporate, commercial and private client banking. Prior to joining the Bank, he held the position of Chief Credit Officer at Investec Bank Plc, London.

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

MS. SURI HANIM MOHAMED
Islamic Banking Director

Ms. Suri Hanim Mohamed joined the Bank in January 2020.

Ms. Suri has over 19 years of senior leadership experience in setting up and managing new Islamic Banking business units. She was previously a consultant in Tawafuq Consultancy Sdn Bhd, Malaysia and she has also held the position of Chief Executive Officer and Executive Director of the Association of Islamic Banking and Financial Institutions Malaysia.

She holds Master of Islamic Financial Practice from the International Centre for Education in Islamic Finance (INCEIF), Malaysia.

MS. GULNAZ MAHIR
Director of Customer Service

Ms. Gulnaz Mahir joined the Bank in February 2020.

Ms. Gulnaz has over 13 years' experience in the field of customer experience management, digital transformation and revenue management. She most recently held the position of Head of Customer Care at Ooredoo Maldives.

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

MS. LAURA JAMIESON
Director of Operations

Ms. Laura joined the Bank in March 2020.

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

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

She holds a Master of Business Administration degree from University of Bradford, UK.

DIRECTORS' REPORT

BOARD COMPOSITION

Article 47 of 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 Article 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 Corporate Governance Code of 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 2019 began with the following members of the Board of Directors.

1.	Ms. Saeeda Umar (Chairperson)	Government Nominee, Independent & Non-Executive
2.	Mr. Mohamed Shareef (Acting MD)	Government Nominee, Non-Independent & Executive
3.	Mr. Mohamed Luveiz	Government Nominee, Independent & Non-Executive
4.	Mr. Abdul Haris	Government Nominee, Non-Independent & Non-Executive
5.	Ms. Aishath Arsha	Government Nominee ,Independent & Non-Executive
6.	Ms. Hawwa Safna	Government Nominee, Non-Independent & Non-Executive
7.	Mr. Rabih Mohamed	Government Nominee , Non-Independent & Non-Executive
8.	Mr. Mohamed Abdul Sattar	Elected by Public Shareholders, 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

During the 36th Annual General Meeting held on 30th July 2019, the Board of Directors was re-constituted with the following 09 Directors with 02 Nominee Director position vacant.

1.	Mr. Timothy Sawyer (CEO / MD)	Government Nominee, Non-Independent & Executive
2.	Ms. Juwairiya Saeed	Government Nominee, Non-Independent & Non-Executive
3.	Ms. Sana Mansoor	Government Nominee, Independent & Non-Executive
4.	Mr. Najeem Ibrahim Zakariyya	Government Nominee, Independent & Non-Executive
5.	Ms. Hawwa Safna	Government Nominee, Independent & Non-Executive
6.	Mr. Hussain Thoufeeq Ali	Government Nominee, Non-Independent & Non-Executive
7.	Mr. Mohamed Abdul Sattar	Elected by Public Shareholders, Independent & Non-Executive
8.	Mr. Ibrahim Mohamed	Elected by Public Shareholders, Independent & Non-Executive
9.	Mr. Ahmed Mohamed	Elected by Public Shareholders, Independent & Non-Executive

Meetings of the Board during 2019 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 comprising 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 21 meetings in 2019, with attendance as below.

DIRECTORS	MEETINGS TO ATTEND	MEETINGS ATTENDED
Mr. Timothy Sawyer[1]	06	06
Ms. Saeeda Umar[2]	15	15
Mr. Mohamed Shareef[2]	15	15
Mr. Mohamed Luveiz[2]	15	13
Mr. Abdul Haris[2]	15	15
Ms. Aishath Arsha[2]	15	15
Mr. Rabih Mohamed[2]	15	15
Ms. Hawwa Safna	21	20
Ms. Juwairiya Saeed[1]	06	06
Ms. Sana Mansoor[1]	06	06
Mr. Najeem Ibrahim Zakariyya[1]	06	06
Mr. Hussain Thoufeeq Ali[1]	06	06
Ms. Ibthishama Ahmed Saeed[2]	15	15
Mr. Mohamed Abdul Sattar	21	21
Mr. Ibrahim Mohamed	21	20
Mr. Ahmed Mohamed[1]	06	06

The Board Credit Committee held 05 meetings during 2019, with attendance as below.

DIRECTORS	MEETINGS TO ATTEND	MEETINGS ATTENDED
Mr. Timothy Sawyer	05	05
Mr. Ibrahim Mohamed	05	05
Mr. Mohamed Abdul Sattar	05	05
Ms. Sana Mansoor	05	04
Ms. Hawwa Safna	05	04
Mr. Ahmed Mohamed	05	05
Mr. Najeem Ibrahim Zakariyya	05	05

RELATIONSHIP WITH SHAREHOLDERS AND CUSTOMERS

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

DECLARATION OF DIVIDEND FOR 2018

In 2019, the Board of Directors resolved to declare a final dividend of MVR 129,166,080 which equates to MVR 24 per share for the year 2018.

1 Appointed to the Board after the 36th Annual General Meeting held on 30th July 2019
2 Tenure ended after the 36th Annual General Meeting held on 30th July 2019

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 quarterly basis, published its latest financial performance on its website.

APPOINTMENT OF EXTERNAL AUDITORS

At the 36th Annual General Meeting, the Board of Directors approved to select and recommend for the approval of shareholders that PricewaterhouseCoopers be appointed as the External Auditors of the Bank for the year 2019.

CORPORATE GOVERNANCE

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

- The Bank published its Annual Report for the year 2019 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 Corporate Governance Code of 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.

The Bank was unable to convene its Annual General Meeting within the stipulated time and a fine of MVR 29,500 was imposed for this delay by Maldives Stock Exchange as per Appendix 5 of the Listing Rules.

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 fit 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 (2019/R-1050) 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 2019 accounting period were as follows:

	(IN '000 MVR)
Not later than 1 year	560,430
Between 1 to 2 years	160,078
Between 2 to 3 years	99,356
Over 3 years	168,542

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

	(IN '000 MVR)
2018	17,125,926
2019	19,471,125

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. 123 and 124 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.

DECLARATION BY THE BOARD OF DIRECTORS

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

The Board of Directors of Bank of Maldives declare that this report has been prepared in compliance with the Companies Act of the Republic of Maldives (Law No.: 10/96), Maldives Banking Act (Law No.: 24/2010), Prudential Regulation issued by the Maldives Monetary Authority the Maldives Securities Act (Law No.: 2/2006), the Securities (Continuing Disclosure Obligations of Issuers) Regulations 2019 (Regulation No.: 2019/R-1050), the Corporate Governance Code of the Capital Market Development Authority ("CG Code") and the Listing Rules of the Maldives Stock Exchange (the "Listing Rules").

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

On behalf of the Board of Directors:

Timothy Sawyer

CEO & Managing Director

Nandana Senevirathne

Chief Financial Officer

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 13th Audit and Risk Management Committee of the Bank was constituted after the 36th 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 39 meetings of the Audit and Risk Management Committee were held during 2019. Membership and attendance details were as below:

DIRECTORS	MEETINGS TO ATTEND	MEETINGS ATTENDED
Mr. Ibrahim Mohamed Chairperson of the Committee Non-Executive & Independent	39	39
Mr. Mohamed Abdul Sattar Non-Executive & Independent	39	39
Mr. Mohamed Luveiz[2] Non-Executive & Independent	26	25
Ms. Aishath Arsha1[2] Non-Executive & Independent	26	25
Mr. Rabih Mohamed[2] Non-Executive & Independent	26	24
Ms. Juwairiya Saeed[1] Non-Executive & Non-Independent	13	12
Ms. Sana Mansoor[1] Non-Executive & Independent	13	13
Mr. Najeem Ibrahim Zakariyya[1] Non-Executive & Independent	13	13

1 Appointed after the 36th Annual General Meeting held on 30th July 2019.
2 Tenure ended after the 36th Annual General Meeting held on 30th July 2019.

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.

- Business Continuity Management Policy
- Compliance Policy
- Credit Policy
- Cyber Security Policy
- Delegation of Authority Policy
- Fixed Asset Management Policy
- Payment System Policy
- Strategic Plan Policy
- Information Security Policy

The Committee reviewed and the Board of Directors approved the following new policies during the year.

- IFRS 9 Impairment Policy
- Policy on the criteria of an Independent Director

The following were also reviewed by the Committee:

- Bank's Financial Statements for the year 2018
- External Auditor's Management Letter for the year 2018
- Custodian Compliance Report 2018
- Proposals regarding the appointment of External Auditors for the year 2019
- Internal Audit Reports, including Quarterly Report
- Risk Reports, including Quarterly Report
- Quarterly Financial Statements
- MMA Onsite Examination Report
- Audit Plan for the year 2020
- Budget for the year 2020
- Quarterly Non-performing Assets and Loan Portfolio Report
- Appointment of the Bank's Internal Audit Partner for the year 2019
- Changes to existing Loan Products and new Loan Products

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 2019, the Committee reviewed and followed up on issues raised through the Bank's Whistle Blowing System.

EXTERNAL AUDIT

PricewaterhouseCoopers were confirmed as the Bank's External Auditors with the approval of shareholders in the 36th Annual General Meeting held on 30th July 2019.

During 2019, the external auditors have not provided any non-audit related services to the Bank.

On behalf of the Audit and Risk Management Committee

Ibrahim Mohamed
Chairperson
Audit and Risk Management Committee

APPOINTMENT AND REMUNERATION COMMITTEE REPORT

The 13th Appointment and Remuneration Committee (AR Committee) was constituted after the 36th Annual General Meeting, in accordance with Articles 63 of the Articles of Association (AOA) of the Bank and Section 1.8 (b) of the Corporate Governance Code issued by the Capital Market Development Authority (CMDA).

The Appointment, Nomination and Remuneration (ANR) Committee before performed the functions of both a Nomination Committee and Remuneration Committee. The ANR Committee was reconstituted into two separate committees; AR Committee and Nomination Committee following the 36th Annual General Meeting as the Board considered the required functions of these two committees now would be better undertaken by two committees in view of the scope, functions and expertise of the members of the Board. The purpose of the AR Committee is to establish and recommend to the Board a framework of remuneration packages for Directors and Executive Management. With respect to appointment issues, the Committee identifies and makes recommendations on Executive Management appointments. 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 63 of the AOA of the Bank are:

- Establish and recommend to the Board a framework of remuneration packages for Directors and Executive Management.
- Identify and make recommendations on Executive Management appointments.
- Review and recommend changes where necessary to the organizational structure of the Bank.
- Ensure that a plan of succession is in place for senior management, taking into consideration, the challenges and opportunities that the Bank may face in the future and the skill and capability required senior management.
- Periodically review the remuneration policy of the Bank.

COMPOSITION AND FREQUENCY OF MEETINGS

There were 61 meetings of the Appointment and Remuneration Committee of the Board during 2019. Membership and attendance details were as below.

DIRECTORS	MEETINGS TO ATTEND	MEETINGS ATTENDED
Ms. Sana Mansoor[1] Chairperson of the Committee Non-Executive & Independent	10	07
*Mr. Mohamed Abdul Sattar Non-Executive & Independent	61	61
**Mr. Ibrahim Mohamed Non-Executive & Independent	49	49
Mr. Mohamed Luveiz[2] Non-Executive & Independent	51	43
Mr. Abdul Haris[2] Non-Executive & Non-Independent	51	49
**Ms. Ibthishama Ahmed Saeed[2] Non-Executive & Independent	49	31
***Ms. Hawwa Safna Non-Executive & Independent	12	8
***Ms. Aishath Arsha[2] Non-Executive & Independent	02	02
Ms. Juwairiya Saeed1[1] Non-Executive & Non-Independent	10	10
Mr. Hussain Thoufeeq Ali[1] Non-Executive & Non-Independent	10	09

* Chairperson of the Committee till 30th July 2019.
** stepped down from ANR Committee after reconstitution on 16th June 2019
*** Appointed to the ANR Committee after reconstitution on 16th June 2019

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 2019.

The table below sets out the breakdown of remuneration paid from 01st January 2019 to 31st December 2019 for the Board of Directors and Key Management Personnel. 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	2,876,516
Executive Management	19,575,675

1 Appointed after the 36th Annual General Meeting held on 30th July 2019.
2 Tenure ended after the 36th Annual General Meeting held on 30th July 2019.

COMMITTEE ACTIVITIES

The Committee recommended to the Board the following appointments during 2019:

- Mr. Timothy Sawyer — Chief Executive Officer & Managing Director
- Ms. Suri Hanim Mohamed — Director of Islamic Banking
- Mr. Gary Laughton — Chief Risk Officer

The Committee reviewed and the Board of Directors approved the following new policy during the year.

- Human Resources Policy

The Committee reviewed and the Board of Directors also approved the following amended policies during the year.

- Employee Handbook
- Provident Fund Rules

The Committee reviewed the following during the year:

- Applications received for the position of Chief Executive Officer, Chief Risk Officer and Director of Islamic Banking
- New Organization Structure of the Bank
- Review of Staff Loan Products
- Renewal of engagement of Shari'ah Advisory Committee members

On behalf of the Appointment and Remuneration Committee

Sana Mansoor
Chairperson
Appointment and Remuneration Committee

NOMINATION COMMITTEE REPORT

The first Nomination Committee was constituted after the 36th Annual General Meeting, in accordance with Articles 54 of the Articles of Association (AOA) of the Bank and Section 1.8 (a) of the Corporate Governance Code issued by the Capital Market Development Authority (CMDA).

The functions of a Nomination Committee was previously performed by the Appointment, Nomination and Remuneration Committee. With respect to appointment and nomination issues, the Committee identifies and makes recommendations on Board appointments and conducts an annual review of the Board's performance and training needs.

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 30th January 2019 inviting public shareholders to apply, a total of 06 candidates applied, out of which 02 candidates did not meet the criteria, 01 candidate withdrew their interest and remaining 03 candidates 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 04 meetings of the Nomination Committee of the Board during 2019. Membership and attendance details were as below.

DIRECTORS	MEETINGS TO ATTEND	MEETINGS ATTENDED
Ms. Hawwa Safna Chairperson of the Committee Non-Executive & Independent	04	04
Ms. Juwairiya Saeed Non-Executive & Non-Independent	04	02
Mr. Hussain Thoufeeq Non-Executive & Non-Independent	04	04
Mr. Najeem Ibrahim Zakariyya Non-Executive & Independent	04	04
Mr. Ahmed Mohamed Non-Executive & Independent	04	04

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 2019 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.

