

STATE BANK OF INDIA – MALDIVES
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER

	Note	2023 MVR	2022 MVR
Interest income calculated using the effective interest method		780,757,903	661,039,930
Interest expense		(247,877,824)	(168,599,575)
Net interest income	4	<u>532,880,079</u>	<u>492,440,355</u>
Fee and commission income		58,416,010	62,182,468
Fee and commission expense		(95,723)	(79,083)
Net fee and commission income	5	<u>58,320,287</u>	<u>62,103,385</u>
Net foreign exchange income	6	100,390,600	104,205,102
Other income	7	2,841,601	103,321
		<u>103,232,201</u>	<u>104,308,423</u>
Operating income		694,432,567	658,852,163
Impairment reversed/ (charged) on financial instruments	8	<u>1,165,295</u>	<u>(39,444,383)</u>
Net operating income		695,597,862	619,407,780
Personnel expenses	9	(45,336,629)	(45,924,409)
Depreciation	10	(19,436,028)	(18,505,432)
Other operating expenses	11	(36,453,756)	(33,754,038)
Total operating expenses		<u>(101,226,413)</u>	<u>(98,183,879)</u>
Profit before tax		594,371,449	521,223,901
Income tax expense	12	(150,845,008)	(136,795,812)
Profit for the year		<u>443,526,441</u>	<u>384,428,089</u>
Other comprehensive income			
<i>Item that are or may be reclassified subsequent to profit or loss</i>			
Movement in hedging reserve: Cash flow hedges- effective portion of changes in fair value		210,635,937	111,068,269
Related tax		(52,658,984)	(27,767,067)
Total comprehensive income		<u>601,503,394</u>	<u>467,729,291</u>

Figures in brackets indicate deductions

The Financial Statements are to be read in conjunction with the related notes, which form an integral part of the Financial Statements of the Bank set out on pages 8 to 63. The report of the independent auditors is given on pages 1 to 3.

**STATE BANK OF INDIA – MALDIVES
STATEMENT OF FINANCIAL POSITION**

AS AT 31ST DECEMBER

	Note	31 December 2023 MVR	31 December 2022 MVR
Assets			
Cash and cash equivalents	13	1,540,336,524	590,950,181
Balances with Maldives Monetary Authority	14	891,240,731	1,195,376,014
Investment securities	15	9,084,005,959	9,106,808,051
Derivative asset held for risk management	16	727,389,595	497,862,439
Loans and advances to customers	17	3,339,198,820	3,828,750,519
Property, plant and equipment	18	13,497,741	19,380,350
Right-of-use assets	19	50,408,223	55,678,238
Deferred tax asset	12.2	8,442,805	61,726,193
Other assets	20	2,096,120	7,714,309
Total assets		15,656,616,518	15,364,246,294
Liabilities			
Deposits from customers	21	5,379,967,566	5,630,613,886
Other borrowing	22	5,875,426,806	5,438,011,941
Lease liability	23	55,805,338	63,269,417
Tax liability	24	84,373,249	63,580,781
Other liabilities	25	17,039,060	42,319,757
Provisions	26	3,342,708	2,192,115
Total liabilities		11,415,954,727	11,239,987,897
Equity			
Assigned capital	27	150,000,000	150,000,000
Statutory reserve	28	150,000,000	150,000,000
Non-distributable capital reserve	29	129,011,994	130,422,507
Capital support fund	30	640,000,000	640,000,000
Hedging reserve	16	504,533,545	346,556,592
Retained earnings		2,667,116,253	2,707,279,299
Total equity attributable to equity holders of the bank		4,240,661,791	4,124,258,397
Total equity and liabilities		15,656,616,518	15,364,246,294
Contingent liabilities and commitments	31	461,622,030	612,426,651

Figures in brackets indicate deductions

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The Management is responsible for the preparation and presentation of these Financial Statements. The financial statements were approved by the Management and signed on its behalf of;

.....
Dorababu D.
Chief Executive Officer
29/04/2024
Male'

.....
Gowri Jagannadh Nishtala Venkata
Chief Operating Officer

STATE BANK OF INDIA – MALDIVES
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2023

	Assigned capital	Statutory reserve	Non-distributable capital reserve	Capital support fund	Hedging reserve	Retained earnings	Total equity
	MVR	MVR	MVR	MVR	MVR	MVR	MVR
Balance as at 1st January 2022							
-As previously reported	150,000,000	150,000,000	896,530,256	640,000,000	263,255,390	2,540,194,807	4,639,980,453
Prior year adjustment (Refer Note 36)	-	-	(713,951,346)	-	-	-	(713,951,346)
-As restated	150,000,000	150,000,000	182,578,909	640,000,000	263,255,390	2,540,194,807	3,926,029,107
Profit for the year	-	-	-	-	-	384,428,089	384,428,089
Other comprehensive income							
Hedging reserve cash flow hedge - effective portion of changes in fair value	-	-	-	-	111,068,269	-	111,068,269
Tax on other comprehensive income	-	-	-	-	(27,767,067)	-	(27,767,067)
Total comprehensive income	-	-	-	-	83,301,202	384,428,089	467,729,291
Transferred from non-distributable capital reserve (Refer Note 29)	-	-	(52,156,402)	-	-	52,156,402	-
Transactions with owners of the Bank							
Distributions made during the year	-	-	-	-	-	(269,500,000)	(269,500,000)
Balance as at 31 st December 2022	150,000,000	150,000,000	130,422,507	640,000,000	346,556,592	2,707,279,299	4,124,258,397
Profit for the year	-	-	-	-	-	443,526,441	443,526,441
Hedging reserve cash flow hedge - effective portion of changes in fair value	-	-	-	-	210,635,937	-	210,635,937
Tax on other comprehensive income	-	-	-	-	(52,658,984)	-	(52,658,984)
Total comprehensive income	-	-	-	-	157,976,953	443,526,441	601,503,394
Transferred from non-distributable capital reserve (Refer Note 29)	-	-	(1,410,513)	-	-	1,410,513	-
Transactions with owners of the Bank							
Distributions made during the year	-	-	-	-	-	(485,100,000)	(485,100,000)
Balance as at 31 st December 2023	150,000,000	150,000,000	129,011,994	640,000,000	504,533,545	2,667,116,253	4,240,661,791

Figures in brackets indicate deductions

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**STATE BANK OF INDIA – MALDIVES
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31ST DECEMBER

	Note	2023 MVR	2022 MVR
Cash flows from operating activities			
Profit before tax		594,371,449	521,223,901
<i>Adjustments for</i>			
Interest expense on lease liability	4	3,053,208	3,405,583
Depreciation of property, plant and equipment	18	6,229,408	6,412,083
Depreciation of right-of-use assets	19	13,206,624	12,093,350
Gain on termination of lease		(2,841,601)	(103,321)
Derivative asset held for risk management		(18,891,218)	(43,114,552)
Net impairment loss (reversal)/ provision on financial assets	8	(1,165,295)	39,444,383
Operating profit before working capital changes		<u>593,962,574</u>	<u>539,361,427</u>
Changes in:			
Loans and advances to customers		494,491,603	548,989,645
Reserve deposit at Maldives Monetary Authority		64,095,831	(284,316,316)
Other assets		5,618,189	(5,274,305)
Deposits from customers		(250,646,320)	(101,523,930)
Other borrowing		437,414,865	254,906,306
Other liabilities		(25,280,697)	(4,001,844)
Cash generated from operating activities		1,319,656,045	948,140,983
Interest paid		(3,053,208)	(3,405,583)
Income tax paid	24	(129,428,136)	(164,467,658)
Net cash generated from operating activities		<u>1,187,174,701</u>	<u>780,267,742</u>
Cash flow from investing activities			
Acquisition of property, plant and equipment	18	(346,799)	(434,449)
Purchase of investment securities	15	(3,676,744,211)	(5,516,122,112)
Proceeds from maturity of investment securities	15	3,696,729,116	3,930,000,000
Net cash generated from/ (used in) investing activities		<u>19,638,106</u>	<u>(1,586,556,561)</u>
Cash flow from financing activities			
Principal element of lease payments	23	(12,559,087)	(11,674,469)
Distributions made during the year	27	(485,100,000)	(269,500,000)
Net cash used in financing activities		<u>(497,659,087)</u>	<u>(281,174,469)</u>
Net increase/ (decrease) in cash and cash equivalents		709,153,720	(1,087,463,288)
Cash and cash equivalents at the beginning of the year		1,101,067,137	2,188,530,425
Cash and cash equivalents at end of the year	32	<u><u>1,810,220,857</u></u>	<u><u>1,101,067,137</u></u>

Figures in brackets indicate deductions

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STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

4	NET INTEREST INCOME	2023 MVR	2022 MVR
	Interest income calculated using effective interest method		
	Interest income on investments (Note 4.1)	467,651,201	331,259,058
	Interest income on loans and advances to customers	313,106,702	329,780,872
		<u>780,757,903</u>	<u>661,039,930</u>
	Interest expense		
	Deposits from banks and customers	(28,237,729)	(29,829,289)
	Interest on interest bearing borrowing	(216,586,887)	(135,364,703)
	Interest on lease liabilities	(3,053,208)	(3,405,583)
		<u>(247,877,824)</u>	<u>(168,599,575)</u>
	Net interest income	<u>532,880,079</u>	<u>492,440,355</u>
4.1	Interest income on investments		
	Government securities (Note 4.1.1)	420,125,817	311,782,406
	Overnight deposits facilities	3,343,562	5,708,712
	Corporate bond	451,493	1,826,137
	Placement with SBI - Bahrain	41,950,947	10,050,914
	Other investments	1,779,382	1,890,889
		<u>467,651,201</u>	<u>331,259,058</u>
4.1.1	Interest Income from Government securities		
	Treasury Bills - USD	99,020,096	99,567,690
	Treasury Bills - MVR	67,292,584	66,674,168
	Investment in Government bond - USD	253,813,137	145,540,548
		<u>420,125,817</u>	<u>311,782,406</u>
5	NET FEES AND COMMISSION INCOME	2023 MVR	2022 MVR
	Fee and commission income		
	Commission on loan processing fees, letter of credit and guarantees	18,582,263	18,573,296
	Commission from ATM transactions	1,862,600	2,413,009
	Commission from remittances	8,439,933	10,411,116
	Income from postage and telegraph	640,990	727,917
	Commission from RTGS	942,460	828,050
	Commission from currency handling	7,948,564	11,753,734
	Commission from minimum account balances	11,474,852	8,865,147
	Accounts closure charges	316,351	174,452
	Others	8,207,997	8,435,747
	Total fees and commission income	<u>58,416,010</u>	<u>62,182,468</u>
	Fees and commission expense		
	Interbank transaction fees	(95,723)	(79,083)
	Total fee and commission expense	<u>(95,723)</u>	<u>(79,083)</u>
	Net fee and commission income	<u>58,320,287</u>	<u>62,103,385</u>
6	NET FOREIGN EXCHANGE INCOME	2023 MVR	2022 MVR
	Net trading income	100,390,600	104,205,102
		<u>100,390,600</u>	<u>104,205,102</u>

