



BANK OF MALDIVES PLC  
**PROSPECTUS** 2007

**INTEGRITY**



**INNOVATION**



**RESPECT**



**COMMUNICATION**

**SERVICE**



This Prospectus has been prepared after taking in to consideration the amendments to the Memorandum of Association and Articles of Association and the issue of bonus shares pursuant to Extraordinary General Meeting on 1st June 2007. The Shareholders approved in this meeting to split each of its ordinary shares of nominal value Rf 300/- into 6 shares of Rf 50/- each and thereafter a bonus issue of 5 shares for every 1 share of nominal value of Rf 50/- each out of the Bank's general reserves.

Above share split and allotment of bonus shares will be done within 20 market days after 1<sup>st</sup> June 2007.

The Bank has confirmed that this Prospectus contains all information regarding the Bank and the Offering which is material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Bank are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing. The Bank accepts responsibility for the information contained in this Prospectus.

This Offering is not made solely on the basis of the information contained and representations made in this Prospectus. No person has been authorised to give any information or make any representations not contained in this document in connection with the Offering. If given or made, such information or representations must not be relied upon as having been authorised. Neither the delivery of this document nor any sale made in the Offering shall, under any circumstances, create an implication that there has not been any change in the fact set forth in this document or in the affairs of the Bank since the date of this document. Investors should be informed that the value of investments can go up or down and past performance is not necessarily indicative of future performance.

The Bank shall not be held responsible for any losses an investor may incur as a result of investing in these shares based on information given in this Prospectus.

This Prospectus is dated 6<sup>th</sup> June 2007 and a copy of this Prospectus has been lodged with the Capital Market Development Authority of Maldives and registered with the Registrar of Companies in Republic of Maldives in accordance with the Companies Act (10/96).

## **INVITATION**

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**Through this Prospectus the Bank of Maldives Plc hereby wish to  
make an invitation in respect of  
1,000,000 Ordinary Shares with a nominal value of Rf 50/-  
at a share offer price of Rf 143/-, payable in full on application.**

- 510,000 of the above shares shall be allocated to the Ministry of Finance and Treasury
- 490,000 of the above shares are offered to the Public
- This prospectus is dated 6th June 2007.
- The subscription listing will open at 9.00a.m. on 15<sup>th</sup> July 2007 and will close at 2.30p.m. on 19<sup>th</sup> August 2007. In the event of an under subscription it will remain open until at 2.30p.m. on 2<sup>nd</sup> September 2007.

## **VISION**

“We will lead the way through quality of service and dedication of our staff. We will serve all our communities to the best of our ability, strive always to listen to your needs and so build total customer confidence and satisfaction”

**Bank of Maldives – Nation’s Bank**

## **MISSION**

- To be THE LEADER in the financial industry in Maldives, spreading its presence in all key economic geographies in Maldives.
- To be THE LEADER in the financial industry in Maldives, inculcating a long term saving culture in the nation and promoting a cashless society
- To be one of the most Efficient, Profitable and Respected financial institution in Maldives.

## **CORE VALUES**



**Serving the Nation**

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## 1.0 CORPORATE INFORMATION

The Company	:	Bank of Maldives Plc.
Legal form	:	A limited liability company incorporated in Republic of Maldives under the Companies Act 10/1996 on 14 <sup>th</sup> March 1982
Company Registration Number	:	C-22/1982
Place of Incorporation	:	Male', Republic of Maldives.
Registered Office :	:	No. 11, Boduthakurufaanu Magu, Male', Republic of Maldives. Tel: +(960) 332 2948 Fax: +(960) 332 8233 Swift: MALBMVMV website: www.bankofmaldives.com.mv e-mail: info@bml.com.mv
Authorized Share Capital and Issued Share Capital	:	As at the date of this Prospectus the Authorised share capital of the Bank is Rf 800,000,000/- divided into 16,000,000 Ordinary shares of Rf 50/- each and the issued capital is Rf 36,516,000/- divided in to 730,320 Ordinary shares of Rf 50/- each.  After the amendments to the Memorandum of Association and Articles of Association and the issue of bonus shares pursuant to Extraordinary General Meeting on 1st June 2007 the issued and paid-up share capital of the Bank shall be Rf 219,096,000/- divided in to 4,381,920 Ordinary shares of Rf 50/- each.
Company Secretary	:	Mr. Hassan Manik, MSc. Bank of Maldives Plc. No. 11, Boduthakurufaanu Magu Male' Republic of Maldives.
Auditors to the Bank	:	PricewaterhouseCoopers Chartered Accountants 02 - 03, 2nd Floor Aage' Boduthakurufaanu Magu Male' Republic of Maldives.

Legal Advisors to the Bank : Premier Chambers  
*Barristers and Attorneys*  
M. Lux Lodge  
02<sup>nd</sup> Floor  
Male'  
Republic of Maldives.

Mazlan & Murad Law Associates  
G. Swan Lake  
1<sup>st</sup> Floor  
Male'  
Republic of Maldives.

Shah Hussain & Co.  
(East Wing) Aage  
02<sup>nd</sup> Floor  
Male'  
Republic of Maldives.

## **BOARD OF DIRECTORS**

Mr. Abdullah Hameed	Government Appointed Chairman of the Board
Mr. Mohamed Hussain Maniku	Government Appointed Director
Mr. Mohamed Ahmed Didi	Government Appointed Director
Ms Fathimath Nuzuha	Government Appointed Director
Ms. Fathimath Sheereen Abdulla	Government Appointed Director
Mr. Mohamed Abdul Sattar	Government Appointed Director
Ms. Serene Ho Oi Khuen	Government Appointed Director Managing Director Chief Executive Officer
Uz. Ahmed Hamza	Elected Director
Mr. Mohamed Liraar	Elected Director



## 2.0 RELEVANT PARTIES TO THE OFFERING

- Managers & Secretaries to the Offering : Bank of Maldives Plc.  
No. 11, Boduthakurufaanu Magu  
Male'  
Republic of Maldives.
- Legal Advisors to the Offering : Shaaheen Hameed and Hassan Maaz Shareef  
*Barristers and Attorneys*  
M.Lux Lodge  
02<sup>nd</sup> Floor  
Male'  
Republic of Maldives.
- Advisors to the Offering : Ernst & Young  
1<sup>st</sup> Floor  
G. Soasanee  
Rahdhebai Magu  
Male'  
Republic of Maldives
- Bankers to the Offering : Bank of Maldives Plc.  
No. 11, Boduthakurufaanu Magu  
Male'  
Republic of Maldives.
- Accountants to the Offering : PricewaterhouseCoopers  
Chartered Accountants  
02 - 03, 2nd Floor  
Aage'  
Boduthakurufaanu Magu  
Male'  
Republic of Maldives.

### **3.0 ABBREVIATIONS USED IN THE PROSPECTUS**

ACDBP	:	Atolls Credit and Development Banking Project
AMEX	:	American Express International
ATM	:	Automated Teller Machines
BML	:	Bank of Maldives Plc.
BOE	:	Bills of Exchange
CDs	:	Certificate of Deposits
CMDA	:	Capital Market Development Authority
DEG	:	German Investment and Development Company
EGM	:	Extraordinary General Meeting
EPF	:	Employees' Provident Fund
IFIC	:	International Finance Company Limited
IFAD	:	International Fund for Agricultural Development
IIS	:	Interest in Suspense
MMA	:	Maldives Monetary Authority
MOFT	:	Ministry of Finance and Treasury
Rf	:	Maldivian Rufiyaa
MSD	:	Maldives Securities Depository
MTCC	:	Maldives Transport and Contracting Company
NPA	:	Non Performing Assets
OPEC	:	Organization of Petroleum Exporting Countries
POA	:	Power of Atterney
POS	:	Point Of Sale
SME	:	Small and Medium Enterprises
STF	:	Securities Trading Floor
STO	:	State Trading Organisation Plc
YOY	:	Year on Year

#### **4.0 DEFINITIONS OF CERTAIN TERMS PERTAINING TO THE OFFERING**

Application Form / Application	:	The application form that constitutes a part of this Prospectus on which the investor may apply for offered shares.
Board/ Board of Directors	:	Directors of the Bank collectively.
Market Day	:	Any day the Maldives Stock Exchange (MSE) is open for trading.
New Shares	:	Shares offered to the public by this issue.
Offering	:	The offer for subscription of one million (1,000,000) Ordinary Shares with nominal value Rf 50/- each of the bank proposed to offer at the share offer price under the provisions of this Prospectus.
Offer Price	:	Proposed price to issue New Shares under the provisions of this Prospectus.
Ordinary Shares / Shares	:	Ordinary shares of Rf 50/- each of the Bank as per the Memorandum and Articles of Associations of the Bank.
Seal / Company Seal	:	Seal which has been duly adopted as the Seal of the applicant company.
The Bank / The Company	:	Bank of Maldives Plc.

## **5.0 DETAILS OF THE OFFERING**

### **5.1 THE OFFERING**

Bank of Maldives Plc. invites applications from the eligible applicants as stipulated in 5.5 below, to purchase four hundred ninety thousand (490,000) of its Ordinary Shares with a nominal value of Rufiyaa fifty (Rf 50/-) each at the Offer Price of Rufiyaa one hundred and forty three (Rf 143/-) each inclusive of a premium of Rufiyaa ninety three (Rf 93/-) per share.

These shares will rank equal with the existing Ordinary shares of the Bank with full voting rights and the right to participate in any dividend or distribution of reserves that may be declared after the allotment of shares, as per the Memorandum and Articles of Associations of the Bank.

### **5.2 OBJECTIVES OF THE OFFERING**

The objective of the offering is to raise the equity capital structure of the Bank to support the Bank's lending and expansion activities and to strengthen the capital base required to facilitate the Bank's funding capacity in the international market.

### **5.3 COST OF THE OFFERING**

All direct costs and expenses associated with the Offering, inclusive of but not limited to legal fees, advisory fees, advertising and promotional costs, printing costs, cost of the EGM are estimated to be approximately at Rf 861,000/-. The Bank shall bear all direct and indirect costs of the Offering related to the New Shares.

### **5.4 SUBSCRIPTION LISTING**

The Subscription Listing for the shares will open at 9.00 a.m. on 15<sup>th</sup> July 2007 and shall remain open for 25 market days until closure at 2.30 p.m. on 19<sup>th</sup> August 2007.

In the event of an over subscription, the list will continue to open for the said 25 market days until closure at 2.30 p.m. on 19<sup>th</sup> August 2007 in consultation and agreement with the CMDA.

In the event of an under subscription, the list will remain open for an additional 10 market days after 19<sup>th</sup> August 2007 until closure at 2.30 p.m. on 2<sup>nd</sup> September 2007.

Applications may be made forthwith and accordingly applications duly completed will be accepted in the manner set out under Sections 5.5 – 5.7 of this Prospectus.

## 5.5 ELIGIBLE APPLICANTS

Applications are invited from the existing shareholders and the following categories of Applicants;

- Citizens of Republic of Maldives.
- Companies incorporated within Republic of Maldives that are 100% Maldivian owned.

## 5.6 PROSPECTUS AND APPLICATION FORM

Copies of this document and the Application Form may be obtained free of charge from collection points set out under Annexure 2 of this Prospectus. Only original share application forms collected from these collection points will be accepted. The Application Form constitutes part of this document.

## 5.7 PROCEDURE FOR APPLICATION

1. **Care must be taken to follow instructions on the reverse of the Application Form. Applications that do not strictly conform to such instructions and other conditions set out below or which are illegible may be rejected.**
2. An application by a corporate body should bear the Company Seal and should be attested as required by the Articles of Associations of such corporate body.
3. A Maldivian citizen must state his/her National Identity Card (NIC) number. In the case of a corporate and unincorporated bodies, the Company Registration Number or Registration Number of the Association or Body must be given.

A photocopy of both sides of the identity card, Company registration or the Associations Registration Certificate, as the case may be, should be attached with the application form. **Any Application Form without these documents will be strictly rejected.**

4. All applicants must state their resident and correspondence address in the appropriate spaces provided in the Application form with the necessary documents.
5. Applicants wishing to deposit the shares directly to their MSD account should state their MSD account number in the space provided in the Application Form. If an applicant does not hold an MSD account and wish to open and deposit the shares to the MSD account, then he/she should do so by filling in the **MSD account opening form with the necessary documents.**

**Opening of MSD accounts are only at the sole discretion of Maldives Security Depository and the Bank will not assume any responsibility for the opening of MSD accounts. Application Forms stating third party MSD account instead of their own MSD account numbers will be rejected. Parents or legal guardians applying on behalf of the minors, should open the MSD accounts in the minor's name.**

6. In the case of the applications made under the Power of Attorney (POA) a copy of the said POA, certified by a Lawyer, to be a true copy of the original should be lodged with the Bank along with each Application Form. **The Original should not be attached.**
7. Applications should be made for a **minimum of ten (10) shares** or **multiples of ten (10) shares**. Applications for less than ten (10) shares or a number which is not a multiple of ten (10) will be rejected at the outset
8. The Bank reserves the right to reject all identified multiple Applications or suspected multiple Applications.
9. The Application Form properly filled in accordance with the instructions thereof, together with the payment as stated below for the full amount payable on application **should be handed over** to any one of collection points set out under Annex 2 of this Prospectus, prior to the closure of the subscription listing.

#### **Mode of Payment**

1. Payment should be made separately in respect of each Application by way of cash, Cash card and Visa Debit card using POS machines at Bank of Maldives branches, cheque guaranteed by a bank in the Republic of Maldives or bank draft. The Bank encourages in obtaining a bank draft from the Bank of Maldives branches specified in this Prospectus. However the Bank will not finance any part of such payment.

All cheques and bank drafts received in respect of Applications will be banked as and when they are received by BML.

2. Payment for Applications for values above and inclusive of Rufiyaa One hundred thousand (Rf 100,000/-) should only be supported by a bank draft.
3. All cheques and bank drafts as mentioned above should be drawn on any commercial bank in Republic of Maldives and crossed "**Account Payee Only**" and made payable to "**Bank of Maldives Plc - Public Offering**".
4. In the event that cheques are not realised within (2) Market days from the day of the closure of the subscription list, such monies realised after this period will be refunded and no allocation of shares will be made. Cheques must be honoured on first presentation for the application to be valid. Applications supported by cheques which are not honoured on first presentation will be rejected.
5. Investors residing out of Male' are advised to pay by cash or by Bank of Maldives guaranteed cheques or drafts to avoid delays due to clearance.
6. Each Application Form should be accompanied by no more than one bank guaranteed cheque or bank draft.

7. The amount payable should be calculated by multiplying the number of Shares applied for, times the share Offer Price. If the amount paid is more than the amount payable then a refund shall be made for the amounts paid in excess. However if the amount paid is less than the amount payable then the Application will be rejected.

### **Rejection of Applications**

1. Application forms, which are incomplete in any way and/or not in accordance with the terms and conditions of this Prospectus, will be rejected at the absolute discretion of the Bank.
2. Applications delivered after the closure of the Offering will be rejected.
3. Notwithstanding any provision contained herein, the Board of Directors shall reserve the right to refuse any Application or to accept an Application in full or part.

### **Successful Applicants, Refunds and Share Certificates**

Where an Application is not accepted subsequent to the Applicant's cheque being realized, the Applicant's money in full or where an Application is accepted only in part, the balance of the Application money will be refunded. All refunds will be made by crossed cheques and sent by registered post at the risk of the Applicant. Refunds on shares that have not been allotted would be posted before the expiry of Thirty (30) Market Days from the day following the closure of the offering. Applicants will receive interest at 5%, on any refunds not made before the expiry of the above date. Where the applicant has given a Bank account number, refunds will be directly credited to such account.

Share certificates will be dispatched before the expiry of Forty (40) Market Days from the date of closure of the offering, by registered post to the address provided by each investor in their respective Applications. In case of Applications received from existing shareholders and where it is identified that the address given in the Application differs from the address in the share register, the Bank will assume the address in the Applications as correct and accordingly update the share register. Where requested by an applicant, the shares allotted will be directly deposited to the respective MSD account given in the Application Form before the expiry of twenty (20) Market Days, from the date of closure of the offering.

**The shares will be admitted to the official list of the CMDA on the Fifth (05) market day upon the confirmation of dispatch of share certificates/ direct deposit in the MSD account by BML. In the event that the MSD number is not stated in the application form, the share certificate dispatched by post may not be received by the investor before the company commences trading on the STF. Therefore, Investors who wish to trade shares in the secondary market from the first day of commencement of trading are advised to request for a direct deposit of shares to their MSD Account number when applying for shares.**

## **5.8 ALLOTMENT OF OFFERED SHARES**

The basis of allotment is as decided by the Board of Directors of the Bank and is as follows.

- Ministry of Finance and Treasury will be allotted with a minimum 51% of the Offered Shares.