COMMITTEE ACTIVITIES

The Committee reviewed the following during the year:

- Names proposed for Nominee Director positions
- Applications received for Public Directorship position
- Nominations for two vacant Nominee Directorship positions

On behalf of the Nomination Committee

Hawwa Safna
Chairperson
Nomination Committee

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 2019, 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. In addition, BML Islamic has also disclosed its Quarterly Financial Reports to the SAC.

Based on the Shari'ah Department's reports and Management representations, in our opinion, the operations of BML Islamic in 2019 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

Asst. Professor Dr. Ziyaad Mahomed
Member

INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report

To the Shareholders of Bank of Maldives Plc

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Bank of Maldives Plc ("the Bank") as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The financial statements of the Bank, which comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

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

Key audit matters

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

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Partners D.T.S.H. Mudalige FCA, C.S. Manoharan FCA, Ms. S. Perera ACA, T.U. Jayasinghe FCA
Resident Partner Jatindra Bhattray FCA

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Key audit matter	How our audit addressed the Key audit matter
Impairment of loans and advances	
Refer to Note 17 of the financial statements.	Specific work that we performed on the loss allowance on loans and advances recognised by management included the following:
As at 31 December 2019, 51% of the total assets of the bank consisted of loans and advances amounting to MVR 13.36 billion shown net of loss allowance of MVR 967.8 million. The loss allowance in respect of loans and advances represent management's best estimate of the impairment loss incurred and expected within the loan portfolio at the reporting date. The loss allowance had been calculated using statistical methods and historical collection trends adjusted for forward-looking information. Significant estimates and assumptions used by the management in such calculations and the basis for impairment allowance is disclosed in Note 34.4 and 2.25.	- Tested the completeness of the loans and advances considered in the loan loss calculation by checking the mathematical accuracy of the listing obtained and matched the outstanding balances with the general ledger. - Assessed the reasonableness of management's estimated future recoveries of individual customer loans and advances including the expected future cash flows, discount rates and valuation of collateral held by testing the key underlying assumptions and evaluating the process by which those were drawn up. - Tested the accuracy and completeness of underlying information in loans and advances used in the expected loan loss allowance calculation, such as disbursed and undisbursed loan amounts, deposits, values of the collateral, aging and loan tenure periods by agreeing details with the respective customer statements and files on a sample basis. - Tested the methodology applied in the loan loss allowance calculation by checking compliance with the requirements of IFRS 9, *Financial instruments; recognition and measurement*, and also considered reasonableness of macro-economic and other factors used by the management by comparing them with publicly available data and information sources.
We have identified expected credit loss allowance for loans and advances as a key audit matter as the calculation of the loan loss allowance is a complex area and requires management to make significant assumptions and judgements.	

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Other information

Management is responsible for the other information. The other information comprises the annual report for the year ended 31 December 2019 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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19 March 2020

For PRICEWATERHOUSECOOPERS
Registration No: F0005

Jatindra Bhattray
Partner

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

(All amounts in MVR '000 unless otherwise stated)

	Notes	2019	2018
Gross income	3	2,758,459	2,516,518
Interest income	4	1,766,224	1,618,592
Interest expense	4	(171,442)	(142,400)
Net interest income	4	1,594,782	1,476,192
Fees and commission income	5	882,023	808,002
Fees and commission expense	5	(327,975)	(291,800)
Net fee and commission income	5	554,048	516,202
Net foreign exchange income	6	61,478	56,582
Other operating income (net)	7	48,734	33,342
Total operating income		2,259,042	2,082,318
Credit impairment (charge)/reversal	8	(332,337)	22,252
Net operating income		1,926,705	2,104,570
Personnel expenses	9	(276,923)	(268,796)
Other operating expenses	10	(262,791)	(233,875)
Total operating expenses		(539,714)	(502,671)
Profit before tax		1,386,991	1,601,899
Income tax expense	11	(347,864)	(503,139)
Net profit for the year		1,039,127	1,098,760
Other comprehensive income net of tax			
Items that will not be reclassified to profit or loss			
Net gains on re-measuring of FVOCI equity investments		64,900	21,043
Net income tax (reversal) relating to components of re-measuring of equity investments	11.3	(16,225)	(5,261)
Other comprehensive income for the year net of tax		48,675	15,782
Total comprehensive income for the year		1,087,802	1,114,542
Earnings per share - Basic/diluted (MVR)	12	193	204

The accounting policies and notes on pages 61 through 128 form an integral part of the financial statements

BANK OF MALDIVES PLC

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

(All amounts in MVR '000 unless otherwise stated)

Assets	**Notes**	**2019**	**2018**
Cash and cash equivalents	14	1,754,377	1,332,292
Statutory deposit with Maldives Monetary Authority	15	2,284,502	1,843,416
Placements with banks	16	2,505,335	1,899,793
Loans and receivables to customers	17	13,366,916	12,198,904
Financial assets at amortized cost	18	5,135,871	4,796,577
Financial assets at FVOCI	20	209,426	144,526
Property, plant and equipment	21	459,182	346,186
Right-of-use assets	22	176,321	-
Intangible assets	23	68,982	63,790
Other assets	24	316,906	347,619
Total assets		26,277,818	22,973,103
Liabilities			
Due to customers	25	17,317,359	15,257,418
Term debt and other borrowed funds	26	988,406	921,761
Lease liability	27	155,143	-
Custodian accounts of Maldives Retirement Pension Scheme	29	26,583	22,805
Bank profit tax liability	11.2	342,389	315,381
Deferred tax liabilities	11.3	37,123	16,228
Other liabilities	28	604,122	592,333
Total liabilities		19,471,125	17,125,926
Equity			
Share capital	30	362,096	362,096
Retained earnings		1,042,647	1,102,281
Other reserves	31	5,401,950	4,382,800
Total equity		6,806,693	5,847,177
Total liabilities and equity		26,277,818	22,973,103
Commitments and contingencies	34.4.10	1,541,306	1,727,717

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	Timothy Sawyer	Ibrahim Mohamed
Chief Financial Officer	CEO and Managing Director	Audit Committee Member

The accounting policies and notes on pages 61 through 128 form an integral part of the financial statements.

18 March 2020

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BANK OF MALDIVES PLC

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

(All amounts in MVR '000 unless otherwise stated)

		Share capital		Reserves							
	Notes	**Ordinary voting shares**	**Share premium**	**Retained earnings**	**Statutory reserve**	**Assigned capital reserve**	**General reserve**	**Revaluation reserve**	**FVOCI reserve**	**Reserve for loan loss provision**	**Total**
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
Changes on initial application of IFRS 9		-	-	(290,554)	-	-	-	-	-	(606,241)	(896,796)
Recognition of deferred tax asset		-	-	198,834	-	-	-	-	-	-	198,834
Restated balance at 1 January 2018		269,096	93,000	972,622	150,000	6,000	3,144,994	122,070	92,374	-	4,850,156
Net profit for the year		-	-	1,098,760	-	-	-	-	-	-	1,098,760
Other comprehensive income net of tax		-	-	-	-	-	-	-	15,782	-	15,783
Dividends to equity holders	13.1	-	-	(118,402)	-	-	-	-	-	-	(118,402)
Transfer to general reserves		-	-	(854,220)	-	-	854,220	-	-	-	-
Deferred tax on excess depreciation	11.3	-	-	-	-	-	-	880	-	-	880
Depreciation transfer on revaluation assets		-	-	3,520	-	-	-	(3,520)	-	-	-
Balance as at 31 December 2018		269,096	93,000	1,102,281	150,000	6,000	3,999,214	119,430	108,156	-	5,847,177
Net profit for the year		-	-	1,039,127	-	-	-	-	-	-	1,039,127
Other comprehensive income net of tax		-	-	-	-	-	-	-	48,675	-	48,675
Dividends to equity holders	13.1	-	-	(129,166)	-	-	-	-	-	-	(129,166)
Transfer to general reserves		-	-	(973,115)	-	-	973,115	-	-	-	-
Deferred tax on excess depreciation	11.3	-	-	-	-	-	-	880	-	-	880
Depreciation transfer on revaluation assets		-	-	3,520	-	-	-	(3,520)	-	-	-
Balance as at 31 December 2019		269,096	93,000	1,042,647	150,000	6,000	4,972,329	116,790	156,831	-	6,806,693

The accounting policies and notes on pages 61 through 128 form an integral part of the financial statements

BANK OF MALDIVES PLC

STATEMENT OF CASH FLOWS

Year ended 31 December 2019

(All amounts in MVR '000 unless otherwise stated)

	Notes	2019	2018
Cash flows from operating activities			
Profit before tax		1,386,991	1,601,899
Adjustments for:			
Other non cash items included in profit before tax	36.2	128,979	(203,274)
Increase in operating assets	36.3	(2,579,028)	(1,209,690)
Increase in operating liabilities	36.4	2,142,153	310,960
Bank profit tax paid	11.2	(315,306)	(310,569)
Net cash flows generated from operating activities		763,789	189,327
Cash flows from investing activities			
Purchase of property, plant and equipment	21	(165,967)	(58,701)
Purchase of intangible assets	23	(17,178)	(3,060)
Proceeds from the sale of property, plant and equipment		560	263
Liquidation of subsidiary		-	10
Net cash flows used in investing activities		(182,585)	(61,487)
Cash flows from financing activities			
Dividends paid to equity holders		(129,166)	(118,402)
Lease liability paid		(29,952)	-
Net cash flows used in financing activities		(159,119)	(118,402)
Net increase in cash and cash equivalents		422,085	9,439
Cash and cash equivalents at 1 January		1,332,292	1,322,853
Cash and cash equivalents at 31 December	36.1	1,754,377	1,332,292

The accounting policies and notes on pages 61 through 128 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 (Reg. no. C-22/1982) with limited liability and domiciled in the Republic of Maldives. The registered office of the Bank is situated at 11, Boduthakurufaanu Magu, Male’ 20094, Republic of Maldives. The Bank is listed on the Maldives Stock Exchange.

1.2 Principal activities and nature of operations

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

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Approval of financial statements by the Board of Directors

The financial statements of the Bank for the year ended 31 December 2019 were authorized for issue by the Board of Directors (together referred to as the “Board”) in accordance with the resolution of the Board on 18 March 2020.

2.3 Basis of measurement

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

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

2.4 Functional and presentation currency

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

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

2.5 Presentation of financial statements

The Bank’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 37.

2.6 Materiality and aggregation

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

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

2.7 Comparative information

The accounting policies have been consistently applied by the Bank with those of the previous financial year in accordance with IAS 1 Presentation of financial statements. Further, information has been reclassified wherever necessary to provide better relative comparisons. The details of any reclassification have been provided in Note 2.13.

2.8 Critical accounting estimates and judgements

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

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

2.8.1 Going concern

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

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 33 to the financial statements.

2.8.3 Measurement of the expected credit loss (ECL) allowance

The measurement of ECL allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 34.4.3.3, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risks.
- Choosing appropriate models and assumptions for the measurement of ECL.
- Establishing the number and relative weightings of forward-looking scenarios and the associated ECL.
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in Note 34.4.3.

2.8.4 Fair value of property, plant and equipment

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

2.8.5 Useful life time of property, plant and equipment and intangible asset

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

2.8.6 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 Financial assets and liabilities

Amortized cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses but includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that are not impaired at origination but have subsequently become credit-impaired (or ‘stage 3’), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the financial instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in Note 34.4.3, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument’s fair value can be determined using market observable inputs, or realised through settlement.

2.9.1 Financial assets

(i) Classification and subsequent measurement

From 1 January 2018, the Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

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

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

Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

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

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

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

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

Business model: the business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank’s objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of ‘other’ business model and measured at FVPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset’s performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the Bank’s business model for the mortgage loan book is to hold to collect contractual cash flows, with no resulting derecognition by the Bank. Another example is the liquidity portfolio of assets, which is held by the Bank as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the ‘other’ business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments’ cash flows represent solely payments of principal and interest (the ‘SPPI test’). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. No reclassifications were done during the year.

Equity instruments

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

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

Gains and losses on equity investments at FVPL are included in the 'net trading income' line in the statement of profit or loss.

(ii) Impairment

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 34.4.3 provides more detail of how the expected credit loss allowance is measured.

(iii) Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

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

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

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

The impact of modifications of financial assets on the expected credit loss (ECL) calculation is discussed in Note 34.4.7.

(iv) Derecognition other than on a modification

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

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

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

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

2.9.2 Financial liabilities

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading book) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Bank recognises any expense incurred on the financial liability; and

- Financial guarantee contracts and loan commitments (refer Note 2.10).

(ii) Derecognition

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

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

2.10 Financial guarantee contracts and loan commitments

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

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

- The amount of the loss allowance (calculated as described in Note 34.4.3); and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

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

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a

2.11 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 mid exchange rate (simple average of buy and sell exchange rates) applying at that date and all differences arising on non-trading activities are taken to other operating income in the statement of comprehensive income.

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

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

(All amounts in MVR '000 unless otherwise stated)

2.12 Leases

The Bank has changed its accounting policy for leases where the Bank is the lessee. The new policy is described in Note 2.27.1 and the impact of the change in Note 2.13.

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Bank as lessee were classified as operating leases (Note 34.4.10). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

2.13 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Bank's financial statements.

The Bank has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2.27.1.

On adoption of IFRS 16, the Bank recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7.50% and 8.00% for leases up to 5 years and 8.00% and 8.50% for leases more than 5 years for USD and MVR liabilities respectively.

The Bank did not carry any finance leases as at 1 January 2019.

2.13.1 Practical expedients applied

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

- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- Payments of operating leases with low-value assets are recognised on a straight line basis as an expense to statement of comprehensive income, under other operating expenses
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

2.13.2 Measurement of lease liabilities

The measurement and the carrying amount of lease liabilities in accordance with IFRS 16 at 1 January 2019 are as follows:

	2019
Operating lease commitments disclosed as at 31 December 2018	138,971
Discounted using the lessee's incremental borrowing rate of at the date of initial application	136,813
Lease liability recognised as at 1 January 2019	136,813
of which are:	
Current lease liabilities	16,205
Non-current lease liabilities	120,608
	136,813

2.13.3 Measurement of right-of-use assets

All right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

2.13.4 Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by MVR 169,402,907.
- Prepaid lease – decrease by MVR 32,590,141.
- Lease liabilities – increase by MVR 136,812,766.

Accordingly, the net impact to retained earnings on 1 January 2019 was zero.

2.13.5 Lessor accounting

The Bank did not hold assets in the form of a lessor under any operating lease agreement and did not make any adjustment as a result of the adoption of IFRS 16.

2.14 Financial instruments

2.14.1 Financial assets at amortized cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. After the initial recognition, financial assets are subsequently measured at amortised cost using the effective interest rate (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 'credit impairment losses' in the statement of comprehensive income.

