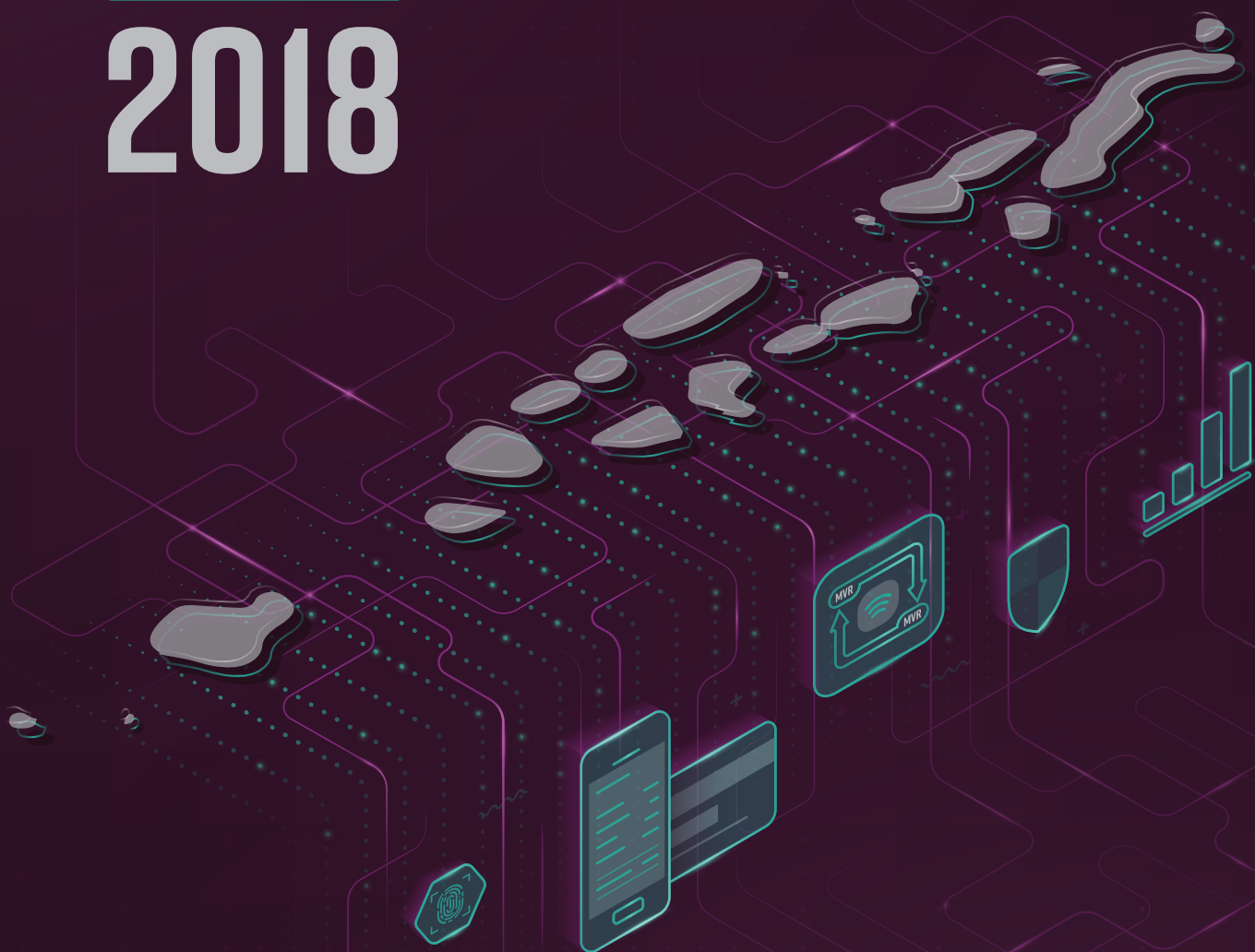


ANNUAL REPORT --- 2018



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Maldives Monetary Authority

Boduthakurufaanu Magu

Male' 20182

Republic of Maldives

Email: mail@mma.gov.mv

ANNUAL REPORT

2018



PREFACE

In accordance with Article 35 (b) of the Maldives Monetary Authority Act 1981, this Annual Report covers policies adopted by the MMA during the year 2018 to achieve its main objectives, and the activities and developments of the MMA for the year 2018. It also covers developments in the domestic economy during 2018 and presents an overview of events in the global economy during the year. An outlook for 2019 is also included in the report. All analyses are based on information relating to the year 2018, received from relevant government authorities, financial sector agencies, public enterprises and other private sector sources. All data is as of April 2019. The views expressed in this report, however, are those of the MMA and do not necessarily represent those of the source of data. This report also includes a copy of the Financial Statements for the year ended 31 December 2018 that have been examined and certified by the external auditors. We thank all those who have contributed to the publication of this report including the provision of the information contained herein.

GOVERNOR'S STATEMENT

Building on the success of 2017 and reflecting a supportive external environment, the year 2018 marked another robust year for the Maldivian economy which was largely driven by strong tourism and construction activity. In this regard, real GDP growth gained momentum and is estimated to have accelerated to 7.6% in 2018. From the outset of 2018, the tourism sector was faced with potential headwinds amid fears of booking cancellations arising from the 45-day state of emergency imposed by the government. However, with the culmination of solid, year-round promotional activities, together with strong global demand, the sector registered promising growth in annual arrivals, and fell just short of the 1.5 million arrivals target for the year. On a similarly positive note, the construction sector continued its streak of strong growth boosted by the mega infrastructure projects undertaken by the government.



After accelerating in the previous year, the year-on-year rate of inflation decelerated and entered a brief period of deflationary territory in 2018. As such, the rate of inflation remained subdued for most of the year, with the first half of the year witnessing inflation rates creeping into the negatives. As a result of the harmonisation of tariff rates for utilities across the country and the decrease in administered prices for food staples, the downwards pressure on inflation persisted throughout the year. In addition, the base effects of the downwards revision of import duties on petroleum products further dampened prices during 2018.

Despite higher receipts from the strong performance of the tourism sector, the current account deficit widened in 2018 largely reflecting the surge in imports associated with the government's mega infrastructure projects. During the year, the current account deficit was mainly financed by FDI inflows and external borrowings by the government and the private sector. Reflecting the increased net external financial inflows, the gross international reserves improved during the year.

Following better-than-anticipated growth during the year, the prospects for the Maldivian economy look promising for 2019 with tourism being the main driver of growth. In line with the moderation in the outlook for global commodity prices, inflation forecasts for 2019 remain low and stable. Moreover, with the expected slowdown in imports growth following the completion

of the major infrastructure projects, together with higher tourism receipts, the current account deficit is projected to improve during 2019.

Similar to previous years, the MMA maintained its supportive monetary policy stance in 2018 with the prime objective of facilitating economic growth through boosting private sector credit growth. With the objective of maintaining exchange rate stability the MMA continued close monitoring of the foreign exchange market and regular intervention. To this end, the MMA increased its facilitation of the total amount of the required foreign currency sales to state owned enterprises, as well as sales to commercial banks.

The MMA continues in its efforts to promote a sound and stable financial system in the Maldives through effective monitoring and supervisory processes. Reflecting the positive developments in the key indicators, the financial sector remained robust during 2018. Accordingly, profitability ratios and asset quality strengthened across both the banking and non-banking sectors, while capital adequacy remained solid and well above the regulatory minimum requirements. Further, the banking sector expanded its outreach with the opening of five new branches across the Maldives. I am sure that this is another small, albeit essential, step in advancing a level playing field in terms of providing access to finance and succeeding in our journey to close the financial inclusion gap in the nation.

Promoting financial inclusion has, and always will be, a key priority of the MMA in its function of fostering the development of the financial sector. Accordingly, work on the Government Securities Market Project initiated by the MMA, aimed at strengthening our capital market, continued in 2018. Under this project, a vital agreement was signed at the tail-end of the year to establish a securities depository system in the country. I am confident that this will further automate the management of the securities market, and stimulate the establishment of a dynamic secondary market in which securities can be more readily traded.

As part of the wider development of the financial sector, the ongoing work on the Payment System Development Project marked another milestone in this journey and took some momentous strides during 2018. Pivotal research was conducted during the earlier part of the year, which included an extensive survey to identify issues and facilitate a diagnostic analysis of the current payment system. Moreover, through the culmination of multi-stakeholder dialogues, together with technical aid from fellow central banks across the advanced world, I am proud to say that we now have a concrete concept that will transform the financial and payment landscape of the country in the coming years. In 2019, we will be focussing our efforts on the implementation of this project, to help bridge existing gaps and to shine a guiding light for a more financially inclusive future. Developing a safe and robust payment system infrastructure that is conducive to the efficient functioning of economic activities, while promoting financial innovations, is also one of the foremost priorities in the MMA's strategic plan.

With some of the groundwork having been laid towards the end of 2017, the keystone project of 2018 was the formulation of the MMA's Strategic Plan 2018-2022. Through close consultation with key stakeholders, the active contribution of all staff of the MMA and technical assistance from the IMF, the objectives and policies of the strategic plan were drafted, reviewed and structured into six overarching goals. The unveiling in July 2018 highlighted the first ever

medium-term blueprint to be published by the MMA—a critical step forwards in the institution’s history. The strategic directions outlined in the plan will strengthen the core functions of the MMA, thereby providing measures to address some of the pressing macroeconomic challenges we face as a country. Beyond the development of the aforementioned payment system, these measures include mechanisms to minimise dollarisation, streamline monetary policy efforts to ease access to foreign exchange, as well as enhance the coverage, availability and quality of financial and economic statistics in the Maldives.

Delivering these considerable projects requires a robust and high-performing organisation. As such, the MMA remains steadfast in its commitment to attract and inspire the best personnel. On this point, it introduced the MMA Scholarship, a scheme that was also open to the public. I am delighted to reveal that an MMA staff member was selected to pursue postgraduate studies in Islamic Banking and Finance—a highly sought-after and up-and-coming field in today’s world of finance. In addition, several changes were brought to the organisational structure of the MMA during the year, to enhance the operational efficiency and governance of the institution. To this end, it is worth highlighting that two new areas—the Financial Sector Development area and the Public Bank—were formed. Moreover, senior management staff were rotated to different areas to diversify their institutional knowledge-base and empower the next generation of leaders within the financial industry. The MMA will continue to ensure that our workforce remains diverse, talented and incentivised, and that our staff are well-equipped with the technical know-how to steer through any difficult economic terrain and transcend the institution to newer heights.

The year ahead promises to be as eventful as the one which has just passed. On this note, I want to thank all my colleagues for another year of hard work, commitment and professionalism. As such, I hope to draw on the experiences and lessons of the past year, and to continue building on our achievements. I am confident that the MMA will continue to undertake the necessary analyses and that it will pursue the most decisive policies to promote monetary and financial stability in the Maldives.

*Ahmed Naseer
Governor*

FUNCTIONS OF THE MALDIVES MONETARY AUTHORITY

The Maldives Monetary Authority is the central bank of the Maldives. It was established on 1st July 1981, under the MMA Act, with the following key objectives:

- To issue currency and regulate the availability, and international value of the Maldivian Rufiyaa;
- To provide advisory services to the Government on banking and monetary matters;
- To supervise and regulate banking so as to promote a sound financial structure; and
- To promote in the country and outside the country the stability of Maldivian currency and foster financial conditions conducive to the orderly and balanced economic development of Maldives.

BOARD OF DIRECTORS

as at 30 April 2019



Seated left to right: Mr Ahmed Naseer, Governor and Chairperson; Mr Mohamed Ali Janah, Private Sector

Standing right to left: Ms Aishath Zahira, Deputy Governor; Mr Ahmed Saruvash Adam, Chief Financial Budget Executive of Ministry of Finance; Mr Ali Ihusaan (Private Sector); Ms Idham Hussain, Assistant Governor

*Mr Ahmed Saruvash Adam was appointed as a member of the Board on 03 January 2019.

*Mr Mohamed Ali Janah and Mr Ali Ihusaan were appointed as members of the Board on 04 January 2018.

EXECUTIVE COMMITTEE

Mr Ahmed Naseer – Governor

Ms Aishath Zahira – Deputy Governor

Ms Mariyam Hussain Didi – Assistant Governor, Financial Sector Development

Ms Idham Hussain – Assistant Governor, Financial Stability

Ms Mariyam Shifa – Assistant Governor, Public Bank

Ms Fathimath Jawza – Senior Executive Director, Corporate Services

Mr Ahmed Inaz – Senior Advisor, Governor's Office

MANAGEMENT COMMITTEE

Ms Fathimath Jawza – Corporate Services

Ms Aishath Nadhiya – Banking Operations

Ms Mariyam Najeela – Financial Stability

Mr Ahmed Imad – Monetary Policy, Research and Statistics

Mr Abdul Hameed Mohamed – General Services Division

Uza Sheeza Ahmed – Legal Section

Ms Lubna Abdul Gadir – Human Resource Division

Ms Muna Ibrahim – Public Bank

Ms Mariyam Rashfa – Research Division

Mr Moosa Ahmed Manik – Technology Services Division

Uz Hassan Fiyaz – Insurance Division

Ms Hamida Shakeela – Other Financial Institutions Division

Mr Mansoor Zubair – Statistics Division

Ms Siya Ahmed Najeeb – Internal Audit

Mr Ahmed Shihad Abdul Hameed – Building, Property and Security Management Division

Ms Aishath Jabeen – Financial Controls Division

Ms Aminath Shaheeda – Banking and Payments Division

Ms Aishath Asha Ali – Reserve Management and Market Operations Division

Ms Aminath Shafwath – Monetary Policy and Exchange Rate Division

Abbreviations and Acronyms

ACH	Automated Clearing House
ADB	Asian Development Bank
AISPs	account information service providers
API	Application Programming Interfaces
ATMs	automated teller machines
BML	Bank of Maldives
BOP	balance of payments
bps	basis points
BPT	business profit tax
CGS	Credit Guarantee Scheme
CIB	Credit Information Bureau
cif	cost, insurance, freight
CPI	consumer price index
ECB	European Central Bank
FDI	foreign direct investment
FIU	Financial Intelligence Unit
GDP	gross domestic product
G-GST	general goods and services tax
GIR	gross international reserves
GST	goods and services tax
GWP	gross written premium
IMF	International Monetary Fund
IPPF	International Professional Practices Framework
MFLC	Maldives Finance Leasing Company
MIB	Maldives Islamic Bank
MRR	minimum reserve requirement
MRTGS	Maldives Real Time Gross Settlement
NDA	net domestic assets
NFA	net foreign assets

NPL	non-performing loan
ODF	overnight deposit facility
OLF	overnight Lombard facility
OMO	open market operations
OPEC	Organization of the Petroleum Exporting Countries
PSIP	Public Sector Investment Programme
PSPs	payment service providers
RBI	Reserve Bank of India
SAARC	South Asian Association for Regional Cooperation
SARTTAC	South Asian Regional Training and Technical Assistance Center
SMEs	small and medium-sized enterprises
SOEs	state-owned enterprises
SWOT	Strengths, Weaknesses, Opportunities, Threats
T-GST	tourism goods and services tax
UAE	United Arab Emirates
UK	United Kingdom
UPG	Unified Payment Gateway
US	United States
VAT	value-added tax
VIA	Velana International Airport
WAIR	weighted average interest rate

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ECONOMY IN 2018



ECONOMIC HIGHLIGHTS 2018



TOURISM

7%

Tourist arrivals growth

Tourist arrivals growth remained buoyant, driven by vigorous promotional activities of the industry and strong demand amid favourable economic conditions within major source markets.

FISHERIES

2%

Fish purchases growth

The fisheries sector slowed down as indicated by the deceleration in the growth of fish purchases by fish processing companies and the decline in the volume of fish exports.



CONSTRUCTION

35%

Growth in construction-related imports

The construction sector continued its robust growth trend, underpinned by various large scale public infrastructure projects and strong credit growth to the sector.



INFLATION

-0.1%

Inflation rate

Average inflation entered deflationary territory during the year, contributed by a number of domestic policy changes implemented in 2017 and during the first half of 2018.

PUBLIC FINANCE

4.7%

Fiscal deficit as a percentage of GDP

An increase in total expenditure, despite a solid growth in total revenue during the year, resulted in the widening of the fiscal deficit.



MONETARY POLICY

9%

Private sector credit growth

The MMA continued to maintain a monetary policy stance that enables credit expansion to foster economic growth.



FINANCIAL SECTOR

5%

Annual growth in aggregate net assets of banks

The performance of the banking sector continued to be robust in 2018, with capital adequacy, asset quality and profitability ratios remaining strong.

EXTERNAL SECTOR

25%

Current account deficit as a percentage of GDP

Although travel receipts rose with the strong performance of the tourism sector, the current account deficit widened due to the worsening of the merchandise trade deficit largely owing to a surge in imports related to the mega infrastructure projects.



Overview

Continuing on from the robust performance demonstrated during 2017, the Maldivian economy gained momentum in 2018, as evidenced by strong developments within key sectors. In this regard, according to estimates of October 2018, real Gross Domestic Product (GDP) grew by 7.6% in 2018, up from the initial projection of 6.0% forecast during November 2017. This was an acceleration from the 6.9% growth achieved in 2017. Activity in the economy was largely driven by the resilient performance of the tourism sector, coupled with the continued strong growth of the construction sector.

After its exceptional performance in 2017, the tourism sector remained resilient in 2018 despite initial fears of booking cancellations arising from the state of emergency imposed by the government at the turn of the year, which coincided with the peak season of the tourism industry. In 2018, tourist arrivals posted an annual growth of 7%, falling just short of the 1.5 million arrivals target for the year. The sector largely benefitted from the vigorous promotional activities of the industry, favourable economic conditions in the main source markets and increased air connectivity. In light of these positive developments, both bednights and estimated tourism receipts registered double-digit growth of 10% during the year with the average occupancy of tourist establishments standing at 62%.

The progressive trend observed in the construction sector during the past few years continued into 2018. While growth in the sector was propelled by the mega infrastructure projects undertaken by the government during the year, the continued boom in residential housing and the capacity expansion in the tourism sector boosted construction sector growth. Conversely, fisheries sector growth is estimated to have slowed down, as indicated

by both the decelerated growth rate in fish purchases by processing companies from local fishermen and the decline in the volume of fish exports. Meanwhile, the wholesale and retail sector showed mixed developments during the year. As such, while private sector (excluding tourism) imports saw an annual growth, a marginal decline was observed in commercial banks' credit to the sector.

After decelerating marginally in the first quarter of 2018, the rate of inflation—as measured by the annual percentage change in the Consumer Price Index (CPI) at the national level—on average remained in deflationary territory during 2018 as a whole, and was recorded at -0.1%. Inflationary pressure was curbed by base effects stemming from a number of domestic policy changes that came into effect during 2017 and in the first half of 2018. Electricity prices exerted the most downward pressure on inflation, which stemmed from the reduction in the import duty on petrol and diesel, the temporary exemption of the fuel surcharge in 2017 and the harmonisation of utility rates across the country in 2018, despite the continued surge in global oil prices. Additionally, food prices dampened inflation during the year, owing to the decline in prices of staple food items stemming from the reduction in wholesale prices of these items, and the subsequent revision of administered prices.

On the fiscal front, the 2018 government budget was geared towards alleviating socio-economic issues through spending on improving living standards. In 2018, the overall fiscal deficit widened, driven by an increase in expenditure despite a strong growth in tax revenue. While both tax and non-tax revenue increased on the back of strong GDP growth, it is also worth noting that the full-year realisation of the increase in the airport development fee introduced

in 2017 contributed to the growth in non-tax revenue. Meanwhile, current expenditure rose significantly because of higher administrative and operational expenses stemming from the increased expenditure on the national health insurance scheme (Aasandha), rise in subsidies, as well as government salaries and wages. On the other hand, capital expenditure declined marginally owing to the completion of major works on mega infrastructure projects in the previous year. During 2018, the fiscal deficit was largely financed through external sources, mainly as loans contracted from buyer's credit, and debt security proceeds from a sovereign bond issued during the year. The total outstanding stock of public debt increased to MVR48.0 billion at the end of 2018; however, as a ratio of GDP the total public debt remained at 58%.

As in the previous years, the MMA continued to maintain a supportive monetary policy stance that facilitates economic growth and credit expansion. Looking at monetary operations, commercial banks' investments in the overnight deposit facility (ODF) facilitated the absorption of excess liquidity in the market. As for the developments of monetary aggregates in 2018, the annual growth of reserve money was driven by the growth in both net foreign assets (NFA) and net domestic assets (NDA) of the MMA. The annual increase in NFA of the MMA mainly reflects the MMA's foreign currency investments abroad, stemmed mainly from the rise in foreign currency reserve account balances held by commercial banks at the MMA. As for growth in NDA of the MMA, it mainly reflects the decline in the government deposits held at the MMA. Broad money growth, on the other hand, was driven by an increase in NDA of the banking sector, mainly through robust growth in private sector credit. Despite the annual growth in NFA of the MMA, NFA of the banking

sector registered an annual decline due to the decrease in the NFA of the commercial banks.

Similar to the previous year, the performance of the financial sector remained robust during 2018, as evidenced by strong showings in the key indicators of both the banking sector and non-bank financial institutions. Accordingly, across the financial sector, profitability ratios and asset quality improved relative to the previous year, while capital adequacy remained solid and well above the regulatory minimum requirements. Notably, despite growth in the loan portfolio, the absolute value of non-performing loans (NPLs), as well as the NPL ratio, declined owing to significant NPL write-offs during the year. Meanwhile, the positive developments in the insurance sector were indicative of growth in both the key indicators—insurance density and penetration—reflecting increases in total assets and gross written premium (GWP).

With regard to developments in the balance of payments (BOP), despite the surge in travel receipts driven by the robust performance of the tourism sector, the current account deficit widened to US\$1.3 billion—25% in terms of GDP during 2018. This was due to the worsening of the merchandise trade deficit driven by strong import growth associated with the mega infrastructure projects of the government, housing construction and new resort development. Meanwhile, inflows on the financial account increased on the back of increased direct investments, especially in the tourism sector, and other investment inflows. As net inflows on the financial account outpaced the current account deficit during the year, the overall BOP recorded a surplus of US\$125.4 million. As a result, the gross international reserves (GIR) improved to US\$712.0 million with the usable reserves increasing to US\$281.4 million at the end of 2018.

MACROECONOMIC DEVELOPMENTS



International Economic Developments

Output

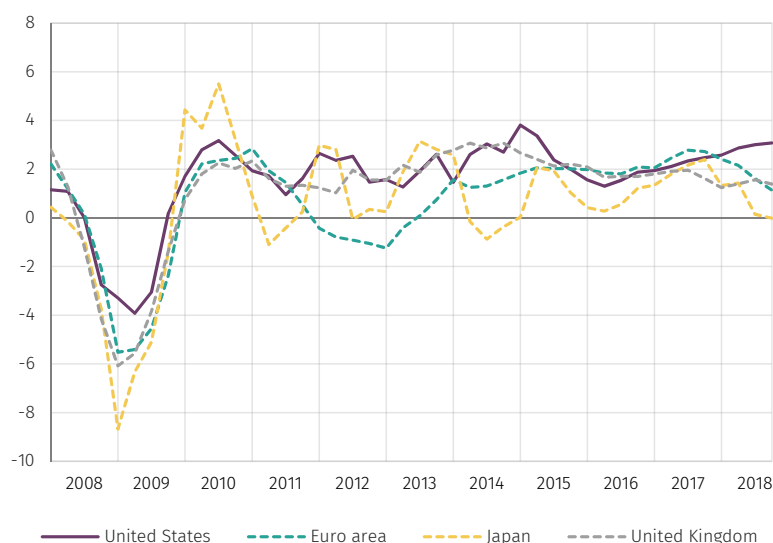
As the cyclical upswing in global economy that began in the second half of 2016 appears to have matured, global economic expansion moderated towards the end of 2018, resulting in uneven and less synchronised growth, against the backdrop of global trade tensions and tightening financial conditions. Meanwhile, headline inflation picked up across the world during the year, with pressures easing towards the end of the year owing to the fall in global oil prices.

The global economic expansion observed a moderation in 2018 as the cyclical recovery in world economic activity that began in the second half of 2016 appeared to have matured. Persistent global trade tensions and tightening financial conditions further added to this slowdown, resulting in uneven and less synchronised growth in economic activity. Hence, global growth¹ was estimated at 3.7% for 2018, which is one

percentage point lower than in the previous year. This was on account of negative surprises in both the country groups, while downside growth surprises were more prevalent in the advanced economies.

Looking at the advanced economies, activity in the United States (US) accelerated to 2.9% in 2018 from 2.2% in 2017, falling just marginally short of the US government's target growth rate for the

Figure 1: Real GDP Growth in the Advanced Economies, 2008–2018
(annual percentage change)



2.9%

Economic growth in the US accelerated to 2.9% in 2018

Sources: Cabinet Office (Japan), OECD Database and Office for National Statistics (UK)

¹ International Monetary Fund (IMF), 'World Economic Outlook Update—January 2019'.

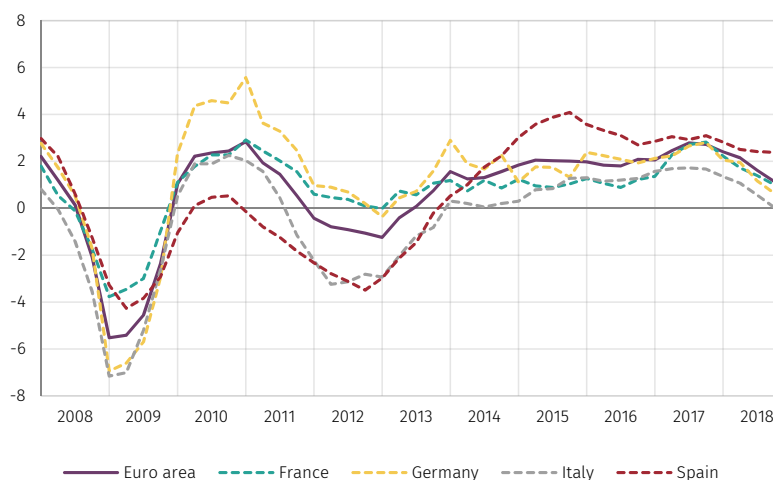
year (Figure 1). This acceleration in growth was largely propelled by resilience in personal consumption expenditure—the main driver of the economy—supported by strong fiscal stimulus through tax cuts and a lower unemployment rate. In addition, aided by strong fiscal support, business investment recorded solid growth in the review year, despite disruption in output towards the end of the year as a result of a partial government shutdown and mounting bilateral trade tensions. However, these positive developments were partially offset by the increase in imports, which contributed negatively to GDP growth in the year.

The euro area experienced economic activity slowdown on the back of softening external demand in line with the weakening momentum in global trade as well as owing to some country- and sector-specific factors. Accordingly, GDP growth in the euro area decelerated to 1.8% in 2018 from 2.5% in 2017 (Figure 2). Domestic demand remained as the prominent contributor to economic growth against the background of improved

labour market conditions and growth in real wages amid stable unemployment rates in the euro area. Meanwhile, favourable financing conditions remained in place to support economic expansion. However, these developments mirrored divergent conditions across the countries in the euro area. Looking at the main euro area economies, the German economy witnessed a marked deceleration owing to weak outturn in the automotive sector. Likewise, growth in France was hindered by slowdowns in both investment and domestic demand and activity in Italy decelerated due to a downturn in domestic demand. However, the slowdown in the Spanish economy was relatively less, backed by the resilience in domestic demand.

The Japanese economy maintained its growth trajectory in positive territory, despite being hampered by an unfavourable demographic structure, further extending its longest growth streak since the Global Financial Crisis (GFC). However, growth decelerated to 0.7% in 2018 after recording a

Figure 2: Real GDP Growth in the Euro Area, 2008–2018
(annual percentage change)



1.8%

Euro area growth decelerated to 1.8% in 2018

Source: OECD Database

solid growth of 1.9% in 2017. This deceleration was on account of natural disaster-related setbacks to output caused by unusual weather conditions at the beginning and midway through the year. Further, the economy was hit by mounting global trade tensions as lower external demand led to slower growth in exports. In spite of this, the economy bounced back by year end, buoyed by robust domestic demand, which is the main driver of the economy.

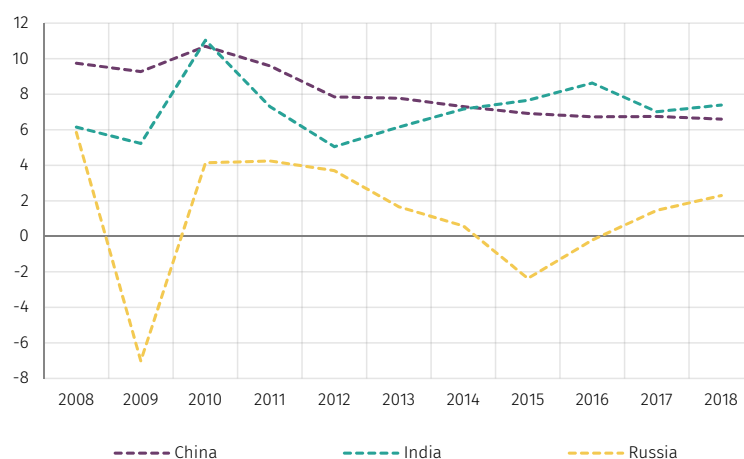
In the United Kingdom (UK), GDP growth declined further to 1.4% in the year, reflecting the uncertainty surrounding the economy stemming from Brexit, which has shaken consumer and business confidence. Further, the loss of momentum in global economic growth added to this slowdown. As a result, a number of key sectors performed poorly but it was most pronounced in the construction sector as the economy recorded its weakest performance since the GFC. During the year, economic activity remained muted in most months, except

for summer, when growth recovered slightly owing to temporary factors such as warm weather conditions and increased domestic consumption resulting from FIFA World Cup celebrations.

Turning to the emerging markets and developing economies, mixed developments were observed owing to country-specific factors and divergent trade conditions (Figure 3). In China, growth moderated from 2017, as the pace of growth followed a decelerating path throughout the year to register 6.6% in 2018, in line with consensus expectations. Nevertheless, the economy remained resilient despite ongoing trade-related tensions that saw a downturn in exports as well as weaker growth in investment as a result of rebalancing efforts. Growth was largely fuelled by domestic demand as seen by the growth in domestic consumption as the economy continues its transition to a consumption-driven economy. Further, growth in domestic consumption was spurred on by strong growth in the

Figure 3: Real GDP Growth in Emerging Markets and Developing Economies, 2008–2018

(annual percentage change)



6.6%

Growth in China, the largest emerging market economy, decelerated to 6.6%

Source: OECD Database

services sector, which accounts for almost half of the GDP, stemming from growth in the information technology-related sectors.

The Russian economy outperformed expectations and registered a remarkable growth of 2.3% in 2018, up from the 1.6% recorded in 2017, driven by both domestic and external demand. Although economic growth decelerated towards the end of the year owing to temporary factors such as the global economic slowdown, the fall in global oil prices and the value-added tax (VAT) hike in the domestic economy, growth was largely propelled by buoyancy in the extractive sector. This buoyancy was further reflected in the construction sector as a number of new infrastructure building projects were undertaken by the natural resources extraction industries. Meanwhile, robustness in domestic demand during the year was further boosted by hosting the FIFA World Cup 2018. On the other hand, external demand was fuelled by a strong contribution from exports.

India's economic growth accelerated to 7.2% in 2018, driven by acceleration in investments despite a slowdown in consumption expenditure. As such, the growth in the economy mainly stemmed from the uptick in growth of the agricultural and manufacturing sectors, while domestic consumption was dealt with a slowdown, spurred on by timid growth in service-related sectors. In this regard, the fall in domestic consumption can be attributed to lower demand deriving from a weaker Indian rupee and volatility in fuel prices, despite the waning effects of demonetisation and implementation of a goods and services tax (GST), the two major drags on the economy in 2017.

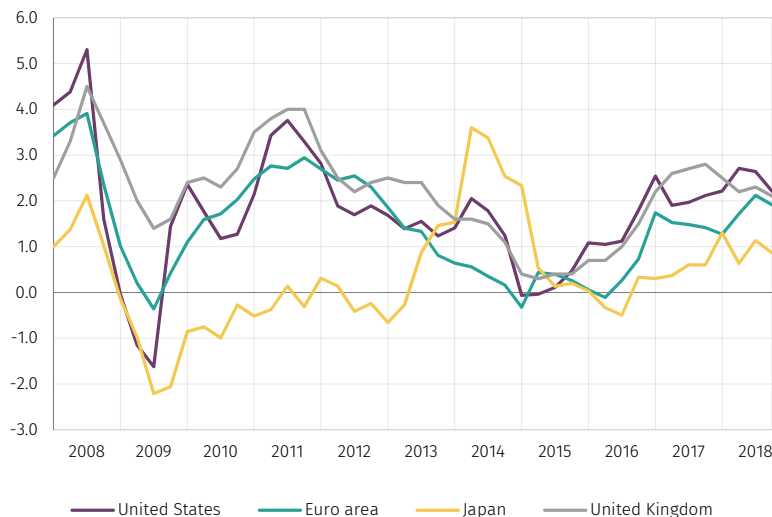
Inflation

Against the backdrop of rising energy prices, headline inflation rates picked up across advanced economies as well as emerging market and developing economies during 2018. However, inflationary pressures eased towards the tail end of the year in light of the drop in global oil prices. Core inflation remained muted and below central bank target levels in most advanced countries, reflecting potentially greater labour market slacks, while it generally edged up in the emerging market and developing economies due to pass-through effects from currency depreciations.

With respect to the inflation trends observed in the advanced economies (Figure 4), inflation in the US picked up during the year, largely reflecting the movements in energy prices. Headline inflation stood at 2.4%, accelerating from the previous year's rate of 2.1% and hovering slightly above the Federal Reserve's inflation target of 2.0%. As such, higher prices for energy items put upward pressure on prices for most of the year, together with the growth in prices of medical care and shelter. However, prices decelerated towards the end of the year, owing to the easing of energy prices and food price inflation remaining relatively low.

In the euro area, the rate of inflation—as measured by the Harmonised Index of Consumer Prices—accelerated to 1.8% in 2018, up from last year's 1.5%, and moving closer towards the target inflation rate of the European Central Bank (ECB). As such, inflation in the region was driven by higher prices for energy-related items, followed by food and tobacco, offsetting the year-round negative contributions from telecommunications.

Figure 4: Inflation in the Advanced Economies, 2008–2018
(annual percentage change)



2.4%

Headline inflation in the US accelerated to 2.4% in 2018

Source: OECD Database

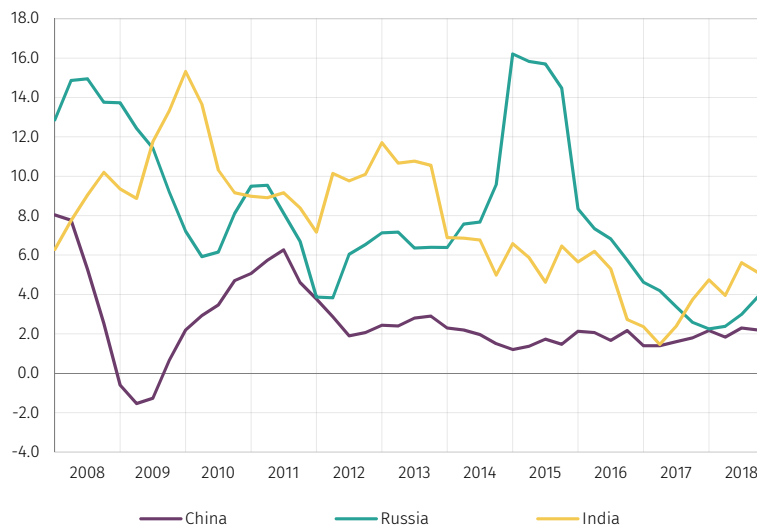
Following last year's turnaround in inflation, the annual rate of inflation in Japan rose to 1.0% during the year, which still sat far below the Bank of Japan's target rate. The uptick in inflation was largely brought on by higher prices for energy-related items, together with a rise in food prices, especially for fresh food and vegetables. While energy prices rose in line with higher global oil prices, food prices soared as the domestic economy was marred by the impacts of natural disasters and extreme weather conditions during the year.

In the UK, the rate of inflation eased to 2.3% in 2018, landing closer to the Bank of England's target rate. While higher import and energy prices have continued to hold inflation above the 2.0% target throughout the year, the gradual easing of prices partly reflects the waning pass-through effects of higher import prices that resulted from

the Brexit referendum-related depreciation of the pound sterling. During the year, downward inflationary pressures stemmed from food inflation and the prices of clothing and footwear, with prices softening towards the end of the year, mirroring the fall in global oil prices.

Turning to price developments within the emerging markets and developing economies (Figure 5), inflation in China accelerated to 2.1%, up from 1.6% the previous year. However, prices remain far from the 3.0% inflation target of the People's Bank of China. The acceleration in prices stemmed primarily from higher food prices and transport, while prices for residence and healthcare remained high during the year. The surge in food prices towards the end of the year, especially for fresh vegetables and fruits, resulted from the increase in flooding events in the country.

Figure 5: Inflation in Emerging Markets and Developing Economies, 2008–2018
(annual percentage change)



2.1%

Inflation in China recorded an increase and stood at 2.1% in 2018

Source: OECD Database

In Russia, prices continued to decelerate substantially, and fell below the target level of 4.0% set by the Central Bank of Russia. As such, inflation stood at 2.9% in 2018, down from the 3.7% recorded for the previous year. The deceleration was more pronounced during the first half of the year as prices of all major categories declined due to conservative consumer demand and stable exchange rate dynamics. However, prices gained momentum by year end, propelled by higher food inflation as a result of poor harvests depleting excess supplies, together with the hike in the VAT rate and past depreciations of the Russian ruble.

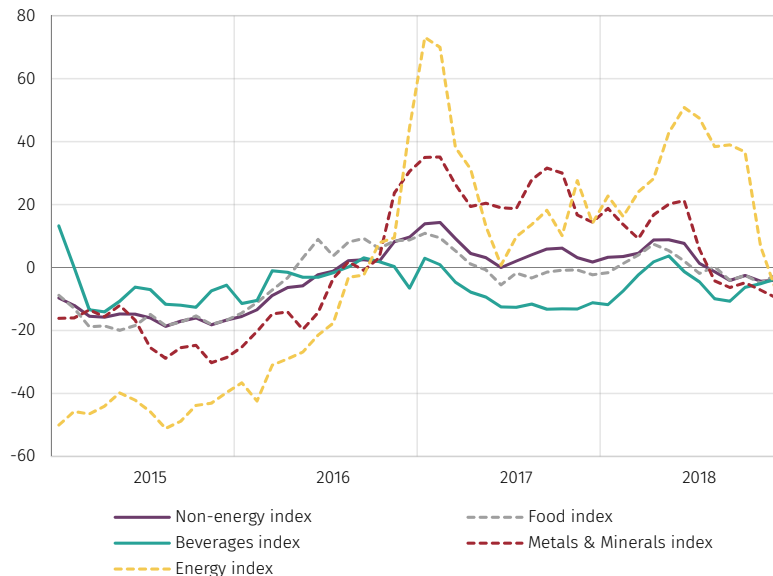
Inflation in India rose to 4.9% in 2018, a considerable increase from the previous year's 2.5%. The hardening of prices was more pronounced during the second half of the year, due to the lifting of the prices of fuel and light on the back of higher global energy prices. Although the base effect arising from

a revision of the housing rent allowance dissipated towards the end of the year, it remained high during 2018. Meanwhile, falls in food prices, especially towards the end of the year, were mainly driven by declines in the prices of vegetables, together with a year-round decline in the price of pulses and related products on the back of effective supply management.

Commodity Prices

Following on from the positive turnaround in 2017, global commodity prices strengthened in 2018 in light of firm demand and tight supplies. According to the World Bank Commodity Price Index, global commodity prices registered a marked increase during the year, primarily reflecting the continued surge in global energy prices. Conversely, non-energy prices posted a modest increase, with metal prices showing

Figure 6: Global Commodity Price Indices, 2015–2018
(annual percentage change)



28%

The World Bank Energy Price Index recorded an average increase of 28% in 2018

Source: World Bank

moderate growth and food prices remaining broadly stable from the previous year (Figure 6).

The World Bank Energy Price Index showed an average increase of 28% in 2018, up from the 24% growth posted during the previous year. Concurrently, average crude oil prices² rose to US\$68.3 per barrel from the US\$52.8 per barrel recorded in 2017. For most of 2018, the narrative was one of steadily rising oil prices, supported by both supply and demand-side factors, similar to the previous year. However, it is worth noting that supply shortfalls became increasingly prevalent throughout 2018, firming up prices to levels that were more common pre-2015, before dropping towards the tail end of the year.

The extension of the agreement by the Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC oil producers to curb oil production during the second half of 2017, together with mounting geopolitical tensions, rallied oil prices at the turn of the year. Following a slight softening of prices resulting from a surge in US shale oil³ production in March 2018, prices firmed up by mid-year on the back of production losses in Libya and Venezuela, prompting OPEC and its allies to agree to boost production. Prices peaked by October, due to lower-than-expected US oil inventories and fears of further production losses: US sanctions on Iranian oil exports were set to come into effect during November following the US withdrawal from the Joint Comprehensive

² Average of Brent, Dubai Fateh and West Texas Intermediate.

³ Shale oil is a type of unconventional oil found in shale formations that must be hydraulically fractured to extract the oil. It is a substitute for conventional crude oil.

Plan of Action. Prices eased substantially by year end in light of higher US production, together with the US government's issuance of temporary sanction waivers to eight major importers of Iranian crude oil. On the demand side, oil prices were driven by robust global consumption by most of the advanced economies as a result of increased economic activity. Conversely, Chinese demand weakened during the second half of 2018, symptomatic of the country's economic slowdown.

Non-energy prices showed a modest growth of 2% during 2018, mostly reflecting higher metal prices. However, it is worth noting that the growth in metal prices was moderate compared with the previous year. Continuing on from the upward trend observed in 2017, metal prices remained elevated during the first half of the year due to strong demand stemming from the global manufacturing sector, together with supply constraints such as those arising from the closure of the world's biggest supplier of aluminium and China's efforts to curtail production to meet pollution targets. However, prices receded substantially towards the end of the year on the back of weaker global demand sprouting from the heightened trade tensions between the US and China, coupled with a strengthening US dollar.

Looking at the other major commodities in the non-energy category, the World Bank Food Price Index recorded marginal growth during 2018, similar to the preceding year. In this regard, notable price growth was observed for grains, particularly for wheat and rice, due to increased demand coupled with supply shortages. However, this

growth contribution was somewhat offset by the dampening in the prices of edible oils and sugars, owing to abundances in supply. Similarly, prices of beverages declined notably owing to falls in the price of coffee and tea.

Exchange Rates

The US dollar performed strongly towards the end of 2018, appreciating against some of the major currencies of the world after a dismal outturn at the beginning of the year. In this regard, the US dollar closed higher against the pound sterling, the euro and the Chinese yuan despite closing marginally lower against the Japanese yen (Figure 7).

The US dollar appreciated by 5% against the pound sterling at the end of the year, largely reflecting the fall in the value of the pound sterling with concerns over Brexit uncertainty, despite the decision of the Bank of England to raise the interest rate in August 2018. Likewise, the US dollar appreciated against the euro, partly reflecting the slowdown in economic growth in the euro area amid political uncertainties. This depreciation in the value of the euro also mirrored declining yields of government bonds and a modest increase in the yields of corporate bonds in comparison with other advanced economies, stemming from the ECB's quantitative easing and negative interest rate policy.

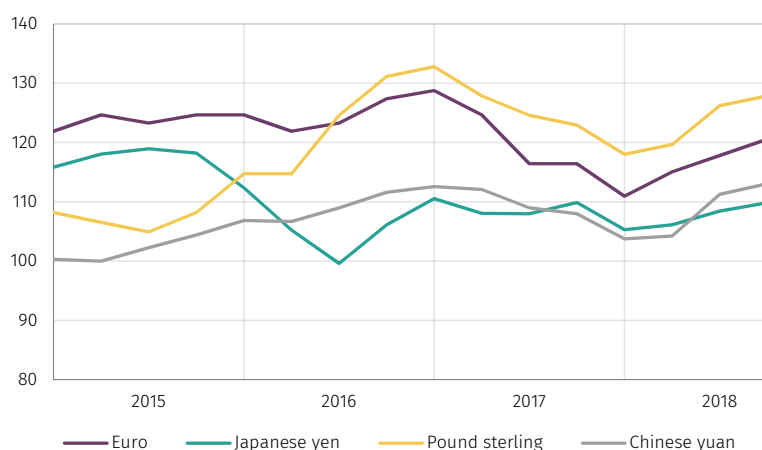
Meanwhile, the US dollar appreciated substantially against the Chinese yuan at the end of 2018, on the back of continued efforts by Chinese authorities to highly undervalue its currency to enhance export

sector competitiveness. In contrast, the US dollar depreciated against the Japanese yen at the end of 2018 due to persistent geopolitical tensions that led to higher demand for Japanese yen in the early months of the year as it is considered a safe haven

in foreign exchange markets. However, as a result of broader US dollar appreciation towards the latter months of the year, the pace of appreciation slowed and registered a marginal growth at the end 2018.

Figure 7: Changes in Major Currencies Exchange Rate against the US Dollar, 2015–2018

(2014 Q1=100)



↑ US\$

US dollar appreciated against some of the major currencies in 2018

Source: IMF International Financial Statistics Database

Note: The upward (downward) movement of the data series represent the depreciation (appreciation) of the respective currency against the US dollar.

Domestic Economic Developments

Real Economy

The Maldivian economy maintained its robust growth trajectory during 2018 with real GDP growth accelerating to 7.6% according to estimates of October 2018. This is higher than the initial growth forecast of 6.0% for 2018 and the 6.9% growth recorded in 2017. The better-than-expected performance in 2018 was predominantly driven by the exceptional performance of the tourism sector on the back of strong global demand and increased air connectivity. In 2018 growth was also bolstered by strong activity in wholesale and retail trade, and construction investment led by the mega infrastructure projects of the government and strong bank credit growth to the private sector.

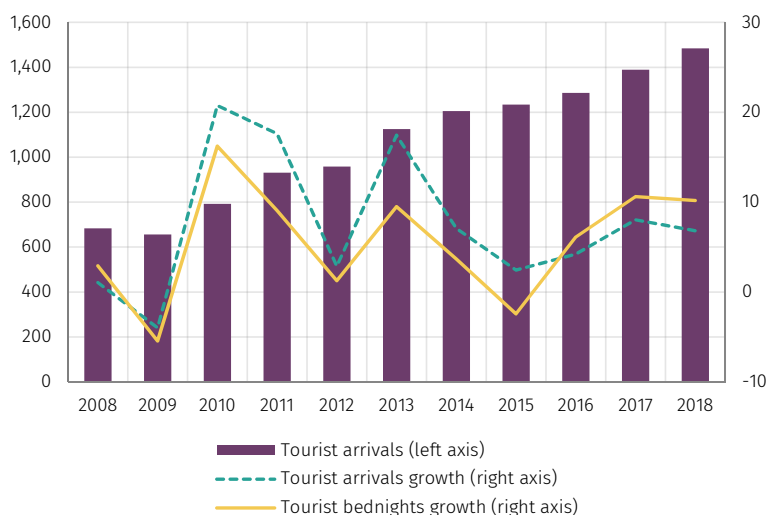
Tourism

The performance of the tourism sector remained robust in 2018 despite initial fears of booking cancellations following the travel advisories triggered by the 45-day state of emergency imposed by the government in February 2018. The resilient growth of the sector was driven by vigorous promotional activities undertaken by the industry, favourable global economic conditions and

strong demand from major source markets. In light of these developments, tourist arrivals grew annually by 7%, after increasing to 8% in 2017, and reached 1,484,274 in 2018 (Figure 8), while bednights posted double-digit growth of 10%, reflecting the increase in average stay from 6.2 days in 2017 to 6.4 days in 2018. Against this backdrop, tourism receipts are estimated at US\$3.0 billion in

Figure 8: Tourism Indicators, 2008–2018

(thousands, annual percentage change)



7%

Tourist arrival growth increased by 7% in 2018

Source: Ministry of Tourism

2018, a growth of 10% compared with the US\$2.7 billion estimated in 2017 (Figure 9).

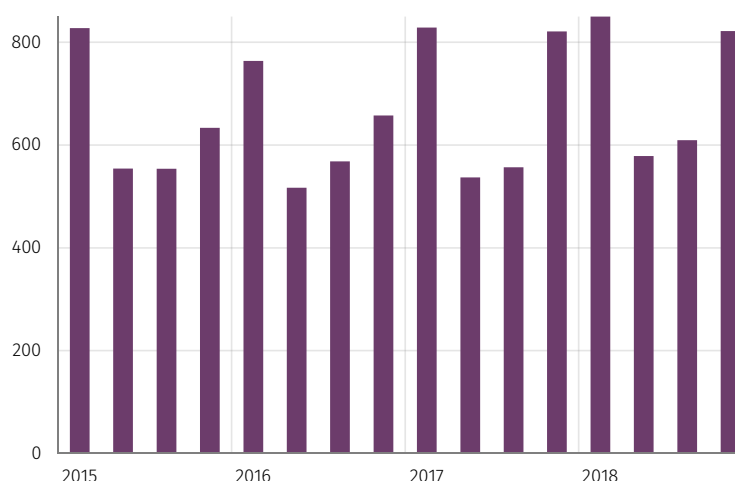
The growth in tourist arrivals in 2018 was also bolstered by increased air connectivity. Flight movements by international carriers observed an increase of 2%, which represents over 400 more flights than in 2017. This stemmed largely from increased flight movements by existing airlines such as Air Asia Thailand, Emirates, China Eastern and Silk Air. New airlines commenced during the year included Hong Kong Airlines, Indigo, Air Asia X and Go Air, while Oman Air recommenced their operations in October 2018.

The growth in tourist arrivals was also reflective of international tourism trends, as reported by the United Nations World Tourism Organization Statistics. Accordingly, international tourist arrivals increased by 6% and totalled 1.4 billion in 2018, of which, tourist arrivals to the Asia and the Pacific grew by 6%.

The acceleration in the growth of tourist arrivals during the year was mostly attributed to the surge in arrivals from the European market. This marks the second consecutive year since the European market led its traditional position as the market leader, since the Asia and Pacific market took over in 2014. This growth in the European market was followed by the increase in arrivals from the Americas market, which exceeded the arrival growth from the Asia and the Pacific market.

Looking at the market share of tourists, arrivals from the European market constituted 49% of the total arrivals, up from 47% in 2017. As such, arrivals from the European market increased by 12% during 2018, similar to the growth seen in 2017. This was largely driven by the significant increase in arrivals from Italy and the UK on the back of resilient economic conditions despite the slowdown in economic growth in these countries during the year. In addition,

Figure 9: Tourism Receipts, 2015–2018
(millions of US dollars)



Source: Maldives Monetary Authority

10%

Tourism receipts in 2018 are estimated at US\$3.0 billion, an increase of 10%

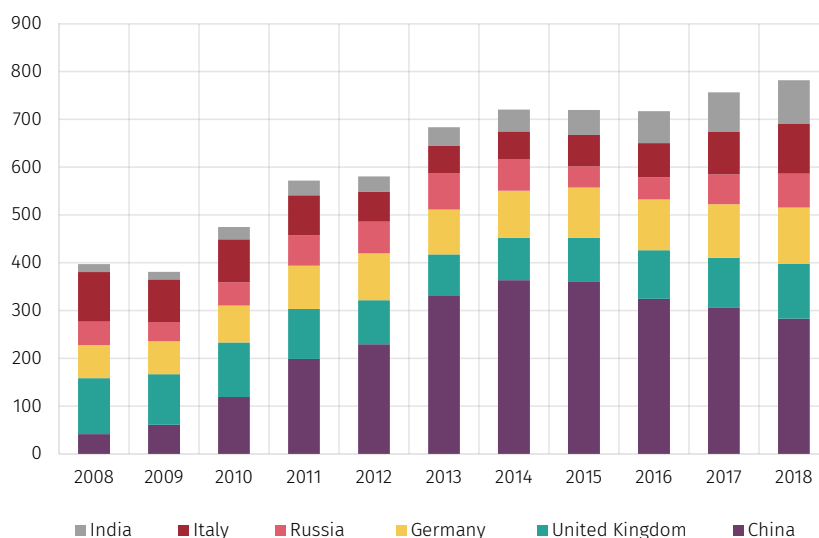
arrivals from Russia recorded solid growth during the year, owing to the favourable growth of the Russian economy, while the arrivals growth from Germany—the largest source market in Europe—remained largely unchanged from the previous year amid the poor performance of their economy (Figure 10). Meanwhile, arrivals from smaller source markets such as France and Spain showed noticeable growth rates during the year.

Tourist arrivals from the Asia and Pacific market constituted 42% of total arrivals, down from 44% recorded in 2017. Accordingly, growth in arrivals posted a marginal incline of 1% compared with the 3% growth recorded in the preceding year. This was primarily a result of the 8% decline in arrivals from China, the single largest source market (Figure 11). Despite the growth in Chinese outbound travellers, arrivals from China to the Maldives have been on a declining trend since 2015 and the pace of decline was observed to have increased

in 2018 compared with the 5% decline recorded in 2017. The steady decline could be attributed to a number of factors such as travel advisories for the Maldives in 2018, lack of flight connectivity to new first-tier cities, lack of product differentiation and the recent depreciation of the Chinese yuan against the US dollar. However, arrivals growth from Australia—a newly growing market—coupled with the increase in arrivals from India and Thailand fully offset the decline in Chinese arrivals during the year. As for other newly growing markets, arrivals from the Americas have shown an increasing trend since 2006, and increased by 11% in 2018. This was, however, a slight deceleration compared with the 23% recorded in 2017. The growth in the Americas market largely stemmed from the increase in arrivals from the US. Further, arrivals from the Middle East market showed a turnaround and posted a growth of 6%, following a decline of 4% in the preceding year. This growth was largely a result of the rise in arrivals from Saudi Arabia and Qatar.