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2023

7 OTHER INCOME	2023	2022
	MVR	MVR
Gain on termination of Lease	2,841,601	103,321
	<u>2,841,601</u>	<u>103,321</u>
8 IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS	2023	2022
	MVR	MVR
Impairment charges on cash and placement with banks (Note 13.4)	(193,171)	6,342,510
Impairment charged on loans and advances to customers (Note 17.3 and 17.4)	(4,939,904)	15,165,554
Impairment charged on investment securities (Note 15.2)	2,817,187	16,240,739
Impairment charged/ (reversed) on undrawn credit facilities (Note 26)	1,150,593	1,695,580
	<u>(1,165,295)</u>	<u>39,444,383</u>
9 PERSONNEL EXPENSES	2023	2022
	MVR	MVR
Salaries and allowances	37,398,476	36,572,830
Staff bonus	2,769,118	4,123,138
Accommodation	981,229	966,150
Travelling and medical expense	1,657,157	1,551,340
Other personnel cost	1,488,626	1,644,718
Staff welfare	107,850	118,200
Provident fund contribution	934,173	948,033
	<u>45,336,629</u>	<u>45,924,409</u>
9.1 Provident fund contribution		
The Bank contributes 3% (2022: 3%) for the Maldivian staff and 10% (2022: 10%) for the Indian based staff to the provident fund based on their last basic salary. Indian member's contribution is transferred to the State Bank of India - Kolkata Branch monthly.		
10 DEPRECIATION	2023	2022
	MVR	MVR
Depreciation of property plant and equipment (Note 18)	6,229,405	6,412,082
Depreciation of right-of-use asset (Note 19)	13,206,623	12,093,350
	<u>19,436,028</u>	<u>18,505,432</u>
11 OTHER OPERATING EXPENSES	2023	2022
	MVR	MVR
Professional fees	2,757,900	3,321,586
Management fees	4,089,388	4,621,552
Premises, equipment and establishment expenses	21,701	80,644
Repair and maintenance	1,940,534	1,724,421
Master card and other charges	1,710,825	1,330,618
Operating overheads	25,933,408	22,675,217
	<u>36,453,756</u>	<u>33,754,038</u>
12 INCOME TAX EXPENSE	2023	2022
	MVR	MVR
Income tax (Note 12.1)	150,220,604	128,515,654
Reversal of deferred tax asset (Note 12.2)	624,404	8,280,158
	<u>150,845,008</u>	<u>136,795,812</u>

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

12 INCOME TAX EXPENSE (CONTINUED)

12.1 Income tax

	2023 MVR	2022 MVR
Accounting profit before tax	594,371,449	521,223,901
Adjustments for:		
Add: Depreciation	6,229,405	6,412,082
Management fees	4,089,388	4,621,552
Individual assessment provision	(7,408,696)	62,089,672
Collective assessment provision	2,468,792	(46,924,118)
Employee welfare expenses	107,850	118,200
Pension expense	2,181,853	2,107,390
Impairment charged/ (reversed) on investment securities	2,817,187	16,240,739
Impairment charged/ (reversed) on undrawn credit facilities	1,150,593	1,695,580
Impairment charges on cash and placement with Banks	(193,171)	6,342,510
	<u>605,814,650</u>	<u>573,927,508</u>
Less: Capital allowances	(3,787,118)	(3,910,848)
Employee welfare expenses allowed	(107,850)	(118,200)
Pension contribution to MPRS	(1,247,680)	(1,176,689)
Specific loan loss provision	210,417	(54,142,944)
Other amounts deductible	-	(516,208)
Taxable income	<u>600,882,419</u>	<u>514,062,619</u>
Income tax @ 25%	<u>150,220,604</u>	<u>128,515,654</u>

In accordance with the provisions of the Income Tax Act (Law no-25/2019), relevant regulations and subsequent amendments, the Bank is liable for income tax at the rate of 25% on its taxable profit.

Reconciliation between tax expenses and accounting profit

	2023 MVR	2022 MVR
Accounting profit before tax	594,371,449	521,223,901
Tax effect at the Income tax rate-25%	148,592,862	130,305,975
Tax effect of non-deductible expenses	2,860,800	13,175,902
Tax effect of deductible expenses	(608,655)	(6,686,065)
Tax expenses	<u>150,845,008</u>	<u>136,795,812</u>

12.2 Deferred tax asset

	2023 MVR	2022 MVR
Balance as at 1 st January	61,726,193	98,636,906
Adjustment for previous year	-	(863,488)
Reversal of deferred tax asset against the profit or loss	(624,404)	(8,280,158)
Deferred tax impact on other comprehensive income	(52,658,984)	(27,767,067)
Balance as at 31 st December	<u>8,442,805</u>	<u>61,726,193</u>

12.3 Deferred tax asset is attributable to the following;

	2023		2022	
	Temporary difference	Tax effect	Temporary difference	Tax effect
	MVR	MVR	MVR	MVR
Loan loss provisioning	700,188,266	175,047,066	705,128,170	176,282,042
Property, plant and equipment	6,294,349	1,573,587	3,852,060	963,015
Hedging reserve	(672,711,393)	(168,177,848)	(462,075,455)	(115,518,864)
	<u>33,771,222</u>	<u>8,442,805</u>	<u>246,904,774</u>	<u>61,726,193</u>

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

13 CASH AND CASH EQUIVALENTS	2023	2022
	MVR	MVR
Cash in hand	52,106,808	45,661,737
Balances with other SBI branches (Note 13.1)	72,515,250	45,324,972
Balances with other Banks (Note 13.2)	33,923,774	46,648,597
Placements with other SBI branches (Note 13.3)	1,391,632,285	463,349,639
Less: provision for impairment (Note 13.4)	(9,841,593)	(10,034,764)
	<u>1,540,336,524</u>	<u>590,950,181</u>
13.1 Balances with other SBI branches		
State Bank of India - Sydney	1,029,702	1,018,442
State Bank of India -Melbourne	732,686	308,979
State Bank of India - Frankfurt	2,226,715	812,075
State Bank of India - London	1,001,285	250,418
State Bank of India - Chennai	3,073,356	1,969,227
State Bank of India - Singapore	995,992	359,113
State Bank of India - Mumbai	59,433,759	44,930,616
State Bank of India - New York	3,843,570	(4,502,083)
Asian Clearing Union (ACU) A/C, SBI - Colombo	178,185	178,185
	<u>72,515,250</u>	<u>45,324,972</u>
13.2 Balances with other Banks		
Bank of Maldives PLC	7,303,852	9,125,265
Bank of America	(1,017,612)	25,405,791
DBNY Nostro A/C	27,637,534	12,117,541
	<u>33,923,774</u>	<u>46,648,597</u>
13.3 Placements with other SBI branches		
State Bank of India - Bahrain	693,610,056	308,707,599
State Bank of India - Gift City	698,022,229	154,642,040
	<u>1,391,632,285</u>	<u>463,349,639</u>
13.4 Movement in provision for impairment during the year	2023	2022
	MVR	MVR
Balance as at January 1,	10,034,764	3,692,254
Charge to the income statement	(193,171)	6,342,510
Balance as at December 31,	<u>9,841,593</u>	<u>10,034,764</u>
14 BALANCES WITH MALDIVES MONETARY AUTHORITY	2023	2022
	MVR	MVR
Statutory balance with Maldives Monetary Authority (Note 14.1)	631,197,991	695,293,822
Overnight deposits at Maldives Monetary Authority (Note 14.2)	260,042,740	500,082,192
	<u>891,240,731</u>	<u>1,195,376,014</u>

14.1 Statutory balance with Maldives monetary authority

As per the regulations of Maldives Monetary Authority ("MMA"), the Branch is required to maintain a reserve deposit of 10% of the Branch's average demand and time liabilities of the respective currency, excluding interbank liabilities and Letter of Credit margin deposits. With regard to the interest on reserves, the Rufiyaa Minimum Reserve Requirement ("MRR") balances are remunerated at 1% per annum and US dollar MRR balances are remunerated at 0.01% per annum. These deposits are not available for the Branch's day to day operations.

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

14 BALANCES WITH MALDIVES MONETARY AUTHORITY (CONTINUED)

14.2 Overnight deposits at Maldives Monetary Authority

The investment in overnight deposit at the Maldives Monetary Authority is stated at amortized cost as at the reporting date.

15 INVESTMENT SECURITIES

	2023 MVR	2022 MVR
Investment securities measured at amortized cost	9,084,005,959	9,106,808,051

15.1 The bank has invested in corporate bond in State Trading Organization PLC, Treasury Bills and Government bonds carrying interest rates between 4.60% - 7.75% with different maturity periods.

Investment in corporate bond	-	21,222,372
Investment in Government bond	5,390,000,000	5,390,000,000
Investments in Government securities - Treasury bills	3,773,312,121	3,771,238,617
Interest receivable on government securities	46,983,139	47,819,176
Impairment loss on investment securities (Note 15.2)	(126,289,301)	(123,472,114)
	<u>9,084,005,959</u>	<u>9,106,808,051</u>

Investments in treasury bills at face value - MVR	1,530,000,000	1,530,000,000
Investments in treasury bills at face value -USD	2,310,000,000	2,310,000,000
Discount received in securities	(66,687,879)	(68,761,383)
Investments in treasury bills at amortized cost	<u>3,773,312,121</u>	<u>3,771,238,617</u>

15.2 Impairment loss on investment securities

	2023 MVR	2022 MVR
Balance as at 1 st January	123,472,114	107,231,375
Provision made during the year	2,817,187	16,240,739
Balance as at 31 st December	<u>126,289,301</u>	<u>123,472,114</u>

15.3 The Bank has invested USD 250 million for 10 years at 3.5% coupon rate in 2021 and USD 100 million for 7 years at 7.75% coupon rate in 2022 in the bond issued by Government of Maldives.

