

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

FOR THE YEAR ENDED 31ST DECEMBER

	Note	2022 MVR	2021 MVR
Interest income calculated using the effective interest method		661,039,930	650,809,660
Interest expense		(168,599,575)	(168,693,012)
Net interest income	4	492,440,355	482,116,648
Fee and commission income		62,182,468	45,110,703
Fee and commission expense		(79,083)	(49,923)
Net fee and commission income	5	62,103,385	45,060,780
Net foreign exchange income	6	104,205,102	85,158,708
Other income	7	103,321	134,527,272
		104,308,423	219,685,980
Operating income		658,852,163	746,863,408
Impairment charged on financial instruments	8	(39,444,383)	(21,057,987)
Net operating income		619,407,780	725,805,421
Personnel expenses	9	(45,924,409)	(48,993,017)
Depreciation	10	(18,505,432)	(15,609,005)
Other operating expenses	11	(33,754,038)	(27,456,728)
Total operating expenses		(98,183,879)	(92,058,750)
Profit before tax		521,223,901	633,746,671
Income tax expense	12	(136,795,812)	(165,025,277)
Profit for the year		384,428,089	468,721,394
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		111,068,269	12,854,727
Related tax		(27,767,067)	(3,213,682)
Total comprehensive income		467,729,291	478,362,439

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

		31 December 2022	31 December 2021	31 December 2020
	Note	MVR	MVR	MVR
			Restated	Restated
Assets				
Cash and cash equivalents	13	590,950,181	1,814,792,555	778,537,943
Balances with Maldives Monetary Authority	14	1,195,376,014	781,023,122	685,174,649
Investment securities	15	9,106,808,051	7,536,926,678	7,432,288,818
Derivative asset held for risk management	16	497,862,439	343,679,623	332,215,355
Loans and advances to customers	17	3,828,750,519	4,392,905,718	4,784,574,961
Property, plant and equipment	18	19,380,350	25,357,982	7,756,855
Right-of-use assets	19	55,678,238	65,078,547	74,433,160
Deferred tax asset	12.2	61,726,193	98,636,906	102,170,665
Other assets	20	7,714,309	2,440,004	20,351,658
Total assets		15,364,246,294	15,060,841,135	14,217,504,064
Liabilities				
Deposits from customers	21	5,630,613,886	5,732,137,816	5,543,757,529
Other borrowing	22	5,438,011,941	5,183,105,635	4,729,413,219
Lease liability	23	63,269,417	72,354,168	79,721,579
Tax liability	24	63,580,781	99,532,785	62,713,695
Other liabilities	25	42,319,757	47,185,089	44,543,536
Provisions	26	2,192,115	496,535	1,287,838
Total liabilities		11,239,987,897	11,134,812,028	10,461,437,396
Equity				
Assigned capital	27	150,000,000	150,000,000	150,000,000
Statutory reserve	28	150,000,000	150,000,000	150,000,000
Non-distributable capital reserve	29	130,422,507	182,578,909	192,697,809
Capital support fund	30	640,000,000	640,000,000	640,000,000
Hedging reserve	16	346,556,592	263,255,390	253,614,345
Retained earnings		2,707,279,299	2,540,194,807	2,369,754,514
Total equity attributable to equity holders of the bank		4,124,258,397	3,926,029,107	3,756,066,668
Total equity and liabilities		15,364,246,294	15,060,841,135	14,217,504,064
Contingent liabilities and commitments	31	612,426,651	718,847,182	392,835,252

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

27/04/2023
Male'

.....
Jyoti Narayan Mohanty
Chief Operating Officer

STATE BANK OF INDIA – MALDIVES
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2022

	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 2021							
-As previously reported	150,000,000	150,000,000	906,649,155	640,000,000	253,614,345	2,369,754,514	4,470,018,014
Prior year adjustment (Refer Note 36)	-	-	(713,951,346)	-	-	-	(713,951,346)
-As restated	150,000,000	150,000,000	192,697,809	640,000,000	253,614,345	2,369,754,514	3,756,066,668
Profit for the year	-	-	-	-	-	468,721,394	468,721,394
Other comprehensive income							
Hedging reserve cash flow hedge - effective portion of changes in fair value	-	-	-	-	12,854,727	-	12,854,727
Tax on other comprehensive income	-	-	-	-	(3,213,682)	-	(3,213,682)
Total comprehensive income					9,641,045	468,721,394	478,362,439
Transferred from non-distributable capital reserve (Refer Note 29)	-	-	(10,118,899)	-	-	10,118,899	-
Transactions with owners of the Bank							
Distributions made during the year	-	-	-	-	-	(308,400,000)	(308,400,000)
Balance as at 31 st December 2021	150,000,000	150,000,000	182,578,909	640,000,000	263,255,390	2,540,194,807	3,926,029,107
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
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

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	2022 MVR	2021 MVR
Cash flows from operating activities			
Profit before tax		521,223,901	633,746,671
<i>Adjustments for</i>			
Interest expense on lease liability	4	3,405,583	3,674,390
Depreciation of property, plant and equipment	18	6,412,083	4,276,825
Depreciation of right-of-use assets	19	12,093,350	11,326,820
Gain on disposal of fixed assets		-	105,479
Gain on termination of lease		(103,321)	-
Derivative asset held for risk management		(43,119,962)	24,868,535
Net impairment loss on financial assets	8	39,444,383	21,057,987
Operating profit before working capital changes		539,356,017	699,056,707
Changes in:			
Loans and advances to customers		548,989,645	388,042,264
Reserve deposit at Maldives Monetary Authority		(284,316,316)	14,196,116
Other assets		(5,274,305)	17,911,654
Deposits from customers		(101,523,930)	188,380,287
Other borrowing		254,906,306	453,692,416
Other liabilities		(4,865,332)	1,850,249
Cash generated from operating activities		947,272,085	1,763,129,693
Interest income received		-	3,572,425
Interest paid		(3,405,583)	(3,674,390)
Income tax paid	24	(164,467,658)	(127,886,110)
Net cash generated from operating activities		779,398,844	1,635,141,618
Cash flow from investing activities			
Acquisition of property, plant and equipment	18	434,449	(21,983,433)
Purchase of investment securities	15	(5,516,122,112)	(3,872,931,928)
Proceeds from maturity of investment securities	15	3,930,000,000	3,726,209,536
Repayment of lease	23	(11,674,469)	(8,044,338)
Net cash used in investing activities		(1,597,362,132)	(176,750,163)
Cash flow from financing activities			
Distributions made during the year	27	(269,500,000)	(308,400,000)
Net cash used in financing activities		(269,500,000)	(308,400,000)
Net (decrease)/ increase in cash and cash equivalents		(1,087,463,288)	1,149,991,455
Cash and cash equivalents at the beginning of the year		2,188,530,425	1,038,538,970
Cash and cash equivalents at end of the year	32	1,101,067,137	2,188,530,425