The Bank considers objective evidence of impairment for loans and receivables to customers and financial assets at amortised cost.

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'.

2.14.1.1 Loans and receivables to customers

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

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

Loans and receivables to customers are initially recognised at amortised cost, 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 'credit impairment losses'.

Details of loans and receivables to customers are given in Note 17 to the financial statements.

2.14.1.2 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 14 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.

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

Financial assets at FVOCI includes both quoted and unquoted equity. Equity investments classified as FVOCI are financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL. The Bank has not designated any loans or receivables as FVOCI. After initial measurement, financial assets are subsequently measured at fair value. Unrealised gains and losses are recognised directly in the statement for other comprehensive income as part of equity. 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 Bank 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 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.

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

In the case of debt instruments classified as FVOCI, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at 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 Bank writes off financial assets at FVOCI when they are determined to be uncollectible.

2.14.3 Financial liabilities at amortised cost

Financial instruments issued by the Bank that are not designated at fair value through profit or loss, are classified as liabilities under 'due to banks', 'due to customers' and 'debt issued and other borrowed funds' as appropriate, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares at 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 Bank's financial liabilities at amortised cost are shown in Note 26 and Note 28 to the financial statements.

2.14.4 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'.

2.15 Property, plant and equipment

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

2.15.1 Recognition

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

2.15.2 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.

2.15.3 Cost model

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

2.15.4 Revaluation model

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

(All amounts in MVR '000 unless otherwise stated)

2.15.5 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 Bank and its cost can be reliably measured.

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

2.15.6 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.

2.15.7 Depreciation

The Bank provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Bank of the different types of assets. Depreciation of an asset ceases at the earlier date that the asset is classified as held for sale or the date that the asset is 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	25 years or lease term, whichever is shorter
Computer hardware	10% - 33.33%
Furniture and fittings	12.5% - 25%
Office equipment	25% - 33.33%
Motor vehicles / vessels	10% - 20%

2.15.8 Changes in estimates

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

2.15.9 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.

(All amounts in MVR '000 unless otherwise stated)

2.16 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 23 to the financial statements.

2.16.1 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.

2.16.2 Computer software

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

2.16.3 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.

2.16.4 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.

2.16.5 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 Bank. Amortisation methods, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate. The Bank assume that there is no residual value for its intangible assets.

Asset Category	Useful life years
Computer software	5 - 10 years

2.17 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 40 to the financial statements as an event after the reporting period in accordance with the IAS 10 - Events after the reporting period.

2.18 Employee benefits

2.18.1 Staff provident fund

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

2.18.2 Retirement pension scheme

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

2.19 Provisions

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

2.20 Fiduciary activities

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

2.20.1 Custodian account of Maldives Retirement Pension Scheme (MRPS)

Pursuant to the agreement entered into with Maldives Pension Administration Office (MPAO), the administrator of the MRPS, the Bank performs custodial and other services relating to the establishment and maintenance of contribution collection and contribution holding accounts of MRPS, in which the Bank keeps the funds and, at the direction of MPAO or a person 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 29.

2.21 Commitments and contingencies

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

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Letters of credit and guarantees commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans. Operating lease commitments of the Bank (as a lessor and as a lessee) and pending legal claims against the Bank too form part of commitments of the Bank. 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 Bank. All identifiable risks are accounted for in determining the amount of all known liabilities.

Details of commitments and contingencies are given in Note 34.4.10 to the financial statements.

2.21.1 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 Bank’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

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 ‘fees and commission income’.

2.21.2 Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. There were no pending litigations against the Bank as at 31 December 2019 which would have a material impact on the financial statements. Further details are provided under Note 38 to the financial statements.

2.22 Operational risk events

Provisions for operational risk events are recognised as losses incurred by the Bank 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.

2.23 Significant accounting policies – Recognition of income and expenses

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

2.23.1 Interest income and interest expense

For all financial instruments measured at amortised cost and interest bearing financial assets classified as FVOCI, 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 Bank 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 Bank 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.

2.23.2 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.

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

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 recognised when the obligation is fulfilled. 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.

2.23.2.2 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.

2.23.3 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 accrual basis.

2.23.4 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 7 'other operating income' in the financial statements.

2.23.5 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.

2.24 Tax expense

In accordance with IAS 12 - Income taxes, tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is 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.

2.24.1 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

With effect from 1 January 2020, Ministry of Finance and Treasury replaced the prevailing Bank Profit Tax Act (9/85) and introduced the Income Tax Act (25/2019) which governs all taxation purposes for banks. The new Income Tax regulation does not impact the Bank's financial statements for the year ended 31 December 2019.

2.24.2 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.

2.25 IFRS 9 Financial instruments

Initial recognition

The Bank initially recognises loans and advances on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

Classification and measurement

From a classification and measurement perspective, the new standard requires 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 were replaced by fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. Equity instruments that were not held for trading are irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the statement of comprehensive income.

The accounting for financial liabilities is largely 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 are presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise. The Bank concludes that:

- The majority of loans and advances to banks and customers and cash settlement balances with clearing houses that were classified as loans and receivables under IAS 39 are measured at amortised cost under IFRS 9.
- Financial assets and liabilities held for trading and designated at FVPL continue to be measured at FVPL.
- The majority of the debt and equity securities that were classified as available for sale under IAS 39 are measured at amortised cost or FVOCI.
- Debt securities that were classified as held to maturity continue to be measured at amortised cost.

Impairment of financial assets

Overview

IFRS 9 has fundamentally changed the impairment methodology of loans and receivables. The standard replaced IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach. The Bank is 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 for 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 performs 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 estimated 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.

The Bank classifies its financial instruments as 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 – Credit 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 records impairment for FVOCI debt securities, depending on whether they are classified as Stage 1, 2, or 3, as explained above. However, the Bank does not reduce the expected credit losses from 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 is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss.

Forward looking information

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

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. 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 the additional impairment provision required under IFRS 9 into its 2020 budget. The additional provision requirement does not have a significant impact on the Bank's capital ratios.

2.26 IFRS 15 Revenue from contracts with customers

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

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue under IFRS 15 requires to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to payments. The standard 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.

An evaluation of relevant existing contracts, which fall mainly under fee and commission based income, had been performed by the Bank in relation to the adoption of IFRS 15. This assessment did not reveal any significant change to the Bank's revenue recognition pattern. However, the Bank continues to evaluate and quantify the accounting impact and will modify its systems and processes if necessary.

2.27 Accounting standards adopted for the first time

2.27.1 IFRS 16 Leases

2.27.1.1 Introduction

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 from 1 January 2019. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

The Bank has adopted IFRS 16 Leases from 1 January 2019, using modified retrospective approach.

2.27.1.2 The Bank’s leasing activities and how these are accounted for

The Bank leases various offices and godowns as leased buildings and rental contracts are typically made for fixed periods of 12 months to 7 years, but may have extension options as described in (Note 2.27.1.3) below.

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

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

Until the 2018 financial year, leases of property, plant and equipment comprising only buildings were classified as operating leases (Refer Note 2.12). From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed lease payments (including in-substance fixed payments).

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability

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

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

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

Right-of-use assets are measured at cost comprising the following:
- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date
- Any initial direct costs, and
- Restoration costs.

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

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

2.27.1.3 Extension and termination options

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

(All amounts in MVR '000 unless otherwise stated)

3 Gross income

	2019	2018
Interest income	1,766,224	1,618,592
Fees and commission income	882,023	808,002
Net foreign exchange income	61,478	56,582
Other operating income (net)	48,734	33,342
	2,758,459	2,516,518

4 Net interest income

	2019	2018
Interest income		
Placements with banks	60,155	35,814
Loans and receivables to customers	1,476,183	1,367,123
Financial assets at amortized cost (Note 4.1)	221,820	207,567
Reserve deposits	8,066	8,088
	1,766,224	1,618,592
Less: interest expense		
Due to customers	104,800	85,557
Term debts and other borrowed funds	52,894	56,843
Finance cost for lease liabilities (Note 27)	13,748	-
	171,442	142,400
Net interest income	1,594,782	1,476,192

4.1 Interest income - financial assets at amortized cost

	2019	2018
Interest income from Government of Maldives Securities and related financial instruments	209,132	198,511
Interest income from financial instruments other than Government of Maldives	12,688	9,057
	221,820	207,567

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

5 Net fee and commission income

	2019	2018
Cards operation	697,558	624,301
Pay orders	54,932	51,478
Loans	39,396	35,509
Administration fees on development funds	7,472	11,286
Miscellaneous income on branch operations	61,452	62,829
Trade services	11,063	10,314
Custodian services fee	6,000	6,000
Others	4,150	6,285
	882,023	808,002
Fee and commission expense - Card operation	(327,975)	(291,800)
Net fee and commission income	554,048	516,202

(All amounts in MVR '000 unless otherwise stated)

6 Net foreign exchange income

	2019	2018
Net foreign exchange income	61,478	56,582
	61,478	56,582

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

7 Other operating income (net)

	2019	2018
Recoveries of writing off loan and receivables	36,291	21,937
Dividend income	160	22
Others	12,283	11,383
	48,734	33,342

8 Impairment of loans and other credit losses charged/(reversed)

	2019	2018
Loans and receivables to customers	313,951	(28,117)
Financial assets at amortized cost	3,694	62
Placements with banks	8,651	22
Other receivables	6,041	5,780
	332,337	(22,252)

9 Personnel expenses

	2019	2018
Salaries, wages and other related expenses	263,641	255,977
Defined contribution plan expense - 7% contribution to Maldives Retirement Pension Scheme	10,153	9,813
Defined contribution plan expense - 3% to Employee Provident Fund	3,129	3,006
	276,923	268,796

10 Other operating expenses

	2019	2018
Depreciation of property, plant and equipment (Note 21.3)	52,422	49,396
Amortisation of intangible assets (Note 23)	11,986	11,359
Depreciation of right-of-use assets (Note 22)	27,617	-
Administration and establishment expenses	44,952	40,921
Software license fees and hardware maintenance expenses	35,491	33,108
Communication expenses	19,753	15,593
Operating lease rentals	-	23,215
Expense relating to leases of low-value assets	284	-
Advertising and promotional expenses	14,978	17,869
Travel and transport expenses	24,519	20,097
Directors' emoluments	2,877	2,240
Auditors' remuneration	1,386	1,390
Professional and legal expenses	1,533	1,507
Donation	5,062	3,215
Consultancy fees	8,485	7,584
Other expenses	11,447	6,381
	262,791	233,875

(All amounts in MVR '000 unless otherwise stated)

11 Income tax expense

	2019	2018
Bank profit tax		
Bank profit tax charge (Note 11.1)	342,314	315,306
Deferred tax		
Origination and reversal of temporary differences (Note 11.1)	5,550	187,833
Income tax expense reported in the statement of comprehensive income	347,864	503,139

11.1 Reconciliation of the bank profit tax expenses

A reconciliation between taxable income and accounting profit multiplied by bank profit tax rate is as follows.

	2019	2018
Accounting profit before tax	1,386,991	1,601,899
Tax effect at the bank profit tax rate	346,748	400,475
Tax effect of non-deductible expenses	110,790	10,367
Tax effect of deductible expenses	(115,224)	(95,536)
Bank profit tax charge	342,314	315,306
Deferred tax expense	5,550	187,833
Income tax expense reported in the statement of comprehensive income	347,864	503,139
Effective tax rate (Excluding deferred tax)	25%	20%
Effective tax rate (Including deferred tax)	25%	31%

11.2 Bank profit tax liability

	2019	2018
At 1 January	315,381	310,644
Bank profit tax charge for the year	342,314	315,306
Tax paid during the year	(315,306)	(310,569)
As at 31 December	342,389	315,381

With effect from 1 January 2020, Bank Profit Tax has been replaced by Income Tax as per Income Tax Act (25/2019). The changes in regulation does not impact Bank's financials statements for the year ended 31 December 2019.

11.3 Deferred tax

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.

Deferred tax assets /(liabilities)	Lease	Property, plant and equipment	Provision of loans and receivables	Revaluation of bank premises	Net gains on re-measuring of FVOCI equity investments	Total
As at 31 December 2017	-	(39,669)	60,813	(13,201)	(30,791)	(22,848)
Changes on application of IFRS 9	-	-	198,834	-	-	198,834
As at 1 January 2018	-	(39,669)	259,647	(13,201)	(30,791)	175,986
Other comprehensive income net of tax	-	-	-	-	(5,261)	(5,261)
Statement of changes in equity	-	-	-	880	-	880
Statement of comprehensive income	-	(3,968)	(183,866)	-	-	(187,833)
As at 31 December 2018	-	(43,637)	75,781	(12,320)	(36,052)	(16,228)
As at 1 January 2019	-	(43,637)	75,781	(12,320)	(36,052)	(16,228)
Other comprehensive income net of tax	-	-	-	-	(16,225)	(16,225)
Statement of changes in equity	-	-	-	880	-	880
Statement of comprehensive income	2,853	1,263	(9,666)	-	-	(5,550)
As at 31 December 2019	2,853	(42,374)	66,115	(11,440)	(52,277)	(37,123)

(All amounts in MVR '000 unless otherwise stated)

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

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

	2019	2018
Profit attributable to ordinary equity holders	1,039,127	1,098,760
Weighted average number of ordinary shares in issue	5,381,920	5,381,920
Basic/diluted earnings per share (MVR)	193	204

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.

13 Dividends per share

13.1 Declared and paid during the year

	2019	2018
First and final dividend of MVR 24 per share for 2018 was paid in 2019 (First and final dividend for 2017: MVR 22 per share)	129,166	118,402

13.2 Proposed for approval at the annual general meeting (not recognised as a liability as at 31 December)

	2019	2018
First and final dividend for 2019: MVR 26 per share (2018: MVR 24 per share)	139,930	129,166

14 Cash and cash equivalents

	2019	2018
Cash in hand (Note 36.1)	995,666	854,441
Balances with other banks	758,711	477,851
	1,754,377	1,332,292

15 Statutory deposit with Maldives Monetary Authority

	2019	2018
Statutory deposit for Conventional banking	2,175,190	1,708,406
Statutory deposit for Islamic banking	109,312	135,010
	2,284,502	1,843,416

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, and no interest income is earned on these balances.