### **In the case of an oversubscription**

- The first round of allotment will start from allocation of 10 shares to each applicant and thereafter allocating incremental 10 shares in each round up to the amount applied for by each applicant. In the case of receipt of more than 49,000 share applications, allotments shall follow a first in first out basis.
- Maximum number of shares that any applicant is allotted with will be 100,000 shares.

### **In the case of an under subscription**

- All applicants will be allotted with the total number of shares applied for in full, subject to a maximum number of 100,000 shares.

## **5.9 TRANSFER OF SHARES**

The shares shall not be transferable during the period between the date of allotment of the Shares and the date of commencement of trading on the STF.



## **6.0 BANKING AND FINANCE SERVICE SECTOR IN THE MALDIVES**

### **Financial Sector**

The financial sector in the Maldives is relatively young and is dominated by the banking sector. The banking sector consists of one locally owned commercial bank - the Bank of Maldives and branches of four foreign owned commercial banks. Non-bank financial institutions in the country consist of insurance companies, a finance leasing company, a specialised housing finance institution and money services businesses. All financial institutions currently operate under the supervision of the Maldives Monetary Authority. The Capital Market Division of the MMA is responsible for creating the institutional mechanism which would facilitate an organised market for capital required by the economy.

### **Banking Sector**

The Bank of Maldives (BML) which was established in 1982 is a majority Government owned bank. The other banks are branches of State Bank of India (SBI) established in 1974, Habib Bank Limited (HBL) established in 1976 and Bank of Ceylon (BOC) established in 1981, and a branch of the Hong Kong Shanghai Banking Corporation (HSBC) established in March 2002. BML also carries out development banking activities in the atolls.

### **Non-Bank Financial Sector (NBFIs)**

Non-banking financial institutions in the country include players in the general insurance market, a finance leasing company, a specialized housing finance institution and money services businesses.

The Allied Insurance Company of Maldives Pvt. Ltd., owned by the State Trading Organisation Plc. is the only local insurance company in the country. Several other insurance undertakings and market intermediaries from neighboring countries operate in the country through their appointed local agents. The insurance market has been virtually unregulated until September 2004, when a new set of regulations was introduced with the objective of facilitating the orderly development of the insurance sector. As an interim measure under the regulations, insurance undertakings and market intermediaries operating in the country as at September 2004 have been granted a temporary registration for a period of one financial year during which all such parties are required to meet all necessary conditions to qualify for full-fledged licenses in their respective categories. Insurance undertakings and market intermediaries operating in the country are currently authorized to deal only with non-life insurance products. Reinsurance businesses relating to the activities of these companies are currently being provided by overseas re-insurers.

The Maldives Finance Leasing Company Pvt. Ltd., established in May 2002, is the only player in the finance leasing market. The company was setup as a collaborative venture between five domestic public and private sector entities and two international parties, in order to address the demand for medium to long-term equipment financing from all sectors of the economy.

The Housing Development Finance Corporation Ltd. (HDFC), setup in March 2004, is an initiative of the government of Maldives to provide the much needed financing in the residential

and commercial housing sector to address the pressing demand for housing, particularly in the Malé region.

### **Regulatory frame work for banks in Maldives**

In order to ensure the existence of a sound banking/financial system, the MMA closely monitors financial institutions' adherence to the laws and regulations issued by the Authority. The MMA also issues directives from time to time, which must be complied with by the relevant financial institutions. In addition, guidelines and international best practices are followed in the area of bank supervision.

In the efforts to improve the regulatory framework and meet the needs of a developing financial sector and the contemporary economic climate, the MMA regularly reviews existing regulations. The key legislation and regulations that govern the financial sector at present are as below.

Legislation and regulations executed by the MMA;

- Maldives Monetary Authority Act
- Negotiable Instruments Act
- Regulations for Banks and Financial Institutions
- Monetary Regulation
- Money Changers' Regulation
- Regulation for the Replacement of Damaged Banknotes
- Electronic Funds Transfer Guidelines

Other regulations the bank is subjected to are;

- Companies Act
- Regulations for Companies
- Securities Act
- Listing Rules
- Maldives Securities Depository (MSD) Rules

## **7.0 BANK PROFILE**

### **7.1 INTRODUCTION**

The Bank of Maldives (BML) was incorporated in 1982 as a joint venture between the Government of Maldives and the International Finance Company Limited (IFIC). At the inception, 60% of the shares were held by the Government with the remaining 40% held by the IFIC. In 1992, the Government along with a consortium of other government institutions purchased the entire shareholding of the IFIC as they decided to dispose of their ownership of the entity. Subsequent to this share purchase, the Government of Maldives decided to proceed with an initial public offering to the general public with a move to expand the capital base of the Bank.

This initial public offering, which was carried out in December 1992, increased the Bank's capital base to Rf 5 million. Following a series of subsequent share offerings to the public, the Bank's share capital increased to approximately Rf 36.5 million by 1998 and has remained the same to date with no further shares issues carried out since 1998. Currently 75% of the Bank's shares are held by the government institutions which includes 51% held by the Ministry of Finance and Treasury.

BML is the only national bank and the only bank in Maldives which has the largest branch and Automated Teller Machines (ATM) network to serve the nation. Currently it has 24 branches out of which 6 are located in Male', the capital of Maldives. The remaining branches have been set-up in Northern, Southern and Central region, reflecting the recent horizontal expansion of the Bank's operations.

BML through its development banking activity has been the implementing agency of the Atolls Credit and Development Banking Project (ACDBP) and provides financial assistance to various development activities carried out in the atolls of Maldives. It is the only bank in Maldives which supports the development of the rural economy in line with the government's nation building plans. Financing of fishing vessels and contributions to the fisheries export sector is one of the major contributions towards this end.

In March of 2001, BML launched the first proprietary card in Maldives. With over 1,200 Point of Sales terminals installed at major resorts, a number of sales and service outlets in Male' and some of the atolls, and with 10 ATMs in the capital the usage of credit and debit cards has received an overwhelming acceptance. Bank of Maldives, with a customer base of over 100,000 continues to maintain the loyalty and dedication to its clients in the provision of quality services. By the end of December 2006, over 66,600 customers had obtained Bank of Maldives cash card, debit cards and credit cards.

## 7.2 PAST TRENDS

Highlights of Bank's performance for the last 5 years are as follows;  
(all amounts in Maldivian Rufiyaa, millions)

	2002	2003	2004	2005	2006
Gross Loans & Advances	1,116	1,199	2,004	3,129	4,399
Deposits	1,689	1,933	2,776	3,540	4,394
Interest Income	127	153	199	239	384
Non Interest Income	37	46	82	102	183
Profit Before Taxation	32	38	103	126	314
Shareholders' Funds	247	273	338	421	645
Tier 1 Capital ratio	17.6%	18.3%	12.1%	9.9%	9.11%
Tier 1 + 2 Capital ratio	19.4%	20.2%	15.1%	12.4%	15.14%
Leverage Capital Ratio	11.9%	11.7%	10.3%	10.2%	11.20%

## 7.3 CAPITAL STRUCTURE

As at the date of this Prospectus the Authorised share capital of the Bank is Rf 800,000,000/- divided into 16,000,000 Ordinary shares of Rf 50/- each and the issued capital is Rf 36,516,000/- divided in to 730,320 Ordinary shares of Rf 50/- each.

After the amendments to the Memorandum of Association and Articles of Association and the issue of bonus shares pursuant to Extraordinary General Meeting on 1st June 2007 the issued and paid-up share capital of the Bank shall be Rf 219,096,000/- divided in to 4,381,920 Ordinary shares of Rf 50/- each.

The Shareholders approved in this meeting to split each of its ordinary shares of nominal value Rf 300/- into 6 shares of Rf 50/- each. and thereafter a bonus issue of 5 shares for every 1 share of nominal value of Rf 50/- each.

Changes in the capital structure and details of major shareholding of the Bank are summarised as follows;

Name of Shareholder	%	No. of Shares		
		Before Share Split and Bonus Issue (Nominal Value per share Rf 300/-)	After Share Split of 1 into 6 (Nominal Value per share Rf 50/-)	After Bonus Issue 5 for 1 Held (Nominal Value per share Rf 50/-)
Ministry of Finance & Treasury	51%	62,077	372,463	2,234,772
STO	5%	6,086	36,516	219,096
MTCC	5%	6,086	36,516	219,096
Government EPF	9%	10,955	65,729	394,380
Account of Riyyathun *	5%	6,086	36,516	219,096
General Public	25%	30,430	182,580	1,095,480
<b>Total</b>	<b>100%</b>	<b>121,720</b>	<b>730,320</b>	<b>4,381,920</b>

\* Held by Island/Atoll communities through the Ministry of Atolls Development.

#### 7.4 NATURE OF BANK'S BUSINESS

The Bank's core businesses are Corporate and Retail Banking, Trade Services, Development Banking, Electronic Banking and Credit Card services. All government and public enterprises accounts are maintained with the Bank while majority of the Corporate and retail customers bank with BML.

Bank of Maldives has obtained principal membership from Visa and MasterCard and has commenced the acquisition of all their brands through its Point of Sales (POS) merchants and ATMs in the first quarter of 2004. The Bank has also obtained principal membership from American Express International. Issuance of AMEX cards was launched on December 19, 2004. In April 2005 Bank of Maldives launched Visa Credit and Debit Card. Total merchant base at present including tourist resorts, exceeds 1,200 across the country.

Bank of Maldives introduced the ATM BillPay service to Dhiraagu and Wataniya customers in the 3<sup>rd</sup> quarter of 2005.

**Products and Services currently offered by the Bank are as follows.**

<b>Corporate Banking &amp; Trade Services</b>	<b>Personal and Electronic Banking</b>	<b>Micro finance products and services</b>	<b>Agency Services</b>
<ul style="list-style-type: none"> <li>· Overdrafts and term loans</li> <li>· Project financing</li> <li>· Syndicated loans</li> <li>· Structuring of Corporate Debt Instruments</li> <li>· Working capital financing</li> <li>· Import and export finance</li> <li>· Letters of Credit</li> <li>· Shipping and other guarantees</li> <li>· Bid and Performance bonds</li> <li>· International and local fund remittance and transfer</li> </ul>	<ul style="list-style-type: none"> <li>· Current, Savings and Fixed Deposit Accounts</li> <li>· Priority Banking</li> <li>· Residential mortgage loans</li> <li>· Fund Remittance and transfer services</li> <li>· Mobile ATM</li> <li>· Cash Card and Visa Debit cards</li> <li>· Credit Card issuance and acquisition in respect of Amex, Visa &amp; Master</li> <li>· Salary Remittance Package</li> <li>· Direct debit on utility bill payments</li> <li>· mobile recharge, prepaid cards</li> <li>· ATM Bill Pay</li> </ul>	<ul style="list-style-type: none"> <li>· Fisheries loans</li> <li>· <i>Lui</i> loans to government employees</li> <li>· Administration of funds on agricultural developments</li> <li>· Recovery services on Hulhumale loans</li> </ul>	<ul style="list-style-type: none"> <li>· Administration and settlement agent for IPO, share capital increase of listed companies.</li> <li>· Distribution and administrative agent for vessel, resort, residential and commercial building mortgage insurances</li> <li>· Administrative and on lending agent for               <ul style="list-style-type: none"> <li>a) multilateral development agencies .i.e., EIB, AFD, IDB, OPEC, IFAD</li> <li>b) Government and local institutions, .i.e. Ministry of Finance, Ministry of Fisheries &amp; Agriculture, Ministry of Science &amp; Technology, MATI and Chamber of Commerce.</li> </ul> </li> </ul>

## **7.5 FUTURE PROSPECTS**

As part of the Bank’s commitment to strategic direction and controls, the management of the Bank continuously review and evaluate the Bank’s internal strengths and weaknesses and scan the external environment for any opportunities and threats Based on a detailed analysis of the current strategic environment, Bank of Maldives Plc identifies following as the strategic goals and objectives to be achieved in the medium term in line with Banks vision and mission.

### **Strategic goals and objectives**

- To increase the market share of Loans and Deposits to be the dominant player in the banking industry in Maldives.
- To provide all financial services under one roof.
- To build a cashless society providing electronic banking services and revolutionize how businesses are conducted in Maldives.
- To expand developmental finance for the atolls SME and micro finance for atoll people livelihood sustenance.
- To maintain a healthy and adequate capital base.

- To increase the quality and return of the Assets Portfolio through prudent risk management policies.
- To develop human resources and ensure a well qualified and trained team of managers, with a wide exposure of best practice in risk management, operations control and audit, product structuring and marketing and treasury management.

## **7.6 MATERIAL CONTRACTS**

The Bank has not entered into any material contracts other than those contracts entered into as part of the ordinary course of business.

## **7.7 LITIGATION, DISPUTES AND CONTINGENT LIABILITIES**

As at the date of this Prospectus there is no material litigation by or against the Bank. As at the date there are no penalties imposed by any regulatory and state authority against the Bank.

As at the date there are no contingent liabilities, other than those contingent liabilities entered into as part of the ordinary course of business of the Bank, that would affect the current and the future profits of the Bank.

## **7.8 PROPERTIES AND FIXED ASSETS**

All property, plant and equipment, which are initially recorded at historical cost, are stated at cost less depreciation.

Depreciation is calculated on the straight-line method to write-off the cost of each asset, to their residual values over their estimated useful life as follows:

Bank premises	- 20 years
Computer hardware and software	- 3 - 5 years
Furniture and equipment	- 3 - 5 years
Motor vehicles / vessels	- 5 years

Leasehold buildings are amortised over the unexpired period of the lease.

The charge for the depreciation commences from the date on which the asset is put to use.

All property, plant and equipment as at 31.12.2006 are given in the Note 25 to the audited accounts.

## **7.9 OUTSTANDING DEBT**

Details on outstanding debt as at 31.12.2006 are given under Note 28 to the audited accounts.

## **7.10 DIVIDENDS POLICY**

The declaration and payment of dividends is recommended by the Board of Directors and approved by the shareholders of the Bank. The dividend policy is based on a number of factors, including but not limited to the Bank's earnings, regulatory capital requirements, funds needed for future business growth and overall liquidity profile of the Bank at the time of dividend declaration.



## 8.0 DIRECTORS AND SENIOR MANAGEMENT

### 8.1 BOARD OF DIRECTORS

The Bank's business and operations are managed under the supervision of the Board of Directors comprising of seven (7) Nominee Directors by the Government, three (3) Elected Directors by the public shareholders and one (1) Independent Director as per the Articles of Association adopted on 1<sup>st</sup> June 2007.

As at the date of this Prospectus, the Board constitute of the following Nine (9) Directors;

Name	Age	Principal Occupation	Address
Mr. Abdullah Hameed	55	Deputy Minister – Ministry of Foreign Affairs	M. Crest Wood Male'
Mr. Mohamed Hussain Maniku	50	Managing Director – State Trading Organisation Plc.	Ma. Moodhuvina, Male'
Mr. Mohamed Ahmed Didi	46	General Manager – Male' Water and Sewerage Company	M. Honey Dew, Male'
Ms Fathimath Nuzuha	28	Assistant Director - Ministry of Finance and Treasury	Ma. Gomashige, Male'
Ms.Fathimath Sheereen Abdulla	50	Deputy Minister - Ministry of Atolls Development	M. Sreen, Male'
Mr. Mohamed Abdul Sattar	42	Owner - Hoba shop	Ma. Tulip Villa, Male'
Ms. Serene Ho Oi Khuen	52	Chief Executive Officer - Bank of Maldives	Mookai Apartment, Male'
Uz. Ahmed Hamza	37	Director - V.A Pvt Ltd	Alanaasige, S.Maradhoo Feydhoo
Mr. Mohamed Liraar	33	Lecturer - Maldives College of Higher Education	Male' Municipality ge Khassa Dhaftharu no. 6915

### 8.2 DIRECTORS' INTERESTS IN CONTRACTS

Details on directors' interests in contracts as at 31.12.2006 are given under Note 36 to the audited accounts.

### 8.3 SHARES HELD BY THE DIRECTORS

Shares held by the Directors are as follows;

Name of Director	Before Share Split and Bonus Issue (Nominal Value per share Rf 300/-)	After Share Split of 1 into 6 (Nominal Value per share Rf 50/-)	After Bonus Issue 5 for 1 Held (Nominal Value per share Rf 50/-)
Abdullah Hameed	50	300	1800
Mohamed Hussain Maniku	50	300	1800
Mohamed Abdul Sattar	50	300	1800
Fathimath Sheereen Abdulla	50	300	1800
Ahmed Hamza	2	12	72
Mohamed Liraar	1	6	36

Note: Pursuant to the share split and bonus issue, each shareholder is allotted with 36 ordinary shares with a nominal value of Rf 50/- each in place of each ordinary share with a nominal value of Rf 300/- held as at 29<sup>th</sup> May 2007.