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 2022

4	NET INTEREST INCOME	2022 MVR	2021 MVR
	Interest income calculated using effective interest method		
	Interest income on investments (Note 4.1)	331,259,058	305,214,299
	Interest income on loans and advances to customers	329,780,872	345,595,361
		<u>661,039,930</u>	<u>650,809,660</u>
	Interest expense		
	Deposits from banks and customers	(29,829,289)	(35,174,006)
	Interest on interest bearing borrowing	(135,364,703)	(129,844,616)
	Interest on lease liabilities	(3,405,583)	(3,674,390)
		<u>(168,599,575)</u>	<u>(168,693,012)</u>
	Net interest income	<u>492,440,355</u>	<u>482,116,648</u>
4.1	Interest income on investments		
	Government securities (Note 4.1.1)	311,782,406	294,668,821
	Overnight deposits facilities	5,708,712	4,608,493
	Corporate bond	1,826,137	4,081,977
	Placement with SBI - Bahrain	10,050,914	404,075
	Other investments	1,890,889	1,450,933
		<u>331,259,058</u>	<u>305,214,299</u>
4.1.1	Interest Income from Government securities		
	Treasury Bills - USD	99,567,690	100,048,254
	Treasury Bills - MVR	66,674,168	59,903,571
	Investment in Government bond - USD	145,540,548	134,716,996
		<u>311,782,406</u>	<u>294,668,821</u>
5	NET FEES AND COMMISSION INCOME	2022 MVR	2021 MVR
	Fee and commission income		
	Commission on loan processing fees, letter of credit and guarantees	18,573,296	16,572,199
	Commission from ATM transactions	2,413,009	2,352,596
	Commission from remittances	10,411,116	7,518,256
	Income from postage and telegraph	727,917	638,513
	Commission from RTGS	828,050	771,001
	Commission from currency handling	11,753,734	3,736,149
	Commission from minimum account balances	8,865,147	6,461,274
	Accounts closure charges	174,452	123,581
	Others	8,435,747	6,937,134
	Total fees and commission income	<u>62,182,468</u>	<u>45,110,703</u>
	Fees and commission expense		
	Interbank transaction fees	(79,083)	(49,923)
	Total fee and commission expense	<u>(79,083)</u>	<u>(49,923)</u>
	Net fee and commission income	<u>62,103,385</u>	<u>45,060,780</u>
6	NET FOREIGN EXCHANGE INCOME	2022 MVR	2021 MVR
	Net trading income	104,205,102	85,158,708
		<u>104,205,102</u>	<u>85,158,708</u>

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2022

7	OTHER INCOME	2022 MVR	2021 MVR
	Recoveries of amounts previously written off	-	133,231,992
	Rent concessions	-	1,295,280
	Gain on termination of Lease	103,321	-
		<u>103,321</u>	<u>134,527,272</u>
8	IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS	2022 MVR	2021 MVR
	Impairment charges on cash and placement with banks (Note 13.4)	6,342,510	3,692,254
	Impairment charged on loans and advances to customers (Note 17.3 and 17.4)	15,165,554	3,626,979
	Impairment charged on investment securities (Note 15.2)	16,240,739	14,530,057
	Impairment charged/ (reversed) on undrawn credit facilities (Note 26)	1,695,580	(791,303)
		<u>39,444,383</u>	<u>21,057,987</u>
9	PERSONNEL EXPENSES	2022 MVR	2021 MVR
	Salaries and allowances	36,572,830	36,676,107
	Staff bonus	4,123,138	5,850,840
	Accommodation	966,150	1,220,785
	Travelling and medical expense	1,551,340	1,597,002
	Other personnel cost	1,644,718	2,169,922
	Staff welfare	118,200	142,350
	Provident fund contribution	948,033	1,336,011
		<u>45,924,409</u>	<u>48,993,017</u>
9.1	Provident fund contribution		
	The Bank contributes 3% (2021: 3%) for the Maldivian staff and 10% (2021:10%) 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	2022 MVR	2021 MVR
	Depreciation of property plant and equipment (Note 18)	6,412,082	4,282,185
	Depreciation of right-of-use asset (Note 19)	12,093,350	11,326,820
		<u>18,505,432</u>	<u>15,609,005</u>
11	OTHER OPERATING EXPENSES	2022 MVR	2021 MVR
	Professional fees	3,321,586	2,027,743
	Management fees	4,621,552	6,438,822
	Premises, equipment and establishment expenses	80,644	301,221
	Repair and maintenance	1,724,421	1,717,173
	Master card and other charges	1,330,618	1,230,394
	Operating overheads	22,675,217	15,741,375
		<u>33,754,038</u>	<u>27,456,728</u>
12	INCOME TAX EXPENSE	2022 MVR	2021 MVR
	Income tax expense (Note 12.1)	128,515,654	164,705,200
	Reversal of deferred tax asset (Note 12.2)	8,280,158	320,077
		<u>136,795,812</u>	<u>165,025,277</u>

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2022

12 INCOME TAX EXPENSE (CONTINUED)

12.1 Reconciliation between accounting profit and taxable profit

	2022 MVR	2021 MVR
Accounting profit before tax	521,223,901	633,746,671
Adjustments for:		
Add: Depreciation	6,412,082	4,276,825
Management fees	4,621,552	6,438,822
Individual assessment provision	62,089,672	(31,563,406)
Collective assessment provision	(46,924,118)	36,440,177
Employee welfare expenses	118,200	142,350
Pension expense	2,107,390	2,602,075
Impairment charged/ (reversed) on investment securities	16,240,739	14,530,057
Impairment charged/ (reversed) on undrawn credit facilities	1,695,580	(791,303)
Impairment charges on cash and placement with Banks	6,342,510	3,692,254
Loss on disposal of non current assets	-	105,479
	<u>573,927,508</u>	<u>669,620,001</u>
Less: Capital allowances	(3,910,848)	(3,944,446)
Balancing allowance	-	(98,425)
Allowable head office expenses	-	(6,438,822)
Employee welfare expenses allowed	(118,200)	(142,350)
Pension contribution to MPRS	(1,176,689)	(1,266,064)
Specific loan loss provision recovered for which deductions were not allowed previously	-	(409,034)
Specific loan loss provision	(54,142,944)	466,225
Other amounts deductible	(516,208)	1,033,715
Taxable income	<u>514,062,619</u>	<u>658,820,799</u>
	2022 MVR	2021 MVR
Income tax @ 25%	<u>128,515,654</u>	<u>164,705,200</u>

In accordance with the provisions of the Income Tax Act of 2020, relevant regulations and subsequent amendments, the Bank is liable for income tax at the rate of 25% on its taxable profit.