(All amounts in MVR '000 unless otherwise stated)

16 Placements with banks

	2019	2018
Placements with banks	2,514,271	1,900,078
Less: Total impairment for placement with banks (Note 19)	(8,936)	(285)
Net placements with banks	2,505,335	1,899,793

17 Loans and receivables to customers

	2019	2018
Gross loans and receivables	14,334,763	13,158,972
Less: Total impairment for loans and receivables to customers (Note 19)	(967,847)	(960,068)
Net loans and receivables	13,366,916	12,198,904

17.1 Product wise analysis

	2019	2018
Commercial term loans	9,809,684	9,533,747
Overdrafts	1,554,972	1,224,619
Lui loans	1,390,468	1,163,067
Islamic financing facilities	866,494	627,327
Credit cards	485,596	412,061
Development banking loans	38,079	49,596
Trade finance	20,946	23,726
Staff loans	168,524	124,829
	14,334,763	13,158,972

17.2 Currency wise analysis

	2019	2018
Maldivian Rufiyaa	8,936,365	8,096,611
United States Dollar	5,395,335	5,060,895
Euro	2,732	1,466
Singapore Dollar	331	-
	14,334,763	13,158,972

18 Financial assets at amortized cost

	2019	2018
Debt instruments:		
Government of Maldives treasury bills	4,788,209	4,655,341
Government of Maldives treasury bonds	201,069	-
Corporate bonds	101,006	124,767
Wakala investments	50,000	17,188
Less: Total impairment for financial assets at amortized cost (Note 19)	(4,414)	(720)
	5,135,871	4,796,577

(All amounts in MVR '000 unless otherwise stated)

19 Movement in provision for impairment losses

	Loans and receivables to customers	Financial assets at amortized cost	Placements with banks	Other receivables	Total
As at 1 January 2018	331,309	-	-	8,108	339,416
Changes on initial application of IFRS 9	895,876	657	263	-	896,796
Restated opening balance	1,227,185	657	263	8,108	1,236,212
Net charge to profit or loss (Note 8)	(28,117)	62	22	5,780	(22,252)
Written-off during the year as uncollectible	(239,001)	-	-	(2,526)	(241,526)
As at 31 December 2018	960,068	720	285	11,362	972,434
As at 1 January 2019	960,068	720	285	11,362	972,434
Net charge to profit or loss (Note 8)	313,951	3,694	8,651	6,041	332,337
Written-off during the year as uncollectible	(306,172)	-	-	(2,948)	(309,119)
As at 31 December 2019	967,847	4,414	8,936	14,455	995,652

20 Financial assets at FVOCI

	2019	2018
Equity instruments:		
Equities - quoted (Note 20.1)	209,107	144,207
Equities - unquoted (Note 20.2)	319	319
	209,426	144,526

20.1 Equities - quoted

	2019			2018		
	No. of shares	Per share price (US$)	Amount (MVR)	No. of shares	Per share price (US$)	Amount (MVR)
Visa Incorporated	60,120	187.90	171,821	60,120	131.94	120,649
MasterCard Incorporated	8,210	298.59	37,286	8,210	188.65	23,557
			209,107			144,207

20.2 Equities - unquoted

	2019		2018	
	No. of shares	Amount	No. of shares	Amount
Society for Worldwide Interbank Financial Telecommunication (SWIFT)	6	319	6	319
		319		319

All unquoted FVOCI 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)

21 Property, plant and equipment

21.1 Cost/fair value

	Land	Buildings	Buildings on leasehold land	Computer hardware	Furniture and fittings	Office equipment	Motor vehicles	Total
As at 1 January 2018	82,469	106,553	24,478	184,292	92,433	41,495	8,923	540,643
Additions at cost	-	8,176	2,065	28,133	11,427	5,787	2,014	57,603
Disposals/written-off	-	-	(10)	(6,580)	(383)	(288)	(40)	(7,301)
As at 31 December 2018	82,469	114,729	26,533	205,845	103,477	46,994	10,897	590,945
Additions at cost	58,731	7,197	12,042	39,069	17,420	7,526	1,343	143,328
Disposals/written-off	-	(182)	(157)	(442)	(839)	(165)	-	(1,786)
As at 31 December 2019	141,200	121,744	38,418	244,472	120,058	54,355	12,240	732,487

21.2 In the course of construction

	Land	Buildings	Buildings on leasehold land	Computer hardware	Furniture and fittings	Office equipment	Motor vehicles	Total
As at 1 January 2018	-	2,885	938	2	-	-	-	3,826
Additions at cost	-	193	17,567	45,084	2,396	6,614	2,014	73,867
Transfers at cost	-	(3,078)	(13,601)	(45,073)	(2,396)	(6,607)	(2,014)	(72,770)
As at 31 December 2018	-	-	4,904	13	-	7	-	4,924
Additions at cost	-	26,130	12,984	41,139	17,537	5,947	1,343	105,081
Transfers at cost	-	(7,015)	(11,908)	(38,820)	(17,402)	(5,955)	(1,343)	(82,443)
As at 31 December 2019	-	19,115	5,980	2,332	135	-	-	27,562
Total cost/fair value 2018	82,469	114,729	31,437	205,858	103,477	47,001	10,897	595,869
Total cost/fair value 2019	141,200	140,859	44,398	246,804	120,193	54,355	12,240	760,049

21.3 Depreciation and impairment

	Land	Buildings	Buildings on leasehold land	Computer hardware	Furniture and fittings	Office equipment	Motor vehicles	Total
As at 1 January 2018	-	1,022	9,820	108,602	56,480	24,968	6,685	207,576
Depreciation charge for the year	-	5,018	2,214	21,786	11,816	7,685	877	49,396
Disposals/written-off	-	-	(1)	(6,580)	(381)	(288)	(39)	(7,289)
As at 31 December 2018	-	6,040	12,033	123,808	67,915	32,364	7,522	249,683
Depreciation charge for the year	-	5,289	2,094	23,583	12,320	8,237	900	52,422
Disposals/written-off	-	-	(1)	(442)	(632)	(162)	-	(1,238)
As at 31 December 2019	-	11,329	14,126	146,949	79,603	40,439	8,422	300,867

21.4 Net book value

	Land	Buildings	Buildings on leasehold land	Computer hardware	Furniture and fittings	Office equipment	Motor vehicles	Total
As at 31 December 2018	82,469	108,689	19,404	82,050	35,562	14,637	3,375	346,186
As at 31 December 2019	141,200	129,530	30,272	99,855	40,590	13,916	3,818	459,182

(All amounts in MVR '000 unless otherwise stated)

21.5 Property, plant and equipment as at the reporting date include fully depreciated assets amounting to MVR 168,389,414/- (2018: MVR 129,024,291/-).

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

21.7 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

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

Land	**2019**	**2018**
Cost	58,731	-
Accumulated depreciation	-	-
Net book value	58,731	-

Buildings	**2019**	**2018**
Cost	104,525	97,510
Accumulated depreciation	(37,416)	(34,399)
Net book value	67,109	63,111

21.9 Property, plant and equipment disposed during the year

	2019	**2018**
Sales Proceeds	560	263
Cost	1,786	7,301
Accumulated depreciation	(1,238)	(7,289)
Net book value	548	12
Profit from disposal of property, plant and equipment	12	251

(All amounts in MVR '000 unless otherwise stated)

21.10 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 2019	Net book value 31 Dec 2018
Head office	3,080	36,960	41,780	78,740	4,352	74,388	76,477
Gan branch	7,500	2,250	3,110	5,360	489	4,871	4,995
Naifaru branch	4,934	1,480	1,900	3,380	198	3,182	3,277
Kulhudhuffushi branch	11,608	3,482	1,868	5,350	210	5,140	5,194
Fonadhoo branch	8,980	2,694	2,016	4,710	168	4,542	4,623
Hithadhoo branch	10,481	3,144	5,606	8,750	584	8,166	8,446
Muli branch	5,311	1,593	2,097	3,690	218	3,472	3,576
Thinadhoo branch	8,000	2,400	5,020	7,420	418	7,002	7,202
Fuahmulaku branch	6,058	1,817	4,783	6,600	332	6,268	6,427
GA. Vilingili branch	10,000	3,000	5,136	8,136	425	7,711	7,916
Dhidhoo branch	5,684	1,705	2,855	4,560	297	4,263	4,405
Vilimale branch	2,906	8,718	8,702	17,420	725	16,695	17,043
Hulhumeedhoo branch	10,000	3,000	5,020	8,020	523	7,497	7,748
Manadhoo branch	12,192	3,658	3,032	6,690	316	6,374	6,526
Nilandhoo branch	7,584	2,275	2,265	4,540	236	4,304	4,417
Felidhoo branch	3,617	1,085	1,435	2,520	100	2,420	2,468
Holhudhoo branch	1,603	481	1,439	1,920	150	1,770	1,842
Velidhoo branch	468	140	874	1,015	79	936	859
Ihavandhoo branch	3,000	900	1,250	2,150	87	2,063	2,105
L. Gan branch	572	-	790	790	53	737	763
Guraidhoo branch	2,029	609	788	1,397	78	1,319	1,339
Hoarafushi branch	1,636	491	1,219	1,710	102	1,608	1,657
Hinnavaru ATM booth	300	90	497	587	34	553	562
Kolamafushi ATM booth	1,050	315	215	530	15	515	522
Gemanafushi ATM booth	300	90	490	580	37	543	559
Faresmathoda ATM booth	300	90	490	580	34	546	562
Dhuvaafaru ATM booth	132	-	73	73	12	62	65
Kulhudhuffushi branch ATM	208	-	375	375	105	270	289
Milandhoo ATM booth	286	-	142	142	11	131	136
Olympus ATM booth	90	-	566	566	87	479	507
Eydhafushi branch	3,824	-	4,084	4,084	192	3,892	4,028
Meedhoo branch	1,904	-	1,028	1,028	43	985	1,026
Kaashidhoo branch	1,200	-	1,091	1,091	40	1,051	1,271
Thulusdhoo ATM booth	2,000	-	507	507	21	486	473
Vilimale ATM booth	217	-	499	499	29	470	486
Main branch	3,080	-	1,665	1,665	439	1,226	1,363
Land Hulhumale	15,823	58,731	-	58,731	-	58,731	-
Alifushi ATM booth	900	-	731	731	9	723	-
Maavah ATM booth	2,513	-	106	106	1	105	-
Thulhaadhoo ATM booth	900	-	131	131	1	129	-
Baarah ATM booth	900	-	641	641	6	635	-
Naifaru branch new building	4,934	-	829	829	8	821	-
Ungoofaaru branch	4,000	-	2,880	2,880	20	2,860	-
Gadhdhoo branch	4,076	-	1,096	1,096	31	1,065	-
Addu business center	-	-	333	333	10	323	-
Hulhumale business center	1,814	-	220	220	4	216	-
Dhaandhoo ATM booth	900	-	72	72	1	71	-
In course of construction		-	19,115	19,115	-	19,115	-
		141,200	140,859	282,059	11,329	270,730	191,158

21.10.1 The Bank has been awarded land area for free to build banking premises and carry operations. Such lands are presented at zero cost in the above table.

(All amounts in MVR '000 unless otherwise stated)

22 Right-of-use assets

Buildings at fair value	**2019**	**2018**
As at 1 January	169,403	-
Additions	34,535	-
As at 31 December	203,938	-
Depreciation and impairment		
As at 1 January	-	-
Depreciation charge for the year (Note 10)	27,617	-
As at 31 December	27,617	-
Net book value		
As at 31 December	176,321	-

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

23 Intangible assets

Computer software **Cost**	**2019**	**2018**
As at 1 January	141,206	138,699
Additions	12,122	2,507
As at 31 December	153,328	141,206
In the course of construction		
As at 1 January	1,800	1,247
Additions at cost	17,172	32,229
Transfers at cost	(12,116)	(31,676)
As at 31 December	6,856	1,800
Total cost as at 31 December	160,184	143,006
Amortisation and impairment		
As at 1 January	79,216	67,857
Amortisation charge for the year (Note 10)	11,986	11,359
As at 31 December	91,202	79,216
Net book value		
As at 31 December	68,982	63,790

23.1 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.

23.2 Intangible assets as at the reporting date include fully amortised assets amounting to MVR 27,041,687/- (2018: MVR 26,832,314/-).

(All amounts in MVR '000 unless otherwise stated)

24 Other assets

	2019	2018
Deposits and prepayments	237,979	258,515
Card and other receivables	66,054	85,958
Un-amortised cost on staff loans (Note 24.1)	27,328	14,508
	331,361	358,981
Less : Provision for other losses (Note 19)	(14,455)	(11,362)
	316,906	347,619

24.1 Un-amortised cost on staff loans

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

25 Due to customers

	2019	2018
Total amount due to customers	17,317,359	15,257,418
	17,317,359	15,257,418

25.1 Product wise analysis

	2019	2018
Demand deposits	9,239,646	8,001,551
Saving deposits	5,949,757	5,607,041
Time deposits	1,394,020	1,131,029
Wadi’ah deposits of BML Islamic	504,146	474,800
Saving deposits of BML Islamic	110,854	-
Time deposits of BML Islamic	79,307	-
Margins on letters of credit	19,225	28,633
Margins on bank guarantee	20,404	14,364
	17,317,359	15,257,418

25.2 Currency wise analysis

	2019	2018
Maldivian Rufiyaa	9,310,428	8,842,962
United States Dollar	7,976,049	6,393,491
Euro	30,882	20,877
Singapore Dollar	-	88
	17,317,359	15,257,418

26 Term debt and other borrowed funds

	2019	2018
Borrowings from Government of Maldives (Note 26.1):		
International Fund for Agricultural Development (IFAD) credit line	5,033	7,919
European Investment Bank (EIB) credit line	6,743	46,985
Asian Development Bank (ADB) credit line	37,506	43,786
Islamic Development Bank (IDB) credit line	21,583	24,546
Borrowings from commercial banks abroad (Note 26.2)	917,541	798,525
	988,406	921,761

(All amounts in MVR '000 unless otherwise stated)

26.1 Borrowings from Government of Maldives

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

26.2 Borrowings from commercial banks abroad

Borrowings 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 two term borrowings from an international bank at a loan to value ratio of 140%. The outstanding balance of these two borrowings were USD 32.5 million as at 31 December 2019. The remaining borrowings from commercial banks abroad are free from any Bank's assets pledged as securities.

26.3 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
Borrowings under Government of Maldives:					
IFAD Credit Line	1,191	3,843	-	5.0%	SDR / USD
EIB Credit Line	6,743	-	-	(LIBOR + 0.181%) + 0.5%	USD / EURO
ADB Credit Line	6,560	21,853	9,093	4.0%	SDR / USD
IDB Credit Line	2,383	8,533	10,667	4.0%	MVR
Borrowings from commercial banks abroad	543,553	373,987	-	USD 6 months LIBOR + (3.75%-4.00%), 4.5%	USD
	560,430	408,216	19,760		

27 Lease liability

This note provides information for leases where the Bank is a lessee.