### 8.4 SENIOR MANAGEMENT

**Ms. Serene Ho Oi Khuen** – Chief Executive Officer (CEO) and Managing Director

Ms. Serene Ho Oi Khuen, a senior international banker is a Singaporean, joined the bank in January 2004. She is a fellow of the Institute of Certified Public Accountants of Singapore (FCPA), holder of Masters in Applied Finance from the Macquarie University, Australia, Bachelor of Accountancy from National University of Singapore and a Associate member of the Chartered Institute of Bankers, UK.

She started her banking career in 1977 with the UOB group. She was an investment officer with an international investment and Merchant Bank, the Elders PICA group for 5 years from 1980 with postings in Tokyo, Seoul, Kuala Lumpur and Taipei. Over a 15 year career with Arab Banking Corporation, B.S.C Singapore regional office she became the General Manager covering the Asia Pacific Region. She was also the Vice President, Structured Finance Group of Enron Corporation from 2000 to 2001.

**Ms. Fathimath Manike** - Assistant General Manager

Ms. Fathimath Manike is in charge of Development Banking, Operations & Human Resource Management.

In 1978, she started her career at the State Bank of India, Male' branch & joined the Bank of Maldives Plc in 1982. She has undergone training in banking & management in Malaysia & India.

Ms. Fathimath Manike is one of the pioneers of development banking in the country since its inception in 1990 & has been in charge of all development banking activities of the Bank since 1992. She has gained vast experience in attending training & workshops related to development banking & poverty alleviation in Sri Lanka, India, Pakistan, Indonesia, Thailand, Malaysia, Tonga & Vietnam.

Mrs. Fathimath Manike is a Maldivian, 46 years in age & currently resides at H. Okkafage, Galadhun Golhi, Male’.

**Ms. Aishath Noordeen** – Assistant General Manager

Ms. Aishath Noordeen is in charge of the International Banking and Correspondent Banking Division, Electronic Banking and Card Operations and Information Technology.

Starting her career at State Bank of India, Male’ Branch in 1979, she joined the Bank of Maldives Plc, in 1982. She counts a lot of exposure in Trade Finance and International Banking Operations and has been involved in establishing and maintaining several corresponding banking relationships and inter-bank lines. She was also involved in setting up the Card Centre. She participated in many trade conferences, training and work shops related to trade finance and credit card seminars conducted by Visa, Master Card and American Express.

Ms. Noordeen is a Maldivian, 47 years in age, at present resides at M. Thaangeedhoshuge, Male’.

**Ms. Nadiya Hassan** – Assistant General Manager

Ms. Nadiya Hassan is in charge of Corporate Banking and Loan Syndications.

Before joining BML in 1985, she served at the Maldives Monetary Authority for 4 years. She has extensive experience in relationship management with wide exposure to tourism and related industries in Maldives. She has participated in many training and workshops related to lending activities.

Nadiya is a Maldivian, 48 years in age, currently resides at Ma. Rasfari, Male’.

**Mr. Lua Too Swee** - Chief Credit Officer

Mr. Lua Too Swee who is a Singaporean, joined the Bank in February 2006.

He brings to the Bank more than 20 years of international banking experience, primarily in the areas of credit risk evaluation and credit risk management. Mr Lua’s extensive credit experience includes 10 years as Head of Credit in Singapore for Germany’s WestLB Ag, covering the Asia-Pacific countries. His most recent position was the Head of Credit and Risk Management for RZB-Austria, Singapore Branch. Mr Lua holds a BA (major Economics) from the University of Singapore and a Master of Accountancy from Charles Sturt University, Australia.

Mr. Lua Too Swee is 51 years in age, currently resides at Apartment 01, 3<sup>rd</sup> Floor, H. Melaim, Boduthakurufaanu Magu, Male’.

**Mr. Ajith Akmeemana** - Chief Financial Officer

Mr. Akmeemana is a Sri Lankan, joined the Bank in January 2006. He is a Member of the Institute of Chartered Accountants of Sri Lanka and a Member of the Institute of Bankers of Sri Lanka.

Starting his career at Standard Chartered Bank, his 17 year exposure to Finance and Treasury risk management includes, 3 years as the Head of Finance for Public Bank Berhad in Sri Lanka and involvement in setting up of the Finance and Treasury operations of the ICICI Bank in Colombo. At Ernst & Young, he was mainly involved in Loan and Investment portfolio reviews of commercial, development and investment banks, venture capital and fund managers. Also, he engaged in Due Diligence Investigations on mergers, acquisitions and valuation of shares in respect of banks.

He is 37 years in age, currently resides at Apartment 3A, G. Faith, Majeedhee Magu, Male'.

**Mr. Lucian Jayakody** - Chief Internal Auditor and Chief Compliance Officer

Mr Lucian Jayakody is a Sri Lankan, 57 years in age, joined the Bank in October 2006.

He holds a Master of Business Administration (MBA), Associate of Chartered Institute of Bankers London (ACIB), Member of The Institute of Internal Auditors USA (IIA) and a Member of Information Systems Audit and Control Association USA (ISACA). He also holds diplomas in Computer Systems Design and Business Administration from NIBM.

His experience in senior management positions in the Financial Sector extends for more than twenty years. He was the Head of Internal Audit in MERC bank Sri Lanka, AGM Operations, Administrations and Information Resource Management in Pan Asia Banking Corporation Sri Lanka, Senior Manager in Operations and Systems Audit in Hatton National Bank Sri Lanka. He is a specialist in productivity and system re-engineering and has had extensive training in this field in Asian Productivity Organisation (APO) Japan.

Mr Jayakody currently resides at 1<sup>st</sup> Floor , "Minnan", Lansimo Goalhi, Male'.

## **8.5 HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT**

The management and development of Human Resource is the building block for success of any organization. Bank of Maldives focuses on strengthening HR to attract, retain, and develop employees in meeting organizational goals. We believe our employees have a major role in the success of our organization.

BML has taken significant strides to improve human resource management by revamping the whole HR structure. With the focus on establishing a stable HR framework, an external HR consultant was selected. Primarily the consultancy will review, revise and design HR policies & procedures, develop effective performance measurement and career path for graduates and managers.

Another major development includes the implementation of HR software. With the aim of monitoring the effectiveness of human resource practices and streamline administrative functions handled manually by staff, this software enables automation of human resource functions.

## **Recruitment**

Bank's recruitment practices look for dynamic young individuals with excellent academic results, who will be groomed to become future leaders. With the recent developments and enhancements the staff strength has reached from 418 in 2005 to 504 (274 female and 230 male) by the end of 2006.

Three expatriates were recruited during 2006 as the Chief Credit Officer, Chief Financial Officer and Chief Internal Auditor/Chief Compliance Officer who play a vital role in risk management, MIS, financial controls and internal audit and compliance with the objective of progressing from Basel I compliance to Basel II framework of total risk management by banks.

Total of 6 graduates were also recruited to credit and treasury areas who are gaining exposure in credit analysis, financial controls and risk management techniques under the expatriates. Number of new recruits in the Assistant category, were deployed to strengthen our branch network and different departments in Head Office.

<b>Major functional areas</b>	<b>No. of Staffs</b>
Corporate Affairs	5
Legal Affairs & Documentation	6
Internal Audit	6
Human Resources	7
Finance	7
International Banking	15
Information Technology	16
Public Relation & Administration	19
Credit	20
Head Office	27
Development Banking Cell	30
Card Centre	61
Branches	350
<b>Total</b>	<b>569</b>

## Training and Development

As the number of staff increased by the year, HR emphasis on broadening and developing the training arena in bringing a pool of talented driven employees to maintain high standard required in this dynamic environment.

New recruits and new promotes were given induction training while they are to go through on- the-job training for a considerable period of time.

Our value addition to client business was further strengthened through focused and vigorous on the job training benefiting customer service staff. Continuous targeted training courses have been conducted to uplift the technical skills and knowledge levels of the team throughout the year.

To enhance the required knowledge and skills, several in-house and international training programs were provided. Staffs from various departments have attended several short-term international training, workshop/ conferences.

In 2006, the first training course was, Anti Money Laundering conducted by the Head of Training and Head of International Banking of Hatton National Bank (HNB), where 40 selected staff was trained in Male'. Our sincere appreciation to CEO of HNB, who responded to our call for assistance in tapping their School of Banking and Training and their learning courses. We would be sending BML Training Manager to HNB to familiarise with their e-learning course and to organise future training courses in branch management, call centre, sales and marketing, retail banking for BML staff. 2007 continued with 7 more fully sponsored scholarships for staff, adding to the 1 scholarship awarded in 2004/2005. The Bank has a policy of fully sponsoring part-time diploma courses in banking, finance, business management and human resources. Many staff are continuously sponsored under this scheme based on their years of service and work performance.

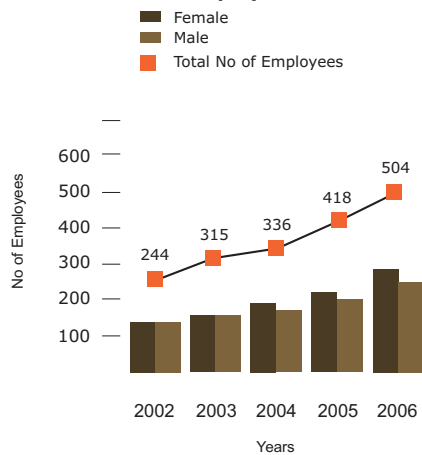
Some of the trainings provided in the year 2006 are in the following areas:-

No	International Training Program	Country Attended
1	The Asia 2006 Human Resource Development & Management Conference	Singapore
2	SWIFT - Customer Credit Transfers & Cash Management Collections & Documentary Credits	Bombay, India
3	Workshop on Banking & Finance in Small States: Issues & Policies	Valleta, Malta
4	ATMs in Asia II, Visa pin security workshop	Kuala Lumpur, Malaysia
5	IBM system I strategic planning conference	Bangkok, Thailand
6	Regulation and Supervision of Islamic Banks	Jakarta, Indonesia
7	Visa Resolve On-line Srilanka & Maldives member training	Colombo, Sri Lanka
8	Asia Pacific Chief Auditor Seminar 2006	Malaysia
9	SCO UNIXWARE Training Program	Kuala Lumpur, Malaysia
10	Correspondent Banking training	Germany, Frankfurt
11	Program on Development of Rural Financing Institutions and Cooperatives	Kathamandu, Nepal
12	Modern Financial Markets: Concepts, Practices & Developments	Mumbai, India
13	GNS Fraud Trainee Conference	Singapore

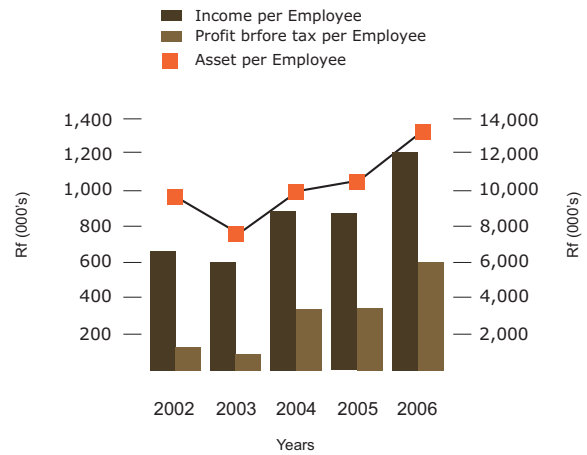
## Staff Relations

To provide an opportunity for all staff to interact with management and to create a positive relationship between colleagues various social events were organized such as Annual Trip to Kuda Bandos, Unity Dinner, "maahefun" and "tharaavees" during the course of the year. In addition to these events, formal gatherings such as Annual Managers Meeting was held in May 2006 which provided a platform to discuss issues, resolve differences, and identified solutions to meet business plan targets.

**Number of Employees at 31 Dec each Year**



**Employee Productivity**



## **9.0 CAPITAL MARKET ENVIRONMENT IN MALDIVES**

The financial sector of Maldives is very narrow and dominated by the banking sector, which is composed of one local state owned commercial bank, and branches of four South Asian commercial banks. Banks provide traditional banking services, including deposit taking and loans, for both the commercial and the retail sectors. However, the level of dispersion of the population throughout many islands creates challenges for the provision and penetration of banking services, since the creation of branches in the islands is in many cases economically unviable. In fact, only BML has established a significant number of branches.

The presence of non-bank financial intermediaries has been limited. The Allied Insurance Company of Maldives Pvt. Ltd. (AICM), owned by the State Trading Organization Plc. (STO) is the only local insurance company in the country. Several other insurance intermediaries from neighboring countries operate in Maldives through the appointment of local agents. There is also one finance leasing company and a specialized housing finance institution. Money services business includes three local companies that are agents of international money transfer companies. The services of these companies are mainly targeted at expatriates who use them for outward remittances from Male’.

Regulation of the financial sector is carried out by the MMA and the CMDA. The MMA is responsible for the regulation and supervision of the financial sector, except the securities market which is under the supervision of the CMDA. Functions related to the authorization of public offerings are a shared responsibility of the CMDA and the Registrar of Companies, which is a Department of the Ministry of Trade and Economic Development.

### **Capital Market Development Authority**

According to the Maldives Securities Act, the CMDA is a separate corporate body, with a board of directors composed of seven members. All of them, including the ex-officio members, appointed by the President.

CMDA is responsible for developing and regulating the capital market in the Maldives. It has statutory powers to license securities market intermediaries including brokers, dealers, investment advisers, as well as stock exchanges and central depositories.

On 14<sup>th</sup> November 2006, the CMDA licensed four dealing companies to act as market intermediaries.

### **Securities Trading Floor**

The Securities Trading Floor (STF) was established on 14th April 2002. STF performs the role of a Stock Exchange in Maldives .Currently STF functions within the Capital Market Development Authority (CMDA) of the Maldives.

STF facilitates buying and selling of shares in the secondary market. In addition, since it commenced operations the STF has initiated a number of measures to improve market infrastructure. These include various rules and regulations instituted to the facilitate market development and protect the interest of the investor. The main law for the capital market is the Securities Act.



## **Maldives Securities Depository (MSD)**

The Maldives Securities Depository (MSD) was implemented on the 14 April 2004. The main aim of MSD is to manage and operate a Central Depository System to speed up share trading for the Maldives stock market. It further enhances and contributes to the development of an effective capital market in the Maldives. The objectives of MSD are;

- To operate a central depository for the Maldivian Stock Market.
- To allow the Maldivian Stock Market to meet international standards on clearing and settlement process.

The Maldives Securities Depository functions as a Depository to hold shares in trust for the shareholders of quoted companies, process transactions of the Securities Trading Floor (STF) i.e. Stock exchange and act as a safe keeper of listed securities.

MSD system records and transfers shares of the listed companies. Through MSD, securities are transferred from one client account to another by a mere book entry, resulting a script less trading (trading without share certificates).

All securities listed in STF are processed by MSD. Thus any securities that will be issued in future by companies to be traded on STF shall be eligible for processing in MSD.

MSD provides following facilities;

- Provide Securities Account Registration.
- Facilitate share deposits and withdrawals.
- Provide account holders information.
- Facilitate share trading and transfer without certificates.
- Safe custody of share certificates.
- Clearing & settlement services

## **Stock Market Indices**

The Maldives Stock Exchange Index (MASIX) was published on 28 October 2004. Like other stock market indices MASIX captures the overall movement in prices & changing expectations of the Maldives Stock Market. MASIX is published by the Securities Trading Floor and is calculated using the Capitalization Weighted principle.

## **Trading Sessions**

Trading takes place from 9.00 a.m. to 12.00 noon from Sunday to Thursday, except for public holidays.

## **10.0 INVESTMENT CONSIDERATIONS**

Before investing in the shares, prospective investors should pay particular attention to the fact that the Bank and to a large extent its business activities, are subjected to a number of risk factors which may be within or outside the control of the Bank.

The risk factors that follow can be considered material to investors making an informed judgement on the Bank. Prospective investors should carefully evaluate each of the following scenarios which may impact the Bank's business, and financial results and share price.

### **10.1 RISK MANAGEMENT**

#### **STRATEGIC APPROACH**

The main aim of risk management practice is to protect the Bank against losses that could arise from taking risks beyond the Bank's risk appetite. Thus strong risk management capabilities are critical to the financial soundness of the Bank. The key components of risk management are: strong risk governance; robust processes to identify, measure, monitor and report risks and internal control reviews. The Bank has strengthened and will continue to strengthen the Bank's risk management capabilities, processes and procedures across all major operations so as to ensure that the businesses undertaken by the Bank is prudent relative to the Bank's risk capital.

#### **CREDIT RISK MANAGEMENT**

Credit risk is simply defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions. This includes non-repayment of capital and/or interest within the agreed time frame, at the agreed rate of interest and in the agreed currency. Exposures to credit arise mainly from lending activities. The Bank does not trade in money market, foreign exchange and other treasury products as at present there is no active money and treasury markets in the Maldives.