12.2 Deferred tax asset

	2022 MVR	2021 MVR
Balance as at 1 st January	98,636,906	102,170,665
Adjustment for previous year	(863,488)	-
Reversal of deferred tax asset against the profit or loss	(8,280,158)	(320,077)
Deferred tax impact on other comprehensive income	(27,767,067)	(3,213,682)
Balance as at 31 st December	<u>61,726,193</u>	<u>98,636,906</u>

12.3 Deferred tax asset is attributable to the following;

	2022		2021	
	Temporary difference MVR	Tax effect MVR	Temporary difference MVR	Tax effect MVR
Loan loss provisioning	705,128,170	176,282,042	744,105,560	186,026,390
Property, plant and equipment	3,852,060	963,015	1,449,250	362,313
Hedging reserve	(462,075,455)	(115,518,864)	(351,007,187)	(87,751,797)
	<u>246,904,774</u>	<u>61,726,193</u>	<u>394,547,623</u>	<u>98,636,906</u>

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

FOR THE YEAR ENDED 31ST DECEMBER 2022

13 CASH AND CASH EQUIVALENTS	2022	2021
	MVR	MVR
Cash in hand	45,661,737	87,130,500
Balances with other SBI branches (Note 13.1)	45,324,972	160,693,185
Balances with other Banks (Note 13.2)	46,648,597	108,547,354
Placements with other SBI branches (Note 13.3)	463,349,639	1,462,113,770
Less: provision for impairment (Note 13.4)	(10,034,764)	(3,692,254)
	<u>590,950,181</u>	<u>1,814,792,555</u>
13.1 Balances with other SBI branches		
State Bank of India - Sydney	1,018,442	1,096,438
State Bank of India -Melbourne	308,979	73,598
State Bank of India - Frankfurt	812,075	968,675
State Bank of India - London	250,418	262,677
State Bank of India - Chennai	1,969,227	909,972
State Bank of India - Singapore	359,113	767,088
State Bank of India - Mumbai	44,930,616	54,544,582
State Bank of India - New York	(4,502,083)	100,902,058
Asian Clearing Union (ACU) A/C, SBI - Colombo	178,185	1,168,097
	<u>45,324,972</u>	<u>160,693,185</u>
13.2 Balances with other Banks		
Bank of Maldives PLC	9,125,265	9,915,124
Bank of America	25,405,791	35,093,286
DBNY Nostro A/C	12,117,541	63,538,944
	<u>46,648,597</u>	<u>108,547,354</u>
13.3 Placements with other SBI branches		
State Bank of India - Bahrain	463,349,639	1,462,113,770
	<u>463,349,639</u>	<u>1,462,113,770</u>
13.4 Movement in provision for impairment during the year	2022	2021
	MVR	MVR
Balance as at January 1,	3,692,254	-
Charge to the income statement	6,342,510	3,692,254
Balance as at December 31,	<u>10,034,764</u>	<u>3,692,254</u>
14 BALANCES WITH MALDIVES MONETARY AUTHORITY	2022	2021
	MVR	MVR
Statutory balance with Maldives Monetary Authority (Note 14.1)	695,293,822	410,977,506
Overnight deposits at Maldives Monetary Authority (Note 14.2)	500,082,192	370,045,616
	<u>1,195,376,014</u>	<u>781,023,122</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 2022

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

	2022 MVR	2021 MVR
Investment securities measured at amortized cost	9,106,808,051	7,536,926,678
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	49,962,152
Investment in Government bond	5,390,000,000	3,847,500,000
Investments in Government securities - Treasury bills	3,771,238,617	3,709,558,972
Interest receivable on government securities	47,819,176	37,136,929
Impairment loss on investment securities (Note 15.2)	(123,472,114)	(107,231,375)
	<u>9,106,808,051</u>	<u>7,536,926,678</u>
Investments in treasury bills at face value - MVR	1,530,000,000	1,470,000,000
Investments in treasury bills at face value -USD	2,310,000,000	2,308,500,000
Discount received in securities	(68,761,383)	(68,941,028)
Investments in treasury bills at amortized cost	<u>3,771,238,617</u>	<u>3,709,558,972</u>
15.2 Impairment loss on investment securities	2022 MVR	2021 MVR
Balance as at 1 st January	107,231,375	92,701,318
Provision made during the year	16,240,739	14,530,057
Balance as at 31 st December	<u>123,472,114</u>	<u>107,231,375</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

	2022 MVR	2021 MVR
Derivative financial asset	497,862,439	343,679,623
16.1 Risk exposure - interest rate	2022	
	Assets	Liabilities
Designated in cash flow hedges	546,233,411	48,370,972

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/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 2022

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:

	2022	2021
Interest rate swaps – cash flow hedges	497,862,439	343,679,623

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	
	2022	2021
Balance as at 1 January	263,255,390	253,614,345
Change in fair value of hedging instrument recognized in other comprehensive income	111,068,269	12,854,727
Less: Deferred tax	(27,767,067)	(3,213,682)
Closing balance 31 December	346,556,592	263,255,390

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:

	2022	2021
Net (income)/ interest expense from interest rate swap	(39,630,410)	24,868,535

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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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 2022 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 LIBOR + 2.661% 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	2022	2021
Carrying amount	497,862,439	343,679,623
Notional amount	5,390,000,000	3,847,500,000
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 January	111,068,269	12,854,727
Change in value of hedged item used to determine hedge effectiveness	(111,068,269)	(12,854,727)
Weighted average hedged rate for the year	4.71%	3.5%