	2019	2018
Balance as at 1 January	136,813	-
Contracts added during the year	34,535	-
Finance cost	13,748	-
Lease payments during the year	(29,952)	-
Balance as at 31 December	155,143	-

27.1 Incremental borrowing costs

The incremental rate used during the year, to determine the incremental borrowing rate applicable to the Bank is 7.50% and 8.00% for leases up to 5 years and 8.00% and 8.50% for leases more than 5 years for USD and MVR liabilities respectively.

(All amounts in MVR '000 unless otherwise stated)

28 Other liabilities

	2019	2018
Development funds	245,713	218,568
Sundry creditors	214,388	196,423
Defined contribution plan - 3% to Employee Provident Fund (Note 28.1)	128,116	128,442
Accrued expenses	13,576	47,429
Cashier's cheques	2,329	1,471
	604,122	592,333

28.1 Defined contribution plan obligations

Movement of the defined contribution plan obligations are as follows:	2019	2018
Balance as at 1 January	128,442	121,936
Contribution made during the year	6,258	6,013
Interest for the year	5,855	5,682
Benefits paid during the year	(12,439)	(5,189)
Balance as at 31 December	128,116	128,442

29 Custodian accounts of Maldives Retirement Pension Scheme

	2019	2018
As at 1 January	22,805	16,189
Collection from beneficiaries	1,241,112	1,133,002
Disbursement to beneficiaries towards payment of pension	(83,900)	(58,465)
Investment in financial instrument	(6,424,898)	(4,829,904)
Proceed received on maturity of investments	5,335,352	3,810,860
Administration fee charge by MPAO to beneficiaries	(63,889)	(48,877)
As at 31 December	26,583	22,805

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 6,000,000/- (2018: MVR 6,000,000/-) to the Bank for these custodian services in 2019.

30 Share capital

	No. of shares	Ordinary share capital	Share premium	Total share capital
As at 1 January 2019	5,381,920	269,096	93,000	362,096
As at 31 December 2019	5,381,920	269,096	93,000	362,096

31 Other reserves

	Statutory reserve	Assigned capital reserve	General reserve	Revaluation reserve	FVOCI reserve	Reserve for loan loss provision	Total
As at 1 January 2018	150,000	6,000	3,144,994	122,070	92,374	606,241	4,121,680
Transferred during the year 2018	-	-	854,220	(2,640)	15,782	(606,241)	261,120
As at 31 December 2018	150,000	6,000	3,999,214	119,430	108,156	-	4,382,800
Transferred during the year 2019	-	-	973,115	(2,640)	48,675	-	1,019,149
As at 31 December 2019	150,000	6,000	4,972,329	116,790	156,831	-	5,401,950

(All amounts in MVR '000 unless otherwise stated)

(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) FVOCI reserve

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

(f) Reserve for loan loss provision

The excess of provision for loan losses as per MMA Prudential Regulation 2015/R-168 over the impairment provision loss as per IFRS 9 is maintained in a separate reserve in the statement of changes in equity. As of the date of statement of financial position, impairment provision as per IFRS 9 was higher than loan loss provision as per MMA Prudential Regulation 2015/R-168 and therefore the reserve for loan loss provisions balance is zero. The amount of reserve created earlier has been transferred to retained earnings.

31.1 Movement in reserve for loan loss provision

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

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

Provision for impairment of loans and receivables	**MMA**	**IFRS**	**Reserve for loan loss provision**
As at 31 December 2017	948,334	378,691	569,643
Changes on initial application of IFRS 9	-	849,414	(569,643)
Restated balance at 1 January 2018	948,334	1,228,105	-
Impairment movement during 2018	(142,770)	(267,033)	-
As at 31 December 2018	805,564	961,072	-
Impairment movement during 2019	86,398	20,125	-
As at 31 December 2019	891,962	981,197	-

(All amounts in MVR '000 unless otherwise stated)

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

	2019	2018
(i) Specific provision		
As at 1 January	463,369	420,998
Provision made during the year	372,389	227,484
Provision reversed during the year	(59,720)	(63,420)
Loans written-off during the year as uncollectible	(159,287)	(121,693)
As at 31 December	616,751	463,369
(ii) General provision		
As at 1 January	177,439	301,840
Provision made during the year	39,006	81,094
Provision reversed during the year	(83,537)	(205,495)
As at 31 December	132,908	177,439
Total provision	749,659	640,807

31.3 Movement in interest in suspense

	2019	2018
As at 1 January	164,757	225,496
Amount suspended during the year	128,986	64,676
Amount reversed during the year	(4,555)	(8,108)
Loans written-off during the year as uncollectible	(146,885)	(117,308)
As at 31 December	142,303	164,757

31.4 Total equity

Total equity of the Bank excluding Reserve for loan loss provision (Note 31.1) as at 31 December 2019 was MVR 6,806,693,174/- (2018: MVR 5,847,176,971/-).

(All amounts in MVR '000 unless otherwise stated)

32 Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured on an ongoing basis at either fair value or amortized cost. The summary of significant accounting policies in Note 2.9 describes how the classes of financial instruments are measured and how the related income and expenses, including fair value gains and losses, are recognised. The following table provides details of the carrying amount of financial assets and liabilities by category as defined in IFRS 9 Financial instruments in the statement of financial position.

As at 31 December 2019

	Amortized cost	Fair value through other comprehensive income (FVOCI)	Total
Financial assets			
Cash and cash equivalents	1,754,377	-	1,754,377
Statutory deposit with Maldives Monetary Authority	2,284,502	-	2,284,502
Placements with banks	2,505,335	-	2,505,335
Loans and receivables to customers	13,366,916	-	13,366,916
Financial assets at amortized cost	5,135,871	-	5,135,871
Financial assets at FVOCI	-	209,426	209,426
Total financial assets	25,047,001	209,426	25,256,427
Financial liabilities			
Due to customers	17,317,359	-	17,317,359
Term debt and other borrowed funds	988,406	-	988,406
Lease liability	155,143	-	155,143
Custodian accounts of Maldives Retirement Pension Scheme	26,583	-	26,583
Total financial liabilities	18,487,491	-	18,487,491

As at 31 December 2018

	Amortized cost	Fair value through other comprehensive income (FVOCI)	Total
Financial assets			
Cash and cash equivalents	1,332,292	-	1,332,292
Statutory deposit with Maldives Monetary Authority	1,843,416	-	1,843,416
Placements with banks	1,899,793	-	1,899,793
Loans and receivables to customers	12,198,904	-	12,198,904
Financial assets at amortized cost	4,796,577	-	4,796,577
Financial assets at FVOCI	-	144,526	144,526
Total financial assets	22,070,983	144,526	22,215,509
Financial liabilities			
Due to customers	15,257,418	-	15,257,418
Term debt and other borrowed funds	921,761	-	921,761
Custodian accounts of Maldives Retirement Pension Scheme	22,805	-	22,805
Total financial liabilities	16,201,984	-	16,201,984

(All amounts in MVR '000 unless otherwise stated)

33 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 Bank's estimate of assumptions that a market participant would make when valuing the instruments.

Determination of fair value and fair value hierarchy

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

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

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

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

33.1 Financial assets at FVOCI

Financial assets at FVOCI consists of quoted and unquoted equity securities. Quoted equity securities are valued using quoted market prices in the active markets as at the reporting date. Unquoted shares are valued at cost as explained in Note 20.

33.2 Determination of fair value and fair value hierarchy

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

	31 December 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	1,754,377	1,754,377	1,332,292	1,332,292
Statutory deposit with Maldives Monetary Authority	2,284,502	2,284,502	1,843,416	1,843,416
Placements with banks	2,514,271	2,505,335	1,900,078	1,899,793
Loans and receivables to customers	14,334,763	13,366,916	13,158,972	12,198,904
Financial assets at amortized cost	5,140,285	5,135,871	4,797,296	4,796,577
Financial assets at FVOCI	209,426	209,426	144,526	144,526
Total financial assets	26,237,624	25,256,427	23,176,581	22,215,509
Financial liabilities				
Due to customers	17,317,359	17,317,359	15,257,418	15,257,418
Term debt and other borrowed funds	988,406	988,406	921,761	921,761
Lease liability	155,143	155,143	-	-
Custodian accounts of Maldives Retirement Pension Scheme	26,583	26,583	22,805	22,805
Total financial liabilities	18,487,491	18,487,491	16,201,984	16,201,984

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

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

Assets for which fair value approximates carrying value

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

34 Risk management

34.1 Introduction

Risk management is an ongoing process of identification, measurement and monitoring, and is subject to risk limits and internal controls as outlined in the Bank's risk appetite statement. The Bank's most significant risk exposures are considered to be in the areas of credit risk, market risk, operational risk and liquidity risk. The impact of other risks such as reputational risk, compliance risk and legal risk are also monitored carefully along with external risks such as changes in the political, regulatory and economic environment. During the year, the Bank progressed with assistance from external risk management experts, to adopt Basel 3 standards along with various additional risk management measures and governance required.

34.2 Risk management objectives, policies and processes

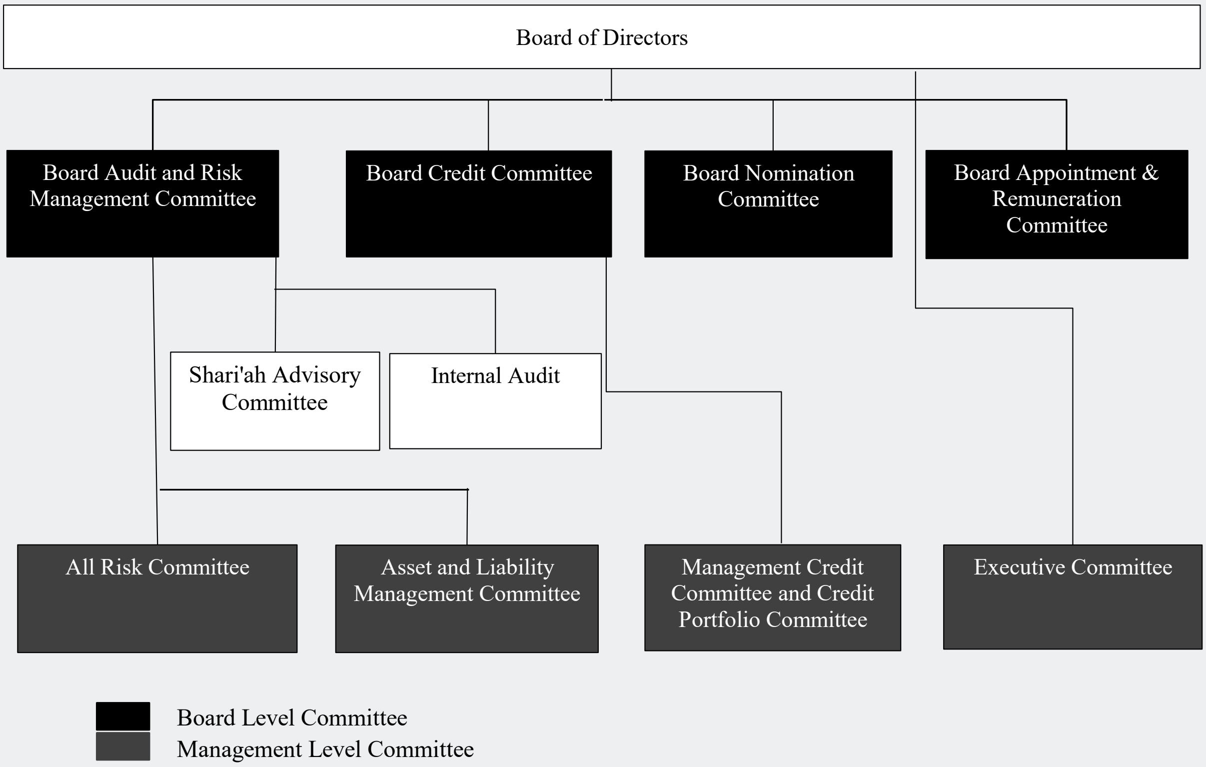
The primary objective of risk management is to forecast and assess future uncertainty of the future in order to make the best possible decision in the present, in order to protect the Bank's stability and financial strength. The Bank's risk management policies are established to identify and analyze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

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

(All amounts in MVR '000 unless otherwise stated)

34.3 Risk management structure

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



34.3.1 Board Audit and Risk Management Committee

The Audit and Risk Management Committee reviews the effectiveness of the Bank’s risk management framework related to the identification, measurement, monitoring and controlling of risks. The Committee also reviews and monitors the integrity of the Bank’s financial statements and financial reporting process and its systems of internal accounting and financial controls. In addition, the Committee reviews and challenges where necessary the consistency of, and any changes to, accounting policies. The Committee reviews the compliance of the Bank 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.

34.3.2 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 Bank's Delegation of Authority Policy.

34.3.3 All Risk Committee

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

34.3.4 Asset and Liability Management Committee

The Asset and Liability Committee is responsible for ensuring the Bank 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.

34.3.5 Management Credit Committee

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

34.3.6 Credit Portfolio Committee

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

34.4 Credit risk

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

The Bank is also exposed to other credit risks arising from investments in debt securities and settlement balances with market counterparties and reverse repurchase agreements. The Bank 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.

The Note 34.4.2 discusses the measurement of ECL under IFRS 9 and the information and approaches that the Bank uses to manage credit risk. The approach taken for IFRS 9 measurement purposes is discussed separately in Note 34.4.3.

34.4.1 Management of credit risk

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

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

(a) Loan origination and risk appraisal comprising initial screening and credit appraisal are conducted for all loan proposals
(b) Clear guidelines and policies have been established for loan approvals within delegated credit approval authorities.
(c) Credit administration and disbursement is performed by the Loan Service Unit (for retail loans) and Corporate Banking Division (for corporate loans). These units are responsible for ensuring that the origination and disbursement of credit is made only after stipulated conditions have been met and relevant security documents obtained in order to protect the Bank's rights as lender.
(d) Timely portfolio reviews are performed pertaining to inherent and evolving risk. Additionally, responsibilities for monitoring and tracking any early warning signals pertaining to a deterioration in the financial health of borrowers have been assigned to the respective business units who are also responsible for identifying and managing any customers who need special attention or close monitoring.
(e) Non-performing loans and receivables are managed by the Recoveries Unit. This unit's responsibilities include restructuring of the credit, monitoring the value of the applicable collateral and liaising with the customer until all legal recovery matters are finalized.

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

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

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

34.4.2 Credit risk measurement

Loans and advances (including loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9. Refer to Note 34.4.3 for more details.

(All amounts in MVR '000 unless otherwise stated)

34.4.3 Expected credit loss measurement

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in ‘Stage 1’ and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired. Please refer to Note 34.4.3.1 for a description of how the Bank determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to ‘Stage 3’. Please refer to Note 34.4.3.2 for a description of how the Bank defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to Note 34.4.3.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 34.4.3.4 includes an explanation of how the Bank has incorporated this in its ECL models.