16 DERIVATIVE ASSETS HELD FOR RISK MANAGEMENT

	2023 MVR	2022 MVR
Derivative financial asset	727,389,595	497,862,439

16.1 Risk exposure - interest rate

	2023	
	Assets	Liabilities
Designated in cash flow hedges	<u>775,011,956</u>	<u>47,622,361</u>

Details of derivatives designated as hedging instruments in qualifying hedging relationships are provided below. The Bank uses derivatives to manage its exposure to interest rate and credit risks. The instruments used principally include interest rate swaps.

16.2 Hedge accounting

i. Cash flow hedges of interest rate risk

The Bank uses pay fixed and receive floating interest rate swaps to hedge the interest rate risks in respect of the benchmark interest rate (mainly US dollar LIBOR and SOFR).

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

16 DERIVATIVE ASSETS HELD FOR RISK MANAGEMENT (CONTINUED)

16.2 Hedge accounting (continued)

i. Cash flow hedges of interest rate risk (continued)

This note explains the Bank's exposure to financial risks and how these risks could affect the Bank's future financial performance. Current year profit and loss information has been included where relevant to add further context.

Risk	Exposure arising from	Measurement	Management
Market Risk- interest rate	Long-term borrowing at variable rates	Sensitivity analysis	Interest rate swaps

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognizing interest expense at a fixed interest rate for the hedged floating rate loans.

Derivatives

The Bank has the following derivative financial instrument in the following line item in the balance sheet:

	2023	2022
Interest rate swaps – cash flow hedges	727,389,595	497,862,439

Classification of derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

The Bank's accounting policy for its cash flow hedges is set out in note 3.6. Further information about the derivatives used by the Bank is provided in note below.

Fair value measurement

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements.

Fair value of interest rate swaps hedging derivatives have been determined by adopting level 2 inputs.

Level 2 : The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Valuation techniques used to value interest swaps:

The present value of the estimated future cash flows based on observable yield curves.

Hedging reserves

The Bank's hedging reserves relate to the interest rate swap contracts.

	Cash flow hedge reserve	
	2023	2022
Balance as at 1 January	346,556,592	263,255,390
Change in fair value of hedging instrument recognized in other comprehensive income	210,635,937	111,068,269
Less: Deferred tax	(52,658,984)	(27,767,067)
Closing balance 31 December	504,533,544	346,556,592

Amounts recognized in profit or loss

In addition to the amounts disclosed in the reconciliation of hedging reserves above, the following amounts were recognized in profit or loss in relation to the derivative:

	2023	2022
Net income from interest rate swap	(176,730,966)	(39,630,410)

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

16.2 Hedge accounting (continued)

i. Cash flow hedges of interest rate risk (continued)

The Bank enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Bank hedged 100% of its loans. As all critical terms matched during the year, there is an economic relationship.

Hedge ineffectiveness for interest rate swaps may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

There was no recognized ineffectiveness during 2023 in relation to the interest rate swaps.

Swaps currently in place cover 100% of the variable loan principal outstanding. The fixed interest rate for USD 250 million swap is 3.5% and for USD 100 million is 7.75%, and the variable rate for USD 250 million is 6M SOFR + 3.089% and for USD 100 million is 6M SOFR +3.5%.

The swap contracts require settlement of net interest receivable or payable at the end of each quarter. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Effects of hedge accounting on the financial position and performance

The effects of the interest rate swaps on the Bank's financial position and performance are as follows:

Interest rate swaps	2023	2022
Carrying amount	727,389,595	497,862,439
Notional amount	5,390,000,000	5,390,000,000
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 January	210,635,937	111,068,269
Change in value of hedged item used to determine hedge effectiveness	(210,635,937)	(111,068,269)
Weighted average hedged rate for the year	4.71%	4.71%

The maturity date for USD 250 million swap is 29 September 2030 and for USD 100 million swap is 29 November 2029.

17 LOAN AND ADVANCES TO CUSTOMERS

	2023 MVR	2022 MVR
Overdrafts	1,265,454,979	1,343,235,373
Loans and advances	2,806,585,014	3,223,951,764
Staff loans	1,838,895	1,232,804
	<u>4,073,878,888</u>	<u>4,568,419,941</u>
Provision for impairment of loss allowance - Individual assessment (Note 17.3)		
- As previously stated	(712,803,049)	(109,010,366)
Prior period adjustment (Note 36)	-	(713,951,346)
Write off loans and advances during the year	49,450	102,749,967
- As restated	(712,753,599)	(720,211,745)
Provision for impairment of loss allowance - Collective assessment (Note 17.4)	(21,926,469)	(19,457,677)
Loans and advance to customers measured at amortized cost	<u>3,339,198,820</u>	<u>3,828,750,519</u>

17.1 By currency

United States Dollars (USD)	3,147,643,650	3,425,424,440
Maldivian Rufiyaa (MVR)	926,235,238	1,142,995,501
	<u>4,073,878,888</u>	<u>4,568,419,941</u>

By industry

Tourism	2,326,307,827	2,572,389,860
Trading	388,124,696	437,197,229
Education	8,195,994	10,348,626
Fishery	57,670,135	69,145,780
Non banking finance companies	42,509,995	64,010,000
Aviation	172,391,722	229,386,855
Commercial real estate	242,785,789	259,045,302
Transport	32,096,534	36,414,579
Construction	17,083,657	24,145,058
Others	786,712,539	866,336,652
	<u>4,073,878,888</u>	<u>4,568,419,941</u>

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FOR THE YEAR ENDED 31ST DECEMBER 2023

17 LOAN AND ADVANCES TO CUSTOMERS (CONTINUED)

17.2 Provision for impairment of loss allowance - individual assessment	2023 MVR	2022 MVR
Balance as at 1 st January		
- As previously stated	720,211,745	54,654,563
Prior year adjustment (Note 36)	-	713,951,346
- As restated	720,211,745	768,605,909
Provision (reversed)/ made during the year	(7,408,696)	62,089,672
Write off loans	(49,450)	(110,483,836)
Balance as at 31 st December	712,753,599	720,211,745

17.3 Provision for impairment of loss allowance - collective assessment

Balance as at 1 st January	19,457,677	66,381,795
Provision (reversed)/ made during the year	2,468,792	(46,924,118)
Balance as at 31 st December	21,926,469	19,457,677

18 PROPERTY, PLANT AND EQUIPMENT

Cost	Balance as at 1-Jan-23 MVR	Additions MVR	Disposal MVR	As at 31-Dec-23 MVR
Leasehold improvements	6,330,844	59,400	-	6,390,244
Furniture and fittings	8,356,569	102,961	-	8,459,530
Computer equipments	10,970,166	-	-	10,970,166
Motor vehicles	1,454,890	-	-	1,454,890
Office equipments	16,133,475	184,438	-	16,317,913
Total assets	43,245,944	346,799	-	43,592,743
Accumulated depreciation	As at 1-Jan-23 MVR	Charge for the year MVR	Charge for the year MVR	As at 31-Dec-23 MVR
Leasehold improvements	2,383,691	621,736	-	3,005,427
Furniture and fittings	4,848,482	482,612	-	5,331,094
Computer equipments	8,801,616	1,469,592	-	10,271,208
Motor vehicles	849,080	104,680	-	953,760
Office equipments	6,982,725	3,550,788	-	10,533,513
Total depreciation	23,865,594	6,229,408	-	30,095,002
Net carrying values	19,380,350			13,497,741

19 RIGHT- OF- USE ASSET

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

	2023 MVR	2022 MVR
Cost		
Balance as at 1 st January	88,960,987	95,468,556
Additions during the year	8,740,594	4,054,310
Cancellation during the year	(2,258,028)	(4,917,917)
Modification during the year	(95,498)	(5,643,963)
Balance as at 31 st December	95,348,055	88,960,987

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2023

19 RIGHT- OF- USE ASSET (CONTINUED)	2023 MVR	2022 MVR		
Accumulated depreciation				
Balance as at 1 st January	33,282,749	30,390,009		
Depreciation charge during the year	13,206,624	12,093,350		
Cancellation during the year	(1,534,992)	(2,233,128)		
Modification during the year	(14,549)	(6,967,483)		
Balance as at 31 st December	<u>44,939,832</u>	<u>33,282,749</u>		
Net carrying value	<u>50,408,223</u>	<u>55,678,238</u>		
20 OTHER ASSETS				
	2023 MVR	2022 MVR		
Deposits and prepayments	2,096,120	2,043,012		
Other assets	-	5,671,297		
	<u>2,096,120</u>	<u>7,714,309</u>		
21 DEPOSITS FROM CUSTOMERS				
	2023 MVR	2022 MVR		
Current accounts (Note 21.1)	2,422,629,989	2,617,826,452		
Saving deposits (Note 21.1)	1,841,038,135	1,968,033,363		
Time deposits (Note 21.2)	1,116,299,442	1,044,754,071		
	<u>5,379,967,566</u>	<u>5,630,613,886</u>		
21.1 Payable on demand				
Retail customers	1,989,504,660	2,129,912,382		
Corporate customers	2,255,672,869	2,430,617,806		
Other	18,490,595	25,329,626		
	<u>4,263,668,124</u>	<u>4,585,859,815</u>		
21.2 Term deposits				
Retail customers	314,980,690	330,431,496		
Corporate customers	801,318,752	714,322,575		
	<u>1,116,299,442</u>	<u>1,044,754,071</u>		
Total deposits from customers	<u>5,379,967,566</u>	<u>5,630,613,886</u>		
21.3 By Currency				
United States Dollars (USD)	3,886,847,864	3,755,700,197		
Maldivian Rufiyaa (MVR)	1,485,610,444	1,866,329,071		
Euro (EUR)	7,509,259	8,584,618		
	<u>5,379,967,566</u>	<u>5,630,613,886</u>		
22 OTHER BORROWING				
	2023 MVR	2022 MVR		
Placement of SBI- Bahrain	3,937,104,841	4,043,122,160		
Placement of SBI-IFSC Gift City	1,241,205,083	1,240,429,920		
Placement of Emirates-NBD	697,116,882	154,459,861		
	<u>5,875,426,806</u>	<u>5,438,011,941</u>		
	Starting date	Maturity date	Interest rate	Amount (USD)
SBI - Bahrain	22-Sep-20	23-Sep-30	6M SOFR +2.84	250,000,000
SBI - IFSC Gift City	29-Nov-22	29-Nov-29	6M SOFR+ 2.75	80,000,000
Emirates NBD	24-Nov-23	23-Feb-24	3M SOFR+ 0.25	45,000,000