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	2022 MVR	2021 Restated MVR
	Overdrafts	1,343,235,373	1,356,465,217
	Loans and advances	3,223,951,764	3,869,503,612
	Staff loans	1,232,804	1,924,593
		<u>4,568,419,941</u>	<u>5,227,893,422</u>
	Provision for impairment of loss allowance - Individual assessment (Note 17.3)		
	- As previously stated	(109,010,366)	(54,654,563)
	Prior period adjustment (Note 36)	(713,951,346)	(713,951,346)
	Write off loans and advances during the year	102,749,967	-
	- As restated	(720,211,745)	(768,605,909)
	Provision for impairment of loss allowance - Collective assessment (Note 17.4)	(19,457,677)	(66,381,795)
	Loans and advance to customers measured at amortized cost	<u>3,828,750,519</u>	<u>4,392,905,718</u>
17.1	By currency		
	United States Dollars (USD)	3,471,731,233	4,046,411,082
	Maldivian Rufiyaa (MVR)	1,145,908,483	1,181,482,340
		<u>4,617,639,716</u>	<u>5,227,893,422</u>
	By industry		
	Tourism	2,621,609,635	2,945,046,744
	Trading	437,197,229	538,179,813
	Education	10,348,626	10,359,592
	Fishery	69,145,780	58,736,753
	Non banking finance companies	64,010,000	85,510,000
	Aviation	229,386,855	288,957,737
	Commercial real estate	259,045,302	350,867,347
	Transport	36,414,579	39,025,129
	Construction	24,145,058	23,424,150
	Others	866,336,652	887,786,157
		<u>4,617,639,716</u>	<u>5,227,893,422</u>

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2022

17 LOAN AND ADVANCES TO CUSTOMERS (CONTINUED)

17.2 Provision for impairment of loss allowance - individual assessment	2022 MVR	2021 MVR
Balance as at 1 st January		
- As previously stated	54,654,563	87,467,761
Prior year adjustment (Note 36)	713,951,346	713,951,346
- As restated	768,605,909	801,419,107
Provision made/ (reversed) during the year	62,089,672	(32,813,198)
Write off loans	(110,483,836)	-
Balance as at 31 st December	720,211,745	768,605,909

17.3 Provision for impairment of loss allowance - collective assessment

Balance as at 1 st January	66,381,795	29,941,618
Provision (reversed)/ made during the year	(46,924,118)	36,440,177
Balance as at 31 st December	19,457,677	66,381,795

18 PROPERTY, PLANT AND EQUIPMENT

Cost	Balance as at 1-Jan-22 MVR	Additions MVR	Disposal MVR	As at 31-Dec-22 MVR
Leasehold improvements	6,330,844	-	-	6,330,844
Furniture and fittings	8,250,794	105,775	-	8,356,569
Computer equipments	10,770,272	199,894	-	10,970,166
Motor vehicles	1,454,890	-	-	1,454,890
Office equipments	16,004,695	128,780	-	16,133,475
Total assets	42,811,495	434,449	-	43,245,944
Accumulated depreciation	As at 1-Jan-22 MVR	Charge for the year MVR	Charge for the year MVR	As at 31-Dec-22 MVR
Leasehold improvements	1,763,510	620,181	-	2,383,691
Furniture and fittings	4,274,089	574,393	-	4,848,482
Computer equipments	7,263,112	1,538,504	-	8,801,616
Motor vehicles	744,400	104,680	-	849,080
Office equipments	3,408,400	3,574,325	-	6,982,725
Total depreciation	17,453,511	6,412,083	-	23,865,594
Net carrying values	25,357,984			19,380,350

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.

	2022 MVR	2021 MVR
Cost		
Balance as at 1 st January	95,468,556	93,496,349
Additions during the year	4,054,310	1,972,207
Cancellation during the year	(4,917,917)	-
Modification during the year	(5,643,963)	-
Balance as at 31 st December	88,960,987	95,468,556

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2022

19	RIGHT- OF- USE ASSET (CONTINUED)	2022 MVR	2021 MVR		
	Accumulated depreciation				
	Balance as at 1 st January	30,390,009	19,063,189		
	Depreciation charge during the year	12,093,350	11,326,820		
	Cancellation during the year	(2,233,128)	-		
	Modification during the year	(6,967,483)	-		
	Balance as at 31 st December	33,282,749	30,390,009		
	Net carrying value	55,678,238	65,078,547		
20	OTHER ASSETS	2022 MVR	2021 MVR		
	Deposits and prepayments	2,043,012	2,440,004		
	Other assets	5,671,297	-		
		7,714,309	2,440,004		
21	DEPOSITS FROM CUSTOMERS	2022 MVR	2021 MVR		
	Current accounts (Note 20.1)	2,617,826,452	2,483,565,748		
	Saving deposits (Note 20.1)	1,968,033,363	1,959,362,483		
	Time deposits (Note 20.2)	1,044,754,071	1,289,209,585		
		5,630,613,886	5,732,137,816		
21.1	Payable on demand				
	Retail customers	2,129,912,382	2,126,672,955		
	Corporate customers	2,430,617,806	2,276,493,455		
	Other	25,329,626	39,761,821		
		4,585,859,815	4,442,928,231		
21.2	Term deposits				
	Retail customers	330,431,496	466,169,904		
	Corporate customers	714,322,575	823,039,681		
		1,044,754,071	1,289,209,585		
	Total deposits from customers	5,630,613,886	5,732,137,816		
21.3	By Currency				
	United States Dollars (USD)	3,755,700,197	3,862,273,539		
	Maldivian Rufiyaa (MVR)	1,866,329,071	1,860,688,458		
	Euro (EUR)	8,584,618	9,175,818		
		5,630,613,886	5,732,137,816		
22	OTHER BORROWING	2022 MVR	2021 MVR		
	Placement of SBI- Bahrain	4,043,122,160	4,644,417,499		
	Placement of SBI-IFSC Gift City	1,240,429,920	-		
	Placement of Emirates-NBD	154,459,861	538,688,136		
		5,438,011,941	5,183,105,635		
	Starting date	Maturity date	Interest rate	Amount (USD)	
	SBI - Bahrain	22-Sep-20	23-Sep-30	6M LIBOR +2.41	250,000,000
	SBI - Bahrain	29-Dec-22	3-Jan-23	4.35%	8,000,000
	SBI - IFSC Gift City	29-Nov-22	29-Nov-29	6M SOFR+ 2.75	80,000,000
	Emirates NBD	29-Jul-22	9-Jan-23	4.30%	10,000,000

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23 LEASE LIABILITY	2022 MVR	2021 MVR
Balance as at 1 st January	72,354,168	79,721,579
Additions during the year	4,054,308	1,972,207
Modification of lease during the year	1,323,520	
Cancellation during the year	(2,788,111)	-
Adjustment due to rent concession on leases	-	(1,295,280)
Interest on lease liability	3,405,583	3,674,390
Payment made during the year	(15,080,052)	(11,718,728)
Balance as at 31 st December	<u>63,269,417</u>	<u>72,354,168</u>
Non - current liabilities	<u>51,209,514</u>	<u>65,003,381</u>
Current liabilities	<u>12,059,903</u>	<u>7,350,787</u>

23.1 Leases under IFRS 16

Interest on lease liabilities	3,405,583	3,674,390
Expenses relating to short-term leases	80,644	301,221
	<u>3,486,227</u>	<u>3,975,611</u>