Figure 10: Tourist Arrivals from Major Inbound Markets, 2008–2018

(thousands)

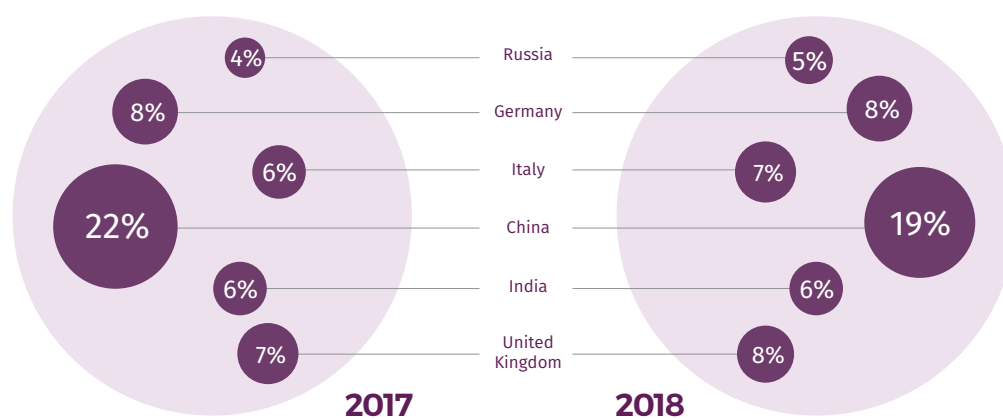


Source: Ministry of Tourism

12%

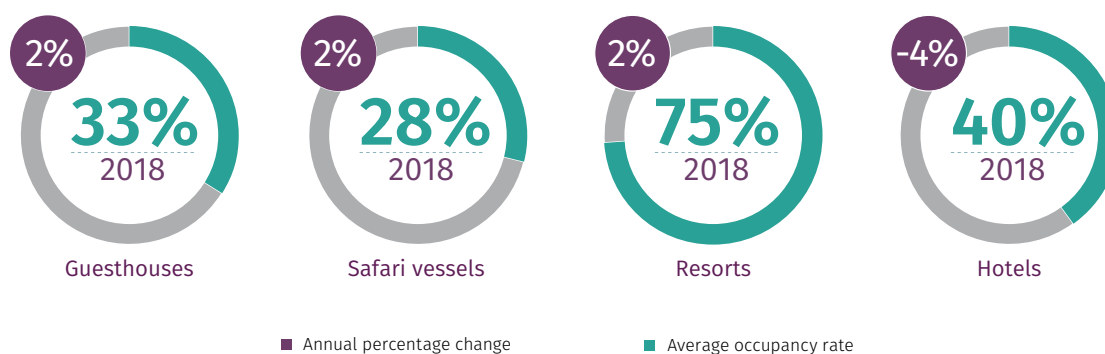
Arrivals from Europe, the biggest market, increased by 12% in 2018

Figure 11: Change in Share of Key Inbound Markets



Source: Ministry of Tourism

Figure 12: Occupancy Rates for the Tourism Industry



Source: Ministry of Tourism

On the supply side, the sector continued to expand during the year as indicated by the increased number of tourist establishments and bed capacity. With the opening of 10 new resorts, the number of resorts totalled 145 at the end of 2018. Similarly, the number of registered guesthouses, hotels and safari vessels increased to 521, 12 and 147, respectively. Considering the bed capacity of the sector, the average operational bed capacity⁴ increased by 9% in annual terms and stood at 41,877 beds, with resorts accounting for 70% of the total operational bed capacity and guesthouses accounting for 19%. The increased bed capacity was largely attributed to the additional beds from resorts and guesthouses newly opened during the year. As the expansion in bed nights outpaced the growth in capacity, the occupancy rate of the sector increased to 62%, a slight increase from 61% in 2017. This resulted from the growth in occupancy rates of resorts, guesthouses and safaris as hotel occupancy rates posted a decline during the year (Figure 12). It should be noted that while the occupancy rates in resorts remained relatively high during the year, the occupancy rates in guest houses and other main types of accommodation establishments were much lower.

Fisheries

The fisheries sector slowed down during 2018 as indicated by the deceleration in the growth of fish purchases by fish processing companies and the sizeable decline in the volume of fish exports.

Fish purchases grew marginally by 2% in annual terms and amounted to 78.3

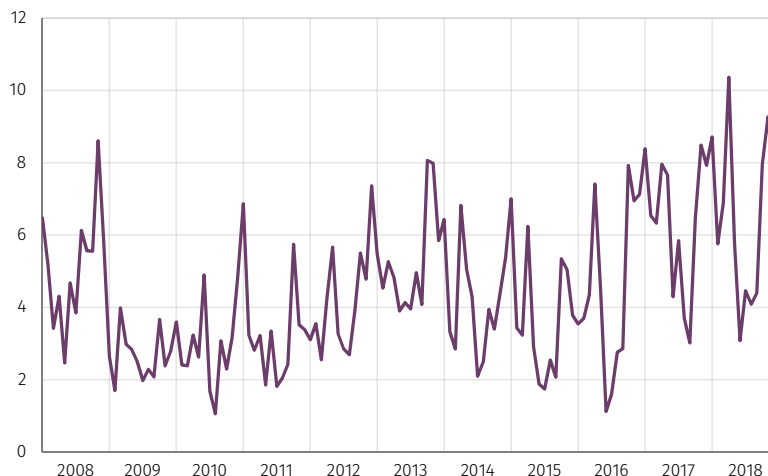
thousand metric tons in 2018 (Figure 13). This was a significant deceleration in growth compared with the 42% annual growth recorded in 2017, owing predominantly to the decline in yellowfin tuna purchases, along with the minimal growth in skipjack tuna purchases. Both skipjack and yellowfin tuna collectively accounted for 98% of the total fish purchases in 2018. Yellowfin tuna purchases declined by 4% in 2018 following a 19% growth in 2017, while skipjack tuna purchases grew by 6% after a 64% growth in 2017. In addition, purchases of bigeye tuna, a high-value fish, decreased significantly during the year and as a result, the share of bigeye tuna reached its lowest (0.4% of total fish purchases) for the past five years. Fish purchases followed the usual trend observed throughout the years, with lower fish purchases during the mid-year due to the decline in fishing activity as the wet monsoon period usually falls during this period.

Despite the low fish purchases, prices of both fresh and iced skipjack tuna were maintained by the local fish processing companies as per the revised prices in August 2017 (MVR20.0 per kilogram for iced skipjack tuna and MVR18.0 per kilogram for fresh skipjack tuna) (Figure 14). The average price of yellowfin tuna declined, and averaged MVR62.5 per kilogram in 2018, compared with the average price of MVR70.0 per kilogram recorded in the preceding year. Similar to 2017, yellowfin tuna prices remained relatively volatile throughout the year with the price peaking at MVR95.3 per kilogram in January 2018, followed in February 2018 by the lowest price of MVR46.2 per kilogram and ending the year

⁴ The average operational bed capacity refers to the number of beds in operation, not the registered number of beds.

Figure 13: Fish Purchases, 2008–2018

(thousand metric tonnes)



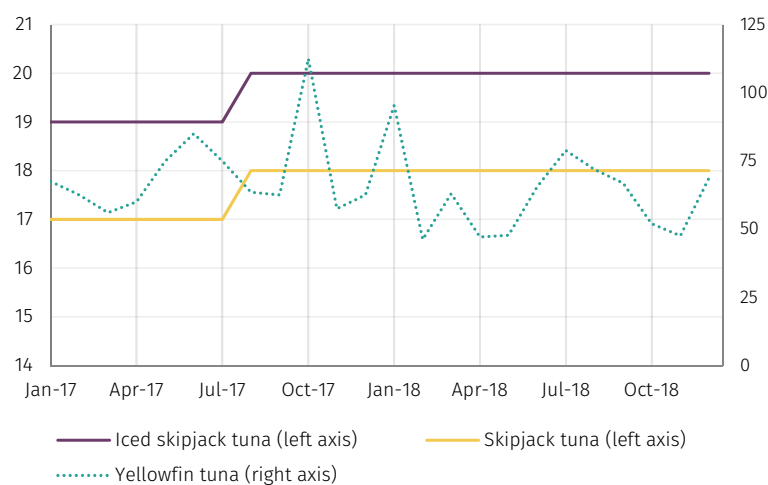
Source: Ministry of Fisheries, Marine Resources and Agriculture

2%

Fish purchases recorded a marginal growth of 2%

Figure 14: Prices Paid for Fish by Local Processing Companies, 2017–2018

(rufiyaa per kilogram)

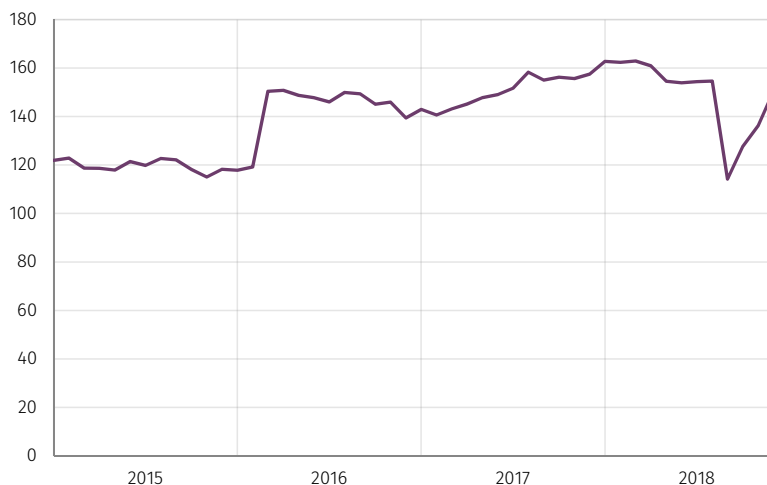


Source: Ministry of Fisheries, Marine Resources and Agriculture

MVR68.7

Average price of yellowfin tuna closed at MVR68.7 per kg at the end of 2018

Figure 15: Yellowfin Tuna Prices, 2015–2018
(MVR per kilogram)

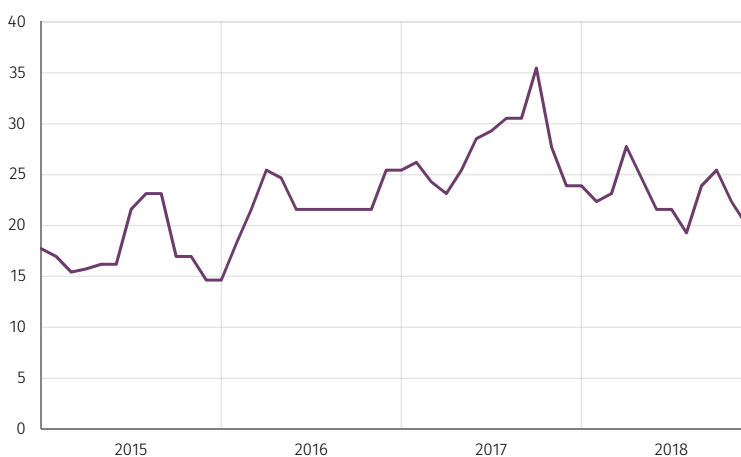


Source: Ministry of Fisheries, Marine Resources and Agriculture
Note: Prices are based on Spain Mercamadrid fresh market prices.

MVR149.6

Price of yellowfin tuna averaged at MVR149.6 per kilogram in 2018

Figure 16: Skipjack Tuna Prices, 2015–2018
(MVR per kilogram)



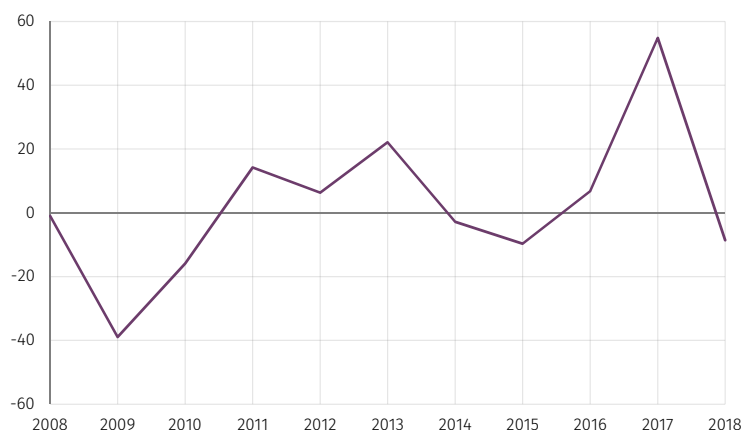
Source: Ministry of Fisheries, Marine Resources and Agriculture

MVR23.0

Price of skipjack tuna averaged MVR23.0 per kilogram in 2018

Figure 17: Volume of Fish Exports, 2008–2018

(annual percentage change)



9%

Volume of fish exports declined by 9%

Source: Maldives Customs Service

at MVR68.7 per kilogram. In the international market, the price of yellowfin tuna⁵ averaged MVR149.6 per kilogram (Figure 15), relatively unchanged from 2017, while skipjack tuna price⁶ decreased, and averaged MVR23.0 per kilogram in 2018 (Figure 16).

Reflecting the moderate primary fishing activity, the volume of fish exports declined by 9% compared with 2017 and totalled 65.8 thousand metric tons in 2018 (Figure 17). This was largely on account of steep declines in the export volume of frozen yellowfin tuna and frozen skipjack tuna, which fully offset the increase in the export volume of canned or pouched tuna.

Construction

The construction sector continued its robust growth trend during 2018, underpinned by various public infrastructure projects and strong bank credit growth to

the private sector. Major infrastructure projects carried out during the year included construction of Sinamale' Bridge and Dharumavantha Hospital; the runway and terminal development project at Velana International Airport (VIA); land reclamation and revetment of Thilafushi island for waste management purposes; and construction of regional airports. The sector also received a boost from additional development projects such as the establishment of water and sewage systems in the atolls; and construction of harbours and social housing projects. In addition, private sector investments in tourism and real estate provided further impetus for the construction sector growth during year.

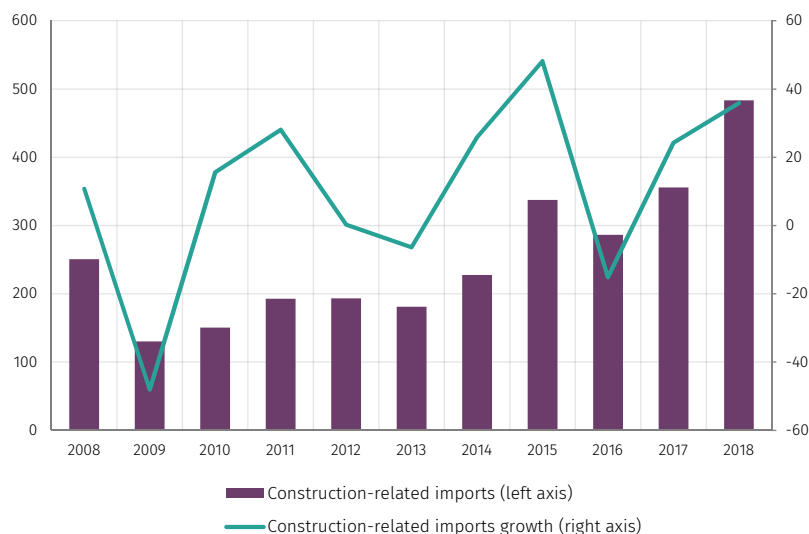
Considering the key indicators used to gauge the performance of the sector, both construction sector-related imports and bank credit to the sector showed positive developments throughout the year. In 2018,

⁵ Yellowfin tuna prices are based on Spain's Mercamadrid fresh market prices.

⁶ Skipjack tuna prices are based on Bangkok's frozen market prices.

Figure 18: Construction-related Imports, 2008–2018

(millions of US dollars, annual percentage change)



35%

Construction-related imports grew by 35% in 2018

Source: Maldives Customs Service

the annual growth in construction sector-related imports accelerated to 35% from 24% in 2017 (Figure 18). Meanwhile, commercial banks' credit to the construction sector recorded an annual growth of 21% in 2018 and accounted for 52% of total private sector credit, up from the 47% recorded in 2017. The growth in construction sector-related loans⁷ was largely due to the increase in loans extended for the construction of residential and housing projects, coupled with credit lent for new resort development and renovation of resorts. During 2018, external financing⁸ was utilised for the majority of the major infrastructure projects carried out, as indicated by the net borrowing of MVR3.7 billion recorded in external financing.

Wholesale and Retail Trade

The performance of the wholesale and retail trade sector showed mixed results in 2018 as evidenced by the main indicators for the sector, such as private sector imports and bank credit to commerce. Private sector imports (excluding tourism) registered an annual growth of 16% during 2018—unchanged from the preceding year—while commercial banks' credit to commerce recorded a marginal decline during the year. In contrast, according to the majority of respondents participating in the MMA's Quarterly Business Survey for the wholesale and retail trade sector, both the volume of sales and volume of orders placed increased throughout the year.

⁷ Construction sector-related loans include loans to the construction sector and for new resort development, resort renovation and construction of guesthouses (classified as tourism sector loans), as well as loans to the real estate sector. Hence, this figure will be different from the loans to the construction sector reported under Monetary Developments.

⁸ External financing includes borrowings as loans contracted from bilateral and multilateral sources and debt securities issued in the international market.

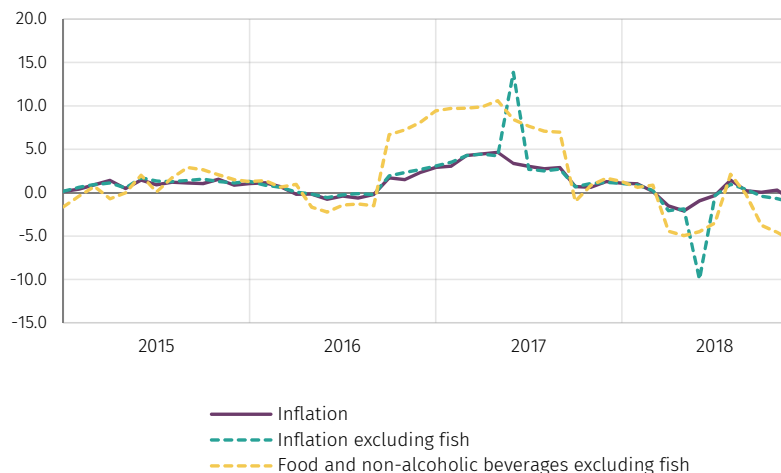
Inflation

The average rate of inflation decelerated and turned negative to -0.1% in 2018. The fall in inflation stemmed largely from the harmonisation of electricity prices across the country, coupled with the reduction in the administered prices of staple food items during the year. Meanwhile, the base effects from the earlier revision of import duty on petroleum products in 2017 also contributed to the dampening of inflation during 2018.

The rate of inflation as measured by the annual percentage change in the 12-month average of national CPI decelerated marginally in the first three months of the year and entered a deflationary territory during 2018. This largely reflects the effects of a number of policy changes implemented in 2017 and during the first half of 2018. The base effects from the revision of import duty on petroleum products during 2017 were dominant in the first half of 2018, while the policies introduced during the first

half of 2018—primarily the reduction of the electricity tariff in atolls and administered prices of staple food items—exerted further downward pressure. As a result, overall inflation remained in the deflationary territory during the year as a whole and was recorded at -0.1% in 2018, down from 2.8% in 2017 (Figure 19). The decline in CPI was primarily contributed by electricity and food, which are heavily weighted categories in the CPI basket.

Figure 19: Inflation (National), 2015–2018
(annual percentage change)



-0.1%

Average inflation rate declined to -0.1% in 2018

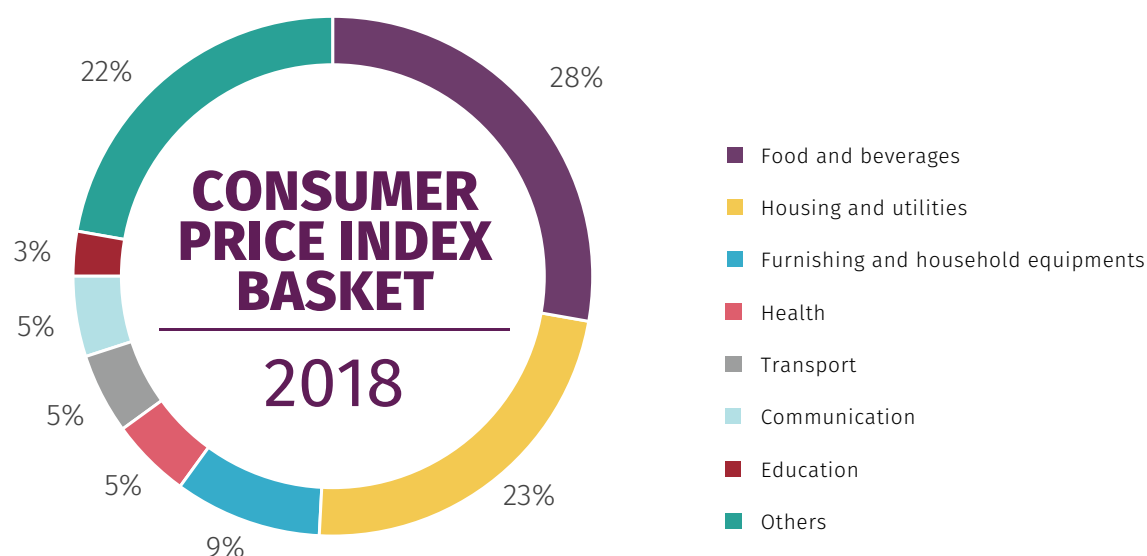
Source: National Bureau of Statistics

Prices of food items, which carry the largest weight of the CPI basket (26%) declined during the year and contributed negatively to the overall inflation (Figure 20). The decline was mainly driven by the drop in prices of staple food items (rice, flour and sugar), reflecting the downward revision of administered prices of these staples in April 2018, which is a reversal of the policy change introduced in October 2016 to remove the blanket subsidy on food staples. However, the decline in prices of such items was offset to some extent by the significant increase in the prices of vegetables, particularly root crops. This was driven by a surge in onion prices during the third quarter of the year caused by weather-related disruption to supply of onions imported from India, the main import market for such items. In addition, fish prices increased on average and contributed positively to inflation, although they remained volatile throughout the year. Fish prices rose by 1.7%, mainly

due to higher prices of skipjack tuna during the year. Reflecting this, the inflation rate excluding fish dropped further and was recorded at -1.2% during the period (Figure 21). Further, the base effect from the hike in import duties on soft drinks and energy drinks in March 2017, as well as the growth in prices of dried fruits during the year, exerted some degree of upward pressure on prices in early 2018.

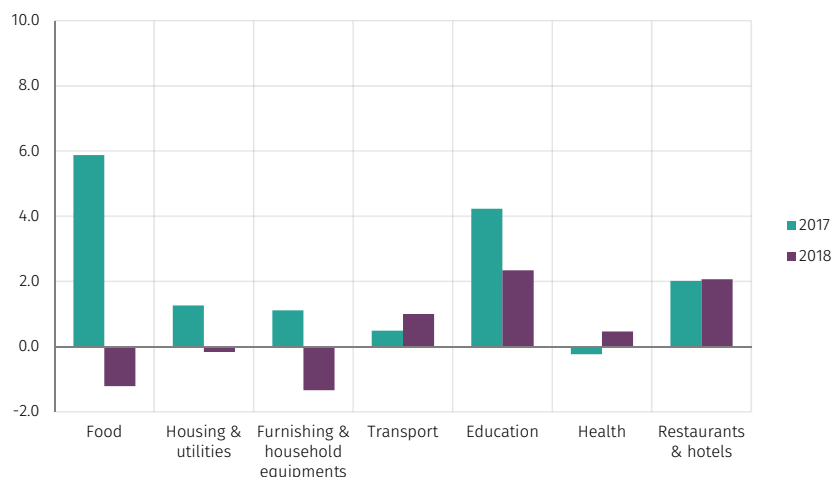
Developments in international crude oil prices have a significant impact on domestic oil prices, as the Maldives is a net importer of petroleum products. However, despite a continued strong recovery in global oil prices during the year, the pass-through effect of increased oil prices on the domestic economy remained minimal. This was mainly due to the base effect of the downward revision in the import duties on petrol and diesel in June 2017, combined with the upward adjustment to the administered

Figure 20: Consumer Price Index Basket



Source: National Bureau of Statistics

Figure 21: Inflation Rates of Selected Categories of the CPI (National), 2017–2018
(annual percentage change)

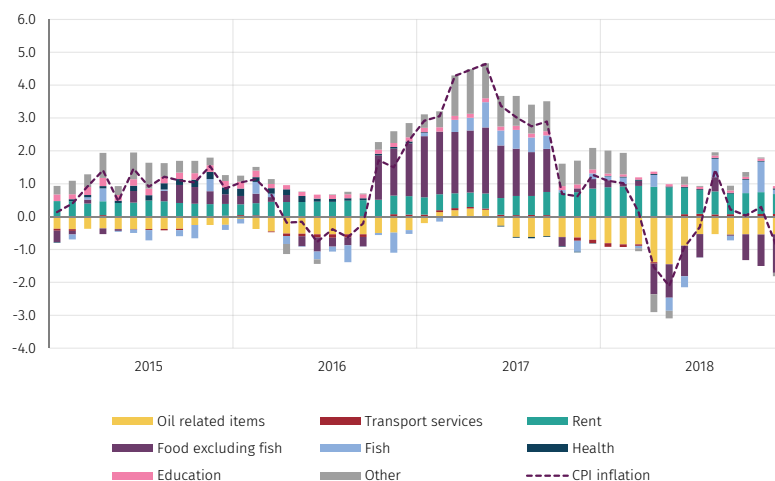


-1.2%

Price of food declined by 1.2% in 2018

Source: National Bureau of Statistics

Figure 22: Contribution of Sub-Categories to CPI Inflation (National), 2015–2018
(annual percentage change, percentage point contributions)



6.0%

Rental prices increased by 6.0% in 2018

Source: National Bureau of Statistics

fuel surcharge cap rate⁹ in August 2017—which led to a temporary exemption of the fuel surcharge on electricity by the State Electric Company Ltd. and Fenaka Corporation Ltd. In addition, electricity and water tariffs in the atolls were reduced in March 2018 to harmonise utility rates across the country, which exerted further downward pressure on inflation during the year. As such, the price of electricity fell by 24.3% during the year and contributed most to the downturn in the price level in 2018 (Figure 22).

In contrast to the above, rental prices and prices of tobacco and areca nuts contributed positively to the overall inflation, partly offsetting the dampening effect from other factors. Rental prices—the second-largest weighted item in the CPI basket after the food category—increased by 6.0% during the year. The uptrend in the growth rate of rental prices observed from the second quarter of 2017 continued into 2018, accelerating until the second quarter

of the year. After this, growth in rental prices decelerated to some extent, yet contributed most positively to the overall inflation during the year. With regard to the prices of tobacco and areca nuts, these increased by 8.4% during the year. Additionally, the base effect of the upward revision of import duties on cigarettes in March 2017—which completely dissipated by March 2018—also contributed positively to the overall inflation during the year.

Considering other contributors to inflation, prices of furniture and household equipment as well as prices of garments declined marginally during the year. Prices of furniture declined the most during the second quarter of the year, which can be attributed to pre-Ramadan sales promotions by retail outlets. Meanwhile, prices of transport edged up during the year, largely owing to an increase in prices of fuel and lubricants, coupled with a rise in airfares during the latter half of the year.

⁹ The fuel surcharge begins to be charged only when the price at which State Electric Company Ltd. purchases diesel from the State Trading Organization exceeds the cap of MVR8.0 per litre. The rate at which the fuel surcharge applies is MVR0.03 per MVR0.10 increase in the price of a diesel litre, above the surcharge cap.

Public Finance

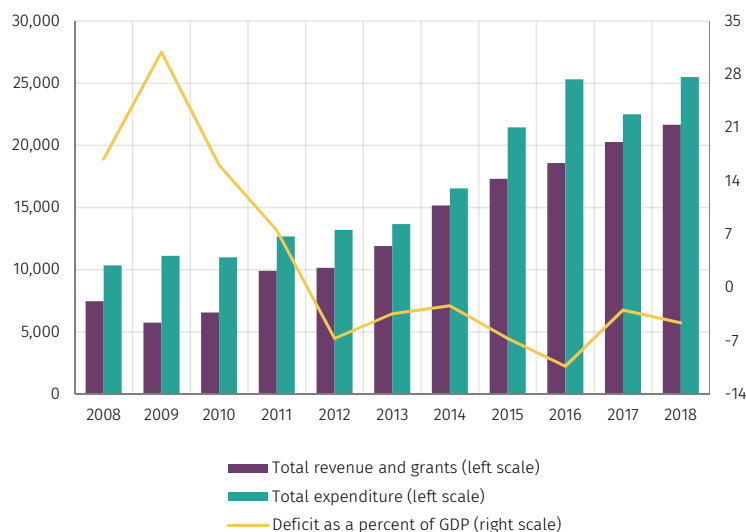
Despite the strong growth in revenue, the fiscal deficit widened to 4.7% of GDP in 2018, driven by a significant growth in current expenditure. In 2018, total revenue was lower than budgeted as the planned new revenues for the year did not materialise. Nonetheless, buoyant economic conditions, along with the full-year realisation of the new revenue measures implemented in 2017, boosted revenue growth during 2018.

The fiscal policy of the government during 2018 was designed to alleviate socio-economic issues through spending on ways to improve the standard of living of the people. In this regard, government spending was prioritised towards building infrastructure, bringing revolutionary changes to the education system and increasing the purchasing power of civil servants through salary increments. In addition, strong

importance was placed on the completion of mega infrastructure projects.

Despite the strong growth in revenue, the fiscal deficit widened to MVR3.8 billion in 2018 from MVR2.2 billion in 2017, which was MVR1.4 billion higher than the fiscal deficit target for the year, driven by higher current expenditure. In terms of GDP the overall fiscal deficit¹⁰ is estimated to have widened to 4.7%

Figure 23: Government Revenue and Expenditure, 2008–2018
(millions of rufiyaa, percent)



4.7%

Fiscal deficit is estimated to be 4.7% of GDP in 2018

Source: Ministry of Finance

¹⁰ Latest data available from the Ministry of Finance, as of 21 April 2019.

in 2018, higher than the 3.0% in 2017 (Figure 23). Similarly, the primary deficit¹¹ widened to 2.9% of the GDP in 2018 from 1.5% in 2017, reflecting higher interest expenditure. In 2018 the increase in total expenditure can be attributed to the significant rise in current expenditure, reflecting higher administrative and operational expenses. Meanwhile, capital expenditure saw a marginal decrease owing to the completion of major works of mega infrastructure projects in the preceding year. During the year the solid growth in total revenue was led by strong economic growth and the full-year realisation of the new revenue measures implemented in 2017, which steered higher tax inflows as well as high non-tax revenue, along with a slight increase in capital receipts. Nonetheless, total revenue was lower than budgeted as new revenue measures proposed under the 2018 budget—such as the amendments to the business profit tax (BPT) and GST Acts—

did not materialise given that the proposed amendments to the Acts were withdrawn for further understanding.

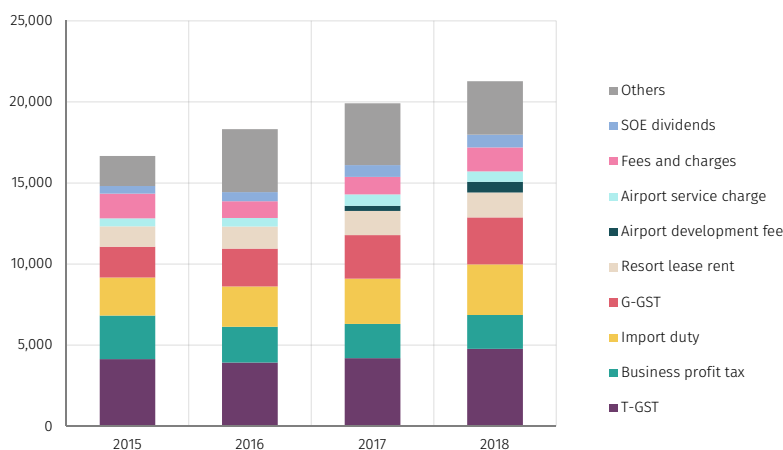
Revenue

Total government revenue (excluding grants) reached MVR21.3 billion in 2018, an increase of 7% compared with 2017. However, this represented a shortfall of MVR389.2 million compared with the revenue target, as the proposed new revenue measures did not materialise during the year. This upsurge in revenue was largely driven by tax revenue along with non-tax revenue, while capital receipts recorded a slight increase during the year.

Tax revenue, the largest component of total revenue (Figure 24), grew significantly by MVR1.1 billion and totalled MVR15.8 billion during the year. This was mainly driven by a remarkable growth in tourism goods

Figure 24: Breakdown of Revenue (Excluding Grants), 2015–2018

(millions of rufiyaa)



Source: Ministry of Finance

MVR21.3 BILLION

Total government revenue increased to MVR21.3 billion in 2018

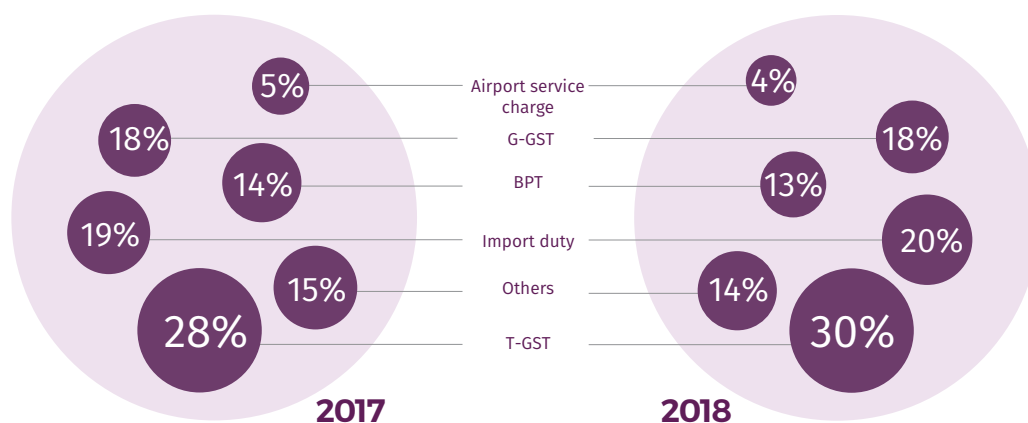
¹¹ This is the total budget balance excluding interest expenditure.

and services tax (T-GST) underpinned by a buoyant tourism sector performance during the year. This buoyancy was further reflected in growth in revenues from green tax, which registered a growth of 16% compared with the previous year. Growth in revenues from import duties and general goods and services tax (G-GST) also contributed to the annual growth in tax revenue in 2018.

Considering the composition of tax revenue, T-GST continued to be the main source of revenue for the government (Figure 25) and totalled MVR4.8 billion in 2018. Reflecting the strong performance of the tourism sector, revenue from T-GST surpassed the budgeted revenue target and grew by MVR584.8 million compared with the previous year. The performance of the tourism sector also carries direct implications for green tax and the airport service charge. In this regard, revenue from green tax also observed a significant growth during the year. However, the airport service

charge registered a decline, primarily owing to the higher base effect of one-off receipts in 2017 as part of the transition to the new collection structure following the ratification of the Airport Taxes and Fees Act in 2016. In contrast, import duty—the second-largest source of revenue—observed an increase of MVR322.1 million in the review year, mirroring the strong growth in imports, increase in global oil prices and tariff hikes—on tobacco, fizzy drinks and energy drinks—in 2017; and, to some extent, robust economic growth. Also, reflecting continued robustness in economic growth and rising domestic demand, a substantial increase was witnessed in G-GST, which grew by MVR219.8 million in 2018. In contrast, business and property tax¹² recorded a significant decline during the year, driven by the fall in bank profit tax as profits of the banks were lower in 2017 compared with 2016. In addition, BPT posted a marginal decline in 2018.

Figure 25: Composition of Tax Revenue



Source: Ministry of Finance

¹² Business and property tax revenues for 2017 were collected during 2018.

Non-tax revenue grew by MVR271.7 million and totalled MVR5.5 billion during the year. The annual growth in non-tax revenue was primarily driven by an increase in revenue from the airport development fee, which registered a growth of MVR342.2 million due to its full-year realisation, compared with the previous year. In addition, profit transfers from state-owned enterprises (SOEs) recorded an increase of MVR68.1 million in 2018 but were lower than anticipated, as SOEs were allowed to retain profits due to liquidity constraints. Meanwhile, revenue from resort lease rent recorded an increase of MVR37.4 million with the opening of 10 new resorts during 2018—falling short of the budgeted target as construction of some resorts was allowed to be delayed with extensions to their construction period. This was due to amendments to the guidelines on the extension of the construction period and deferment of rent and fines by the Ministry of Tourism. Revenue from resident permits, and fines and penalties also registered growth during the period. Mirroring the overall increase in these revenues, non-tax revenue exceeded budgeted target for the year.

Expenditure

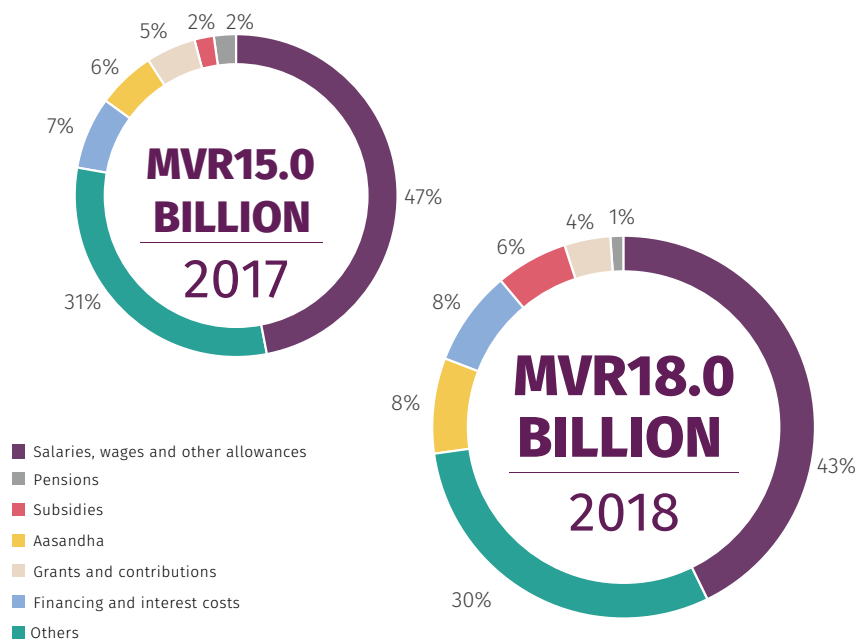
Total government expenditure (excluding net lending) amounted to MVR25.5 billion in 2018, registering an increase of MVR3.0 billion in annual terms. This upturn in total expenditure was driven by a significant growth in current expenditure, while capital expenditure fell marginally during the year.

Current expenditure—which accounted for 71% of total expenditure—rose by MVR3.0 billion and totalled MVR18.0 billion (Figure 26). This was 12% in excess of the amount budgeted for current expenditure in 2018.

The growth in current expenditure largely reflected increases in administrative and operational expenses stemming from increased expenditure on the national health insurance scheme (Aasandha), on the account of payment of outstanding bills totalling to MVR500.0 million, which was not included in the initial budget (Figure 27). Hence, proposed measures to curb Aasandha expenditure did not materialise during the year. Additionally, administrative and operational expenses were pushed up by higher subsidies, particularly owing to expenditure on fuel subsidies. This was triggered by higher global oil prices together with the harmonisation of electricity prices in atolls and reintroduction of subsidies to utility companies. Further, significant growth was observed in government salaries and wages due to changes made to the salary structure of institutions while expenses on overtime pay were higher than anticipated, although close to initial budget estimates.

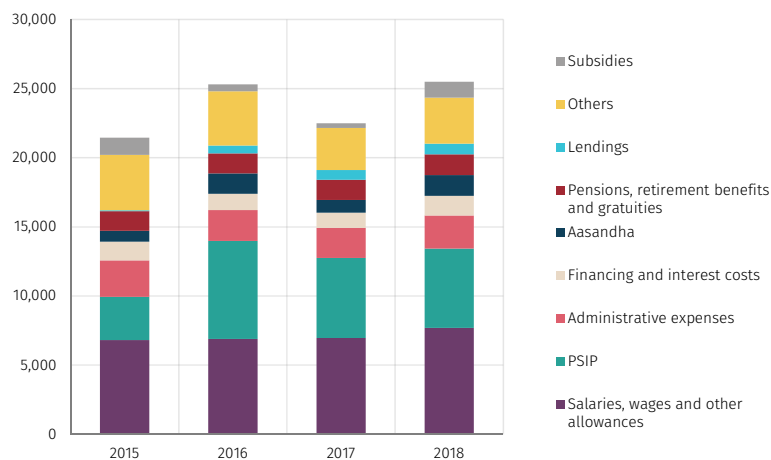
The major components of expenditure—salaries, wages and allowances—continued to account for the highest share of the total current expenditure, recording a growth of 10% during the year, as changes were brought to the salary structure of the government which saw an increment in salaries of civil service staff and an increase in the salaries of defence, police, customs and nurses. Meanwhile, interest payments posted a significant growth owing to the increase in interest costs resulting from sovereign bonds issued in 2017 and 2018. Hence, the rise in interest costs by MVR343.4 million in annual terms was largely driven by the acceleration in foreign financing, as domestic financing observed only a minimal increase during the year.

Figure 26: Government Recurrent Expenditure



Source: Ministry of Finance

Figure 27: Expenditure Breakdown, 2015–2018
(millions of rufiyaa)



MVR25.5 BILLION

Total expenditure increased to MVR25.5 billion in 2018

Source: Ministry of Finance

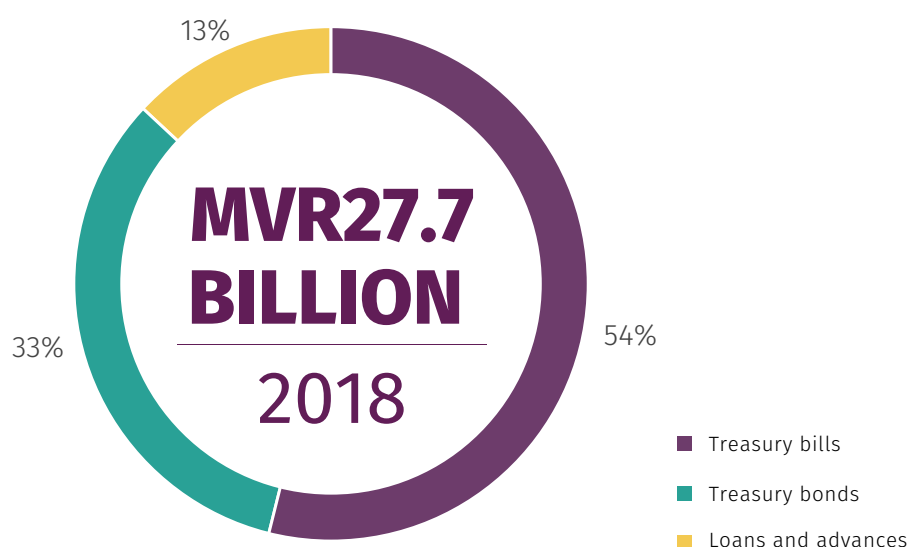
Capital expenditure recorded a slight decrease of MVR35.2 million and totalled MVR7.5 billion in 2018, which was also lower than budgeted for the year. This decrease in capital expenditure largely reflected fall in spending on public sector investment programmes (PSIPs), development projects and investment outlays which offset the rise in spending on buildings, roads, bridges and airports. The reduction in PSIP expenditure mainly resulted from the decline in projects, as other infrastructure assets mirrored the completion of Dharumavantha Hospital, for which major payments for construction were made in 2017. This was also contributed to by the decline in construction of wharves, ports and harbours. However, a significant increase was observed in spending on buildings, roads, bridges and airports as large payments were made for the Sinamale' Bridge and VIA runway projects. In addition, loan outlays increased during the year, reflecting a rise in loan disbursements to SOEs.

Financing

During the year, the fiscal deficit was mostly financed through external sources, which also exceeded the budgeted target for the year. Meanwhile, borrowing through domestic sources was relatively less and lower than anticipated during the year.

External financing includes borrowings as loans—contracted from buyer's credit, bilateral and multilateral sources and commercial banks—and debt securities issued in the international market. During 2018, external financing recorded a net borrowing of MVR3.7 billion. This was contributed by growth in external borrowings from both loans and debt securities. As such, loan proceeds came through external loans acquired as buyer's credit for project financing while debt security proceeds stemmed from the issuance of a sovereign bond in June 2018.

Figure 28: Composition of Domestic Claims on Government



Source: Maldives Monetary Authority

Domestic borrowing by the government—consisting of both short-term and long-term loans and debt securities—represented a net borrowing of MVR556.6 million in 2018, which is lower than the net borrowing of MVR705.6 million recorded in the previous year. The lower net borrowing during the year reflects considerable loan repayments over the period. In 2018 the primary source of domestic borrowing was the issuance of government securities—treasury bills and treasury bonds¹³ (Figure 28). The growth in domestic borrowing over the review period mostly stemmed from the net issuance of treasury bills, which recorded a net borrowing of MVR920.2 million despite the marginal decline in net borrowing of treasury bonds during the year.

Public Debt

The total outstanding stock of public debt increased to MVR48.0 billion at the end of 2018 from MVR43.8 billion at the end of 2017, largely driven by an increase in external debt. In terms of GDP, public debt remained at 58% in 2018, the same level as in 2017 (Figure 29). With regard to the composition of debt, domestic debt remained the largest component, with a share of 58% at the end of 2018, while the external debt rose significantly, from 38% to 42%.

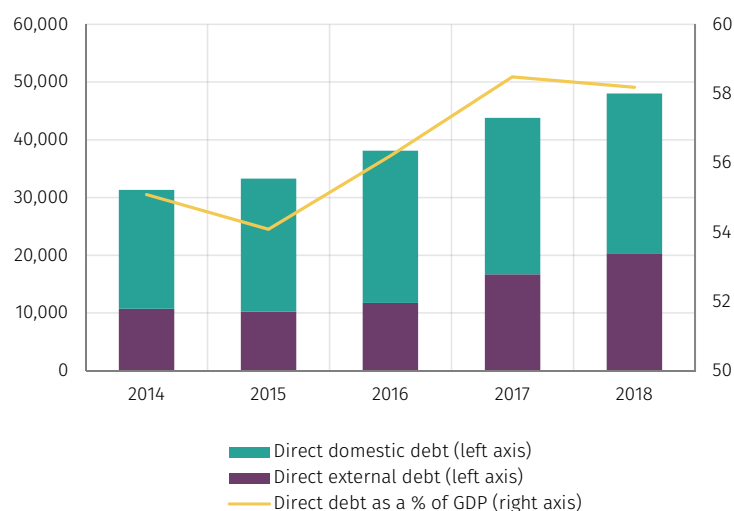
Meanwhile, total public and publicly guaranteed debt rose from 61% of GDP in 2017 to 72% in 2018, which is attributed to increased reliance on external financing for large infrastructure development and housing projects undertaken by the private sector and SOEs (Figure 30).

External debt, which consists of external borrowings in the form of loans and sovereign bonds issued in the international market, totalled MVR20.3 billion at the end of 2018. This increase in external debt during 2018 mainly reflected external loans contracted for the financing of mega infrastructure projects, in particular, the runway development project at VIA. The issuance of a US\$100.0 million sovereign bond to the Abu Dhabi Fund further added to the accumulation of external debt. Meanwhile, domestic debt totalled MVR27.7 billion in 2018, up from MVR27.1 billion in 2017. This largely reflected the increase in treasury bills issued to commercial banks. As a result, the share of treasury bills in total domestic debt increased from 52% in 2017 to 54%. In contrast, the outstanding stock of treasury bonds declined at the end of 2018.

Turning to the outstanding stock of treasury bills by holder, commercial banks remained the main investor in terms of holdings, with a share of 64% of the total outstanding treasury bills, followed by the other financial corporations (33%) (Figure 31). With regard to maturity, investor preference has been shifting towards long-term maturities as treasury bill issuance reverted to a tap system in 2014 (Figure 32). Accordingly, a large portion of treasury bills (68%) was invested in 364-day treasury bills at the end of the year. The stock of 28-day, 91-day and 182-day treasury bills outstanding at the end of 2018 was 7%, 12% and 13%, respectively.

¹³ The pension recognition bond is not classified as a treasury bond as it is non-tradable.

Figure 29: Total Outstanding Stock of Public Debt, 2014–2018
(millions of rufiyaa, percent)

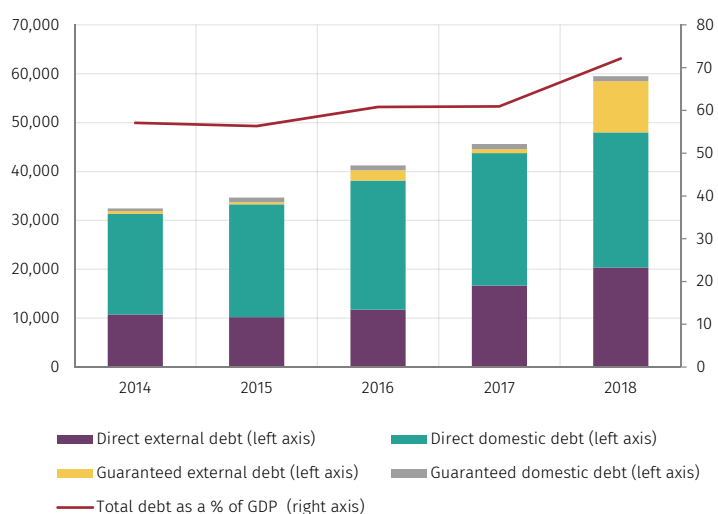


58%

Public debt as a percentage of GDP remained at 58% in 2018

Source: Ministry of Finance

Figure 30: Total Outstanding Stock of Public and Publicly Guaranteed Debt, 2014–2018
(millions of rufiyaa, percent)

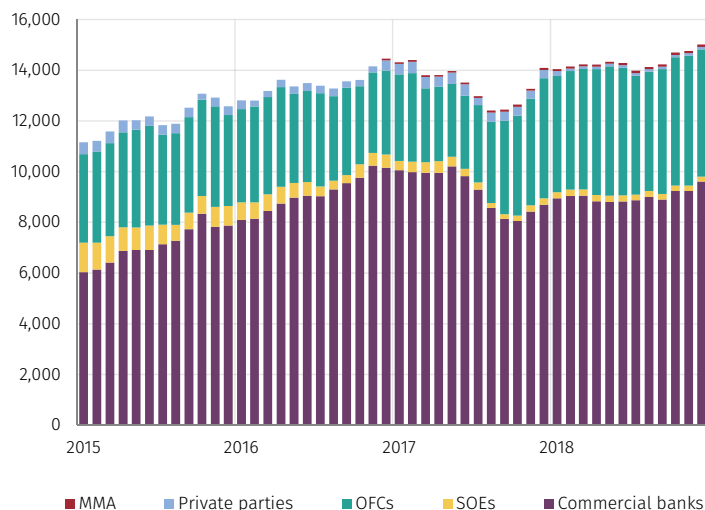


72%

Total public and publicly guaranteed debt as a percentage of GDP rose to 72% in 2018

Source: Ministry of Finance

Figure 31: Outstanding Treasury Bills by Holder, 2015–2018
(millions of rufiyaa)

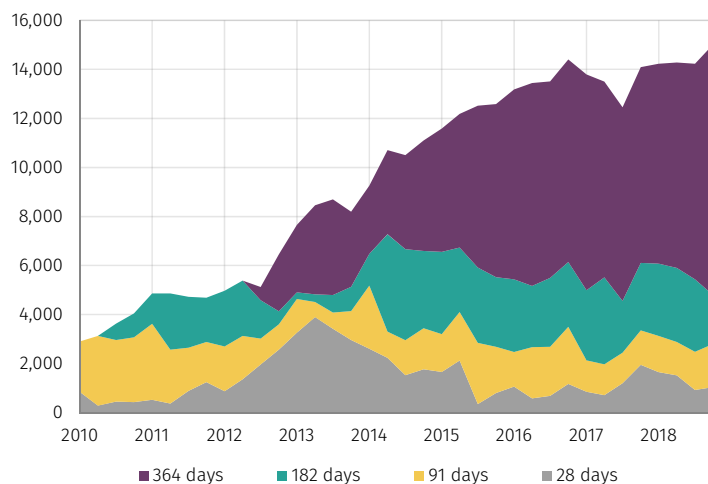


64%

Commercial banks were the main investors in treasury bills with a share of 64%

Source: Maldives Monetary Authority

Figure 32: Treasury Bills Holdings by Maturity, 2010–2018
(millions of rufiyaa)



68%

68% of total outstanding treasury bills were invested in 364-days treasury bills

Source: Maldives Monetary Authority

Monetary Developments

The MMA continued to adapt a supportive monetary policy stance that enables private sector credit expansion to facilitate further economic growth. In this respect, with the objective of maintaining exchange rate stability the MMA continued its intervention in the foreign exchange market. In addition, the MMA continued to absorb the excess liquidity in the banking system via commercial banks' investments in the ODF.

With regard to monetary developments, reserve money registered an annual growth in 2018 because of the growth in NFA and NDA of the MMA. As for broad money, it increased in 2018 because of the increase in NDA of the banking sector.

Reserve Money

Reserve money stood at MVR11.5 billion at the end of 2018—an increase of 8% in annual terms (Figure 33). The growth in reserve money can be attributed both to the annual increase in NFA and NDA of the MMA, which had grown by 5% and 20%, respectively. The growth in NFA primarily reflects the increase in the MMA's foreign currency investments abroad, which stemmed mainly from the increase in the foreign currency reserve account balances of commercial banks held at the MMA. The foreign currency swap facility with the Reserve Bank of India (RBI), entered into on 19 December 2018, also contributed to the increase in foreign assets of the MMA. Meanwhile, the swap facility led to a significant increase in foreign liabilities of the MMA by the end of December 2018.

The growth in NDA of the MMA mainly reflects the decrease in the deposits of the government held at the MMA, coupled with the decline in the ODF investments of commercial banks at the MMA. However, the

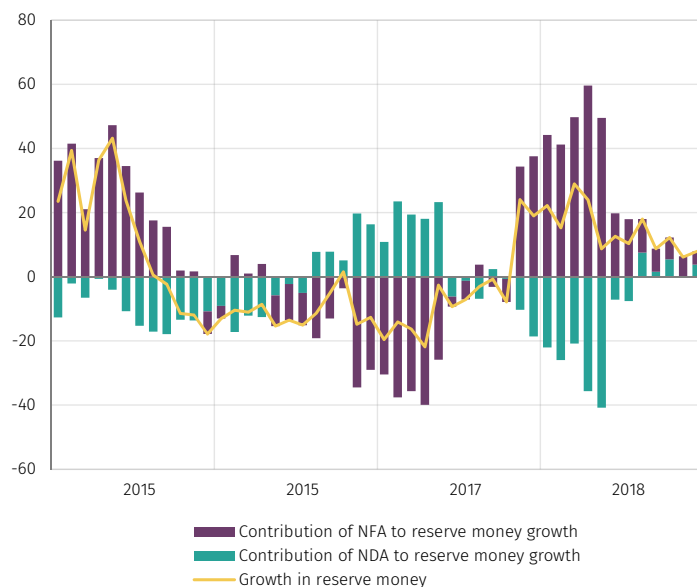
increase in NDA was partially offset due to the reduction in the MMA's claims on public non-financial corporations through monthly coupon payments received by the MMA throughout the year from its investment in foreign currency bonds issued by the Maldives Airports Company Ltd. in November 2016.

Focusing on the components of reserve money, commercial bank deposits at the MMA—which constituted 68% of reserve money at the end of 2018—increased by 9% in annual terms. Meanwhile, currency in circulation, which accounted for 32% of reserve money, recorded a growth of 5% at the end of the year.