Further explanation is also provided of how the Bank determines appropriate groupings when ECL is measured on a collective basis (refer to Note 34.4.3.5).

The following diagram summarises the impairment requirements under IFRS 9:

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard are discussed below.

34.4.3.1 Significant increase in credit risk (SICR)

The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative criteria have been met:

Quantitative criteria:

The remaining Lifetime PD at the reporting date has increased, compared to the residual Lifetime PD expected when the exposure was first recognised, so that it exceeds the relevant threshold as per the table below.

Criteria	At initial recognition	At reporting date
Days past due	0-30 days	31-89 days
Provision percentage as per MMA Prudential Guidelines	1%	5% - 20%
Downgrades - Internal/ MMA	Not downgraded	Downgrade in asset classification

These thresholds have been determined separately for retail, corporate, business and investment portfolios, by assessing how the Lifetime PD moves prior to an instrument becoming delinquent. The Lifetime PD movements on instruments which do not subsequently become delinquent have also been assessed, to identify the “natural” movement in Lifetime PD which is not considered indicative of a significant increase in credit risk.

Qualitative criteria:

For retail portfolios, if the borrower meets one or more of the following criteria:

- Extension to the terms granted
- Previous arrears within the last [12] months

For corporate, business and investment portfolios, if the borrower is on the watch list and/or the instrument meets one or more of the following criteria:

- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans

The assessment of SICR incorporates forward-looking information (refer to Note 34.4.3.4 for further information) and is performed on a quarterly basis at a portfolio level for all retail financial instruments held by the Bank. In relation to corporate and investment financial instruments, where a watch list is used to monitor credit risk, this assessment is performed at the counterparty level and on a quarterly basis. The criteria used to identify SICR are monitored and reviewed annually for appropriateness by the Bank.

The Bank has not used the low credit risk exemption for any financial instrument in the year ended 31 December 2019.

34.4.3.2 Definition of default and credit-impaired assets

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

- The borrower is past due for 90 days or more on its contractual payments.
- Provision percentage as per MMA Prudential Guidelines has reached 25% or more against the financial instrument.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower’s financial difficulty
- It is becoming probable that the borrower will enter bankruptcy

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Bank’s expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

34.4.3.3 Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected credit loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying the survival logic on the current 12M PD for each asset type and each pool for the remaining lifetime of the assets.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type, as given below.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a 'credit conversion factor' which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Bank's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type and are detailed below.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and price.

Forward-looking economic information is also included in determining the 12-month and lifetime PD. These assumptions vary by retail and corporate segment wise. Refer to Note 34.4.3.4 for an explanation of forward-looking information and its inclusion in ECL calculations.

(All amounts in MVR '000 unless otherwise stated)

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or assumptions made during the reporting period.

34.4.3.4 Forward-looking information incorporated in the ECL model

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. In an attempt to identify key economic variables impacting credit risk and expected credit losses, the Bank came to the understanding that most of the macro economic variables did not indicate a clear representation to each portfolio, as the statistical hypothesis behind the estimates could not be tested. Accordingly, the Bank found it feasible and chose the approach of 'Expert Judgment' to derive the forward looking information to apply on 12 month PD.

In addition to the base (current) economic scenarios, the Bank's management also provide other possible scenarios along with scenario weightings. The scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2019 are set out below.

Scenarios	**Tourism outlook**	**Infrastructure & Investment Projects**	**Unemployment Rate**	**Government expenditure**	**GDP**	**Inflation**
Upside 2	75%	75%	75%	75%	75%	75%
Upside	**90%**	90%	90%	90%	90%	90%
Base	100%	**100%**	**100%**	100%	100%	100%
Downside	110%	110%	110%	**110%**	**110%**	**110%**
Downside 2	125%	125%	125%	125%	125%	125%

The weightings assigned to each economic scenario at 1 January 2019 and 31 December 2019 were as follows:

Corporate weight	33%	10%	-	25%	33%	-
Product	29%	10%	-	28%	36%	-
Forward multiplier	**103%**					
Retail weight	30%	-	20%	-	30%	20%
Product	27%	-	20%	-	33%	22%
Forward multiplier	**102%**					

Hence for corporate portfolio, the factor 1.03 is multiplied with the default rate to calculate Forward PD. Similarly, factor 1.02 is multiplied for both retail and business portfolios.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes that the chosen scenarios are appropriately representative of the range of possible scenarios.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory or legislative, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on an annual basis.

(All amounts in MVR '000 unless otherwise stated)

34.4.3.5 Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. The Bank segmented its portfolio using a hierarchical approach. The characteristics used to determine groupings are outlined below:

Segmentation approach

(a) Loan portfolio:

Level I

The assets are segmented on the basis of the status of the borrower and/or purpose of the loan as under:

- Corporate
- Business banking – Non corporate borrowers who have taken loan for business purpose
- Retail – Non corporate borrowers who have taken loan for personal purpose

Level II

- Corporate borrowers and business banking borrowers pool, as per Level I above, is further segmented on the basis of the 'economic sector' to which they are associated
- Retail borrowers pool, as per Level I above, is further segmented on the basis of the 'purpose of the loan'

(b) Investment portfolio: No segmentation was done within the investment portfolio

The Bank monitors and reviews the appropriateness of groupings on a periodic basis.

34.4.4 Credit risk exposure

34.4.4.1 Maximum exposure to credit risk - Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

	2019			
	ECL staging			
	Stage 1	Stage 2	Stage 3	
Credit grade	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
Investment grade	7,654,555	-	-	7,654,555
Standard monitoring	12,511,571	133,204	2,731	12,647,506
Special monitoring	8,985	240,063	427	249,475
Default	-	-	1,437,782	1,437,782
Gross carrying amount	20,175,111	373,267	1,440,940	21,989,318
Impairment allowance	(408,110)	(48,465)	(524,622)	(981,197)
Net carrying amount	19,767,001	324,802	916,318	21,008,121

(All amounts in MVR '000 unless otherwise stated)

	2018			
	ECL staging			
Credit grade	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Investment grade	6,697,375	-	-	6,697,375
Standard monitoring	11,253,523	188,926	22,250	11,464,699
Special monitoring	341,350	394,248	5,138	740,736
Default	-	-	953,537	953,537
Gross carrying amount	18,292,247	583,174	980,925	19,856,346
Impairment allowance	(350,881)	(84,655)	(525,536)	(961,072)
Net carrying amount	17,941,366	498,519	455,389	18,895,274

Information on how the Expected Credit Loss (ECL) is measured and how the three stages above are determined is included in Note 34.4.3 ‘Expected credit loss measurement’.

34.4.4.2 Collateral and other credit enhancements

The Bank employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds lent. An approved list of acceptable securities and the applicable percentage of cash security category are defined under the Collateral Policy of the Bank.

monitors the market value of collateral, and will require additional collateral in accordance with the underlying agreement. It is the Bank’s policy to dispose of repossessed properties in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Business premises and resort properties;
- Mortgages over residential properties;
- Charges over business assets such as inventory and accounts receivable;
- Vessels and vehicles;
- Debt securities
- Corporate and personal guarantees; and
- Cash

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

Collateral held as security for financial assets other than loans and receivables depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

The Bank’s policy is to sell the repossessed assets at the earliest possible opportunity and the Bank’s policy regarding obtaining collateral have not significantly changed during the reporting period. There has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

(All amounts in MVR '000 unless otherwise stated)

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below.

Credit-impaired assets	**Gross exposure**	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
Loans to individuals:				
- Overdrafts	4,246	(4,710)	(464)	-
- Credit cards	19,725	(19,825)	(100)	-
- Term loans	184,883	(82,587)	102,296	147,632
- Mortgages	187,741	(80,890)	106,851	133,762
Loans to corporate entities:				
- Large corporate customers	973,217	(290,589)	682,628	862,133
- Small and medium-sized enterprises (SMEs)	71,128	(46,021)	25,107	59,324
Total credit-impaired assets	1,440,940	(524,622)	916,318	1,202,851

34.4.5 Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or Stage 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Interest unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period (see Note 34.4.6).

The following tables explain the changes in the impairment allowance between the beginning and the end of the annual period due to these factors:

	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Impairment allowances as at 1 January 2019	350,881	84,655	525,536	961,072
Movements with profit or loss impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(3,577)	26,177	-	22,600
Transfer from Stage 1 to Stage 3	(30,104)	-	69,926	39,822
Transfer from Stage 2 to Stage 3	-	(43,293)	105,298	62,005
Transfer from Stage 3 to Stage 2	-	5,289	(12,890)	(7,601)
Transfer from Stage 3 to Stage 1	1,381	-	(48,184)	(46,803)
Transfer from Stage 2 to Stage 1	1,005	(9,294)	-	(8,289)
New Financial assets originated	77,928	939	43,985	122,852
Changes in PDs/LGDs/EADs	10,595	(16,008)	145,975	140,563
Unwind of interest (a)	-	-	1,148	1,148
Total net profit or loss charge during the period	57,229	(36,190)	305,258	326,297
Other movements with no profit or loss impact				
Write-offs	-	-	(306,172)	(306,172)
Impairment allowance as at 31 December 2019	408,110	48,465	524,622	981,197

(All amounts in MVR '000 unless otherwise stated)

The following table further explains changes in the gross carrying amount of the financial assets to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at 1 January 2019	18,292,247	583,174	980,925	19,856,346
Transfers:				
Transfer from Stage 1 to Stage 2	(230,188)	209,384	-	(20,805)
Transfer from Stage 1 to Stage 3	(446,744)	-	420,015	(26,728)
Transfer from Stage 2 to Stage 3	-	(286,464)	305,932	19,468
Transfer from Stage 3 to Stage 2	-	14,638	(17,199)	(2,561)
Transfer from Stage 3 to Stage 1	41,319	-	(51,268)	(9,949)
Transfer from Stage 2 to Stage 1	76,119	(92,683)	-	(16,563)
Financial assets derecognized during the period other than write-offs	(1,112,469)	(63,437)	23,110	(1,152,797)
New financial assets originated	3,554,826	8,656	85,597	3,649,079
Write-offs	-	-	(306,172)	(306,172)
Gross carrying amount as at 31 December 2019	20,175,110	373,268	1,440,940	21,989,318

34.4.6 Write-off policy

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Bank may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2019 was MVR 306,171,832/-. The Bank still seeks to recover amounts which it is legally entitled to in full, but which have been fully/partially written off due to no reasonable expectation of full recovery.

34.4.7 Modification of financial assets

The Bank sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These restructured facilities are kept under continuous review.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset (refer to Notes 2.9.1(iv)). The Bank monitors the subsequent performance of modified assets. The Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more. The gross carrying amount of such assets held as at 31 December 2019 was MVR 204,855,329/-.

The Bank continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific information for modified assets.

(All amounts in MVR '000 unless otherwise stated)

34.4.8 Investments in equity instruments designated at FVOCI

The investments were made for strategic purposes rather than with a view to profit on a subsequent sale, and the Bank has no plans to dispose of these investments in the short or medium term.

The fair value of these investments is MVR 209,106,653/- as at 31 December 2019. There was no dividend recognised during the period nor transfers of the cumulative gain within equity.

34.4.9 Loans and receivables are summarised as follows:

	2019	2018
Stage 1 - Performing	12,520,556	11,594,873
Stage 2 - Significant increase in credit risk (SICR)	373,267	583,174
Stage 3 - Credit impaired (Default)	1,440,940	980,925
Gross loans and receivables to customers	14,334,763	13,158,972
Less: allowance for impairment	(967,847)	(960,068)
Net loans and receivables to customers	13,366,916	12,198,904

Further information of the impairment allowance for loans and receivables to customers is provided in Note 19.

Loans and receivables - Analysed by industry

	2019	2018
Commerce	617,909	719,168
Construction	3,840,548	3,642,523
Fishing	353,299	445,617
Manufacturing	69,456	86,583
Transport and services	754,480	679,687
Tourism	4,816,787	4,112,530
Real Estate	892,311	905,514
Consumer	2,062,780	1,790,800
Other	927,193	776,550
	14,334,763	13,158,972

(a) Stage 1 - Performing

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

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

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

(All amounts in MVR '000 unless otherwise stated)

Gross amount of loans and receivables to customers by class that were in Stage 1 are as follows.

Stage 1 - Performing	Individual (Retail customers) Overdrafts	Credit cards	Term loans	Mortgages	Retail banking	Corporate entities	Total
31 December 2019	4,934	465,871	424,022	4,097,740	1,559,116	5,968,873	12,520,556
31 December 2018	8,734	395,779	543,563	4,000,743	1,367,641	5,278,413	11,594,873

(b) Stage 2 - SICR

Loans and receivables to customers in Stage 2 are not considered as impaired unless information is available to indicate the contrary. Gross amount of loans and receivables to customers by class that were in Stage 2 are as follows.

Stage 2 - SICR	Individual (Retail customers) Overdrafts	Credit cards	Term loans	Mortgages	Retail banking	Corporate entities	Total
31 December 2019	921	-	94,111	243,197	30,759	4,279	373,267
31 December 2018	7,428	-	129,617	230,566	36,513	179,051	583,174

(c) Stage 3 - Credit impaired (Default)

Gross amount of loans and receivables by class to customers that were in Stage 3 are as follows.

Stage 3 - Credit impaired	Individual (Retail customers) Overdrafts	Credit cards	Term loans	Mortgages	Retail banking	Corporate entities	Total
31 December 2019	11,578	19,725	153,622	220,387	62,411	973,217	1,440,940
31 December 2018	9,700	16,281	218,355	84,795	36,950	614,844	980,925

(d) Loans and receivables renegotiated

Renegotiated loans totaled MVR 204,855,329/- as at 31 December 2019 (2018: MVR 156,052,716/-).