23.2 Amounts recognised in statement of cash flows

	2022 MVR	2021 MVR
Repayment of lease		
Interest	3,405,583	3,674,390
Capital	11,674,469	8,044,338
	<u>15,080,052</u>	<u>11,718,728</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	-
Residence - SVP(CR2)	5.00%	1-Jan-20	31-Oct-24	No	-
Residence - COO	4.50%	15-Oct-19	15-Oct-23	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(A&C)	3.50%	16-Oct-20	16-Oct-23	No	-
Residence - SVP(CR1)	5.00%	1-Apr-21	31-Mar-25	No	-
Residence - VP(CR3)	5.00%	1-Sep-21	31-Aug-23	No	-
Hithadhoo - BM Residence	5.00%	1-Jan-21	31-Dec-23	No	-
Residence - SVP(System)	5.00%	15-Dec-19	14-Dec-23	No	-
Residence - AVP(A&RM)	7.96%	1-Feb-22	1-Feb-25	No	-
Messenger Accomodation	7.96%	1-Jun-22	31-May-25	No	-
Residence - VP(T&CA)	7.96%	7-Jan-22	6-Jan-25	No	-
Residence - AVP(CR2)	6.96%	1-Dec-22	30-Nov-25	No	-
Residence - AVP(System)	7.96%	15-Feb-22	31-Jan-25	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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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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24 TAX LIABILITY	2022 MVR	2021 MVR
Balance as at 1 st January	99,532,785	62,713,695
Add: Provision for the year (Note 12)	128,515,654	164,705,200
Less: Payment during the year	(164,467,658)	(127,886,110)
Balance as at 31 th December	<u>63,580,781</u>	<u>99,532,785</u>
25 OTHER LIABILITIES	2022 MVR	2021 MVR
Margin and other liabilities	22,719,918	30,001,029
Sundry deposit	3,925,288	4,243,542
Sundry creditors	15,171,855	8,483,401
Demand drafts	175,409	175,295
Balances with other Banks (Note 25.1)	172,997	173,232
Accrued management fee	154,290	4,108,590
	<u>42,319,757</u>	<u>47,185,089</u>
25.1 Balances with Other Banks		
Hatton National Bank PLC - Colombo	172,997	173,232
	<u>172,997</u>	<u>173,232</u>
26 PROVISIONS	2022 MVR	2021 MVR
Balance as at 1 st January	496,535	1,287,838
Provision (charged)/ reversed during the year - undrawn credit facilities	1,695,580	(791,303)
Balance as at 31 th December	<u>2,192,115</u>	<u>496,535</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 (2021: MVR. 150 million).		
27.1 Distribution		
The Management of the Bank has repatriated of MVR 269,500,000/- (2021: MVR 308,400,000) 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 2022

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 2020			
-As previously stated	1,024,430,325	117,409,379	906,649,155
Prior year adjustment (Note 36)	-	713,951,346	(713,951,346)
-As restated	1,024,430,325	831,360,725	192,697,809
Impairment provision (reversed)/ charged for the year	(6,491,920)	3,626,979	(10,118,899)
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

29.2 Movement in provision for impairment per MMA prudential regulation guidelines

	2022 MVR	2021 MVR
<u>Specific Provision</u>		
As at 1st January	890,730,405	892,230,325
Reclassified from general provision	16,388,000	-
Provision made during the year	54,142,944	1,249,792
Exchange loss	516,208	(1,033,715)
Write-off during the year	(110,483,836)	-
Recoveries made during the year	-	(1,715,997)
As at 31st December	851,293,720	890,730,405
	2022 MVR	2021 MVR
<u>General Provision</u>		
As at 1st January	127,208,000	132,200,000
Reclassified to specific provision	(16,388,000)	-
Provision (reversed)/ recognized during the year	(91,650,000)	(4,992,000)
As at 31st December	19,170,000	127,208,000
Total	870,463,720	1,017,938,405

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	2022 MVR	2021 MVR
Documentary credits	119,853,290	107,782,759
Guarantees and bonds	283,917,693	255,633,644
	403,770,983	363,416,403
	2022 MVR	2021 MVR
Commitments		
Commitments on loans	37,881,585	101,032,207
Commitments on overdrafts	170,774,083	254,398,572
	208,655,668	355,430,779
Total commitments and contingencies	612,426,651	718,847,182

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FOR THE YEAR ENDED 31ST DECEMBER 2022

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 FLOWS	2022 MVR	2021 MVR
Cash in hand (Note 13)	45,661,737	87,130,500
Balances with other SBI branches (Note 13)	45,324,972	160,693,185
Balances with other Banks (Note 13)	46,648,597	108,547,354
Placements with other SBI branches (Note 13)	463,349,639	1,462,113,770
Overnight deposits at Maldives Monetary Authority (Note 14)	500,082,192	370,045,616
	<u>1,101,067,137</u>	<u>2,188,530,425</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)

For the year ended 31st December

	2022 MVR	2021 MVR
Short-term employee benefits	7,937,168	8,570,206
	<u>7,937,168</u>	<u>8,570,206</u>

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

FOR THE YEAR ENDED 31ST DECEMBER 2022

34 Transactions with key management personnel (KMPs)

For the year ended 31 December

	2022 MVR	2021 MVR
a. Items in profit or loss		
Interest income	546,644	59,948
Interest expense	108,661	73,326
<i>As at 31st December</i>	2022 MVR	2021 MVR
b. Items in statement of financial position		
Loans and advances	8,324,452	9,786,386
Deposits from customers	5,866,649	5,670,151

34.3 Transactions with related entities

	Head Office		SBI - Bahrain	
<i>For the year ended 31st December</i>	2022 MVR	2021 MVR	2022 MVR	2021 MVR
a. Items in income statement				
Interest income	39,630,410	-	10,050,914	404,075
Interest expenses	-	24,868,535	165,921,925	104,838,689
b. Items in statement of financial position				
Placements	-	-	462,000,000	1,462,050,000
Borrowings	1,232,000,000	-	3,973,200,000	4,617,000,000
Interest receivable	35,786,983	-	1,349,639	63,770
Interest payable	8,429,920	7,327,564	69,922,160	27,417,499

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 2022</i>		Mandatorily FVTPL	Financial assets at amortised cost	Other financial liabilities	Total
	Note	MVR	MVR	MVR	MVR
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>

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

FOR THE YEAR ENDED 31ST DECEMBER 2022

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

35.1 Classifications of financial assets and liabilities

<i>As at 31st December 2021</i>		Mandatorily FVTPL	Financial assets at amortised cost	Other financial liabilities	Total
	Note	MVR	MVR	MVR	MVR
Financial assets					
Cash and cash equivalents	13	-	1,814,792,555	-	1,814,792,555
Balances with Maldives monetary authority	14	-	781,023,122	-	781,023,122
Investment securities	15	-	7,536,926,678	-	7,536,926,678
Derivative asset held for risk management	16	343,679,623	-	-	343,679,623
Loans and advances to customers	17	-	4,392,905,718	-	4,392,905,718
Total financial assets		343,679,623	14,525,648,073	-	14,869,327,696
Financial liabilities					
Deposits from customers	21	-	-	5,732,137,816	5,732,137,816
Other borrowing	22	-	-	5,183,105,635	5,183,105,635
Lease liability	23	-	-	72,354,168	72,354,168
Other liabilities	25	-	-	47,681,624	47,681,624
Total financial liabilities		-	-	11,035,279,243	11,035,279,243

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.