Monetary Operations

The monetary policy instruments available to the MMA are open market operations (OMOs), the ODF, the overnight Lombard facility (OLF) and foreign currency swap facilities. During 2018, commercial bank investments on the ODF facilitated the absorption of excess liquidity in the market; daily investments in the ODF by commercial banks averaged MVR3.2 billion during the year. This represents a growth of 2% compared with the average investments in the ODF during 2017.

Figure 33: Sources of Reserve Money, 2015–2018
(annual percentage change, contribution percent)

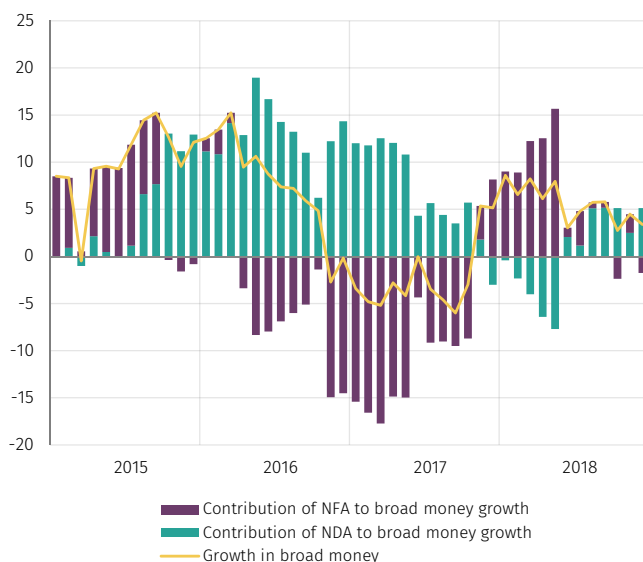


8%

Reserve money increased by 8% in 2018 and stood at MVR11.5 billion

Source: Maldives Monetary Authority

Figure 34: Sources of Broad Money, 2015–2018
(annual percentage change, contribution percent)



3%

Broad money growth slowed down to 3% at the end of 2018

Source: Maldives Monetary Authority

Broad Money

The stock of broad money rose to MVR33.1 billion at the end of 2018. The annual growth rate of broad money decelerated to 3% at the end of 2018 from 5% at the end of 2017 (Figure 34). The broad money growth was caused by the annual growth in NDA of the banking sector, which recorded an annual growth of 8% at the end of December 2018. The growth in NDA of the banking sector can be attributed to both the increase in NDA of commercial banks and NDA of the MMA. The NDA of the commercial banks posted a growth of 7% at the end of December 2018 while NDA of the MMA increased by 20% during the period. In contrast, NFA of the banking sector declined by 5% due to the decrease in NFA of commercial banks, despite the annual growth in NFA of the MMA. The NFA of commercial banks posted a decline of 58% at the end of 2018.

Components of Broad Money

With regard to components of broad money, its annual growth was mostly driven by the annual growth of quasi money (Figure 35). Quasi money, which accounted for 56% of broad money at the end of the year, increased by 6% at the end of 2018, an acceleration in the pace of growth compared with the 3% annual growth recorded in the preceding year. This can be broadly attributed to the incline in other deposits denominated in local currency, followed by the increase in foreign currency demand deposits and other deposits. Meanwhile, narrow money accounted for 44% of broad money at the end of the year and posted a marginal growth of 1%, reflecting the annual increase in currency outside the banking sector.

Counterparts of Broad Money

The annual increase in broad money was entirely driven by the growth of NDA of the banking system, which stemmed from the increase in NDA of both the commercial banks and the MMA. The increase in NDA of commercial banks was largely rooted from the growth in credit provided to the private sector. Commercial banks' net claims on the central government also contributed to the growth in NDA of commercial banks, as their investments in government securities increased in annual terms.

However, the decrease in NFA of the banking system partially offset the growth in broad money, as the decline in NFA of commercial banks fully curbed the growth in NFA of the MMA. The decline in NFA of commercial banks can be attributed mainly to the decrease in foreign currency deposits held abroad by commercial banks, coupled with the decline in foreign currency loans given to non-residents.

Net Claims on Central Government

Net claims on the central government, which totalled MVR13.0 billion at the end of 2018, registered an annual growth of 10% following a decline of 12% in 2017. The annual growth in net claims on the central government was mainly driven by the decline in government deposits at the MMA. The increase in the outstanding stock of commercial banks' investments in government securities also contributed to the growth in net claims on the central government. The outstanding stock of government securities held by commercial banks, which consisted entirely of treasury bills, amounted to MVR9.6 billion at the end of the review period (this value represents

Figure 35: Growth in Narrow Money and Quasi Money, 2015–2018

(annual percentage change)



6%

Quasi money increased by 6% in 2018

Source: Maldives Monetary Authority

the face value of treasury bills and Islamic instruments). This represents an annual growth of 10%, reflecting commercial banks' net investments in treasury bills.

In 2018, net claims by the MMA on the central government stood at MVR5.3 billion and accounted for 87% of the domestic assets of the MMA. Meanwhile, net claims by commercial banks on the central government amounted to MVR7.7 billion and accounted for 17% of the domestic assets of the commercial banks in 2018.

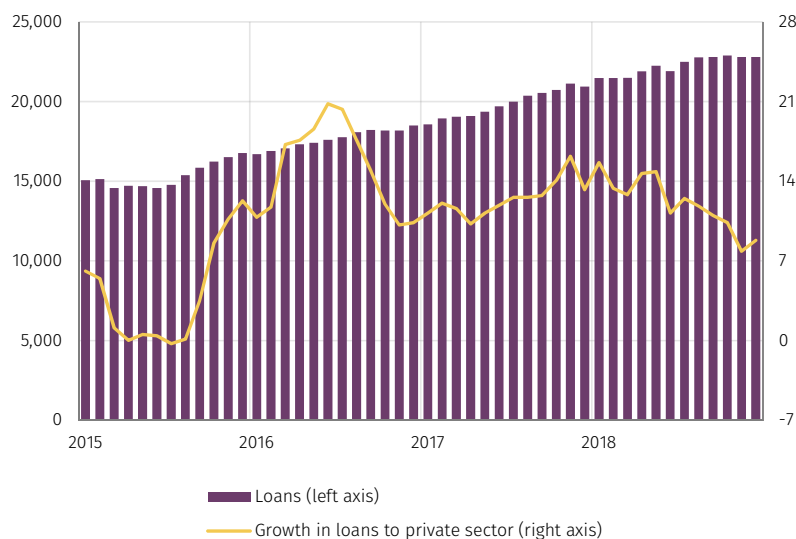
Credit to the Private Sector

Following the downward revision of the minimum reserve requirement (MRR) to 10% in August 2015, credit to the private sector has maintained a positive growth momentum. Thus, the annual growth in private sector credit was posted as 9% at the end of December 2018 (Figure 36), although the pace of growth slightly decelerated from

13% at the end of 2017. During the year, the annual growth in private sector credit was largely driven by the rise in local currency lending, which accelerated to 15% while foreign currency lending increased by 3%. Local currency lending accounted for 51% of total private sector credit while foreign currency lending accounted for 49%. It is noteworthy that foreign currency lending accounted for the larger share of the total private sector credit during the year, before local currency lending made its turnaround in September 2018.

With regard to the breakdown of private sector credit by economic sectors, credit extended to the tourism sector—which accounted for 37% of total private sector credit—recorded an annual growth of 7% at the end of 2018 (Figure 37). This resulted from the increased foreign currency lending for new resort development and renovation of resorts, which offset the declines in credit provided for construction

Figure 36: Loans and Advances to the Private Sector, 2015–2018
(millions of rufiyaa, annual percentage change)

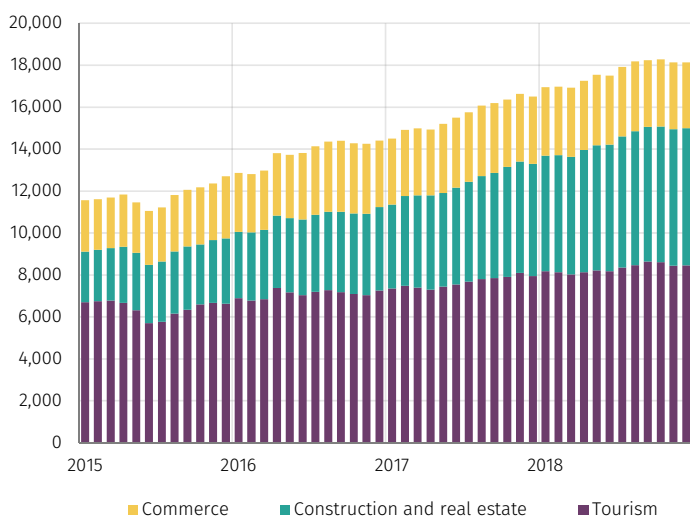


9%

Credit to the private sector grew by 9% in 2018

Source: Maldives Monetary Authority

Figure 37: Loans and Advances to Private Sector by Major Sectors, 2015–2018
(millions of rufiyaa)



7%

Credit to the tourism sector registered a 7% growth in 2018

Source: Maldives Monetary Authority

of guesthouses and working capital loans to the sector. Loans to the construction sector, which accounted for 21% of total private sector credit, recorded annual growth of 30%, largely driven by local currency lending for the construction and development of private residences and households. Credit to the commerce sector—accounting for 14% of total private sector credit—registered a marginal decline of 2%, which stemmed entirely from the decline in credit provided for wholesale and retail purposes.

Meanwhile, personal loans (9% of total private sector credit) and real estate financing (7% of total private sector credit) also posted annual increases: 32% and 4%, respectively. The growth in personal loans was mainly driven by local currency lending for credit cards and consumer durables, while credit growth for real estate stemmed from local currency lending for residential and housing projects, which curbed the decline in foreign currency lending for such projects.

Interest Rates

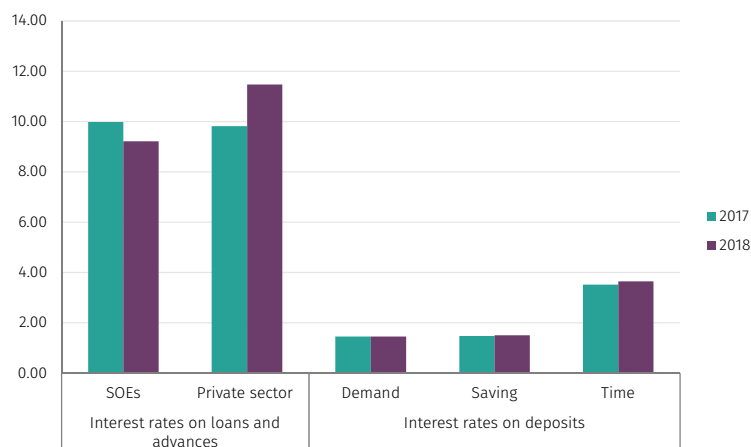
During 2018, the indicative policy rate of the MMA remained at 4.00%, unchanged since its last revision in September 2014. The interest rates on treasury bills also remained unchanged since their last revision in October 2015. Accordingly, the interest rates on 28-day, 91-day, 182-day and 364-day treasury bills stood at 3.50%, 3.87%, 4.23% and 4.60% per annum, respectively, throughout the year.

With regard to the weighted average interest rates (WAIR) levied on loans and advances, the rates on local-currency-denominated loans to the private sector

increased by 165 basis points (bps) in annual terms, while rates on foreign-currency-denominated private sector loans declined by 24 bps. For loans extended to SOEs, the WAIR on both local and foreign currency loans posted declines of 77 bps and 5 bps, respectively (Figure 38 and 39).

Focusing on the interest rates on deposits at the end of year, the WAIR on both local and foreign currency demand deposits declined, by 0.5 bps and 3 bps, respectively. For savings deposits, the rate on local currency savings deposits increased by 2 bps, while the rate on foreign currency savings deposits declined by 11 bps. Similarly, the rate on local currency time deposits increased by 13 bps, while the rate on foreign currency time deposits declined by 5 bps.

Figure 38: Interest Rates for Loans and Deposits (Local Currency), 2017–2018
(weighted average interest rates per annum)

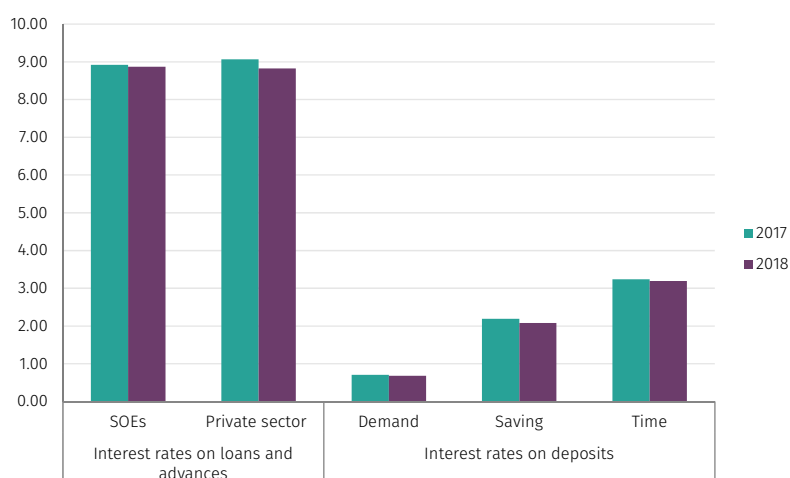


Source: Maldives Monetary Authority

165 bps

WAIR of local-currency
denominated loans to
private sector increased
by 165 bps

Figure 39: Interest Rates for Loans and Deposits (Foreign Currency), 2017–2018
(weighted average interest rates per annum)



Source: Maldives Monetary Authority

-24 bps

WAIR of foreign-currency
denominated loans to
private sector decreased
by 24 bps

Financial Sector

The Maldives financial sector remained strong in 2018. Capital adequacy and asset quality improved in the banking sector while profitability recorded a healthy growth. The overall performance of finance companies improved with the increase in profitability and strong capital ratios, and satisfactory asset performance. The insurance industry continued to grow with the increase in total assets and GWP.

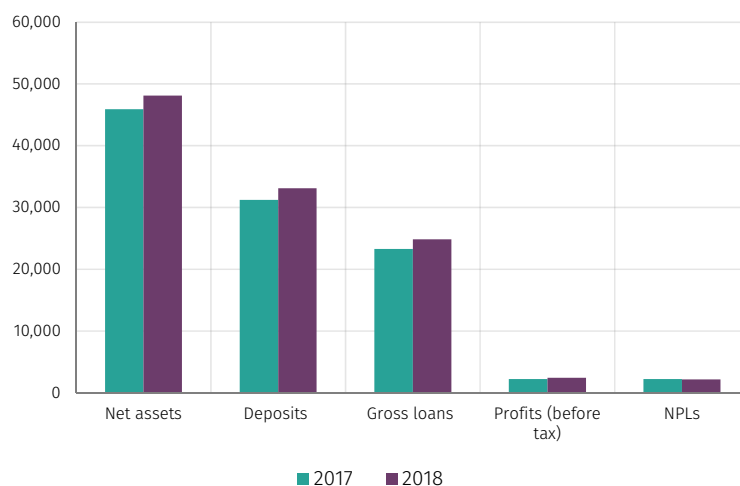
The financial sector is comprised of banks and non-bank financial institutions. The banking sector consists of eight commercial banks: three locally incorporated banks, four branches of foreign banks and one subsidiary of a foreign bank. The non-bank financial institutions regulated by the MMA include five insurance companies, two finance companies, five money remittance providers and two payment system providers (PSPs). The other non-bank financial institutions are security market intermediaries and the pension fund, which are regulated by the Capital Market Development Authority.

Banking Sector

The performance of the banking sector continued to be robust in 2018, with key performance indicators on capital adequacy and asset quality showing improvements compared with the previous year (Figure 40). Profitability ratios also remained strong with an increase in profits during the year.

During the year, the banking sector remained well capitalised and total capital grew by 4% to reach MVR12.1 billion. The capital adequacy ratios were well above the regulatory minimum requirements

Figure 40: Key Indicators of Banking Industry, 2017–2018
(millions of rufiyaa)



4%

Total capital of commercial banks grew by 4% and stood at MVR12.1 billion

Source: Maldives Monetary Authority

with total capital as a percentage of risk-weighted assets ratio at 44% owing to the large share of low-risk assets in the banks' asset portfolios. Leverage capital, measured by equity to net assets, stood at 20% against the regulatory minimum requirement of 5%.

Aggregate net assets of the banks stood at MVR48.1 billion, representing an annual growth of 5%. In terms of asset composition, net loans and advances made up 47% (or MVR22.5 billion) of the portfolio, which increased by 7% (or MVR1.5 billion) on annual terms (Figure 41). Investments in treasury bills made up 19% and amounted to MVR9.3 billion, while balances of the commercial banks' reserve accounts at the MMA and with other banks made up 27% of the net assets.

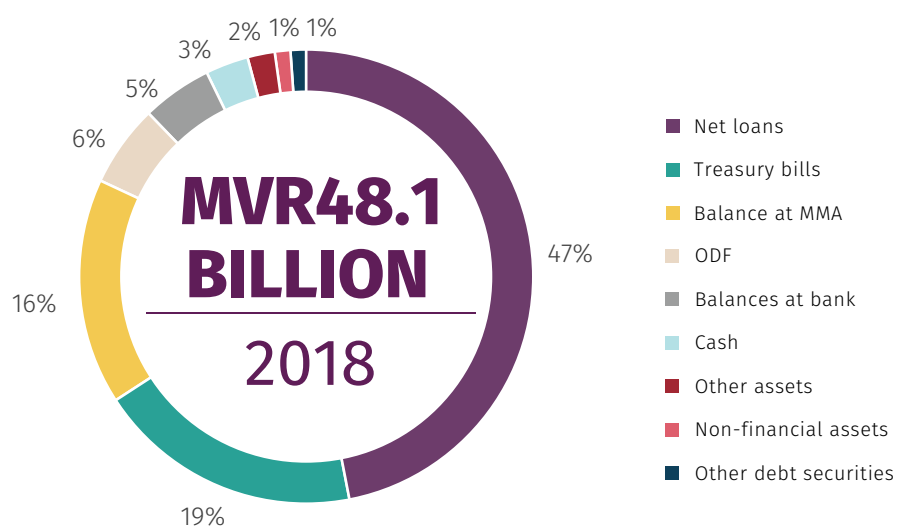
With regard to asset quality, the absolute value of NPLs decreased by 2% (or MVR41.8 million) on annual terms (Figure 42). NPLs as a percentage of total loans at the end of 2018 decreased to 9% from 10% in the

previous year, owing to the large write-off of NPLs during the year. Further, the credit risk was mitigated by the high levels of specific provisioning that covered 96% of the NPL portfolio.

Turning to other key indicators, the total deposits of the banks amounted to MVR33.1 billion, an increase of 6% in annual terms (Figure 43). The growth in deposits stemmed from an increase in foreign currency deposits (9% growth on annual terms), which constituted 54% of total deposits. Demand deposits represented 79% of the total deposits. As such, liquidity remained high, with 45% of net assets being liquid assets and the loans-to-deposit ratio remained steady at 75% over the year.

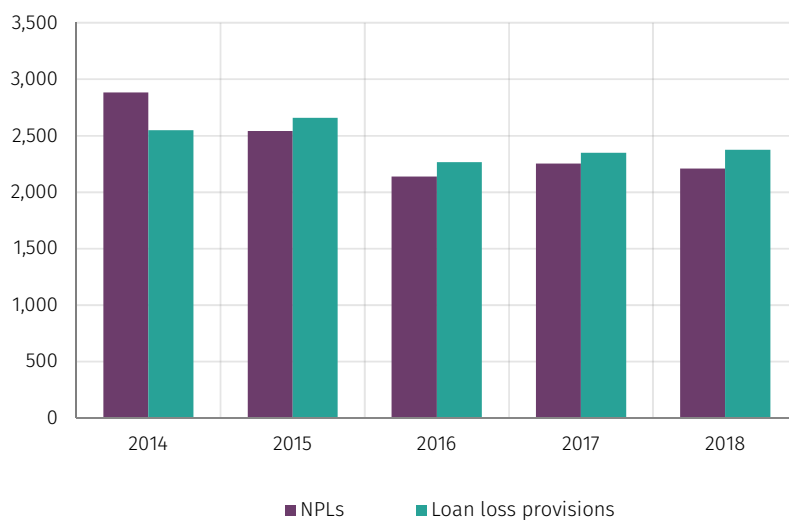
With the significant growth in lending during the year, the net interest income increased by 4% year on year, while net non-interest income increased by 40%. As a result, the profitability ratios remained high with the return on average equity at 15%

Figure 41: Net Asset Composition of the Banking Industry, 31 December 2018



Source: Maldives Monetary Authority

Figure 42: NPLs and Loan Loss Provisions, 2014–2018
(millions of rufiyaa)

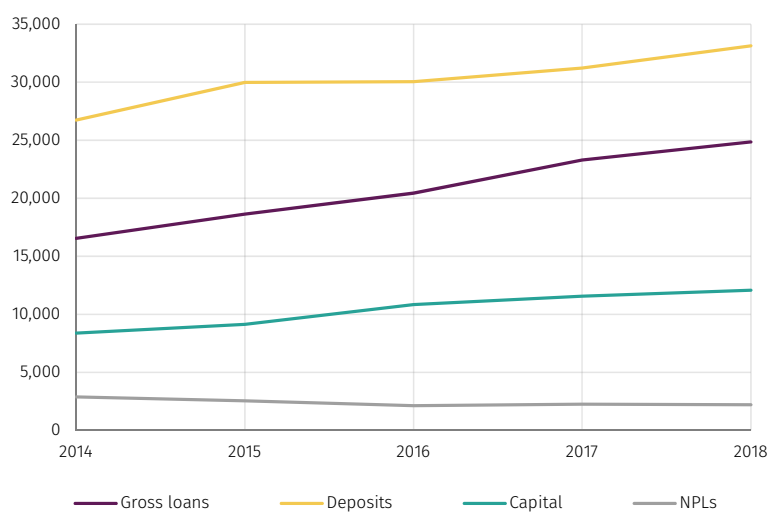


-2%

Absolute value of non-performing loans decreased by 2%

Source: Maldives Monetary Authority

Figure 43: Key Indicators of the Banking Industry, 2014–2018
(millions of rufiyaa)



9%

NPLs as a percentage of total loans decreased to 9%

Source: Maldives Monetary Authority

and return on average assets at 4%. Profits before tax increased by 9% within the year and totalled MVR2.4 billion. This growth was mainly due to the increase in both non-interest and interest income combined with lower provisioning expenses during the year.

The banking sector continued to increase its outreach with two new branches opening during the year. At the end of 2018, the total number of bank branches in the country stood at 54, and the total number of automated teller machines (ATMs) was 127. Of these, 34 branches and 56 ATMs were located outside the Male' region.

Non-bank Financial Institutions

Finance Companies

The two finance companies in the Maldives' financial sector are the Maldives Finance Leasing Company Pvt. Ltd. (MFLC)

and the Housing Development Finance Corporation Plc. These finance companies showed an annual growth by 15% in total net assets, to reach MVR2.2 billion at the end of 2018. The loan portfolio continued to rise, recording a 19% growth in net loans to reach MVR2.1 billion by the end of the year (Figure 44).

Capital strength of the finance companies is strong, with the total capital to risk-weighted assets of 36% signifying a comfortable level to absorb risks in the sector. The overall performance of the sector increased, recording pre-tax profits of MVR149.0 million, a 23% increase owing to rises in both interest and non-interest income (Figure 45). The asset quality of the sector remained satisfactory, with NPL ratio of 1.5% while gross assets increased by 14% during the year.

Figure 44: Loans and Advances, and Assets of Finance Companies, 2014–2018
(millions of rufiyaa)

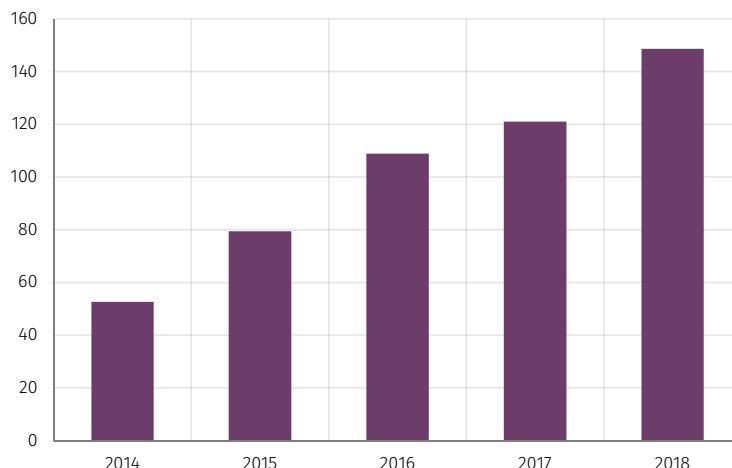


15%

Total net assets of the finance companies grew by 15% in 2018

Source: Maldives Monetary Authority

Figure 45: Pre-tax Profits of Finance Companies, 2014–2018
(millions of rufiyaa)



Source: Maldives Monetary Authority

23%

Pre-tax profit of finance companies increased by 23% in 2018

International Money Transfer Companies

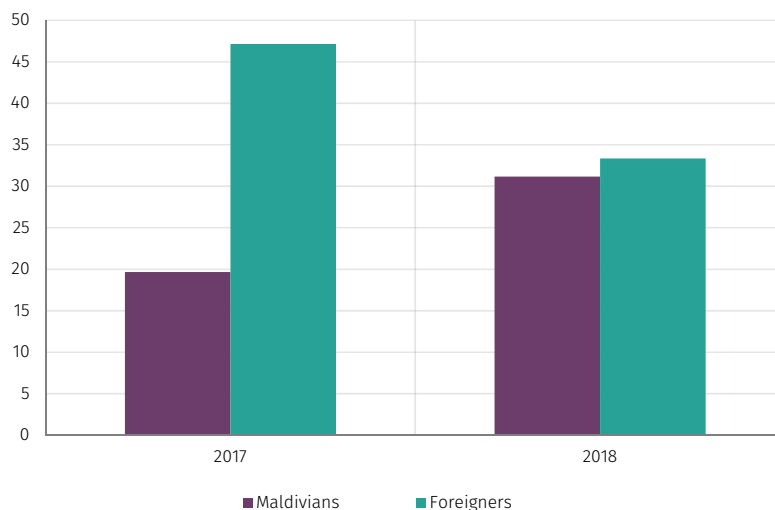
During 2018, the MMA granted a license to an additional company to conduct international remittance using the network of Western Union, while another company ceased its operations.

The total outward remittance of 2018 amounted to US\$64.5 million, a slight decline of 3% compared with the previous year. Furthermore, the total outward remittance by foreign nationals accounted for 52%, a significant decline from the 71% reported the previous year (Figure 46). Monthly figures showed a declining trend for outward remittance by foreigners. A continuous decline in outward remittance has been observed since the implementation of the expatriate remittance tax, which came into

effect on 1 October 2016 (Figure 47). However, during 2018, the pace of decline in outward remittance decelerated.

Bangladesh continued to be the top remittance destination, receiving 39% of all outward remittances; however the value declined by 19% compared with the previous year (Figure 48). India remained the second most popular outward remittance destination, accounting for 15% of outward remittances, followed by Sri Lanka (8%), Nepal (7%), and Indonesia and the Philippines (6% each) (Figure 49). Inward remittances showed a slight increase of 3% from the previous year, amounting to US\$4.8 million in 2018.

Figure 46: Outward Remittance by Locals and Foreigners, 2017-2018
(millions of US dollars)

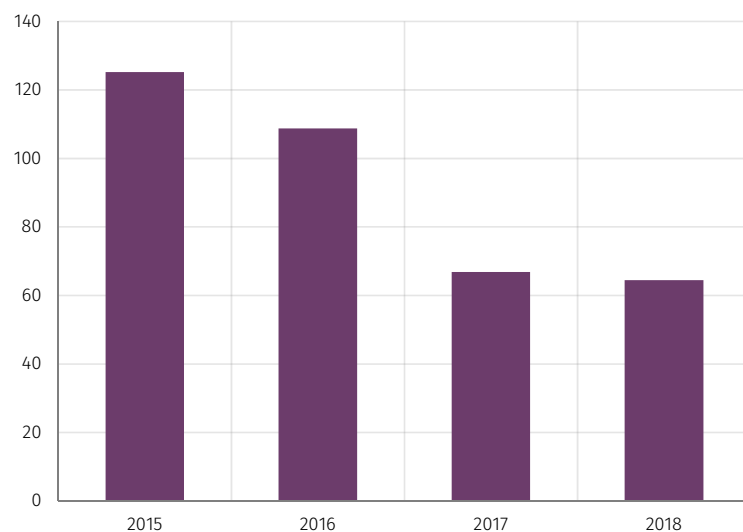


Source: Maldives Monetary Authority

52%

Outward remittance by foreign nationals accounted for 52% of total remittances

Figure 47: Outward Remittance, 2015–2018
(millions of US dollars)

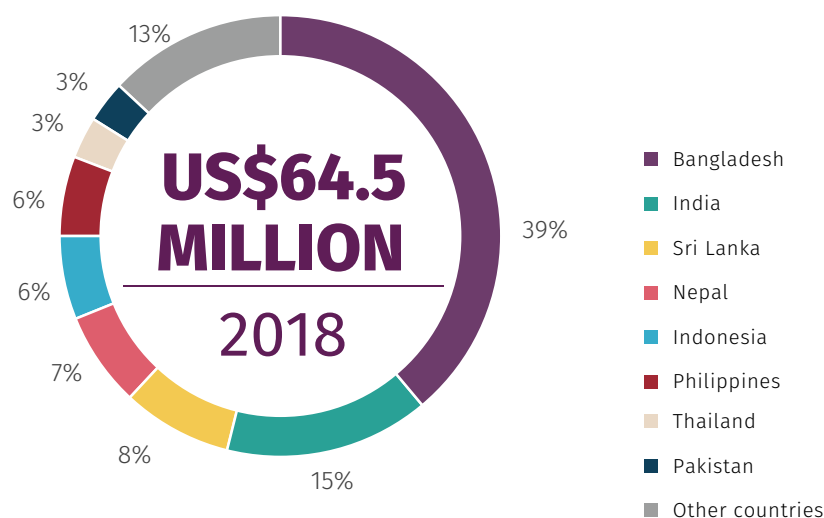


Source: Maldives Monetary Authority

3%

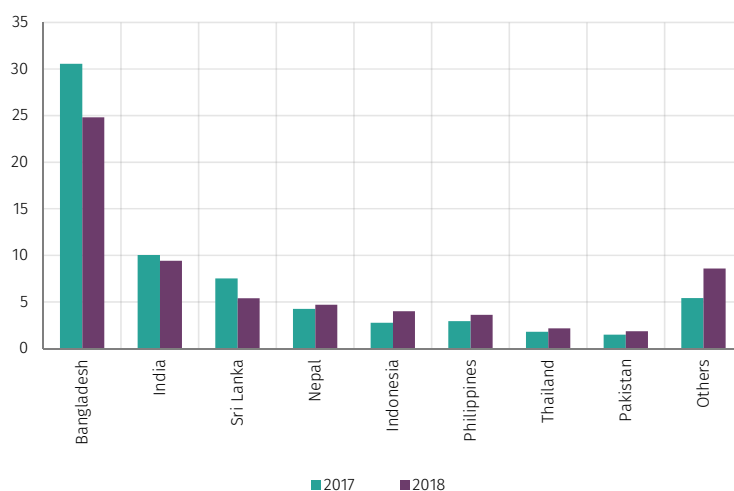
Outward remittance declined by 3% in 2018

Figure 48: Composition of Outward Remittances by Country



Source: Maldives Monetary Authority

Figure 49: Outward Remittance by Country, 2017–2018
(millions of US dollars)



15%

India, the second most popular outward remittance destination, accounted for 15% of outward remittances

Source: Maldives Monetary Authority

Mobile Payment Services

In 2018, the mobile PSPs expanded their distribution network to a total of more than 550 agents and merchants, covering 48% of the inhabited islands. Out of these islands, PSPs now have an agent/merchant presence in 65 islands that do not have a bank branch or ATM. During the year, there was a notable improvement in the total volume and value of transactions conducted through mobile wallets mainly due to the increase in the e-money distribution network and online cash-in facilities offered by mobile money service providers.

Insurance Companies

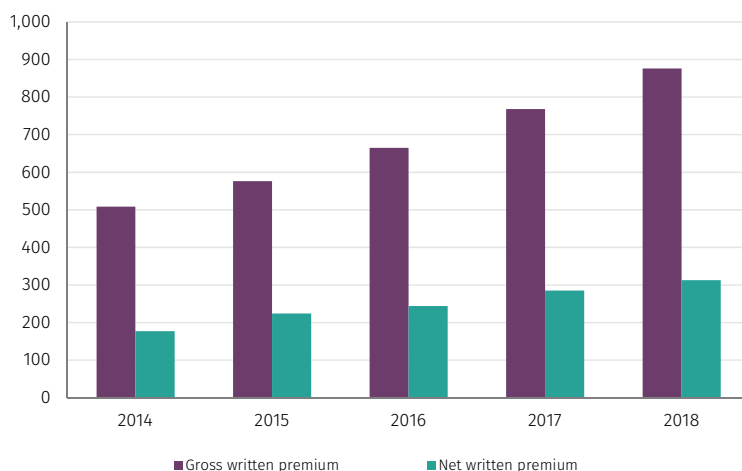
The general insurance industry continued to grow strongly in 2018: the GWP increased by 14% to reach MVR876.5 million (Figure 50), while the total assets increased by 10% and stood at MVR1,299.1 million at the end of the year (Figure 51).

This growth in GWP is reflected in insurance penetration and density (Figure 52), the two key indicators used internationally to determine the maturity of the insurance industry. Insurance penetration is measured as a ratio of the GWP to GDP, while insurance density measures the GWP per capita. During 2018, insurance penetration for general insurance business increased from 1.03% to 1.06%, while insurance density increased from US\$101.3 to US\$111.0.

Premium growth during 2018 was mostly contributed by significant rises in premiums for the fire, health and engineering classes (Figure 53). Fire insurance continues to be the largest class of insurance with 31% of GWP, which grew by MVR23.6 million (10%). Health insurance, which shared 26% of the GWP, increased by MVR34.4 million (18%) while engineering business grew by MVR10.4 million (46%). During the year,

Figure 50: Gross Written Premium, 2014–2018

(millions of rufiyaa)

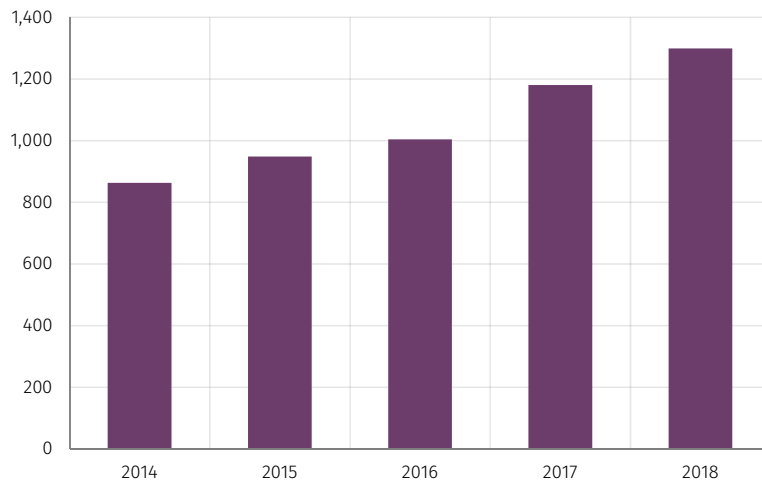


14%

Gross written premium grew by 14% in 2018

Source: Maldives Monetary Authority

Figure 51: Total Assets of Insurance Companies, 2014–2018
(millions of rufiyaa)

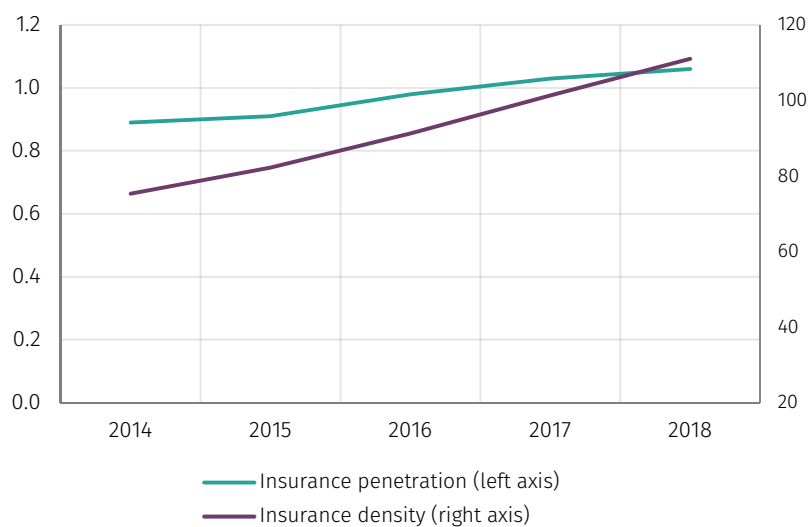


Source: Maldives Monetary Authority

10%

Total assets of insurance companies increased by 10% in 2018

Figure 52: Insurance Penetration and Density, 2014–2018
(percent, US dollars)



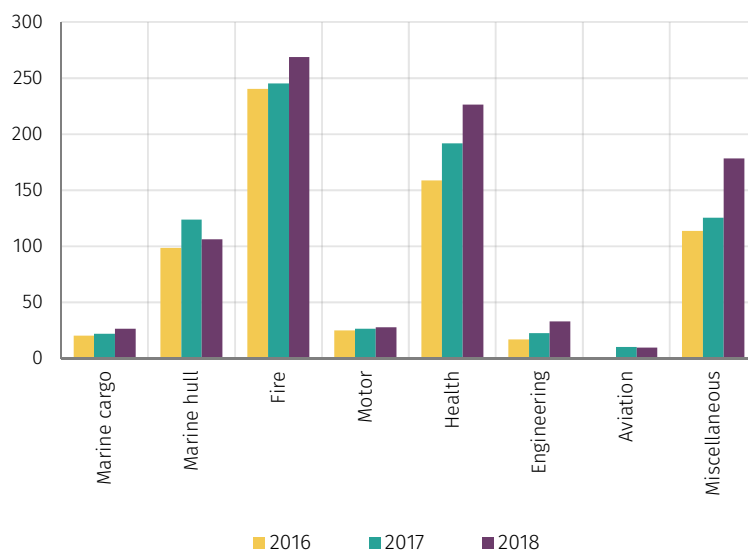
Source: Maldives Monetary Authority

US\$111.0

Insurance density of general insurance increased to US\$111.0 in 2018

Figure 53: GWP by Class of Insurance, 2016–2018

(millions of rufiyaa)



10%

Fire Insurance, the largest class of insurance, increased by 10%

Source: Maldives Monetary Authority

marine hull insurance business declined by MVR17.7 million (14%). The marine insurance class, which comprises both marine hull and marine cargo, accounted for 15% of the GWP.

Reinsurance is one of the key risk management tools for insurance. Insurance companies manage and spread the risks they accept by transferring them to one or more reinsurers. The retention ratio, which measures the amount of premium retained by local companies (net written premium) as a percentage of GWP, is an indicator of the level of reinsurance. The retention ratio varies by line of business, reflecting the riskiness of business and insurers' risk appetites. For example, insurers are likely to retain less business with high claims volatility, and more business with low claims volatility. The retention ratio has remained stable at 34–39% over the last six years (Figure 54).

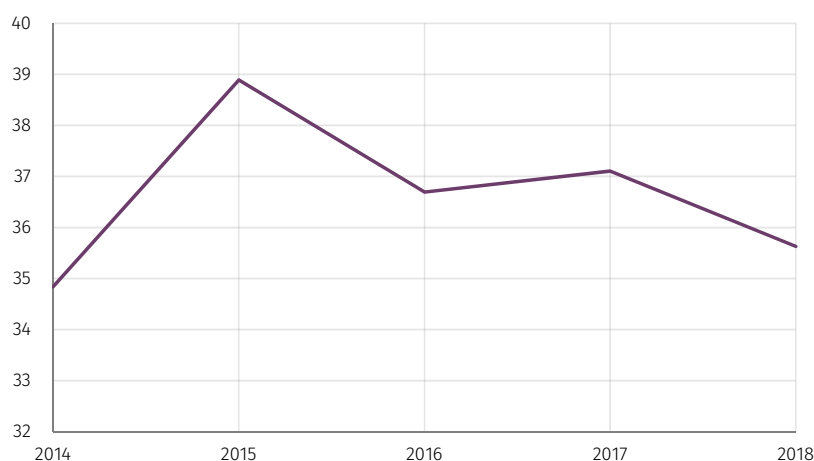
The gross claims paid by insurance companies in 2018 amounted to MVR221.3 million, which is a decrease of 9% compared with 2017 (Figure 55). Claims on hull insurance policies accounted for 43% (MVR95.2 million) of the gross claims, representing an increase of 32% (MVR23.2 million). Despite contributing to 39% (MVR85.9 million) of the gross claims, health insurance policies recorded a 21% (MVR22.3 million) decline in claims compared with 2017. Claims on fire insurance policies, which have declined significantly over recent years, continued the trend with a decline of 45% (MVR16.1 million) to reach MVR19.5 million for the year.

In terms of asset composition, investments represented 28% of the total assets while reinsurance and premiums receivable accounted for 26% and 16%, respectively. General insurance companies

invested mostly in treasury bills, equity securities and debt securities with 41%, 25% and 20% respectively of the total investment in each of these instruments. Lack of Shari'ah compliant investment instruments resulted in a large portion of Takaful funds being invested in fixed deposits (Figure 56).

In line with the improvements in key indicators, the profitability of the general insurance industry increased significantly during 2018. As such, the before-tax profits of licensed general insurers during the year increased by 145% to reach MVR139.6 million (Figure 57).

Figure 54: Retention ratio, 2014–2018
(percent)

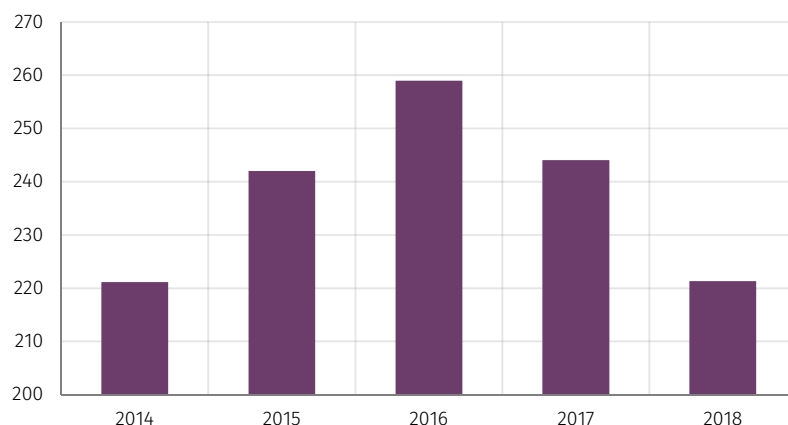


Source: Maldives Monetary Authority

36%

Retention ratio of the insurance industry recorded 36% in 2018

Figure 55: Gross Claims, 2014–2018
(millions of rufiyaa)

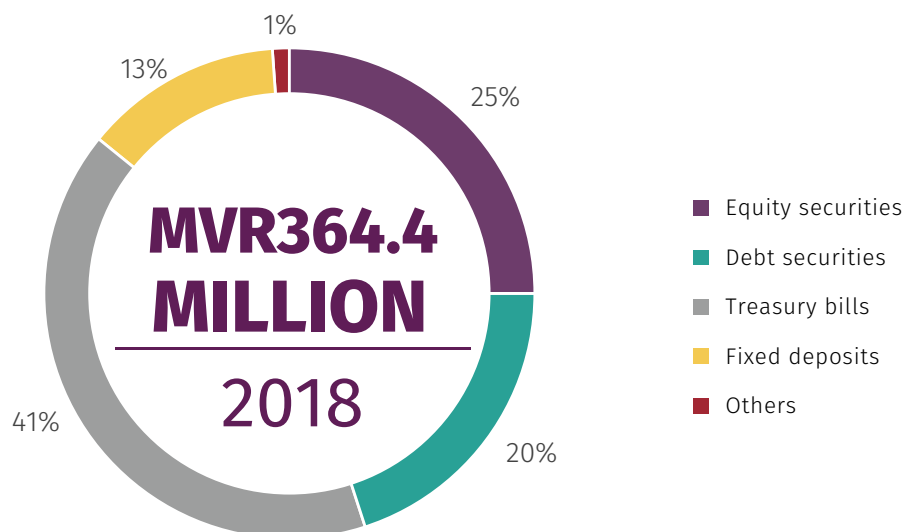


Source: Maldives Monetary Authority

9%

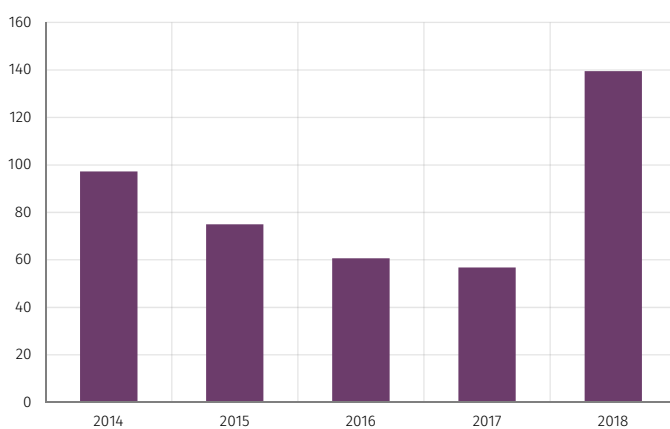
Gross claims paid by insurance companies decreased by 9% in 2018

Figure 56: Investment Composition of Insurance Companies



Source: Maldives Monetary Authority

Figure 57: General Insurance Profitability (Before Tax), 2014–2018
(millions of rufiyaa)



Source: Maldives Monetary Authority

MVR139.6 MILLION

Profitability of the insurance industry reached MVR139.6 million in 2018

External Sector

Despite the strong growth in travel receipts, the current account deficit widened further to 25% of GDP in 2018, driven by a substantial growth in imports mainly associated with the mega infrastructure projects of the government. In 2018, the current account deficit was mainly financed by higher FDI inflows and, borrowings by the private sector and the government. During the year, higher net inflows on the financial account were also contributed by inflows from a swap agreement between the MMA and the RBI. Reflecting these developments, the overall BOP recorded a surplus with GIR increasing further during the year.

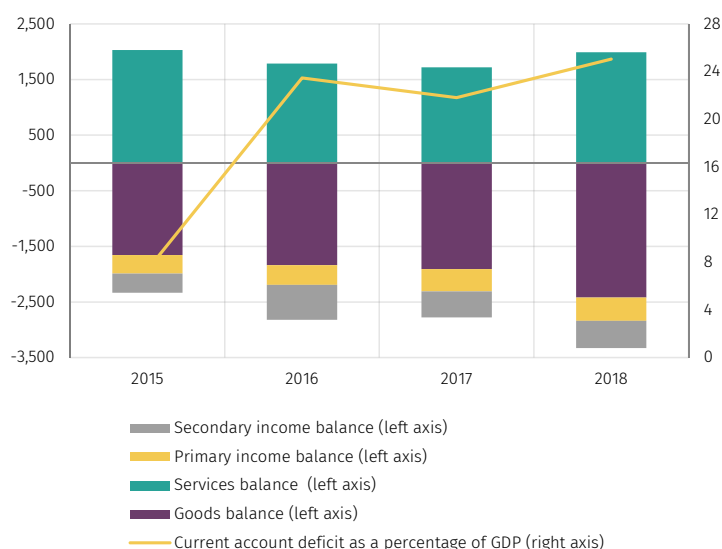
Current Account

The current account is a key indicator to assess the external position of any economy, and is especially important for the Maldives due to the country's high degree of openness to trade and its reliance on imports and tourism. According to the revised BOP estimates of April 2019, the current account deficit widened to US\$1.3 billion from US\$1.1 billion in 2017. In terms of GDP,

the current account deficit widened in 2018 to 25%, from 22% in 2017—higher than the previous five-year average of 12%. Although travel receipts rose during the year with the strong performance of the tourism sector, the current account deficit deteriorated due to the worsening of the merchandise trade deficit owing to a substantial increase in imports (Figure 58).

Figure 58: Composition of Current Account, 2015–2018

(millions of US dollars, percent)



25%

Current account deficit widened to 25% of GDP

Source: Maldives Monetary Authority

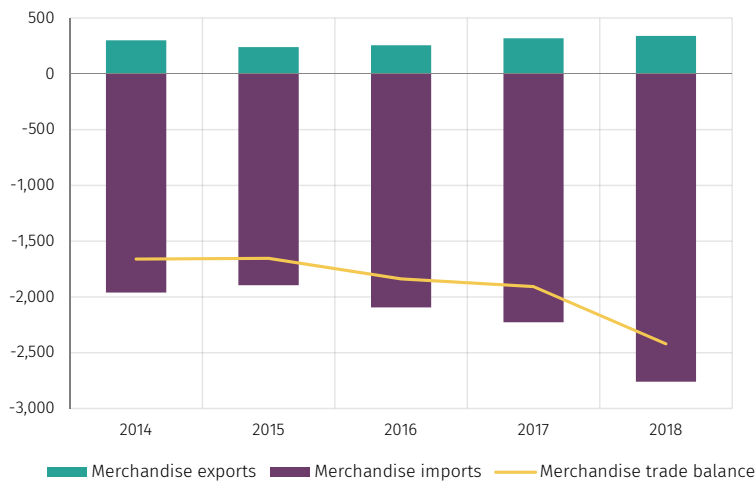
Goods

The merchandise trade deficit widened to US\$2.4 billion during 2018, up from US\$1.9 billion in 2017, mainly due to a steep rise in imports (Figure 59). The increase in imports largely came from construction sector-related imports for public infrastructure projects, new resort development and housing projects. Additionally, the increase

in import expenditure on petroleum products contributed substantially to the overall increase in imports (Box 1). Meanwhile, total exports increased moderately, entirely driven by the increase in re-exports, as domestic exports registered a decline during the year.

Figure 59: Merchandise Trade Balance, 2014–2018

(millions of US dollars)



US\$2.4 BILLION

Merchandise trade deficit widened to US\$2.4 billion in 2018

Source: Maldives Monetary Authority

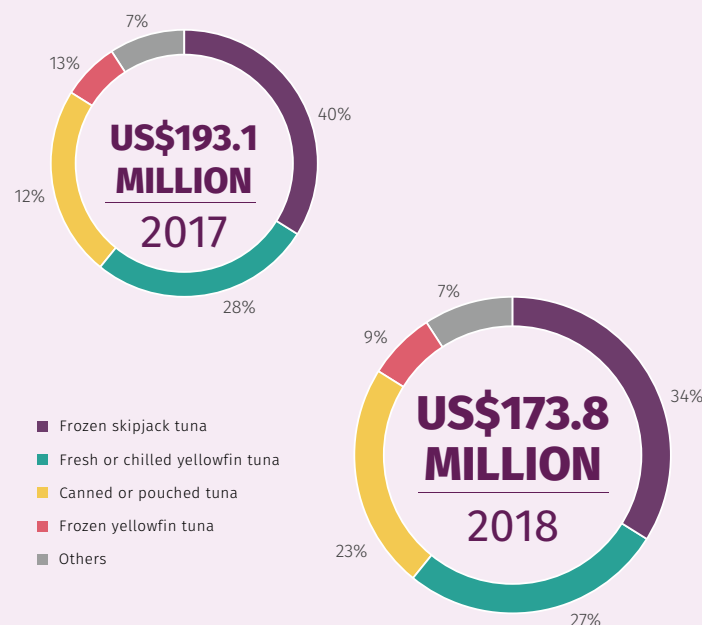
Box 1: Merchandise Trade¹

Merchandise Exports

Merchandise exports, comprising exports and re-exports, increased by US\$20.9 million and totalled US\$339.2 million during the year. The increase in merchandise exports, which consisted of 54% domestic exports and 46% re-exports, resulted entirely from a remarkable increase in re-exports, as domestic exports posted a decline during the year.

Total re-exports registered a considerable growth, mainly from jet fuel sold to airlines flying from VIA. As such, re-export earnings increased significantly by 32%, totalling US\$157.6 million at the end of the year. Such exports increased mainly on the back of higher oil prices in the international market, as well as the increased flight movements to the Maldives by international carriers. Similarly, with the completion of major infrastructure projects undertaken in the past years,

Figure 1: Composition of Fish Exports Earnings



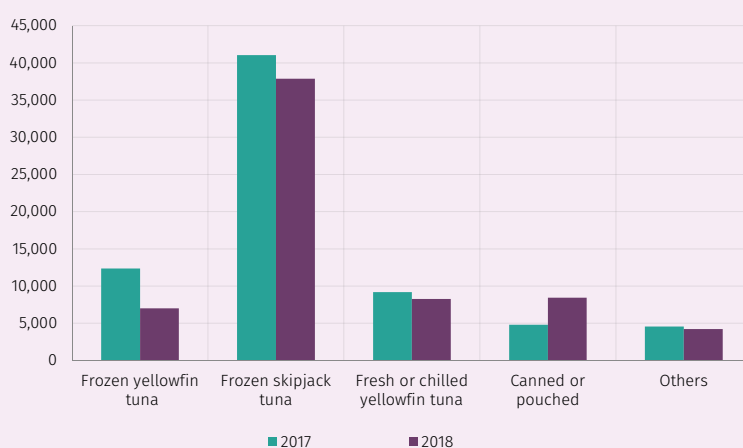
Source: Maldives Customs Service

¹ Based on the trade statistics compiled and disseminated by the Maldives Customs Service; hence figures may be different in balance of payment statistics due to the adjustments made in BOP.

other re-exports also posted an increase during the year. This increase was largely a result of the re-export of machinery and equipment, which were imported to carry out various infrastructure projects in the Maldives.

Domestic exports, composed almost entirely of fish exports, declined by 9% and totalled US\$181.6 million at the end of 2018. The decline in such exports resulted from a sizeable decrease in export earnings from frozen skipjack, frozen yellowfin tuna and fresh or chilled yellowfin tuna (Figure 1). This mainly reflects the decrease in price of skipjack tuna in the international market, together with a decline in the volume of such exports during the year. During the year, international skipjack tuna prices generally were trending below 2017 prices, due to an abundance of stocks across the major markets stemming from the previous year's purchases.² As such, despite overall low supplies arising from the closure of fish aggregating devices in the Central and Western Pacific from July to September 2018, coupled with the veda closure³ between July and October in the Eastern Pacific, skipjack delivery prices to Thailand—the price setter for the global tuna market and the whole canning sector—remained low due to full inventories. With regard to frozen and fresh or chilled yellowfin tuna, the decline in export earnings resulted from a decrease in the volume of exports, as prices in international markets remained relatively unchanged from 2017 (Figure 2). In contrast to these

Figure 2: Composition of Fish Exports (Volume), 2017–2018
(thousands of metric tons)



Source: Maldives Customs Service

² Data relating to international trends in the tuna market were taken from Globefish (October 2018), a body of the Food and Agriculture Organization of the United Nations.