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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23 LEASE LIABILITY	2023 MVR	2022 MVR
Balance as at 1 st January	63,269,417	72,354,168
Additions during the year	8,740,594	4,054,308
Modification of lease during the year	(80,949)	1,323,520
Cancellation during the year	(3,564,637)	(2,788,111)
Interest on lease liability	3,053,208	3,405,583
Payment made during the year	(15,612,295)	(15,080,052)
Balance as at 31 st December	<u>55,805,338</u>	<u>63,269,417</u>
Non - current liabilities	<u>42,835,666</u>	<u>51,209,514</u>
Current liabilities	<u>12,969,672</u>	<u>12,059,903</u>

23.1 Leases under IFRS 16		
Interest on lease liabilities	3,053,208	3,405,583
Expenses relating to short-term leases	21,701	80,644
	<u>3,074,909</u>	<u>3,486,227</u>

23.2 Amounts recognised in statement of cash flows		2023 MVR	2022 MVR
Repayment of lease	Interest	3,053,208	3,405,583
	Capital	12,559,087	11,674,469
		<u>15,612,295</u>	<u>15,080,052</u>

23.3 Extension options					
Agreement Name	Incremental borrowing rate	Lease start date	Lease end date	Renewal option	Renewal option in years
Feydhoo ATM Land Agreement	5.50%	13-Jul-17	12-Jul-27	Yes	10 years
HDC agreement	5.00%	1-Oct-22	30-Sep-27	No	-
Hithadoo Lease agreement	5.50%	1-Jun-18	31-May-28	No	-
Mamigili Branch	5.50%	1-Dec-18	30-Oct-28	Yes	10 years
Maamigili - BM Residence	5.00%	1-Jun-21	31-May-27	No	-
Record Room Agreement	5.00%	1-Jun-22	1-Jun-27	No	-
Main Branch	5.00%	1-Sep-19	31-Aug-24	Yes	5 years
ADK ATM Room	5.00%	1-Sep-19	31-Aug-24	Yes	5 years
IGMH ATM Room	5.00%	1-Sep-19	31-Aug-24	No	-
Residence - CH&CEO	3.00%	23-Aug-20	22-Aug-24	No	-
Residence - SVP(CR1)	5.00%	1-Apr-21	31-Mar-25	No	-
Hithadhoo - BM Residence	5.00%	1-Jan-21	31-Dec-23	No	-
Residence - AVP(A&RM)	7.96%	1-Feb-22	1-Feb-25	No	-
Messenger Accommodation	7.96%	1-Jun-22	31-May-25	No	-
Residence - VP(T&CA)	7.96%	7-Jan-22	6-Jan-25	No	-
Residence - AVP(System)	7.96%	15-Feb-22	31-Jan-25	No	-
Residence-AVP (CR1)	7.81%	1-Jan-23	31-Dec-25	No	-
Residence-VP (CR3)	7.81%	18-Jan-23	31-Jan-27	No	-
Residence-SVP (CR2)	7.81%	1-Feb-23	31-Jan-27	No	-
Residence-AVP (CR2)	7.81%	1-Nov-23	31-Oct-26	No	-
Residence-SVP (A & C)	7.81%	1-Nov-23	31-Oct-27	No	-
Residence-COO	7.81%	1-Nov-23	31-Oct-27	No	-
Residence-SVP (Systems)	7.81%	20-Dec-23	19-Dec-27	No	-

23.4 Some property leases contain extension options exercisable by the Bank up to the same period which was rented before the end of the non-cancellable contract period. Where practicable, the Bank seeks to include extension options in new leases to provided operational flexibility. The extension options held are exercisable only by the Bank and not by the lessors. The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

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FOR THE YEAR ENDED 31ST DECEMBER 2023

24 TAX LIABILITY	2023	2022
	MVR	MVR
Balance as at 1 st January	63,580,781	99,532,785
Add: Provision for the year (Note 12)	150,220,604	128,515,654
Less: Payment during the year	(129,428,136)	(164,467,658)
Balance as at 31 th December	<u>84,373,249</u>	<u>63,580,781</u>
25 OTHER LIABILITIES	2023	2022
	MVR	MVR
Margin and other liabilities	2,506,186	22,719,918
Sundry deposit	4,858,523	3,925,288
Sundry creditors	8,448,787	15,171,855
Demand drafts	175,409	175,409
Balances with other Banks (Note 25.1)	167,495	172,997
Accrued management fee	882,660	154,290
	<u>17,039,060</u>	<u>42,319,757</u>
25.1 Balances with Other Banks		
Hatton National Bank PLC - Colombo	167,495	172,997
	<u>167,495</u>	<u>172,997</u>
26 PROVISIONS	2023	2022
	MVR	MVR
Balance as at 1 st January	2,192,115	496,535
Provision (charged)/ reversed during the year - undrawn credit facilities	1,150,593	1,695,580
Balance as at 31 th December	<u>3,342,708</u>	<u>2,192,115</u>

27 ASSIGNED CAPITAL

In accordance with Maldives Banking Act No. 24/2010, the minimum required capital for commercial banks operated in the Republic of Maldives is MVR. 150 million (2022: MVR. 150 million).

27.1 Distribution

The Management of the Bank has repatriated of MVR 485,100,000/- (2022: MVR 269,500,000) during the year.

28 STATUTORY RESERVE

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

29 NON-DISTRIBUTABLE CAPITAL RESERVE

In accordance with Maldives Monetary Authority ("MMA") guideline on loan loss provisioning (CN-BSD/2017/8), The Bank has created separate reserve to record the difference in impairment amounts provided between IFRS provision base (IFRS 9 -"Financial Instruments") and MMA provision base (MMA Prudential Regulation 2015/R-168: Regulation on Asset Classification, Provisioning and Suspense of Interest).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

29 NON-DISTRIBUTABLE CAPITAL RESERVE (CONTINUED)

29.1 Movement in provision for impairment loss allowance

	MMA	IFRS	Non-distributable capital reserve
	MVR	MVR	MVR
As at 31st December 2021	1,017,938,405	834,987,704	182,578,909
Impairment provision (reversed)/ charged for the year	(36,990,848)	15,165,554	(52,156,402)
Write-off during the year	(110,483,836)	(110,483,836)	-
As at 31st December 2022	870,463,720	739,669,422	130,422,507
Impairment provision (reversed)/ charged for the year	(6,350,417)	(4,939,904)	(1,410,513)
Write-off during the year	(49,450)	(49,450)	-
As at 31st December 2023	864,063,853	734,680,068	129,011,994

29.2 Movement in provision for impairment per MMA prudential regulation guidelines

	2023 MVR	2022 MVR
<u>Specific Provision</u>		
As at 1st January	851,293,720	890,730,405
Reclassified from general provision	(3,672,667)	16,388,000
Provision (reversed)/ recognised during the year	(210,417)	54,142,944
Exchange loss	-	516,208
Write-off during the year	(49,450)	(110,483,836)
As at 31st December	847,361,186	851,293,720
<u>General Provision</u>		
As at 1st January	19,170,000	127,208,000
Reclassified to specific provision	3,672,667	(16,388,000)
Provision (reversed)/ recognized during the year	(6,140,000)	(91,650,000)
As at 31st December	16,702,667	19,170,000
Total	864,063,853	870,463,720

30 CAPITAL SUPPORT FUND

Capital support fund reserve has been created for funds received from head office (IBG) to develop and expand the business in the Maldives operation.

31 CONTINGENT LIABILITIES AND COMMITMENTS

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 readily measured as defined in the International Accounting Standard - IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

In the normal course of business, the Bank makes various irrevocable commitments and incurs certain contingent liabilities with legal recourse to its customers. Even though these obligations may not get recognized on the date of the Statement of Financial Position, they do contain credit risk and are therefore form part of the overall risk profile of the Bank.

Contingencies	2023 MVR	2022 MVR
Documentary credits	114,691,892	119,853,290
Guarantees and bonds	122,458,697	283,917,693
	237,150,589	403,770,983
<u>Commitments</u>		
Commitments on loans	47,498,000	37,881,585
Commitments on overdrafts	176,973,441	170,774,083
	224,471,441	208,655,668
Total commitments and contingencies	461,622,030	612,426,651

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FOR THE YEAR ENDED 31ST DECEMBER 2023

31 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers and therefore these transactions are subject to the same credit organization, portfolio maintenance and collateral requirements for customers applying for loans. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. The credit risk of these facilities may be less than the notional amount, but as it cannot be accurately determined, the credit risk has been taken to the contracted or notional amount.

These commitments and contingent liabilities have off balance-sheet credit risk because only organization fees and accruals for probable losses are recognized in the statement of financial position until the commitments are fulfilled or expire. Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

31.1 Capital Commitments

There were no capital commitments which require adjustments to/or disclosure in the financial statements as at the reporting date.

32 ANALYSIS OF CASH AND CASH EQUIVALENTS FOR CASH FLOW	2023	2022
	MVR	MVR
Cash in hand (Note 13)	52,106,808	45,661,737
Balances with other SBI branches (Note 13)	72,515,250	45,324,972
Balances with other Banks (Note 13)	33,923,774	46,648,597
Placements with other SBI branches (Note 13)	1,391,632,285	463,349,639
Overnight deposits at Maldives Monetary Authority (Note 14)	260,042,740	500,082,192
	<u>1,810,220,857</u>	<u>1,101,067,137</u>

33 LITIGATIONS AND CLAIMS AGAINST THE BANK

Litigation is 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 the reporting date the Bank had not unresolved legal claims as such no provision for claims has been made in these Financial Statements.

34 RELATED PARTY DISCLOSURES

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

34.1 Head office

State Bank of India.

34.2 Key management personnel (KMPs)

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank. Such Key Management Persons include Chief Executive Officer/ Country Head, Deputy Chief Executive Officer and Corporate Management of the Bank.