As at 31st December 2022	Level 2	Total
Derivative assets held for risk management	497,862,439	497,862,439

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 2022

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 2022			As at 31 December 2021 (Restated)		
	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	590,950	-	590,950	1,814,793	-	1,814,793
Balances with Maldives monetary authority	1,195,376	-	1,195,376	781,023	-	781,023
Loans and advances to customers	2,526,288	1,302,463	3,828,751	54,553	4,338,353	4,392,906
Derivative assets held for risk management	142,907	354,955	497,862	343,680	-	343,680
Investment securities	3,716,808	5,390,000	9,106,808	3,639,465	3,897,462	7,536,927
Total assets	8,172,329	7,047,418	15,219,747	6,633,513	8,235,815	14,869,328
Liabilities						
Deposits from customers	3,095,222	2,535,391	5,630,614	2,506,102	3,037,655	5,543,758
Other borrowing	356,012	5,082,000	5,438,012	852,845	3,876,568	4,729,413
Lease liability	12,060	51,210	63,269	7,351	65,003	72,354
Total liabilities	3,463,294	7,668,601	11,131,895	3,366,298	6,979,227	10,345,525
Net	4,709,035	(621,183)	4,087,852	3,267,215	1,256,588	4,523,803

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2022

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 FOCC is 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	
	2022	2021 (Restated)
	MVR	MVR
Cash and cash equivalents	590,950,181	1,814,792,555
Balances with Maldives Monetary Authority	1,195,376,014	781,023,122
Investment securities	9,106,808,051	7,536,926,678
Derivative assets held for risk management	497,862,439	343,679,623
Loans and advances to customers	3,828,750,519	4,392,905,718
	<u>15,219,747,204</u>	<u>14,869,327,696</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2022

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 2022

	Total		Counter party	
	Notional amount	Fair value	Notional amount	Fair value
	USD	MVR	USD	MVR
Derivative financial assets	32,328,730	497,862,439	32,328,730	497,862,439

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	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	-	-	-
- Special Mention	-	13,998,753	-	-
- Substandard	-	-	271,009,720	-
- Doubtful	-	-	12,780,684	-
- Loss	-	-	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

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	2021			
	Stage 1 MVR	Stage 2 MVR	Stage 3 MVR	Total MVR
Loans and advances to customers at amortized cost				
- Pass or acceptable	4,337,163,016	-	-	4,337,163,016
- Loss	-	-	890,730,406	890,730,406
	4,337,163,016	-	890,730,406	5,227,893,422
Loss allowance (Restated)	(66,381,795)	-	(768,605,909)	(834,987,704)
Carrying amount	4,270,781,221	-	122,124,497	4,392,905,718
Investment securities at amortized cost				
- Pass or acceptable	7,644,158,053	-	-	7,644,158,053
	7,644,158,053	-	-	7,644,158,053
Loss allowance	(107,231,375)	-	-	(107,231,375)
Carrying amount	7,536,926,678	-	-	7,536,926,678
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	1,818,484,809	-	-	1,818,484,809
	1,818,484,809	-	-	1,818,484,809
Loss allowance	(3,692,254)	-	-	(3,692,254)
Carrying amount	1,814,792,555	-	-	1,814,792,555

As at 31 st December	2022 MVR	2021 MVR
Corporate bonds and government securities		
Rated B-	9,230,280,165	7,644,158,053

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2022

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. 590,950,181/- as at 31st December 2022 (31st December 2021 - MVR 1,814,792,555/-). 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
	2022	2021	
<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>	2022 MVR	2021 MVR
LTV Ratio		
Less than 70%	3,096,532,208	3,873,260,335
71% - 90%	199,300,516	135,376,225
91% - 100%	204,762,957	328,526,456
Total	<u>3,500,595,681</u>	<u>4,337,163,016</u>
Credit-impaired loans		
Less than 70%	1,032,997,968	672,713,659
More than 70%	34,826,292	218,016,747
	<u>1,067,824,260</u>	<u>890,730,406</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 2022, the net carrying amount of credit-impaired loans and advances to corporate customers amounted to MVR 1,117 Mn (2021: MVR 890 Mn) and value of identifiable collateral (mainly commercial properties) held against those loans and advances amounted to MVR 1,329 Mn (2021: MVR 1,250 Mn). For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2022

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	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	"000" MVR
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
	4,568,420	407,273	3,301	-	20,657,089	21,067,663
Investment securities measured at amortized cost	9,230,280	-	9,209,058	21,222	-	9,230,280
Total	15,595,061	407,273	9,212,359	21,222	20,657,089	30,297,943
31st December 2021						
Financial assets						
Cash and cash equivalents	1,818,485	-	-	-	-	-
Balances with Maldives Monetary Authority	781,023	-	-	-	-	-
<u>Loans and advances to customers</u>						-
Overdrafts	1,356,465	469,029	199,550	-	5,617,236	6,285,815
Loans and advances	3,869,504	57,302	-	-	11,603,119	11,660,421
Staff loans	1,925	11,190	-	-	107,610	118,800
	5,227,893	537,521	199,550	-	17,327,965	18,065,036
Investment securities measured at amortized cost	7,644,158	-	7,594,196	49,962	-	7,644,158
Total	15,471,559	537,521	7,793,746	49,962	17,327,965	25,709,194

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 theses variable) as well as representative range (Best Case and Worst Case) of other possible forecast scenarios. The Bank then uses the forecasts to adjust its estimates of PDs.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 2021

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 2022 included the following key indicator for Maldives for the years ending 31st December 2023 to 2027.

		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%

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/April>).

The economic scenarios used as at 31st December 2021 included the following key indicator for Maldives for the years ending 31st December 2022 to 2026.