Renegotiated loans and receivables to customers	2019	2018
Individuals:		
Continuing to be impaired after restructuring	4,339	16,554
Non–impaired after restructuring – would otherwise have been impaired	4,713	23,353
Non–impaired after restructuring – would otherwise not have been impaired	65,195	36,437
Corporate entities:		
Continuing to be impaired after restructuring	90,884	-
Non–impaired after restructuring – would otherwise have been impaired	4,301	77,832
Non–impaired after restructuring – would otherwise not have been impaired	35,423	1,876
	204,855	156,053

(All amounts in MVR '000 unless otherwise stated)

34.4.10 Commitments and contingencies

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

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

As at 31 December	**2019**	**2018**
Guarantees	90,824	79,621
Documentary credit	142,264	83,991
Acceptances	30,453	8,925
Operating lease commitments	1,411	138,971
Capital commitments	107,285	104,566
Loan commitments	1,035,481	1,087,478
Overdraft commitments	133,588	224,165
	1,541,306	1,727,717

34.5 Liquidity risk

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

34.5.1 Management of liquidity risk

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

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

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

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

(All amounts in MVR '000 unless otherwise stated)

34.5.2 Contractual maturities of undiscounted cash flows of assets and liabilities

As at 31 December 2019	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial assets					
Cash and cash equivalents	1,754,377	-	-	-	1,754,377
Statutory deposit with Maldives Monetary Authority	2,284,502	-	-	-	2,284,502
Placements with banks	2,306,391	198,944	-	-	2,505,335
Loans and receivables to customers	1,531,582	636,365	2,859,049	9,307,767	14,334,763
Financial assets at amortized cost	1,447,171	3,340,320	147,326	201,054	5,135,871
Financial assets at FVOCI	-	-	-	209,426	209,426
Total undiscounted financial assets	9,324,023	4,175,629	3,006,375	9,718,247	26,224,274
Non financial assets					
Property, plant and equipment	-	-	-	459,182	459,182
Right-of-use assets	-	-	-	176,321	176,321
Intangible assets	-	-	-	68,982	68,982
Other assets	167,953	-	-	148,953	316,906
Total undiscounted non-financial assets	167,953	-	-	853,438	1,021,391
Total undiscounted assets	9,491,976	4,175,629	3,006,375	10,571,685	27,245,665
Financial liabilities					
Due to customers	16,424,274	860,248	32,837	-	17,317,359
Term debt and other borrowed funds	110,425	450,004	408,216	19,760	988,406
Lease liability	4,253	13,181	6,684	131,025	155,143
Custodian accounts of Maldives Retirement Pension Scheme	26,583	-	-	-	26,583
Total undiscounted financial liabilities	16,565,535	1,323,433	447,737	150,785	18,487,491
Non financial liabilities					
Bank profit tax liability	-	342,389	-	-	342,389
Deferred tax liabilities	-	-	-	37,123	37,123
Other liabilities	604,122	-	-	-	604,122
Total undiscounted non-financial liabilities	604,122	342,389	-	37,123	983,634
Total undiscounted liabilities	17,169,657	1,665,822	447,737	187,908	19,471,125
Net undiscounted financial assets/(liabilities)	(7,241,512)	2,852,196	2,558,638	9,567,462	7,736,783
Net undiscounted assets/(liabilities)	(7,677,681)	2,509,807	2,558,638	10,383,777	7,774,540

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

(All amounts in MVR '000 unless otherwise stated)

As at 31 December 2018	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial assets					
Cash and cash equivalents	1,332,292	-	-	-	1,332,292
Statutory deposit with Maldives Monetary Authority	1,843,416	-	-	-	1,843,416
Placements with banks	1,899,793	-	-	-	1,899,793
Loans and receivables to customers	1,301,166	519,735	2,422,257	8,915,813	13,158,972
Financial assets at amortized cost	1,906,144	2,765,665	124,767	-	4,796,577
Financial assets at FVOCI	-	-	-	144,526	144,526
Total undiscounted financial assets	8,282,813	3,285,400	2,547,025	9,060,339	23,175,576
Non financial assets					
Property, plant and equipment	-	-	-	346,186	346,186
Intangible assets	-	-	-	63,790	63,790
Other assets	197,145	-	-	150,474	347,619
Total undiscounted non-financial assets	197,145	-	-	560,450	757,595
Total undiscounted assets	8,479,958	3,285,400	2,547,025	9,620,789	23,933,171
Financial liabilities					
Due to customers	14,557,664	547,249	152,505	-	15,257,418
Term debt and other borrowed funds	121,743	431,939	346,600	21,479	921,761
Custodian accounts of Maldives Retirement Pension Scheme	22,805	-	-	-	22,805
Total undiscounted financial liabilities	14,702,212	979,188	499,105	21,479	16,201,984
Non financial liabilities					
Bank profit tax liability	-	315,381	-	-	315,381
Deferred tax liabilities	-	-	-	16,228	16,228
Other liabilities	592,333	-	-	-	592,333
Total undiscounted non-financial liabilities	592,333	315,381	-	16,228	923,942
Total undiscounted liabilities	15,294,545	1,294,569	499,105	37,707	17,125,926
Net undiscounted financial assets/(liabilities)	(6,419,399)	2,306,212	2,047,920	9,038,859	6,973,592
Net undiscounted assets/(liabilities)	(6,814,587)	1,990,831	2,047,920	9,583,081	6,807,245

(All amounts in MVR '000 unless otherwise stated)

34.5.3 Contractual maturities of commitments and contingencies

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

As at 31 December 2019	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Contingencies					
Guarantees	59,495	21,119	10,210	-	90,824
Documentary credit	89,800	52,464	-	-	142,264
Acceptances	176	30,277	-	-	30,453
	149,471	103,860	10,210	-	263,541
Commitments					
Operating lease commitments	71	212	1,129	-	1,411
Capital commitments	-	107,285	-	-	107,285
Loan commitments	684,544	350,937	-	-	1,035,481
Overdraft commitments	22,169	110,805	614	-	133,588
	706,784	569,239	1,743	-	1,277,765
	856,255	673,099	11,953	-	1,541,306

As at 31 December 2018	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
Contingencies					
Guarantees	30,640	30,884	18,097	-	79,621
Documentary credit	75,527	8,464	-	-	83,991
Acceptances	8,267	658	-	-	8,925
	114,434	40,006	18,097	-	172,537
Commitments					
Operating lease commitments	196	6,191	10,435	122,149	138,971
Capital commitments	-	104,566	-	-	104,566
Loan commitments	410,426	677,052	-	-	1,087,478
Overdraft commitments	13,599	210,272	293	-	224,165
	424,222	998,082	10,728	122,149	1,555,180
	538,656	1,038,088	28,825	122,149	1,727,717

34.6 Market risk

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

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

Management of market risk

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

(All amounts in MVR '000 unless otherwise stated)

34.6.1 Interest rate risk

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

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

Management of interest rate risk

The Bank does not carry a trading portfolio and does not generally invest in stocks or shares other than government treasury bills and money market placements. These investments are generally less than 12 months and are held to maturity. The Bank prepares an interest rate sensitivity of assets and liabilities which is presented to the Bank's Asset and Liability Management Committee (ALCO) on a monthly basis.

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

As at 31 December 2019	Interest bearing				Non	
	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	interest bearing	Total
Financial assets						
Cash and cash equivalents	-	-	-	-	1,754,377	1,754,377
Statutory deposit with Maldives Monetary Authority	1,708,360	-	-	-	576,142	2,284,502
Placements with banks	2,306,391	198,944	-	-	-	2,505,335
Loans and receivables to customers	1,531,582	636,365	2,859,049	9,307,767	-	14,334,763
Financial assets at amortized cost	1,447,171	3,340,320	147,326	201,054	-	5,135,871
Financial assets at FVOCI	-	-	-	-	209,426	209,426
Total undiscounted financial assets	6,993,504	4,175,629	3,006,375	9,508,821	2,539,945	26,224,274
Financial liabilities						
Due to customers	6,640,853	860,248	32,837	-	9,783,421	17,317,359
Term debt and other borrowed funds	110,425	450,004	408,216	19,760	-	988,406
Lease liability	4,253	13,181	6,684	131,025	-	155,143
Custodian accounts of Maldives Retirement Pension Scheme	-	-	-	-	26,583	26,583
Total undiscounted financial liabilities	6,755,531	1,323,433	447,737	150,785	9,810,004	18,487,491
Total interest rate sensitivity gap	237,973	2,852,196	2,558,638	9,358,036	(7,270,059)	7,736,783

(All amounts in MVR '000 unless otherwise stated)

As at 31 December 2018	Interest bearing Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
Financial assets						
Cash and cash equivalents	-	-	-	-	1,332,292	1,332,292
Statutory deposit with Maldives Monetary Authority	1,459,922	-	-	-	383,495	1,843,416
Placements with banks	1,899,793	-	-	-	-	1,899,793
Loans and receivables to customers	1,301,166	519,735	2,422,257	8,915,813	-	13,158,972
Financial assets at amortized cost	1,906,144	2,765,665	124,767	-	-	4,796,577
Financial assets at FVOCI	-	-	-	-	144,526	144,526
Total undiscounted financial assets	6,567,026	3,285,400	2,547,025	8,915,813	1,860,313	23,175,576
Financial liabilities						
Due to customers	6,038,316	547,249	152,505	-	8,519,348	15,257,418
Term debt and other borrowed funds	121,743	431,939	346,600	21,479	-	921,761
Custodian accounts of Maldives Retirement Pension Scheme	-	-	-	-	22,805	22,805
Total undiscounted financial liabilities	6,160,059	979,188	499,105	21,479	8,542,153	16,201,984
Total interest rate sensitivity gap	406,967	2,306,212	2,047,920	8,894,334	(6,681,840)	6,973,592

34.6.2 Currency risk

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

Foreign currency	Impact on equity 2019	2018
Strengthening of US$ by 10%	69,420	24,910
Weakening of US$ by 10%	(69,420)	(24,910)
Strengthening of Euro by 10%	699	134
Weakening of Euro by 10%	(699)	(134)
Strengthening of GBP by 10%	113	90
Weakening of GBP by 10%	(113)	(90)
Strengthening of JPY by 10%	288	363
Weakening of JPY by 10%	(288)	(363)
Strengthening of SGD by 10%	776	449
Weakening of SGD by 10%	(776)	(449)

(All amounts in MVR '000 unless otherwise stated)

34.6.3 Management of currency risk

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

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

As at 31 December 2019	**MVR**	**USD**	**EUR**	**GBP**	**JPY**	**SGD**	**Others**	**Total**
Assets								
Cash and cash equivalents	419,772	1,281,145	36,726	1,125	2,885	7,430	5,294	1,754,377
Statutory deposit with Maldives Monetary Authority	834,827	1,449,675	-	-	-	-	-	2,284,502
Placements with banks	1,453,254	1,052,081	-	-	-	-	-	2,505,335
Loans and receivables to customers	8,936,365	5,395,335	2,732	-	-	331	-	14,334,763
Financial assets at amortized cost	5,034,880	100,991	-	-	-	-	-	5,135,871
Financial assets at FVOCI	-	209,426	-	-	-	-	-	209,426
Other assets	739,638	280,841	912	-	-	-	-	1,021,391
Total assets	17,418,736	9,769,494	40,370	1,125	2,885	7,761	5,294	27,245,665
Liabilities								
Due to customers	9,310,428	7,976,049	30,882	-	-	-	-	17,317,359
Term debt and other borrowed funds	64,123	921,831	2,452	-	-	-	-	988,406
Lease liability	147,958	7,185	-	-	-	-	-	155,143
Other liabilities	839,936	170,233	47	-	-	-	-	1,010,216
Total liabilities	10,362,445	9,075,298	33,381	-	-	-	-	19,471,124
Net on-balance sheet financial position	7,056,291	694,196	6,989	1,125	2,885	7,761	5,294	7,774,541

(All amounts in MVR '000 unless otherwise stated)

As at 31 December 2018	MVR	USD	EUR	GBP	JPY	SGD	Others	Total
Assets								
Cash and cash equivalents	430,354	863,863	27,170	896	3,631	4,576	1,803	1,332,292
Statutory deposit with Maldives Monetary Authority	771,971	1,071,446	-	-	-	-	-	1,843,416
Placements with banks	1,899,793	-	-	-	-	-	-	1,899,793
Loans and receivables to customers	8,096,611	5,060,895	1,466	-	-	-	-	13,158,972
Financial assets at amortized cost	4,671,810	124,767	-	-	-	-	-	4,796,577
Financial assets at FVOCI	-	144,526	-	-	-	-	-	144,526
Other assets	394,363	362,297	935	-	-	-	-	757,595
Total assets	16,264,901	7,627,794	29,571	896	3,631	4,576	1,803	23,933,171
Liabilities								
Due to customers	8,842,962	6,393,491	20,877	-	-	88	-	15,257,418
Term debt and other borrowed funds	75,171	841,595	4,994	-	-	-	-	921,761
Other liabilities	800,776	143,611	2,360	-	-	-	-	946,747
Total liabilities	9,718,910	7,378,697	28,230	-	-	88	-	17,125,926
Net on-balance sheet financial position	6,545,992	249,096	1,340	896	3,631	4,488	1,803	6,807,245

34.7 Country risk

Country risk is the risk that an occurrence within a country could have an adverse affect on the Bank directly by impairing the value of the Bank or indirectly through an obligor’s ability to meet its obligations to the Bank. The Bank does not carry any exposures outside the country of operations other than short-term money market placements.

34.8 Operational risk

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

34.8.1 Management of operational risk

The management of operational risk represents a fundamental component of the Bank’s overall approach to risk management. Operational risk is inherent in every part of the Bank including its products, people, processes and technology. The Bank has an Operational Risk Policy which outlines its framework for the management of operational risk including identification, assessment, measurement, monitoring, mitigation and reporting. The Bank's 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 Bank's All Risk Committee has responsibility for reviewing the risk environment and the Bank's performance against the full spectrum of risks faced in its activities, determining appropriate preventive and mitigating actions where necessary. In terms of operational risk specifically, the Bank has in place an Operational Risk Committee which meets monthly and which reports to the All Risk Committee.