34.2.1 Compensation of Key management personnel (KMPs)

<i>For the year ended 31st December</i>	2023	2022
	MVR	MVR
Short-term employee benefits	8,559,166	7,937,168
	<u>8,559,166</u>	<u>7,937,168</u>

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2023

34.2.2 Transactions with key management personnel (KMPs)

For the year ended 31 December

	2023 MVR	2022 MVR
a. Items in profit or loss		
Interest income	797,396	546,644
Interest expense	93,559	108,661

As at 31st December

	2023 MVR	2022 MVR
b. Items in statement of financial position		
Loans and advances	4,741,974	8,324,452
Deposits from customers	5,841,447	5,866,649

34.3 Transactions with related entities

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

	Head Office		SBI - Bahrain	
	2023 MVR	2022 MVR	2023 MVR	2022 MVR
<i>For the year ended 31st December</i>				
a. Items in income statement				
Interest income	176,730,966	39,630,410	41,950,947	10,050,914
Interest expenses	97,294,758	-	291,759,057	165,921,925
b. Items in statement of financial position				
Placements	693,000,000	154,000,000	693,000,000	308,000,000
Borrowings	1,232,000,000	1,232,000,000	3,850,000,000	3,973,200,000
Interest receivable	54,678,203	35,786,983	5,632,285	1,349,639
Interest payable	9,205,083	8,429,920	87,104,840	69,922,160

35 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

35.1 Classifications of financial assets and liabilities

The following table provides a reconciliation between the line items in the Statement of Financial Position and categories of financial assets and financial liabilities of the Bank.

<i>As at 31st December 2023</i>	Note	Mandatorily FVTPL MVR	Financial assets at amortised cost MVR	Financial liability at amortised cost MVR	Total MVR
Financial assets					
Cash and cash equivalents	13	-	1,540,336,524	-	1,540,336,524
Balances with Maldives Monetary Authority	14	-	891,240,731	-	891,240,731
Investment securities	15	-	9,084,005,959	-	9,084,005,959
Derivative asset held for risk management	16	727,389,595	-	-	727,389,595
Loans and advances to customers	17	-	3,339,198,820	-	3,339,198,820
Total financial assets		727,389,595	14,854,782,034	-	15,582,171,629
Financial liabilities					
Deposits from customers	21	-	-	5,379,967,566	5,379,967,566
Other borrowing	22	-	-	5,875,426,806	5,875,426,806
Lease liability	23	-	-	55,805,338	55,805,338
Other liabilities	25	-	-	20,381,768	20,381,768
Total financial liabilities		-	-	11,331,581,478	11,331,581,478

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

35 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

35.1 Classifications of financial assets and liabilities

<i>As at 31st December 2022</i>		Mandatorily FVTPL MVR	Financial assets at amortised cost MVR	Financial liability at amortised cost MVR	Total MVR
	Note				
Financial assets					
Cash and cash equivalents	13	-	590,950,181	-	590,950,181
Balances with Maldives monetary authority	14	-	1,195,376,014	-	1,195,376,014
Investment securities	15	-	9,106,808,051	-	9,106,808,051
Derivative asset held for risk management	16	497,862,439	-	-	497,862,439
Loans and advances to customers	17	-	3,828,750,519	-	3,828,750,519
Total financial assets		<u>497,862,439</u>	<u>14,721,884,765</u>	<u>-</u>	<u>15,219,747,204</u>
Financial liabilities					
Deposits from customers	21	-	-	5,630,613,886	5,630,613,886
Other borrowing	22	-	-	5,438,011,941	5,438,011,941
Lease liability	23	-	-	63,269,417	63,269,417
Other liabilities	25	-	-	44,511,872	44,511,872
Total financial liabilities		<u>-</u>	<u>-</u>	<u>11,176,407,116</u>	<u>11,176,407,116</u>

35.2 Measurement of fair values

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

Level 2	2023	2022
Derivative assets held for risk management	<u>727,389,595</u>	<u>497,862,439</u>

35.2.1 Financial instruments not measured at fair value and fair value hierarchy

The fair value information for financial assets and financial liabilities not measured at fair value has not been disclosed if the carrying amounts are reasonable approximation of fair values. For financial assets and liabilities with short term maturities or with short term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings deposits which do not have a specific maturity.

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

35 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

35.3 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities presented according to when they are expected to be recovered or settled. With regard to loans and advances to customers, the Bank uses the same basis of expected repayment behaviour that was used for estimating the EIR. Issued debt reflects the contractual coupon amortisation.

	As at 31 December 2023			As at 31 December 2022		
	Within 12 months MVR. 000	After 12 months MVR. 000	Total MVR. 000	Within 12 months MVR. 000	After 12 months MVR. 000	Total MVR. 000
Assets						
Cash and cash equivalents	1,540,337	-	1,540,337	590,950	-	590,950
Balances with Maldives monetary authority	891,241	-	891,241	1,195,376	-	1,195,376
Loans and advances to customers	1,716,378	1,622,821	3,339,199	2,526,288	1,302,463	3,828,751
Derivative assets held for risk management	199,326	528,064	727,390	142,907	354,955	497,862
Investment securities	3,694,006	5,390,000	9,084,006	3,716,808	5,390,000	9,106,808
Total assets	8,041,286	7,540,885	15,582,172	8,172,329	7,047,418	15,219,747
Liabilities						
Deposits from customers	3,050,915	2,329,053	5,379,968	3,095,222	2,535,391	5,630,614
Other borrowing	793,427	5,082,000	5,875,427	356,012	5,082,000	5,438,012
Lease liability	12,970	42,836	55,805	12,060	51,210	63,269
Total liabilities	3,857,311	7,453,888	11,311,200	3,463,294	7,668,601	11,131,895
Net	4,183,975	86,997	4,270,972	4,709,035	(621,183)	4,087,852

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

35.4 Financial Risk Management

Introduction and overview

As a financial intermediary, the Bank is exposed to various types of risks including credit, market, liquidity and operational risks which are inherent in the Bank’s activities. Managing these risks is critical for the sustainability of the Bank and plays a pivotal role in all activities of the Bank. Risk Management function strives to identify potential risks in advance, analyze them and take precautionary steps to mitigate the impact of risk whilst optimizing through risk adjusted returns within the risk appetite of the Bank.

The Bank has exposure to the following risks from financial instruments:

- *Credit risk *Market risk
- *Liquidity risk *Operational risk

Risk management framework

The overall responsibility and oversight of the risk management framework of the Bank is vested with the Country Head and Chief Executive Officer (CH & CEO) with the consultation of head office.

The risk management policies spell out the risk appetite of the Bank and has incorporated risk exposure limits and controls to monitor adherence to the limits in force. These policies and systems are reviewed regularly to reflect the changing market conditions and the products and services offered.

The Bank strives to inculcate a risk management culture through continuous training, work ethics and standards.

35.4.1 Credit risk

The financial loss resulting from a borrower or counterparty to a financial instrument failing or delaying to meet its contractual obligations is referred to as credit risk. It arises principally from loans and receivables to banks and other customers and investments in debt securities. In addition to the credit risk from direct funding exposure i.e., On-Balance Sheet exposure, indirect liabilities such as performance Bond, Guarantees etc. also would expose the Bank to credit risk.

Foreign Office Credit Committee (FOCC)

FOCC constitute two committees Foreign Office Credit Committee (FOCC -VI) and FOCC -V. The primary responsibility of FOCC is to assist its oversight function, vice versa understanding the different types of risks faced by the Bank, assessing the adequacy of the risk control measures taken by the Management to avoid, mitigate or transfer such risks and the arrangements made by the Management to test the effectiveness of such controls.

i.) Credit quality analysis

The table below sets out information about maximum exposure to credit risk (including Off-Balance Sheet Exposure) broken down by risk ratings and related provision for impairment by the Bank against those assets. The risk rating of the bank is calculated based on the Directions stemming from Basel II accord.

In addition, the Bank has in place, a comprehensive internal risk rating system in compliance with Basel II Guidelines, which is capable of representing diverse risk factors through a single point indicator and predicting the probability of default based on borrower and transaction specific criteria.

Concentration of credit risk indicates the relative sensitivity of bank's performance to developments affecting a particular industry. The branch seeks to reduce individual counter party credit risk whenever necessary. Loans are secured by acceptable forms of collateral.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2023	2022
	MVR	MVR
Cash and cash equivalents	1,540,336,524	590,950,181
Balances with Maldives Monetary Authority	891,240,731	1,195,376,014
Investment securities	9,084,005,959	9,106,808,051
Derivative assets held for risk management	727,389,595	497,862,439
Loans and advances to customers	3,339,198,820	3,828,750,519
	<u>15,582,171,629</u>	<u>15,219,747,204</u>

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

35 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

35.4 Financial risk management (continued)

35.4.1 Credit risk (continued)

i.) Credit quality analysis (continued)

The following table shows an analysis of counterparty credit exposures arising from derivative transactions. Derivative transactions of the Bank are generally fully collateralised by cash.

For the year ended 31st December 2023

	Total		Counter party	
	Notional amount	Fair value	Notional amount	Fair value
	USD	MVR	USD	MVR
Derivative financial assets	47,233,091	727,389,595	47,233,091	727,389,595

The Following table sets out information about the credit quality of financial assets measured at amortized cost. Unless specially indicated, for financial assets, the amount of the table represent carrying amount.

As at 31 st December	2023			
	Stage 1 MVR	Stage 2 MVR	Stage 3 MVR	Total MVR
Loans and advances to customers at amortized cost				
- Pass or acceptable	3,226,203,105	8,413,965	-	3,234,617,071
- Special Mention	-	28,975,871	-	28,975,871
- Loss	-	-	810,285,946	810,285,946
	3,226,203,105	37,389,836	810,285,946	4,073,878,888
Loss allowance	(12,045,894)	(9,880,575)	(712,753,600)	(734,680,068)
Carrying amount	3,214,157,211	27,509,262	97,532,347	3,339,198,820
Investment securities at amortized cost				
- Pass or acceptable	9,210,295,260	-	-	9,210,295,260
	9,210,295,260	-	-	9,210,295,260
Loss allowance	(126,289,301)	-	-	(126,289,301)
Carrying amount	9,084,005,959	-	-	9,084,005,959

The following information set out the credit quality of investment securities. The analysis has been based on the 'Fitch' rating.