		2022	2023	2024	2025	2026
GDP growth rate	Base	7.00%	6.65%	6.35%	6.09%	6.69%
	Upside	9.31%	10.23%	11.20%	12.21%	15.21%
	Downside	5.64%	4.64%	3.81%	3.12%	2.81%
Inflation	Base	2.28%	2.29%	2.30%	2.31%	2.30%
	Upside	2.24%	2.22%	2.20%	2.18%	2.14%
	Downside	2.33%	2.37%	2.42%	2.46%	2.48%
Unemployment	Base	6.29%	6.29%	6.30%	6.30%	6.30%
	Upside	6.27%	6.26%	6.25%	6.24%	6.22%
	Downside	6.32%	6.34%	6.36%	6.38%	6.39%

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'.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2022

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.

	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

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

FOR THE YEAR ENDED 31ST DECEMBER 2022

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)

	2021			
	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	27,093,348	894,863	830,661,788	858,649,999
Transfer to stage 1 from stage 2	894,863	(894,863)	-	-
Net remeasurement of loss allowance	(26,958,627)	-	-	(26,958,627)
New financial assets originated	857,140	-	-	857,140
Recoveries made during the year	(1,715,997)	-	-	(1,715,997)
Balance as at 31 st December	170,727	-	830,661,788	830,832,515
<u>Loans and advances to customers at amortized cost - Retail</u>				
Balance as at 1 st January	919,951	-	1,748,690	2,668,641
Net remeasurement of loss allowance	(3,801,698)	-	2,360,569	(1,441,129)
New financial assets originated	2,927,678	-	-	2,927,678
Balance as at 31 st December	45,931	-	4,109,259	4,155,190

Placement with other banks

	2022 Stage 1 MVR	2021 Stage 1 MVR
Balance as at 1 st January	3,692,254	-
Net remeasurement of loss allowance	6,342,510	3,692,254
Balance as at 31 st December	10,034,764	3,692,254

Investment securities

Balance as at 1 st January	107,231,375	92,701,318
New assets originated or purchased	71,526,505	-
Net remeasurement of loss allowance	(55,285,766)	14,530,057
Financial assets derecognised or repaid (excluding write-offs)	(3,400,157)	-
Balance as at 31 st December	123,472,114	107,231,375

Loan commitments, financial guarantee contracts and undrawn facilities

Balance as at 1 st January	496,535	1,287,838
Net remeasurement of loss allowance	1,695,580	(791,303)
Balance as at 31 st December	2,192,115	496,535

Credit-impaired financial assets

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

	2022 MVR	2021 (Restated) MVR
Credit-impaired loans and advances to customers as at 01 st January	122,124,497	92,203,552
Change in allowance for impairment	62,089,672	7,731,493
Classified as credit-impaired	177,093,854	6,662,883
Written off during the year	(110,483,836)	-
Transferred to not credit-impaired	96,788,329	15,526,569
Credit-impaired loans and advances to customers as at 31 st December	347,612,515	122,124,497

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2022

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

35.4 Financial risk management (continued)

35.4.1 Credit risk (continued)

ii.) 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			
	Stage 1 MVR	Stage 2 MVR	Stage 3 MVR	Total 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 (excluding write-offs)	(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
Write off	-	-	(110,483,836)	(110,483,836)
Recoveries made during the Year	(485,600,675)	-	-	(485,600,675)
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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2022

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

35.4 Financial risk management (continued)

35.4.1 Credit risk (continued)

ii.) Credit exposure movement

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

	2021			
	Stage 1 MVR	Stage 2 MVR	Stage 3 MVR	Total MVR
<u>Cash and cash equivalents at gross carrying amount</u>				
Balance as at 1 st January	778,537,943	-	-	778,537,943
New assets originated or purchased	1,039,946,866	-	-	1,039,946,866
Balance as at 31 st December	1,818,484,809	-	-	1,818,484,809
<u>Investment securities</u>				
Balance as at 1 st January	7,524,990,136	-	-	7,524,990,136
New assets originated or purchased	119,167,917	-	-	119,167,917
Balance as at 31 st December	7,644,158,053	-	-	7,644,158,053
<u>Loans and advances to customers at gross carrying amount - Corporate</u>				
Balance as at 1 st January	3,678,082,546	64,567,982	863,399,040	4,606,049,568
Transfer to Stage 1	64,567,982	(64,567,982)	-	-
Net remeasurement of loss allowance	(94,177,770)	-	-	(94,177,770)
New financial assets originated	2,162,532	-	-	2,162,532
Recoveries made during the year	(283,225,855)	-	(1,156,217)	(284,382,072)
Balance as at 31 st December	3,367,409,435	-	862,242,823	4,229,652,258
<u>Loans and advances to customers at gross carrying amount - Retail</u>				
Balance as at 1 st January	969,381,394	-	28,596,880	997,978,274
Net remeasurement of loss allowance	-	-	(109,298)	(109,298)
New financial assets originated	372,188	-	-	372,188
Balance as at 31 st December	969,753,582	-	28,487,582	998,241,164
<u>Contingent liabilities and commitments at gross carrying amount</u>				
Balance as at 1 st January	70,004,405	-	-	70,004,405
Financial assets derecognised or repaid (excluding write-offs)	185,629,239	-	-	185,629,239
Balance as at 31 st December	255,633,644	-	-	255,633,644

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

FOR THE YEAR ENDED 31ST DECEMBER 2022

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 2022</i>	Financial services	Government	Real-estate	Tourism	Aviation	Food processing	Trading and fishing	Construction	Shipping & business services	Other services	Total
	"000" MVR	"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
<i>As at 31st December 2021</i>	Financial services	Government	Real-estate	Tourism	Aviation	Food processing	Trading and fishing	Construction	Shipping & business services	Other services	Total
	"000" MVR	"000" MVR	"000" MVR	"000" MVR	"000" MVR	"000" MVR	"000" MVR	"000" MVR	"000" MVR	"000" MVR	"000" MVR
Cash and cash equivalents	1,818,485	-	-	-	-	-	-	-	-	-	1,818,485
Balances with Maldives Monetary Authority	-	781,023	-	-	-	-	-	-	-	-	781,023
Loans and advances to customers	85,510	35,733	607,777	2,945,047	288,958	58,737	502,448	23,424	-	680,259	5,227,893
Investment securities	-	7,644,158	-	-	-	-	-	-	-	-	7,644,158
Total	1,903,995	8,460,914	607,777	2,945,047	288,958	58,737	502,448	23,424	-	680,259	15,471,559