³ The veda closure is a seasonal fishing ban imposed periodically in the Eastern Pacific by the Inter-American Tropical Tuna Commission.

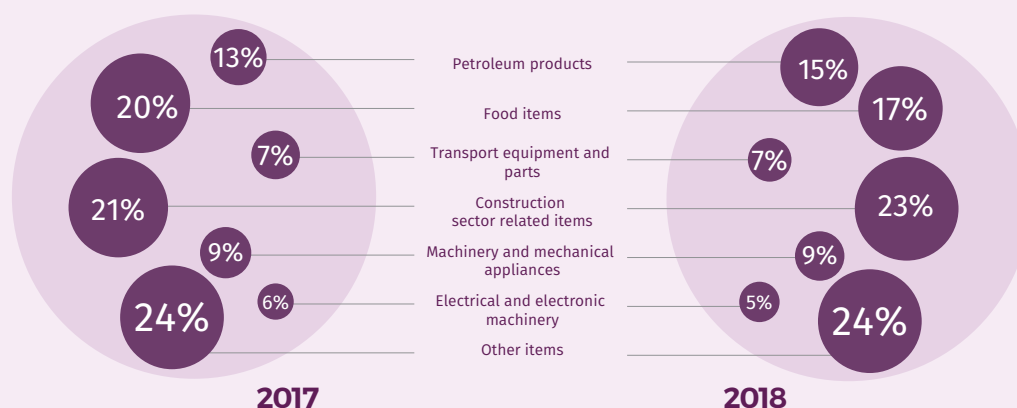
developments, export earnings from canned or pouched tuna increased markedly by 70% during the year and totalled US\$40.5 million. This reflects the efforts of the fisheries industry to diversify the sector by focusing more on value-added products.

Merchandise Imports

Total merchandise imports (c.i.f) increased markedly by 26% and totalled US\$3.0 billion during the year mainly owing to higher imports associated with the large-scale public infrastructure projects as well as other construction-related imports. As such, construction sector-related imports (wood, metal, cement and aggregates and other construction-related items) registered an increase of 35%, constituting 23% of total import expenditure during 2018. Concurrently, import expenditure on petroleum products—predominantly diesel (marine gas oil)—posted a significant increase of 44% during the year, largely reflecting strengthening global oil prices.

With regard to other components of imports, expenditure on machinery and mechanical appliances, as well as transport equipment and parts recorded growth of 28% (Figure 3). It is worth noting that transport equipment, in particular, posted an increase towards the end of the year reflecting the increase in imports of aircraft resulting from the introduction of a new airline in the Maldives. Similarly, food items recorded a growth of 7% during the period, reflecting a broad-based increase across the main food categories.

Figure 3: Composition of Imports, 2017–2018



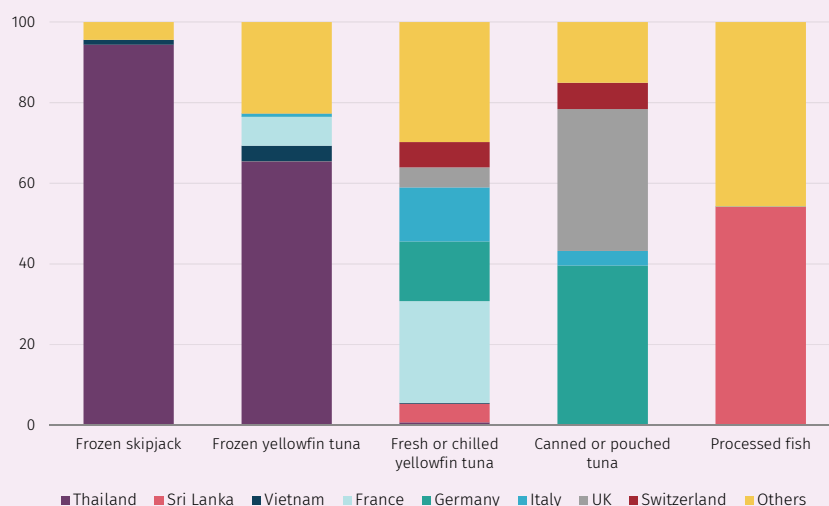
Source: Maldives Customs Service

Direction of Trade

Exports

Continuing on from previous years, the Asian market remained the leading destination for Maldivian exports, representing a share of 50% of domestic exports. This was followed by the European market, with a share of 41%. Thailand continued to be the single largest Asian export market, with frozen skipjack tuna and frozen yellowfin tuna making up the bulk of exports (Figure 4). However, it is worth noting that the share of exports to Thailand declined from 49% in 2017 to 36% in 2018, owing to a considerable decline in frozen skipjack tuna earnings resulting from lower skipjack tuna prices in the Thai market, coupled with a fall in the volume of such exports. Similarly, the value of exports to Sri Lanka registered a decline during the year, mainly due to a significant drop in the earnings from smoked tuna. This was despite registering upturns in earnings growth in the two major exports to the country: fresh or chilled yellowfin tuna, and dried tuna. Meanwhile, the share of exports to Japan declined during the year, due to a significant fall in the earnings from frozen bigeye tuna exports. Conversely, the share of exports to Vietnam increased, making it the third largest export market in Asia during the year. This resulted from a rise in earnings from frozen fish (excluding tuna) and frozen tuna.

Figure 4: Direction of Trade of Exports, 2018
(percent)



Source: Maldives Customs Service

Exports to Europe grew in 2018 with the bulk of exports to the continent comprising canned or pouched tuna and fresh or chilled yellowfin tuna. The main export markets within Europe for canned or pouched tuna were Germany, the UK and Switzerland, with the value of exports to these countries registering increases during the year. Meanwhile, France, Germany and Italy remained the main destinations in the European market for fresh or chilled yellowfin tuna. Exports of fresh or chilled yellowfin tuna to Italy rose by 22%, while such exports to Germany and France showed declines of 18% and 3%, respectively.

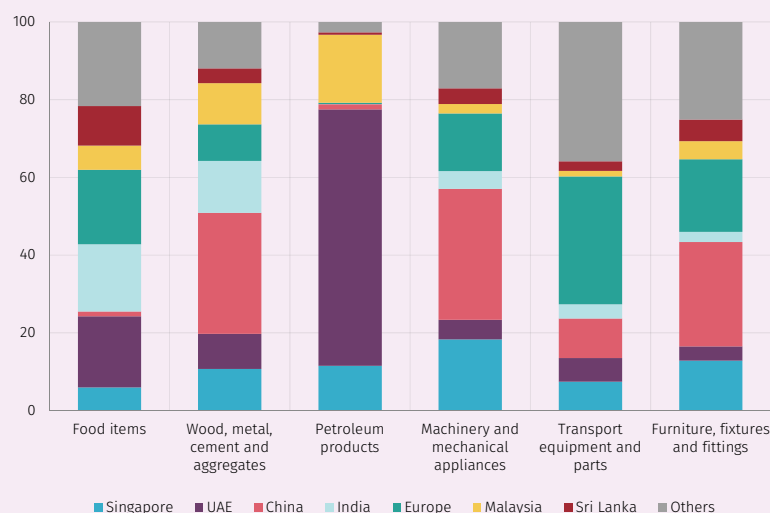
Imports

With regard to the direction of imports (Figure 5), similar to the previous year, the bulk of imports during the year (81% of the total) continued to come from Asia. From this region, the United Arab Emirates (UAE) and China were the main source of imports to the Maldives, followed by Singapore and India. Imports from the UAE primarily consisted of petroleum products, particularly diesel (marine gas oil), petrol and aviation gas, together with food items. Such imports expenditure registered a considerable increase during the year. On the other hand, imports from China mainly included construction-related items, machinery and mechanical appliances. It is noteworthy that such imports rose considerably from the previous year, increasing China's market share to the second-largest source of imports for the Maldives, largely reflecting imports for the mega infrastructure projects carried out during the year.

Meanwhile, imports from Singapore posted a growth during the year, largely reflecting increases in the imports of construction sector-related items; petroleum products, namely diesel (marine gas oil); and furniture, fittings and fixtures. Conversely, imports from India recorded a marginal decline from the previous year, reflecting significant decreases in the import of electrical and electronic machinery and equipment, coupled with construction-related items. However, imports of food items, particularly vegetables, root crops and spices registered an increase during 2018.

In addition, imports from Europe recorded significant growth, with imports of transport equipment and parts, construction sector-related items and food items showing increases during the year.

Figure 5: Direction of Trade of Imports, 2018
(percent)



Source: Maldives Customs Service

Services

As the Maldives is a tourism-driven economy, a key feature of its current account is inherent surplus on the services account as a substantial amount of foreign exchange receipts are received from tourism-related services. During 2018, the surplus on the services account further improved from US\$1.7 billion in 2017 to US\$2.0 billion (Figure 60), due to the strong growth in tourist arrivals reflecting favourable economic conditions in the main tourism source markets, and improved air connectivity.

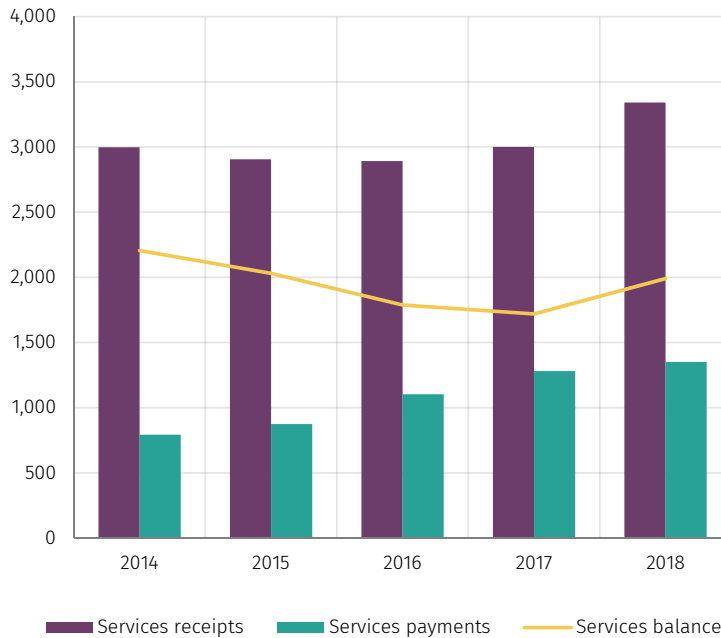
On the receipts side, total services receipts posted a growth of US\$340.6 million and totalled US\$3.3 billion by the end of

2018. Travel receipts, which accounted for 91% of all services receipts, are estimated to have increased considerably, by US\$284.4 million, totalling US\$3.0 billion in 2018 on the back of a buoyant tourism sector. Receipts from transport services also moved upwards largely attributed to the increase in receipts by the airports for provision of services to international carriers.

On the payments side, total expenditures on services are estimated to have reached US\$1.4 billion in 2018, an annual increase of US\$70.1 million. This growth was largely on account of the increase in payments made for international

Figure 60: Trade in Services, 2014–2018

(millions of US dollars)



US\$2.0 BILLION

Surplus on the services account increased to US\$2.0 billion in 2018

Source: Maldives Monetary Authority

transport services during the year, which can be attributed to higher freight cost on imports as a result of higher volume of imports during the year. With regard to travel expenditure, the increase in the average spending of Maldivians travelling abroad led to an acceleration of such expenditure during the year, with the estimated expenditure recording an increase of US\$45.6 million from the previous year. Additionally, professional and management consultancy services sought externally for various business needs posted a sizeable increase during the year. Meanwhile, a notable decline was observed in construction-related services acquired from non-residents, reflecting the completion of some key infrastructure projects during the year.

Primary Income Account

Movements in the primary income account continued to be influenced by the outflows related to foreign direct investment (FDI), primarily in the form of dividends to shareholders. The deficit on the primary income account widened further by US\$15.3 million to reach US\$416.6 million in 2018. With the positive performance of the tourism sector, in which the majority of companies are FDIs, the repatriation of profits, as well as the reinvestment of earnings increased markedly, to US\$435.8 million. On the other hand, inflows to the primary income account increased moderately to reach US\$19.9 million. This increase was primarily due to the increase in interest income of the MMA.

Secondary Income Account

The secondary income account, which comprises workers' remittances, government grants and other transfers, posted a further deterioration in 2018. The deficit on this account widened to US\$490.1 million in 2018 from US\$468.8 million in 2017. This largely reflects the increase in outflows in the form of workers' remittances, which registered an increase of US\$57.1 million to reach US\$531.7 million in 2018. As for the inflow of income in the secondary account, such income posted an almost two-fold increase, reflecting the increase in the inflow of foreign grants.

Financial Account

The financial account records transactions of financial assets and liabilities for the residents of an economy and the rest of the world. As such, financial assets and liabilities are presented as direct investments, portfolio investments and other investments. In 2018, the financial account recorded a net inflow of US\$1.4 billion, up from US\$968.0 million in 2017 (Figure 61). The net inflows on the financial account rose due to an increase in inflows from direct investments and other investments.

Net direct investment inflows represented the majority of all external financial inflows to the Maldives during the year, rising to US\$551.8 million in 2018 from US\$492.7 million in 2017. This was entirely contributed by FDI inflows¹⁴. The growth in

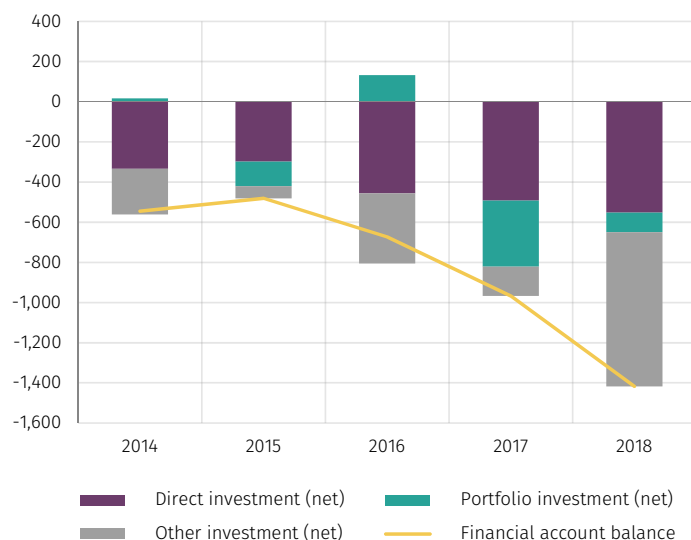
FDI inflows reflected the increase in new equity investments by foreign investors mainly for the tourism sector and estimated inflows from development projects carried out by foreign entities. Meanwhile, a slight decline was observed in the reinvestment earnings of foreign investors in the Maldives.

Portfolio investments, which consist of cross-border financial transactions involving equity and debt securities other than those included in direct investments, declined substantially during the year. Net inflows from such investments recorded US\$98.2 million in 2018, following the net inflow of US\$328.7 million for 2017. The net inflows in 2018 represent the inflow of funds from the sovereign bond issued during the year.

Other investments consist of financial transactions other than direct investments and portfolio investments. In 2018, this category recorded a substantial growth of US\$768.1 million, up from the net inflow of US\$146.6 million recorded in 2017. This resulted largely from a significant increase in net borrowings in the form of loans by the private sector and the government. In addition, there was a substantial increase in the liabilities of the MMA due to the swap agreement between the MMA and the RBI.

¹⁴ Only the proceeds from inward FDI are included in the direct investment account.

Figure 61: Financial Account, 2014–2018
(millions of US dollars)



US\$1.4 BILLION

Financial account registered a net inflow of US\$1.4 billion in 2018

Source: Maldives Monetary Authority

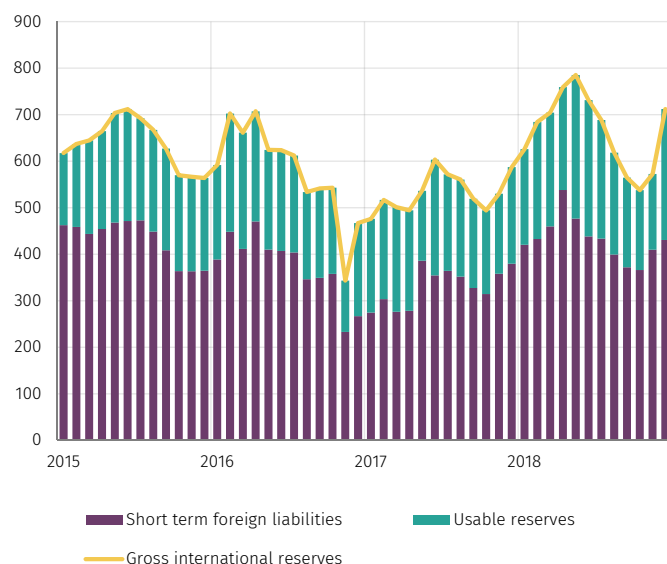
Note: In financial account positive sign indicates net lending and negative sign indicates net borrowing.

Overall Balance and Gross International Reserves

As the net inflows from the financial account outpaced the current account deficit during the year, the overall balance of payments recorded a surplus of US\$125.4 million in 2018, after recording a turnaround surplus of US\$120.1 million in 2017. Reflecting this positive development, the GIR improved from US\$587.3 million at the end of 2017 to US\$712.0 million at the end of 2018 (Figure 62). GIR is composed of usable reserves and short term foreign liabilities. The usable reserves component of the GIR amounted to US\$281.4 million at the end of 2018, a remarkable growth of 36% when compared with 2017. Short term foreign liabilities also posted a growth of 13%, stemming mainly from the increase in commercial banks' foreign currency reserves held at the MMA at the end of the year.

The upward trajectory of GIR towards the end of 2017 continued into the early part of 2018 as well, to peak at US\$785.2 million in May 2018. This increase was largely contributed by the US\$99.8 million proceeds from the sovereign bond issued in May 2018, as well as due to the annual increase in foreign currency reserve account balances of commercial banks held at the MMA during the first four months of 2018. Usable reserves also increased in May 2018 reflecting the proceeds from the sovereign bond. Fluctuations in the usable reserves on account of foreign payment obligations and domestic foreign exchange intervention resulted in fluctuations in the GIR throughout latter part of the year; with the stock of GIR finally closing at US\$712.0 million at the end

Figure 62: Gross International Reserves, 2015–2018
(millions of US dollars)



US\$712.0 MILLION

Gross international reserves
increased to US\$712.0 million
in 2018

Source: Maldives Monetary Authority

of year. The sharp increase in December 2018 reflects the significant increase in usable reserves, due to the foreign currency swap facility of US\$100.0 million with the RBI.

External Debt

According to the latest available statistics,¹⁵ the total external debt stock (government and commercial banks) increased by US\$195.4 million and totalled US\$1,385.8 million at the end of 2018. As a ratio to GDP, the stock of external debt increased to 26% at the end of 2018, from 25% in 2017 (Figure 63). This mainly reflects an increase in loans obtained by the

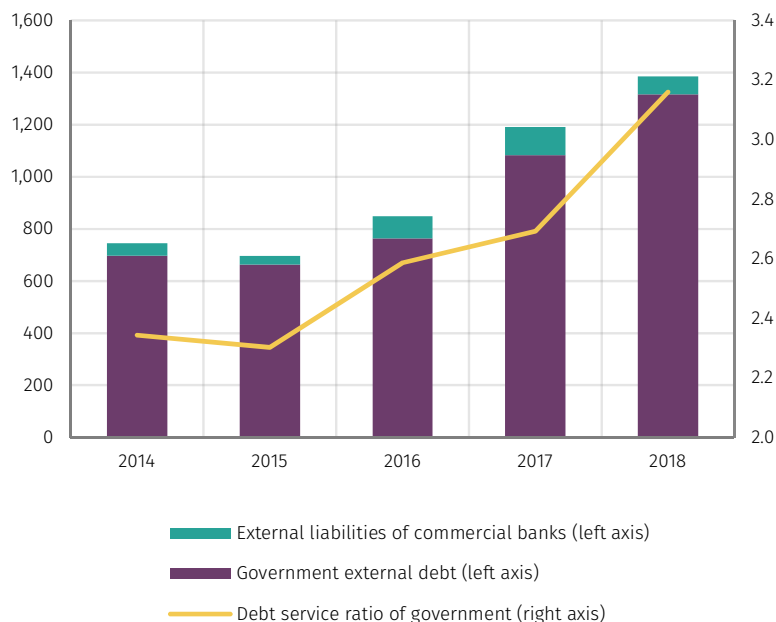
government in the form of buyer's credit¹⁶ from EXIM China, together with the issuance of a sovereign bond to the Abu Dhabi Fund in 2018.

With regard to the composition of the total outstanding stock of external debt, government external borrowings grew significantly, by US\$234.1 million, and totalled US\$1,316.4 million at the end of 2018 (Figure 64). Government external debt primarily consisted of buyer's credit, debt securities and loans obtained from multilateral and bilateral sources. Buyer's credit recorded a substantial growth of US\$129.6 million and amounted to US\$550.5 million during the

¹⁵ External debt statistics mentioned here refer to government external borrowings and foreign liabilities of commercial banks, which are different from external debt under public debt.

¹⁶ Buyer's credit is a loan facility extended to an importer by a bank or financial institution to finance the purchase of goods or services and other high-cost items.

Figure 63: External Debt, 2014–2018
(millions of US dollars, percent)

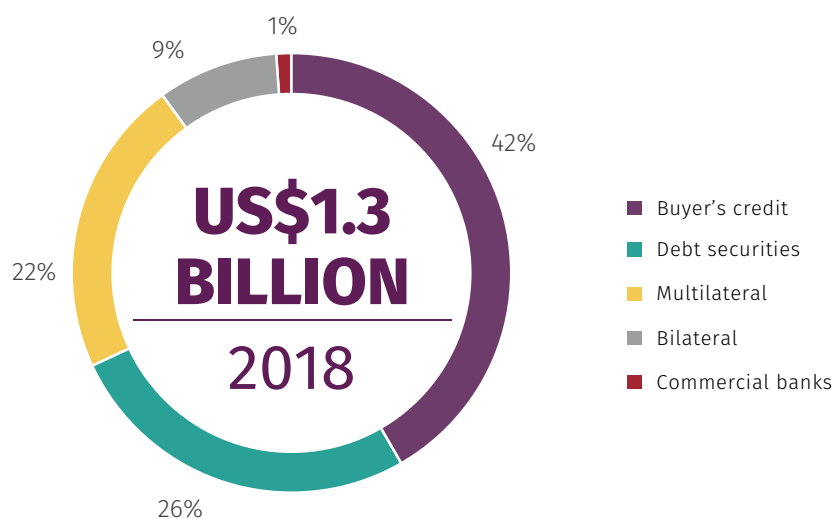


26%

External debt stock increased to 26% of GDP in 2018

Sources: Ministry of Finance and Maldives Monetary Authority

Figure 64: Composition of Total Government External Debt Outstanding



Source: Maldives Monetary Authority

year, mainly reflecting the growth in credit extended to finance various infrastructure and urban development projects. Meanwhile, debt securities increased to US\$350.0 million during the year, mirroring the issuance of the US\$100.0 million sovereign bond. Additionally, multilateral loans amounted to US\$290.1 million in 2018, an increase of US\$13.1 million compared with 2017. However, bilateral loans posted a decline similar to previous years. Regarding the foreign liabilities of commercial banks, a significant decline of US\$38.7 million was observed, to finish at US\$69.4 million at the end of 2018.

The total cost of debt servicing¹⁷ also rose by US\$25.3 million and amounted to US\$113.8 million in 2018, in line with the growth in external borrowings. Reflecting the higher cost of debt servicing, the debt service ratio,¹⁸ which is a measure of the adequacy of a country's foreign exchange earnings to meet maturing debt obligations, increased to 3.2% in 2018 from 2.7% in 2017.

Exchange Rate

Reflecting the strong performance of the US dollar against the major currencies in the international market towards the end of 2018, the bilateral exchange rate of the Maldivian rufiyaa appreciated against the currencies of major trading partners. At the end of 2018, the MMA reference rate¹⁹ of rufiyaa per US dollar remained unchanged in annual terms and stood at MVR15.41.

The strengthening of the US dollar against the major currencies of the world largely reflected economic performance, political factors and the divergence in the monetary policy stance of these economies. In this regard, the US dollar appreciated against the euro mainly on the back of weakened economic growth in the euro area, while its appreciation against pound sterling resulted from the fall in the value of pound sterling due to uncertainty over Brexit. Similarly, the continued devaluation of its currency by the Chinese government resulted in the US dollar gaining against the Chinese yuan. However, the US dollar depreciated against the Japanese yen, largely reflecting geopolitical tensions that led to higher demand for Japanese yen in the early months of 2018. The Sri Lankan rupee, Indian rupee and Singapore dollar also depreciated against the US dollar, reflecting the broader appreciation of the US dollar towards the end of 2018.

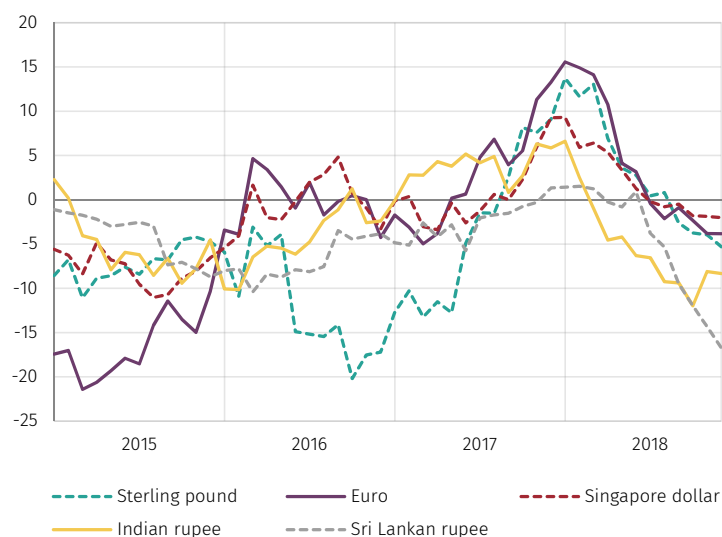
Mirroring these movements of the US dollar against the major currencies of the world, the bilateral exchange rate of the Maldivian rufiyaa appreciated in annual terms by 5% against the pound sterling and Chinese yuan, and by 4% against the euro. It also appreciated against the Sri Lankan rupee, Indian rupee and Singapore dollar, by 17%, 8% and 2%, respectively. However, the Maldivian rufiyaa depreciated against the Japanese yen by 2% at the end of 2018 (Figure 65).

¹⁷ Includes both principal and interest payments.

¹⁸ Debt service ratio is the ratio of debt service payments to export of goods and services.

¹⁹ The MMA reference rate is the midpoint of the weighted average of buying and selling rates of all commercial banks.

Figure 65: Changes in Exchange Rate of US Dollar against Currencies of Major Trading Partners, 2015–2018
(annual percentage change)



↑ MVR

Maldivian rufiyaa appreciated against the currencies of most major trading partners in 2018

Source: Bank of Maldives PLC

Following better-than-expected growth in 2018, the overall outlook for the Maldivian economy remains positive. According to projections made in October 2018, real GDP growth is expected to remain high at 6.8% in 2019 on the back of strong tourism sector growth—in turn boosting the growth of related sectors; transport, communication, wholesale and retail trade. The growth of the tourism sector is expected to stem from the upward trend in arrivals from major European source markets and robust arrivals from emerging markets such as India, mirroring the positive growth prospects for these countries as well as better air connectivity.

The prospect for construction sector growth is led by the ongoing mega infrastructure projects, including the VIA upgrading project and Hulhumale' Phase 2 as well as social housing and private real estate projects. The sector's growth is to be further supported by the construction of new resorts and guesthouses. However, growth is expected to decelerate in 2019 on the back of the winding down of public mega infrastructure projects, some of which were completed in 2018 such as the China-Maldives Friendship Bridge project, runway development project of VIA and the Dharumavantha Hospital project.

The average rate of inflation remained low and stable throughout 2018, recording a deflation for the year as a whole. This was mainly owing to the harmonisation of water and electricity tariff rates across the country, which drove down prices in the atolls, and the reduction of administered prices of food staples. Although the dissipation of the base effects of these policy changes will create upward inflationary pressure during the first half of 2019, the average inflation rate

is forecast to remain low at 0.5% in 2019, largely mirroring the moderation in global commodity prices outlook.

With regard to government finances, the overall fiscal deficit is projected to decline to 4.4% of GDP in 2019, from 4.7% in 2018. Total revenue is projected to increase on the back of strong tourism sector growth and its associated revenues. In 2019 total expenditure is projected to increase, albeit at a slower pace, driven by recurrent expenditure, mainly reflecting rapid growth in interest expenses and salaries and wages. Interest payments are projected to increase largely due to high interest expenses on external debt and treasury bills. Increases in salaries and wages reflects the full-year impact of the salary increments brought in 2018, and additional spending on new health staff in 2019. Meanwhile, capital expenditure is also projected to increase in 2019, stemming from public infrastructure projects as well as capital provision to SOEs. Public debt levels are forecast to increase in 2019, although as a ratio to GDP they are projected to remain stable with the government's aim to secure new external sources of funds, on more favourable terms, to prudently manage the debt levels.

On the external front, according to estimates made in October 2018 the current account deficit is projected to improve to 21% of GDP in 2019, largely reflecting the slowdown in import growth owing to the completion of some key public infrastructure projects and the decline in global oil prices, along with the strong growth in tourism receipts. The current account deficit is to be financed mainly from higher debt inflows and FDI. Reflecting these developments, GIR is projected to increase in 2019.

Risks to Outlook

The overall risks to growth outlook will largely depend on anticipated developments in the tourism sector, which is the key driver of economic growth. Risks to the tourism outlook are broadly balanced. Although headwinds are foreseen from the uncertainty surrounding Brexit as well as the ongoing imposition of trade-restrictive measures between the US and its major trading partners, a positive impact is anticipated from strong growth in arrivals from India and the sizeable amount budgeted for tourism promotion in the 2019 government budget. It is noteworthy that the medium-term growth projections for the economy are profoundly tied to the completion of the ongoing development and expansion of the VIA, in tandem with the expansion in tourism sector capacity. However, with delays in the progress of VIA development, capacity expansion of the tourism sector has outpaced the airport's capacity expansion. This significant supply chain bottleneck remains the most persistent challenge to the growth of the tourism sector.

With regard to risks to inflation outlook, new domestic policy developments such as the harmonisation of staple food prices²⁰ and electricity tariff rates²¹ throughout the country and the provision of a fuel discount on electricity tariff rates,²² are expected to exert further downward pressure on inflation, adding to forecast uncertainty. Meanwhile, external risks to

inflation outlook are modest, as crude oil prices and global food prices are expected to grow modestly.

Risks to fiscal balances are tilted to the downside due to potential slippages on current expenditure stemming from new spending initiatives, which may further exacerbate fiscal imbalances and debt vulnerabilities.

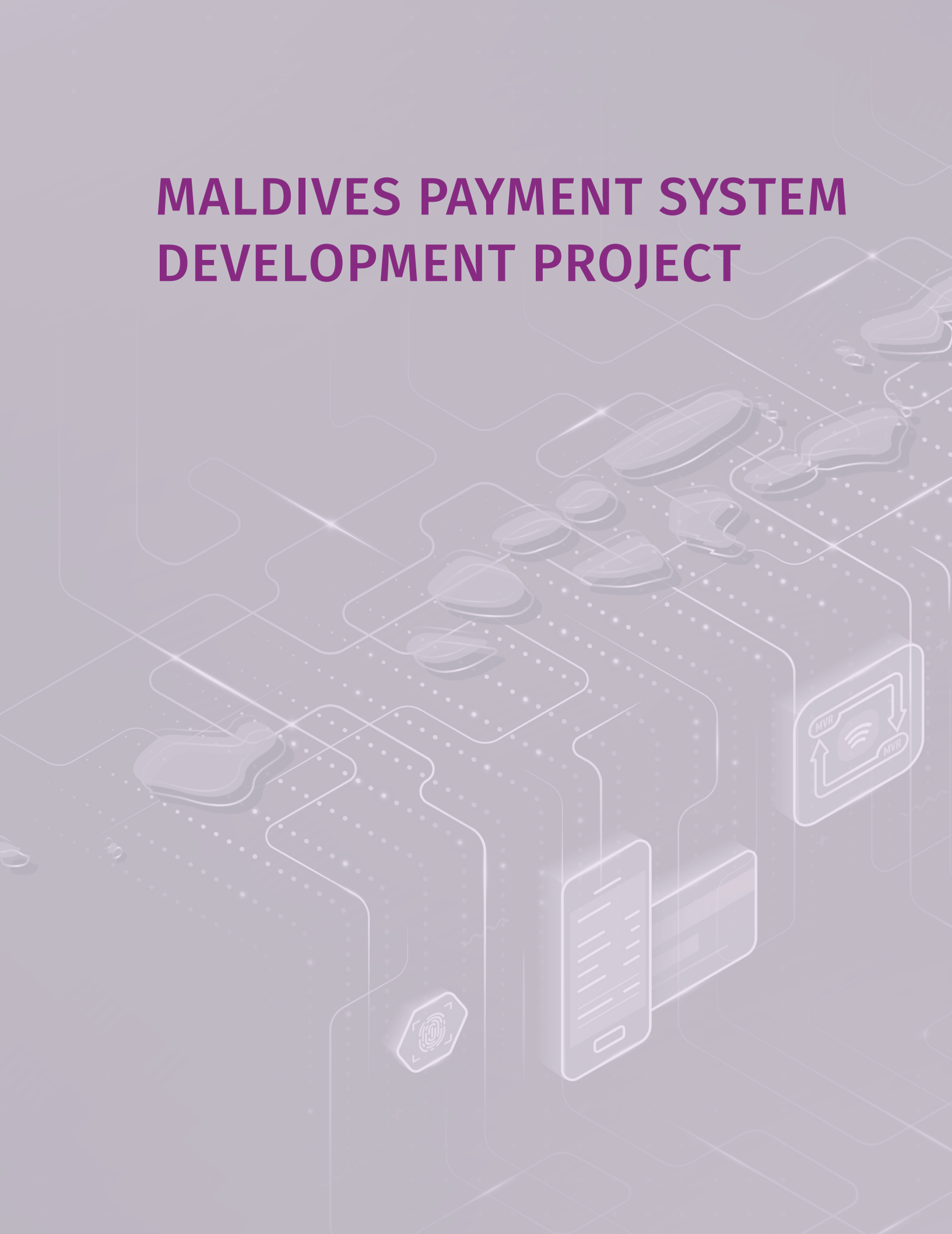
Risks to external sector projections are more or less balanced. A possible growth slowdown in major European source markets (caused by a 'no deal' Brexit) and the uncertainty surrounding trade tensions between the US and China may negatively impact the tourism sector. On the upside, the strong outbound demand from emerging markets and the sizeable amount budgeted for tourism promotion could boost tourist arrivals during the year, while a further decline in global oil prices could lower imports and thus reduce the current account deficit.

²⁰ As of 1 April 2019, the government subsidises the cost of transporting staple food items to all other inhabited islands, ensuring the price remains the same as that in the Greater Male' region.

²¹ From March 2019 onwards, electricity tariff rates charged for all bands above 400 units for domestic consumers were equalised between the Greater Male' region and all other inhabited islands.

²² A fuel discount of MVR0.12 per unit is given to all categories of electricity tariff rates as of March 2019.

MALDIVES PAYMENT SYSTEM DEVELOPMENT PROJECT

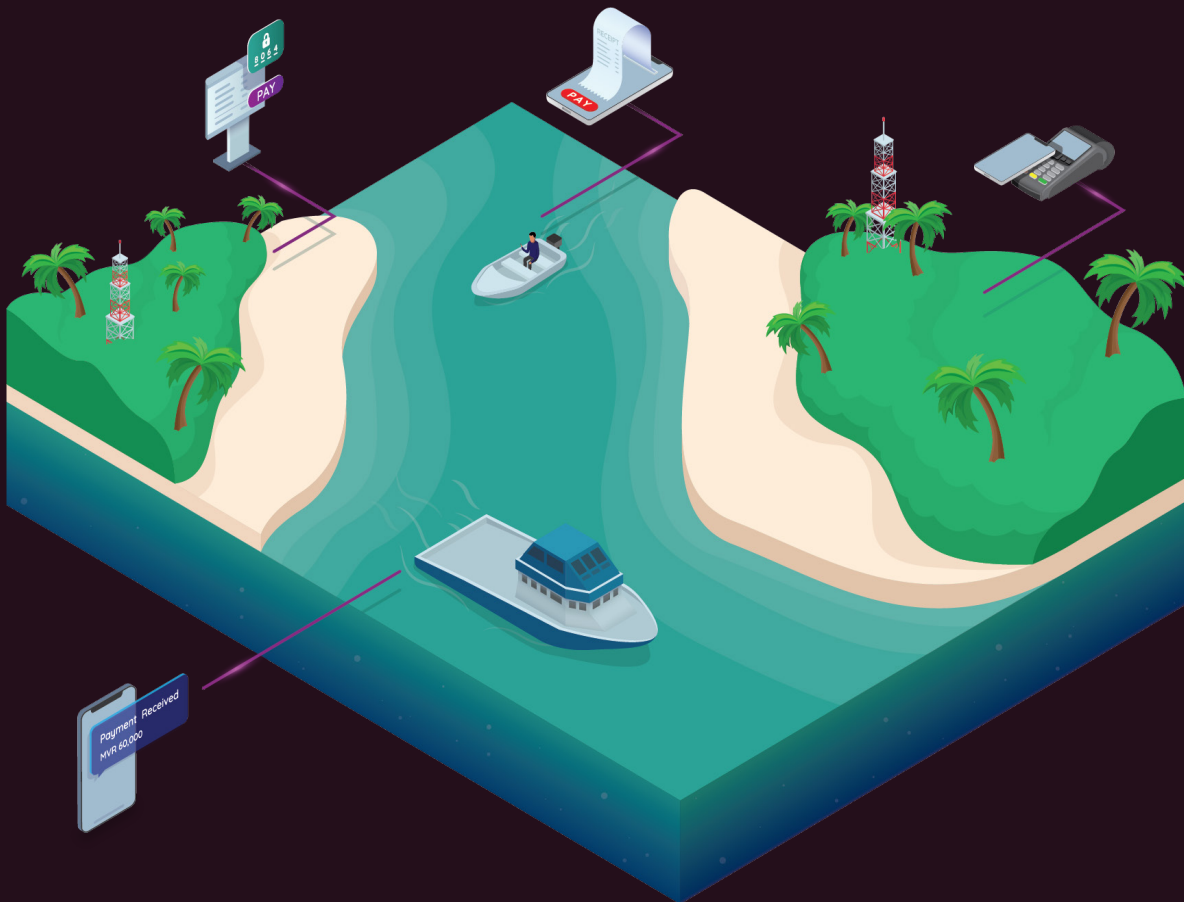


MALDIVES PAYMENT SYSTEM DEVELOPMENT PROJECT

With the rapid modernisation of the Maldivian economy, we are becoming increasingly interconnected both within and across networks. While the greater degree of connectivity has the potential to allow more automated and integrated payment solutions, the appropriate infrastructure development is required to capitalise upon this transition and cater to future developments in the economy.

Accordingly, the MMA is leading an initiative to transform the payment landscape in the Maldives by establishing an all-inclusive

payment system enabling fast, secure and convenient payments. The primary objective of the project is to ensure that users are able to make and receive payments instantly, irrespective of the island on which they live or where they bank. It is also aimed at establishing a level playing field for the banks and other potential payment service providers which will promote electronic payment services. The new payment infrastructure will be open and flexible to accommodate and foster innovation and competition in the Maldivian payment domain.



OBJECTIVES

The new payment infrastructure will enhance the end-user experience and deliver better services to Maldivians via the following key objectives.

FAST PAYMENTS

- The system will enable all Maldivians to send and receive money instantly regardless of the island on which they live or the payment solution they use.
- Transactions will be transparent with rich and informative messages for both payer and payee, and will be received instantly.
- End users will have access to funds in real time and will be able to use it immediately.

EASY PAYMENTS

- The process of making payments will be more flexible and modular.
- Users will be able to use easy-to-remember identifiers such as email addresses, phone numbers, biometrics and social media handles to execute payments.
- The simple account-to-account instant payment system will enable innovation and enhance the customer experience for Maldivians.
- Easy-to-use and cost-effective digital and integrated payment solutions will be introduced to eliminate cheques and reduce the level of cash in circulation.

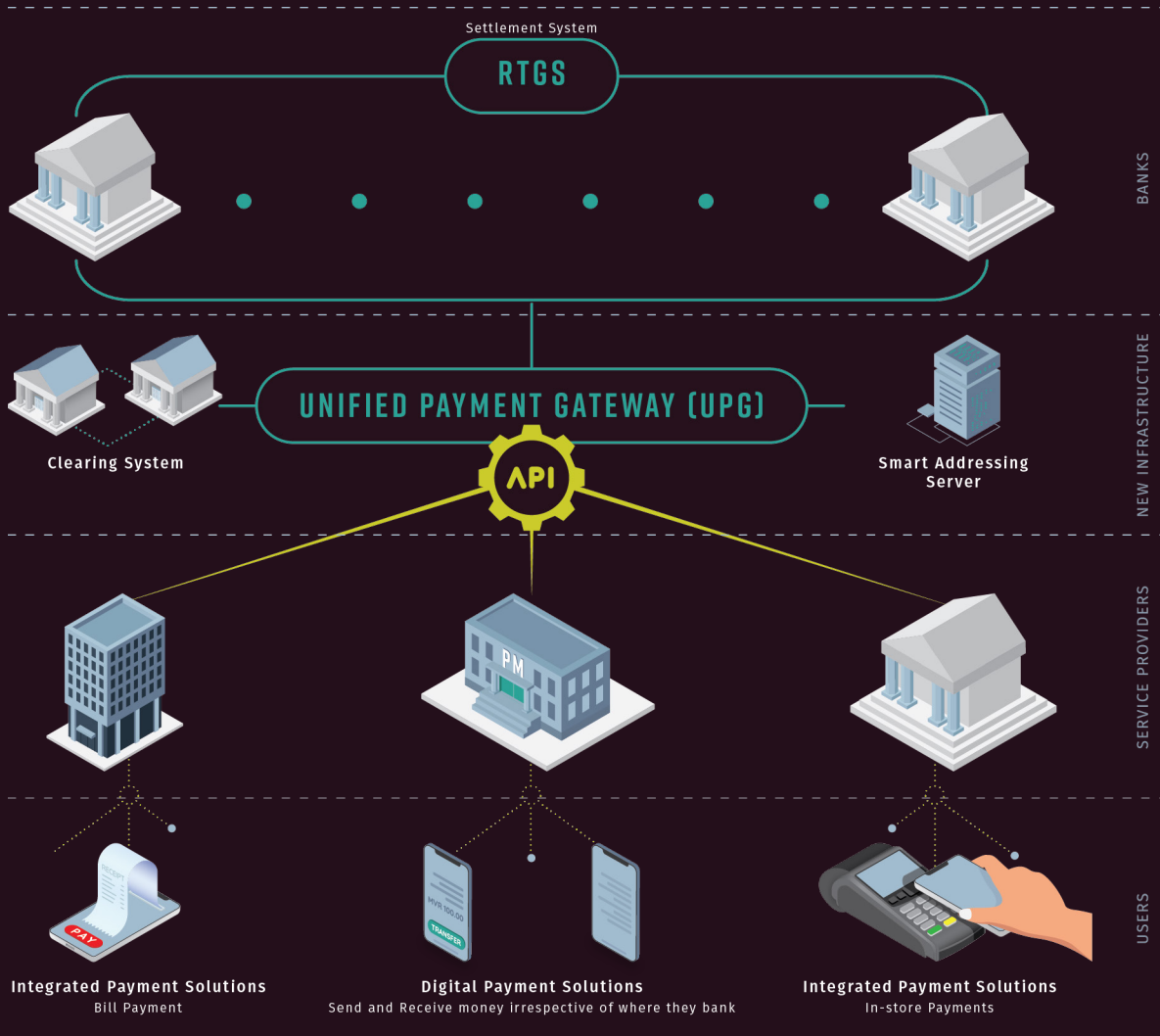
SAFE PAYMENTS

- Secure payment will be ensured through the use of multiple-factor authentication.
- Payment processes will be standardised and automated to minimise costs and risks.
- System errors will be minimized and fraud will be resolved quickly.
- Payment regulations will be developed as the payment system continues to evolve to ensure that users and payment service providers have a high level of confidence in the payment

OPEN, BUT RISK-EVALUATED ACCESS

- Payment service providers will have access to the account-to-account domestic payment scheme, providing them with digital and integrated payment services.
- Open application programming interfaces (APIs) and rich transaction information will promote data-driven innovation and new value propositions.
- The system will be flexible and potential payment service providers will have activity based access to the system.

INFRASTRUCTURE



The core infrastructure, Unified Payment Gateway (UPG) will be an open, API-based modular system consisting of an account-based, real-time payment system augmented with the functionality of smart addressing.

The system will be designed to cater to an environment in which there will be two types of major players: account information providers (AIPs) and payment service providers (PSPs). AIPs include all institutions

that hold customer accounts used in the payment process, either directly or indirectly through a third party. PSPs are institutions that provide payment solutions built on top of the payment infrastructure, possibly utilising the information provided by AIPs.

The core infrastructure will include three main components: the UPG, smart addressing and a clearing service.

UNIFIED PAYMENT GATEWAY

The UPG will facilitate AIPs to provide account information through the gateway to PSPs based on set of system rules that are in line with the legal framework. All banks in the Maldives will be directly linked to the system, which will facilitate PSPs in offering innovative payment services to their customers. The UPG will enable customers to view and manage multiple bank accounts through a single interface, consolidating various banking features, including seamless fund routing and merchant payments.

SMART ADDRESSING

Smart addressing will allow customers to make payments using easy-to-remember tokens and identifiers such as national identification numbers, mobile numbers, email addresses and social media handles. The sharing of bank account numbers and other sensitive information may no longer be required.

CLEARING SYSTEM

The clearing service will allow real-time multilateral clearing of payment orders between AIPs. This will allow the customers to access the funds in real-time and use it immediately 24 hours a day and 7 days a week.

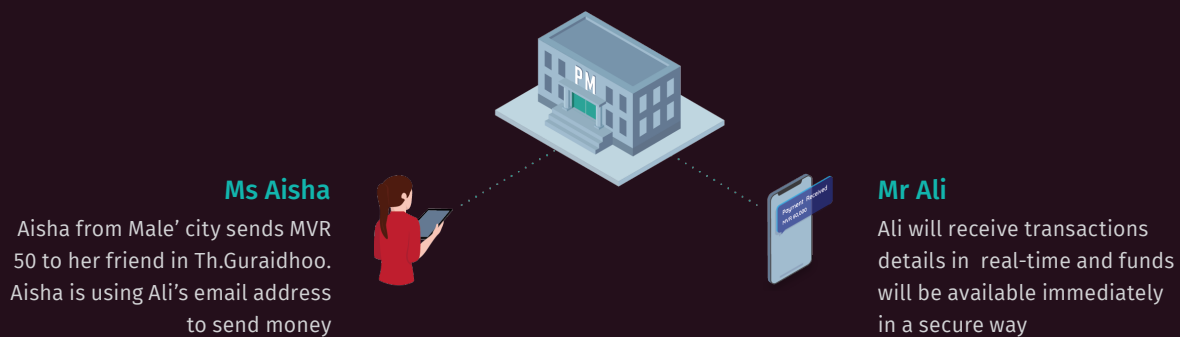
DIGITAL SOLUTIONS

An essential part of the project involves the introduction of multiple digital solutions that will allow users to send and receive payments instantly, regardless of the location of their bank accounts in the Maldives. A digital solution simply provides the facility to make payments without other add-on services or functionality. With this solution, all entities in the Maldives will have a fast, reliable and convenient option for making payments.

PERSON TO PERSON TRANSFER

Users can transfer funds between various accounts in a number of ways:

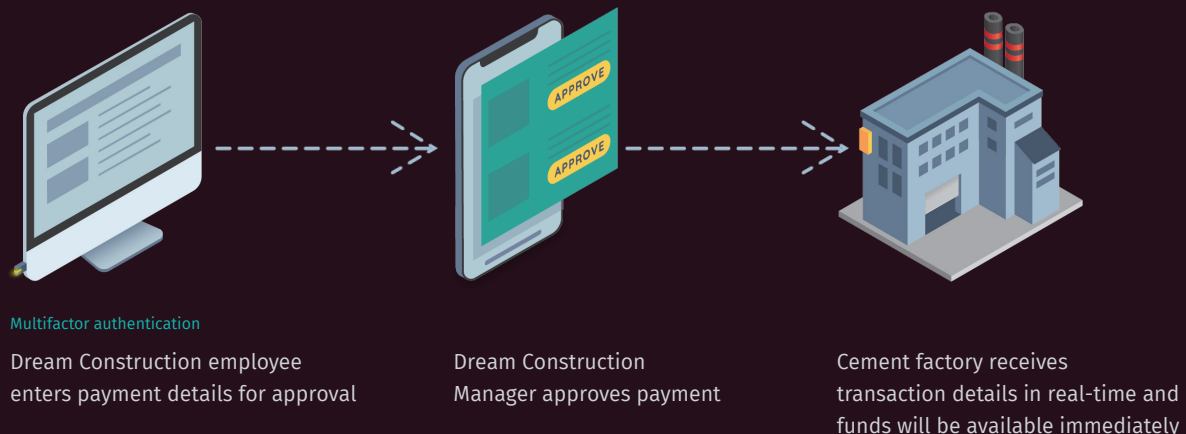
- All inclusive, multi-channel instant digital payment solution to all Maldivians



WHOLESALE PAYMENTS

These are generally high-value payments made by corporate entities. A digital payment solution will be provided in which the corporate entities' payment initiator and approver are segregated, providing an alternative solution to cheques.

Dream Construction Pvt. Ltd. paying MVR200,000 to Cement Factory



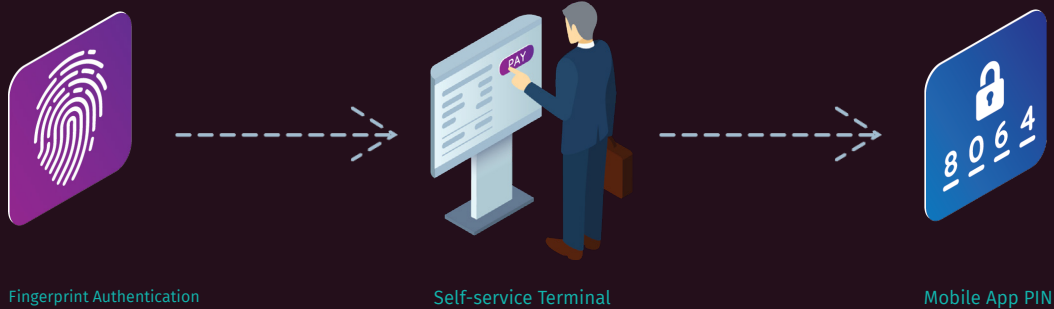
PAYMENT GATEWAY

A local internet payment gateway will be introduced that will provide users the option to use the local scheme to make online payments on e-commerce platforms.



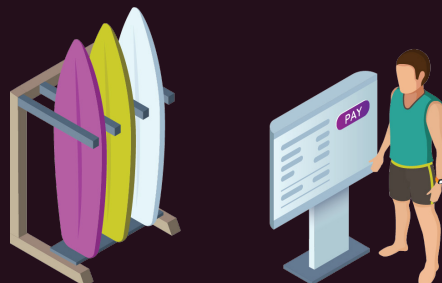
SELF-SERVICE TERMINALS

Self-service terminals or kiosks will be available in all inhabited islands at convenient locations, mainly to facilitate Know Your Customer procedures via biometric verification or any other identifiers. Further, all payment services that can be accessed as part of the digital solution will be available through the self-service terminals. In simple terms, these kiosks could be a smart ATM without cash.



TOURIST PAYMENTS

A payment solution will be introduced for tourists whereby they receive an identifier such as a smart card or hardware token upon arrival. This can be topped up using international card schemes, which can then be used to make domestic payments. The solution will allow the tourists to make payments through digital and integrated solutions through the local scheme.



John rents water sport equipments using the local smart card

INTEGRATED SOLUTIONS

A number of integrated payment solutions will also be introduced under the project, to cater for selected segments of the payment space. Integrated payment solutions will seamlessly combine the payment process and provide convenient and value-added solutions. Strategic areas with lack of market-driven incentives and areas with the potential for maximum impact on users will be prioritised when deciding on the underlying use-cases of the solutions.

SOLUTION FOR REGULAR PAYMENTS

Integrated solutions could be geared towards catering for payments due at regular frequencies, such as bill payments, rents, recurring government fees and transportation services, all of which could be paid through a single interface, coupled with value-added services.

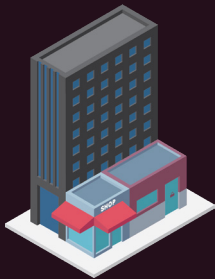


IMPACT ON KEY STAKEHOLDERS



CONSUMERS

- Access to payment services will no longer be restricted by physical location.
- Quick and convenient payments possible using easy-to-remember identifiers.
- Consumers may no longer need to share their bank account and other sensitive details.
- All payments executed from a single account instead of requiring multiple payments wallets.



BUSINESSES

- No longer restricted to business hours.
- More convenient tracking and payment reconciliation.
- Improved cash flow management due to quick realisation of sales proceeds.



GOVERNMENT

- Faster realisation of tax receipts.
- Richer payment data to complement tax compliance assurance efforts.
- Efficient and convenient means to electronically distribute welfare pay-outs.



BANKS AND PAYMENT SERVICE PROVIDERS

- Build innovative payment solutions and financial services via risk-based access to the payment system.
- Provide multiple services based on the common account structure provided by the system.

INTERNAL MANAGEMENT, POLICIES AND ORGANISATIONAL DEVELOPMENTS



Monetary Policy Framework

The key objectives of the monetary policy of the Maldives are maintaining the inflation rate in line with GDP growth and maintaining an adequate level of foreign exchange reserves. As the Maldives is heavily reliant on imports, the domestic inflation level is mainly influenced by changes in prices in the international market. Therefore, to ensure that domestic inflation remains low and stable, the MMA works towards keeping the exchange rate within the stipulated band. The MMA regularly provides US dollars to the domestic foreign exchange market to maintain the exchange rate within the band of MVR10.28 and MVR15.42. In addition, the MMA continues to manage the excess local currency liquidity of the banking system to maintain exchange rate stability.

To achieve its monetary policy objectives, the MMA employs the following instruments: the MRR, OMOs, foreign currency swaps and standing facilities comprised the ODF and the OLF. During 2018, no changes were brought to either the monetary policy framework or monetary policy instruments. Operational changes are made to monetary policy instruments after taking into account the developments in the Maldivian economy with the approval of the Board of Directors of the MMA, following careful consideration of the recommendations made by the Monetary Policy Committee.