Cash and cash equivalents

- Pass or acceptable	1,550,178,117	-	-	1,550,178,117
	1,550,178,117	-	-	1,550,178,117
Loss allowance	(9,841,593)	-	-	(9,841,593)
Carrying amount	1,540,336,524	-	-	1,540,336,524

As at 31 st December	2022			
	Stage 1 MVR	Stage 2 MVR	Stage 3 MVR	Total MVR
Loans and advances to customers at amortized cost				
- Pass or acceptable	3,486,596,929	-	-	3,486,596,929
- Special mention	-	13,998,753	-	13,998,753
- Substandard	-	-	271,009,720	271,009,720
- Doubtful	-	-	12,780,684	12,780,684
- Loss	-	-	784,033,856	784,033,856
	3,486,596,929	13,998,753	1,067,824,260	4,568,419,941
Loss allowance	(15,845,289)	(3,612,388)	(720,211,745)	(739,669,422)
Carrying amount	3,470,751,640	10,386,365	347,612,515	3,828,750,519
Investment securities at amortized cost				
- Pass or acceptable	9,230,280,165	-	-	9,230,280,165
	9,230,280,165	-	-	9,230,280,165
Loss allowance	(123,472,114)	-	-	(123,472,114)
Carrying amount	9,106,808,051	-	-	9,106,808,051

Investment securities at amortized cost

The following information set out the credit quality of investment securities. The analysis has been based on the 'Fitch' rating.

Cash and cash equivalents

- Pass or acceptable	600,984,945	-	-	600,984,945
	600,984,945	-	-	600,984,945
Loss allowance	(10,034,764)	-	-	(10,034,764)
Carrying amount	590,950,181	-	-	590,950,181

As at 31 st December	2023 MVR	2022 MVR
Corporate bonds and government securities		
Rated B-	9,210,295,260	9,230,280,165

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

35 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

35.4 Financial risk management (continued)

35.4.1 Credit risk (continued)

i.) Credit quality analysis (continued)

Cash and cash equivalents

The Bank held cash and cash equivalents net of impairment allowance of MVR. 1,540,336,324/- as at 31st December 2023 (31st December 2022 - MVR 590,950,181/-). The cash and cash equivalents are held with MMA that are rated at B-, based on the "Fitch" ratings.

ii.) Collateral held and other credit enhancement

The Bank holds the collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure	Percentage of exposure that is subject to collateral requirements		Principal type of collateral held
	2023	2022	
<i>As at 31st December</i>			
Loans and advances to customers			
Overdrafts	100%	100%	Cash, deposits, government guarantees and commercial properties
Loans and advances	100%	100%	Cash, deposits and commercial & residential properties
Staff loans	100%	100%	Cash, deposits and commercial properties
Investment securities	100%	100%	Government guarantees and Corporate guarantees

Residential mortgage lending

The table below stratify credit exposure from mortgage loans and advances to retail customer by range of Loan-to-Value ("LTV") ratio. LTV is calculated as the ratio of the gross amount of the loan or the amount committed for loan commitments - to the value of the collateral. The Value of the collateral for residential mortgage loans is based on the collateral value at origination updated to reflect the current market values. For credit-impaired loans the value of collateral is based on the most recent appraisals.

<i>As at 31st December</i>	2023 MVR	2022 MVR
LTV Ratio		
Less than 70%	2,918,248,986	3,096,532,208
71% - 90%	76,080,027	199,300,516
91% - 100%	269,263,929	204,762,957
Total	<u>3,263,592,942</u>	<u>3,500,595,681</u>
Credit-impaired loans		
Less than 70%	582,359,481	1,032,997,968
More than 70%	<u>227,926,466</u>	<u>34,826,292</u>
	<u>810,285,946</u>	<u>1,067,824,260</u>

Loans and advances to corporate customers

The general creditworthiness of the corporate customers tends to be most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that corporate borrowers provide it.

The Bank does not routinely update the value of the collateral held against all loans to corporate customers. Valuation of the collateral is updated when the loan is put on a watch list and loans is monitored so closely. For credit-impaired loans, the Bank obtains appraisals of collateral because it provides input into determined credit-risk actions.

As at 31st December 2023, the net carrying amount of credit-impaired loans and advances to corporate customers amounted to MVR 811 Mn (2022: MVR 1,117 Mn) and value of identifiable collateral (mainly commercial properties) held against those loans and advances amounted to MVR 1,767 Mn (2022: MVR 1,329 Mn). For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2023

35 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

35.4 Financial risk management (continued)

35.4.1 Credit risk (continued)

ii.) Collateral held and other credit enhancement (continued)

The following table shows the maximum exposure to credit risk by class of financial asset. It also shows the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

	Maximum exposure to credit risk "000" MVR	Fair value of collateral and credit enhancements held				Total Collateral "000" MVR
		Cash/ deposits "000" MVR	Government guarantees "000" MVR	Corporate guarantees "000" MVR	Property "000" MVR	
31st December 2023						
Financial assets						
Cash and cash equivalents	1,550,178	-	-	-	-	-
Balances with Maldives Monetary Authority	891,241	-	-	-	-	-
<u>Loans and advances to customers</u>						-
Overdrafts	1,265,455	248,448	-	-	7,330,891	7,579,339
Loans and advances	2,806,585	-	327	-	8,999,935	9,000,262
Staff loans	1,839	3,329	-	-	118,671	122,000
	<u>4,073,879</u>	<u>251,777</u>	<u>327</u>	<u>-</u>	<u>16,449,497</u>	<u>16,701,601</u>
Investment securities measured at amortized cost	9,210,295	-	9,210,295	-	-	9,210,295
Total	<u>15,725,593</u>	<u>251,777</u>	<u>9,210,622</u>	<u>-</u>	<u>16,449,497</u>	<u>25,911,896</u>
31st December 2022						
Financial assets						
Cash and cash equivalents	600,985	-	-	-	-	-
Balances with Maldives Monetary Authority	1,195,376	-	-	-	-	-
<u>Loans and advances to customers</u>						-
Overdrafts	1,343,235	321,080	-	-	11,531,700	11,852,779
Loans and advances	3,223,952	80,938	3,301	-	9,003,227	9,087,467
Staff loans	1,233	5,255	-	-	122,162	127,417
	<u>4,568,420</u>	<u>407,273</u>	<u>3,301</u>	<u>-</u>	<u>20,657,089</u>	<u>21,067,663</u>
Investment securities measured at amortized cost	9,230,280	-	9,209,058	21,222	-	9,230,280
Total	<u>15,595,061</u>	<u>407,273</u>	<u>9,212,359</u>	<u>21,222</u>	<u>20,657,089</u>	<u>30,297,943</u>

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2023

35 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

35.4 Financial Risk Management (continued)

35.4.1 Credit risk (continued)

iii.) Amounts arising from expected credit loss ("ECL")

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3.5 (ix)

Significant increase in credit risk

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

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

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure

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

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

Generating the term structure of Probability of Default (PD)

Date past due has taken as the primary input into determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analyzed by type of product and borrower. For some portfolios, information gathered from external credit agencies is also used.

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

This analysis includes the identification and calibration of relationship between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of the certain other factors on the risk of default. For forward looking adjustments, score card approach and vasicek single factor models are used.

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

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

35 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

35.4 Financial risk management (continued)

35.4.1 Credit risk (continued)

iii.) Amounts arising from expected credit loss ("ECL") (continued)

Determining whether credit risk has increased significantly

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

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

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

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

Definition of default

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

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

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

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

Input into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

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

Incorporation of forward-looking information

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

The Bank formulates three economic scenarios 1.a base case, which is the median scenario assigned a 68% probability of occurring, and two less likely scenarios, one upside and one downside, each assigned a 11% and 21% of probability of occurring respectively. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organizations International Monetary Fund.

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

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

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

35 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

35.4 Financial risk management (continued)

35.4.1 Credit risk (continued)

iii.) Amounts arising from expected credit loss ("ECL") (continued)

Incorporation of forward-looking information (continued)

The economic scenarios used as at 31st December 2023 included the following key indicator for Maldives for the years ending 31st December 2023 to 2027.

		2024	2025	2026	2027	2028
GDP growth rate	Base	5.00%	6.50%	5.90%	5.50%	5.10%
	Upside	8.27%	9.77%	9.17%	8.77%	8.37%
	Downside	1.73%	3.23%	2.63%	2.23%	1.83%
Inflation	Base	2.80%	2.18%	2.00%	2.00%	2.00%
	Upside	1.33%	0.71%	0.53%	0.53%	0.53%
	Downside	4.27%	3.65%	3.47%	3.47%	3.47%
Unemployment	Base	4.80%	5.00%	5.00%	5.00%	5.00%
	Upside	4.03%	4.23%	4.23%	4.23%	4.23%
	Downside	5.57%	5.77%	5.77%	5.77%	5.77%

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 9 years (Source : <https://www.imf.org/en/Publications/WEO/weo-database/2023/October>)

The economic scenarios used as at 31st December 2022 included the following key indicator for Maldives for the years ending 31st December 2022 to 2026.