Credit policies were formulated covering all Bank credit activities and establishment of individual limits of authority for initiating, reviewing and approving credit. In order to efficiently manage the credit risk, a Credit Risk Management Unit was set up under the Chief Credit Officer (CCO), which is independent from the Account Relationship Managers. The risk organization is structured such that there is segregation of duties between risk taking and risk controlling units.

A Credit Committee comprising three AGMs and the CCO, chaired by CCO, meets regularly to discuss credit proposals in line with credit policies. The credit Committee also reviews sectoral lending position, non-performing assets, documentation and other credit related issues.

#### **In Credit evaluation**

The analysis supporting the credit approval decision takes into account both financial and non-financial factors that affect the going concern of the borrowers and also incorporate an evaluation of the collateral offered. This evaluation ensures that;

- A lending has identifiable source of repayment.
- Establishing suitable exposure limits for borrowers based on financial strength.
- Avoid excessive single industry/group exposures.

### **Credit Risks Review**

The post credit review or monitoring also involves a review of condition of facilities on an individual basis for large groups and on a portfolio basis for small facilities on pre-determined frequencies enabling the Bank to identify weaknesses of borrowers in their operations at an early stage and to implement suitable corrective actions.

The system takes control of slippage of facilities into nonperforming loans and classifying them appropriately in line with the regulatory guidelines. Additionally the Bank maintains a watch list of accounts separately, to closely monitor any infections or ill effects of such borrowers before they move into non performing category.

### **Credit Concentration**

The Bank seeks to spread its risk exposures amongst the growing economic sectors. Limits are set on specific customer Groups in order to avoid over concentration of credit risks. Industry limits are established in relation to the importance of the industry to the country's economy and taking into consideration the Bank's capital.

## **LIQUIDITY RISK MANAGEMENT**

We believe that the definition of Liquidity Risk is, being unable to meet liquidity commitments at increased cost or ultimately, the inability of the Bank to meet obligations that become due, because of an incapability to liquidate assets or obtain adequate funding.

Assets and Liability Management Committee (ALCO), which is comprised of the senior management team, chaired by the CEO, is entrusted with managing this mismatch in maturities to ensure sufficient available cash flows to meet possible withdrawal of deposits, other commitments or challenges associated with sudden changes in market conditions, whilst enabling the Bank to maximize returns.

ALCO meets at least once a month and matters discussed includes following:

- Playing an active role in setting policies, procedures and monitoring compliance.
- Analysis and discussion of short term and medium term cash flows and funding positions.
- Restrain growth in the overall loan book in order to maintain a prudent liquidity ratio.
- Ensure that strong access to money markets and credit lines through good reputation, strong earnings, financial strength and backing of major shareholders.
- Develop a liquidity contingency plan enabling the Bank to respond speedily to unexpected events.

Additionally the Financial Control Division monitors and ensures that;

- Adequate Liquid Assets are maintained with a contingency buffer.
- Daily monitoring of Advances to Deposits movements
- Carrying out maturity gap analysis of assets and liabilities.

## **MARKET RISK MANAGEMENT**

Market Risk is the risk of loss resulting from changes in market driven factors such as foreign currency exchange rates, interest rates and equity prices.

All the transactions in BML, other than the transactions in local currency, Maldivian Rufiyaa (RF), are carried out mainly in United States Dollars (USD) for which exchange rate is fixed. Therefore the Bank is not susceptible to any major currency fluctuation risk. Nevertheless, generally, the Bank does not engage in large scale transactions on speculative basis on its own other than to cover an underlying customer transaction or to cover a currency funding gap.

However, the exposure to the risk associated with changes on foreign exchange rates as a result of holding open positions caused by a gap between the assets and liabilities in a particular currency or combination of currencies, is controlled through a combination of foreign exchange position limits and transactions limits. These exposures are monitored on a daily basis and reported to ALCO. Further, timely recognition of market losses through mark to market and exchange revaluation mechanisms are also in place by the system.

The extent of the interest rate risk depends on the value and period of the maturity mismatch between interest bearing assets and liabilities and the ability and speed of the Bank in re-pricing them. ALCO regularly reviews these gaps to ensure that they are within acceptable norms. The Bank regularly monitors the market behavior and products are appropriately re-priced when necessary.

The Bank does not carry a trading portfolio or the Bank does not generally invest in stocks or shares other than Government treasury bills or MMA CDs, which investments are generally less than 3 months and held to maturity. Therefore the Bank is not open to any price fluctuation risks.

## **OPERATIONAL RISK MANAGEMENT**

Operational Risk is the risk of economic loss arising through fraud, unauthorized activities, error, omission, inefficiency, systems failure or due to external events. It is inherent to every business organization and covers a wide spectrum of issues.

The Bank manages this risk through a control based environment in which processes are documented, authorization is independent and transactions are reconciled and monitored. Responsibility for operational risk management lies with the members of Senior Management and Heads of Department and Branch Managers to whom that business or function reports.

In each area of business, the line management is held responsible for establishing an effective and efficient operational control environment to ensure that the Bank's assets are adequately protected and whereby the operational risks have been identified and adequate risk management procedures maintained to control those risks.

Evaluation of these controls, are supported by an independent program of periodic reviews undertaken by internal audit under the guidance of the Chief Internal Auditor and Chief Compliance Officer. Introduction of modern risk based auditing system in the Bank is imperative to maintain the appropriate levels of supervision.

Other initiatives in this respect include:

- Review of System User Profiles for an overhaul revamping to assign specific functional parameters for users in order to minimize the unauthorise access to the system and information.
- Setting up of suitable Delegated Authority levels for credit, treasury and operational areas.
- Regular upgrading of hardware and software to keep it 'state-of-the-art'.
- Preventive maintenance of equipment through maintenance contracts with the vendors.
- Disaster recovery plans for IT related areas. Back-up copies of important data are made daily with regard to all the important business units.
- Insurance covers are arranged to mitigate potential losses associated with certain operational risk events.
- Promotion of customer loyalty.

### **Anti-Money Laundering Efforts**

Pending the enactment of a comprehensive legislation for the detection and control of money laundering and terrorist financing in the country, the Bank, in 2004, voluntarily formulated and adopted a policy and procedure for Anti Money Laundering, Know Your Customer and Counter for Financing Terrorism in line with the requirements of the correspondent banks and funding agencies, to prevent the use of its system, products and services for illegal and unlawful purposes.

Introductory programs were conducted during the year 2005 and 2006 for most of the branch managers in order to create and raise awareness on the subject of money laundering, its impending legal implications, associated risks, international and domestic objectives and the relevant anti-money laundering steps. Adequate literature has also been provided to the Managers and they are expected to create awareness on the subject among each and every member of the staff.

The Bank is in the process of reviewing the current policies and procedures to widen the scope of its anti -money laundering efforts as a measure of response to international standards and in compliance with domestic statutory requirements.

## **Skills Development**

In this regard, the Bank has recognized the fact that development of necessary skills and expertise among the relevant staff to handle these risks professionally is the most effective strategy and, sufficient resources are allocated for developing such skills. Further they are getting on the job skills under the guidance of expatriate international senior bankers employed by the Bank.

## **10.2 CORPORATE GOVERNANCE PRACTICES**

Giving the due emphasis to the importance of corporate governance practices world wide and in tandem with the Code on Corporate Governance issued by the Capital Market Development Authority of Maldives, the Bank has taken initiatives to adopt a corporate governance framework as part of the Bank's commitment to good corporate governance practices with the fundamental premise of increasing transparency and soundness of its management.

To this end, the board of directors has engaged Ms. Kala Anandarajah, partner from Rajah & Tan with international expertise in corporate governance aspects. The assignment will include an assessment of the gaps in the current practices with best international practices and developing a suitable code for best governance practice, recommendations for implementation.

The Board of Directors sets the strategic direction and guides the corporate values based on inputs and recommendation by the CEO. The Board of Directors deliberates on the Business Plan and the Annual Budget at special Board Meetings. On a quarterly basis, the Board of Directors review the business and financial performance of the bank measured against the Business Plan and the Annual Budget. The Board of Directors meets regularly to review and approve major corporate loan exposure and conducts portfolio review of the retail banking portfolio. This process helps the Board to focus on strategic direction on all areas of the Bank covering products, risk management, compliance and human resource development.

Creating value for shareholders in the day to day management is the responsibility of the CEO and the Senior Management Team. Each function/profit centre is headed by a member of the Senior Management. Performance of each division and branch as per the business plan and the annual budget are reviewed monthly.

In addition the Bank has cross functional management committees as detailed in the Risk Management section. These committees meet weekly or monthly to review the performance.

### 10.3 CORPORATE SOCIAL RESPONSIBILITY

Bank of Maldives is the only financial institution in Maldives who caters financial services to the economic development in the rural atolls. Our assistance to people in the SME and Micro Finance sectors through finance loan schemes proves the Bank’s commitment to this end, which measures have also contributed towards alleviating poverty and creating sustainable employment and thus contributed to the National development.

following is a summary of such projects carried out in these areas under different funding supports;

<b>Project Name</b>	<b>Purpose</b>
Loan Scheme for Livelihood Revitalization Program	Revitalizing the livelihood of the tsunami affected population focusing on tsunami affected small & medium businesses.
Fisheries Development Program	Small loans for development of fishing communities.
Loan Scheme for Livelihood Revitalization Program ILRDP	Revitalizing the livelihood of the tsunami affected population.
Loan Scheme for Livelihood Revitalization Program (WORLD BANK) ILRDP	Revitalizing the livelihood of the tsunami affected population.
Fisheries Development Program-RSW Scheme	To promote & facilitate Refrigerated Seawater systems & other post harvest chilling systems on board Maldivian fishing vessels to improve the post harvest quality assurance of fish.
Loan Scheme of the Agriculture Development Program	To promote & facilitate agriculture development in agrarian communities
Microfinance Project to BML ( IDB)	Poverty alleviation program to promote employment and income generating activities. Reduce income disparity within and between outer atolls & Male’.
Agriculture & Fisheries Tsunami Rehabilitation Fund (ADB)	Agriculture and Fisheries Tsunami Rehabilitation Fund for the tsunami affected farmers & Fisher folks and marketing cooperatives.
Loan Scheme of the Island Livelihood Revitalization and Development Program 2 (FDP) Development Banking Program (AFD)	Promote and facilitate fisheries development in the tsunami affected islands & Fisher folks and marketing cooperatives. Long term fund for development of individuals, businesses (small & medium enterprises) that were hit by tsunami. To Refinance loans granted by Bank.

The branch network and Bank initiatives have improved the savings culture of the atoll communities which includes salary handling and remittances to remote atolls. Our valuable branch network plays a vital role in collection of application and money as agent for other development financial institutions and insurance companies in the country.

As a part of Bank’s commitment to support the Capital Market Development activities in

Maldives, we extended a settlement clearing facility to the Maldives Stock Market allowing the opportunity to use Bank's branch network for collection of money and Applications from investors from all over the country.

The graduate scholarships, sponsorships and training programs extended to the staff demonstrate the efforts the Bank is taking in nurturing the staff resources. We have also contributed Rf 2.4 million to Maldives Monetary Authority HR Development Fund during the year 2006.

#### **10.4 AML / CFT / KYC & CONSIDERATIONS**

In recent years, and especially since the events of September 11, 2001, worldwide efforts to combat money laundering and countering financing of terrorism have assumed heightened importance. Money laundering and the financing of terrorism are global problems that not only threaten security, but also compromise the stability, transparency, and efficiency of financial systems.

The Maldives Monetary Authority has been reviewing the need to set up a Financial Intelligence Unit over the past 2 years. The necessary legal framework has been formulated and it is anticipated that these will be legislated in the near future.

The Bank of Maldives has taken actions to combat money laundering and financing of terrorism as explained under the risk management section.

#### **11.0 UNDERWRITING**

The Offering is not underwritten. In the event of the Offering being under subscribed, the Bank shall seek a listing nonetheless.

As the proceeds raised by the Offering is to be utilised by the Bank for Objectives stated in the Section 5.2 – Objectives of the Offering, in the event of an under subscription the Company is confident that the short-fall can be financed through internally generated cash.

#### **12.0 INSPECTION OF DOCUMENTS**

The Memorandum and Articles of Associations of the Bank, last audited financial statements may be inspected any time during normal business hours at the Registered Office of the Bank from the date hereof, until Subscription List is closed or up to thirty five (35) market days from the opening of the subscription list on 15 July 2007, whichever is later. The above documents are made available on the Bank's website.

#### **13.0 APPROVAL**

Approval has been granted by the Capital Market Development Authority of Maldives under section 4 of the Listing Rules for the additional listing of Bank's shares.



## 14.0 STATUTORY DECLARATION BY THE DIRECTORS

**6<sup>th</sup> June 2007**

We, the undersigned, who are the Directors of Bank of Maldives Plc., of No. 11, Boduthakurufaanu Magu, Male', Republic of Maldives, hereby declare and confirm that

- a) This Prospectus has been prepared after taking in to consideration the amendments to the Memorandum of Association and Articles of Association and the issue of bonus shares pursuant to Extraordinary General Meeting on 1<sup>st</sup> June 2007. The Shareholders approved in this meeting to split each of its ordinary shares of nominal value Rf 300/- into 6 shares of Rf 50/- each. and thereafter a bonus issue of 5 shares for every 1 share of nominal value of Rf 50/- each out of the Bank's general reserves.
- b) This Prospectus has been seen and approved by us and we collectively and individually accept full responsibility for the accuracy of information given and confirm that after making all reasonable inquiries and to the best of our knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading or inaccurate.

Mr. Abdullah Hameed

Mr. Mohamed Hussain Maniku

Mr. Mohamed Ahmed Didi

Ms. Fathimath Nuzuha

Ms. Fathimath Sheereen Abdulla

Mr. Mohamed Abdul Sattar

Mr. Mohamed Liraar

Uz. Ahmed Hamza

Ms. Serene Ho Oi Khuen

## 15.0 DIRECTORS' REPORT

6<sup>th</sup> June 2007

We, the undersigned, who are the Directors of Bank of Maldives Plc., of No. 11, Boduthakurufaanu Magu, Male', Republic of Maldives, after making all reasonable inquiries and to the best of our knowledge and belief, in relation to the interval between last audited accounts of 31<sup>st</sup> December 2006 and 6<sup>th</sup> June 2007 hereby state that;

- a) The Bank's business has been satisfactorily maintained.
- b) The current assets of the Bank appear in the books at values which are believed to be realisable in the ordinary course of business.
- c) There have been no contingent liabilities, other than those contingent liabilities entered into as part of the ordinary course of business by the Bank, by reason of any guarantees given by the Bank.
- d) There are no changes in published reserves of the Bank except for those movements in the General Reserves arising from the issue of bonus share pursuant to Extraordinary General Meeting on 1<sup>st</sup> June 2007. The Shareholders approved in this meeting to split each of its ordinary shares of nominal value Rf 300/- into 6 shares of Rf 50/- each and thereafter a bonus issue of 5 shares for every 1 share of nominal value of Rf 50/- out of the Bank's general reserves.
- e) There are no unusual factors affecting the profits of the Bank.

In addition in our opinion, there have not arisen any circumstances since the last Annual General Meeting of the Bank that would adversely affect the trading or value of the assets of the Bank.

Mr. Abdullah Hameed

Mr. Mohamed Hussain Maniku

Mr. Mohamed Ahmed Didi

Ms. Fathimath Nuzuha

Ms. Fathimath Sheereen Abdulla

Mr. Mohamed Abdul Sattar

Mr. Mohamed Liraar

Uz. Ahmed Hamza

Ms. Serene Ho Oi Khuen

## 16.0 ACCOUNTANT'S REPORT



PricewaterhouseCoopers  
P.O. Box 2124  
02 - 03, 2nd Floor  
Aage'  
12, Boduthakurufaanu Magu  
Male'  
Republic of Maldives  
Telephone: (960) 3318342, 3336046

SP/M18/07  
12 June 2007

The Board of Directors  
Bank of Maldives Plc  
11, Boduthakurufaanu Magu  
Male'  
Republic of Maldives

Dear Sirs / Madam,

### **Accountants' report for inclusion in the Prospectus**

1. This report has been prepared for inclusion in the Prospectus to be issued in connection with the invitation by the Bank of Maldives Plc to the public to subscribe for 1,000,000 new ordinary shares of Rf 50 each to be offered at MRf 143/- per share.

### **Incorporation**

2. Bank of Maldives Plc was incorporated on 23 May 1982 under the Act No 4/81 of Ministry of Home Affairs, Republic of Maldives and commenced operations of the Bank. The Bank is engaged in the business of commercial banking and other financial services including trade financing, custodial services and development financing. Prior to December 1992 the shares of the Bank were held by Government of the Republic of Maldives and two public sector undertakings.