Minimum reserve requirement: Commercial banks are required to maintain a proportion of their foreign currency and local currency deposits with the MMA as MRR. No changes have been made to the MRR since it was revised down to 10% in August 2015.

Standing facilities: The two standing facilities utilised by the MMA are the ODF and

the OLF. After meeting the MRR, commercial banks can invest any excess local currency liquidity in the ODF on an overnight basis, at an interest rate of 1.5% per annum. The OLF allows commercial banks to borrow funds from the MMA in local currency for overnight at an interest rate of 10% per annum, to meet any short-term liquidity shortages. The last revisions to the interest rates of the ODF and the OLF were made in 2014.

Open market operations: OMOs consist of repurchase and reverse repurchase agreements. OMOs are securities transactions conducted between the MMA and the commercial banks on a market basis, and are used by the MMA to inject excess liquidity into, or absorb excess liquidity from the banking system. If the MMA needs to inject excess liquidity into the banking system, it conducts repurchase transactions via the purchase of securities from commercial banks. In the case of excess liquidity, which could negatively affect the rufiyaa exchange rate, reverse repurchase transactions are conducted via the sale of securities to commercial banks. The MMA has not conducted OMOs since May 2014.

Foreign currency swap facilities: A foreign currency swap is an agreement between two parties to exchange two currencies. It involves the exchange of one currency, which includes principal and interest, for its equal value in another currency, for an agreed term. The foreign currency swap facility can be utilised to address short-term foreign currency liquidity constraints of commercial banks and to manage excess liquidity in the banking system. In 2018, this facility was not utilised by any of the commercial banks.

Implementation of Monetary Policy

With the objective of facilitating economic growth and boosting private sector credit growth, the MMA continued to adopt a supportive monetary policy stance in 2018, similar to previous years. To implement its monetary policy operations, the MMA carried out two key tasks: foreign exchange market interventions and management of local currency excess liquidity in the banking system. The MMA continued monitoring the developments in the foreign exchange market and carrying out foreign exchange interventions accordingly. These interventions were aimed to ease foreign exchange pressure in the market and maintain public confidence in the domestic foreign exchange system.

Exchange Rate Stability

Similar to previous years, the MMA continued its domestic foreign exchange market interventions through the sale of US dollars to commercial banks and SOEs.

The total US dollar sales by the MMA increased by 19% in 2018 compared with 2017, and amounted to US\$550.7 million. Although

only a certain proportion of foreign currency requirements of SOEs were provided by the MMA in previous years, the MMA's foreign exchange intervention policy was revised in early 2017 to facilitate the total amount of foreign currency requirements of SOEs for their business activities and development projects. In line with this policy revision, US\$319.9 million was sold to the SOEs in 2018—an amount 31% higher than in 2017.

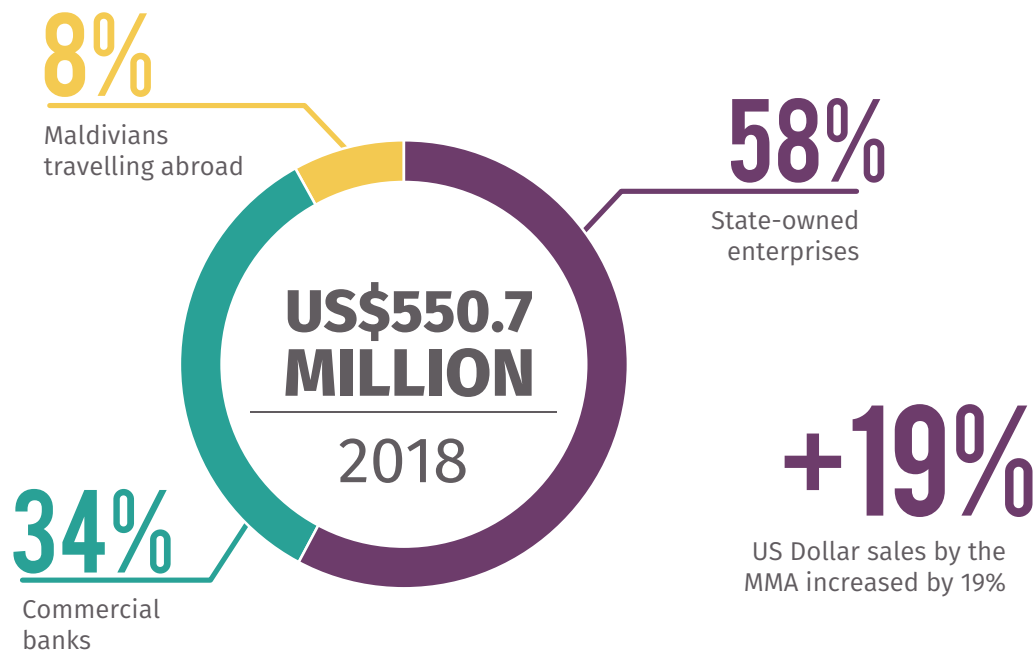
The total US dollar sales by the MMA increased by 19% in 2018 compared with 2017, and amounted to US\$550.7 million.

Along with SOEs, the MMA also provided US dollars to commercial banks, which amounted to US\$230.8 million in 2018, a 4% annual growth. This includes US\$169.5 million sold as normal weekly allocations, as well as US\$13.2 million provided for Maldivians travelling abroad for medical and educational purposes. A total of US\$3.6 million was provided through banks to cater for other foreign currency requirements,



All monetary policy decisions are made by the Board of Directors based on the recommendations made by the Monetary Policy Committee.

US Dollar Injected to the Domestic Market



which included foreign currency provided to Hajj and Umrah groups. The MMA sells US dollars in cash to travellers, up to a limit of US\$500 per traveller, through the Bank of Maldives Plc. (BML) at VIA. Under this policy, US dollar cash sales to travellers amounted to US\$44.5 million in 2018.

Management of Local Currency Liquidity

The banking sector's excess liquidity continued to be absorbed by the commercial banks' investments in the ODF, which aided in managing the overall local currency excess liquidity in the banking system. An average of MVR3.2 billion was invested in the ODF by commercial banks, which was a growth of 2% compared with 2017.

Reserve Management

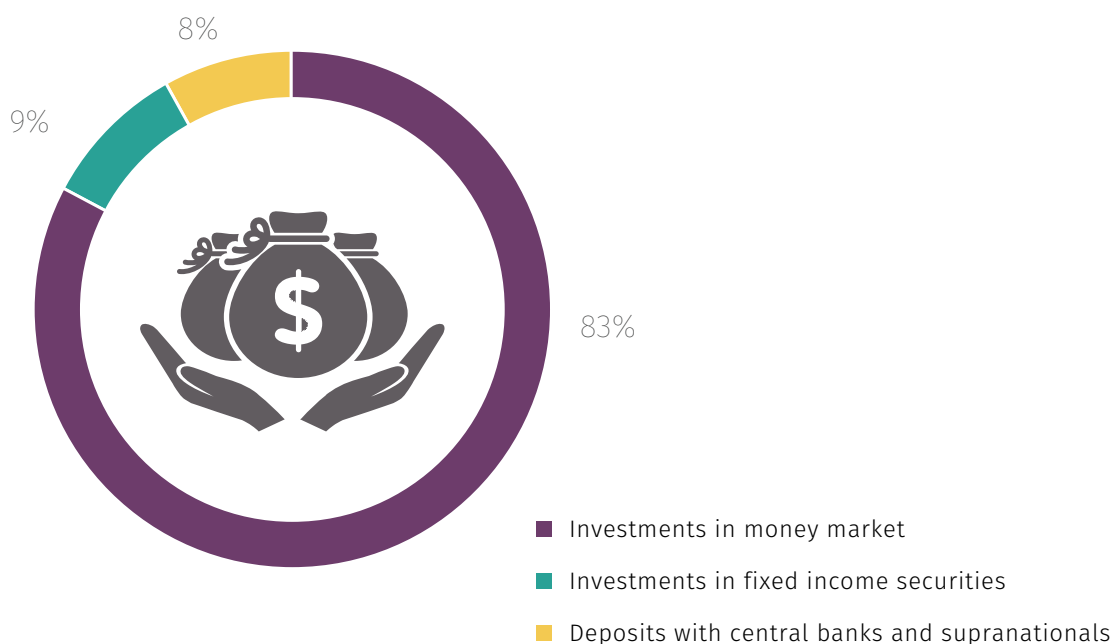
The MMA is mandated to manage the foreign exchange reserves of the Maldives to maintain them at an adequate level. The main purpose of reserve management is to support and maintain confidence in the market and to assist the country in meeting its debt obligations, particularly during times of economic distress. The MMA undertakes its foreign reserve management function to generate sufficient returns on funds invested while minimising any risks. In managing the foreign currency exchange reserves, the MMA mainly focusses on ensuring sufficient foreign currency liquidity, preserving capital and generating returns without compromising the safety of reserves. The reserve management policies are set out

by the Board of Directors of the MMA and investment guidelines are formulated by the MMA's Investment Committee in accordance with these policies.

Accordingly, during 2018, investments were made across various asset classes in line with reserve investment guidelines. At the end of 2018, reserves were mainly invested in fixed deposits, and in fixed income securities issued by foreign governments and international financial institutions.

The MMA continued to establish counterparty relationships with international banks and financial institutions, with the aim of expanding reserve management activities. New counterparty relationships were established with two additional financial institutions during the year. Thus, by the end of 2018, the MMA had established counterparty relationships with 16 financial institutions.

Reserve Investments by Main Asset Classes, 2018



Developments to the Regulatory Framework

In 2018, measures were undertaken to develop the existing regulatory framework with the aim of strengthening the supervisory and regulatory activities of the financial sector, and preventing financial crimes. The regulations issued during 2018 are as follows:

- Pursuant to Law No. 24/2010 (*Maldives Banking Act*), the MMA issued the *Regulation on Record Retention*, which came into effect on 15 May 2018. The Regulation requires each bank to formulate a policy which stipulates record retention periods which are in compliance with this Regulation and other laws of Maldives. The banks are also required to formulate the policies on retention and destruction of such records. Where any other law requires banks to maintain a particular type of record for a longer period than is stipulated in this Regulation, the Regulation also requires the bank to adhere to the retention period set forth in the relevant law.
- Amendments were made to the *Affordable Housing Loan Scheme Regulation*, which governs the housing loan scheme implemented by banks and other financial institutions to provide housing finance for individuals who are not eligible for a loan on commercial terms. One of the main changes brought to the Regulation is that it mandates member institutions to grant the loan

without requiring additional equity or down payment from the applicant, if the equity or down payment proposed by the applicant is within the amount stipulated in the Regulation and the loan application satisfies the eligibility criteria of the member institution. Additionally, member institutions are prohibited pursuant to the Amendment from requiring applicant of a loan to provide any additional security or mortgage other than the mortgage over the property being bought or constructed from the loan. Furthermore, the minimum tenure of loans under the scheme was changed from 25 to 20 years.

- An Amendment was made to the *Regulation of Cross Border Cash Declaration Amount* issued under Law No. 10/2014 (*Prevention of Money Laundering and Financing of Terrorism Act*). In order to strengthen the measures to prevent money laundering and terrorism financing, the threshold stipulated under this Regulation for declaration of cross-border cash transportation was lowered from US\$30,000 to US\$20,000 and more, or its equivalent in rufiyaa or any other currency.
- An Amendment was made to the *Regulation on Fees and Charges Payable by Financial Institutions*, issued under Law No. 6/81 (*Maldives Monetary Authority Act*). The Amendment was brought to abolish the annual fee charged from member institutions of the Credit Information System. The main purpose of abolishing this fee was to change the fee structure applicable to member institutions, whereby to charge for each report generated from the system, instead of an annual one-off fee.

Amendments were made to the *Affordable Housing Loan Scheme Regulation*, which governs the housing loan scheme implemented by banks and other financial institutions.



The MMA regularly examines financial reports and other information submitted by financial institutions

Licensing, Supervision and Other Regulatory Activities

As part of the MMA's mandate to ensure financial stability, it is necessary to ascertain that all banks and non-bank financial institutions function in accordance with the laws and regulations governing these institutions. Accordingly, the MMA conducts regular on-site examinations and off-site monitoring of these institutions, and also carries out work related to the issuance and cancellation of the licenses of financial institutions.

On-site Examinations

On-site examinations check for compliance with relevant regulatory requirements and identify areas of risk in their operations. Such examinations are conducted by the MMA by visiting these institutions. Accordingly, on-site examinations of banks are conducted at least every two years by the MMA, as required by the law. Examinations of non-bank financial institutions are also carried out. The following on-site examinations were conducted in 2018:

- The first phase of a limited-scope²³ on-site examination of the BML was conducted to assess its compliance with the relevant regulatory requirements in its lending policies and procedures.
- A full-scope²⁴ on-site examination of the Bank of Ceylon was carried out to evaluate the bank's asset quality, the adequacy of its capital and loan loss provisions, liquidity and risks and overall compliance with the banking laws and regulations.
- A limited-scope examination of the Commercial Bank of Maldives was conducted to assess its compliance with relevant regulatory requirements with regard to asset quality, lending policies and procedures; and corporate governance.
- A limited-scope examination of the Hongkong and Shanghai Banking Corporation was carried out to assess the bank's asset quality, capital adequacy and the adequacy of its loan loss provisions.
- A full-scope on-site examination of the

²³ Limited-scope examinations consider specific issues.

²⁴ Full-scope examinations thoroughly assess compliance with banking laws and regulations; and identify areas of risk in operations.

Maldives Islamic Bank Pvt. Ltd. (MIB) was conducted to evaluate its asset quality, adequacy of capital and loan loss provisions, liquidity and risks, and overall compliance with the banking laws and regulations.

- On-site examinations of two money remittance companies—Maldives Post Ltd. and Bandaha Financials Pvt. Ltd.—were conducted during the year.
- A limited-scope examination of the MFLC was conducted to assess the company's financial condition, capital adequacy, credit risks and adequacy of internal controls. The company's compliance with the requirements for preparing financial reports and the adequacy of its policies were also assessed in the examination.
- On-site examinations of all insurance companies in operation were carried out to assess their reinsurance arrangements.

Off-site Examinations and Other Activities

Off-site monitoring of financial institutions involves reviewing and analysing the financial reports and other information submitted to the MMA by these institutions. The off-site reports focus mainly on the institutions' financial condition and compliance with relevant regulatory requirements. The following off-site monitoring activities were conducted in 2018:

- Financial statements and information submitted by commercial banks, insurance companies and finance companies were reviewed regularly, and quarterly off-site reports were prepared. These reports covered key financial

performance indicators, effectiveness of risk management and compliance with regulatory requirements.

- Regular reviews of reports submitted by money remittance companies were conducted and assessments of their compliance regulatory requirements were carried out.
- Review of the reports submitted by mobile PSPs and assessments of their compliance with the relevant regulatory requirements were carried out.

With regard to other activities, a circular was issued in 2018 that set out rules for the conduct of reinsurance by Takaful companies.

Licenses Issued and Cancelled during the Year

Licenses were granted to the following pre-existing banks to open new branches or service centres during 2018:

- BML in September, to open branches in four islands: Kaashidhoo, Meedhoo, Gahdhoo and Velidhoo.
- MIB in January, to operate a branch in Dhuvaaafaru.
- Bandaha Financials Pvt. Ltd., which provides money transfer service through the Western Union, was granted a license in July to operate an additional branch.

Other licensing changes were as follows:

- The license of Villa Travels & Tours Pvt. Ltd., which provided a money remittance service as a representative of Western Union, was cancelled during the year on their request as the new remittance regulation requires remittance operations to be conducted solely by a company

established for money remittance services. Island Financial Services Pvt. Ltd. was licensed in May and began operating as a separate legal entity.

- Licenses were issued to 21 new money changers. Fifteen money changer licenses were cancelled during the year, either at the licensee's request or as a result of their failure to submit the required reports to the MMA.
- New insurance agent licenses were issued to eight individuals, and the licenses of 16 insurance agents were cancelled during the year.

Development of the Financial Sector

As part of the efforts to sustainably develop the financial sector in the Maldives, several initiatives were undertaken to ease access to finance and provide low-cost finance, enhance financial consumer protection and facilitate the development of small and medium-sized enterprises (SMEs), which in turn fosters economic growth. The MMA continuously works on strengthening the financial infrastructure and providing access to financial services to every citizen

living in any island of the country. Among the 2018 efforts to increase financial inclusion were enhancements to financing for consumer protection, development of the Credit Guarantee Scheme (CGS) and the Credit Information Bureau (CIB), and development of payment services.

Additionally, the *Affordable Housing Loan Scheme* introduced by the MMA in 2017 with the objective of providing accessible housing financing to those who lack adequate housing, was continued in 2018.

National Financial Inclusion Strategy

Work was carried out to formulate the *National Financial Inclusion Strategy*, which aims to encourage the use of financial services. The main objective of the strategy is to facilitate a combined effort between financial institutions and other related stakeholders to promote financial inclusion and literacy in the Maldives. Through this effort, the MMA aims to identify the activities carried out by other institutions to promote financial inclusion, and find ways to collaborate with these institutions in carrying out this work. Assessing the level of financial inclusion in the Maldives is another



In order to maintain financial system stability, it is vital to regulate and supervise financial institutions

key objective of the strategy. The MMA will work closely with the Alliance for Financial Inclusion in formulating this strategy. Work is underway for the MMA to attain full membership of the Alliance.

Credit Guarantee Scheme

To provide easy access to finance and to mitigate financing difficulties faced by SMEs, the CGS provides a guarantee for 90% of a loan granted by a participating bank to a commercially viable SME. By the end of 2018, 75 applicants had received loans under the scheme, 18 of which were approved in 2018. It is noteworthy that the number of loans made under this scheme in 2018 was lower compared with 2017, reflecting the introduction of other loan schemes for SMEs during the year.

Seventeen per cent of the successful applicants were enterprises owned by women. With regard to major sectors of the economy in which a credit guarantee was given, 47% of the successful applicants were enterprises in the retail sector, while 14% and 10% were enterprises in the construction and tourism sectors, respectively.

By the end of 2018, 75 applicants had received loans under the CGS, 18 of which were approved in 2018.

Affordable Housing Loan Scheme

Under the first phase of the scheme, down payments for 53 loans (amounting to MVR23.97 million) were guaranteed by the MMA. By the end of December 2018, a total

of 75 loans had been approved under the second phase of the scheme.

Credit Information Bureau

The CIB housed within the MMA provides a credit information database that holds the credit history of individuals and corporations. Work to introduce a Secured Transactions Registry as a subcomponent of the CIB was successfully completed in 2018, with the assistance of an international company. The purpose of the registry is to provide easier access to information for banks and other financial institutions regarding moveable collateral goods, and to enable SMEs to use moveable goods as collateral to gain easier access to credit. This service will be open to the public once the *Secured Transactions Act* is passed and implemented. Work on the Secured Transactions Registry is carried out with financial assistance from the Asian Development Bank (ADB).

Financial Consumer Protection

To maintain financial system stability and ensure public confidence in the financial system, the MMA works to mediate and resolve issues between consumers and financial institutions. The MMA received seven written complaints during 2018 and all reported cases were attended to by the end of the year.

To protect the rights of the customers of financial institutions in the country, the MMA is working on establishing a proper and adequate framework for financial consumer protection. In addition, efforts were made during the year to promote financial literacy among Maldivians.

Measures Taken to Prevent Financial Crimes

The MMA takes various measures to protect the integrity of the financial system and to ensure public confidence in the financial system. In this regard, work is continuously undertaken to ensure that the financial system is not used for financial crimes, particularly those related to money laundering and the financing of terrorism.

As part of these efforts, the *Prevention of Money Laundering and Financing of Terrorism Act* (Law No. 10/2014) was ratified in 2014 and several regulations have been issued by the MMA under this Act. These include regulations setting out requirements for banks; money transfer and money changing businesses; life insurance and family Takaful insurance businesses; and securities-related businesses.

These regulations require financial institutions to undertake 'customer due diligence' measures prior to establishing a business relationship and carrying out single transactions. The due diligence measures required include those relating to identifying customers and beneficial owners; verifying their identity from reliable sources; and verifying the sources of funds or wealth. Under these regulations, customer transactions are monitored and suspicious transactions are reported to the Financial

Intelligence Unit (FIU) of the MMA. In addition, financial institutions are required to maintain records regularly and conduct internal programmes such as those aimed at preventing the financing of terrorism.

As part of ongoing efforts to prevent financial crimes, the FIU continued its supervision of financial institutions to monitor their compliance with the requirements under the regulatory framework. Accordingly, on-site inspections of one commercial bank, one money remittance company and one money changing company were carried out during the year.

In 2018, the FIU investigated and reported suspicious cases and other information from various sources, which was shared with relevant authorities. Additionally, as a member, the FIU participated in the annual meeting of the Asia/Pacific Group on Money Laundering, a leading authority on preventing money laundering and terrorism financing in the Asia Pacific region.

The FIU provided training and workshops on identifying money laundering and terrorism financing, with all financial institutions participating.

Currency, Banking and Payment Systems

To achieve the objectives outlined in the *Strategic Plan 2018–2022* with regard to currency management and strengthening of services provided to the public, efforts were underway in 2018. These included strengthening of the exchange of coins to banknotes provided to the public, with the installation of a coin sorting machine on 16 September 2018 that sorts and counts coins based on their face value. The commencement of this service eliminated the manual sorting of coins, further easing and speeding up the exchange process.

In addition, to enhance the efficiency with which banknotes deposited in the MMA by commercial banks and government institutions are processed, a fully automated banknote processing machine was installed and its usage commenced on 20 December 2018. The machine ensures notes are not counterfeit, and sorts, bands, bundles and shrink-wraps the notes, all within a single process. With the automation of this process, the banknote processing work of the MMA has become more swift and secure.

Currency

The MMA is the sole issuer of the Maldivian currency and has the legal obligation to ensure that the demand for currency is met adequately. The MMA is also responsible for safeguarding the integrity and quality of the Maldivian currency. Thus, the MMA oversees the complete lifecycle of banknotes and coins, adding new security features, printing and minting new banknotes and coins, issuing new banknotes and coins, and destroying and replacing banknotes and coins that are unfit for circulation.

New Print of 10 Rufiyaa and 100 Rufiyaa Banknotes Issued into Circulation

As the stock of 10 rufiyaa and 100 rufiyaa banknotes of the Ran Dhihafaheh banknote series had depleted to a level where reprinting was required, a new stock was printed and issued into circulation on 3 September 2018. Both banknotes were signed by the incumbent Governor of the MMA, Mr Ahmed Naseer, dated 10 March 2018,

The 20 rufiyaa banknote of the Ran Dhihafaheh banknote series



22 Jumada al-Akhirah 1439. The new print of 10 rufiyaa and 100 rufiyaa banknotes have been circulated alongside the initial print of the banknotes.

Commemorative Coin to Mark the 50th Republic Day of the Maldives

A commemorative coin was issued by the MMA to mark the 50th anniversary of the Maldives becoming a Republic. The commemorative coin was unveiled by former President Abdulla Yameen Abdul Gayoom at the official ceremony held on 26 July 2018 to mark independence of the Maldives.

Details of the Commemorative Coin

Face value: MVR150

Metal: 925 silver

Diameter: 38.61mm

Weight: 28.28gm

Special feature: Gold-plate

Quality: Proof

Price: MVR1,500



Destruction of Banknotes

The MMA regularly destroys banknotes that are unfit for circulation. Such notes are destroyed as per the banknote destruction policy when their volume reaches the prescribed amount, and in the presence of officials from the MMA and Auditor General's Office, who are assigned to observe the destruction process of the notes.

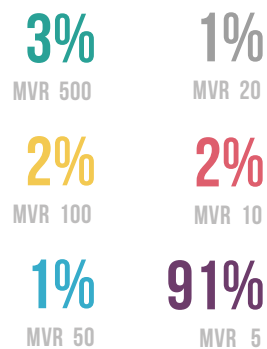
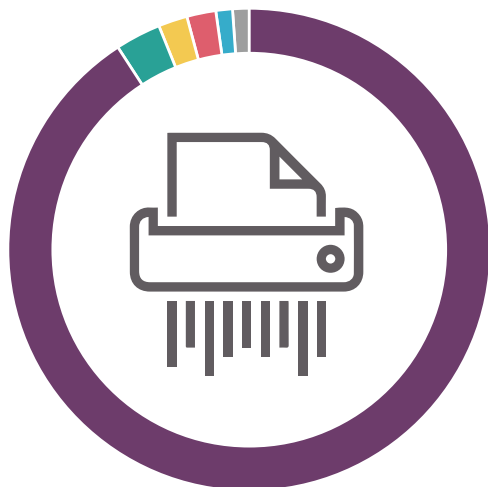
Ran Dhihafaheh banknote series was issued into circulation on 26 January 2016. Given the durability of the polymer notes and the short timespan since the issuance of the Ran Dhihafaheh banknote series, the MMA did not receive enough banknotes from this series to reach the prescribed amount

that warrants destruction. Accordingly, destruction of Ran Dhihafaheh banknotes was not carried out during the year. However, of the paper banknotes from the 1983 series submitted to the MMA to be exchanged for Ran Dhihafaheh banknote series, a total of 466,068 was destroyed (valued at MVR9,862,195.0).

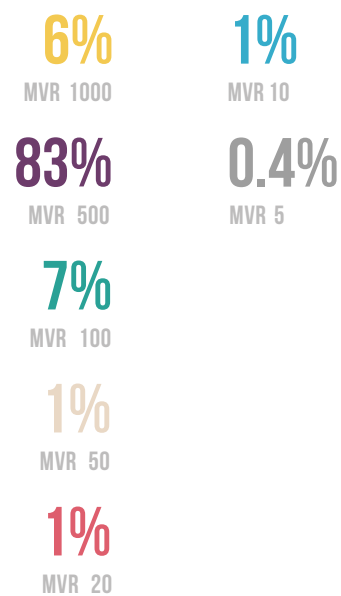
Destruction of Coins

With the issuance of a new 2 rufiyaa coin on 12 July 2017, the MMA commenced the process of removing the old 2 rufiyaa coin from circulation. Of the old 2 rufiyaa coins

Quantity of Paper Banknotes Destroyed, 2018



Value of Banknotes in Circulation





Following the issuance of the new 2 rufiyaa coin, the old 2 rufiyaa coins were continued to be removed from circulation

received by the MMA, a total of 960,000 coins (valued at MVR1,920,000.0) were sent to the Royal Mint, UK, on 20 May 2018 to be destroyed. The destruction of these coins was completed by 4 December 2018.

Currency in Circulation

The total value of banknotes in circulation stood at MVR3.6 billion at the end of 2018, an annual increase of 5%. The total value of coins in circulation increased by 4% from the previous year and was recorded at MVR71.3 million at the end of 2018.

Payment System

The payment systems currently operated by the MMA are the Maldives Real Time Gross Settlement (MRTGS) system and the Automated Clearing House (ACH) system.

The MRTGS system settles high-value and urgent inter-bank transactions in real time on a gross basis. The ACH system clears high volumes of low-value transactions in batches.

Since the introduction of the MRTGS and ACH systems, both the volume and value of transactions settled through these payment systems have been increasing annually. During 2018, the number of transactions settled through the MRTGS system totalled 137,110, an annual increase of 15%. Meanwhile, the value of direct credit transactions settled through the ACH system increased by 25% from the previous year and stood at MVR3.99 billion at the end of 2018. In addition, the amount of cheques cleared through the clearing house of the MMA declined by over 1% compared with the previous year. In value terms, this was a decline of 3%.

Value of Transactions Settled through Payment Systems, 2018

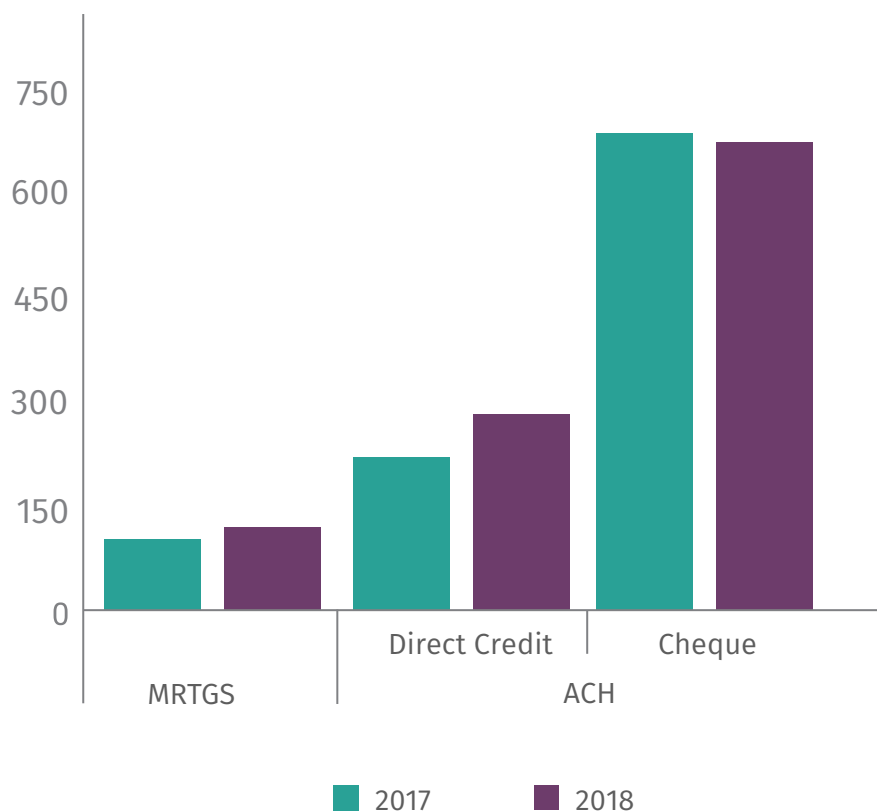
MVR70.9 BILLION

Transactions settled
through ACH

MVR1.8 TRILLION

Transactions settled
through MRTGS

Volume of Transactions Settled through Payment Systems, 2017-2018 (in thousands)





A newly established banknote processing machine inside the MMA in 2018

Banking Services to the Government

The MMA, as the main banker of the government, continued its operation of the government's single account, called the Public Bank Account. Additionally, work was undertaken in 2018 to develop a new banking software with the aim of strengthening and enhancing the banking services provided to the government.

As the fiscal agent of the government in the issuance and effective management of government securities, the MMA continued its advisory role to the government on all aspects related to the issuance of government securities in 2018. Further, work on the Government Securities Market Development Project initiated by the MMA, aimed at expanding the government securities market, was continued in 2018. Under this project, an agreement was signed

with a vendor in December 2018 to establish a securities depository system in the Maldives, to further automate the work of the securities market and to enable securities to be bought and sold in the secondary market on a wider scale.

With the objective of expanding the government Islamic securities market and obtaining financing for development projects of the government, Islamic securities were issued in 2018 as well. A reverse dual currency Mudharaba certificate was newly introduced and issued. In addition, Mudharaba certificates issued since 2013 to raise finance for work carried out by SOEs were rolled over in 2018. Mudharaba certificates were also issued for this purpose in 2018.

Box 2: Maldives Payment System Development Project

The Payment System Development Project is a multi-phase initiative led by the MMA to transform the payment landscape in the Maldives by establishing a convenient, fast, affordable and secure electronic system.

Research on the Payment System

As part of this initiative, an assessment of the existing payments landscape was conducted with the objective of understanding the challenges associated with electronic payment systems and services in the Maldives. Additionally, studies were conducted to explore the initiatives taken by other countries to develop the payment systems as well as the recent global trends in payment solutions and acquiring technical assistance from the experts in this field.

The research mainly focussed on collection of data on payment methods used by businesses in Male' City Area, aimed at understanding the reason for the choice of payment method and the difficulties faced by the agents. Further, information was collected and analysed on transactions conducted with cash and electronic facilities by PSPs and large companies providing a variety of services. An analysis of the systems used by commercial banks to provide payment services was also conducted and a report was prepared based on the findings.

Efforts were made to gather information on the systems established to develop the payment system in countries around the world, and steps taken in this regard. Additionally, a payment system forum was held in 2018 to share information regarding the current technology utilised in provision of payment services. The two-day forum held at Kurumba Maldives was attended by PSPs in the Maldives, financial sector policy makers and representatives of financial institutions and relevant government authorities.

Formulation of the New Payment System Concept

Based on the findings of the payment system research, a concept model was developed outlining the technological infrastructure of the Maldives real-time retail payment system. The important factors that were prioritised in developing the concept model were ensuring that any user conducting financial transactions in the Maldives (banks, government, consumers, businesses, expatriate workers and tourists) are able to make and receive payments instantly; and establishing core

infrastructure capable of supporting the introduction of digital and integrated solutions that seamlessly combine payment processes to provide convenient and value-added solutions.

During the concept formulation stage, the MMA sought technical assistance from the central banks of some of the advanced countries of the world, including the Bank of Canada and Danmarks Nationalbank. To ensure successful completion of the project, committees were formed to conduct discussions with key stakeholders: relevant government institutions, banks, PSPs and businesses in various sectors of the Maldivian economy. The main purpose of formulating these committees was to share the payment system development plan with the key stakeholders and gain constructive feedback from them, while ensuring inclusiveness of the payments improvement initiative.

The MMA conducts research and analysis on economic and financial developments in the domestic and global economy, which is imperative for formulating an effective monetary policy. Such research also provides analytical support to efficiently achieve the objectives of the MMA. Further, the MMA compiles and disseminates the macroeconomic statistics required to conduct such research on a regular basis.

Economic Research

The MMA continued to conduct analysis and research on topics related to monetary policy, real sector, fiscal and financial sector issues pertaining to the overall economy during the year. These analyses were presented in publications including the *Quarterly Economic Bulletin* and the *Annual Report* and are published on the MMA's website. Additionally, the MMA continued its in-depth research into more specific areas of the broader economy spanning from monetary policy to other key economic and financial issues.

The MMA develops econometric models and forecasts key macroeconomic indicators that will provide analytical input for effective policy decision making. As such, forecasts of GIR and inflation were conducted during the year. Moreover, the MMA commenced its forecasting of key indicators for the tourism sector and, in collaboration with the Ministry of Finance, GDP forecasts were carried out similar to the previous year.

The MMA commenced its forecasting of key indicators for the tourism sector and, in collaboration with the Ministry of Finance, GDP forecasts were carried out similar to the previous year.

The MMA also provided its professional opinion to the People's Majlis regarding the proposed government budget for 2019. Opinion was provided on the overall budget policy, forecasted government revenue, expenditure and budget financing.

Economic Surveys

Every year the MMA conducts sample surveys to complement existing monetary and financial data and in areas where statistics are not available. In this regard, the MMA continued to conduct the *Quarterly Business Survey* in 2018, and the survey report was published as per the scheduled timeline. This survey aims to obtain a quick assessment of current business trends and expected future economic activity. In addition, the *Bank Credit Survey* conducted biannually was carried out by the MMA. The main purpose of this survey is to capture banks' perceptions about the past and expected developments in the demand and supply conditions of bank credit provided to the domestic market.

A payment system survey was conducted in January 2018 with the purpose of identifying issues in the existing payment system and facilitating a diagnostic analysis that would promote the implementation of a sound and efficient national payment system. The results of the survey helped to identify existing issues in the system. In addition, a survey was conducted of the emerging guesthouse market in December 2018. The main objective of this research is to understand the magnitude of guesthouse market contributions to the Maldivian economy, and to identify and measure its spillover effects on the local community.

As in previous years, the MMA conducted the *Maldivians Travelling Abroad*



During the Payment System Survey conducted in January 2018

Survey in 2018. The purpose of this survey is to obtain data for the compilation of travel expenditure for the BOP statistics. This survey was conducted twice in 2018, during the peak season and off-peak season (without any public holidays). The purpose of this was to capture differences in the reason for travel and spending pattern of travellers in the off-peak season compared with the peak season in which people travel frequently as it coincides with the annual academic break.

Similarly, the *Foreign Investment Survey* and *Other Assets and Liabilities Survey* were conducted for both foreign and local companies registered in the Maldives. The objectives of these surveys are to determine the value of foreign investment inflows to the country and the value of foreign assets and liabilities held by local companies.

Statistics

The MMA is primarily responsible for the compilation of BOP statistics and monetary and financial statistics in the Maldives. In addition, the MMA collects a

wide range of macroeconomic statistics. Similar to previous years, these statistics were published regularly in the *Monthly Statistics* of the MMA during 2018. These statistics were also published via Viya, the official mobile application of the MMA. In 2018, financial soundness indicators that analyse the current financial health and soundness of the financial institutions in the country were introduced. Along with this, financial access survey data were published that indicate access to and use of financial services in the country. In addition, other macroeconomic statistics were collected for advisory, analytical and research purposes.

Financial soundness indicators and financial access survey data were published for the first time in 2018.

The Board of Directors is the main decision-making body of the MMA, pursuant to Law No. 6/81 (*Maldives Monetary Authority Act*). As such, the Board formulates monetary policy and other key policies to maintain financial stability in the country in addition to operational governing policies.

Board of Directors

The MMA's Board of Directors consists of seven members, including both executive and non-executive members. However, following the removal of the members who represented the government's economic sector—former Minister of Economic Development, Mr Mohamed Saeed in 2017; and the Ministry of Finance representative, former Deputy Minister, Mr Abdul Haleem Abdul Ghafoor in 2018—replacements were not made during 2018. Hence, the Board of Directors comprised five members by the end of 2018.

Main Resolutions Adopted by the Board of Directors in 2018

The MMA's Board formulates monetary policy and key policies for the development of the financial sector, and maintains financial stability in the country. The following are the main resolutions adopted by the Board in 2018:

- Granting of a license to Island Financial Services Pvt. Ltd. to conduct international money remittance business in the Maldives.
- Issuing of the *Regulation on Record Retention* under Law No. 24/2018 (*Maldives Banking Act*), stipulating the minimum record retention periods for different types of records held by banks, and prescribing the minimum

requirements with which banks must comply in retaining such records.

- Revising the *Affordable Housing Loan Scheme Regulation* to enhance the housing finance loan scheme implemented by banks and finance companies.
- Adopting a new *Audit Committee Charter* setting out the role, powers and responsibilities of the Audit Committee.
- Resolution to conduct a special audit to review the adequacy and effectiveness of the policies, procedures and internal controls established relating to treasury function and carrying out transactions with financial institutions.
- Resolution on lowering the threshold stipulated under the *Regulation on Cross Border Cash Declaration Amount* for declaration of cross-border cash transportation to US\$20,000 and more, or its equivalent in rufiyaa or any other currency.
- Revising the *Regulation on Fees and Charges Payable* by Financial Institutions.

Audit Committee

The Audit Committee is a subcommittee of the Board of Directors of the MMA and consists of three non-executive members. However, following the removal of the Ministry of Finance representative, former Deputy Minister, Mr Abdul Haleem Abdul Ghafoor in 2018, Mr Mohamed Ali Janah and Mr Ali Ihusan were the only members of this committee at the end of 2018.

The Audit Committee reviews the financial statements of the MMA. The committee also assesses the effectiveness of internal controls and the financial reporting process. In addition, the Audit

Committee ensures the credibility of the financial statements of the MMA; monitors the performance of the MMA's Internal Audit function and external audits; and oversees the MMA's compliance with legal and regulatory requirements.

Executive Committee

According to the *Maldives Monetary Authority Act*, the Governor of the MMA is its executive head responsible for implementing the policies and decisions undertaken by the Board of Directors and carrying out the day-to-day management and operations of the MMA. Mr Ahmed Naseer has been the Governor of the MMA since his appointment on 24 August 2017.

Although the Governor remains accountable and responsible for the day-to-day management and operations of the MMA, areas and sections are created for the implementation of operations. In this regard, the Executive Committee acts as the highest-level body exercising the legislative responsibilities of the MMA.

The Executive Committee assists in implementing policies formulated by the Board to achieve key objectives of the MMA and assists the Governor in day-to-day running of the MMA. The Executive Committee consists of the Governor, Deputy Governor and the respective area heads.

Internal Audit

The objective of the MMA's Internal Audit is to provide independent and objective assurance and consulting, designed to add value and improve the operations of MMA. The Internal Audit helps the MMA accomplish its objectives by bringing a systematic

and disciplined approach to evaluate and improve the effectiveness of the MMA's risk management, control and governance processes. In 2018, the Internal Audit team conducted important audits that included process audits of the reserve management, enterprise resource planning access control, swift payment system and the physical count of currency notes for sale. Additionally, the Internal Audit team reviewed the mandates of the MMA's sections and units and carried out a SWOT analysis of the Authority in conjunction with the Strategic Planning and Development Projects section. Internal Audit representatives also observed the process of destruction of paper banknotes that were removed from circulation during the year, and conducted the annual cash audit.

To increase the proficiency of audit practices in accordance with the IPPF for internal auditors, the MMA's Audit Committee approved the internal audit charter and the code of ethics for internal auditors.

On 18 July 2018, as part of the work carried out to increase the proficiency of audit practices in accordance with the International Professional Practices Framework (IPPF) for internal auditors, the MMA's Audit Committee approved the internal audit charter and the code of ethics for internal auditors. During the year, the process to standardise internal audit work in accordance with the IPPF was also started.

Shari'ah Council

The MMA's Shari'ah Council consists of five members, including the Deputy Governor of the MMA and four Islamic scholars from the private sector. The objective of the Shari'ah Council is to ensure that the services

delivered by financial institutions permitted to offer Islamic banking and Islamic financing services in the Maldives are compatible with Shari'ah principles. The Council also provides technical advice to the MMA to strengthen the regulatory and supervisory function of providing Islamic finance. Accordingly, one meeting of the Shari'ah Council was held during 2018 at which extensive discussions were conducted with regard to challenges associated with Islamic banking and Islamic financing in the Maldives and the means of developing this sector further. To this end, a *Shari'ah Governance Framework* was drafted and discussed to steer the governance of Islamic financing institutions.

Risk Management

Risks for the MMA are defined as any risk that may arise from internal or external factors that affect the MMA's ability to achieve its objectives. During 2018, discussions were carried out with the management to share the risks identified in the risk registers of all sections and units of the MMA. Further, to enhance the financing of anti-money laundering and counter-terrorism activities, guidelines were formulated that should be followed with regard to the replacement of old currency banknotes with the new Ran Dhihafaheh series. A customer-screening process was also established through the World-Check screening software for any transaction related to the MMA.

Box 3: Strategic Plan 2018–2022

The formulation of a new strategic plan was the most important project carried out by the MMA in 2018. The main objective of this plan, designed to guide MMA's work for 2018–2022, is to provide solutions to the macroeconomic challenges faced in the Maldivian economy. These include a mechanism to minimise dollarisation, enhancement of monetary policy and efforts to lessen the challenges in gaining access to foreign currency.

In addition to strengthening the MMA's ongoing main responsibilities, the new plan includes new projects and tasks that need to be implemented for the development of the financial sector, such as the introduction of a new national payment system; activities to enhance financial literacy and financial awareness among the general public; and the addressing of data gaps related to the economy.

Planning and Drafting Phase

The strategic plan for the upcoming five years was developed after a long planning phase involving careful consideration. The planning and drafting of the *Strategic Plan 2018–2022* was undertaken in close consultation with all staff of

the MMA. This was to ensure that the proposed strategies and action plans are agreeable and aligned with a shared vision.

A first draft of the proposed strategies and the action plan for each operational area of the MMA was formulated by a working group made up of junior and middle management employees from each area. To stimulate constructive dialogue on initial drafts, two discussion meetings were conducted with the participation of senior management and staff. Important areas to be included and priority development areas were discussed extensively at these meetings.

Following this phase, four workshops were conducted at which technical staff from the four respective areas presented thematic papers on identified projects and strategies at a detailed level. The participants at the workshops exchanged dialogue and reviewed the plan prepared by the working group, after the presentation of each thematic paper. Hence, the motivation of the Strategic Planning Committee was to promote the contribution of both staff and senior management to the preparation and discussion of the first draft of the *Strategic Plan 2018–2022*.

In the next phase, the MMA enlisted the expertise of a technical assistance mission from the South Asia Regional Training and Technical Assistance Center (SARTTAC) of the IMF, which conducted a two-week review of the plan and provided their recommendations after consultation with all divisions of the MMA. This mission involved three technical consultants. Consultative meetings were also held with the financial sector and other key relevant stakeholders including government ministries and institutions; and commercial banks. At these meetings the priority areas identified by the mission were outlined and the plan was further reviewed and improved.

Strategic Goals

Upon completion of the phases described above, the objectives and policies of the strategic plan were categorised into the following six goals.

Goal 1: Strengthen monetary policy to maintain price stability

This goal emphasises working towards maintaining price stability and strengthening monetary policy. The most important focus of the goal is de-dollarising the economy by increasing the demand for local currency. To achieve these objectives, MMA's monetary policy instruments will be redesigned, while legislative and operational changes will be implemented to develop a well-functioning foreign exchange market.

Goal 2: Financial sector stability

Under this goal, the regulatory process and supervision of the financial sector will be strengthened with the objective of promoting financial stability, while maintaining public confidence.

Goal 3: Ensure a safe and efficient payment system; transform and develop banking and agency services to the government

The vital objectives to be achieved as per this goal are establishing a secure and robust national payment system; and strengthening the issuance and management of currency in circulation.

Goal 4: Enhance the MMA's operational efficiency and governance

This goal prioritises working towards enhancing the operational efficiency of the MMA while also boosting productivity of the institution.

Goal 5: Enhance macroeconomic research and statistics

The focus of the goal is to strengthen the research work of the MMA and improve the quality and coverage of the macroeconomic statistics compiled by the MMA and other institutions. Work will be carried out to formulate and implement a priority-based, policy-relevant research agenda, improving public outreach and making efforts to increase macroeconomic awareness among the public.

Goal 6: Financial sector development and financial inclusion

The main emphasis of this goal is on achieving all-inclusive and sustainable economic prosperity. In the effort to broaden financial services, work will be carried out to maximise financial inclusion and financial awareness among the public. Further, efforts will be made to establish a sound comprehensive legislative framework for financial consumer protection to strengthen the financial sector of the Maldives.

Publishing the Strategic Plan

The MMA strategic plan was published on 22 July 2018, marking a key milestone in the history of the institution as this was the first ever medium-term strategic plan to be published. Subsequently, a monitoring and evaluation framework was developed to evaluate progress in achieving the goals and objectives of the plan.

Prior to development of the framework, a series of discussion forums was carried out with the participation of senior management and staff. The purpose of these discussion forums was to identify general strategic directions and priority development areas. In November 2018, the MMA enlisted the expertise of a technical assistance mission from the IMF, which conducted a review of the plan and provided recommendations.

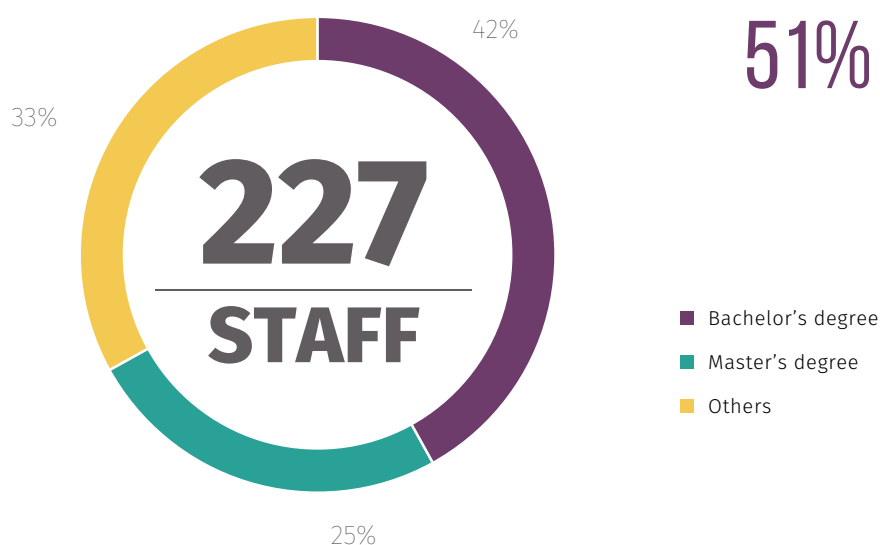
Human Resources

The MMA recognises the importance of developing and strengthening its human resources to improve the quality of its services. To achieve this, the MMA focusses on recruiting competent candidates and continues to work towards staff retention, capacity building and provision of a comfortable working environment. Hence, the MMA's internal policies are aimed at promoting staff unity, ensuring the provision of appropriate incentives for staff retention and providing adequate training opportunities for staff development.

Staff Recruitment

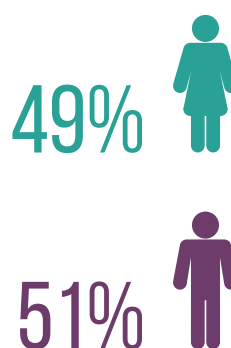
At the end of 2018, a total of 227 staff was employed at the MMA, of which 33 were new staff and six who had resumed work after six months of paid maternity leave. Further, 31 staff left the MMA for various reasons, of which 12 left to undertake further studies abroad.

Composition of Staff by Qualification, 2018



Changes to the MMA's Organisational Structure and Management

During 2018, several changes were brought to the MMA's organisational structure to improve operational efficacy and to speed up the delivery of services provided by the MMA. To this end, two new areas were instituted as part of the organisational structure: the Financial Sector Development area, mandated with improving and developing the financial sector; and the Public Bank area, mandated with strengthening and ensuring the efficient delivery of banking services to the government. Additionally, senior management staff were moved to different areas within the MMA as part of job rotation carried out during 2018.



Staff Loan Scheme

To retain competent and dedicated staff in the MMA, the staff loan scheme introduced in 2017 under the *Regulation on Issuing Loans to Employees of the Maldives Monetary Authority* was run during 2018 as well. Accordingly, four staff were provided loans to buy residential flats and 21 staff were provided loans for various other important purposes.

Staff Training and Development

To strengthen the human capital of the MMA, training opportunities in different fields were provided to the staff in 2018. In this regard, a total of 70 staff participated in 68 short-term training programmes held abroad and 22 staff participated in 12 short-term training programmes organised by various local institutions. In addition, 26

staff attended 31 meetings and forums held abroad and in the Maldives, while two staff were provided the opportunity to enrol in job-related professional programmes.

MMA Scholarship Programme

During 2018, the MMA introduced a scholarship scheme to the public, named the MMA Scholarship. An MMA staff member was selected and sent abroad to pursue a postgraduate degree in Islamic Banking and Finance.

Social Activities for Staff

To promote staff unity in 2018, staff members of the MMA participated in the following social activities:

- Club Maldives Cup Football Tournament
- Ramadan Cricket Carnival, organised by the Credit Board of Maldives
- National Debate Competition, organised by the Dhivehi Bahuge Academy

During 2018, the MMA introduced a scholarship scheme to the public, named the MMA Scholarship.



During the Ramadan Cricket Carnival organised by the Cricket Board of Maldives

Photo: Cricket Board of Maldives



An information session to increase macroeconomic awareness conducted for school students

- Government Office Carrom Championship, organised by the Carrom Association
- Government Office Badminton Championship, organised by the Badminton Association
- Inter-office Volleyball competition, organised by the Volleyball Association
- One-day Futsal Cup, organised by the MMA Social Club

The MMA banned single-use plastic from the premises in 2018 to support and promote environment sustainability.

MMA Training Institute

The MMA Training Institute was formed to educate and train staff working at the MMA and in the financial sector in the Maldives. Accordingly, the Institute continued to conduct various programmes in 2018 aimed to enhance technical skills and build capacity of the MMA as well as other financial sector institutions and relevant agencies. A total

of 740 participants attended the following programmes conducted by the MMA Training Institute in 2018: Customer Service Training; Reserve Management Training; Know Your Money Seminar; Oracle Report Builder and XML Publisher Training; a macroeconomic awareness workshop targeted to school students; and Employee Orientation Training for new staff who joined the MMA in 2017 to familiarise them with the work of the MMA.

MMA Internship Programme

During 2018, the MMA initiated an internship programme aimed at providing assistance for high school students in choosing a career path and promoting a career interest in the financial sector. Seven high school students were given the opportunity to work as interns at the MMA for a duration of five weeks. In addition, as in previous years, the MMA provided internship opportunities for two students undertaking their studies at university.

Operational Infrastructure

The MMA continued to place great importance on improving the quality of its operations through modern technological advances and ensuring that the operational improvements adhere to the procedures and standards followed by the information technology industry. The MMA carried out a variety of work during the year to achieve these objectives, which included the drafting of internal policies related to information technology. Further, to build technical capacity and develop in-house applications to be used at the MMA, additional developers were hired to strengthen the development team.

In 2018, maintenance and refurbishment works were carried out to ensure a safe and sound working environment for the MMA staff. This included repainting the interior walls, replacing old carpets and repairing equipment. Moreover, a new interior layout was designed for the MMA and the implementation of these planned changes began in 2018.

To combat the issue of lack of in-house space in the MMA building for holding large meetings such as staff meetings, Area 2 staff were relocated from the fifth floor to the second floor to enable building of a spacious hall on the fifth floor of the building. Accordingly, in consultation with an interior designer, renovations began during the year to build a modern auditorium and a café on the fifth floor. In addition, renovations began during 2018 to build a gallery and reception on the ground floor.

To accommodate Financial and Consumer Services Division staff on a single floor, the division was relocated to the third floor and Administration and Procurement Section staff were relocated from the third to the sixth floor.

As part of ongoing work to ensure and strengthen the safety of the MMA's property and infrastructure, work was carried out in 2018 to upgrade the security access control system. Further, changes were brought to the MMA's swing gate and an additional fence was built within the premises.



The MMA places great importance on improving its operations through modern technological advances

The MMA continues to work closely with other central banks and supervisory authorities to foster a safe and sound financial system in the Maldives by sharing expertise and best practice. Hence, the MMA maintains close collaborations with international financial institutions and development agencies such as the IMF, the World Bank, the ADB and the SAARCFINANCE network.

International Monetary Fund

As a member of the IMF, the Maldives holds a place on the IMF Board of Governors. The Governor of the MMA, Mr Ahmed Naseer represents the Maldives on the IMF Board of Governors as the Governor to the IMF for the Republic of Maldives, while the Assistant Governor of the MMA, Ms Mariyam Hussain Didi is the Alternate Governor to the IMF.

The Maldives represents its interest and partakes in IMF decision making in a constituency including 12 other countries. Mr Hazem Beblawi is the Executive Director of this constituency. Currently, the Maldives' quota in the IMF is 21.2 million SDRs,²⁵ representing 0.004% of the total IMF quota.

South Asia Regional Training and Technical Assistance Center

SARTTAC is the training and technical assistance centre established in 2017 by the IMF and South Asian countries to increase the technical capacity of staff working in the economic and financial sector within the region. During 2018, SARTTAC provided various training opportunities and technical assistance to the MMA.