		2023	2024	2025	2026	2027
GDP growth rate	Base	6.10%	6.52%	5.60%	5.53%	5.56%
	Upside	7.99%	8.42%	7.49%	7.42%	7.45%
	Downside	4.21%	4.63%	3.70%	3.63%	3.66%
Inflation	Base	4.36%	2.00%	2.00%	2.00%	2.00%
	Upside	2.74%	0.39%	0.39%	0.39%	0.39%
	Downside	5.97%	3.61%	3.61%	3.61%	3.61%
Unemployment	Base	6.00%	6.00%	6.00%	6.00%	6.00%
	Upside	5.62%	5.62%	5.62%	5.62%	5.62%
	Downside	6.38%	6.38%	6.38%	6.38%	6.38%

Measurement of ECL

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

Probability of default (PD)

Loss given default (LGD)

Exposure at default (EAD)

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

Probability of default (PD)

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

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

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

35 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

35.4 Financial risk management (continued)

35.4.1 Credit risk (continued)

iii.) Amounts arising from expected credit loss ("ECL") (continued)

Measurement of ECL (continued)

Loss Given Default (LGD)

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

Exposure at Default (EAD)

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

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

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

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

- instrument type
- industry and:
- remaining term to maturity

The groupings are subject to regular review to ensure that exposures within a particular Bank remain appropriately

Loss allowance

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

	2023			
	Stage 1 MVR	Stage 2 MVR	Stage 3 MVR	Total MVR
<u>Loans and advances to customers at amortized cost - Corporate</u>				
Balance as at 1 st January	14,492,129	114,019	717,897,146	732,503,295
Net remeasurement of loss allowance	(4,007,887)	(114,019)	(9,396,446)	(13,518,353)
New financial assets originated	558,636	-	-	558,636
Written off during the year	-	-	(49,450)	(49,450)
Balance as at 31 st December	11,042,878	-	708,451,250	719,494,128
<u>Loans and advances to customers at amortized cost - Retail</u>				
Balance as at 1 st January	1,353,159	3,498,370	2,314,598	7,166,127
Net remeasurement of loss allowance	(357,902)	6,382,205	1,987,751	8,012,054
New financial assets originated	7,759	-	-	7,759
Balance as at 31 st December	1,003,016	9,880,575	4,302,349	15,185,940

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

35 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

35.4 Financial risk management (continued)

35.4.1 Credit risk (continued)

iii.) Amounts arising from expected credit loss ("ECL") (continued)

Loss allowance (continued)

	2022			
	Stage 1 MVR	Stage 2 MVR	Stage 3 MVR	Total MVR
<u>Loans and advances to customers at amortized cost - Corporate</u>				
Balance as at 1 st January- restated	170,727	-	830,661,788	830,832,515
Net remeasurement of loss allowance	14,321,402	114,019	(2,280,805)	12,154,616
Written off during the year	-	-	(110,483,836)	(110,483,836)
Balance as at 31 st December	14,492,129	114,019	717,897,146	732,503,295
<u>Loans and advances to customers at amortized cost - Retail</u>				
Balance as at 1 st January	45,931	-	4,109,259	4,155,190
Net remeasurement of loss allowance	1,243,491	3,498,370	(1,794,661)	2,947,200
New financial assets originated	63,737	-	-	63,737
Balance as at 31 st December	1,353,159	3,498,370	2,314,598	7,166,127

Placement with other banks

	2023 Stage 1 MVR	2022 Stage 1 MVR
Balance as at 1 st January	10,034,764	3,692,254
Net remeasurement of loss allowance	(193,171)	6,342,510
Balance as at 31 st December	9,841,593	10,034,764

Investment securities

Balance as at 1 st January	123,472,114	107,231,375
New assets originated or purchased	51,760,169	71,526,505
Net remeasurement of loss allowance	(48,661,135)	(55,285,766)
Financial assets derecognised or repaid (excluding write-offs)	(281,847)	(3,400,157)
Balance as at 31 st December	126,289,301	123,472,114

Loan commitments, financial guarantee contracts and undrawn facilities

Balance as at 1 st January	2,192,115	496,535
Net remeasurement of loss allowance	1,150,593	1,695,580
Balance as at 31 st December	3,342,708	2,192,115

Credit-impaired financial assets

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

	2023 MVR	2022 MVR
Credit-impaired loans and advances to customers as at 01 st January	347,612,515	122,124,497
Change in allowance for impairment	(7,408,696)	62,089,672
Classified as credit-impaired	12,759,202	177,093,854
Written off during the year	(49,450)	(110,483,836)
Transferred to not credit-impaired	(255,381,223)	96,788,329
Credit-impaired loans and advances to customers as at 31 st December	97,532,347	347,612,515

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

35 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

35.4 Financial risk management (continued)

35.4.1 Credit risk (continued)

iii.) Credit exposure movement

The following tables show reconciliations from the opening to closing balance of the gross carrying amounts by class of financial instrument.

	2023			Total MVR
	Stage 1 MVR	Stage 2 MVR	Stage 3 MVR	
<u>Cash and cash equivalents at gross carrying amount</u>				
Balance as at 1 st January	600,984,945	-	-	600,984,945
New assets originated or purchased	1,386,000,000	-	-	1,386,000,000
Financial assets derecognised or repaid (excluding write-offs)	(436,806,828)	-	-	(436,806,828)
Balance as at 31 st December	1,550,178,117	-	-	1,550,178,117
<u>Investment securities</u>				
Balance as at 1 st January	9,230,280,165	-	-	9,230,280,165
New assets originated or purchased	3,820,294,803	-	-	3,820,294,803
Financial assets derecognised or repaid (excluding write-offs)	(3,840,279,708)	-	-	(3,840,279,708)
Balance as at 31 st December	9,210,295,260	-	-	9,210,295,260
<u>Loans and advances to customers at gross carrying amount - Corporate</u>				
Balance as at 1 st January	2,755,532,437	5,470,250	1,027,782,836	3,788,785,522
Transfer to stage 2 from stage 1	(4,843,745)	4,843,745	-	-
Transfer to stage 3 from stage 1	-	-	-	-
Transfer to Stage 1 from stage 3	255,381,223	-	(255,381,223)	-
New financial assets originated or paid	(416,151,421)	-	(7,537,276)	(423,688,697)
Write off	-	-	(49,450)	(49,450)
Balance as at 31 st December	2,589,918,494	10,313,995	764,814,886	3,365,047,375
<u>Loans and advances to customers at gross carrying amount - Retail</u>				
Balance as at 1 st January	730,378,910	9,214,084	40,041,425	779,634,419
Transfer to stage 2 from stage 1	(17,861,757)	17,861,757	-	-
Transfer to stage 3 from stage 1	(5,429,635)	-	5,429,635	-
New financial assets originated or paid	(70,802,906)	-	-	(70,802,906)
Balance as at 31 st December	636,284,611	27,075,841	45,471,061	708,831,513
<u>Contingent liabilities and commitments at gross carrying amount</u>				
Balance as at 1 st January	283,917,693	-	-	283,917,693
New assets originated or purchased	224,450,981	-	-	224,450,981
Financial assets derecognised or repaid	(46,746,644)	-	-	(46,746,644)
Balance as at 31 st December	461,622,030	-	-	461,622,030

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

35 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

35.4 Financial risk management (continued)

35.4.1 Credit risk (continued)

iii.) Credit exposure movement

The following tables show reconciliations from the opening to closing balance of the gross carrying amounts by class of financial instrument.

	2022			Total MVR
	Stage 1 MVR	Stage 2 MVR	Stage 3 MVR	
<u>Cash and cash equivalents at gross carrying amount</u>				
Balance as at 1 st January	1,818,484,809	-	-	1,818,484,809
New assets originated or purchased	463,349,639	-	-	463,349,639
Financial assets derecognised or repaid (excluding write-offs)	(1,680,849,503)	-	-	(1,680,849,503)
Balance as at 31 st December	600,984,945	-	-	600,984,945
<u>Investment securities</u>				
Balance as at 1 st January	7,644,158,053	-	-	7,644,158,053
New assets originated or purchased	5,363,964,169	-	-	5,363,964,169
Financial assets derecognised or repaid	(3,777,842,057)	-	-	(3,777,842,057)
Balance as at 31 st December	9,230,280,165	-	-	9,230,280,165
<u>Loans and advances to customers at gross carrying amount - Corporate</u>				
Balance as at 1 st January	3,367,409,435	-	862,242,823	4,229,652,258
Transfer to stage 2 from stage 1	(5,470,250)	5,470,250	-	-
Transfer to stage 3 from stage 1	(276,023,849)	-	276,023,849	-
New financial assets originated	155,217,775	-	-	155,217,775
Recoveries made during the year	(485,600,675)	-	-	(485,600,675)
Write off	-	-	(110,483,836)	(110,483,836)
Balance as at 31 st December	2,755,532,437	5,470,250	1,027,782,836	3,788,785,522
<u>Loans and advances to customers at gross carrying amount - Retail</u>				
Balance as at 1 st January	969,753,582	-	28,487,582	998,241,164
Transfer to stage 2 from stage 1	(9,214,084)	9,214,084	-	-
Transfer to stage 3 from stage 1	(11,553,843)	-	11,553,843	-
New financial assets originated	17,198,918	-	-	17,198,918
Recoveries made during the Year	(235,805,663)	-	-	(235,805,663)
Balance as at 31 st December	730,378,910	9,214,084	40,041,425	779,634,419
<u>Contingent liabilities and commitments at gross carrying amount</u>				
Balance as at 1 st January	255,633,644	-	-	255,633,644
New assets originated or purchased	82,339,888	-	-	82,339,888
Financial assets derecognised or repaid	(54,055,839)	-	-	(54,055,839)
Balance as at 31 st December	283,917,693	-	-	283,917,693

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

35 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

35.4 Financial risk management (continued)

35.4.1 Credit risk (continued)

v). Concentrations of credit risk

By setting various concentration limits under different criteria within the established risk appetite framework (i.e., single borrower/ group, counter party etc.), the Bank ensures that an acceptable level of risk diversification is maintained on an ongoing basis. These limits are continuously monitored and periodically reviewed by the Board Credit Committee.

(a) Industry-wise distribution

The maximum exposure to credit risk to the components of financial assets in the Statement of Financial Position as at 31st December, broken down by industry sector of financial assets is given below:

<i>As at 31st December 2023</i>	Financial services	Government	Real-estate	Tourism	Aviation	Food processing	Trading and fishing	Construction	Other services	Total
	"000" MVR	"000" MVR	"000" MVR	"000" MVR	"000" MVR	"000" MVR	"000" MVR	"000" MVR	"000" MVR	"000" MVR
Cash and cash equivalents	1,550,178	-	-	-	-	-	-	-	-	1,550,178
Balances with Maldives Monetary Authority	-	891,241	-	-	-	-	-	-	-	891,241
Loans and advances to customers	42,510	697	535,377	2,568,939	172,392	56,973	346,487	17,238	333,265	4,073,879
Investment securities	-	9,210,295	-	-	-	-	-	-	-	9,210,295
Total	1,592,688	10,102,233	535,377	2,568,939	172,392	56,973	346,487	17,238	333,265	15,725,593
<i>As at 31st December 2022</i>	Financial services	Government	Real-estate	Tourism	Aviation	Food processing	Trading and fishing	Construction	Other services	Total
	"000" MVR	"000" MVR	"000" MVR	"000" MVR	"000" MVR	"000" MVR	"000" MVR	"000" MVR	"000" MVR	"000" MVR
Cash and cash equivalents	600,985	-	-	-	-	-	-	-	-	600,985
Balances with Maldives Monetary Authority	-	1,195,376	-	-	-	-	-	-	-	1,195,376
Loans and advances to customers	64,010	20,122	613,495	2,831,766	229,387	56,943	389,034	24,290	339,373	4,568,420
Investment securities	-	9,230,280	-	-	-	-	-	-	-	9,230,280
Total	664,995	10,445,778	613,495	2,831,766	229,387	56,943	389,034	24,290	339,373	15,595,061