(All amounts in MVR '000 unless otherwise stated)

35 Net asset value per ordinary share

	2019	2018
Total equity holders funds	6,806,693	5,847,177
Number of ordinary shares in issue	5,381,920	5,381,920
Net assets per share (MVR)	1,265	1,086

36 Additional cash flow information

36.1 Cash and cash equivalents for cash flow purpose

	2019	2018
Cash in hand (Note 14)	995,666	854,441
Balance with other banks	758,711	477,851
	1,754,377	1,332,292

36.2 Other non-cash items included in profit before tax

	2019	2018
Depreciation of property, plant and equipment (Note 21.3)	52,422	49,396
Amortisation of intangible assets (Note 23)	11,986	11,359
Depreciation of right-of-use assets (Note 22)	27,617	-
(Profit) on disposal of property, plant and equipment	(12)	(251)
Finance cost on lease liabilities (Note 4)	13,748	-
Impairment charge/(reversal) on loans and receivables (Note 19)	326,296	(28,032)
Loans written-off during the year (Note 19)	(306,172)	(239,001)
Impairment losses on other assets	3,094	3,254
	128,979	(203,274)

36.3 (Increase)/decrease in operating assets

	2019	2018
Net change in Statutory deposit with Maldives Monetary Authority	(441,086)	70,078
Net change in placement with banks	(614,193)	(149,862)
Net change in loans and receivables to customers	(1,175,791)	(606,603)
Net change in financial assets at amortized cost	(342,988)	(415,471)
Net change in other assets	(4,970)	(107,831)
	(2,579,028)	(1,209,690)

36.4 Increase/(decrease) in operating liabilities

	2019	2018
Net change in due to customers	2,059,940	70,701
Net change term debt and other borrowed funds	66,646	128,159
Net change in custodian accounts of MRPS	3,778	6,616
Net change in other liabilities	11,789	105,484
	2,142,153	310,960

(All amounts in MVR '000 unless otherwise stated)

37 Maturity analysis of assets and liabilities

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

	31 December 2019			31 December 2018		
Assets	**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
Cash and cash equivalents	1,754,377	-	1,754,377	1,332,292	-	1,332,292
Statutory deposit with Maldives Monetary Authority	2,284,502	-	2,284,502	1,843,416	-	1,843,416
Placements with banks	2,505,335	-	2,505,335	1,899,793	-	1,899,793
Loans and receivables to customers	2,167,947	12,166,816	14,334,763	1,820,901	11,338,070	13,158,972
Financial assets at amortized cost	4,787,491	348,380	5,135,871	4,671,810	124,767	4,796,577
Financial assets at FVOCI	-	209,426	209,426	-	144,526	144,526
Property, plant and equipment	-	459,182	459,182	-	346,186	346,186
Right-of-use assets	-	176,321	176,321	-	-	-
Intangible assets	-	68,982	68,982	-	63,790	63,790
Other assets	167,953	148,953	316,906	197,145	150,474	347,619
Total assets	13,667,605	13,578,060	27,245,665	11,765,358	12,167,813	23,933,171
Liabilities						
Due to customers	17,284,522	32,837	17,317,359	15,104,913	152,505	15,257,418
Term debt and other borrowed funds	560,430	427,976	988,406	553,682	368,079	921,761
Lease liability	17,435	137,708	155,143	-	-	-
Custodian accounts of Maldives Retirement Pension Scheme	26,583	-	26,583	22,805	-	22,805
Bank profit tax liability	342,389	-	342,389	315,381	-	315,381
Deferred tax liabilities	-	37,123	37,123	-	16,228	16,228
Other liabilities	604,122	-	604,122	592,333	-	592,333
Total liabilities	18,835,480	635,645	19,471,125	16,589,114	536,812	17,125,926
Net assets/ (liabilities)	(5,167,875)	12,942,415	7,774,540	(4,823,756)	11,631,001	6,807,245

(All amounts in MVR '000 unless otherwise stated)

38 Material litigation against the Bank

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

39 Related party disclosure

The Bank carries out transactions in the ordinary course of business with parties who are defined as 'Related Parties' in IAS 24 - Related party disclosures. The terms and conditions of such transactions are disclosed under Notes 39.4 and 39.5.

39.1 Parent and ultimate controlling party

The Government of Maldives holds 50.80% of the ordinary shares of the Bank, 15.47% of shares by State owned enterprises and institutions, whereas the remaining 33.73% of the shares are widely held.

39.2 Transactions with key management personnel of the Bank

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

39.3 Compensation of key management personnel of the Bank

	2019	2018
Short-term Benefits	6,950	9,375
Provident Fund Contribution	168	163
	7,118	9,538

39.4 Transactions with key management personnel of the Bank

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

	2019	2018
Assets		
Loans and receivables	39,036	15,339
Liabilities		
Deposits	21,590	15,039
Income and expenses		
Interest income	446	1,071
Interest expense	161	105

(All amounts in MVR '000 unless otherwise stated)

39.5 Transactions with Government of Maldives and government related entities of the Bank

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

Assets	**2019**	**2018**
Loans and receivables (Gross)	1,081,152	808,625
Provision for loans and receivable	(94,235)	(71,946)
Loans and receivables (Net)	986,917	736,679
Investment in Government of Maldives treasury bills and treasury bonds	4,989,278	4,655,341
Investment in corporate bonds	151,006	141,956
Statutory deposit with Maldives Monetary Authority	2,284,502	1,843,416
	8,411,703	7,377,392
Liabilities		
Deposits and borrowings	2,364,997	1,763,705
Commitments and contingencies		
Guarantees, letter of credit and others	588,232	229,681
Income and expenses		
Interest income	309,004	305,853
Interest expense	6,526	2,313
Fee and commission income	32,808	32,213

40 Events after the reporting date

The Coronavirus outbreak that has hit the world in the recent months is expected to impact the global economy including Maldives. The possible impact of this event on the Bank and this set of financial statements for the year ended 31 December 2019 cannot be assessed due to many uncertainties.

The Board of Directors have recommended a final dividend of MVR 26 per share to be paid for the financial year ended 31 December 2019, in the form of cash dividend. This dividend must be approved by the shareholders at the Annual General Meeting.

No circumstances have arisen since the reporting date which would require adjustments to, or disclosure in, the financial statements.

41 Capital management

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

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

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

(All amounts in MVR '000 unless otherwise stated)

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

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

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

The table below summarises the composition of regulatory capital and the capital adequacy ratios of the Bank for the years ended 31 December 2019 and 31 December 2018. The Bank complied with all regulatory capital requirements during both the years.

41.1

	2019	2018
Tier 1 Capital		
Share capital	269,096	269,096
Assigned capital reserve	6,000	6,000
Share premium	93,000	93,000
General reserve	4,972,329	3,999,214
Statutory reserves	150,000	150,000
Total qualifying Tier 1 Capital	5,490,425	4,517,310
Tier 2 Capital		
Current earnings	1,039,127	1,098,760
Revaluation reserve (discounted by 55%)	52,556	53,744
General provision (Limited to 1.25% of RWA)	132,908	177,439
Total qualifying Tier 2 Capital	1,224,591	1,329,942
Total Regulatory Capital	6,715,016	5,847,252
Risk-weighted assets (RWA)		
On-balance sheet	14,238,850	12,900,524
Off-balance sheet	1,541,306	1,727,717
Total risk-weighted assets	15,780,156	14,628,241
Tier 1 Risk Based Capital Ratio	35%	31%
Total Risk based Capital Ratio	43%	40%

41.2 Basel 3 Capital computation

The Bank during the year updated its capital computation methodology to comply with the Basel 3 Standardized Approach. As per Basel 3 guidelines, the Total Capital Ratio must be maintained at or above 15% for both Tier 1 and Tier 2 Capital. The Bank reported 38% and 46% for Tier 1 and Tier 2 Capital respectively for the year ended 2019 (2018: Tier 1 - 37%, Tier 2 - 47%).

(All amounts in MVR '000 unless otherwise stated)

42 Segment analysis

By business segment

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

- Corporate, Business and Retail banking: Providing loan facilities, trade finance and deposit services to large corporate, business (micro, small and medium sized enterprises) and retail customers respectively.
- Cards and Electronic banking: Acquiring and issuing debit and credit cards and managing POS, ATM and internet banking services.
- Treasury: Capital and liquidity management activities such as investments, borrowings and managing money market instruments.
- BML Islamic: Providing Shari'ah compliant banking products and services under the window basis.

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

42.1 Segment reporting - Statement of comprehensive income

	2019				
	Corporate and retail banking	**Card and electronic banking**	**Treasury**	**BML Islamic**	**Total**
Total operating income	1,491,150	886,041	282,807	98,462	2,758,459
Extracts of results					
Interest income/income from financing and investments held to maturity	1,273,786	115,599	290,041	86,798	1,766,224
Interest expense/profit paid	(116,548)	-	(52,894)	(2,000)	(171,442)
Net interest/profit income	1,157,238	115,599	237,147	84,798	1,594,782
Fees and commission income	175,745	697,558	-	8,720	882,023
Fees and commission expense	-	(327,975)	-	-	(327,975)
Net fee and commission income/(expense)	175,745	369,583	-	8,720	554,048
Net gain/(loss) from trading	-	65,929	(7,394)	2,943	61,478
Other operating income (net)	41,618	6,956	160	-	48,734
Credit impairment losses	(284,025)	(27,459)	(12,345)	(8,508)	(332,337)
Net operating income	1,090,577	530,608	217,568	87,953	1,926,705
Depreciation of property, plant and equipment	(36,583)	(15,536)	-	(303)	(52,422)
Amortisation of intangible assets	(10,078)	(1,908)	-	-	(11,986)
Segment result	1,043,916	513,164	217,568	87,650	1,862,297
Expenses of BML Islamic	-	-	-	(13,022)	(13,022)
Un-allocated expenses					(462,284)
Profit before tax					1,386,991
Bank profit tax					(347,864)
Net profit for the year					1,039,127
Other comprehensive income net of tax					48,675
Total comprehensive income for the year					1,087,802

(All amounts in MVR '000 unless otherwise stated)

	2018				
	Corporate and retail banking	**Card and electronic banking**	**Treasury**	**BML Islamic**	**Total**
Total operating income	1,417,036	791,030	248,568	59,883	2,516,517
Extracts of results					
Interest income/income from financing and investments held to maturity	1,216,142	101,813	251,469	49,168	1,618,592
Interest expense/profit paid	(85,557)	-	(56,843)	-	(142,400)
Net interest/profit income	1,130,585	101,813	194,626	49,168	1,476,192
Fees and commission income	173,834	624,301	-	9,867	808,002
Fees and commission expense	-	(291,764)	-	(36)	(291,800)
Net fee and commission income/(expense)	173,834	332,537	-	9,831	516,202
Net gain/(loss) from trading	-	58,656	(2,922)	849	56,582
Other operating income (net)	27,060	6,260	22	-	33,342
Credit impairment losses	61,277	(31,765)	-	(7,259)	22,252
Net operating income	1,392,756	467,501	191,726	52,588	2,104,570
Depreciation of property, plant and equipment	(33,743)	(15,333)	-	(320)	(49,396)
Amortisation of intangible assets	(9,721)	(1,638)	-	-	(11,359)
Segment result	1,349,292	450,531	191,726	52,268	2,043,815
Expenses of BML Islamic	-	-	-	(12,790)	(12,790)
Un-allocated expenses					(429,126)
Profit before tax					1,601,899
Bank profit tax					(503,139)
Net profit for the year					1,098,760
Other comprehensive income net of tax					15,782
Total comprehensive income for the year					1,114,542

(All amounts in MVR '000 unless otherwise stated)

42.2 Segment reporting - Statement of financial position

	2019				
	Corporate and retail banking	Card and electronic banking	Treasury	BML Islamic	Total
Assets					
Cash and cash equivalents	1,750,295	-	-	4,082	1,754,377
Statutory deposit with Maldives Monetary Authority	2,175,190	-	-	109,312	2,284,502
Placements with banks	-	-	2,455,274	50,061	2,505,335
Loans and receivables to customers (Gross)	12,982,673	485,596	-	866,494	14,334,763
Financial assets at amortized cost	-	-	5,089,521	46,350	5,135,871
Financial assets at FVOCI	319	209,107	-	-	209,426
Property, plant and equipment	438,480	17,581	-	3,121	459,182
Right-of-use assets	176,321	-	-	-	176,321
Intangible assets	56,976	12,006	-	-	68,982
Other assets	94,539	214,071	-	8,296	316,906
Total assets	17,674,793	938,361	7,544,795	1,087,716	27,245,665
Liabilities					
Due to customers	16,623,053	-	-	694,306	17,317,359
Term debt and other borrowed funds	-	-	988,406	-	988,406
Lease liability	155,143	-	-	-	155,143
Custodian accounts of Maldives Retirement Pension Scheme	26,583	-	-	-	26,583
Other liabilities	521,970	53,983	-	28,169	604,122
Bank profit tax liability (Unallocated)	-	-	-	-	342,389
Deferred tax liabilities (Unallocated)	-	-	-	-	37,123
Total liabilities	17,326,748	53,983	988,406	722,475	19,471,125

	2018				
	Corporate and retail banking	Card and electronic banking	Treasury	BML Islamic	Total
Assets					
Cash and cash equivalents	1,328,639	-	-	3,654	1,332,292
Statutory deposit with Maldives Monetary Authority	1,708,406	-	-	135,010	1,843,416
Placements with banks	-	-	1,899,793	-	1,899,793
Loans and receivables to customers (Gross)	12,119,584	412,061	-	627,327	13,158,972
Financial assets at amortized cost	-	-	4,779,389	17,188	4,796,577
Financial assets at FVOCI	319	144,207	-	-	144,526
Property, plant and equipment	322,959	22,674	-	552	346,186
Intangible assets	54,804	8,986	-	-	63,790
Other assets	82,727	254,753	-	10,139	347,619
Total assets	15,617,438	842,680	6,679,182	793,871	23,933,171
Liabilities					
Due to customers	14,782,619	-	-	474,800	15,257,418
Term debt and other borrowed funds	-	-	920,681	1,079	921,761
Custodian accounts of Maldives Retirement Pension Scheme	22,805	-	-	-	22,805
Other liabilities	520,898	38,337	-	33,098	592,333
Bank profit tax liability (Unallocated)	-	-	-	-	315,381
Deferred tax liabilities (Unallocated)	-	-	-	-	16,228
Total liabilities	15,326,322	38,337	920,681	508,977	17,125,926

INVESTOR INFORMATION

CAPITAL STRUCTURE

During the financial year 2019, 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 2019 also remained unchanged at MVR 269,096,000. The Bank listed its Equity Securities on the Maldives Stock Exchange on 29th December 2004.

SHAREHOLDING STRUCTURE

Following is the shareholding structure of the Bank at the end of the year 2018 and 2019.

	2019			2018		
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 (MTCC)	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 2019, a total of 44 transactions amounting to 2,995 shares were traded through the Maldives Stock Exchange. The Weighted Average Price over the year was MVR 226.60 and the total value of the shares traded was MVR 678,660. At the beginning of 2019, the market price per share was MVR 200 per share and the first traded price amounted to MVR 200.00 per share while the last traded price at the close of the year was MVR 250.00. The highest quoted price during the year amounted to MVR 300.00 while the lowest amounted to MVR 150.00.

	2019	2018
Market Statistics (MVR)		
First Traded Price	200.00	320.00
Highest Price	300.00	320.00
Lowest Price	150.00	160.00
Last Traded Price	250.00	200.00
Weighted Average Price	226.60	226.96
Market Capitalization at financial year end	1,219,543,072.00	1,076,384,000.00

	2019	2018
Information on share trading		
Number of Transactions	44	38
Number of Shares Traded	2995	5777
Value of Shares Traded (MVR)	678,660	1,311,125

	2019	2018
Information per ordinary share (MVR)		
Earnings per share	193.08	204.16
Net Asset per share	1,264.73	1,086.45
Market value per share	250.00	200.00

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