IMF Staff Visit

The IMF's Charter includes staff visits and missions to member countries to assess the performance of the economy and to provide consultation. In this regard, IMF teams visited the Maldives from 3 to 5 July 2018 and 3 to 6 December 2018. The staff visits were led by Deputy Division Chief of the IMF Asia and Pacific Department, Mr Philippe Karam. The IMF teams discussed economic and financial issues with ministers in charge of economic sectors; high-level officials of other government institutions and companies related to economic and financial sectors; private sector companies; and other key stakeholders.

Similar to previous years, the Maldives continued to receive training opportunities and technical assistance from the IMF in 2018.

IMF Technical Assistance on the MMA's Strategic Plan 2018–2022

The MMA received technical assistance on the implementation of its *Strategic Plan 2018–2022*, which was formulated to streamline the work of the MMA to overcome challenges faced by the Maldivian economy. An IMF mission visited the MMA from 11 to 19 December 2018 to assess and provide consultancy on the conduct of monetary policy and foreign exchange operations; the supervision and regulation of the financial sector; and improvements to MMA's governance structure. This mission was led by the IMF's Monetary and Capital Markets Department's senior financial sector expert (Technical Assistance Division) Ms

²⁵ An SDR—Special Drawing Right—is an international reserve asset created by the IMF to supplement its member countries' official reserves. The value of an SDR is based on a basket of five major currencies: the US dollar, euro, Chinese renminbi, Japanese yen and pound sterling.

Anastassiya Marina. In addition, the mission included two external experts from the IMF and two advisors from SARTTAC.

IMF Technical Assistance on BOP

As part of ongoing efforts to improve the external statistics of the Maldives, an IMF mission visited the Maldives from 16 to 30 April 2018 to provide technical assistance to the MMA. The mission evaluated and recommended improvements for the compilation and dissemination of BOP, international investment position, external debt and GIR of the Maldives.

IMF Technical Assistance on Supervision of Insurance Companies

A SARTTAC consultant provided expertise on developing a framework for the off-site and on-site supervision of insurance companies. Over the course of the year, the mission identified gaps in the regulatory and supervisory frameworks of the insurance sector and developed an off-site supervision manual based on the CAMELS indicators. Further, the consultant provided assistance in conducting a thematic on-site inspection of the reinsurance function of all the insurance companies. In terms of strengthening the regulatory framework, the consultant provided assistance in finalising the *Solvency Regulation* for insurers and drafting the *Corporate Governance Regulation* and *Risk Management Regulation* for financial institutions.

SAARCFINANCE Network

The MMA is a member of the SAARCFINANCE Network, which is a regional network of the South Asian Association for Regional Cooperation (SAARC), comprised

of central bank governors and finance secretaries from the region. The main objectives of the SAARCFINANCE Network are to promote cooperation among central banks and finance ministries in SAARC member countries, and to learn from shared experiences among member countries on macroeconomic policy challenges facing the region.

SAARCFINANCE Group Meeting

The MMA participated in the 36th SAARCFINANCE Group Meeting held in Kathmandu, Nepal on 27 June 2018. Deputy Governor, Ms Aishath Zahira and Senior Manager, Ms Hawwa Latheef attended the meeting, at which discussions were held mainly to develop a common platform for strengthening digital payment systems in the SAARC region. In addition, discussions were held to review macroeconomic vulnerability indicators and to provide an update on the SAARCFINANCE roadmap.

Other Institutions

The MMA is a member of the SAARC Payment Council, International Association of Insurance Supervisors, Islamic Financial Services Board, Asian Clearing Union and the Asia/Pacific Group on Money Laundering. The MMA continues to receive assistance on financial sector development from these institutions.

Participation at International Meetings and Forums

MMA senior officials participated and held discussions at various meetings and forums in 2018, as follows:

- **IMF Spring Meetings:** Governor, Mr Ahmed Naseer and Executive Director, Mr Ahmed

Imad attended the IMF Spring Meetings, held 17–19 April in Washington DC, USA. As part of the meetings, the Governor also attended the 16th Executive Forum for Policymakers and Senior Officials, held 21–22 April.

- **High-level Islamic Finance Conference:** Deputy Governor, Ms Aishath Zahira attended this conference organised by the Central Bank of Kuwait and the Islamic Financial Services Board, held 1–3 May.
- **27th SAARCFINANCE Coordinators Meeting:** Assistant Governor, Ms Idham Hussain attended the meeting held 12 May 2018 in Dubai, UAE.
- **IMF–SARTTAC:** Assistant Governor, Ms Idham Hussain attended the second Steering Committee meeting of SARTTAC held 24 May 2018 in Colombo, Sri Lanka.
- **47th Asian Clearing Union Board of Directors Meeting:** Deputy Governor, Ms Aishath Zahira and Senior Manager, Ms Hawwa Latheef attended this meeting held 26–29 June 2018 in Kathmandu, Nepal.
- **SAARCFINANCE Governors' Symposium:** Deputy Governor, Ms Aishath Zahira and Senior Manager, Ms Hawwa Latheef attended this symposium held 26–29 June 2018 in Kathmandu, Nepal.
- **IMF Annual Meetings:** Assistant Governor, Ms Mariyam Hussain Didi and Manager, Ms Fathimath Faisha attended these meetings held 8–14 October 2018 in Bali, Indonesia.

Official visits of the Governor:

- Governor, Mr Ahmed Naseer and Senior Manager, Ms Aishath Asha Ali attended official meetings in Singapore from 4–8 August to negotiate with counterparties regarding US dollar imports.
- Governor, Mr Ahmed Naseer and Deputy Manager, Mr Anees Mohamed held meetings with officials from the Emirates National Bank of Dubai and Abu Dhabi Securities Exchange during an official visit to the UAE on 4–6 September.
- Governor, Mr Ahmed Naseer met with officials from Singapore's Ministry of Finance to discuss the establishment of the newly formed National Investment Management Company in the Maldives. The meeting was held 12–13 September in Singapore.
- Governor, Mr Ahmed Naseer met with the Governor of the Central Bank of Sri Lanka, Dr Indrajit Coomaraswamy on an official trip to Colombo, Sri Lanka from 29 November–1 December.

ANNUAL FINANCIAL STATEMENTS



Abbreviations and Acronyms of Annual Financial Statements

FVOCI	Fair value through other comprehensive income
FARR	Foreign Asset Revaluation Reserve
ACU	Asian Clearing Union
SDR	Special Drawing Rights
IFRS	International Financial Reporting Standards
ECL	Expected Credit Loss
IFRIC	International Financial Reporting Interpretations Committee
POCI	Purchased or Originated Credit-Impaired
FVPL	Fair value through profit or loss
SPPI	Solely payments of principle and interest
EIR	Effective Interest Rate
MOF	Ministry of Finance
RDF	Ran Dhihafaheh
ACH	Automated Clearing House
MRTGS	Maldives Real Time Gross Settlement
MIRA	Maldives Inland Revenue Authority
IBRD	International Bank for Reconstruction and Development
ADB	Asian Development Bank
MIGA	Multilateral Investment Guarantee Agency
ERP	Enterprise Resource Planning System
ESF	Exogenous Shock Facility
MIPS	Maldives Interoperable Payment System
IDA	International Development Association
BCCI	Bank for Credit and Commerce International
CGS	Credit Guarantee Scheme
SME	Small and Medium Enterprises
MVR	Maldivian Rufiyaa

CGAP	Consultative Group to Assist the Poor
STR	Secured Transaction Registry
OLF	Overnight Lombard Facility
OMO	Open Market Operation
SICR	Significant increase in credit risk
PD	Probability of Default
EAD	Exposure at Default
LGD	Loss Given Default
SDF	Sovereign Development Fund
AHLS	Affordable Housing Loan Scheme
MPS	Maldives Payment System



Independent auditor's report

To the Board of Directors of Maldives Monetary Authority

Our opinion

In our opinion, Maldives Monetary Authority's financial statements give true and fair view of the financial position of the Authority as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

Maldives Monetary Authority's financial statements comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Other information

Management is responsible for the other information. The other information comprises the Annual Report for the year ended 31 December 2018 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

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

PricewaterhouseCoopers, H. Thandiraimage, 3rd Floor, Roshanee Magu, Malé, Republic of Maldives
Tel: +960 3318342, 3336046, Fax: +960 3314601, www.pwc.com/lk

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

Resident Partner Jatindra Bhatray FCA

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In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

MALE`

21 April 2019

For PRICEWATERHOUSECOOPERS

Registration No: F0005

A handwritten signature in blue ink, appearing to read 'Jatindra Bhattray'.

Jatindra Bhattray
Partner

Statement of Financial Position

As at 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	2018	2017
ASSETS			
Foreign currency financial assets			
Cash and balances with banks	6	10,492,331,512	8,183,606,383
IMF related assets	7	506,554,606	525,383,294
Investments in securities	8	1,038,106,645	2,144,397,711
Subscriptions to international agencies	9	833,681	833,681
Receivable from Asian Clearing Union	10	1,849,200	-
Interest and other receivables	11	13,646,343	7,441,340
Total foreign currency financial assets		12,053,321,987	10,861,662,409
Local currency financial assets			
Cash and balances with banks	6	52,879,564	52,717,665
Subscriptions to international agencies	9	8,264,330	8,264,330
Investments in securities	8	8,983,582	-
Investment in Government treasury bills	12	54,990,779	47,156,362
Investment in Government treasury bonds	13	6,160,957,255	6,233,473,467
Short term loans	14	709,399	666,962
Long term loans	15	47,438	-
Interest and other receivables	11	220,332	16,263,996
Total local currency financial assets		6,287,052,679	6,358,542,782
Total financial assets		18,340,374,666	17,220,205,191
Local currency non-financial assets			
Gold and silver assets	16	31,008,861	31,302,292
Inventories	17	100,163,927	107,822,449
Property, plant and equipment	18	50,674,417	40,124,706
Intangible assets	19	22,995,774	24,968,128
Other assets	20	60,908,907	74,375,316
Total local currency non-financial assets		265,751,886	278,592,891
Total assets		18,606,126,552	17,498,798,082

The accounting policies and notes on pages 130 to 200 form an integral part of the financial statements.

Statement of Financial Position

As at 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	2018	2017
LIABILITIES			
Foreign currency financial liabilities			
Balances of commercial banks	21	6,218,023,905	5,047,794,076
Balances of the Government and Government institutions	22	174,615,901	544,883,683
Payable to Asian Clearing Union	10	150,678,617	175,114,651
IMF related liabilities	23	527,520,193	546,666,647
Interest bearing loans	24	88,773,709	91,748,327
Deposits of international financial institutions	27	833,681	833,681
Other liabilities	29	1,637,730,062	183,756,639
Total foreign currency financial liabilities		8,798,176,068	6,590,797,704
Local currency financial liabilities			
Balances of commercial banks	21	4,625,455,901	5,563,079,610
Balances of the Government and Government institutions	22	641,712,726	1,111,156,954
Currency in circulation	25	3,669,012,227	3,496,299,289
Balances of insurance and remittance companies	26	13,692,176	13,793,676
Deposits of international financial institutions	27	10,530,146	10,236,503
Deposit insurance fund	28	6,286	270,459
Other liabilities	29	264,260,031	272,359,961
Total local currency financial liabilities		9,224,669,493	10,467,196,452
Total financial liabilities		18,022,845,561	17,057,994,156
Other liabilities			
Deferred grants	30	10,146,014	7,346,523
Pension and other employment benefits payable	31	25,045,385	24,691,971
Total other liabilities		35,191,399	32,038,494
Total liabilities		18,058,036,960	17,090,032,650
EQUITY			
Capital	32	50,000,000	50,000,000
Reserve	32	498,089,592	358,765,432
Total equity		548,089,592	408,765,432
Total liabilities and equity		18,606,126,552	17,498,798,082

The Board of Directors of the Maldives Monetary Authority approved these financial statements on 21 April 2019

Signed for and on behalf of the Board by,



Ahmed Naseer - Governor



Mohamed Ali Janah - Director

The accounting policies and notes on pages 130 to 200 form an integral part of the financial statements.

Statement of Comprehensive Income

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	2018	2017
OPERATING INCOME			
Foreign currency income and expenses	33		
Interest income on foreign currency financial assets		256,174,744	187,194,704
Interest expense on foreign currency financial liabilities		(4,354,242)	(24,111,454)
Net foreign currency income		251,820,502	163,083,250
Local currency income and expenses	34		
Interest income on local currency financial assets		152,808,036	157,032,058
Interest expense on local currency financial liabilities		(59,538,379)	(71,186,535)
Profit from local currency financial assets		220,367	-
Net local currency income		93,490,024	85,845,523
Other income	35	25,083,579	24,908,359
Income from foreign exchange management		30,819,980	40,929,067
Net investment income		(1,106,131)	-
Net foreign exchange revaluation (loss)/gain		(11,405,702)	33,855,212
		43,391,726	99,692,638
Total net operating income		388,702,252	348,621,411
OPERATING EXPENSES			
Personnel expenses	36	61,160,195	79,028,631
Administration expenses	37	76,919,478	72,089,027
Depreciation, amortisation and impairment		15,455,582	14,853,779
Total operating expenses		153,535,255	165,971,437
Net impairment loss on financial instruments		51,841	-
Net profit for the year		235,115,156	182,649,974
OTHER COMPREHENSIVE INCOME			
Change in value of securities at FVOCI		129,056	(313,014)
(Loss)/gain on gold revaluation		(293,431)	3,891,257
Total other comprehensive (loss)/income		(164,375)	3,578,243
Total comprehensive income		234,950,781	186,228,217
Transferred to FVOCI reserve	32	(129,056)	313,014
Transferred to FARR-gold revaluation loss/(gain)	32	293,431	(3,891,257)
Transferred to FARR-foreign exchange revaluation loss/(gain)	32	11,405,702	(33,855,212)
Profit for the year per MMA Act		246,520,858	148,794,762

The accounting policies and notes on pages 130 to 200 form an integral part of the financial statements.

Statement of Changes in Equity

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Contributed capital	General reserve	Foreign asset revaluation reserve	Retained earnings	FVOCI reserve	Total
As at 1 January 2017	50,000,000	119,424,431	45,647,236	74,655,479	-	289,727,146
Profit re-appropriation to the Government (Note 38)	-	-	-	(67,189,931)	-	(67,189,931)
Transfer to general reserve (Note 32.2)	-	7,465,548	-	(7,465,548)	-	-
Profit for the year	-	-	-	182,649,974	-	182,649,974
Transfer of foreign currency revaluation gain (Note 32.3)	-	-	33,855,212	(33,855,212)	-	-
Other comprehensive income from gold revaluation	-	-	3,891,257	-	-	3,891,257
Other comprehensive loss arising from change in value of securities at FVOCI	-	-	-	-	(313,014)	(313,014)
As at 31 December 2017	50,000,000	126,889,979	83,393,705	148,794,762	(313,014)	408,765,432
As at 1 January 2018	50,000,000	126,889,979	83,393,705	148,794,762	(313,014)	408,765,432
Impact on application of IFRS 9	-	(2,219,316)	-	-	20,381	(2,198,935)
Restated balance as at 1 January 2018	50,000,000	124,670,663	83,393,705	148,794,762	(292,633)	406,566,497
Profit re-appropriation to the Government (Note 38)	-	-	-	(93,740,700)	-	(93,740,700)
Transfer to general reserve (Note 32.2)	-	55,054,062	-	(55,054,062)	-	-
Profit for the year	-	-	-	235,115,156	-	235,115,156
Transfer of foreign currency revaluation loss (Note 32.3)	-	-	(11,405,702)	11,405,702	-	-
Other comprehensive loss from gold revaluation	-	-	(293,431)	-	-	(293,431)
Reclassification to profit or loss from FVOCI reserve	-	-	-	-	313,014	313,014
Other comprehensive income arising from change in value of securities at FVOCI	-	-	-	-	129,056	129,056
As at 31 December 2018	50,000,000	179,724,725	71,694,572	246,520,858	149,437	548,089,592

The accounting policies and notes on pages 130 to 200 form an integral part of the financial statements.

Statement of Cash Flows

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	2018	2017
Cash flows from operating activities			
Receipts			
Interest received - foreign currency		251,522,331	184,478,357
Interest received - local currency		168,953,636	139,822,796
Fees, commission and other miscellaneous income received		23,988,861	48,254,255
		444,464,828	372,555,408
Disbursements			
Interest paid - foreign currency		(2,296,048)	(24,302,609)
Interest paid - local currency		(59,460,000)	(72,327,524)
Payments to employees		(60,825,417)	(59,966,820)
Payments to suppliers		(76,258,541)	(91,807,236)
Fees/commission paid		(2,611,394)	(1,468,706)
		(201,451,400)	(249,872,895)
Net cash generated from operating activities	39	243,013,428	122,682,513
Cash flows from investing activities			
Receipts			
Net increase in currency deposits		761,747,563	38,767,200
Net increase in deposits from financial institutions		271,938,482	1,440,136,355
Net (decrease)/increase in deposits from the Government and Government institutions		(692,665,111)	976,337,241
Net decrease in other liabilities		(360,398)	(19,648,854)
		340,660,536	2,435,591,942
Disbursements			
Net decrease in assets held with the IMF		8,997,487	8,785,121
Net decrease/(increase) in investments in short term securities		153,900,507	(538,493,850)
Net decrease in loans and advances to the Government and Government institutions		1,101,126,037	745,692,870
Expenditure on development projects and intangible assets		(6,421,308)	(8,452,378)
Purchase of property, plant and equipment		(17,641,136)	(8,492,674)
Profit paid to the Government		(93,740,700)	(67,189,931)
Net decrease in other assets		4,740,897	27,386,102
		1,150,961,784	159,235,260
Net cash generated from investing activities		1,491,622,320	2,594,827,202
Cash flows from financing activities			
Receipts			
Net increase in currency in circulation		182,576,883	233,468,042
Net increase/(decrease) in liabilities with other central banks		1,538,000,000	(1,538,000,000)
Net (decrease)/increase in ACU payables		(26,744,306)	50,332,624
Net decrease in interest bearing loans		(1,235,742)	(411,441)
Net decrease in liabilities with IMF		(8,922,912)	(8,779,740)
Net increase in grants received		1,433,551	3,611,548
Net cash generated from financing activities		1,685,107,474	(1,259,778,967)
Net increase in cash and cash equivalents		3,419,743,222	1,457,730,748
Exchange rate effect on cash and cash equivalents		(29,995,981)	48,938,670
Cash and cash equivalents as at the beginning of the year		6,387,124,048	4,880,454,630
Cash and cash equivalents as at the end of the year	40	9,776,871,289	6,387,124,048

The accounting policies and notes on pages 130 to 200 form an integral part of the financial statements.

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Year ended 31 December 2018

1 REPORTING ENTITY AND STATUTORY BASE

These are the financial statements of the Maldives Monetary Authority (the Authority); the institution established under the Maldives Monetary Authority Act (MMA Act) of 1981 of the Republic of Maldives. The Authority is domiciled in the Republic of Maldives and is situated at Majeedhee Building, Male', Republic of Maldives.

The Authority was established in 1981 and has the following responsibilities:-

- (a) To issue currency and regulate the availability, and international value of the Maldivian Rufiyaa;
- (b) To provide advisory services to the Government on banking and monetary matters;
- (c) To supervise and regulate banking so as to promote a sound financial structure; and
- (d) To promote in the country and outside the country the stability of Maldivian currency and foster financial conditions conducive to the orderly and balanced economic development of Maldives.

These financial statements for the year ended 31 December 2018 were authorised for issue by the Board of Directors of the Authority in accordance with the Article 35 of MMA Act.

1.1 NATURE AND EXTENT OF ACTIVITIES

In carrying out its mandate as the central bank of the Maldives, the Authority, undertakes the following functions in accordance with Article 22 of MMA Act; -

- i. Open accounts and accept deposits from the Government, its agencies and public entities, banks and other financial institutions in Maldives.
- ii. Act as correspondent, banker, agent or depository for any monetary authority, central bank or international financial institution;
- iii. Open and maintain accounts with such banks or other depositories and appoint them as correspondents or agents of the Authority in or outside Maldives as may be necessary;
- iv. Buy, sell or deal in gold coins, bullion or foreign exchange;
- v. Buy, sell, invest, or deal in treasury bills and other securities issued or guaranteed by foreign Governments or international financial institutions;
- vi. Buy, sell, invest, or deal in treasury bills and other securities issued or guaranteed by the Government;
- vii. Make loans, advances and rediscounts to banks and other financial institutions in Maldives for periods not exceeding ninety days on terms and conditions which the Board may prescribe;
- viii. Make temporary advances to the Government as may be agreed;
- ix. Make advances to the Government on terms and conditions to be agreed upon in respect of

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subscriptions and other payments relating to the membership of the Maldives in any international financial institution, the participation of the Maldives in any account thereof, and any transactions and operations undertaken in connection therewith;

- x. Act as fiscal agency of the Government in its dealings with international financial institutions and undertake other financial agency work for the Government;
- xi. Borrow money for the purpose of the business of the Authority, and may give securities for monies so borrowed as provided by law with the approval of the President of the Republic and;
- xii. Guarantee the repayment of government loans and the service charge thereof;
- xiii. In conjunction with the banks, organize and manage a Clearing House;
- xiv. Collect, compile, analyse and publish statistics and information for the purpose achieving its objectives;
- xv. Carry out development projects for the purposes of developing and strengthening the financial sector of the Maldives and increasing and strengthening financial inclusion within the Maldives, and levy fee or charges for services provided under such projects;
- xvi. Acquire, purchase, sell, take, and hold movable or immovable property like land and building, and may assign, transfer, lease, dispose of or mortgage, any movable or immovable property or any interest vested in the Authority;
- xvii. Organize and operate payment and securities settlement systems, and participate in such systems and
- xviii. Carry out any responsibilities or duties assigned to the Authority by another law.

The activities carried out in order to achieve its objective of price and financial system stability of the country can be broadly segregated into foreign currency and local currency activities. Results of these activities are classed as operating activities in the context of the Statement of Comprehensive Income.

a) Foreign currency activities

Foreign currency activities result mainly from the Authority's holdings of foreign currency assets under its foreign reserves management function. The foreign reserves portfolio comprises foreign currency assets held for investment and settlement purposes. The majority of foreign currency assets are denominated in United States Dollars, Euros, Pound Sterling and Australian Dollars. Investment of the country's foreign reserves is in investment grade instruments with counter parties with low credit risk and terms to maturity generally less than three years. Investments are held to maturity, other than certain investments that are held to collect contractual cash flow and for sale.

b) Local currency activities

Local currency activities largely involve the Authority offsetting the daily net flows to or from Government or market by advancing funds to or withdrawing funds from the banking system. Financial operations

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undertaken in the market with the objective of achieving policy objectives are undertaken at prevailing interest rates with terms to maturity less than thirty days and are fully collateralized with high quality government assets. In cooperation with the government, the Authority helps manage certain economic development programs including holding long term securities or providing guarantees. In addition to this, the majority of the Authority's operating expenses are also in local currency.

2 BASES OF ACCOUNTING

Basis of preparation

The financial statements are prepared on the historical cost basis, except for financial assets and liabilities that have been measured at Fair value through other comprehensive income (FVOCI) as identified in specific accounting policies below.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the MMA Act. In the event of any conflict between the requirements of the Act and the IFRS, the Authority is required to comply with the Act.

Reporting format

The Authority presents financial assets and financial liabilities, and their associated income and expense streams, by distinguishing between foreign currency and local currency activities. In the statement of financial position, assets and liabilities are presented broadly in order of liquidity within such distinguished category. The Authority considers that this reporting approach provides appropriate reporting of the Authority's activities.

Currency of presentation

The financial statements are presented in Maldivian Rufiyaa, unless otherwise stated, and are rounded to the nearest Rufiyaa.

Foreign currency translation

The Authority's functional and presentation currency is Maldivian Rufiyaa. Transactions in foreign currencies are initially recorded in the functional currency ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are included in the Statement of Comprehensive Income. However, to comply with Section 28 of the MMA Act, gains or losses from foreign currency translation are excluded to derive the net profit for the year. For the purposes of retranslation, the following Maldivian Rufiyaa exchange rates for major currencies were used:

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Year ended 31 December 2018

	31 December 2018	31 December 2017
	MVR	MVR
1 Australian Dollar	10.8498	11.9932
1 Euro	17.6376	18.3496
1 Japanese Yen	0.1398	0.1362
1 Singapore Dollar	11.2819	11.5043
1 Special Drawing Rights (SDR)	21.4321	21.8501
1 Pound Sterling	19.5757	20.6762
1 United States Dollar	15.4100	15.4100

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The exchange rate of Maldivian Rufiyaa against USD is permitted to fluctuate within a $\pm 20\%$ band of MVR 12.85 per USD. This band took effect from 11 April 2011 and is in accordance with the Chapter 3, Section 13 of MMA Act.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The application of the Authority's accounting policies requires management to exercise judgements. This may involve a higher degree of judgement or complexity, and major sources of estimation of uncertainty that have a significant risk of resulting in a material adjustment within the next financial year are set out in the following paragraphs. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

Classification and measurement of financial assets and financial liabilities and impairment

Beginning 1 January 2018, the Authority applied IFRS 9 – Financial Instruments which introduced a number of changes for the Authority's reporting of its financial assets and financial liabilities.

(i) Classification of assets (for the period beginning on 1 January 2018)

The Authority has classified all the foreign currency financial assets as amortised cost, except for those managed externally and fixed income securities which are classified as FVOCI. The Authority has also assessed its holdings of local currency financial assets as amortised cost.

(ii) Measurement of the expected credit loss allowance (for the period beginning on 1 January 2018)

The measurement of the expected credit loss (ECL) allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of banks and security issuers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 42.1.2.3.

Notes to the Financial Statements

Year ended 31 December 2018

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

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of instrument and the associated ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL.
- Detailed information about the judgements and estimates made by the Authority in the above areas is set out in note 42.1.2.3.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. The judgments include considerations of liquidity and inputs such as discount rates.

Pensions, gratuity and other post-employment benefit plans

The cost of defined benefit plans is determined using an internal valuation. This valuation involves making assumptions about discount rates, rate of compensation and future pension/gratuity increases/decreases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Assumptions used are disclosed separately in the notes to the financial statements.

4 SIGNIFICANT ACCOUNTING POLICIES

Apart from the effects of the adoption of IFRS 9 – Financial Instruments, as described below, the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

4.1 CHANGES IN ACCOUNTING POLICIES

4.1.1 IFRS 9 Financial Instruments

The Authority has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. The Authority did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Authority elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognized in the general reserve.

Notes to the Financial Statements

Year ended 31 December 2018

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in the Authority's accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are summary disclosures relating to the impact of the adoption of IFRS 9 on the Authority. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail in section 4.2 below.

a) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 as at 1 January 2018 are compared as follows:

Financial assets	IAS 39		IFRS 9	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Foreign currency financial assets				
Cash and balances with banks	Amortised cost (Loans and receivables)	8,183,606,383	Amortised cost	8,181,498,231
IMF related assets	Amortised cost (Loans and receivables)	525,383,294	Amortised cost	525,383,294
Investment in securities	Amortised cost (Held-to-maturity)	385,044,469	Amortised cost	1,836,944,131
	Amortised cost (Loans and receivables)	1,451,899,662		
	FVOCI (Available for sale)	307,453,580	FVOCI	307,453,580
Subscriptions to international agencies	Amortised cost (Loans and receivables)	833,681	Amortised cost	833,681
Interest and other receivables	Amortised cost (Loans and receivables)	7,441,340	Amortised cost	7,439,213
Local currency financial assets				
Cash and balances with banks	Amortised cost (Loans and receivables)	52,717,665	Amortised cost	52,709,349
Subscriptions to international agencies	Amortised cost (Loans and receivables)	8,264,330	Amortised cost	8,264,330
Investment in Government treasury bills	Amortised cost (Loans and receivables)	47,156,362	Amortised cost	47,156,362
Investment in Government treasury bonds	Amortised cost (Loans and receivables)	6,233,473,467	Amortised cost	6,233,473,467
Short term loans	Amortised cost (Loans and receivables)	666,962	Amortised cost	666,962
Interest and other receivables	Amortised cost (Loans and receivables)	16,263,996	Amortised cost	16,263,996
		17,220,205,191		17,218,086,596

There were no changes to the classification and measurement of financial liabilities.

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b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Authority performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. Please refer to note 4.3.1 for more detailed information regarding the new classification requirements of IFRS 9.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

	Ref	IAS 39 carrying amount 31 December 2017	Reclassifications	Remeasurements	IFRS 9 carrying amount 1 January 2018
Amortised cost					
Foreign currency financial assets	Cash and balances with banks				
	Opening balance under IAS 39	8,183,606,383			
	Remeasurement: ECL allowance			(2,108,152)	
	Closing balance under IFRS 9				8,181,498,231
	IMF related assets				
	Opening balance under IAS 39 and closing balance under IFRS 9	525,383,294			525,383,294
	Investment in securities - held to maturity				
	Opening balance under IAS 39	385,044,469			
	Subtraction: To amortised cost (IFRS 9)	(A)	(385,044,469)		
	Closing balance under IFRS 9				-
	Investment in securities - amortised cost				
	Opening balance under IAS 39	1,451,899,662			
	Addition: From financial assets held to maturity (IAS 39)	(A)	385,044,469		
	Closing balance under IFRS 9				1,836,944,131
	Subscriptions to international agencies				
	Opening balance under IAS 39 and closing balance under IFRS 9	833,681			833,681
	Interest and other receivables				
	Opening balance under IAS 39	7,441,340			
	Remeasurement: ECL allowance			(2,127)	
	Closing balance under IFRS 9				7,439,213

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	Ref	IAS 39 carrying amount 31 December 2017	Reclassifications	Remeasurements	IFRS 9 carrying amount 1 January 2018
Amortised cost					
Local currency financial assets	Cash and balances with banks				
	Opening balance under IAS 39	52,717,665			
	Remeasurement: ECL allowance			(8,316)	
	Closing balance under IFRS 9				52,709,349
	Subscriptions to international agencies				
	Opening balance under IAS 39 and closing balance under IFRS 9	8,264,330			8,264,330
	Investment in Government treasury bills				
	Opening balance under IAS 39 and closing balance under IFRS 9	47,156,362			47,156,362
	Investment in Government treasury bonds				
	Opening balance under IAS 39 and closing balance under IFRS 9	6,233,473,467			6,233,473,467
	Short term loans				
	Opening balance under IAS 39 and closing balance under IFRS 9	666,962			666,962
	Interest and other receivables				
	Opening balance under IAS 39 and closing balance under IFRS 9	16,263,996			16,263,996
Total financial assets measured at amortised cost		16,912,751,611	-	(2,118,595)	16,910,633,016

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	Ref	IAS 39 carrying amount 31 December 2017	Reclassifications	Remeasurements	IFRS 9 carrying amount 1 January 2018
<i>Fair value through other comprehensive income (FVOCI)</i>					
Foreign currency financial assets	Investment in securities - FVOCI (debt instruments)				
		Opening balance under IAS 39	-		
		Addition: From available for sale (IAS 39)		307,453,580	
	(A)	Remeasurement: ECL allowance			
		Closing balance under IFRS 9			307,453,580
	Investment in securities - Available for sale financial assets				
		Opening balance under IAS 39	307,453,580		
	(A)	Subtraction: To FVOCI - debt instruments	(307,453,580)		
		Closing balance under IFRS 9			-
		Total financial assets measured at FVOCI	307,453,580	-	307,453,580

The total remeasurement loss of MVR 2.22 million was recognized in opening general reserve at 1 January 2018.

(A) Reclassification from retired categories with no change in measurement

The following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were 'retired' with no changes to their measurement basis:

- (i) Those previously classified as available for sale and now classified as measured at FVOCI; and
- (ii) Those previously classified as held to maturity and now classified as measured at amortised cost.

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c) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018.

Measurement category	Loan loss allowance under IAS 39/Provision under IAS 37	Reclassification	Remeasurements	Loan loss allowance under IFRS 9
Loans and receivables (IAS 39) / Financial assets at amortised cost (IFRS 9)				
<i>Foreign currency financial assets</i>				
Cash and balances with banks	-	-	2,108,152	2,108,152
IMF related assets	-	-	-	-
Subscriptions to international agencies	-	-	-	-
Interest and other receivables	-	-	2,127	2,127
<i>Local currency financial assets</i>				
Cash and balances with banks	-	-	8,316	8,316
Subscriptions to international agencies	-	-	-	-
Investment in Government treasury bills	-	-	-	-
Investment in Government treasury bonds	-	-	-	-
Short term loans	-	-	-	-
Interest and other receivables	-	-	-	-
Total	-	-	2,118,595	2,118,595
Held to maturity (IAS 39) / Financial assets at amortised cost (IFRS 9)				
<i>Foreign currency financial assets</i>				
Investment in securities	-	-	-	-
Available for sale financial instruments (IAS 39) / Financial assets at FVOCI (IFRS 9)				
<i>Foreign currency financial assets</i>				
Investment in securities	-	-	20,381	20,381
Financial guarantee contracts				
<i>Local currency</i>				
Provisions (Financial guarantees)	-	-	80,340	80,340
Total	-	-	100,721	100,721

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4.1.2 IFRS 15 Revenue from contracts with customers

The Authority has adopted IFRS 15 as issued by the IASB in May 2014 with as date of transition of 1 January 2018. The adoption of IFRS 15 did not have an impact on the Authority as substantial revenues are generated by financial instruments within the scope of IFRS 9.

4.1.3 International Financial Reporting Interpretations Committee (IFRIC) 22 Foreign currency transactions and advance consideration (effective annual periods beginning on or after 1 January 2018).

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018 and has been adopted by the Authority accordingly.

4.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note sets out the significant accounting policies adopted in the preparation of these financial statements. As mentioned above the Authority has adopted the transitional arrangements of IFRS 9 and has not restated the comparative figures. Accordingly, for financial instruments the policies for the year commencing 1 January 2018 differ from those for the preceding year. In such cases, both sets of accounting policies are given.

4.2.1 Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate

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

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

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

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Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

Financial assets that are not Purchased or Originated Credit-Impaired (POCI) but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the Authority becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on value-date, the date on which the Authority purchases or sells the asset.

At initial recognition, the Authority measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss (FVPL) are expensed in the income statement. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognized for certain financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in note 42.1.5, which results in an accounting loss being recognized in the income statement when an asset is newly originated.

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

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.

(b) In all other cases, the difference is deferred, and the timing of recognition of deferred day one gain or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

4.2.1.1 Financial assets

(i) Classification and subsequent measurement

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

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

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Year ended 31 December 2018

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

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds, both foreign and domestic.

Classification and subsequent measurement of debt instruments depends on:

- (i) the Authority's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in note 42.1.5. Interest income from these financial assets is included under 'Operating income' using the effective interest rate (EIR) method.
- **Fair value through other comprehensive income (FVOCI):** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instrument's amortised cost which are recognized in the income statement. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to the income statement and recognized in 'Net Investment Income'. Interest income from these financial assets is included under 'Operating income' using the effective interest rate method.

Business model: the business model reflects how the Authority manages the assets in order to generate cash flows. That is, whether the Authority's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Authority in determining the business model for assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. The domestic currency portfolios are mostly held for the purpose of collecting the contractual cash flows. The Authority's regular program of fixed term policy instruments are held until maturity.

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The Authority reclassifies debt securities when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments:

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

(ii) Impairment

The Authority assesses, on a forward-looking basis, the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loans, deposits, advances and commitments and financial guarantee contracts. The Authority recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

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

Note 42.1.2 provides more detail of how the expected credit loss allowance is measured.

(iii) Modification of loans

The Authority may sometimes renegotiate or otherwise modify the contractual cash flows of loans to banks. When this happens, the Authority will assess whether or not the new terms are substantially different to

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the original terms. The Authority would do this by considering, among others, the following factors:

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

If the terms are substantially different, the Authority would derecognize the original financial asset and recognize a 'new' asset at fair value and recalculate a new EIR for the asset. The date of renegotiation would be consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Authority would also assess whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount would also be recognized in the income statement as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Authority would recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognize a modification gain or loss in the income statement. The new gross carrying amount would be recalculated by discounting the modified cash flows at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets).

(iv) Derecognition other than on a modification

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

4.2.1.2 Financial liabilities

(i) Classification and subsequent measurement

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

- Financial guarantee contracts (see note 4.2.2)

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Year ended 31 December 2018

(ii) Derecognition

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

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

4.2.2 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.

Financial guarantee contracts are initially measured at fair value and subsequently measured based on the amount of the loss allowance (calculated as described in note 42.1.5).

For financial guarantee contracts, the loss allowance is recognized as a provision.

4.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3.1 Financial instruments

a) Cash and balances with banks

Cash and balances with banks comprise foreign currency held at the Authority's premises, cash and balances held in both domestic and foreign currency in local and foreign banks and financial institutions.

Cash and balances are carried at amortised cost in the statement of financial position.

b) International Monetary Fund (IMF) related assets and liabilities

In accordance with Article 22 (j) of the MMA Act, the Authority acts as fiscal agent of the Government in its dealings with International Financial Institutions, transact with the International Financial Institutions and undertake financial agency work for the Government. In compliance with the MMA Act, the accounts with International Monetary Fund (IMF), which records all transactions with the IMF, have been included in these financial statements.

Notes to the Financial Statements

Year ended 31 December 2018

The cumulative allocation of SDR by the IMF is treated as a liability. Exchange gains and losses arising on revaluation of IMF assets and liabilities are recognised in the statement of comprehensive income.

All other charges and interest pertaining to balances with the IMF are recorded immediately in the statement of comprehensive income.

c) Investment in securities

Investment in securities comprise of investment in securities with foreign banks, investment in Government treasury bills, investment in corporate bond and investment in held to collect contractual cash flows and for sale securities. The Authority has classified these debt securities as amortised cost, except for those held to collect contractual cash flows and for sale securities which are classified as FVOCI.

Policy applicable from 1 January 2018

(i) Amortised cost

Investments measured at amortised cost are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

(ii) FVOCI

The unrealized gains and losses for investments measured at FVOCI, are recognised in equity shown under FVOCI reserve, other gains and losses are recognised in the income statement in the same manner as for financial assets measured at amortised cost:

- interest income using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses

When a debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the income statement.

Policy applicable before 1 January 2018

(iii) Held-to-maturity

Held-to-maturity debt instruments were initially measured at fair value and subsequently measured at amortised cost using EIR less impairment.

Interest income was recognized in the income statement using the effective interest method.

(iv) Available-for-sale

Available-for-sale debt securities were initially measured at fair value plus incremental direct transaction costs. Available-for-sale investments were non-derivative investments that were designated as available-for-sale or were not classified as another category of financial assets; they were measured at fair value after initial recognition.

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Year ended 31 December 2018

Interest income was recognized in the income statement using the effective interest method.

The fair value changes were recognized in equity under available for sale reserve (OCI). When the investment was sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity was reclassified to the income statement.

d) Loans and advances

Policy applicable before 1 January 2018

Loans and advances include short term and long term loans to staff measured at amortised cost (refer to note 14 and 15) and are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

Policy applicable before 1 January 2018

Loans and advances were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and that the Authority did not intend to sell immediately or in the near term.

Loans and advances included loans and advances to the Authority's employees; they were initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

e) Currency repurchase transactions

Transactions carried out in relation to currency swap agreements whereby there is a purchase of one currency for the sale of another with the arrangement to swap the purchase and sale of currencies at a later date is treated as a currency repurchase transaction. A receivable and a payable for the forward leg are created on the date of the initial purchase and sale. The bought currency is treated as a payable that would be paid at agreed intervals in the future and the sold currency is treated as a receivable that would be recovered at agreed intervals in the future.

f) Deposits and borrowings

Financial liabilities under deposits and borrowings include balances of commercial banks, balances of the government and government institutions, interest bearing loans received from Ministry of Finance (MOF) and balance of insurance and remittance companies that are measured at amortised cost.

Deposits and borrowings are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

g) Interest

Effective interest rate

Interest income and expense are recognized in the income statement using the effective interest method. The EIR is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument to:

Notes to the Financial Statements

Year ended 31 December 2018

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the EIR for financial instruments other than credit-impaired assets, the Authority estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses. This is applicable from 1 January 2018.

The calculation of the EIR includes transaction costs and fees paid or received that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount recognized and the maturity amount and for, financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and expense, the EIR is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the EIR to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. This is applicable from 1 January 2018.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves. This is applicable from 1 January 2018.

For information on when financial assets are credit-impaired, see Note 42.1.2.2

Presentation

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- interest on debt instruments measured at FVOCI calculated on an effective interest basis. This is applicable from 1 January 2018.

Notes to the Financial Statements

Year ended 31 December 2018

Interest income and expense on all financial assets and financial liabilities are considered to be incidental to the Authority's trading operations and are presented in the net operating income (refer to note 33 to 34)

h) Currency in circulation

MMA is the sole statutory authority to issue currency to the public and is carried out in line with the MMA Act. Currency issued by the Authority represents a claim on the Authority in favour of the holder. The liability for currency in circulation is recorded at the face value in the financial statements and is considered to be its fair value. Movements in circulation currency are included as part of financing activities in line with prevailing industry practices among those central banks which present statement of cash flows.

4.3.2 Non-Financial assets

a) Gold

As permitted by Section 21 (2) of the MMA Act which specifies the composition of external reserve the Authority holds gold as part of its external reserves.

As this gold is part of the external reserve, it is accounted for in a similar manner. Accordingly, gold is fair valued at the current market price translated into domestic currency, and the gains or losses are transferred to the other comprehensive income.

b) Inventories

Inventories of currency on hand are carried at lower of cost and net realisable value. Costs of currency on hand include the cost of bringing inventories to their present location and condition. The value of each category of inventory is determined on first-in-first-out basis. When currency is issued, the value of inventory is reduced and an expense is recorded as currency issuance costs.

c) Property, plant and equipment

Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. The cost of day to day servicing excludes the cost of replacing part of such property, plant and equipment when that cost is incurred if the asset recognition criteria are met.

Except for the freehold land, depreciation is calculated on a straight-line method over the following estimated useful life.

Class of asset	Useful life (Years)
Buildings on freehold land	30
Machinery and equipment	5-15
Furniture and fittings	5-15
Motor vehicles	10
Computer equipment	5

Notes to the Financial Statements

Year ended 31 December 2018

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The asset's residual values, useful life and methods are reviewed, and adjusted if appropriate, regularly.

d) Intangible assets

The Authority's intangible assets consist of software namely; Maldives Credit Information Bureau software, and the Maldives Real Time Gross Settlement System (MRTGS), the Automated Clearing House (ACH), Oracle E-Business Suite and other software. Costs of these intangible assets are recognised only when the cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Authority.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.

In particular, these costs include costs of materials and services used or consumed in generating the intangible asset and finance charges as defined by IAS 23 Borrowing Costs. Selling, administrative and other general overhead expenditure are not components of the cost of an internally generated intangible asset and are charged to statement of comprehensive income as and when they are incurred unless this expenditure can be directly attributed to preparing the asset for use. Identified inefficiencies and initial operating losses incurred before the asset achieves planned performance are also treated the same as the above.

Amortisation of intangible assets is calculated on a straight-line method over the following estimated useful lives:

Class of asset	Useful life (Years)
Oracle E-Business Suite (ERP)	9
RTGS Software	7
Automated Clearing House	7
Credit Information Bureau Software	5-10
Other Software	3

e) Impairment of non-financial assets

The Authority assesses at each reporting date whether there is an indication that non-financial asset may be impaired and if events or changes in circumstances indicate that the carrying value of a non-financial asset may be impaired, the Authority makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

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Year ended 31 December 2018

These calculations are corroborated by valuation multiples, and other available fair value indicators.

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

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

f) Deferred replacement cost

Issuing cost of Randhihafaheh (RDF) banknotes includes a component related to replacement of old notes that are already in circulation. The cost of banknotes that are replaced are deferred and charged to income statement over the period of their useful life. The unamortised cost of banknotes is recorded as deferred replacement cost in the statement of financial position.

Amortisation of replacement cost is calculated on a sum of year digit method over the following estimated useful lives:

Denomination	Useful life (Years)
Rufiyaa 500	12
Rufiyaa 100	10
Rufiyaa 50	10
Rufiyaa 20	7
Rufiyaa 10	7
Rufiyaa 5	7

g) Other receivables

Other receivables are stated at amortised cost.

4.3.3 Non-financial liabilities

a) Provisions

Provisions are recognised when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Authority expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Notes to the Financial Statements

Year ended 31 December 2018

b) Employee benefits

(i) Defined contribution plans

Employees are eligible for Maldives Pension Administration Office contributions in line with the Maldives Pension Act of 8/2009. The Authority contributes 7% of employees' pensionable salary to the Maldives Pension Administration Office contributions which is a separately administered defined contribution plan. Accrued rights payable for the past service to those employees in employment with the Authority has been accounted separately in these financial statements per the provisions of Maldives Pension Act of 8/2009.

(ii) Retirement gratuity

The Authority provides retirement gratuity for all eligible employees under its staff regulation. Employees who have served the authority for a period of 10 years are entitled for this benefit upon retirement at the age of 65 years. These benefits are recognised in other liabilities in respect of employee's services and are measured at the present value of future payments expected to be made based on services provided by employees up to the reporting date.

Changes in the value of the liability for retirement gratuities and post-retirement benefits are included within the statement of comprehensive income in personnel expenses within operating expenses.

c) Grants

Grants recognised at their fair value (where there is a reasonable assurance that the grant will be received and all attaching conditions, if any, will be complied with) are shown under other liabilities. When the grant relates to an expense item, it is recognised in the statement of comprehensive income over the periods necessary to match them to the expenses it is intended to compensate on a systematic basis.

Where the grant relates to an asset, including situations where an asset is given to the Authority the fair value is credited to a deferred grant account and is released to the statement of comprehensive income over the expected useful life of the relevant asset on a systematic basis consistent with the depreciation policy of the related asset. Where assets received under a grant are inventory or an operational expense in nature, the grant amount is taken to the statement of comprehensive income when the inventory is issued or the expense is incurred.

d) Other liabilities

Other liabilities are initially recognised at their fair value and subsequently recognised at amortised cost.

4.3.4 Current tax

In accordance with the Section 15 (a) (1) of the Business Profit Tax Act (Law number 5/2011) of Maldives Inland Revenue Authority (MIRA), provisions of the Business Profit Tax Act are not applicable to the Maldives Monetary Authority.

4.3.5 Revenue and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Authority

Notes to the Financial Statements

Year ended 31 December 2018

and the revenue can be reliably measured. Expenses are recognised in the statement of comprehensive income on the basis of direct association between the cost incurred and the earning of specific items of income.

All expenditure incurred in running the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to statement of comprehensive income in arriving at the result for the year.

The following specific recognition criteria must also be met before revenue and expenses are recognised:

Miscellaneous

Miscellaneous income and expenses are recognised on an accrual basis.

Net gains and losses of a revenue nature on the disposal of property, plant and equipment have been accounted for in the statement of comprehensive income, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

Gains and losses arising from incidental activities to the main revenue generating activities and those that are not material are aggregated, reported and presented on a net basis.

4.3.6 Contingent liabilities and commitments including off balance sheet items

All guarantees of indebtedness, forward foreign exchange transactions, foreign currency swaps and other commitments which represents off balance sheet items are shown under respective headings. Where applicable, such amounts are measured at best estimates.

4.3.7 Cash flow statement

The statement of cash flows has been prepared by using the 'Direct Method' in accordance with IAS 7 on statement of cash flows, whereby gross cash receipts and gross cash payments of operating activities, financing activities and investing activities have been recognised. Cash and cash equivalents comprise mainly cash balances, money at overnight placements and highly liquid investments that has original maturity of three months or less.

4.3.8 Comparatives

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

5 STANDARDS THAT ARE NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Authority's financial statements are listed below. This listing is of standards and interpretation issued, which the Authority reasonably expects to be applicable at a future date. The Authority intends to adopt those standards when they become effective, and currently their impact is not reasonably known or estimated.

Notes to the Financial Statements

Year ended 31 December 2018

IFRS 16 Leases

IFRS 16 was published in January 2016 and establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

An entity applies IFRS 16 for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied. As a practical expedient, an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application.

The Authority is currently assessing the extent to which the requirement under the standard applies to its financial assets and financial liabilities.

Notes to the Financial Statements

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

6 CASH AND BALANCES WITH BANKS

	2018	2017
6.1 Foreign currency balances		
Foreign currency cash in hand	65,044,068	42,182,733
Balances with other central banks	391,152,056	258,599,892
Balances with other foreign banks	24,139,309	31,490,002
Balances with external asset manager	1,578,664	153,287
Balances with local banks - related party	51,285	51,469
Money at overnight placements with other central banks (Note 6.3)	479,251,000	827,517,000
Investment in fixed deposits with foreign banks (Note 6.4)	9,533,267,000	7,023,612,000
Expected credit losses	(2,151,870)	-
	10,492,331,512	8,183,606,383
6.2 Local currency balances		
Balances with local banks - related parties	52,887,907	52,717,665
Expected credit losses	(8,343)	-
	52,879,564	52,717,665
	10,545,211,076	8,236,324,048

6.3 Money at overnight placements with other central banks

The Authority invested USD 31,100,000 (2017: USD 53,700,000) in an overnight repurchase agreement with the Federal Reserve Bank of New York at an interest rate of 2.45% per annum (2017: 1.46%).

6.4 Investment in fixed deposits with foreign banks

	2018	2017
Fixed deposits with maturity of 3 months or less	8,762,767,000	5,174,412,000
Fixed deposits with maturity more than 3 months	770,500,000	1,849,200,000
Expected credit losses	(2,090,487)	-
	9,531,176,513	7,023,612,000

7 IMF RELATED ASSETS

	2018	2017
Holding of special drawing rights (Note 7.1)	51,920,548	61,964,283
IMF quota (Note 7.2)	454,360,520	463,222,120
Interest receivables	273,538	196,891
	506,554,606	525,383,294

7.1 Holding of special drawing rights (SDR)

SDR is an international reserve asset, created by the IMF to supplement its member countries' official reserves. Its value is based on a basket of five key international currencies and SDRs can be exchanged for freely usable currencies.

Notes to the Financial Statements

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

7 IMF RELATED ASSETS (CONTINUED)

7.1 Holding of special drawing rights (SDR) (Continued)

Holding of SDRs is potentially a claim on freely usable currencies of IMF members, in that holders of SDRs can exchange their currencies for SDRs. The SDRs value as a reserve asset derives from the commitments of members to hold and accept SDRs and to honor various obligations connected with the operation of the SDR system. The IMF ensures that the SDRs claim on freely usable currencies is being honored in two ways: by designating IMF members with a strong external position to purchase SDRs from members with weak external positions, and through the arrangement of voluntary exchanges between participating members in a managed market. The amount shown above represents the total holdings of SDRs by the Authority as at the respective reporting dates.

7.2 IMF Quota

The International Monetary Fund (IMF) is an international organization of 189 member countries. It was established to promote international monetary cooperation, exchange stability, and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease balance of payments adjustment. The IMF receives its resources from its member countries and quota subscriptions are a central source of IMF's financial resources. Each country's subscription, or quota, is determined broadly on the basis of the economic size of the country, and taking into account quotas of similar countries.

A member's subscription to IMF resources is equal to its quota and determines the maximum amount of financial resources the member is obliged to provide to the IMF. A member must pay its subscription in full. A country must pay 25% of its quota in widely accepted foreign currencies or SDRs, and the remaining 75% in its own currency.

The quota defines a member's voting power in IMF decisions. Each IMF member has IMF basic votes plus one additional vote for each SDR 0.1 millions of quota. IMF basic votes are fixed at 5.502% of the total votes. As at 31 December 2018, The Republic of Maldives has 1,677 votes representing 0.03% of total votes. The amount of financing a member can obtain from the IMF (access limits) is also based on its quota. Under Stand-By and Extended Arrangements, for instance, a member can currently borrow up to 145% of its quota annually and 435% cumulatively. Access may be higher in exceptional circumstances and to meet specific problems.

The Republic of Maldives has been a member of the IMF since 1978. The Maldives Monetary Authority acts as both fiscal agent and the depository for the IMF. As fiscal agent the Authority is authorised to carry out all operations and transactions with IMF. As depository the Authority maintains IMF's currency holdings and ensures that the assets and liabilities of IMF membership are properly reflected in its accounts and presented in its financial statements. The quota of the Maldives is its membership subscription which is granted mainly by the issue of promissory notes in favour of the IMF and partly by foreign currency payments by the Government of Maldives.

As at 31 December 2018, the IMF Quota of Maldives is SDR 21.2 million (2017: SDR 21.2 million).

Notes to the Financial Statements

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

8 INVESTMENTS IN SECURITIES

Foreign currency balances

	2018	2017
Short term investment securities (Note 8.1)	34,019,300	419,377,949
Investment in corporate bond (Note 8.2)	694,551,019	1,417,566,182
Investment in securities at FVOCI (Note 8.3)	309,536,326	307,453,580
Balance as at 31 December	1,038,106,645	2,144,397,711

Local currency balances

	2018	2017
Investment in fixed deposits with local banks	8,984,999	-
Expected credit losses	(1,417)	-
	8,983,582	-

8.1 Short term investment securities

8.1.1 Investment in securities with foreign banks

	2018	2017
Purchased during the year	-	384,897,303
Discount receivable	-	147,166
Balance as at 31 December	-	385,044,469

As at 31 December 2018 there was no investment in securities with foreign banks. The balance as at 31 December 2017 represents investment in discounted FIXBIS of Bank for International Settlement with a face value of USD 25 million at a purchase price of USD 24,977,113 which matured in 2018.

8.1.2 Investment in Government treasury bills

	2018	2017
Purchased during the year	34,019,300	34,333,480
Balance as at 31 December	34,019,300	34,333,480

Under article 35 (b) of the Maldives Banking Act (Law no. 24/2010), the Authority shall hold the funds of the dormant accounts in a special account to be invested in Government securities.

As at 31 December 2018 the Authority has invested in USD Government treasury bills with face values of USD 2.3 million at purchase price of USD 2,207,612 maturing in 2019. As at 31 December 2017 the Authority invested in USD Government treasury bills with face values of USD 2.3 million at purchase price of USD 2,228,000 which matured in 2018.

8.2 Investment in corporate bond

	2018	2017
Balance as at 1 January	1,414,584,906	2,093,464,066
Realised during the year	(720,829,147)	(686,321,856)
Effects of exchange rates	(665,447)	7,442,696
	693,090,312	1,414,584,906
Interest receivable on corporate bond	1,460,707	2,981,276
Balance as at 31 December	694,551,019	1,417,566,182

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Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

8 INVESTMENTS IN SECURITIES (CONTINUED)

8.2 Investment in corporate bond (continued)

Remaining term to maturity

	2018	2017
Within one year	693,090,312	721,494,594
Two years	-	693,090,312
	693,090,312	1,414,584,906

The Authority invested in a corporate bond of USD 140 million issued by a state owned enterprise on 15 November 2016 to be settled over a period of 3 years at an interest rate of 4.90% per annum on the outstanding balance. The bond matures in November 2019.