In December 1992 the Bank had its initial public offering of 13,500 ordinary shares of Rf 300/- offered at Rf 300/-

### **Five – year summary of financial statements**

3. A summary of the income statements and balance sheets for the financial years ended from 31 December 2002 to 31 December 2006 of Bank of Maldives Plc based on the audited financial statements are set out in this prospectus.

### **Statutory financial statements**

4. The financial statements of Bank of Maldives Plc were audited by us for the year ended 31 December 2003 and for each of the financial years ended thereafter up to 31 December 2006. The financial statements for the year ended 31 December 2002 were audited by Ernst & Young.

5. The income statement, balance sheet, cash flow statement and the statement of changes in equity along with the accounting policies and notes to the financial statements for the year ended 31 December 2006 are set out in this prospectus. We have audited these financial statements, and our report issued on 11 April 2007 is set out in this prospectus.

### **Audit reports**

6. Unqualified audit opinions have been expressed on the financial statements issued for each of the financial years 2002 to 2006.

### **Accounting policies**

7. Financial statements referred to in paragraph 6 for the years 2002 to 2004 have been prepared in accordance with International Accounting Standards and financial statements for the years 2005 and 2006 have been prepared in accordance with International Financial Reporting Standards. The said financial statements are prepared under the historical cost convention. Specific policies are explained in pages 7 to 17 of the financial statements for the year ended 31 December 2006.

8. There were no significant changes in the accounting policies adopted during the period referred to in paragraph 6.

### **Taxation**

9. Bank of Maldives Plc pays profit tax @ 25% on its taxable profit in accordance with the Bank Profit Tax Regulation Law (9/85), introduced effective the year ended 31 December 1998.

### **Dividends**

10. The dividends declared by Bank of Maldives Plc over the past five years in respect of preceding years are given below:

<b>Dividend in respect of year</b>	<b>Year of declaration</b>	<b>Ordinary dividends (MRf)</b>
2002	2003	10,346,200
2003	2004	10,954,800
2004	2005	11,563,400
2005	2006	12,172,000
2006	2007	18,258,000

Dividend for the year 2002 was accounted in that year though it was declared in the Annual General Meeting of the shareholders during the year 2003. At the annual General meeting held on 31 May 2007, a dividend in respect of 2006 of Rf 150/- per share amount to total of Rf 18,258,000/- was declared, which will be accounted in 2007.

Yours truly,



**PricewaterhouseCoopers**  
Chartered Accountants

Male',  
Republic of Maldives.

BANK OF MALDIVES PLC

Summary Income Statements

(all amounts in Maldivian Rufiyaa)

	Year ended 31 December				
	2006	2005	2004	2003	2002
<b>Gross Income</b>	600,682,957	359,024,372	286,588,701	200,841,528	164,052,827
Interest income	383,533,758	238,574,737	198,543,251	153,488,430	126,628,167
Interest expense	(85,296,526)	(63,515,271)	(55,355,937)	(63,401,996)	(64,155,905)
<b>Net interest income</b>	298,237,232	175,059,466	143,187,314	90,086,434	62,472,262
Fee and commission income (net)	108,925,825	76,611,389	54,068,356	29,897,333	22,599,485
Net foreign exchange income	16,915,799	13,639,896	12,117,771	4,999,525	3,494,971
Other operating income	57,381,636	11,442,111	15,942,016	12,456,240	11,330,204
<b>Operating income</b>	481,460,492	276,752,862	225,315,457	137,439,532	99,896,922
<b>Operating expenses</b>	(167,158,433)	(150,832,316)	(122,548,900)	(99,727,345)	(67,452,492)
<b>Profit before tax</b>	314,302,059	125,920,546	102,766,557	37,712,187	32,444,430
Tax	(78,575,515)	(31,480,137)	(26,083,614)	(12,498,320)	(9,261,435)
<b>Net profit</b>	235,726,544	94,440,409	76,682,943	25,213,867	23,182,995
Earning per share	1,937	776	630	207	190

BANK OF MALDIVES PLC

Summary Balance Sheet

(all amounts in Maldivian Rufiyaa)

	As at 31 December				
	2006	2005	2004	2003	2002
<b>ASSETS</b>					
Cash and short term funds	483,838,148	220,596,516	522,752,707	545,131,241	145,387,183
Balances with Maldives Monetary Authority	982,806,281	891,215,073	790,234,449	621,756,344	806,389,123
Bills of exchange	22,098,868	61,601,044	32,763,935	9,959,056	5,765,235
Loans and advances	4,150,359,619	2,827,517,439	1,821,166,165	1,064,951,491	1,034,425,435
Investment	6,425,000	16,425,000	11,425,000	6,425,000	6,425,000
Property, plant and equipment	84,680,501	75,184,469	75,983,424	71,951,175	70,218,367
Other assets	35,632,786	29,545,240	26,763,474	3,132,729	2,177,174
<b>Total assets</b>	<b>5,765,841,203</b>	<b>4,122,084,781</b>	<b>3,281,089,154</b>	<b>2,323,307,036</b>	<b>2,070,787,517</b>
<b>LIABILITIES</b>					
Due to other banks	-	-	-	-	5,589,668
Deposits from non-bank customers	4,393,900,728	3,539,667,602	2,776,190,087	1,933,269,421	1,689,257,640
Borrowings	462,263,189	71,098,000	89,087,943	68,175,611	76,993,938
Bills, acceptances and other documentary credits	60,448,438	2,180,851	2,377,552	1,059,347	3,059,539
Other liabilities	120,438,825	52,107,681	45,820,283	34,593,099	27,942,866
Current tax	77,806,642	30,514,598	25,014,493	9,862,406	9,261,435
Deferred tax liabilities	5,439,447	4,670,574	3,705,035	2,635,914	-
Dividends payable	785,140	641,225	566,520	1,112,140	11,297,200
<b>Total liabilities</b>	<b>5,121,082,409</b>	<b>3,700,880,531</b>	<b>2,942,761,913</b>	<b>2,050,707,938</b>	<b>1,823,402,286</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	36,516,000	36,516,000	36,516,000	36,516,000	36,516,000
Share premium	11,270,040	11,270,040	11,270,040	11,270,040	11,270,040
Reserves	596,972,754	373,418,210	290,541,201	224,813,058	199,599,191
<b>Total shareholders' equity</b>	<b>644,758,794</b>	<b>421,204,250</b>	<b>338,327,241</b>	<b>272,599,098</b>	<b>247,385,231</b>
<b>Total equity and liabilities</b>	<b>5,765,841,203</b>	<b>4,122,084,781</b>	<b>3,281,089,154</b>	<b>2,323,307,036</b>	<b>2,070,787,517</b>
Dividend per ordinary share	150	100	95	90	85

## 17.0 AUDITOR'S REPORT



PricewaterhouseCoopers  
P.O. Box 2124  
02 - 03, 2nd Floor  
Aage'  
12, Boduthakurufaanu Magu  
Male'  
Republic of Maldives  
Telephone: (960) 3318342, 3336046

### To the Shareholders and Board of Directors of Bank of Maldives Plc

We have audited the accompanying financial statements of Bank of Maldives Plc, which comprise the balance sheet as of 31<sup>st</sup> December 2006 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Companies Act No. 10/96, of the Republic of Maldives. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Bank of Maldives Plc as of 31<sup>st</sup> December 2006 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Companies Act No. 10/96, of the Republic of Maldives.

PriceWaterHouseCoopers  
Chartered Accountants  
Male'

11<sup>th</sup> April 2007



## 18.0 FINANCIAL STATEMENTS

### BANK OF MALDIVES PLC

Financial statements - 31 December 2006

#### INCOME STATEMENT

		Year ended 31 December	
(all amounts in Maldivian Rufiyaa)	Notes	2006	2005
<b>Gross income</b>	5	600,682,957	359,024,372
Interest income	6	383,533,758	238,574,737
Interest expense	6	(85,296,526)	(63,515,271)
<b>Net interest income</b>		298,237,232	175,059,466
Fee and commission income	7	142,851,764	95,367,628
Fees and commission expenses	7	(33,925,939)	(18,756,239)
<b>Net fees and commission income</b>		108,925,825	76,611,389
Dividend income	8	796,318	250,000
Net foreign exchange income		16,915,799	13,639,896
Other operating income	9	56,585,318	11,192,111
<b>Operating income</b>		481,460,492	276,752,862
<b>Less : Operating expenses</b>			
Staff costs	10	(61,455,326)	(40,453,697)
Premises, equipment and establishment expenses	11	(30,726,130)	(23,883,349)
Provision for bad and doubtful debts	12	(37,141,458)	(54,659,319)
Other operating expenses	13	(37,835,519)	(31,835,951)
<b>Profit before tax</b>		314,302,059	125,920,546
Income tax expense	14	(78,575,515)	(31,480,137)
<b>Net profit for the year</b>		235,726,544	94,440,409
Earnings per share - basic	16	1,936.63	775.88


**BANK OF MALDIVES PLC**  
**Financial statements - 31 December 2006**

**BALANCE SHEET**

**31 December**

(all amounts in Maldivian Rufiyaa)	Note	2006	2005
<b>ASSETS</b>			
Cash and short term funds	17	483,838,148	220,596,516
Balances with Maldives Monetary Authority	18	982,806,281	891,215,073
Bills of exchange	20	22,098,868	61,601,044
Loans and advances	21	4,150,359,619	2,827,517,439
Investment			
-Available for sale		6,425,000	6,425,000
-Held to maturity	24	-	10,000,000
Property, plant and equipment	25	84,680,501	75,184,469
Other assets	26	35,632,786	29,545,240
<b>Total assets</b>		<b>5,765,841,203</b>	<b>4,122,084,781</b>
<b>LIABILITIES</b>			
Deposits from non-bank customers	27	4,393,900,728	3,539,667,602
Borrowings	28	462,263,189	71,098,000
Bills, acceptances and other documentary credits		60,448,438	2,180,851
Other liabilities	30	120,438,825	52,107,681
Current tax		77,806,642	30,514,598
Deferred tax liabilities	29	5,439,447	4,670,574
Dividends payable		785,140	641,225
<b>Total liabilities</b>		<b>5,121,082,409</b>	<b>3,700,880,531</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	31	36,516,000	36,516,000
Share premium	31	11,270,040	11,270,040
Reserves	32	596,972,754	373,418,210
<b>Total shareholder's equity</b>		<b>644,758,794</b>	<b>421,204,250</b>
<b>Total equity and liabilities</b>		<b>5,765,841,203</b>	<b>4,122,084,781</b>
Commitments and contingencies	33	668,435,834	682,703,654

These financial statements were approved by the Board on 11<sup>th</sup> April 2007 and signed on their behalf by:

  
 Abdul Hameed Mohamed  
 Chairman & Managing Director

  
 Fathimath Sheereen Abdulla  
 Director

  
 Serene Ho Oi Khuen  
 General Manager & CEO

*The notes on page 51 to 75 are an integral part of these financial statements*

**BANK OF MALDIVES PLC**  
**Financial statements - 31 December 2006**

**STATEMENT OF CHANGES IN EQUITY**

(all amounts in Maldivian Rufiyaa)

	Notes	Share capital	Share premium	Reserves	Total
Balance at 1 January 2005		36,516,000	11,270,040	290,541,201	338,327,241
Net profit		-	-	94,440,409	94,440,409
Dividends for 2004	15	-	-	(11,563,400)	(11,563,400)
Balance at 31 December 2005		36,516,000	11,270,040	373,418,210	421,204,250
Balance at 1 January 2006		36,516,000	11,270,040	373,418,210	421,204,250
Net profit		-	-	235,726,544	235,726,544
Dividends for 2005	15	-	-	(12,172,000)	(12,172,000)
Balance at 31 December 2006		36,516,000	11,270,040	596,972,754	644,758,794

**CASH FLOW STATEMENT**

	Notes	Year ended 31 December	
		2006	2005
(all amounts in Maldivian Rufiyaa)			
<b>Cash flows from operating activities</b>			
Interest receipts		383,533,758	238,574,737
Fees and commission receipts		108,925,825	76,611,389
Dividend income		796,318	250,000
Net foreign exchange income		16,915,799	13,639,896
Other operating income		56,585,318	11,192,111
Interest payments		(85,296,526)	(63,515,271)
Cash paid to employees and other expenses		(105,728,278)	(80,733,836)
Cash flows from operating profits before changes in operating assets and liabilities	35	375,732,214	196,019,026
<b>Changes in operating assets and liabilities:</b>			
Increase in reserve deposit with MMA		(91,591,208)	(100,980,624)
Increase in loans and advances to customers		(1,320,481,462)	(1,089,847,702)
Increase in other assets		(6,863,153)	(6,914,703)
Increase in amounts due to customers		854,233,126	763,477,515
Increase in other liabilities		121,345,621	9,174,117
Net cash from operating activities before income tax		(67,624,862)	(229,072,371)
Income tax paid		(30,514,598)	(25,014,493)
Net cash used in operating activities		(98,139,460)	(254,086,864)

**CASH FLOW STATEMENT (CONTINUED)**

	<b>Notes</b>	<b>2006</b>	<b>2005</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	25	(27,818,692)	(13,728,556)
Proceeds from sale of property, plant and equipment		62,680	137,867
Investment in bonds		-	(5,000,000)
Disposal of bonds		10,000,000	-
Net cash used in investing activities		(17,756,012)	(18,590,689)
<b>Cash flows from financing activities</b>			
Proceeds from borrowed funds		403,200,000	-
Repayments of borrowed funds		(12,034,811)	(17,989,943)
Dividends paid		(12,028,085)	(11,488,695)
Net cash (used in)/from financing activities		379,137,104	(29,478,638)
<b>Net increase/(decrease) in cash and cash equivalents</b>		263,241,632	(302,156,191)
Cash and cash equivalents at beginning of year		220,596,516	522,752,707
<b>Cash and cash equivalents at end of year</b>	19	483,838,148	220,596,516

**NOTES TO THE FINANCIAL STATEMENTS****1 GENERAL INFORMATION**

Bank of Maldives Plc (the Bank) is engaged in the business of commercial banking and other financial services including trade financing, custodial services and development financing. The registered office is situated at 11, Boduthakurufaanu Magu, Male', 20094, Republic of Maldives.

The Bank is a limited liability Company and is incorporated and domiciled in the Republic of Maldives. The Bank is listed in Maldives stock exchange.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1 Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention whereby the transactions are recorded at the values prevailing on the dates when the assets were acquired, the liabilities were incurred or the capital obtained.

Certain new accounting standards, amendments to and interpretations of existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1<sup>st</sup> January 2007 or later periods are, as follows:

– IFRS 7, *Financial Instruments: Disclosures*, and a complementary amendment to IAS 1, *Presentation of Financial Statements – Capital Disclosures* (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, and disclosure requirements in IAS 32, *Financial Instruments: Disclosure and Presentation*. It is applicable to all entities that report under IFRS.

The amendment to IAS 1 introduces disclosures about the level of entity's capital and how it manages capital. The Company assessed the impact of IFRS 7 and the amended to IAS 1 and concluded that the main additional disclosures will be sensitivity analysis to market risk and capital disclosures required by the amendment of IAS 1. The Company will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.

## **2.2 Foreign currency translation**

### *(a) Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These financial statements are presented in Maldivian Rufiyaa, which is the Bank's functional and presentation currency.

### *(b) Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. The foreign currency balances are translated at year-end mid exchange rates unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used.

## **2.3 Financial assets**

The Bank classifies its financial assets in the following categories: loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

### *(a) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable.

### *(b) Held-to-maturity financial assets*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. If the Bank were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available for sale.

*c) Available-for-sale financial assets*

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Purchases and sales of financial assets of held to maturity and available for sale are recognised on trade-date – the date on which the Bank commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at cost plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

Available-for-sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The fair value of investments are based on quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price / earnings or price / cash flow ratios refined to reflect the specific circumstances of the issuer. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

#### **2.4 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

#### **2.5 Interest income and expenses**

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading, are recognised within "interest income" and "interest expense" in the income statement using effective interest method. However, interest income is suspended when loans become doubtful of collection, such as when overdue by more than 90 days. Such income is excluded from interest income until received.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

## 2.6 Fee and commission income

The income mainly comprise fees receivable from customers for guarantees and other services provided by the Bank, and fees for foreign and domestic payment tariff. Such income is recognised as revenue as the services are provided.

Income on the endorsement of bills of exchange is recognised only when the bill is received and either issued or endorsed, and the payment under the particular instrument has been effected.

## 2.7 Dividend income

Dividends are recognised in the income statement when the entity's right to receive payment is established.

## 2.8 Impairment of financial assets

### *(a) Loans and advances*

All loans and advances are recognised when the cash is advanced to borrowers.

A specific credit risk provision for loan impairment is established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful.