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

35 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

35.4 Financial risk management (continued)

35.4.2 Liquidity risk

<i>As at 31st December 2023</i>	Total	Overnight	Up to 3	3 to 6	6 to 12	1 to 3	Over 3
	MVR. 000	MVR. 000	Months	Months	Months	Years	Years
			MVR. 000	MVR. 000	MVR. 000	MVR. 000	MVR. 000
Assets							
Financial assets							
Cash and cash equivalents	1,550,178	1,550,178	-	-	-	-	-
Balances with Maldives monetary authority	891,241	891,241	-	-	-	-	-
Loans and advances to customers	4,738,466	-	2,153,829	155,878	309,567	853,682	1,265,511
Derivative assets held for risk management	983,883	-	97,431	8,960	102,522	302,516	472,453
Investment securities	10,890,004	-	1,037,190	1,359,512	1,697,356	508,527	6,287,419
Total	19,053,772	2,441,419	3,288,451	1,524,350	2,109,445	1,664,724	8,025,384
Liabilities							
Financial liabilities							
Deposits from customers	5,387,994	-	1,266,759	845,061	3,232,194	43,060	921
Other borrowing	8,187,052	-	864,625	50,767	208,502	732,522	6,330,636
Other liabilities	17,039	167	16,696	175	-	-	-
Lease liability	58,922	-	13,936	13,936	12,146	13,706	5,198
Total financial liability	13,651,007	167	2,162,016	909,939	3,452,842	789,287	6,336,755
Total interest sensitivity gap	5,402,765	2,441,251	1,126,436	614,410	(1,343,398)	875,437	1,688,628
Financial guarantee	237,151	23,451	123,752	48,126	13,279	28,543	-

Deposits from customers have been grouped under the above maturity brackets based on the behaviour analysis of the bank.

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2023

35 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

35.4 Financial risk management (continued)

35.4.2 Liquidity risk (continued)

<i>As at 31st December 2022</i>	Total	Overnight	Up to 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	Over 3 Years
	MVR. 000	MVR. 000	MVR. 000	MVR. 000	MVR. 000	MVR. 000	MVR. 000
Assets							
Financial assets							
Cash and cash equivalents	600,985	600,985	-	-	-	-	-
Balances with Maldives Monetary Authority	1,195,376	1,195,376	-	-	-	-	-
Loans and advances to customers	5,382,743	-	2,277,907	161,287	321,678	1,100,719	1,521,152
Derivative assets held for risk management	620,207	-	28,808	2,932	82,662	167,481	338,324
Investment securities	11,144,864	-	1,036,821	1,359,185	1,698,854	508,812	6,541,192
Total financial assets	18,944,174	1,796,361	3,343,536	1,523,403	2,103,194	1,777,012	8,400,669
Liabilities							
Financial liabilities							
Deposits from customers	5,638,061	-	1,116,877	826,470	3,611,431	82,462	820
Other borrowings	7,755,694	-	438,759	46,209	211,665	638,595	6,420,466
Other liabilities	42,320	173	36,318	175	-	5,654	-
Lease liabilities	72,892	-	4,362	4,029	7,805	18,859	37,838
Total financial liability	13,508,967	173	1,596,316	876,883	3,830,901	745,570	6,459,124
Total interest sensitivity gap	5,435,207	1,796,188	1,747,219	646,520	(1,727,707)	1,031,442	1,941,545
Financial guarantee	403,771	27,079	185,177	7,870	174,025	9,620	-

Deposits from customers have been grouped under the above maturity brackets based on the behaviour analysis of the bank.

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

35 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

35.4 Financial risk management (continued)

35.4.2 Liquidity risk (continued)

Liquidity risk is the Bank's inability to meet On or Off-Balance Sheet contractual and contingent financial obligations, as they fall due without incurring unacceptable losses. The principal objective in liquidity risk management is to assess the need for funds to meet such obligations and to ensure the availability of adequate funding to fulfil those needs at the appropriate time, under both normal and stressed conditions.

Therefore, the Bank continuously analyses and monitors its liquidity profile, maintains adequate levels of high quality liquid assets, ensures access to diverse funding sources and has contingency funding agreements with peer banks to meet any unforeseen liquidity requirements. Exposures and ratios against tolerance limits as well as stressed scenarios are regularly monitored in order to identify the Bank's liquidity position and potential funding requirements.

Assets and liability management committee (ALCO)

ALCO chaired by the Chief Executive Officer, has representatives from Treasury, Credit, Operations, Risk and Finance Departments. The Committee meets yearly or more frequently to monitor and manage the assets and liabilities of the Bank and also the overall liquidity position to keep the Bank's liquidity at healthy levels, whilst satisfying the regulatory requirements.

Exposure to liquidity risk

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

	2023	2022
	(%)	(%)
As at 31 st December	<u>50%</u>	<u>44%</u>

35.4.3 Market risk

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

i). Exposure to interest rate risk – sensitivity analysis (Rate shocks)

The possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments gives rise to interest rate risk. The Bank's policy is to continuously monitor portfolios.

The tables below analyze the Bank's interest rate risk exposure on financial assets and financial liabilities.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and financial liabilities to various interest rate scenarios.

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

35 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

35.4 Financial risk management (continued)

35.4.3 Market risk (continued)

i). Exposure to interest rate risk – sensitivity analysis (Rate shocks) (continued)

The following table demonstrates the sensitivity of the Bank's profit or loss as at reporting date to a reasonable possible change in interest rates, with all other variables held constant.

Sensitivity of projected net interest income

Net interest income	2023		2022	
	100 bp	100 bp	100 bp	100 bp
	Parallel increase	Parallel decrease	Parallel increase	Parallel decrease
	MVR	MVR	MVR	MVR
	44,514,098	(44,514,098)	40,872,549	(40,872,549)

ii). Exposure to currency risk.

Currency risk is the risk that the values of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instrument denominated in a foreign currency. The management has set limits on positions by currency. Positions are closely monitored by the management.

	Assets	Liabilities	Assets	Liabilities
	2023	2023	2022	2022
	MVR	MVR	MVR	MVR
United States Dollars	12,840,834,111	10,514,127,083	12,313,286,305	9,973,006,173
Sterling Pounds	1,001,285	-	351,870	-
Euro	2,443,462	7,509,259	4,919,233	8,584,618
Singapore Dollars	995,992	-	359,113	-
Indian Rupees	37,529,878	-	21,679,388	-
Australian Dollars	1,762,389	-	1,327,421	-
	12,884,567,118	10,521,636,342	12,341,923,330	9,981,590,791

A strengthening/ (weakening) of the MVR, as indicated below, against the foreign currencies as at 31st December would have increased/ (decreased) profit or loss by the amounts shown below:

	2023		2022	
	Strengthening	Weakening	Strengthening	Weakening
	MVR	MVR	MVR	MVR
US\$ (10% Movement)	232,670,703	(232,670,703)	234,028,013	(234,028,013)
GBP(10% Movement)	100,129	(100,129)	35,187	(35,187)
Euro (10% Movement)	(506,580)	506,580	(366,539)	366,539
SGD (10% Movement)	99,599	(99,599)	35,911	(35,911)
INR (10% Movement)	3,752,988	(3,752,988)	2,167,939	(2,167,939)
AUD (10% Movement)	176,239	(176,239)	132,742	(132,742)

In respect of the monetary assets and liabilities denominated in US\$, the Bank does not have a significant currency risk exposure on such balances since the Maldivian Rufiyaa is pegged to the US Dollar within a band to fluctuate within ± 20% of the mid-point of exchange rate.

STATE BANK OF INDIA – MALDIVES
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

35 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

35.4 Financial risk management (continued)

35.4.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk events which include legal and regulatory implications could lead to financial and reputation losses to the Bank.

The Operational Risk Management Framework of the Bank has been defined under the Board approved Operational Risk Management Policy. Operational risk is managed by establishing an appropriate internal control system that requires a mechanism for segregation of related responsibilities within the Bank, and a detailed testing and verification of the Bank's overall operational systems through bi-annual Risk Control Self-Assessment exercise, comprehensive Internal and External Audits and achieving a full harmony between internal and external systems.

35.4.5 Capital management

The Branch's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position are:

- To comply with the capital requirements set by the regulators of the Banking markets where the entities within the bank operate;
- 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; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the bank's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Maldives Monetary Authority (MMA), for supervisory purposes. The required information is filed with the MMA on a weekly/ monthly basis.

The Authority requires each Bank or Banking group to: (a) hold the minimum level of the regulatory capital of MVR 150 million and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at an agreed minimum of 12%.

	2023	2022
	MVR "000"	MVR "000"
Risk-weighted assets		
On-balance sheet	4,201,700	4,257,119
Off-balance sheet	325,289	470,321
Total risk-weighted assets	4,526,989	4,727,439
Tier 1 risk-based capital ratio (minimum 6%)	66%	64%
Total risk-based capital ratio (minimum 12%)	81%	76%

35.4.6 Regulatory capital

The Branch's regulatory capital as managed by its management 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 loan loss provision and qualifying subordinated loan capital.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the bank for the years ended 31 December.

STATE BANK OF INDIA – MALDIVES
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2023

35 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

35.4 Financial risk management (continued)

35.4.6 Regulatory capital (continued)

	2023	2022
	MVR "000"	MVR "000"
<i>Tier 1 capital</i>		
Assigned capital	150,000	150,000
Statutory reserve	150,000	150,000
Capital support fund	640,000	640,000
Retained earnings	2,222,179	2,270,695
Less: future income tax benefit	(177,245)	(186,389)
Total qualifying Tier 1 capital	2,984,934	3,024,306
<i>Tier 2 capital</i>		
Current earnings	443,526	384,428
Fair Value adjustment of Derivative assets	227,040	155,950
General Provisions (limited to 1.25% of RWA)	16,703	19,170
Total qualifying Tier 2 capital	687,269	559,549
Total regulatory capital	3,672,203	3,583,855

36 COMPARATIVE FIGURES

Comparative figures of the financial statements have been reclassified to conform with current year's classifications, whenever necessary.

37 EVENTS AFTER THE REPORTING DATE

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

38 MANAGEMENT RESPONSIBILITY

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