Interest receivable on corporate bond

	2018	2017
Balance as at 1 January	2,981,276	4,412,032
Interest accrued during the year	25,421,273	86,170,567
Interest realised during the year	(26,932,752)	(87,588,962)
Effects of exchange rates	(9,090)	(12,361)
Balance as at 31 December	1,460,707	2,981,276

8.3 Investments in securities at FVOCI

	2018	2017
Balance as at 1 January	307,453,580	-
Purchased during the year	688,853,774	307,766,594
Sold and matured during the year	(686,273,113)	-
Unrealized fair value changes during the year	(498,035)	(313,014)
Realized loss during the year	(181,660)	-
Effects of exchange rates	181,780	-
Balance as at 31 December	309,536,326	307,453,580

The balances as at 31 December 2018 and 31 December 2017 represents USD 20 million managed by the Authority's external asset manager.

9 SUBSCRIPTIONS TO INTERNATIONAL AGENCIES

	2018	2017
MOF promissory notes issued		
Foreign currency		
Multilateral Investment Guarantee Agency	833,681	833,681
Local currency		
International Bank for Reconstruction and Development	8,264,330	8,264,330
	9,098,011	9,098,011

Notes to the Financial Statements

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

9 SUBSCRIPTIONS TO INTERNATIONAL AGENCIES (CONTINUED)

- 9.1 The Authority is designated as the depository of the International Bank for Reconstruction and Development (IBRD), Asian Development Bank (ADB) and Multilateral Investment Guarantee Agency (MIGA) for the Republic of Maldives. The above balances represent the promissory notes issued by MOF to the said institutions for membership subscriptions and related purposes. These promissory notes are non-negotiable and non-interest bearing notes payable to the above institutions on demand.

10 ASIAN CLEARING UNION

10.1 Receivable from Asian Clearing Union

	2018	2017
ACU Dollar balances	1,849,200	-
	1,849,200	-

10.2 Payable to Asian Clearing Union

	2018	2017
ACU Dollar balances	150,349,206	174,903,500
Accrued charges	329,411	211,151
	150,678,617	175,114,651

The Asian Clearing Union (ACU) was established in 1974 under the auspices of the Economic and Social Commission for Asia and the Pacific as a mechanism for settlement of payments among participating countries' Central Banks. Maldives became a member of ACU in June 2009. The other participants are Bangladesh, the Islamic Republic of Iran, Nepal, Pakistan, India, Bhutan, Myanmar and Sri Lanka. This is a clearing facility to settle, on a multilateral basis, payments for current international transactions among territories of participants. Net position as at end of each month is settled or received, after two-month credit period. Interest is paid by net debtors to net creditors under the arrangement at the end of each settlement period.

The rate of interest applicable for a settlement period will be the closing rate on the first working day of the last week of the previous calendar month offered by the Bank for International Settlements (BIS) for one month US Dollar and Euro deposits. Interest on ACU Dollar transactions were between 1.45% to 2.28% in 2018. Above balance represents the amounts due to and from ACU as at the reporting date.

11 INTEREST AND OTHER RECEIVABLES

	2018	2017
Foreign currency		
Interest receivable	13,649,692	7,441,340
Expected credit losses	(3,349)	-
	13,646,343	7,441,340

Notes to the Financial Statements

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

11 INTEREST AND OTHER RECEIVABLES (CONTINUED)

	2018	2017
Local currency		
Other receivables	4,273,379	20,317,008
Less: Allowance for doubtful receivables	(4,053,012)	(4,053,012)
Expected credit losses	(35)	-
	220,332	16,263,996

12 INVESTMENT IN GOVERNMENT TREASURY BILLS

	2018	2017
Purchased during the year (Note 12.1)	52,717,763	45,222,111
Interest receivable on Government treasury bills	2,273,016	1,934,251
Balance as at 31 December	54,990,779	47,156,362

12.1 Investment in Government treasury bills

Under Article 35 (b) of the Maldives Banking Act (Law no. 24/2010), the Authority shall hold the funds of the dormant accounts in a special account to be invested in Government securities.

As at 31 December 2018 the Authority has invested in MVR Government treasury bills with face values of MVR 54.90 million at purchase price of MVR 52,717,763 maturing in 2019. As at 31 December 2017, the Authority invested in MVR Government treasury bills amounting to 45,222,111 which matured in 2018.

13 INVESTMENT IN GOVERNMENT TREASURY BONDS

	2018	2017
Balance as at 1 January	6,233,473,467	6,304,271,706
Settled during the year	(72,516,212)	(70,798,239)
Balance as at 31 December (Note 13.1)	6,160,957,255	6,233,473,467

On 30 December 2014 the existing balance of government bond and overdraft balance of the Public Bank Account due from Government of Maldives amounting to MVR 6,440,640,354 was re-structured into a long term bond with a maturity of 50 years, carrying an interest of 2.4% per annum. The coupon interest and principal repayment is agreed to be made on a monthly basis.

13.1 Remaining term to maturity

	2018	2017
Within one year	74,275,872	72,516,212
Two to five years	315,131,408	307,665,670
Six to ten years	438,652,069	428,614,847
More than ten years	5,332,897,906	5,424,676,738
	6,160,957,255	6,233,473,467

Notes to the Financial Statements

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

14 SHORT TERM LOANS

	2018	2017
Balance as at 1 January	666,962	-
Loans disbursed during the year	628,616	696,001
Settled during the year	(586,179)	(29,039)
Balance as at 31 December	709,399	666,962

The Authority has granted interest free loans to its staff with a repayment period of 6 to 24 months.

15 LONG TERM LOANS

	2018	2017
Balance as at 1 January	-	-
Loans disbursed during the year	49,165	-
Settled during the year	(1,727)	-
Balance as at 31 December	47,438	-

The Authority has granted interest free loans to its staff with a repayment period of upto 7 years.

16 GOLD AND SILVER ASSETS

	2018	2017
Gold at fair value (Note 16.1)	30,937,689	31,231,120
Silver at cost	71,172	71,172
	31,008,861	31,302,292

- 16.1 The Authority holds gold as part of its reserves. Gold biscuits are fair valued and the gains or losses are recognised in other comprehensive income.

17 INVENTORIES

	2018	2017
Notes for circulation	65,944,498	64,410,968
Coins for circulation	12,313,123	14,378,849
Coins held abroad in storage (Note 17.1)	15,312,927	15,312,927
Commemorative notes and coins	6,262,561	6,049,933
1983 Series Banknote Sets (Note 17.3)	-	9,229,570
Circulating coin sets	110,409	112,904
Printing and minting in progress (Note 17.2)	220,409	2,942,083
	100,163,927	112,437,234
Less: Provision for 1983 Series Banknote Sets (Note 17.3)	-	(4,614,785)
Total inventories	100,163,927	107,822,449

- 17.1 MVR 15,312,927 (2017: MVR 15,312,927) is the cost incurred to mint the coins held abroad at the warehouses of the minting company.

- 17.2 Printing and minting in progress represents advance payments made to the coin minting company regarding orders placed for minting coins.

- 17.3 The Authority has written off inventory for 1983 Series Banknote Sets during the year 2018.

Notes to the Financial Statements

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

18	PROPERTY, PLANT AND EQUIPMENT	Freehold land	Buildings on freehold land	Buildings on freehold land WIP	Machinery and equipment	Machinery and equipment WIP	Furniture and fittings	Motor vehicles	Computer equipment	Computer equipment WIP	2018 Total	2017 Total
18.1	Gross carrying amounts at cost											
	Balance as at 1 January	1,000,000	35,013,721	-	79,480,236	128,832	19,707,458	1,655,236	23,386,208	-	160,371,691	154,114,259
	Additions during the year	-	337,415	231,821	7,745,194	162,314	822,385	2,887,440	5,166,870	287,696	17,641,135	8,492,674
	Disposals/transfers during the year	-	-	-	(728,064)	-	(250,435)	-	(1,211,002)	-	(2,189,501)	(2,235,242)
	Value of depreciable assets	1,000,000	35,351,136	231,821	86,497,366	291,146	20,279,408	4,542,676	27,342,076	287,696	175,823,325	160,371,691

18.2 Accumulated Depreciation

	Balance as at 1 January	-	10,488,728	-	73,073,313	-	17,828,828	1,521,134	17,334,982	-	120,246,985	115,192,321
	Charge for the year	-	1,239,924	-	3,000,579	-	470,970	142,715	2,207,732	-	7,061,920	6,127,128
	Disposals/transfers during the year	-	-	-	(718,719)	-	(250,214)	-	(1,191,064)	-	(2,159,997)	(1,072,464)
	Accumulated depreciation	-	11,728,652	-	75,355,173	-	18,049,584	1,663,849	18,351,650	-	125,148,908	120,246,985

18.3	Net book value	1,000,000	23,622,484	231,821	11,142,193	291,146	2,229,824	2,878,827	8,990,426	287,696	50,674,417	40,124,706
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18.4 As at 31 December 2018, property, plant and equipment includes fully depreciated assets having gross carrying amount of MVR 97,833,605 (2017 : MVR 94,468,910).

18.5 The balance under Buildings on freehold land - WIP relates to expenses that were incurred for structural changes brought to the Authority's building, which were not completed as at 31 December 2018. The balance under Machinery and Equipment - WIP relates to expenses that were incurred for cash counting and depositing machine which has not been installed as at 31 December 2018. The balance under computer equipment - WIP includes expenses incurred for design and supply of server infrastructure which was not completed as at 31 December 2018.

19	INTANGIBLE ASSETS	Maldives Credit Information Bureau System	Maldives Real Time Gross Settlement System	Automated Clearing House System	Mobile Payment System (MPS) & EFT Switch	Oracle E-Business Suite	Software - Others	2018 Total	2017 Total
19.1	Gross carrying amounts at cost								
	Balance as at 1 January	17,130,695	19,057,862	23,589,046	38,671,687	13,500,778	1,709,796	113,659,864	104,011,482
	Cost incurred during the year	4,609,886	-	-	-	346,864	369,284	5,326,034	9,648,382
	Balance as at 31 December	21,740,581	19,057,862	23,589,046	38,671,687	13,847,642	2,079,080	118,985,898	113,659,864

19.2 Accumulated amortisation/impairment

	Balance as at 1 January	10,039,280	17,939,144	18,861,763	38,671,687	5,841,483	385,278	91,738,635	83,011,984
	Charge for the year	1,915,698	944,751	3,369,864	-	1,519,356	643,993	8,393,662	8,726,651
	Balance as at 31 December	11,954,978	18,883,895	22,231,627	38,671,687	7,360,839	1,029,271	100,132,297	91,738,635

19.3	Net book value	9,785,603	173,967	1,357,419	-	6,486,803	1,049,809	18,853,601	21,921,229
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19.4 As at 31 December 2018, intangible assets include fully amortised/impaired assets having gross carrying amount of MVR 64,435,022 (2017 : MVR 47,762,216).

Notes to the Financial Statements

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

19 INTANGIBLE ASSETS (CONTINUED)

19.5 Projects under work in progress	Oracle E-Business Suite	Software - Others	2018 Total	2017 Total
Balance as at 1 January	157,287	1,230,400	1,387,687	4,242,903
Cost incurred during the year	-	2,754,486	2,754,486	4,561,716
Cost capitalized during the year	-	-	-	(5,757,720)
Balance as at 31 December	157,287	3,984,886	4,142,173	3,046,899
Grand Total			22,995,774	24,968,128

Oracle E-Business Suite

The Enterprise Resource Planning System (ERP) of the Authority (The Oracle E-Business Suite) became operational with effect from 2 June 2013. The project is fully funded from the Authority's budget. The Authority completed the development of the ERP system in order to centralise and automate the accounting system, systemize the maintenance of human resource records and procurement process.

The balance as at 31 December 2018 relates to expenses that were incurred for "Time & Labour" component of Oracle E-Business suite which was not implemented as at 31 December 2018.

Software - Others

The Authority initiated the "Government Securities Market Development Project" in the year 2017 with the aim of developing the Government Securities Market through automation and by facilitating secondary market trading. This project is carried out under advise from a technical consultant hired by the Authority, and a vendor has been selected for supplying and implementing the Central Securities Depository required for the project. The project is expected to be completed by the end of 2019.

Notes to the Financial Statements

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

20 OTHER ASSETS

	2018	2017
Prepayments and receivables	15,577,967	15,222,801
Deferred employee benefits	117,534	115,559
Deferred replacement cost	45,213,406	59,036,956
	60,908,907	74,375,316

21 BALANCES OF COMMERCIAL BANKS

	2018	2017
Foreign currency balances		
Related parties	1,437,725,755	987,417,943
Others	4,780,298,150	4,060,376,133
	6,218,023,905	5,047,794,076
Local currency balances		
Related parties	1,046,820,312	1,624,886,671
Others	596,635,589	514,192,939
	1,643,455,901	2,139,079,610
Overnight placement deposits		
Related parties	1,900,000,000	1,750,000,000
Others	1,082,000,000	1,674,000,000
	2,982,000,000	3,424,000,000
Total balances of commercial banks	10,843,479,806	10,610,873,686

21.1 In accordance with Section 4 (c) of the MMA Act, the Authority is acting as the regulator of the commercial banks operating in the Maldives. In carrying out this duty, the Authority opens accounts and accepts deposits to facilitate interbank transfers and, monitors minimum reserve requirements imposed on the commercial banks.

21.2 The Authority offers overnight deposit facility to the commercial banks, whereby banks can place their excess funds at MMA overnight. As at 31 December 2018 and 31 December 2017, the interest rate on overnight deposits of commercial banks at MMA was 1.5% per annum.

22 BALANCES OF GOVERNMENT AND GOVERNMENT INSTITUTIONS

Related parties		
	2018	2017
Foreign currency deposits		
MOF and Government institutions	174,615,901	544,883,683
	174,615,901	544,883,683
Local currency deposits		
MOF and Government institutions	577,108,434	1,046,552,662
Public enterprises	64,604,292	64,604,292
	641,712,726	1,111,156,954
Total balances of Government and Government institutions	816,328,627	1,656,040,637

Notes to the Financial Statements

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

23 IMF RELATED LIABILITIES

	2018	2017
IMF Securities Account (Note 23.1)	346,337,528	353,092,306
IMF No. 1 Account (Note 23.2)	5,060,076	5,158,765
IMF No. 2 Account (Note 23.3)	6,322	6,446
Allocation of SDR (Note 23.4)	164,836,596	168,051,479
Charges payable on SDR allocation (Note 23.5)	295,720	200,934
Exogenous shock facility (Note 23.6)	10,983,951	20,156,717
	527,520,193	546,666,647

23.1 IMF Securities Account

The Authority maintains the IMF securities account which represent non-negotiable, non-interest bearing securities issued by the MOF in favour of the IMF, which are payable on demand. These securities are issued for 75% of the quota liability payable in Maldivian Rufiyaa, for use of IMF credit facilities such as Emergency Assistance Facility and Stand-By Agreement etc., and for the revaluations of the accounts. Even though the revaluation is made on a monthly basis, the balances in the Authority's books are revalued as at the last working day of each week. The IMF accounts were last revalued on 31 December 2018 by IMF.

	2018	2017
Balance as at 1 January	353,092,306	332,302,779
Promissory notes issued	-	-
Exchange rate effect on IMF Securities account	(6,754,778)	20,789,527
Balance as at 31 December	346,337,528	353,092,306

23.2 IMF No.1 Account

The No. 1 Account is used for IMF transactions and operations, including subscription payments, purchases, repurchases, repayment of borrowing, and sales in Maldivian Rufiyaa.

23.3 IMF No.2 Account

The No. 2 Account is used for the IMF's administrative expenditures and receipts (for example, receipts from sales of IMF publications) in the member's currency and within its territory. Small out-of-pocket expenses, such as telecommunication charges may be debited to this account on a quarterly basis.

23.4 Allocation of SDR

The SDR is an international reserve asset, created by the IMF to supplement its member countries' official reserves. Its value is based on a basket of five key international currencies and SDRs can be exchanged for freely usable currencies of IMF members. The amount shown above represents the total allocation of SDRs to the Authority as at the respective reporting dates.

Notes to the Financial Statements

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

23 IMF RELATED LIABILITIES (CONTINUED)

23.5 Charges payable on SDR allocation

SDR allocations are subject to interest charges on each participant's net cumulative allocation. SDR interest rate is determined on each Friday, based on the weighted average interest rate on 3 month debt in the money markets of the five currencies in the SDR basket (i.e. US dollar, Pound Sterling, Euro, Japanese Yen and Chinese Yuan). Charges on SDR allocations are paid quarterly.

23.6 Exogenous Shock Facility

The IMF provides Exogenous Shock Facility (ESF) to its member countries which are affected by an event that has a significant negative impact on the economy and that is beyond the control of the Government.

First disbursement amounting to SDR 1.025 million under the ESF was received on 4 December 2009 and on 25 March 2010. The Authority received the second disbursement amounting to SDR 1.025 million upon completion of IMF review. No interest was charged on ESF loan during the year 2017 and 2018.

The following table shows the details of Exogenous Shock Facility Loan:

Non-current	Interest rate per annum	Maturity date	2018	2017
Exogenous shock facility	0.25%	1 April 2020		
Balance as at 1 January			20,156,717	27,400,997
Repayments during the year			(8,922,912)	(8,779,740)
Effects of exchange rates			(249,854)	1,535,460
Balance as at 31 December			10,983,951	20,156,717

24 INTEREST BEARING LOANS - THE MOF

	MCIB	MIPS	Total 2018	Total 2017
Balance as at 1 January	9,456,983	82,291,344	91,748,327	86,741,890
Repayments during the year	(421,544)	(814,198)	(1,235,742)	(411,441)
Effects of exchange rates	(171,641)	(1,567,235)	(1,738,876)	5,417,878
Balance as at 31 December	8,863,798	79,909,911	88,773,709	91,748,327

- 24.1 On 23 July 2009, the MOF and the Authority have entered into a subsidiary loan agreement to fund the MCIB project for total loan amounting to SDR 439,000.

The loan has to be repaid in 48 equal semi annual instalments. The first instalment has been paid on 15 November 2016 and the last instalment fall due on 15 May 2040. The Authority has to pay interest charge at the rate of 1% per annum during the grace period and 1.5% per annum thereafter on the amount withdrawn. As at the reporting date the Authority has repaid SDR 48,090.

Notes to the Financial Statements

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

24 INTEREST BEARING LOANS (CONTINUED)

- 24.2 The MOF provided a loan to the Authority for an amount equal to SDR 3,766,177 to undertake the Maldives Interoperable Payment System (MIPS) project. As at the reporting date, the loan amount outstanding is SDR 3,728,515.

Total loan amount	SDR 3,766,177	
Interest rate	0.75% per annum	
Repayment dates	15 March and 15 September of each year	
Annual repayment	From 15/09/2018 to 15/03/2028	SDR 75,324/-
	From 15/09/2028 to 15/03/2048	SDR 150,647/-

25 CURRENCY IN CIRCULATION

- 25.1 The Authority, as the sole currency issuing Authority in the Republic of Maldives continue to perform the function of issuing legal tender currency. The amount of currency issued by the Authority and in circulation as at respective reporting dates are as follows;

Net currency in circulation

		2018	2017
Coins			
1	Laari	95,511	94,343
2	Laari	49,656	49,656
5	Laari	524,850	501,707
10	Laari	673,982	662,967
25	Laari	3,375,655	3,250,811
50	Laari	7,507,909	7,256,238
1	Rufiyaa	33,805,203	31,793,466
2	Rufiyaa	25,282,756	24,725,946
		71,315,522	68,335,134
Notes			
5	Rufiyaa	14,440,885	28,136,605
10	Rufiyaa	25,791,130	22,887,880
20	Rufiyaa	38,432,340	33,433,620
50	Rufiyaa	49,585,350	51,233,950
100	Rufiyaa	259,485,000	257,280,100
500	Rufiyaa	3,003,929,000	2,885,454,000
1000	Rufiyaa	206,033,000	149,538,000
		3,597,696,705	3,427,964,155
Total net currency in circulation		3,669,012,227	3,496,299,289

- 25.2 Currency in circulation shown above are after deducting the Authority's holding of Rufiyaa notes and coins amounting to MVR 382,370,210 and MVR 248,887,008 as at 31 December 2018 and 2017 respectively.

Notes to the Financial Statements

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

26 BALANCES OF INSURANCE AND REMITTANCE COMPANIES

26.1 Balances of insurance companies

	2018	2017
Related parties	4,000,000	4,000,000
Others	9,292,176	9,293,676
	13,292,176	13,293,676

26.2 Balances of remittance companies

	2018	2017
Related parties	-	-
Others	400,000	500,000
	400,000	500,000
Grand total	13,692,176	13,793,676

The above balances represent the statutory deposits of the insurance and remittance companies operating in the Maldives. These deposits carry interest at the rate of 1% per annum.

27 DEPOSITS OF INTERNATIONAL FINANCIAL INSTITUTIONS

	2018	2017
Foreign currency deposits		
Multilateral Investment Guarantee Agency	833,681	833,681
	833,681	833,681
Local currency deposits		
International Development Association	348,008	348,008
International Bank for Reconstruction and Development	8,575,332	8,281,689
Asian Development Bank	1,434,362	1,434,362
Multilateral Investment Guarantee Agency	172,444	172,444
	10,530,146	10,236,503

- 27.1 The Authority is designated as the depository of the International Development Association (IDA), International Bank for Reconstruction and Development (IBRD), Asian Development Bank and Multilateral Investment Guarantee Agency (MIGA) for the Republic of Maldives. The above balances represent the amounts collected on behalf of these supranational institutions for various purposes as at the respective reporting dates.

Notes to the Financial Statements

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

28 DEPOSIT INSURANCE FUND

	2018	2017
Deposit insurance fund	6,286	270,459
Balance as at 31 December	6,286	270,459

28.1 In order to maintain a stable financial system and to protect the rights of depositors a Deposit Insurance Scheme regulation came into effect on 24 August 2015. Under this regulation the Authority established a "Deposit Insurance Fund" and all the banks in Maldives are members. Member banks are required to pay an initial contribution that is payable over five years and an annual premium to the fund. The fund covers deposits up to MVR 30,000 or its equivalent in foreign currency deposits per depositor per member bank.

28.2 On behalf of the fund, the Authority has invested MVR 16,732,418 in Government treasury bills during 2018. Discount received on Government treasury bill upon maturity of the investment is added to the balance of the fund.

29 OTHER LIABILITIES

29.1 Foreign currency other liabilities

	2018	2017
Payables to other central banks (Note 29.3)	1,541,000,000	-
Accrued charges and other payables	44,383,313	104,627,813
Payable for banknotes	36,150,597	62,932,674
Bank of Credit and Commerce International (BCCI)	15,097,671	15,097,671
Commercial banks human resource development deposits	798,933	798,933
Other deposits	299,548	299,548
	1,637,730,062	183,756,639

29.2 Local currency other liabilities

	2018	2017
Accrued charges and other payables	3,416,299	20,952,701
Government contribution to IMF Quota (Note 29.4)	92,720,021	92,720,021
Commercial banks human resource development deposits	1,388,604	1,579,332
Bank of Credit and Commerce International (BCCI)	2,622,369	2,528,341
Paper Note 1983 Series payable (Note 29.5)	149,142,823	139,278,878
Credit Guarantee Scheme (29.6)	14,898,380	15,300,688
Expected credit losses - provision on guarantee	71,535	-
	264,260,031	272,359,961

Notes to the Financial Statements

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

29 OTHER LIABILITIES (CONTINUED)

29.3 Payables to other central banks

These are payables recorded under an agreement entered between the Authority and a foreign central bank in 2018, for USD 100 million for a period of three months. This has been repaid on 19 March 2019.

29.4 Government's contribution to IMF quota

As at 31 December 2018, The MOF has made four payments towards the IMF Quota. This balance represents the foreign currency portion of quota payments made by the MOF for the 1992, 1999, 2011 and 2016 quota increments. There were no payments made during 2018.

29.5 Paper Note 1983 Series payable

These are the banknotes of 1983 series yet to be received as at 31 December 2018. Except for MVR 5, the remaining of these notes were declared as non-legal tender with effect from 1 August 2016. MVR 5 was declared as non-legal tender effective from 1 January 2018. However, these notes can still be presented to the Authority for replacement to RDF series until 31 July 2021.

29.6 Credit Guarantee Scheme

The Authority received initial capital of MVR 15 million from Ministry of Finance for provision for default of guaranteed loans and operational expenses of Credit Guarantee Scheme (CGS). The Authority launched CGS on 7 August 2016, with the aim of facilitating access to finance for the Small and Medium Enterprises (SME) sector. All retail banks (7 banks) in Maldives are currently participating in the scheme.

The scheme guarantees 90% of the loan amount of commercially viable loans between MVR 100,000 and MVR 1 million, issued to Maldivian owned SMEs with no collateral. The loans are offered at 9% interest rate with a maximum repayment period of 5 years.

Notes to the Financial Statements

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

30 DEFERRED GRANTS

30.1 The Authority has undertaken the Maldives Interoperable Payment System project. Consultative Group to Assist the Poor (CGAP) has granted USD 698,708 for the project and the Authority recognised the assets acquired for the project with the corresponding credit recognised as deferred revenue. During the year 2011 unutilised grant amount of USD 33,944 was returned to CGAP. The remaining balance has been converted to Rufiyaa and is apportioned to the cost of the 4 components of MIPS. As SWITCH and MPS are impaired fully, the grant value apportioned to these two components are credited to the statement of comprehensive income. Grant value apportioned to ACH and RTGS are deferred over the useful life of each component and credited to the statement of comprehensive income on a monthly basis.

30.2 The Authority has received a grant for the development of the Secured Transaction Registry (STR) of MCIB from the MOF. An amount equivalent to USD 1,024,767 is expected to be disbursed under the grant. As at 31 December 2018, USD 970,464 has been disbursed to the Authority in the form of payments to the legal and operational consultants and for the purchase of software for the MCIB enhancement project. During the year, USD 105,248 was released to the statement of comprehensive income, which is consistent with the amortisation policy on software.

30.3 The movement of deferred grants

	2018	2017
Balance as at 1 January	7,346,523	5,050,653
Grants received during the year	4,991,531	4,692,465
Recognised in the statement of comprehensive income	(2,192,040)	(2,396,595)
Balance as at 31 December	10,146,014	7,346,523

31 PENSION AND OTHER EMPLOYMENT BENEFITS PAYABLE

31.1 Pre- Maldives Pension Act 8/2009 Pensions

	2018	2017
Opening balances	4,823,786	5,119,824
Less: payments during the year	(531,550)	(531,550)
Add: winding of interest	221,894	235,512
Present value of pension obligation	4,514,130	4,823,786
Employee and employer pension contribution payable	529,010	510,335
Balance as at 31 December	5,043,140	5,334,121

The Authority provides defined benefit plans ("Pre- Maldives Pension Act 8/2009 Pensions") for those employees who have completed 20 years service and opted to continue to receive such benefits. This is a frozen calculation, where the pension payment amount was determined based on the salary received by the employee at the date of completing 20 years service. Pre- Maldives Pension Act 8/2009 Pension was worked out as follows:

- a) An employee who became eligible (by working in public sector for 20 years) to pension arrangement between 5 April 2007 and 10 October 2007 receive a "Pre-New Pension Act Pension" calculated at 1/2 month's salary at the eligibility point until they reach age of 65.

Notes to the Financial Statements

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31 PENSION AND OTHER EMPLOYMENT BENEFITS PAYABLE (CONTINUED)

31.1 Pre- Maldives Pension Act 8/2009 Pensions (Continued)

- b) All employees who became eligible after 10 October 2007 up until 31 July 2010 will receive a pension calculated at 1/3 of monthly salary at the eligibility point until they reach age of 65.
- c) The principal assumptions used in determining employee benefit obligations for Pre- Maldives Pension Act 8/2009 Pensions plan are shown below:

	2018	2017
Nominal value of the benefit obligation	5,976,604	6,508,154
Present value of the benefit obligation	4,514,130	4,823,786
Unrecognised interest component	1,462,474	1,684,368
Discount rate: 364 day treasury bill rate	4.60%	4.60%
Number of employees in the scheme	11	11
Average remaining years of service	10.55	11.55
Retirement age	65	65

31.2 Retirement gratuity obligation

	2018	2017
Balance as at 1 January	19,357,850	-
Charge for the year	2,064,840	2,092,690
Interest for the year	840,840	-
(Surplus)/deficit charge for the year	(2,261,285)	17,265,160
Present value as at 31 December	20,002,245	19,357,850

- a) In accordance with the staff regulation, employees who have served the Authority for a period of 10 years are entitled for the benefit plan upon retirement at the age of 65 years. This is a non-contributory plan whereby the cost of benefits is wholly borne by the Authority. As such, a provision is recognised in other liabilities in respect of employee's services and are measured at the present value of future payments expected to be made based on services provided by employees as at the reporting date.
- b) The present value of the benefit obligation is based on a series of key valuation assumptions comprising of discount rate, staff turnover and salary increment rates.

The following assumptions and data were used in valuing the defined benefit obligation:

	2018	2017
Discount rate	4.60%	4.60%
Staff turnover rate	13.00%	12.00%
Expected salary increment	2.67%	3.37%
Retiring age	65 years	65 years

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32 EQUITY AND RESERVES

32.1 Capital

The Authority's authorised and contributed capital is MVR 50 million.

In addition to the retained earnings, reserves comprise the following;

32.2 General Reserve

The General Reserve is established in accordance with Chapter V, section 27 of the MMA Act. In accordance with provisions of the Act, the Authority shall allocate 50% of the net profit of the Authority, to General Reserve account until the General Reserve is equal to the authorised capital of the Authority, after which the Authority shall allocate 25% of its net profit to the General Reserve account until the General Reserve is equal to twice of the authorised capital.

After the third amendment to the MMA Act which became effective from 17 August 2015, the Act now states that once the General Reserve is equal to twice the amount of the authorised capital, the Authority shall credit to the General Reserve such amount determined by the Board of Directors of the Authority. During the year MVR 55,054,062 was transferred to General Reserve from the Authority's net profit for the year 2017. On 1 January 2018, the Authority has recognised MVR 2,219,316 as expected credit loss to the General Reserve due to the implementation of IFRS 9.

32.3 Foreign Asset Revaluation Reserve

The Authority established Foreign Asset Revaluation Reserve (FARR) in accordance with Chapter V, Section 28 of the MMA Act. In accordance with the provision of the Act, gains and losses arising from any change in the valuation of the Authority's assets or liabilities in gold, foreign currencies or other units of account, as a result of alterations of the external value of the Rufiyaa, or of any change in the values, parities, or exchange rates in respect of such assets in relation to the Rufiyaa shall be credited to FARR.

These gains or the losses from change in valuation of foreign currency assets, liabilities and gold should not be included in the computation of net profit or loss as per MMA Act.

32.4 FVOCI Reserve

FVOCI Reserve comprises of unrealized gains and losses arising from the valuation of investments classified under held to collect contractual cash flows and for sale which will be reclassified to profit and loss account in subsequent periods, when the associated assets are sold, impaired or matured.

33 FOREIGN CURRENCY INCOME AND EXPENSES

33.1 Interest income on foreign currency financial assets

	2018	2017
Interest on overnight placements	11,198,161	7,984,943
Receipts on SDR holdings	1,473,502	857,429
Interest on fixed deposit	180,032,468	90,367,850
Interest income from investments in fixed income securities	4,727,762	1,634,698
Interest on corporate bond	51,695,882	86,170,567
Interest from external asset management	7,046,969	179,217
	256,174,744	187,194,704

Notes to the Financial Statements

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(all amounts in Maldivian Rufiyaa unless otherwise stated)

33 FOREIGN CURRENCY INCOME AND EXPENSES (CONTINUED)

33.2 Interest expense on foreign currency financial liabilities

	2018	2017
Interest on reserve deposits	161,623	155,380
Charges on SDR allocations	1,563,834	873,533
Currency swap charges	2,628,785	23,082,541
	4,354,242	24,111,454

34 LOCAL CURRENCY INCOME AND EXPENSES

34.1 Interest income on local currency financial assets

	2018	2017
Interest on Government treasury bonds	148,797,496	150,515,468
Discounts on Government treasury bills	3,610,387	2,951,004
Currency swap income	-	3,425,617
Other interest income	400,153	139,969
	152,808,036	157,032,058

34.2 Profit from local currency investments

	2018	2017
Profit from investments in commercial banks	220,367	-
	220,367	-

34.3 Interest expenses on local currency financial liabilities

	2018	2017
Interest on reserve deposits	12,117,888	11,712,936
Interest on overnight deposit facility	47,283,575	46,458,493
Interest on security deposits of insurance and remittance companies	136,916	134,402
Currency swap charges	-	12,880,704
	59,538,379	71,186,535

35 OTHER INCOME

	2018	2017
Commissions received	16,638,962	15,694,471
Bank charges received	946,539	885,686
Annual fees from financial institutions	3,916,300	3,991,750
Profit on sale of commemorative note	118,507	223,071
Profit on sale of currency notes and coins	261,327	1,017,055
Miscellaneous income	3,201,944	3,096,326
	25,083,579	24,908,359

36 PERSONNEL EXPENSES

	2018	2017
Salaries and wages	56,870,997	56,224,076
Defined contribution costs	3,042,303	2,984,511
Defined benefit plan	644,395	19,357,850
Remuneration to the board members	602,500	462,194
	61,160,195	79,028,631

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(all amounts in Maldivian Rufiyaa unless otherwise stated)

37 ADMINISTRATION EXPENSES

	2018	2017
Staff expenses	2,465,099	2,166,591
Staff development expenses	3,931,904	3,894,867
Expert expenses	1,004,361	1,663,405
Audit fees	926,307	728,882
Memberships, subscriptions and reference materials	1,239,711	1,021,258
Software license renewal and maintenance	10,134,426	8,207,912
Development activities and project expenses	780,578	1,734,980
Other administrative expenses	4,029,865	2,566,029
Supervisory expenses	-	445,744
Utility charges	5,582,019	5,417,894
Communication	1,770,700	1,660,813
Insurance	607,727	506,966
Maintenance expenses	1,896,244	2,159,444
Payment charges	3,064,467	2,003,211
Charges on import of banknotes	1,440,353	1,423,790
Notes and coins related expenses	38,045,717	36,487,241
	76,919,478	72,089,027

38 PROFIT RE-APPROPRIATION TO THE GOVERNMENT

Under section 27(2) of the MMA Act, as amended, the Authority's net profit, as determined in accordance with the Act, is paid to the Government after making necessary appropriations to provision and reserves under Sections 26 and 27(1) respectively. During the year, the Authority transferred MVR 93,740,700 to the Government in respect of profit for the year ended 31 December 2017.

39 RECONCILIATION OF NET PROFIT WITH OPERATING CASH FLOWS

	2018	2017
Total comprehensive profit	234,950,780	186,228,217
Add/(subtract) non-cash items		
Depreciation, amortisation and impairment	15,455,584	14,853,779
Revaluation loss/(gain) on gold	293,431	(3,891,257)
Revaluation loss/(gain) on foreign exchange	11,405,701	(33,855,212)
Unrealized (gain)/loss from investment in securities at FVOCI	(129,056)	313,014
Expected credit loss allowance arising from Investments in securities	51,841	-
Add/(subtract) movements in other working capital items		
Decrease/(increase) in interest receivable	11,272,560	(19,925,610)
Increase in other receivables	(30,808,568)	(17,583,170)
Increase/(decrease) in interest payable	2,136,831	(1,332,144)
Decrease in other payables	(1,615,676)	(2,125,104)
Net cash flow from operating activities	243,013,428	122,682,513

40 CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS

	2018	2017
Foreign currency cash in hand	65,044,068	42,182,733
Balances with foreign banks	416,870,029	290,243,181
Balances with local banks	52,939,192	52,769,134
Money at overnight placements	479,251,000	827,517,000
Investment in fixed deposits - 3 months or less	8,762,767,000	5,174,412,000
Cash and cash equivalent as at the end of the year	9,776,871,289	6,387,124,048

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41 CONCENTRATIONS OF FUNDING

The Authority's year-end significant concentrations of funding were as follows:

As at 31 December 2018	2018 Total	Government of Maldives	Commercial banks	Supranational financial institutions	Others
Foreign currency financial liabilities					
Balances of commercial banks	6,218,023,905	-	6,218,023,905	-	-
Balances of Government and Government institutions	174,615,901	174,615,901	-	-	-
Payable to Asian Clearing Union	150,678,617	-	-	150,678,617	-
IMF related liabilities	527,520,193	-	-	527,520,193	-
Interest bearing loans	88,773,709	88,773,709	-	-	-
Deposits of international financial institutions	833,681	-	-	833,681	-
Other liabilities	1,637,730,062	41,687,172	804,298	-	1,595,238,592
Total foreign currency financial liabilities	8,798,176,068	305,076,782	6,218,828,203	679,032,491	1,595,238,592
Local currency financial liabilities					
Balances of commercial banks	4,625,455,901	-	4,625,455,901	-	-
Balances of Government and Government institutions	641,712,726	641,712,726	-	-	-
Currency in circulation	3,669,012,227	-	-	-	3,669,012,227
Balances of insurance and remittance companies	13,692,176	-	-	-	13,692,176
Deposits of international financial institutions	10,530,146	-	-	10,530,146	-
Deposit insurance fund	6,286	-	6,286	-	-
Other liabilities	264,260,031	92,934,968	2,030,294	-	169,294,769
Total local currency financial liabilities	9,224,669,493	734,647,694	4,627,492,481	10,530,146	3,851,999,172
Total financial liabilities	18,022,845,561	1,039,724,476	10,846,320,684	689,562,637	5,447,237,764
Other liabilities					
Deferred grants	10,146,014	-	-	-	10,146,014
Pension and other employment benefit payable	25,045,385	-	-	-	25,045,385
	35,191,399	-	-	-	35,191,399
Total Liabilities	18,058,036,960	1,039,724,476	10,846,320,684	689,562,637	5,482,429,163

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(all amounts in Maldivian Rufiyaa unless otherwise stated)

41 CONCENTRATIONS OF FUNDING (CONTINUED)

Comparative figures as at 31 December 2017 are as follows:

As at 31 December 2017	2017 Total	Government of Maldives	Commercial banks	Supranational financial institutions	Others
Foreign currency financial liabilities					
Balances of commercial banks	5,047,794,076	-	5,047,794,076	-	-
Balances of Government and Government institutions	544,883,683	544,883,683	-	-	-
Payable to Asian Clearing Union	175,114,651	-	-	175,114,651	-
IMF related liabilities	546,666,647	-	-	546,666,647	-
Interest bearing loans	91,748,327	91,748,327	-	-	-
Deposits of international financial institutions	833,681	-	-	833,681	-
Other liabilities	183,756,639	104,787,621	798,933	-	78,170,085
Total foreign currency financial liabilities	6,590,797,704	741,419,631	5,048,593,009	722,614,979	78,170,085
Local currency financial liabilities					
Balances of commercial banks	5,563,079,610	-	5,563,079,610	-	-
Balances of Government and Government institutions	1,111,156,954	1,111,156,954	-	-	-
Currency in circulation	3,496,299,289	-	-	-	3,496,299,289
Balances of insurance and remittance companies	13,793,676	-	-	-	13,793,676
Deposits of international financial institutions	10,236,503	-	-	10,236,503	-
Deposit insurance fund	270,459	-	270,459	-	-
Other liabilities	272,359,961	110,151,476	2,152,774	-	160,055,711
Total local currency financial liabilities	10,467,196,452	1,221,308,430	5,565,502,843	10,236,503	3,670,148,676
Total financial liabilities	17,057,994,156	1,962,728,061	10,614,095,852	732,851,482	3,748,318,761
Other liabilities					
Deferred grants	7,346,523	-	-	-	7,346,523
Pension and other employment benefit payable	24,691,971	-	-	-	24,691,971
	32,038,494	-	-	-	32,038,494
Total Liabilities	17,090,032,650	1,962,728,061	10,614,095,852	732,851,482	3,780,357,255

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42 FINANCIAL RISK MANAGEMENT

Maldives Monetary Authority as the banker of the Government ensures that its reserves are safeguarded. To this effect, the Authority issues currency, regulates the availability of the Maldivian Rufiyaa and promotes its stability, licenses, supervises and regulates institutions in the financial sector, formulates and implements monetary policy, and advises the Government on issues relating to the economy and financial system in order to foster an environment conducive to the orderly and balanced economic development of the Maldives.

The Authority's principal financial liabilities comprise of amounts payable to commercial banks, Government, public entities, international financial institutions and currency in circulation while foreign currency cash and cash equivalents, investment in securities, Government bond and IMF related assets are its main financial assets.

The Authority is exposed to a variety of financial and non-financial risks when performing its functions such as;

- Credit risk
- Country risk
- Operational risk
- Liquidity risk
- Market risk
- Interest rate risk
- Foreign currency risk

Financial risk is normally any risk associated with any form of financing. Risk is probability of unfavourable condition if actual returns are less than expected return. The principal risk for the Authority is credit risk.

The following section discusses the Authority's risk management policies. The measurement of ECL under IFRS 9 uses the information and approaches that Authority uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9. The approach taken for IFRS 9 measurement purposes is discussed separately in Note 42.1.1.

42.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the customers, clients or market counterparties fail to fulfill their contractual obligations to the Authority. Credit risk arises mainly from financial assets and financial guarantees.

For the management of credit risk related to foreign exposures, the Authority has established base criteria of exposure to counterparties and issuers of fixed income securities.

The evaluation and monitoring process of the eligible counterparties is based on the analysis and the rating determined by the principal rating agencies; Standard & Poor's, Moody's and Fitch. This process also includes reviewing performance of several other market indicators.

The Authority has established other qualitative and/or quantitative limits on the exposure level for the issuer/financial institution on an individual basis, category, or combined category and instrument basis.

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42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)

The Authority does not actively manage credit risk for financial assets originated for the purposes of monetary policy operations. For these financial assets, which are mainly short term (3 months or less), the primary consideration is the need of monetary policy. Further, the principal policy of the Authority is to require high quality collateral and these assets are subject to management approval.

42.1.1 Credit risk measurement

a) Foreign currency financial assets held abroad

Foreign currency financial assets that are held abroad includes deposits held in foreign banks, investments in fixed deposits, investments in fixed income securities and IMF related assets. As a general guideline, the Authority's investments are made within the investment grade. The Authority has a minimum eligible credit rating limit set in the investment guideline.

Credit risk and liquidity risk are closely linked to the investment strategy of the Authority whereby the Authority's investment strategy prioritises capital maintenance over return. The Authority reviews the counterparty's eligibility on a frequent basis for any material change in the financial standing.

b) Foreign currency financial assets held locally

Foreign currency financial assets that are held locally include cash and balances with banks and investment in securities with local counterparties. As at 31 December 2018, these financial assets include investment in a corporate bond, investment in Government treasury bills, and balances held with local banks, which are either sovereign guaranteed or an exposure with a related party.

c) Local currency financial assets

Local currency financial assets include cash and balances with banks, investment in Government securities and loans provided to staff. It also includes facilities such as Open Market Operation (OMO) and Overnight Lombard Facility (OLF) which require prior approval from the management. These facilities are fully collateralized with high grade Government securities.

d) Guarantees

Guarantees include financial guarantees the Authority has committed to as at 31 December 2018. As per IFRS 9, the Authority has assessed the credit risk of these financial guarantees.

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42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)

The following table sets out the gross carrying amount (principle plus accrued interest) of the financial assets that are exposed to credit risk as at 31 December 2018 and 31 December 2017.

	2018	2017
Foreign currency financial assets		
Cash and balances with banks	10,494,483,382	8,183,606,383
IMF related assets	506,554,606	525,383,294
Investment in securities		
at amortised cost	728,570,319	1,836,944,131
at FVOCI	309,536,326	307,453,580
Subscriptions to international agencies	833,681	833,681
Receivable from Asian Clearing Union	1,849,200	-
Interest and other receivables	13,649,692	7,441,340
Local currency financial assets		
Cash and balances with banks	52,887,907	52,717,665
Subscriptions to international agencies	8,264,330	8,264,330
Investments in securities	8,984,999	-
Investment in Government treasury bills	54,990,779	47,156,362
Investment in Government treasury bonds	6,160,957,255	6,233,473,467
Short term loans	709,399	666,962
Long term loans	47,438	-
Interest and other receivables	220,367	16,263,996
Total	18,342,539,680	17,220,205,191

42.1.2 Expected Credit loss measurement

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

- A financial asset that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Authority.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial asset is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 42.1.2.1 for a description of how the Authority determines when a significant increase in credit risk has occurred.
- If the financial asset is credit-impaired, the financial asset is then moved to 'Stage 3'. Please refer to note 42.1.2.2 for a description of how the Authority defines credit-impaired and default.
- Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Financial assets in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. For financial assets with a maturity of less than 12 months, the lifetime PD is the same as the 12-month PD. Please refer to Note 42.1.2.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

Notes to the Financial Statements

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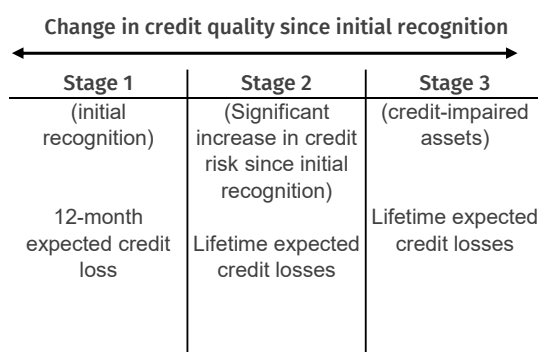
(all amounts in Maldivian Rufiyaa unless otherwise stated)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 42.1.2.4 includes an explanation of how the Authority has incorporated this in its ECL models.
- Purchased or Originated Credit-Impaired (POCI) financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (stage 3). The Authority currently has no such assets.

The following diagram summarises the impairment requirements under IFRS 9 for assets other than POCI financial assets:



The key judgments and assumptions adopted by the Authority in addressing the requirements of the standard are discussed below:

42.1.2.1 Significant increase in credit risk (SICR)

The Authority considers reasonable and supportable information that is relevant and available, without undue cost or effort, when determining whether the risk of default on a financial assets has increased significantly since initial recognition. This includes both quantitative and qualitative information and analysis based on the Authority's historical experience and experts' credit assessments which include forward-looking information.

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

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

All financial assets will be first classified in Stage 1 except for POCI financial assets. The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors.

The credit risk of a particular exposure in foreign financial assets held abroad is deemed to have increased significantly since initial recognition if:

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42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)

- The credit rating from all three rating agencies declines below; BBB- for Standard & Poor's and its' equivalent for Moody's and Fitch; or
- The credit rating from one of the agencies goes to BB-; or
- There is a delay in the repayment of an obligation to the Authority by 30 calendar days or more.

The credit risk of a particular exposure in foreign and local currency financial assets held locally and financial guarantees are deemed to have increased significantly since initial recognition depending on the repayment period if:

- There is a delay in the repayment of an obligation to the Authority by 30 calendar days or more.

42.1.2.2 Definition of default and credit-impaired assets

Definition of default

The Authority considers an exposure as a default when a classification of a financial asset falls to Stage 3. In the event of a default the financial asset would be considered as a provisional exposure where the asset would be individually assessed and impairment losses recognized.

Quantitative Criteria

To classify foreign currency financial assets held abroad in Stage 3, there should be an even higher credit risk whereby the borrower is essentially in default and shall be assessed based on the following:

- The credit rating from all three rating agencies declines below; CCC- for Standard & Poor's and its' equivalent for Moody's and Fitch; or
- The credit rating from one of the agencies goes to D; or
- There is a delay in the repayment of an obligation to the Authority by 90 calendar days or more.

To classify foreign and local currency financial assets held locally and financial guarantees in Stage 3, there should be a higher credit risk whereby the borrower is essentially in default and is assessed based on the following:

- There is a delay in the repayment of an obligation to the Authority by a counterparty by 90 calendar days or more

Qualitative Criteria

The authority considers a financial asset as credit-impaired when any of the following instances are observed:

- Significant financial difficulty of the issuer or borrower;
- A breach of contract, such as a default or past-due event;
- The lenders for economic or contractual reasons relating to the borrower's financial difficulty granted the borrower a concession that would not otherwise be considered;

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42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)

- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

42.1.2.3 Measuring ECL - Explanation of inputs, assumptions and estimation techniques

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

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12-month PD, or over the remaining lifetime PD of the obligation. As most of the Authority's financial assets has a maturity of less than 12 months, the lifetime and 12-month PDs are the same.
- EAD is based on the amounts the Authority expects to be owed at the time of default, over the next 12 months EAD or over the remaining lifetime EAD.
- LGD represents the Authority's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future year, or period to maturity if less, and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival. This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD, where applicable, is developed by applying a maturity profile to the current 12 month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans.

For assessing the risk of default, at initial recognition, the Authority assigns the rating from credit rating agencies for that particular counterparty. The Authority reviews the counterparty's credit ratings on a frequent basis.

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

- For secured financial assets, LGD is primarily based on collateral type and projected collateral values. Since the Authority requires a significant margin on the collateral provided for these assets such as repos, the LGD is taken as zero. For other secured financial assets such as staff loans the loss is assessed on an individual case basis.
- For unsecured financial assets, such as foreign securities, LGD's are based on Basel II approach or credit rating agency's research calculations.

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42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by financial asset type. Refer to Note 42.1.2.4 for an explanation of forward-looking information.

The assumptions underlying the ECL calculation are monitored and reviewed on an annual basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

42.1.2.4 Forward-looking information incorporated in the ECL models

The calculation of ECL incorporates forward-looking information. The Authority has performed historical analysis for key economic variables impacting credit risk and expected credit losses for each portfolio. However, the Authority generally does not have any experience of credit loss.

For the foreign currency assets held abroad, the Authority generally relies on the rating agency's default study, as forward looking information is already incorporated in the transition tables used.

As the Authority has responsibilities in relation to the Maldivian economy, including forecasts, the potential impact on the Authority's domestic assets are monitored. The Authority takes necessary measures to mitigate its own exposures from the policy operations.

For sovereign issuances in foreign currency, forward-looking economic variable are incorporated in the determination of the PD through respective rating in transition matrices published by external rating agencies.

For financial assets held locally, various other forward-looking considerations are incorporated such as the impact of any regulatory, legislative or political changes. This is reviewed and monitored for appropriateness on a regular basis.

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42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)

42.1.3 Credit risk exposures

a) Maximum exposure to credit risk - Financial assets subject to impairment

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

Foreign currency financial assets						
2018				2017		
At Amortised cost	ECL Staging			Purchased credit-impaired	Total	Total
	Stage 1	Stage 2	Stage 3			
Credit grade	12-month ECL	Lifetime ECL	Lifetime ECL			
Rated AAA	3,146,453,816	-	-	-	3,146,453,816	1,768,279,202
Rated AA- to AA+	812,394,201	-	-	-	812,394,201	147,520,092
Rated A- to A+	5,709,995,323	-	-	-	5,709,995,323	6,232,346,972
Rated B- to B+	728,622,043	-	-	-	728,622,043	1,451,954,293
PD Negligible	1,345,099,300	-	-	-	1,345,099,300	953,444,176
Floor Rate	3,376,197	-	-	-	3,376,197	664,094
Gross carrying amount	11,745,940,880	-	-	-	11,745,940,880	10,554,208,829
Loss allowance	(2,155,219)	-	-	-	(2,155,219)	(2,110,279)
Carrying amount	11,743,785,661	-	-	-	11,743,785,661	10,552,098,550

At FVOCI

Floor Rate	309,536,326	-	-	-	309,536,326	307,453,580
Loss allowance	(34,607)	-	-	-	(34,607)	(20,381)
Total	12,053,321,987	-	-	-	12,053,321,987	10,859,552,130

Local currency financial assets						
2018				2017		
Credit grade	ECL Staging			Purchased credit-impaired	Total	Total
	Stage 1	Stage 2	Stage 3			
	12-month ECL	Lifetime ECL	Lifetime ECL			
Floor Rate	62,093,273	-	-	-	62,093,273	52,717,665
Rated B- to B+	6,224,969,201	-	-	-	6,224,969,201	6,305,825,117
Gross carrying amount	6,287,062,474	-	-	-	6,287,062,474	6,358,542,782
Loss allowance	(9,795)	-	-	-	(9,795)	(8,316)
Carrying amount	6,287,052,679	-	-	-	6,287,052,679	6,358,534,466

Guarantees						
2018				2017		
Credit grade	ECL Staging			Purchased credit-impaired	Total	Total
	Stage 1	Stage 2	Stage 3			
	12-month ECL	Lifetime ECL	Lifetime ECL			
Financial guarantees	-	-	-	-	-	-
PD Negligible	-	-	-	-	-	-
Gross carrying amount	-	-	-	-	-	-
Loss allowance	(71,535)	-	-	-	(71,535)	(80,340)
Carrying amount	-	-	-	-	-	-

Information on how the Expected Credit Loss (ECL) is measured and how the three stages above are determined is included in note 42.1.2 'Expected credit loss measurement'.

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42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)

42.1.4 Loss allowance

The following tables shows reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments. Explanation of these terms: 12 month-ECL, lifetime ECL and credit-impaired are included in note 42.1.2.

Foreign currency financial assets					
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
Cash and balances with banks					
Loss allowance as at 1 January 2018	2,108,152	-	-	-	2,108,152
Changes in PDs/LGDs/EADs	43,718	-	-	-	43,718
Loss allowance as at 31 December 2018	2,151,870	-	-	-	2,151,870
Investment in securities at FVOCI					
Loss allowance as at 1 January 2018	20,381	-	-	-	20,381
Changes in PDs/LGDs/EADs	14,226	-	-	-	14,226
Loss allowance as at 31 December 2018	34,607	-	-	-	34,607
Interest and other receivables					
Loss allowance as at 1 January 2018	2,127	-	-	-	2,127
Changes in PDs/LGDs/EADs	1,222	-	-	-	1,222
Loss allowance as at 31 December 2018	3,349	-	-	-	3,349
Local currency financial assets					
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
Cash and balances with banks					
Loss allowance as at 1 January 2018	8,316	-	-	-	8,316
Changes in PDs/LGDs/EADs	27	-	-	-	27
Loss allowance as at 31 December 2018	8,343	-	-	-	8,343
Investment in securities					
Loss allowance as at 1 January 2018	-	-	-	-	-
Changes in PDs/LGDs/EADs	1,417	-	-	-	1,417
Loss allowance as at 31 December 2018	1,417	-	-	-	1,417
Interest and other receivables					
Loss allowance as at 1 January 2018	-	-	-	-	-
Changes in PDs/LGDs/EADs	35	-	-	-	35
Loss allowance as at 31 December 2018	35	-	-	-	35

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42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)

	Guarantees				Total
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	
	12-month ECL	Lifetime ECL	Lifetime ECL		
Financial Guarantees					
Loss allowance as at 1 January 2018	80,340	-	-	-	80,340
Changes in PDs/LGDs/EADs	(8,805)	-	-	-	(8,805)
loss allowance as at 31 December 2018	71,535	-	-	-	71,535

42.1.5 Calculation of ECL

The Authority uses different methodologies for assessing the ECLs on its different portfolios.