Provision for loan impairment are made on the basis of continuous review of all advances to customers, in accordance with the requirements specified by the Maldives Monetary Authority based on aged classification of advances as follows:

<b>Period outstanding</b>	<b>Classification</b>	<b>Provision made</b>
3 - 6 months	Especially mentioned	5 %
More than 6 months and upto 12 months	Substandard	10 % - 20 %
More than 12 months and upto 24 months	Doubtful	35 % - 50%
More than 24 months	Loss	100%

A general provision for loan impairment is established to conservatively cover losses in the lending portfolio at the balance sheet date, but which have not been specifically identified as such.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as the debtor regularising loan repayment), the previously recognised impairment loss is reversed by adjusting the allowance account. Amounts recovered from fully impaired loans and advances are recognised as income on a cash basis.

*(b) Available for sale financial assets*

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit and loss, the impairment loss is reversed through the income statement.

## **2.9 Property, plant and equipment**

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Bank premises	-	20 years
Computer hardware and software	-	3 - 5 years
Furniture and equipment	-	3 - 5 years
Motor vehicles / vessels	-	5 years

Leasehold buildings are amortised over the unexpired period of the lease.

The charge for the depreciation commences from the date on which the asset is put to use.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating income or other operating expenses, as the case may be, in the income statement.



**2.10 Operating leases**

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the equipment and establishment expenses in the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

**2.11 Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash, amounts due from other banks, certificate of deposits and treasury bills.

**2.12 Provisions**

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**2.13 Financial guarantee contracts**

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

Financial guarantees are initially recognised in the financial statements at the amount guaranteed on the date the guarantee was given. Subsequent to initial recognition, the bank's liabilities under such guarantees are measured at the initial measurement, less the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date.

Any increase in the liability relating to guarantees is taken to the income statement under other operating expenses.

**2.14 Employee benefits**

The Bank operates a Staff Provident Fund. All the employees of the Bank are the members of this Fund to which the Bank contributes 10% of employees monthly basic salary. This contribution is recognised as employee benefit expense when they are due.

**2.15 Deferred income taxes**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

The principal temporary differences arise from depreciation of property, plant and equipment and provision on impairment of loans.

#### **2.16 Acceptances**

Acceptances comprise undertaking by the Bank to pay the bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with reimbursement from the customers. Acceptances are accounted for as off balance sheet transactions and are disclosed as contingent liabilities and commitments.

#### **2.17 Share capital**

##### ***Dividends on ordinary shares***

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders.

#### **2.18 Fiduciary activities**

The Bank commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Bank.

#### **2.19 Comparative**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

### **3 FINANCIAL RISK MANAGEMENT**

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#### **3.1 A strategy in using financial instruments**

By its nature, the Bank's activities are principally related to the use of financial instruments. The Bank accepts deposits from customers at fixed rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Bank also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on - balance sheet loans and advances but the Bank also enters into guarantees and other commitments such as letters of credit and performance.

#### **3.2 Capital adequacy**

To monitor the adequacy of its capital, the Bank uses ratios established by the Maldives Monetary Authority (MMA). These ratios measure capital adequacy (minimum 8% as required by MMA) by comparing the Bank's eligible capital with its balance sheet assets, off balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk.

The Bank's capital adequacy level was as follows:

	(amounts in Maldivian Rufiyaa '000)			
	Balance sheet notional amount		Risk weighted amount	
	2006	2005	2006	2005
<b>Balance sheet assets (net of provisions)</b>				
Cash	96,571	79,974	-	-
Balance with MMA	982,807	891,215	-	-
Treasury bills/MMA CDs	249,162	-	-	-
Due from other banks	138,105	140,622	27,621	28,124
Loans and advances to customers	4,214,318	2,889,118	4,013,359	2,889,118
Investments	-	10,000	-	10,000
Fixed assets	84,681	75,184	84,681	75,184
Other assets	35,632	35,970	35,632	35,970
	5,801,276	4,122,083	4,161,293	3,038,396
<b>Off-balance sheet positions</b>				
Direct credit substitutes	328,482	138,791	267,174	138,791
Transaction related contingencies	-	398,787	-	199,394
Short term self - liquidating and trade related contingencies	339,953	145,126	63,154	29,025
	668,435	682,704	330,328	367,210
<b>Total risk weighted assets</b>			4,491,621	3,405,606

### Capital ratios

			Bank %		MMA %(minimum)	
	2006	2005	2006	2005	2006	2005
Tier 1 capital	409,032	338,327	9.11	9.93	4%	4%
Tier 1+ Tier 2 capital	680,193	421,204	15.14	12.37	8%	8%

### 3.3 Credit risk

The bank takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

### 3.4 Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The Management monitors the mismatch of interest rate and take corrective action on a regular basis.

### **3.5 Liquidity risk**

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivatives. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The Management monitors on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Demand and savings deposits have been categorised as upto 3 months maturity group. However a major part of these deposits represent a core retail deposit base with longer term maturity. Bills of exchange and loans and advances are shown net of interest in suspense and provision for bad and doubtful debts.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for Banks ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

### 3.5 Liquidity risk (Continued)

#### Maturity analysis

An analysis of the interest bearing assets and liabilities based on the remaining period at the balance sheet date to the respective contractual maturity dates:

	Upto 3 months Rf	3-12 months Rf	1 - 3 years Rf	3-5 years Rf	More than 5 years Rf	Total Rf
<b>Assets</b>						
Cash & Money at call and short notice	234,675,997	-	-	-	-	234,675,997
Treasury Bills	249,162,151	-	-	-	-	249,162,151
Balances with MMA	967,806,281	-	-	-	15,000,000	982,806,281
Bills of exchange	10,765,193	-	-	-	11,333,675	22,098,868
Loans and advances	1,185,682,163	103,956,215	1,030,910,473	1,094,549,777	735,260,991	4,150,359,619
Other assets	35,632,786	-	-	-	91,105,501	126,738,287
<b>Total assets</b>	<b>2,683,724,571</b>	<b>103,956,215</b>	<b>1,030,910,473</b>	<b>1,094,549,777</b>	<b>852,700,167</b>	<b>5,765,841,203</b>
<b>Liabilities</b>						
Deposits	4,073,767,693	311,042,603	9,060,432	-	30,000	4,393,900,728
Borrowings	51,200,000	23,562,269	70,428,377	56,818,333	260,254,211	462,263,190
Other liabilities	231,986,144	-	5,464,055	-	27,468,293	264,918,492
<b>Total liabilities</b>	<b>4,356,953,837</b>	<b>334,604,872</b>	<b>84,952,864</b>	<b>56,818,333</b>	<b>287,752,504</b>	<b>5,121,082,410</b>
<b>Net liquidity gap</b>	<b>(1,673,229,266)</b>	<b>(230,648,657)</b>	<b>945,957,609</b>	<b>1,037,731,444</b>	<b>564,947,663</b>	<b>644,758,793</b>

#### 4 Segment analysis

##### By business segment

The bank is divided into four main business segments:

- Corporate banking
- Personal banking
- Development banking
- Treasury

At 31 December 2006

	Corporate banking	Personal banking	Development banking	Treasury	Total
External Revenues	304,068,396	161,360,143	84,755,178	50,499,240	600,682,957
Revenues from other segments	(22,918,792)	57,629,753	1,450,457	(36,161,418)	-
<b>Total</b>	<b>281,149,604</b>	<b>218,989,896</b>	<b>86,205,635</b>	<b>14,337,822</b>	<b>600,682,957</b>
Segment result	171,078,178	94,439,705	43,013,262	5,770,914	314,302,059
Income tax expense					(78,575,515)
<b>Profit for the year</b>					<b>235,726,544</b>
Segment assets	2,642,683,698	799,992,335	819,946,771	1,503,218,399	5,765,841,203
<b>Total assets</b>	<b>2,642,683,698</b>	<b>799,992,335</b>	<b>819,946,771</b>	<b>1,503,218,399</b>	<b>5,765,841,203</b>
Segment liabilities	2,184,307,862	1,952,587,399	848,955,919	135,231,229	5,121,082,409
Capital					644,758,794
<b>Total liabilities</b>	<b>2,184,307,862</b>	<b>1,952,587,399</b>	<b>848,955,919</b>	<b>135,231,229</b>	<b>5,765,841,203</b>
<b>Other segment items</b>					
Capital Expenditure	11,962,038	9,180,168	4,172,804	2,503,682	27,818,692
Depreciation	7,849,636	6,024,139	2,738,245	1,642,948	18,254,968

#### 5 Gross Income

	2006	2005
Interest income	383,533,758	238,574,737
Fee and commission income	142,851,764	95,367,628
Dividend income	796,318	250,000
Net foreign exchange income	16,915,799	13,639,896
Other operating income	56,585,318	11,192,111
	<b>600,682,957</b>	<b>359,024,372</b>

**6 Net Interest Income**

	<b>2006</b>	<b>2005</b>
<b>Interest income</b>		
Customer advances	347,613,540	215,614,867
Investment securities	132,192	451,370
Treasury Bills/MMA certificate of deposits	16,904,335	6,605,547
Short term finance	11,079,243	8,271,276
Assigned capital and reserve deposits	7,804,448	7,631,677
	<b>383,533,758</b>	<b>238,574,737</b>
<b>Interest expense</b>		
Customers deposits	77,495,275	59,324,022
Borrowed funds	7,797,427	4,154,503
Others	3,824	36,746
	<b>85,296,526</b>	<b>63,515,271</b>
<b>Net interest income</b>	<b>298,237,232</b>	<b>175,059,466</b>

**7 Fee and Commission Income**

	<b>2006</b>	<b>2005</b>
Commissions on pay orders	26,283,573	20,071,297
Commissions on guarantees	14,928,267	7,344,114
Commissions on documentary credits	5,936,548	4,269,696
Commissions on discounting of bills	7,248,142	5,372,970
Commissions on card operations	75,081,829	47,807,877
Others	13,373,405	10,501,674
	<b>142,851,764</b>	<b>95,367,628</b>
<b>Fee and commission expenses</b>		
Credit card expenses	(33,925,939)	(18,756,239)
Net fees and commission	108,925,825	76,611,389

**8 Dividend Income**

	<b>2006</b>	<b>2005</b>
Available-for-sale securities	796,318	250,000

**9 Other Operating Income**

	<b>2006</b>	<b>2005</b>
Telex and fax charges recoveries	5,072,585	4,165,563
Recovery of non-performing advances	44,478,853	5,352,638
Recovery of bad debts previously written off	3,386,364	4,547
Profit on disposal of property, plant and equipment	-	68,931
Others	3,647,516	1,600,432
	<b>56,585,318</b>	<b>11,192,111</b>

**10 Staff Costs**

	<b>2006</b>	<b>2005</b>
Staff costs	61,455,326	40,453,697

Staff cost wholly represents salaries, bonus, allowances and training cost.

The average number of persons employed by the Bank during the year was 504 (2005: 418).

**11 Premises, Equipment and Establishment Expenses**

	<b>2006</b>	<b>2005</b>
Depreciation (Note 25)	18,254,968	14,458,575
Operating lease rentals		
- property	3,197,488	2,155,245
Loss on sale of assets	5,012	-
Others	9,268,662	7,269,529
	<b>30,726,130</b>	<b>23,883,349</b>

**12 Provision for bad and doubtful debts**

	<b>2006</b>	<b>2005</b>
Specific provision for loans and advances	26,407,297	34,001,968
General provision for loans and advances	10,734,161	20,657,351
	<b>37,141,458</b>	<b>54,659,319</b>

**13 Other operating expenses**

	<b>2006</b>	<b>2005</b>
Directors' fees	669,500	200,000
Auditors' remuneration	218,880	163,840
Donations	29,700	-
Software license fees	5,503,131	5,381,812
Bad-debts written off	-	86,196
Others	31,414,308	26,004,103
	<b>37,835,519</b>	<b>31,835,951</b>



**14 Income tax expense**

	<b>2006</b>	<b>2005</b>
Current tax	77,806,642	30,514,598
Deferred tax (Note 29)	768,873	965,539
	<b>78,575,515</b>	<b>31,480,137</b>

The tax on Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	<b>2006</b>	<b>2005</b>
Profit before tax	314,302,059	125,920,546
Tax calculated at a tax rate of 25%	78,575,515	31,480,137

Further information about deferred income tax is presented in Note 29.

**15 Dividends**

Dividends payable are not accounted for until they have been ratified at the Annual General Meeting. At the meeting of Board of Directors held on 11 April 2007, a dividend in respect of 2006 of Rf 150 per share (2005 - Rf 100 per share) amounting to a total of Rf 18,258,000 (2005 - Rf 12,172,000) was proposed. These financial statements do not reflect this dividend payable, which will be accounted for under shareholders equity as an appropriation of retained earnings for the year ending 31 December 2007.

**16 Earnings per share**

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	<b>2006</b>	<b>2005</b>
Net profit attributable to shareholders	235,726,544	94,440,409
Weighted average number of ordinary shares in issue	121,720	121,720
Basic earnings per share	1,936.63	775.88

**17 Cash and short term funds**

	<b>2006</b>	<b>2005</b>
Cash in hand	96,571,494	79,974,074
Balances with other banks	29,304,503	42,062,442
Money at call and short notice	108,800,000	98,560,000
Treasury Bills	249,162,151	-
	<b>483,838,148</b>	<b>220,596,516</b>

**18 Balances with Maldives Monetary Authority (MMA)**

	<b>2006</b>	<b>2005</b>
Assigned capital deposit	15,000,000	15,000,000
Reserve deposit	967,806,281	876,215,073
	<b>982,806,281</b>	<b>891,215,073</b>
Current	967,806,281	876,215,073
Non-current	15,000,000	15,000,000

**(a) Assigned capital deposit :**

As per the regulations of Maldives Monetary Authority (MMA) the Bank is required to maintain a reserve of 50% of the minimum required capital, as assigned capital deposit.

**(b) Reserve Deposit :**

MMA regulations require the commercial banks to maintain a reserve of 25% of demand and time liabilities, excluding interbank liabilities and margin deposits for Male' based branches, and it is 15% for other branches.

**19 Cash and Cash equivalents**

For the purposes of cash flow statement, cash and cash equivalents comprise the following balances with less than 90 days maturity:

	<b>2006</b>	<b>2005</b>
Cash and bank balances funds (Note 17)	234,675,997	220,596,516
Treasury bills	249,162,151	-
	<b>483,838,148</b>	<b>220,596,516</b>

**20 Bills of Exchange**

	<b>2006</b>	<b>2005</b>
Export bills	2,464,856	30,527,168
Import bills	42,005,753	39,619,933
Less : Provision for impairment [Note 21 (a)]	(22,371,741)	(8,546,057)
Net bills of exchange	<b>22,098,868</b>	<b>61,601,044</b>
Current	10,765,193	40,734,642
Non-current	11,333,675	20,866,402

**21 Loans and Advances**

	<b>2006</b>	<b>2005</b>
Overdrafts	1,097,043,990	803,307,153
Target group loans	336,098,905	330,806,045
Loans under EIB refinance scheme for restoration of resorts affected by tsunami	256,000,000	-
Other Non target group loans	2,491,627,561	1,843,700,581
Trust receipts	77,994,778	20,474,667
Credit card balances	82,235,394	50,768,595
Staff loans	13,305,661	9,928,540
	4,354,306,289	3,058,985,581
Less : Provision for impairment [Note 21 (a)]	(104,703,177)	(128,464,593)
Less : Interest in suspense (Note 22)	(99,243,493)	(103,003,549)
Net loans and advances	4,150,359,619	2,827,517,439
Current	1,289,638,378	924,752,665
Non-current	2,860,721,241	1,902,764,774

**(a) Movement in Provision for impairment are as follows:**

	<b>2006</b>	<b>2005</b>
<b>(i) Specific provision</b>		
Balance at 1 January	105,915,552	77,266,222
Amount recovered during the year	(44,478,853)	(5,352,638)
Provision made during the year	26,407,297	34,001,968
Loans written off during the year as uncollectible	(2,628,220)	-
Balance at 31 December	85,215,776	105,915,552
<b>(ii) General provision</b>		
Balance at 1 January	31,095,098	10,437,747
Provision made during the year	10,734,161	20,657,351
Exchange differences	29,883	-
Balance at 31 December	41,859,142	31,095,098
<b>Total</b>	127,074,918	137,010,650
Represented by:		
Loans and advances	104,703,177	128,464,593
Bills of exchange	22,371,741	8,546,057
	127,074,918	137,010,650

**22 Movement in Interest in Suspense**

	<b>2006</b>	<b>2005</b>
Balance at 1 January	103,003,549	62,860,069
Amount suspended during the year	34,199,414	42,479,919
Amount reversed due to recovery and reschedulement	(35,144,413)	(2,336,439)
Loans written off during the year	(2,815,057)	-
Balance at 31 December	99,243,493	103,003,549

**23 Assets quality**

Non performing assets included as advances and bills of exchange on which interest is not being accrued are as follows:

	<b>2006</b>	<b>2005</b>
Loans and advances	175,808,496	258,172,134
Bills of exchange	33,705,416	29,412,459
	209,513,912	287,584,593

**24 Investment**

	<b>Available-for-sale</b>	<b>Held -to-maturity</b>	<b>Total 2006</b>	<b>Total 2005</b>
At the beginning of the year	6,425,000	10,000,000	16,425,000	11,425,000
Additions	-	-	-	5,000,000
Disposals	-	(10,000,000)	(10,000,000)	-
At the end of the year	6,425,000	-	6,425,000	16,425,000
Current			-	10,000,000
Non-current			6,425,000	6,425,000

Available-for-sale investments consist of investment in equity shares of MFLC, are stated at cost, since the fair value of these unlisted shares and bonds cannot be measured reliably.