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

FOR THE YEAR ENDED 31ST DECEMBER 2022

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

35.4 Financial risk management (continued)

35.3.2 Liquidity risk

<i>As at 31st December 2022</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	600,985	600,985	-	-	-	-	-
Balances with Maldives monetary authority	1,195,376	1,195,376	-	-	-	-	-
Loans and advances to customers	4,568,420	-	2,184,472	111,664	229,614	827,814	1,214,856
Derivative assets held for risk management	497,862	-	28,164	38,540	76,203	190,661	164,294
Investment securities	9,230,280	-	967,157	1,326,567	1,546,556	-	5,390,000
Total	16,092,924	1,796,361	3,179,793	1,476,771	1,852,373	1,018,475	6,769,151
Liabilities							
Financial liabilities							
Deposits from customers	5,630,614	-	1,154,986	932,157	1,008,080	1,846,885	688,506
Other borrowing	5,438,012	-	356,012	-	-	-	5,082,000
Other liabilities	42,320	173	36,318	175	-	5,653	-
Lease liability	63,269	-	3,567	3,277	6,428	14,661	35,336
Total financial liability	11,174,215	173	1,550,883	935,609	1,014,508	1,867,199	5,805,842
Total interest sensitivity gap	4,918,709	1,796,188	1,628,910	541,162	837,865	(848,724)	963,309
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 2022

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 2021</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	1,818,485	1,818,485	-	-	-	-	-
Balances with Maldives Monetary Authority	781,023	781,023	-	-	-	-	-
Loans and advances to customers	5,227,893	-	1,861	3,487	49,205	472,262	4,701,079
Derivative assets held for risk management	343,680	-	452	231	654	567	341,776
Investment securities	7,644,158	-	1,026,180	1,180,437	1,540,079	49,962	3,847,500
Total financial assets	15,815,239	2,599,508	1,028,493	1,184,155	1,589,938	522,791	8,890,355
Liabilities							
Financial liabilities							
Deposits from customers	5,732,138	13,536	651,301	780,991	1,060,274	1,304,543	1,921,492
Other borrowings	5,183,106	-	852,845	-	-	-	4,330,261
Other liabilities	47,185	7,082	39,928	-	176	-	-
Lease liabilities	72,354	-	3,177	3,177	6,354	25,415	34,232
Total financial liability	11,034,783	20,618	1,547,250	784,168	1,066,803	1,329,958	6,285,985
Total interest sensitivity gap	4,780,456	2,578,890	(518,757)	399,987	523,135	(807,167)	2,604,370
Financial guarantee	363,416	33,395	143,655	167,500	18,866	-	-

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 2022

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

35.4 Financial risk management (continued)

35.3.2 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.

	2022	2021
	(%)	(%)
As at 31 st December	44%	39%

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31ST DECEMBER 2022

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	2022		2021	
	100 bp	100 bp	100 bp	100 bp
	Parallel increase	Parallel decrease	Parallel increase	Parallel decrease
	MVR	MVR	MVR	MVR
	40,872,549	(40,872,549)	48,211,665	(48,211,665)

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
	2022	2022	2021	2021
	MVR	MVR	MVR	MVR
United States Dollars	12,313,286,305	9,973,006,173	12,564,958,057	10,740,159,655
Sterling Pounds	351,870	-	712,362	-
Euro	4,919,233	8,584,618	7,556,496	9,175,818
Singapore Dollars	359,113	-	767,088	-
Indian Rupees	21,679,388	-	23,032,213	-
Australian Dollars	1,327,421	-	1,174,484	-
	12,341,923,330	9,981,590,791	12,598,200,700	10,749,335,473

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:

	2022		2021	
	Strengthening	Weakening	Strengthening	Weakening
	MVR	MVR	MVR	MVR
US\$ (10% Movement)	234,028,013	(234,028,013)	182,479,840	(182,479,840)
GBP(10% Movement)	35,187	(35,187)	71,236	(71,236)
Euro (10% Movement)	(366,539)	366,539	(161,932)	161,932
SGD (10% Movement)	35,911	(35,911)	76,709	(76,709)
INR (10% Movement)	2,167,939	(2,167,939)	2,303,221	(2,303,221)
AUD (10% Movement)	132,742	(132,742)	117,448	(117,448)

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 $\pm 20\%$ of the mid-point of exchange rate.

STATE BANK OF INDIA – MALDIVES
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2022

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%.

	2022	2021
	MVR "000"	MVR "000"
<i>Risk-weighted assets</i>		
On-balance sheet	4,257,119	4,762,208
Off-balance sheet	470,321	613,871
Total risk-weighted assets	4,727,439	5,376,080
Tier 1 risk-based capital ratio (minimum 6%)	64%	52%
Total risk-based capital ratio (minimum 12%)	76%	65%

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 2022

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

35.4 Financial risk management (continued)

35.4.6 Regulatory capital (continued)

	2022 MVR "000"	2021 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	2,270,695	2,061,355
Less: future income tax benefit	(177,245)	(186,389)
Total qualifying Tier 1 capital	3,033,450	2,814,966
<i>Tier 2 capital</i>		
Current earnings	384,428	468,721
Fair Value adjustment of Derivative assets	155,950	118,465
General Provisions (limited to 1.25% of RWA)	19,170	67,201
Total qualifying Tier 2 capital	559,549	654,387
Total regulatory capital	3,592,998	3,469,353

36 Prior year adjustment

Provision for impairment of loans and advances in accordance with IFRS made in 2018 was understated by MVR 713,951,346. The correction of this error amounting to MVR 713,951,346 has been accounted under prior year adjustment by restating prior year figures and adjusting the opening balance of non-distributable capital reserve and accumulated ECL allowance of 2021.

Non distributable capital reserve	2022	2021
Balance at 1 January		
- As previously reported	896,530,256	906,649,155
Prior year adjustment	(713,951,346)	(713,951,346)
- As restated	182,578,909	192,697,809
Transferred from non-distributable capital reserve (Refer Note 29)	(52,156,402)	(10,118,899)
At end of year	130,422,507	182,578,909

Provision for impairment of loss allowance - Individual assessment	2022	2021
Balance at 1 January		
- As previously reported	54,654,563	87,467,761
Prior year adjustment	713,951,346	713,951,346
- As restated	768,605,909	801,419,107
Provision made/ (reversed) during the year	62,089,672	(32,813,198)
Write off receivables	(110,483,836)	-
At end of year	720,211,745	768,605,909

The treatment relating to the correction of these errors have been accounted as prior year adjustments and this is considered to give a fairer presentation of the assets and liabilities at the balance sheet date.

37 COMPARATIVE FIGURES

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

38 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.

39 MANAGEMENT RESPONSIBILITY

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