**25 Property, Plant and Equipment**

	Bank premises	Leasehold buildings	Computer equipment	Furniture and equipment	Motor vehicles and vessels	Total 2006	Total 2005
Cost of property, plant and equipment							
Balance at beginning of the year	64,189,677	3,232,216	70,414,181	10,089,836	6,823,433	154,749,343	141,737,252
Additions during the year	280,842	2,319,948	20,339,439	3,697,890	1,180,573	27,818,692	13,728,556
Disposals during the year	-	-	(1,035,271)	(392,807)	(10,771)	(1,438,849)	(716,465)
Balance at end of the year	64,470,519	5,552,164	89,718,349	13,394,919	7,993,235	181,129,186	154,749,343
Accumulated depreciation							
Balance at beginning of the year	22,460,616	1,789,137	42,577,955	7,120,981	5,616,185	79,564,874	65,753,828
Depreciation for the year (Note 11)	3,211,615	631,433	12,261,461	1,688,785	461,674	18,254,968	14,458,575
Depreciation on disposals	-	-	(1,032,543)	(329,414)	(9,200)	(1,371,157)	(647,529)
Balance at end of the year	25,672,231	2,420,570	53,806,873	8,480,352	6,068,659	96,448,685	79,564,874
Net book value at end of the year	38,798,288	3,131,594	35,911,476	4,914,567	1,924,576	84,680,501	75,184,469

(a) Some of the branch offices operate from premises leased from third parties, for which an aggregate sum of Rf 3,197,488 (2005 - Rf 2,155,245 ) were paid as operating lease rentals.

(b) The cost of fully depreciated assets at the balance sheet date amounted to Rf 45,181,853 ( 2005 - Rf 21,246,604)

**26 Other Assets**

	2006	2005
Deposits and prepayments	20,750,725	21,526,332
Other debtors	14,882,061	8,018,908
	35,632,786	29,545,240
Current	35,632,786	29,545,240
Non-current	-	-

**27 Deposits from Non-Bank Customers**

	<b>2006</b>	<b>2005</b>
Current account deposits	1,656,988,317	1,360,205,118
Saving deposits	1,850,244,087	1,516,111,086
Term deposits	801,174,208	575,094,976
Margins on letters of credit	22,895,849	33,079,047
Margins on bank guarantee	62,598,267	55,177,375
	<b>4,393,900,728</b>	<b>3,539,667,602</b>
Current	4,384,810,296	3,531,387,899
Non-current	9,090,432	8,279,703

Included in customer accounts are deposits of Rf 85,494,116 ( 2005 - Rf 88,256,422) held as collateral for irrevocable commitments under import letters of credit and bank guarantees.

All deposits have fixed interest rates.

**28 Borrowings**

	<b>2006</b>	<b>2005</b>
Government of Maldives loans under:IFAD credit line	35,442,291	38,325,834
OPEC credit line	6,857,752	7,477,775
AFD credit line	32,000,000	-
EIB credit line	256,000,000	-
Other foreign bank borrowings	131,963,146	25,294,391
	<b>462,263,189</b>	<b>71,098,000</b>
Current	74,762,269	13,616,155
Non-current	387,500,920	57,481,845

**Acronyms:**

IFAD	-International Fund for Agricultural Development
OPEC	-Organization of Petroleum Exporting Countries
AFD	-Agence Francaise de Development Bank
EIB	-European Investment Bank

**Maturity of borrowings**

	<b>2006</b>	<b>2005</b>
Not later than 1 year	74,762,268	13,616,155
Later than 1 year and not later than 5 years	127,246,710	36,252,002
Over 5 years	260,254,211	21,229,843
	<b>462,263,189</b>	<b>71,098,000</b>
Borrowings at floating rates with a fixed spread	387,963,146	25,294,391
Borrowings at fixed rates	74,300,043	45,803,609
	<b>462,263,189</b>	<b>71,098,000</b>

**29 Deferred Income Taxes**

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25%.

The movement on the deferred tax account is as follows :

	<b>2006</b>	<b>2005</b>
At the beginning of the year	4,670,574	3,705,035
Accelerated tax depreciation	768,873	965,539
At end of the year	5,439,447	4,670,574

The deferred tax charge in the income statement represent the following temporary difference:

	<b>2006</b>	<b>2005</b>
Accelerated tax depreciation	768,873	965,539

**30 Other Liabilities**

	<b>2006</b>	<b>2005</b>
Accrued expenses	14,152,744	9,323,414
Employees provident fund	27,468,293	21,419,269
Provision for other losses	544,580	120,800
Sundry creditors	20,992,529	14,549,505
Development funds	57,280,679	6,694,693
	120,438,825	52,107,681
Current	92,970,532	30,688,412
Non-current	27,468,293	21,419,269

The Bank manages and administers several loan schemes under which the bank, as a custodian receives funds from various donors and disburse such funds to beneficiaries. The movement in these development funds given below:

<b>Development Funds</b>	<b>2006</b>	<b>2005</b>
Opening balance	12,952,743	-
Amount received	54,361,772	12,912,349
Add: Interest accrued on loans during the year	504,553	153,039
Less: Interest on loan given to fund	(105,178)	-
Less: Administration fees	-	(112,645)
	67,713,890	12,952,743
Less: Loans and advances at the year-end	(10,433,211)	(6,258,050)
	57,280,679	6,694,693

**31 Ordinary Shares and Share Premium**

	<b>Number</b>	<b>Ordinary</b>	<b>shares</b>	<b>Total</b>
At 31 December 2005	121,720	36,516,000	11,270,040	47,786,040
At 31 December 2006	121,720	36,516,000	11,270,040	47,786,040

The total authorised number of ordinary shares is 1,000,000 shares (2005 - 1,000,000 shares) with a par value of Rf 300 (2005 - Rf 300) per share. All issued shares are fully paid.

**32 Reserves**

	<b>2006</b>	<b>2005</b>
Statutory reserve	30,000,000	30,000,000
Assigned capital reserve	6,000,000	6,000,000
General reserve	560,972,754	337,418,210
Total reserves at end of year	596,972,754	373,418,210

Movement in reserves were as follows:

**Statutory reserve**

At beginning of year	30,000,000	30,000,000
Transfer to general reserve	-	-
At end of year	30,000,000	30,000,000

**Assigned capital reserve**

At beginning of year	6,000,000	6,000,000
At end of year	6,000,000	6,000,000

As per the subsidiary loan agreement between the Bank and the Government of the Republic of Maldives, on Atolls credit and development banking project, the bank reserved Rf 6.0 Million as Assigned capital reserve.

	<b>2006</b>	<b>2005</b>
<b>General reserve</b>		
At beginning of year	337,418,210	254,541,201
Net profit for year	235,726,544	94,440,409
Dividends	(12,172,000)	(11,563,400)
At end of year	560,972,754	337,418,210
<b>Total reserves</b>		
At beginning of year	373,418,210	290,541,201
Net profit for year	235,726,544	94,440,409
Dividends	(12,172,000)	(11,563,400)
At end of year	596,972,754	373,418,210



### 33 Contingencies

#### (a) Contingent Liabilities

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments are quantified below:

	2006	2005
Acceptances	93,050,873	138,790,098
Letters of credit	240,290,832	145,126,480
Guarantees	335,094,129	398,787,076
	668,435,834	682,703,654

#### (b) Unutilised irrevocable commitments

The unutilised value of irrevocable commitments relating to letters of credit, acceptances and permanent overdrafts which cannot be withdrawn at the discretion of the Bank, without risk of incurring significant penalties or expenses approximates to Rf 793,315,983 (2005: Rf 214,656,380) as at the balance sheet date.

#### (c) Investment

The Board of Directors of Bank of Maldives Plc has subscribed and paid at par value for a shareholding up to 10 (ten) percent in the total equity share capital of MFLC at an aggregate amount equal to US\$ 500,000 (Rf 6,425,000). The Bank is required to enter into a Put Option agreement with International Finance Corporation (IFC) and under the said Put Option, IFC shall have the right to sell its shares in MFLC as specified in the Put Option to, inter alia, the Bank, and the Bank is obliged to purchase from IFC the shares thus offered to the Bank. The Bank's said obligations under the Put Option may be continued as an unquantifiable contingent liability and the Government has agreed to indemnify the Bank against such contingent liability.

#### (d) Contingent Assets

There were no material contingent assets recognised at the balance sheet date.

### 34 Commitments

#### (a) Capital Commitments

There were no material capital commitments outstanding as at the balance sheet date.

#### (b) Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

	2006	2005
Not later than 1 year	3,113,871	2,148,671
Later than 1 year and not later than 5 years	4,924,120	5,266,995
Later than 5 years	2,496,008	2,795,000
	10,533,999	10,210,666

### 35 Cash generated from operations

Reconciliation of net profit to cash generated from operations:

	2006	2005
Profit before tax	314,302,059	125,920,546
Adjustments for :		
Depreciation (Note 11)	18,254,968	14,458,575
Profit on sale of property, plant and equipment (Note 9)	-	(68,931)
Loss on sale of property, plant and equipment (Note 11)	5,012	-
Increase / (decrease) in provision for other losses	423,780	(134,299)
Provision for bad and doubtful debts (Note 12)	37,141,458	54,659,319
Increase / (decrease) in accrued expenses	4,829,330	(2,949,121)
Increase in prepayments and advances	775,607	4,132,937
Cash generated from operations	375,732,214	196,019,026

### 36 Related party transactions

The Bank is controlled by Government of Maldives which owns a 51% of the ordinary shares. The remaining 49% of the shares are widely held.

A number of banking transactions are entered into with State controlled entities in the normal course of business. These include loans, deposits, trade finance and foreign currency transactions. The volume of related party transactions and outstanding balances at the year end are as follows:

	Directors and related entities		Government and related entities	
	2006	2005	2006	2005
<b>Loans</b>				
Loans outstanding at 1 January	68,032	352,717	245,320,472	138,529,436
Loans issued during the year	93,742,613	-	164,654,218	154,880,000
Loan repayments during the year	(301,098)	(284,685)	(35,384,357)	(48,088,964)
Loans outstanding at 31 December	93,509,547	68,032	374,590,333	245,320,472

	Directors and related entities		Government and related entities	
	2006	2005	2006	2005
<b>Deposits</b>				
Deposits at 1 January	2,121,495	1,270,626	823,995,158	347,640,309
Net increase in deposits during the year	2,064,110	850,869	216,072,981	476,354,849
Deposits at 31 December	4,185,605	2,121,495	1,040,068,139	823,995,158

Further details on loans to directors and related entities are as follows:

<b>Party/ies</b>	V.A Pvt. Ltd
<b>Name of Directors / Relationship</b>	Uz. Ahmed Hamza (Director-V.A Pvt. Ltd)
<b>Aggregate amount of accommodation</b>	
Limit	US\$ 500,000
Outstanding as at 31.12.06	US\$ 16,150
<b>Nature of transaction</b>	Letter of Credit cum Overdraft
<b>Security</b>	<p>i -Mortgage of house named "Willows", Villingili, Male' bearing registry no. A-4120 within 130.05sq.m of private land owned by Mr. Ali Yoosuf (Guarantor), insured in the name of the Borrower for US\$450,000.</p> <p>ii - Mortgage of shop situated at No. 75 Majeed heemagu, Male' bearing registry no.AB/F.51 within 393 sq.ft of government land owned by Mr. Mohamed Latheef (Guarantor and Director of the Borrower) insured in the name of the Borrower for Rf 4,000,000</p> <p>iii- Mortgage, hupothecate, deposit with and pledge to the Bank and also pledges, mortgages, hypothecates and create fixed and floating charge to the Bank, by way of first charge over the stock in trade at all shops and godowns owned by the Borrower,insured in the name of the owner for Rf17,500,00.</p> <p>iv- Personal Guarantee of the following Directors of the Borrower:</p> <p>a) Ms.Shamsul Muna, Alanaasige, S. Maradhoo Feydhoo</p> <p>b) Mr Mohamed Latheef, Alanaasige, S.Maradhoo Feydhoo</p> <p>c) Mr. Ali Shiyaam, Alanaasige, S. Maradhoo Feydhoo</p> <p>d)Mr. Ahmed Hamza, Alanaasige, S. Maradhoo Feydhoo</p> <p>e) Ibrahim Jihad, M. Three A Villa, Male'</p> <p>f) Ms. Shamoona Abdulla, M. Three A Villa, Male'</p>
<b>Party/ies</b>	Dholhiyadhoo Investments Pvt Ltd
<b>Name of Directors / Relationship</b>	Uz. Ahmed Hamza (Director- Dholhiyadhoo Investments Pvt Ltd)

**Aggregate amount of accommodation**

Limit	US\$ 5,000,000
Outstanding as at 31.12.06	US\$ 2,015,342
<b>Nature of transaction</b>	Term Loan
<b>Security</b>	i) Mortgage of leasehold rights over the "Island" and the "Resort" at 'Medhufushi Island Resort'.

<b>Party/ies</b>	Medhufushi Investments Pvt Ltd
<b>Name of Directors / Relationship</b>	Uz. Ahmed Hamza (Director- Dholhiyadhoo Investments Pvt Ltd)

**Aggregate amount of accommodation**

Limit	US\$ 15,000,000
Outstanding as at 31.12.06	US\$ 5,000,000
<b>Nature of transaction</b>	Demand Loan
<b>Security</b>	i) Building, structures and other property of the proposed resort.  ii) Corporate guarantee of V.A Pvt Ltd  iii) Personal guarantee of Mr Abdulla Ali

<b>Party/ies</b>	Focus Infocom Pvt Ltd
<b>Name of Directors / Relationship</b>	Mr Mohamed Ahmed Didi (Director – Focus Infocom Pvt Ltd)

**Aggregate amount of accommodation**

Limit	Rf 4,000,000
Outstanding as at 31.12.06	Rf 3,506,449
<b>Nature of transaction</b>	Overdraft
<b>Security</b>	i) Corporate Guarantee of M/S Focus Computers Pvt Ltd, Male'. ii) Personal Guarantee of Mr Mohamed Salih, M Shuaz, Male'.

In 2006, the total remuneration of the directors was Rf 2,341,805 (2005: Rf 1,624,927).

**37 Post balance sheet events**

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No events have occurred since the balance sheet date, which would require adjustments to, or disclosure in, the financial statements.

## **ANNEX 1**

### EXTRACTS FROM ARTICLES OF ASSOCIATION

#### **a) POWER TO ALTER CAPITAL**

##### **Increase in Share Capital (Article 17 - 19)**

- 17 The Company may by a Special Resolution alter the conditions of the Memorandum relating to share capital by either of the following methods:-
- (a) increasing its share capital by issuing new Shares;
  - (b) consolidating all or any of its share capital into shares of larger amounts than its existing Shares;
  - (c) converting all or any of its paid-up Shares into stock, or reconverting stock into paid-up Shares of any denomination; or
  - (d) subdividing all or any of its Shares into shares of smaller amount than is fixed by the Memorandum.
- 18 Subject to any special rights or privileges for the time being attached to any issued Shares, the new Shares shall be issued upon such terms and conditions and with such preferential, deferred, qualified, special or other rights, privileges or conditions attached thereto as the resolution creating the same or in default the Board shall direct; and in particular, such Shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a special or without any right of voting. The Directors shall have power to add to such new Shares such an amount of premium as they may consider proper.
- 19 Except so far as otherwise provided by the conditions of issue or by these Articles, any capital raised by the creation of new Share shall be considered part of the original capital and shall be subject to the provisions herein contained with reference to the issue and allotment of Shares, the payment of calls and instalments, transfer, transmission, surrender and otherwise.

##### **Reduction in Share Capital (Article 20)**

- 20 Subject to Section 41 of the Act, the Company may, by a Special Resolution of Shareholders and with prior written approval of the Registrar of Companies, reduce its share capital (and thereby alter the Memorandum and the amount of the Shares) provided that:-
- (a) no reduction of capital shall be effected unless the Directors determine that immediately after the reduction, the Company will be able to satisfy its liabilities as they become due in

the ordinary course of its business and that the realisable assets of the Company will not be less than its total liabilities, other than deferred taxes, as shown in the books of the Company and its remaining capital, and, in the absence of fraud, the decision of the Directors as to the realisable value of the assets of the Company shall be conclusive, unless a question of law is involved; and

(b) the reduction is equitable as between the various shareholders and classes of shareholders.

**b) BORROWING POWER (Article 67 - 68)**

67 The Directors may by resolution of the Board of Directors exercise all the powers of the Company to borrow or raise money, and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party (including any shareholder), and/or to incur any other liabilities or indebtedness (whether present, future, actual or contingent).

68 Without prejudice to the generality of the foregoing and without limitation, the Directors may:-

(a) exercise such powers to borrow through overdrafts, loans, advances, acceptances, discounting facilities, foreign exchange and/or precious metals dealing facilities (whether in the case of foreign exchange or precious metal, spot, forward, allocated or any combination), the issuance of documentary or other letters of credit, bonds, guarantees, indemnities or other similar instruments or any other forms of credit without limitation (and whether with or without security) and to sign, Seal, execute, deliver and enter into all agreements required in connection with the above; and

(b) sign any document creating a mortgage, charge, encumbrance or other security interest over and/or contractual arrangement relating to any or all of the assets of the Company, and to sign any guarantee for the performance of obligations or contracts of every kind by any third party.

**c) SHARE QUALIFICATION OF DIRECTORS**

Government appointed directors are not required to hold any shares in the Bank to qualify as directors.

**d) REMUNERATION OF DIRECTORS (Article 63 - 64)**

63 The Board of Directors shall establish a Remuneration Committee to recommend remuneration packages for each Director and the Managing Director. The remuneration of Directors shall be subject to approval by the Shareholders in general meeting, save for such remuneration forming part of the employment terms for executive directors.

64 The Remuneration Committee should comprise of: three (3) Nominee Directors (all of whom shall be non-executive directors), one (1) Elected Director and one (1) Independent Director. Until the election of an Independent Director pursuant to these Articles, the Board shall elect a Nominee Director in his place.

**e) POWER OF DIRECTORS TO VOTE ON A CONTRACT IN WHICH HE IS INTERESTED**

Please refer to section (f).

**f) ELECTION AND REMOVAL OF DIRECTORS**

**Composition of the Board of Directors (Article 47 - 52)**

47 There shall be a Board of Directors appointed/elected at the Annual General Meeting of the Company. Subject to Article 52 below, the number of Directors on the Board of Directors shall be Eleven (11) and shall be made up as follows:-

(a) Nominee Directors:

At least 7 (seven) Directors appointed to the Board shall be from persons nominated by the Government to represent the Government and who shall not be required to hold a share in the Company.

(b) Elected Directors:

At least 3 (three) Directors appointed to the Board shall be from persons nominated by the General Shareholders from among the General Shareholders.

(c) Independent Directors:

At least 1 (one) Director appointed to the Board shall be from persons nominated by the Government as an independent Director pursuant to Article 54 below.

48 Candidates for the position of Director shall be nominated 14 (fourteen) days in advance of the Annual General Meeting, and, subject to Article 53 their names put forward to the vote at the meeting of Shareholders.

49 In the event that the number of nominations for the position of Director received on the appointed date is equal to or less than the number of vacancies, then the Shareholders present at the Annual General Meeting shall be entitled to nominate names of such persons they wish to elect to the Board of Directors of the Company.

50 The appointment of Nominee Directors shall be decided upon by a poll including the Shares held by the Government.

51 The appointment of Elected Directors shall be decided upon by a poll among the General Shareholders only.

- 52 The Company may, by Special Resolution from time to time increase or reduce the number of Directors. The Board of Directors shall periodically review the size and composition of the Board and make recommendations to the general meetings, particularly in the event of any reduction (amounting to more than 10% of the issued share capital of the Company) in the proportion of Shares held by the Government.

**Directors' Appointments and Interests (Article 59 - 62)**

- 59 The Board may appoint one or more of their members to any executive office in the Company and may enter into an agreement or arrangement with any Director for his employment by the Company or for the provision by him of any services outside the scope of the ordinary duties of a Director. Any such appointment agreement or arrangement may be made upon such terms as the Directors determine and they may remunerate any such Director for his services as they think fit. Any appointment of a Director to an executive office shall terminate if he ceases to be a Director.
- 60 The Directors may further delegate any of their powers to any committee consisting of one or more Directors and (if thought fit) one or more other persons but a majority of the members of the committee shall be Directors. No resolution of the committee shall be effective unless a majority of those present when it is passed are Directors. They may also delegate to any Managing Director or any other Director (whether holding any other executive office or not) such of their powers as they consider desirable to be exercised by him. Any such delegation may be made subject to any conditions the Directors may impose and either collaterally with or to the exclusion of their own powers and may be revoked or altered. Subject to any such conditions, the proceedings of a committee shall be governed by the Articles regulating the proceedings of Directors so far as they are capable of applying.
- 61 Subject to the provisions of these Articles, provided that he has disclosed in writing to the Directors the nature and extent of any material interests of his, a Director notwithstanding his office:-
- (a) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is interested in;
  - (b) may be a Director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested in;
  - (c) shall not, by reason of his office, be accountable to the Company for any benefit which he derives from such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit; and
  - (d) may act by himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as though he were not a Director of the Company.



62 For the purposes of the preceding Article:-

- (a) a general notice given to the Directors that a Director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement with a specified person or class of persons shall be deemed to be sufficient disclosure of his interest in any such transaction or arrangement; and
- (b) An interest of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

**Early Retirement, Disqualification and Removal of Directors (Article 57 - 58)**

57 The office of a Director shall be vacated if:-

- (a) the Director ceases to be a Director by virtue of any provision of law or he becomes prohibited by law from, or is disqualified from, being a Director of the Company; or
- (b) the Director or a Company in which he holds controlling Shares becomes bankrupt or makes any arrangement or compensation with his creditors generally; or
- (c) the Director dies; or
- (d) the Director resigns his office by notice to the Company; or
- (e) the General Shareholders pass a resolution at an extraordinary general meeting on a majority (i.e. at least 51%) show of hands or poll from among the General Shareholders present at such meeting deeming that an Elected Director is unsuitable for whatever reason to hold the position of Director;
- (f) the Director fails to attend or be available for any meeting of the Board of Directors within a continuous period of two months; or
- (g) the Director is directly or indirectly interested in any contract or proposed contract with the Company and (i) fails to declare the nature of his interest to the Directors or (ii) having declared his interest, refuses to withdraw from any meeting where such contract or proposal is being discussed;
- (h) the Director (whether by himself or by any person for his benefit or on his account) or any firm in which he is a partner or any private company of which he is a Director, accepts a loan, or grants any guarantee or security for a loan, from the Company in contravention of the policies of the Company; or
- (i) the Director (whether by himself or by any person for his benefits or on his account) or any firm in which he is a partner or any private company of which he is a Director defaults in any way on the terms of any loan, or any guarantee or security for, a loan; or

(j) The Director ceases to possess any of the minimum pre-qualifications required for the position of Director as provided in these Articles.

58 The Board notwithstanding any vacancy in their body, may act, but if the total number of the Directors fall below 8 (eight) Directors or the number of Elected Directors fall below two at any given time, the Board shall not act except in emergencies or for summoning a General Meeting of the Company

**g) VOTING RIGHTS OF SHAREHOLDERS (Article 38 - 45)**

38 Subject to any rights or restrictions under the Act or attached to any Shares:

(a) voting at all general meetings shall be by a show of hands where every member present in person or by proxy shall be entitled to one vote;

(b) votes cast pursuant to Article 39 shall be included in determining the outcome of any matters on which absentia voting is permitted; and

(c) in the case of a poll, every Shareholder present in person or by proxy and entitled to vote on the resolution shall be entitled to one vote for each share held by him.

39 The Company shall, to the extent permitted by law, accept Shareholders' votes cast in absentia by means of email, post and facsimile. The Board of Directors shall make such rules and regulations relating to absentia voting.

40 In the case of joint Shareholders the vote of the senior shareholder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint shareholders, and seniority shall be determined by the order in which the names of the shareholders stand in the register of shareholders.

41 No objection shall be raised to the qualification of any person to vote except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting shall be valid. Any objection made in due time shall be referred to the Chairman whose decision shall be final and conclusive.

42 An ordinary resolution of Shareholders put to the vote of a meeting shall be decided on a simple majority (i.e. at least 51%) show of hands, unless before or on the declaration of the result of the show of hands a poll is duly demanded. Unless a poll is duly demanded, a declaration by the chairman that an ordinary resolution of Shareholders has been carried or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority and an entry to that effect in the minutes of the meeting shall accordingly be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

43 The following rules shall apply in respect of polls:-

(a) A poll may be demanded by a Shareholder or Shareholders representing not less than 10% of the total voting rights of all the Shareholders having the right to vote on the ordinary resolution of Shareholders and a demand by a person as proxy for a shareholder shall be the same as a demand by the shareholder.

(b) The demand for a poll may, before the poll is taken be withdrawn but only with the consent of the chairman and a demand so withdrawn shall not be taken to have invalidated the result of a show of hands declared before the demand was made.

(c) A poll shall be taken as the chairman directs and he may appoint scrutineers (who need not be shareholders) and fix a day, time and place for declaring the result of the poll. The result of the poll shall be deemed to be the ordinary resolution of shareholders of the meeting at which the poll was demanded.

(d) A poll demanded on the election of a chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either forthwith or at such day, time and place as the chairman directs not being more than 30 days after the poll is demanded. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll was demanded. If a poll is demanded before the declaration of the result of a show of hands and the demand is duly withdrawn, the meeting shall continue as if the demand had not been made.

44 The chairman of any meeting shall be the sole judge as to the validity of every vote tendered at such meeting.

45 No member shall be prevented from voting by reason of his being personally interested in the result of the voting.

## ANNEX 2

### COLLECTION POINTS

Copies of the Prospectus, Application Forms and MSD Account opening forms may be obtained free of charge from the following branches:

#### BRANCHES

**BAZAR BRANCH**  
Bank of Maldives Plc  
Orchid Magu,  
Male', 20188  
Republic of Maldives  
Tel: +(960) 333 0222  
Fax: +(960) 333 0220  
e-mail: bazar@bml.com.mv

**DHIDHDHOO BRANCH**  
Bank of Maldives Plc  
Nilofaru Magu  
Haa Alifu Dhidhdhoo, 01100  
Republic of Maldives  
Tel: +(960) 650 0066  
Fax: +(960) 650 0066  
email: dhidhdhoo@bml.com.mv

**EYDHAFUSHI BRANCH**  
Bank of Maldives Plc  
Yoosuf Kaleyfaanu Magu  
Baa. Eydhafushi, 06080  
Republic of Maldives  
Tel: +(960) 660 8428  
Fax: +(960) 660 8431  
email: eydhafushi@bml.com.mv

**FONADHOO BRANCH**  
Bank of Maldives Plc  
Andhaleebu Magu  
Laamu Fonadhoo, 15080  
Republic of Maldives  
Tel: +(960) 680 0729  
Fax: +(960) 680 0729  
email: fonadhoo@bml.com.mv

**FUNADHOO BRANCH**  
Bank of Maldives Plc  
Minivan Hingun  
Sh. Funadhoo  
Republic of Maldives  
Tel: +(960) 654 0596  
Fax: +(960) 654 0597  
email: Funadhoo@bml.com.mv

**FUVAHMULAKU BRANCH**  
Bank of Maldives Plc  
Bahaaru Magu  
Gnaviyani Fuvahmulah, 18014  
Republic of Maldives  
Tel: +(960) 686 5003  
Fax: +(960) 686 0665  
email: fuvahmulaku@bml.com.mv

**GAN BRANCH**  
Bank of Maldives Plc  
Block No.502  
Seenu Gan, 19070  
Republic of Maldives  
Tel: +(960) 689 8014  
Fax: +(960) 689 8087  
e-mail: gan@bml.com.mv

**HITHADHOO BRANCH**  
Bank of Maldives Plc  
Ghaazee Magu, Medhuvalu  
Seenu Hithadhoo, 19020  
Republic of Maldives  
Tel: +(960) 688 5011  
Fax: +(960) 688 5013  
email: hithadhoo@bml.com.mv

**HULHUMEEDHOO BRANCH**  
Bank of Maldives Plc  
Bahaaudhdeen Magu  
Seenu Hulhudhoo, 19060  
Republic of Maldives  
Tel: +(960) 689 5700  
Fax: +(960) 689 4029  
email: hulhumeedhoo@bml.com.mv

**HULHUMALE' BRANCH**  
Bank of Maldives Plc  
Unit (C-G-05), Bageechaa Higun  
Hulhumale', 23000  
Republic of Maldives  
Tel: +(960) 335 0067  
Fax: +(960) 335 0526  
email: hulhumale@bml.com.mv

**KUDAHUVADHOO BRANCH**  
Bank of Maldives Plc  
Beach Heaven  
Dh. Kudahuvadhoo, 13080  
Republic of Maldives  
Tel: +(960) 676 0616  
Fax: +(960) 676 0615  
email: Kudahuvadhoo@bml.com.mv

**KULHUDHUFFUSHI BRANCH**  
Bank of Maldives Plc  
Haa Dhaalu Kulhudhuffushi, 02110  
Republic of Maldives  
Tel: +(960) 652 8813  
Fax: +(960) 652 7611  
email: kuldhuffushi@bml.com.mv

**MAHIBADHOO BRANCH**  
Bank of Maldives Plc  
Atholhu Vehi  
Ad. Mahibadhoo, 00040  
Republic of Maldives  
Tel: +(960) 668 0850  
Fax: +(960) 668 0849  
email: mahibadhoo@bml.com.mv

**MAIN BRANCH**  
Bank of Maldives Plc  
1st Floor, Bank of Maldives Building  
11, Boduthakurufaanu Magu  
Male', 20094  
Republic of Maldives  
Tel: +(960) 333 0144  
Fax: +(960) 333 0180  
e-mail: main@bml.com.mv

**MAJEEDHEEMAGU BRANCH**  
Bank of Maldives Plc  
Majeedhee Magu,  
Male', 20138  
Republic of Maldives  
Tel: +(960) 333 0202  
Fax: +(960) 333 0210  
e-mail: majeedheemagu@bml.com.mv

**MALE' INTERNATIONAL AIRPORT BRANCH**  
Bank of Maldives Plc  
Hulhule, 22000  
Republic of Maldives  
Tel: +(960) 331 5211  
Fax: +(960) 332 2550  
e-mail: airport@bml.com.mv

**MANADHOO BRANCH**  
Bank of Maldives Plc  
Atholhu Rayyithunge Ijthimaeee Marukazu  
N. Manadhoo, 04100  
Republic of Maldives  
Tel: +(960) 656 0583  
Fax: +(960) 656 0582  
email: manadhoo@bml.com.mv

**MULI BRANCH**  
Bank of Maldives Plc  
Rankokaa Magu  
Meemu Muli, 11050  
Republic of Maldives  
Tel: +(960) 672 0001  
Fax: +(960) 672 0001  
email: muli@bml.com.mv

**NAIFARU BRANCH**  
Bank of Maldives Plc  
Marine Drive  
Lhaviyani Naifaru, 07020  
Republic of Maldives  
Tel: +(960) 662 0319  
Fax: +(960) 662 0319  
email: naifaru@bml.com.mv

**RASDHOO BRANCH**  
Bank of Maldives Plc  
Atholhu Vehi  
AA. Rasdhoo, 09020  
Republic of Maldives  
Tel: +(960) 666 0849  
Fax: +(960) 666 0848  
email: rasdhoo@bml.com.mv

**THINADHOO BRANCH**  
Bank of Maldives Plc  
Varuhagu Magu  
Gaafu Dhaalu Thinadhoo, 17100  
Republic of Maldives  
Tel: +(960) 684 1002  
Fax: +(960) 684 1984  
email: thinadhoo@bml.com.mv

**UNGOOFAARU BRANCH**  
Bank of Maldives Plc  
Miskiy Magu  
Raa Ungoofaaru 05060  
Republic of Maldives  
Tel: +(960) 658 0272  
Fax: +(960) 658 0272  
email: ungoofaaru@bml.com.mv

**VILLINGILI BRANCH**  
Bank of Maldives Plc  
Ameenee Magu  
Gaafu Alifu Villingili, 16020  
Republic of Maldives  
Tel: +(960) 682 0005  
Fax: +(960) 682 0005  
email: villingili@bml.com.mv

**VILLIMALE' BRANCH**  
Bank of Maldives Plc  
Block No. 31  
Villingili, Male', 21017  
Republic of Maldives  
Tel: +(960) 339 1650  
Fax: +(960) 339 1651  
email: villimale@bml.com.mv

BANK OF MALDIVES PLC  
11, Boduthakurufaanu Magu, Male', 20094  
Republic of Maldives  
Tel: +960 3322948, fax: +960 3328233  
Swift: MALBMVMV  
Email: [info@bml.com.mv](mailto:info@bml.com.mv)  
[www.bankofmaldives.com.mv](http://www.bankofmaldives.com.mv)