Foreign currency financial assets held abroad

For the purposes of estimating the ECL on the foreign currency financial assets held abroad, the Authority uses the ratings published by the ratings agencies. For the ECL calculation the PDs are based on one year transition rates published by the rating agency. The Authority assigns floor rate (a minimum PD) based on Basel II framework, for financial institutions, corporates and sovereign counterparties where the transition tables indicate a lower PD than the floor rate. The Authority applies practical expedient option due to high credit quality of its financial assets, whereby ECL is calculated only for 12 months. However, when necessary, lifetime PD would be computed using information provided by rating agencies for ECL.

Foreign currency and local currency financial assets held locally and financial guarantees

The Authority considers the country rating while assigning a PD for financial assets backed by sovereign guarantees and the financial assets issued by the Government.

The Authority does not consider that it has any credit exposure on its holdings of securities issued by the Government. Although a PD is assigned, the LGD is deemed negligible for such assets. As it is required under IFRS 9, the Authority has looked at alternative scenarios on the Maldivian economy.

The Authority has used historical loss rate and market rates for non-performing loans as the basis for calculating PD for its exposures towards guarantees provided for affordable housing scheme during the year 2018.

42.1.6 Write off policy

The Authority would only write off its financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

(i) ceasing enforcement activity and

(ii) where the Authority's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

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42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)

42.1.7 Modification of financial assets

The contractual terms of a financial asset may be modified for a number of reasons, including changing market conditions, and other factors that are not related to a current or potential credit deterioration of the counterparty. An existing asset whose terms have been modified may be derecognised and the renegotiated asset recognised as a new one at fair value in accordance with the accounting policy set out in 4.2.1.1. When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

42.2 Country risk

The foreign reserve invested overseas is exposed to the country credit risk due to political, economic and financial events in the country of investment. Country risk includes the possibility of nationalization or expropriation of assets, Government repudiation of external indebtedness, changes in exchange control policies and currency depreciation or devaluation. Majority of the Authority's foreign reserve investments are in economically advanced and politically stable countries to limit the exposure to country risk.

The Authority's year-end significant concentrations of credit exposure by geographical area (based on the entity's country of ownership) are as follows:

	2018	2017
Maldives	7,007,419,748	7,802,229,583
United Arab Emirates	309,659,670	-
United States of America	671,676,866	1,139,593,545
Qatar	2,317,057,616	2,315,531,855
Germany	211,962,424	93,857,931
Japan	2,361,808,246	1,603,433,864
France	286,477,390	-
Supranational financial institutions	1,349,912,100	919,525,774
Australia	11,889,300	102,471,452
United Kingdom	20,875,244	56,752,994
Singapore	794,895,592	91,434,352
Switzerland	2,310,606,771	739,809,855
China	146,534,075	2,313,381,253
Sweden	48,521,898	-
Canada	397,167,709	-
South Korea	15,534,513	-
Austria	15,496,450	-
Expect Credit Losses	(2,165,014)	-
Total financial assets (except foreign cash in hand)	18,275,330,598	17,178,022,458

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42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Operational risk

Operational risk is the result of inadequate controls or failed processes such as human fraud and system errors as a result of external events. The Authority has in place a number of operational controls to minimise the financial and reputational damage against such risks. These include:

1. Segregation of duties and proper authorisation and approval procedures, which assist in better control by avoiding potential outright fraud or collusion among staff.
2. Preparation of monthly reconciliations of accounts.
3. Maintaining processes relating to data integrity and backup systems.
4. Protecting the physical assets against theft and fire by the surveillance of security and fire alarm systems.

42.4 Liquidity risk

Liquidity risk is the risk arising from the inability to sell a financial asset at close to its fair value at short notice due to inadequate market depth or market disruptions. To manage liquidity risk the majority of foreign reserves are invested in short term money market instruments in highly accredited financial institutions. Refer to interest rate risk (Note 42.6) for the undiscounted maturity period for financial assets and financial liabilities since the assets and liabilities do not have earlier repricing than their respective maturity.

42.5 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and includes currency and interest rate risks.

1. Currency risk is the risk of loss on foreign assets and liabilities arising from changes in foreign exchange rates.
2. Interest rate risk is the risk of loss arising from changes in market interest rates.

Market risks are mitigated through investing the majority of foreign reserves in US Dollar denominated assets, in highly accredited financial institutions.

42.6 Interest rate risk

Interest rate risk is the risk of loss arising from the changes in market interest rates.

a) Interest rate sensitivity

The interest rate sensitivity analysis measures the potential loss due to a drop in interest rate by 10 basis points for interest bearing assets and increase in interest by 10 basis points for interest bearing liabilities. Impact to the income statement is given below.

	2018	2017
Potential loss of interest income	1,157,472	1,540,043

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42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.6 Interest rate risk (Continued)

b) Assets and liabilities will mature or re-price within the following periods.

Foreign currency interest rate sensitivity gap	Weighted Ave. Int. Rate %	2018 Total	Less than 6 Months	6 to 12 Months	1 to 2 Years	2 to 5 Years	More than 5 Years	No fixed maturity
Interest sensitive foreign currency financial assets								
Cash and balances with banks	2.44%	480,797,877	480,797,877	-	-	-	-	-
IMF related assets	1.10%	51,920,548	51,920,548	-	-	-	-	-
Investments in securities	2.61%	309,536,326	30,711,822	16,957,512	11,579,806	250,287,186	-	-
Total interest sensitive foreign currency financial assets		842,254,751	563,430,247	16,957,512	11,579,806	250,287,186	-	-
Non-interest sensitive foreign currency financial assets								
Cash and balances with banks		10,011,533,635	9,626,365,200	385,168,435	-	-	-	-
IMF related assets		454,634,058	273,538	-	-	-	-	454,360,520
Investments in securities		728,570,319	402,308,375	326,261,944	-	-	-	-
Subscriptions to international agencies		833,681	-	-	-	-	-	833,681
Receivable from Asian Clearing Union		1,849,200	1,849,200	-	-	-	-	-
Interest and other receivables		13,646,343	13,646,343	-	-	-	-	-
Total non-interest sensitive foreign currency financial assets		11,211,067,236	10,044,442,656	711,430,379	-	-	-	455,194,201
Total foreign currency financial assets		12,053,321,987	10,607,872,903	728,387,891	11,579,806	250,287,186	-	455,194,201
Interest sensitive foreign currency financial liabilities								
IMF related liabilities	1.10%	164,836,596	-	-	-	-	-	164,836,596
Payables to Asian Clearing Union	2.28%	150,349,206	150,349,206	-	-	-	-	-
Total interest sensitive foreign currency financial liabilities		315,185,802	150,349,206	-	-	-	-	164,836,596
Non-interest sensitive foreign currency financial liabilities								
Balances of commercial banks	0.01%	6,218,023,905	6,218,023,905	-	-	-	-	-
Balances of Government and Government institutions		174,615,901	174,615,901	-	-	-	-	-
Payable to Asian Clearing Union		329,411	329,411	-	-	-	-	-
IMF related liabilities		362,683,597	9,755,699	4,393,581	2,196,789	-	-	346,337,528
Interest bearing loans	0.82%	88,773,709	1,013,306	1,013,306	2,026,612	6,079,834	78,640,651	-
Deposits by international financial institutions		833,681	-	-	-	-	-	833,681
Other liabilities		1,637,730,062	1,586,481,794	23,432,456	12,718,141	-	-	15,097,671
Total non-interest sensitive foreign currency financial liabilities		8,482,990,266	7,990,220,016	28,839,343	16,941,542	6,079,834	78,640,651	362,268,880
Total foreign currency financial liabilities		8,798,176,068	8,140,569,222	28,839,343	16,941,542	6,079,834	78,640,651	527,105,476
Foreign currency interest rate sensitivity gap		527,068,949	413,081,041	16,957,512	11,579,806	250,287,186	-	(164,836,596)

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42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.6 Interest rate risk (Continued)

Local currency interest rate sensitivity gap	Weighted Ave. Int. Rate %	2018 Total	Less than 6 Months	6 to 12 Months	1 to 2 Years	2 to 5 Years	More than 5 Years	No fixed maturity
Non-interest sensitive local currency financial assets								
Cash and balances with banks		52,879,564	52,879,564	-	-	-	-	-
Subscriptions to international agencies		8,264,330	-	-	-	-	-	8,264,330
Investments in securities		8,983,582	-	-	-	8,983,582	-	-
Investment in Government treasury bills		54,990,779	35,198,719	19,792,060	-	-	-	-
Investment in Government treasury bonds	2.40%	6,160,957,255	37,520,560	36,755,312	75,670,291	239,461,117	5,771,549,975	-
Short term loans		709,399	325,394	262,190	121,815	-	-	-
Long term loans		47,438	2,004	2,192	5,017	38,225	-	-
Interest and other receivables		220,332	220,332	-	-	-	-	-
Total non-interest sensitive local currency financial assets		6,287,052,679	126,146,573	56,811,754	75,797,123	248,482,924	5,771,549,975	8,264,330
Total local currency financial assets		6,287,052,679	126,146,573	56,811,754	75,797,123	248,482,924	5,771,549,975	8,264,330
Non-interest sensitive local currency financial liabilities								
Balances of commercial banks	1.32%	4,625,455,901	4,625,455,901	-	-	-	-	-
Balances of Government and Government institutions		641,712,726	641,712,726	-	-	-	-	-
Currency in circulation		3,669,012,227	-	-	-	-	-	3,669,012,227
Balances of insurance and remittance companies	1.00%	13,692,176	-	-	-	-	-	13,692,176
Deposits by international financial institutions		10,530,146	-	-	-	-	-	10,530,146
Deposit insurance fund		6,286	6,286	-	-	-	-	-
Other liabilities		264,260,031	152,154,036	-	-	-	-	112,105,995
Total non-interest sensitive local currency financial liabilities		9,224,669,493	5,419,328,949	-	-	-	-	3,805,340,544
Total local currency financial liabilities		9,224,669,493	5,419,328,949	-	-	-	-	3,805,340,544
Local currency interest rate sensitivity gap		-	-	-	-	-	-	-
Net liquidity gap		317,529,105	(2,825,878,695)	756,360,302	70,435,387	492,690,276	5,692,909,324	(3,868,987,489)

Net liquidity gap represents the excess / (deficit) of the total financial assets over the financial liabilities.

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42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.6 Interest rate risk (Continued)

Comparative figures as at 31 December 2017 were as follows:

Foreign currency interest rate sensitivity gap	Weighted Ave. int. rate %	RECLASSIFIED 2017 Total	Less than 6 Months	6 to 12 Months	1 to 2 Years	2 to 5 Years	More than 5 Years	No fixed maturity
Interest sensitive foreign currency financial assets								
Cash and balances with banks	1.46%	827,670,287	827,670,287	-	-	-	-	-
IMF related assets	0.74%	61,964,283	61,964,283	-	-	-	-	-
Investments in securities	1.75%	307,453,580	-	-	307,453,580	-	-	-
Total interest sensitive foreign currency financial assets		1,197,088,150	889,634,570	-	307,453,580	-	-	-
Non-interest sensitive foreign currency financial assets								
Cash and balances with banks		7,355,936,096	5,814,936,096	1,541,000,000	-	-	-	-
IMF related assets		463,419,011	196,891	-	-	-	-	463,222,120
Investments in securities		1,836,944,131	777,223,176	366,630,643	693,090,312	-	-	-
Subscriptions to international agencies		833,681	-	-	-	-	-	833,681
Interest and other receivables		7,441,340	7,441,340	-	-	-	-	-
Total non-interest sensitive foreign currency financial assets		9,664,574,259	6,599,797,503	1,907,630,643	693,090,312	-	-	464,055,801
Total foreign currency financial assets		10,861,662,409	7,489,432,073	1,907,630,643	1,000,543,892	-	-	464,055,801
Interest sensitive foreign currency financial liabilities								
IMF related liabilities	0.74%	168,051,479	-	-	-	-	-	168,051,479
Payables to Asian Clearing Union	1.28%	174,903,500	174,903,500	-	-	-	-	-
Total interest sensitive foreign currency financial liabilities		342,954,979	174,903,500	-	-	-	-	168,051,479
Non-interest sensitive foreign currency financial liabilities								
Balances of commercial banks	0.01%	5,047,794,076	5,047,794,076	-	-	-	-	-
Balances of Government and Government institutions		544,883,683	544,883,683	-	-	-	-	-
Payable to Asian Clearing Union		211,151	211,151	-	-	-	-	-
IMF related liabilities		378,615,168	9,845,416	4,479,271	8,958,541	2,239,634	-	353,092,306
Interest bearing loans	0.83%	91,748,327	210,155	1,033,068	2,066,137	6,198,412	82,240,555	-
Deposits by international financial institutions		833,681	-	-	-	-	-	833,681
Other liabilities		183,756,639	105,726,294	24,749,774	24,749,774	13,433,126	-	15,097,671
Total non-interest sensitive foreign currency financial liabilities		6,247,842,725	5,708,670,775	30,262,113	35,774,452	21,871,172	82,240,555	369,023,658
Total foreign currency financial liabilities		6,590,797,704	5,883,574,275	30,262,113	35,774,452	21,871,172	82,240,555	537,075,137
Foreign currency interest rate sensitivity gap		854,133,171	714,731,070	-	307,453,580	-	-	(168,051,479)

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42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.6 Interest rate risk (Continued)

Local currency interest rate sensitivity gap	Weighted Ave. int. rate %	RECLASSIFIED						
		2017 Total	Less than 6 Months	6 to 12 Months	1 to 2 Years	2 to 5 Years	More than 5 Years	No fixed maturity
Non-interest sensitive local currency financial assets								
Cash and balances with banks		52,717,665	52,717,665	-	-	-	-	-
Subscriptions to international agencies		8,264,330	-	-	-	-	-	8,264,330
Investment in Government treasury bills		47,156,362	25,837,705	21,318,657	-	-	-	-
Investment in Government treasury bonds	2.40%	6,233,473,467	36,653,228	35,862,984	74,275,872	233,389,798	5,853,291,585	-
Short term loans		666,962	183,614	191,855	291,493	-	-	-
Interest and other receivables		16,263,996	16,263,996	-	-	-	-	-
Total non-interest sensitive local currency financial assets		6,358,542,782	131,656,208	57,373,496	74,567,365	233,389,798	5,853,291,585	8,264,330
Total local currency financial assets		6,358,542,782	131,656,208	57,373,496	74,567,365	233,389,798	5,853,291,585	8,264,330
Non-interest sensitive local currency financial liabilities								
Balances of commercial banks	1.31%	5,563,079,610	5,563,079,610	-	-	-	-	-
Balances of Government and Government institutions		1,111,156,954	1,111,156,954	-	-	-	-	-
Currency in circulation		3,496,299,289	-	-	-	-	-	3,496,299,289
Balances of insurance and remittance companies	1.00%	13,793,676	-	-	-	-	-	13,793,676
Deposits by international financial institutions		10,236,503	-	-	-	-	-	10,236,503
Deposit insurance fund		270,459	270,459	-	-	-	-	-
Other liabilities		272,359,961	159,754,958	-	-	-	-	112,605,003
Total non-interest sensitive local currency financial liabilities		10,467,196,452	6,834,261,981	-	-	-	-	3,632,934,471
Total local currency financial liabilities		10,467,196,452	6,834,261,981	-	-	-	-	3,632,934,471
Local currency interest rate sensitivity gap		-	-	-	-	-	-	-
Net liquidity gap		162,211,035	(5,096,747,975)	1,934,742,026	1,039,336,805	211,518,626	5,771,051,030	(3,697,689,477)

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42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.7 Foreign currency risk

Effective management of foreign exchange risk is vital to maintain the Authority's credibility. If foreign reserve risk is managed properly and effectively it will strengthen public confidence in the monetary policy. Foreign exchange reserves risk management concerns balancing many objectives and issues, from broad macro-economic policy objectives, such as monetary policy and foreign exchange management. Foreign currency activities result mainly from the Authority's holding of foreign currency assets which are managed by the Reserve Management and Market Operations Division of the Authority. Volatility of the foreign exchange markets may expose the Authority to exchange rate risk.

a) Net exposure to foreign currencies

As at 31 December 2018, the Authority's net exposure to major currencies was as follows:

	Currency of denomination							
	US Dollar	Euro	Singapore Dollar	Pound Sterling	Special Drawing Rights	Australian Dollar	Japanese Yen	Total
As at 31 December 2018								
Foreign currency financial assets								
Cash and balances with banks	9,849,692,643	169,203,690	1,023,117	291,550,338	-	163,745,368	17,116,356	10,492,331,512
IMF related assets	-	-	-	-	506,554,606	-	-	506,554,606
Investments in Securities	1,038,106,645	-	-	-	-	-	-	1,038,106,645
Subscriptions to international agencies	833,681	-	-	-	-	-	-	833,681
Receivable from Asian Clearing Union	1,849,200	-	-	-	-	-	-	1,849,200
Other receivables	13,371,281	-	-	156,740	-	118,322	-	13,646,343
Total foreign currency financial assets	10,903,853,450	169,203,690	1,023,117	291,707,078	506,554,606	163,863,690	17,116,356	12,053,321,987
Proportion	90.46%	1.40%	0.01%	2.42%	4.20%	1.36%	0.14%	100%
Foreign currency financial liabilities								
Balances of commercial banks	6,218,023,905	-	-	-	-	-	-	6,218,023,905
Balances of Government and Government institutions	174,615,901	-	-	-	-	-	-	174,615,901
Payable to Asian Clearing Union	150,678,617	-	-	-	-	-	-	150,678,617
IMF related liabilities	-	-	-	-	527,520,193	-	-	527,520,193
Interest bearing loans	-	-	-	-	88,773,709	-	-	88,773,709
Deposits of international financial institutions	833,681	-	-	-	-	-	-	833,681
Other liabilities	1,590,708,579	10,829,222	564	36,189,733	-	1,964	-	1,637,730,062
Total foreign currency financial liabilities	8,134,860,683	10,829,222	564	36,189,733	616,293,902	1,964	-	8,798,176,068
Proportion	92.46%	0.12%	0.00%	0.41%	7.00%	0.00%	0.00%	100%
Net foreign currency exposure	2,768,992,767	158,374,468	1,022,553	255,517,345	(109,739,296)	163,861,726	17,116,356	3,255,145,919

Notes to the Financial Statements

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.7 Foreign currency risk (Continued)

a) As at 31 December 2017, the Authority's net exposure to major currencies was as follows:

	Currency of Denomination							
	US Dollar	Euro	Singapore Dollar	Pound Sterling	Special Drawing Rights	Australian Dollar	Japanese Yen	Total
As at 31 December 2017								
Foreign currency financial assets								
Cash and balances with banks	7,796,538,629	93,857,931	13,037,075	56,140,371	-	222,335,366	1,697,011	8,183,606,383
IMF related assets	-	-	-	-	525,383,294	-	-	525,383,294
Investments in Securities	2,144,397,711	-	-	-	-	-	-	2,144,397,711
Subscriptions to international agencies	833,681	-	-	-	-	-	-	833,681
Other receivables	7,328,363	-	-	-	-	112,977	-	7,441,340
Total foreign currency financial assets	9,949,098,384	93,857,931	13,037,075	56,140,371	525,383,294	222,448,343	1,697,011	10,861,662,409
Proportion	91.60%	0.86%	0.12%	0.52%	4.84%	2.05%	0.02%	100%
Foreign currency financial liabilities								
Balances of commercial banks	5,047,794,076	-	-	-	-	-	-	5,047,794,076
Balances of Government and Government institutions	544,883,683	-	-	-	-	-	-	544,883,683
Payable to Asian Clearing Union	175,114,651	-	-	-	-	-	-	175,114,651
IMF related liabilities	-	-	-	-	546,666,647	-	-	546,666,647
Interest bearing loans	-	-	-	-	91,748,327	-	-	91,748,327
Deposits of international financial institutions	833,681	-	-	-	-	-	-	833,681
Other liabilities	99,583,510	-	-	84,169,879	-	3,250	-	183,756,639
Total foreign currency financial liabilities	5,868,209,601	-	-	84,169,879	638,414,974	3,250	-	6,590,797,704
Proportion	89.04%	0.00%	0.00%	1.28%	9.69%	0.00%	0.00%	100%
Net foreign currency exposure	4,080,888,783	93,857,931	13,037,075	(28,029,508)	(113,031,680)	222,445,093	1,697,011	4,270,864,705

Notes to the Financial Statements

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.7 Foreign currency risk (Continued)

- b) The following represents sensitivities of profit or loss and equity to reasonably possible appreciation and depreciation of foreign currencies by 10% at the end of the reporting period relative to the Rufiyaa, with all other variables held constant. The majority of the Authority's foreign currency transactions are carried out in USD and the exchange rate of Maldivian Rufiyaa against USD is permitted to fluctuate within a $\pm 20\%$ band of MVR 12.85 per USD in accordance with the Chapter 3, Section 13 of MMA Act. Therefore, the Authority is not exposed to major depreciation in the value of rufiyaa resulting under this methodology.

	2018	2017
Changes in profit/equity due to appreciation in the value of the Rufiyaa	(325,514,592)	(427,086,471)
Changes in profit/equity due to depreciation in the value of the Rufiyaa	325,514,592	427,086,471

43 Fair value of financial instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, unobservable inputs). Management applies judgment in categorising financial instruments using the fair value hierarchy. If a fair value measurement requires observable inputs that require significant adjustment, that measurement is level 3 measurement. The significance of valuation inputs is assessed against the fair value measurement in its entirety.

Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	2018				2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Foreign currency financial assets								
Investments at FVOCI	309,536,326	-	-	309,536,326	307,453,580	-	-	307,453,580

Notes to the Financial Statements

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

44 RELATED PARTIES TRANSACTION DISCLOSURES

44.1 Transactions with the Government and Government related entities

- a) In the normal course of its operations, the Authority enters into transactions with related parties. Related parties include the Government of Maldives, various Government departments and Government related entities. Particulars of transactions, and arrangements entered into by the Authority with the Government and Government related entities are as follows:

	2018	2017
Profit re-appropriation to the Government (Note 38)	93,740,700	67,189,931
Gross foreign exchange transactions during the year		
- Sales	13,089,651,052	10,000,693,721
- Purchases	13,071,388,162	14,236,052,525

- b) Through the operations the Authority earns interest, charges and commission from the services provided to the Government and other Government related entities, which are included as part of the Authority's income and thus paid out as dividend to the Government.

	2018	2017
Interest income earned from related parties (Note c)	200,493,378	236,686,035
Goods and Services Tax paid (Note d)	23,500	62,720
Finance charges paid	1,094,757	819,063
Charges and commissions earned from related parties	16,000,926	15,976,780
Gross value of goods and services obtained	11,366,338	8,493,917

- c) The aggregate balances due from and due to the Government and Government related entities, as at 31 December are given below.

	2018	2017
Investment in Government treasury bonds (Note 13)	6,160,957,255	6,233,473,467
Investment in Government treasury bills (Note 8.1.2 & 12)	89,010,079	81,489,842
Investment in corporate bond (Note 8.2)	694,551,019	1,417,566,182
	6,944,518,353	7,732,529,491
Government deposits with the Authority (Note 22)	751,724,335	1,591,436,345
State Owned Enterprises deposits with the Authority (Note 22)	64,604,292	64,604,292
Security deposits held by insurance companies (Note 26)	4,000,000	4,000,000
Interest bearing loans (Note 24)	88,773,709	91,748,327
	909,102,336	1,751,788,964

- d) The Authority registered to pay Goods and Services Tax (GST) to MIRA on 23 July 2015 and the Authority paid 6% Goods and Services Tax to MIRA on the revenue earned from GST payable activities.

Notes to the Financial Statements

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

44 RELATED PARTIES TRANSACTION DISCLOSURES (CONTINUED)

44.1 Transactions with the Government and Government related entities (continued)

- e) The Authority performs the functions of implementing its monetary policy mainly through the monetary tools which are minimum reserve requirement, open market operations, foreign currency swap facility and standing facilities which are overnight deposit facility and overnight lombard facility. Further, the Authority acts as the banker to both commercial banks and Government institutions. The Government of Maldives as a related party has shareholding in Bank of Maldives Plc and Maldives Islamic Bank. Please refer to Notes 6 and 21 for the gross outstanding balances as at 31 December 2018.
- f) Empowered by the Article 4 (c) of the MMA Act, the Authority carries out the regulatory and supervisory functions of the banks licensed by the Authority. Bank of Maldives Plc and Maldives Islamic Bank in which the Government has a significant influence, falls under the supervision of the Authority.
- g) The Authority carries out its regulatory and supervisory functions in respect of Insurance Companies in Maldives. Accordingly, Allied Insurance Company of the Maldives is a related entity under the supervision of the Authority (Refer Note 26).
- h) In accordance with Article 22 (f) of MMA Act, the Authority may buy, sell, invest, or deal in treasury bills and other securities issued or guaranteed by the Government. In this regard, the Authority has invested in Government treasury bills.
- i) The Authority, in carrying out the normal operations, enters into transactions to obtain various goods and services with Government entities or entities in which the Government has significant influence or control (Refer Note 44.1 (b)).
- j) The Authority did not provide any guarantee over any of the borrowings of a related party during the year ending 31 December 2018.

44.2 Transactions with key managerial personnel (present and former)

Key managerial personnel of the Authority are the members of the Executive Committee and Board of Directors that includes Governor, Deputy Governor and other members of the Board. The Authority's Board of Directors has been reconstituted during January 2018. In January 2019, the director representing the Ministry of Finance was changed. Particulars of transactions with key managerial personnel were as follows:

	2018	2017
Compensation to the key management personnel	4,364,561	3,518,924

Notes to the Financial Statements

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

45 CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND OFF-BALANCE SHEET ITEMS

45.1 Guarantees

In accordance with Section 22 (1) of MMA Act, the Authority could guarantee the repayment of government loans and service charges. As at 31 December 2018, there were no such outstanding guarantees.

Other than the above, under the Credit Guarantee Scheme introduced by the Authority on 7 August 2016 (refer to note 29.6), a total value of MVR 40,306,177 was guaranteed as at 31 December 2018.

Additionally, under the Affordable Housing Loan Scheme (AHLS) introduced by the Authority on 20 August 2017, a fund of MVR 30 million was set up to guarantee the down payment or equity component of the loans under the scheme. As at 31 December 2018, guarantee in lieu of equity/down payment was issued by the Authority to the amount of MVR 23,965,000 for loans approved under the phase one of AHLS.

45.2 Fiduciary activities

The Authority carries out fiduciary activities under the provisions of the MMA Act. Acting in such capacity results in holding or placing of funds on behalf of various parties. However, the Authority does not expect any liability to arise on account of such activities.

On behalf of the SDF custodian account, the Authority holds and manages its investments in both foreign and local currency. These investments are payable to the fund upon maturity with its return. As at the reporting date, the Authority holds investment value of MVR 1,314,205,275 and profit/interest accrued of MVR 15,220,877.

45.3 Legal claims

There are no on-going legal proceedings against the Authority as of 31 December 2018.

45.4 Commitments

On the request made by the MOF, with reference to the loan agreements signed between the Government and the Islamic Development Bank, the Authority undertakes to provide the foreign exchange required to repay the loans inclusive of service fees when repayment instalments and service fees fall due. In consideration, the MOF on behalf of the Government has counter guaranteed to repay the Authority, the equivalent Rufiyaa for the aforesaid payments.

45.5 Off balance sheet items

As at the reporting date, investments made by the Sovereign Development Fund (SDF) custodian account under Ministry of Finance (refer to note 45.2) are carried off-balance sheet.

46 EVENTS OCCURRING SUBSEQUENT TO REPORTING DATE

There have been no material events, occurring after the reporting date that require adjustments to or disclosure in the financial statements.

Notes to the Financial Statements

Year ended 31 December 2018

(all amounts in Maldivian Rufiyaa unless otherwise stated)

47 Reclassification

The Authority has made advance payments to printing company, in order to print banknotes and classified under printing and minting in progress within inventories. However, as the printing has not started as at 31 December 2017, the Authority has reclassified the advance amount paid, under prepayment and receivables in other assets as at 31 December 2017.

	As reported previously	Reclassification	Current presentation
Inventories (Note 17)	117,524,000	(9,701,551)	107,822,449
Other assets (Note 20)	64,673,765	9,701,551	74,375,316

STATISTICAL APPENDIX

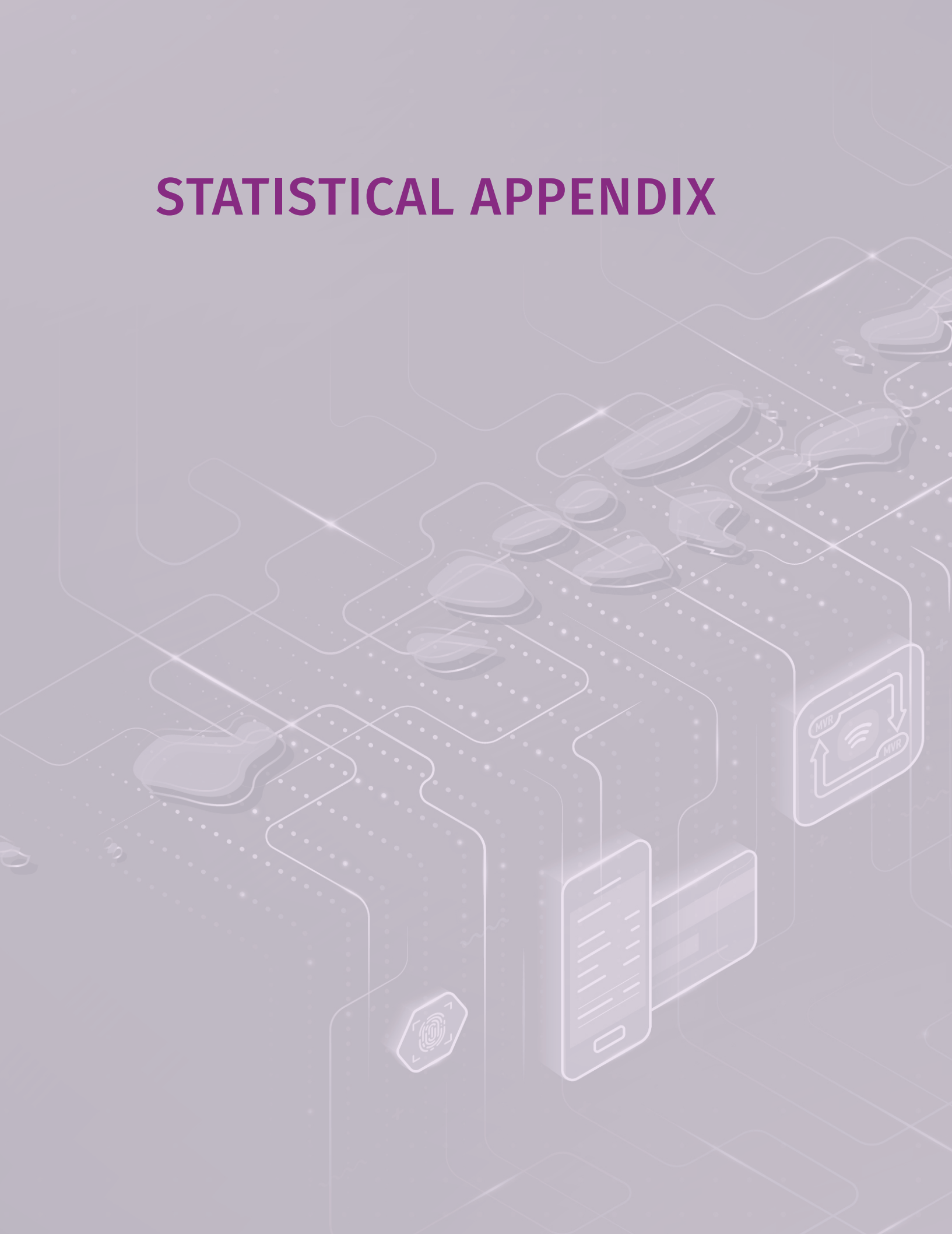


Table 1: Gross Domestic Product, 2014-2018 ^{1/}

(millions of rufiyaa at constant prices)

	2014	2015	2016	2017	2018
Gross domestic product (at market prices)	56,866.7	58,507.1	62,771.8	67,110.4	72,242.1
Gross domestic product (at basic prices)	50,683.2	52,554.5	56,229.1	59,603.8	na
o/w Agriculture	783.4	796.1	811.4	817.1	na
Fisheries	2,234.6	2,209.7	2,238.7	2,484.9	na
Manufacturing	1,128.8	1,209.8	1,341.5	1,551.2	na
Electricity and water	880.3	912.9	1,118.2	1,201.2	na
Construction	2,775.6	3,530.1	3,887.2	4,284.2	na
Wholesale and retail trade	5,353.7	5,000.4	5,589.5	5,705.7	na
Tourism	14,343.1	14,160.1	14,792.4	16,321.7	na
Transportation	3,722.8	3,867.9	3,988.1	3,934.5	na
Postal and telecommunication	1,687.9	2,120.1	2,578.2	2,799.4	na
Real estate	4,166.3	4,315.3	4,473.5	4,518.5	na
Public administration	4,372.0	4,646.7	4,942.5	5,159.6	na
Annual percentage change					
Gross domestic product (at market prices)	7.3	2.9	7.3	6.9	7.6
o/w Agriculture	0.7	1.6	1.9	0.7	na
Fisheries	(0.6)	(1.1)	1.3	11.0	na
Manufacturing	(1.1)	7.2	10.9	15.6	na
Electricity and water	7.5	3.7	22.5	7.4	na
Construction	28.5	27.2	10.1	10.2	na
Wholesale and retail trade	19.2	(6.6)	11.8	2.1	na
Tourism	2.6	(1.3)	4.5	10.3	na
Transportation	7.2	3.9	3.1	(1.3)	na
Postal and telecommunication	1.8	25.6	21.6	8.6	na
Real estate	7.5	3.6	3.7	1.0	na
Public administration	11.7	6.3	6.4	4.4	na
Memorandum items:					
Real GDP (market price, in millions of US dollars)	3,687.9	3,794.2	4,070.8	4,352.2	4,685.0
Nominal GDP (market prices, in millions of rufiyaa)	56,866.7	63,146.7	67,837.0	74,866.2	82,504.3
Nominal GDP (market prices, in millions of US dollars)	3,687.9	4,095.1	4,399.3	4,855.1	5,350.5
Real GDP per capita (in rufiyaa)	129,970.7	128,747.2	132,871.2	136,517.3	141,087.4
Real GDP per capita (in US dollars)	8,428.7	8,349.4	8,616.8	8,853.3	9,149.6
Nominal GDP per capita (in US dollars)	8,428.7	9,011.5	9,312.1	9,876.4	10,449.4
Total mid-year population ^{2/}	437,535	454,434	472,426	491,589	512,038

Source: National Bureau of Statistics

^{1/} GDP base year is 2014 and the data broadly complies with the guidelines of System of National Accounts 2008. Figures for 2018 are projections available as at October 2018 forecasted by Ministry of Finance and Maldives Monetary Authority.

^{2/} Mid-year population figures includes local and expatriate population.

Table 2: Tourism Indicators, 2014-2018

	2014	2015	2016	2017	2018
Tourist arrivals	1,204,857	1,234,248	1,286,135	1,389,542	1,484,274
o/w Europe	529,291	535,962	575,176	646,363	726,420
o/w Germany	98,328	105,132	106,381	112,109	117,532
United Kingdom	88,704	92,775	101,843	103,977	114,602
Russia	66,308	44,323	46,522	61,931	70,935
Asia	568,031	578,322	572,336	586,791	580,928
o/w China	363,626	359,514	324,326	306,530	283,116
India	45,587	52,368	66,955	83,019	90,474
Japan	38,817	39,244	39,894	41,133	42,304
South Korea	34,896	33,001	29,580	34,808	34,400
Tourist bednights ('000)	7,506	7,323	7,771	8,596	9,472
Average stay (days)	6.2	5.9	6.0	6.2	6.4
Operational capacity (beds in operation)	29,515	31,424	33,802	38,592	41,877
Bednight capacity ('000)	10,774	11,471	12,373	14,089	15,287
Occupancy rate (percentage)	70	64	63	61	62
Total number of arrival flights ^{1/}	11,714	11,644	11,811	11,586	11,935
Scheduled flights	10,781	10,755	10,887	10,618	11,112
General flights ^{2/}	933	889	924	968	823
Travel receipts ^{3/} (millions of US dollars)	2,695.7	2,569.1	2,505.6	2,743.7	3,028.1

Source: Ministry of Tourism, Maldives Monetary Authority, Maldives Inland Revenue Authority and Maldives Airports Company Limited

^{1/} This data refers to flight movements at Velana International Airport.

^{2/} This data refers to chartered flights and private flight.

^{3/} Estimates made by Maldives Monetary Authority for the travel component of the balance of payments statistics. This refers to data available as at 24 April 2019.

Table 3: Fish Production and Volume of Fish Exports, 2014-2018
(quantity in thousands of metric tons)

	2014	2015	2016	2017	2018
Fish catch	128.7	127.4	129.2	143.2	na
Fish purchases	50.5	45.2	53.9	76.6	78.3
Volume of fish exports	48.2	43.5	46.5	72.0	65.8
Fresh, chilled or frozen tuna	42.7	36.5	39.3	63.3	53.8
o/w Skipjack tuna	21.8	19.7	21.8	41.1	37.9
Yellowfin tuna	19.5	15.8	16.8	21.6	15.3
Fresh, chilled or frozen fish (excluding tuna)	1.0	1.4	1.5	1.9	2.0
Canned or pouched	2.6	2.9	3.0	4.8	8.5
Other processed fish	1.8	2.7	2.7	2.0	1.6

Source: Ministry of Fisheries, Marine Resources and Agriculture and Maldives Customs Service

Table 4: Consumer Price Index - National, 2014-2018

(June 2012 = 100)

	Weight	2014	2015	2016	2017	2018
Total index	100.0	105.4	106.4	106.9	109.9	109.8
Food and non-alcoholic beverages	28.4	105.9	106.4	107.0	113.0	111.8
o/w Food	26.1	106.1	106.5	107.2	113.5	112.2
o/w Fish	8.6	106.2	105.7	104.1	107.4	109.2
Tobacco and narcotics	2.3	100.2	117.5	122.2	154.4	167.3
Clothing and footwear	3.9	102.5	101.5	101.0	100.3	98.2
Housing, water, electricity, gas and other fuel	23.3	106.7	107.8	108.1	109.5	109.3
Furnishing, household equipment and routine maintenance of the house	8.7	96.0	96.6	97.5	98.6	97.3
Health	5.4	121.0	123.6	125.8	125.5	126.1
Transport	5.4	105.4	102.9	101.3	101.8	102.9
Communication	4.8	100.3	100.6	99.8	99.7	100.4
Recreation and culture	5.1	102.2	102.0	100.7	100.6	99.0
Education	2.5	110.6	119.0	124.8	130.1	133.1
Restaurants and hotels	3.0	121.3	121.1	123.1	125.6	128.2
Miscellaneous goods and services	7.2	98.9	98.7	98.5	98.3	97.7
Total excluding fish	-	105.3	106.4	107.2	111.1	109.8
Total excluding food and non-alcoholic beverages	-	105.2	106.4	106.9	108.7	109.0
Inflation (annual percentage change of the CPI)						
Total rate	100.0	2.1	1.0	0.5	2.8	(0.1)
Food and non-alcoholic beverages	28.4	0.7	0.5	0.6	5.6	(1.1)
o/w Food	26.1	0.6	0.4	0.7	5.9	(1.2)
o/w Fish	8.6	1.7	(0.5)	(1.6)	3.2	1.7
Tobacco and narcotics	2.3	2.2	17.2	4.0	26.4	8.4
Clothing and footwear	3.9	0.9	(0.9)	(0.5)	(0.7)	(2.1)
Housing, water, electricity, gas and other fuel	23.3	3.1	1.0	0.3	1.3	(0.2)
Furnishing, household equipment and routine maintenance of the house	8.7	(1.0)	0.6	0.9	1.1	(1.3)
Health	5.4	9.2	2.1	1.8	(0.2)	0.5
Transport	5.4	3.1	(2.3)	(1.5)	0.5	1.0
Communication	4.8	1.2	0.3	(0.8)	(0.1)	0.8
Recreation and culture	5.1	3.4	(0.2)	(1.2)	(0.1)	(1.5)
Education	2.5	4.6	7.6	4.9	4.2	2.3
Restaurants and hotels	3.0	4.7	(0.2)	1.7	2.0	2.1
Miscellaneous goods and services	7.2	(0.1)	(0.2)	(0.3)	(0.2)	(0.7)
Total excluding fish	-	2.2	1.1	0.7	3.7	(1.2)
Total excluding food and non-alcoholic beverages	-	2.7	1.1	0.5	1.7	0.3

Source: National Bureau of Statistics

Note: Data refers to the twelve-month average.

Table 5: Summary of Central Government Finance, 2014-2018 ^{1/}

(millions of rufiyaa)

	2014	2015	2016	2017	2018
Total revenue and grants	15,164.2	17,306.2	18,578.1	20,258.7	21,651.3
Total revenue	15,126.7	16,828.4	18,482.2	20,041.4	21,383.8
Tax revenue	10,837.9	12,270.6	13,293.0	14,742.4	15,803.0
Non-tax revenue	4,210.0	4,527.6	5,173.9	5,264.8	5,536.6
Capital receipts	78.9	30.1	15.3	34.2	44.2
Grants	165.3	636.9	253.1	343.8	373.4
Less: Subsidiary loan repayment	(127.7)	(159.1)	(157.3)	(126.5)	(106.0)
Total expenditure	16,539.4	21,440.9	25,306.5	22,497.6	25,495.8
Recurrent expenditure	13,960.0	16,733.7	16,141.0	14,955.2	17,984.8
Capital expenditure	2,579.4	4,707.2	9,165.5	7,542.4	7,511.0
Primary balance	(396.8)	(2,787.0)	(5,546.2)	(1,141.9)	(2,404.2)
Overall balance	(1,375.1)	(4,134.7)	(6,728.4)	(2,238.9)	(3,844.6)
Total public debt outstanding	31,323.8	33,296.9	38,128.4	43,785.3	48,007.4
Domestic debt	20,577.9	23,092.5	26,401.8	27,107.4	27,664.0
External debt	10,745.9	10,204.4	11,726.6	16,677.9	20,343.4

As a percentage of GDP

Total revenue	27	27	27	27	26
Tax revenue	19	19	20	20	19
Non-tax revenue	7	7	8	7	7
Capital receipts	0	0	0	0	0
Grants	0	1	0	0	0
Total expenditure	29	34	37	30	31
Recurrent expenditure	25	26	24	20	22
Capital expenditure	5	7	14	10	9
Overall balance	(2)	(7)	(10)	(3)	(5)
Total public debt outstanding	55	53	56	58	58
Domestic debt	36	37	39	36	34
External debt	19	16	17	22	25

Memorandum items:

Nominal GDP ^{2/}	56,866.7	63,146.7	67,837.0	74,866.2	82,504.3
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Source: Ministry of Finance and National Bureau of Statistics

^{1/} Format is based on Monthly Fiscal Developments published by Ministry of Finance. Annual figures are aggregated from monthly figures.

^{2/} Figure for 2018 is based on GDP forecasted by Ministry of Finance and Maldives Monetary Authority.

Table 6: Central Government Revenue and Grants, 2014-2018 ^{1/}
(millions of rufiyaa)

	2014	2015	2016	2017	2018
Total revenue and grants	15,164.2	17,306.2	18,578.1	20,258.7	21,651.3
Total revenue	15,126.7	16,828.4	18,482.2	20,041.4	21,383.8
Tax revenue	10,837.9	12,270.6	13,293.0	14,742.4	15,803.0
o/w Import duty	1,975.2	2,346.4	2,487.4	2,799.4	3,121.5
Business and property tax	3,789.1	3,219.9	3,264.3	3,423.4	3,314.1
General goods and services tax	1,512.9	1,904.2	2,328.1	2,683.0	2,902.8
Tourism goods and services tax	3,001.8	4,150.3	3,920.7	4,198.5	4,783.3
Green tax	-	36.7	623.1	696.2	810.5
Airport service charge	432.0	496.7	537.5	706.2	644.8
Non-tax revenue	4,210.0	4,527.6	5,173.9	5,264.8	5,536.6
o/w Fees and charges	811.9	1,533.0	1,038.1	1,080.2	1,476.6
o/w Airport development fee	-	-	-	317.1	659.3
Property income	1,707.9	1,472.1	2,364.5	2,223.6	2,034.7
o/w Rent from resorts	1,534.5	1,247.0	1,357.4	1,488.6	1,526.0
Interest, profit and dividends	815.1	522.7	663.9	906.9	973.2
Capital receipts	78.9	30.1	15.3	34.2	44.2
Grants	165.3	636.9	253.1	343.8	373.4

As a percentage of GDP					
Tax revenue	19	19	20	20	19
o/w Import duty	3	4	4	4	4
Business and property tax	7	5	5	5	4
General goods and services tax	3	3	3	4	4
Tourism goods and services tax	5	7	6	6	6
Non-tax revenue	7	7	8	7	7
o/w Fees and charges	1	2	2	1	2
Property income	3	2	3	3	2
o/w Rent from resorts	3	2	2	2	2

Source: Ministry of Finance

^{1/} Format is based on Monthly Fiscal Developments published by Ministry of Finance. Annual figures are aggregated from monthly figures.

Table 7: Central Government Expenditure, 2014-2018 ^{1/}
(millions of rufiyaa)

	2014	2015	2016	2017	2018
Total expenditure	16,539.4	21,440.9	25,306.5	22,497.6	25,495.8
Recurrent expenditure	13,960.0	16,733.7	16,141.0	14,955.2	17,984.8
Salaries, wages and pensions	7,227.4	8,243.3	8,338.0	8,433.8	9,190.8
Salaries and wages	3,392.9	3,929.2	4,029.6	3,996.6	4,282.2
Allowances to employees	2,435.7	2,891.5	2,868.9	2,975.2	3,405.7
Pensions, retirement benefits and gratuities	1,398.9	1,422.6	1,439.5	1,462.0	1,502.8
Administrative and operational expenses	6,357.4	8,437.7	7,725.3	6,477.7	8,677.2
o/w Travelling expenses	133.5	188.9	186.9	176.7	174.6
Administrative supplies and services	1,858.0	2,641.1	2,246.0	2,158.2	2,381.2
Training expenses	305.7	415.2	456.0	248.3	527.0
Financing and interest costs	978.3	1,347.6	1,182.3	1,096.9	1,440.3
Grants, contributions and subsidies	2,531.6	2,831.0	2,768.8	2,035.6	3,309.7
Aasandha	584.1	786.3	1,471.1	928.2	1,487.6
Subsidies	1,338.1	1,236.9	492.6	334.8	1,142.6
Grants and contributions	609.4	807.8	805.1	772.6	679.5
Losses and write-offs	375.1	52.8	77.6	43.7	116.8
Capital expenditure	2,579.4	4,707.2	9,165.5	7,542.4	7,511.0
Capital equipments	279.3	592.0	716.4	444.0	423.2
Public Sector Investment Program	1,944.1	3,118.2	7,079.0	5,789.8	5,748.1
Development projects and investments outlays	356.0	935.4	810.4	602.5	565.7
Lendings	-	61.6	559.6	706.2	774.0
As a percentage of GDP					
Recurrent expenditure	25	26	24	20	22
o/w Salaries and wages	6	6	6	5	5
Pensions, retirement benefits and gratuities	2	2	2	2	2
Grants, contributions and subsidies	4	4	4	3	4
Capital expenditure	5	7	14	10	9
o/w Public Sector Investment Program	3	5	10	8	7

Source: Ministry of Finance

^{1/} Format is based on Monthly Fiscal Developments published by Ministry of Finance. Annual figures are aggregated from monthly figures.

Table 8: Claims on Central Government, 2014-2018
(millions of rufiyaa)

	2014	2015	2016	2017	2018
Outstanding stock					
Total domestic claims on central government	20,644.3	23,109.3	26,446.6	27,168.2	27,715.9
Government securities	17,586.9	20,001.6	23,230.2	23,414.2	24,262.0
Treasury bonds	6,440.5	7,419.6	8,774.6	9,320.9	9,248.4
MMA	6,440.5	6,373.0	6,304.3	6,233.5	6,161.0
Commercial banks	-	115.7	57.8	-	-
Other financial corporations	-	931.0	2,412.5	3,087.4	3,087.4
Treasury bills and Islamic instruments	11,146.4	12,582.0	14,455.7	14,093.4	15,013.6
MMA	-	-	68.2	82.4	90.3
Commercial banks	5,908.5	7,875.9	10,154.9	8,694.4	9,605.5
State owned enterprises	1,343.3	771.3	521.9	250.2	201.0
Other financial corporations	3,426.5	3,590.8	3,301.9	4,744.6	5,017.1
Others	468.1	344.0	408.8	321.7	99.7
Loans and advances	3,057.5	3,107.7	3,216.4	3,753.9	3,453.9
MMA	-	-	-	0.0	-
Commercial banks	126.1	73.6	34.9	431.3	19.1
Other financial corporations ^{1/}	2,931.4	3,034.0	3,181.5	3,322.7	3,434.9
Change					
Total domestic claims on central government	3,736.7	2,465.0	3,337.3	721.5	547.7
Government securities ^{2/}	6,256.0	2,414.8	3,228.6	184.0	847.7
Treasury bonds	3,303.9	979.2	1,354.9	546.3	(72.5)
MMA	3,303.9	(67.5)	(68.7)	(70.8)	(72.5)
Commercial banks	-	115.7	(57.8)	(57.8)	-
Other financial corporations	-	931.0	1,481.5	674.9	-
Treasury bills and Islamic instruments	2,952.1	1,435.6	1,873.7	(362.3)	920.2
MMA	(634.0)	-	68.2	14.3	7.9
Commercial banks	1,956.4	1,967.4	2,279.0	(1,460.5)	911.1
State owned enterprises	103.6	(572.0)	(249.4)	(271.7)	(49.2)
Other financial corporations	1,058.0	164.3	(288.9)	1,442.7	272.4
Others	468.1	(124.1)	64.8	(87.1)	(222.0)
Loans and advances ^{3/}	(2,519.3)	50.2	108.7	537.5	(300.0)
MMA	(2,499.7)	-	-	0.0	(0.0)
Commercial banks	(411.7)	(52.4)	(38.7)	396.3	(412.2)
Other financial corporations	392.2	102.7	147.4	141.2	112.2
Memorandum items:					
Exchange rate	15.40	15.41	15.35	15.41	15.41

Source: Maldives Monetary Authority

^{1/} This includes recognition bond.

^{2/} This refers to net issue (which is issued amount less maturity).

^{3/} This refers to flow for the period.

Table 9: Financial Corporations Survey, 2014-2018

(millions of rufiyaa)

	2014	2015	2016	2017	2018
Net foreign assets	12,414.0	12,197.0	7,796.0	10,335.6	9,828.9
Central bank	9,110.0	8,227.2	5,247.5	8,622.0	9,063.3
Other depository corporations	3,410.0	4,070.1	2,621.3	1,731.4	730.5
Other financial corporations	(105.9)	(100.4)	(72.8)	(17.8)	35.0
Net domestic assets	21,718.8	26,344.3	32,337.3	32,639.8	35,580.8
Domestic claims	33,134.3	38,679.1	46,243.1	48,362.8	52,695.0
Net claims on central government	15,226.8	18,640.9	22,039.3	21,736.5	24,354.6
Claims on other sectors	17,907.4	20,038.2	24,203.8	26,626.3	28,340.4
Other items (net)	(11,415.5)	(12,334.8)	(13,905.8)	(15,723.1)	(17,114.2)
Currency outside financial corporations	2,681.5	2,755.1	2,694.1	2,911.2	3,055.5
Deposits	24,634.5	27,622.8	27,894.3	29,022.4	29,664.3
Insurance technical reserves	6,816.7	8,163.3	9,544.9	11,041.7	12,689.8

Source: Maldives Monetary Authority

Table 10: Depository Corporations Survey, 2014-2018
(millions of rufiyaa)

	2014	2015	2016	2017	2018
Net foreign assets	12,519.9	12,297.4	7,868.8	10,353.4	9,793.8
Central bank	9,110.0	8,227.2	5,247.5	8,622.0	9,063.3
Other depository corporations	3,410.0	4,070.1	2,621.3	1,731.4	730.5
Net domestic assets	14,677.1	18,194.5	22,567.5	21,652.4	23,295.2
Domestic claims	25,817.8	29,993.8	35,958.6	36,484.7	39,141.8
Net claims on central government	9,145.5	11,380.0	13,394.4	11,789.2	13,000.7
Claims on other sectors	16,672.2	18,613.9	22,564.1	24,695.5	26,141.2
o/w Claims on private sector	15,050.1	16,817.0	18,583.0	20,723.4	22,978.6
Other items (net)	(11,140.6)	(11,799.3)	(13,391.1)	(14,832.3)	(15,846.6)
Broad money	27,197.1	30,491.9	30,436.3	32,005.9	33,089.0
Narrow money	11,232.4	13,337.9	13,468.5	14,469.7	14,579.7
Quasi money	15,964.6	17,154.0	16,967.8	17,536.2	18,509.4
Annual percentage change					
Net foreign assets	42	(2)	(36)	32	(5)
Central bank	72	(10)	(36)	64	5
Other depository corporations	(3)	19	(36)	(34)	(58)
Domestic claims	3	16	20	1	7
Net claims on central government	6	24	18	(12)	10
Claims on other sectors	2	12	21	9	6
Broad money	15	12	(0)	5	3
Narrow money	8	19	1	7	1
Quasi money	20	7	(1)	3	6
Memorandum items:					
Dollarization ratio	53.7	50.6	48.5	48.7	48.8

Source: Maldives Monetary Authority

Table 11: Central Bank Survey, 2014-2018

(millions of rufiyaa)

	2014	2015	2016	2017	2018
Net foreign assets	9,110.0	8,227.2	5,247.5	8,622.0	9,063.3
Claims on non-residents	9,475.7	8,700.9	7,181.3	9,059.9	10,981.3
Liabilities to non-residents	(365.8)	(473.6)	(1,933.9)	(437.8)	(1,918.0)
Net domestic assets	3,392.4	2,046.8	3,730.2	2,061.2	2,467.6
Domestic claims	5,330.8	5,547.3	7,444.6	5,999.1	6,052.2
Net claims on central government	5,324.2	5,455.3	5,279.3	4,518.5	5,275.1
o/w Claims on central government	6,440.5	6,373.0	6,372.4	6,331.2	6,250.0
Claims on other sectors	6.5	92.0	2,165.3	1,480.6	777.1
Other items (net)	(1,938.4)	(3,500.4)	(3,714.4)	(3,937.9)	(3,584.6)
Monetary base	12,502.3	10,274.1	8,977.7	10,683.2	11,530.9
Currency in circulation	3,099.4	3,220.7	3,243.5	3,496.3	3,669.0
Liabilities to other depository corporations	9,401.8	7,052.3	5,734.2	7,186.9	7,861.9
Liabilities to other sectors	1.1	1.1	-	-	-
Annual percentage change					
Net foreign assets	72	(10)	(36)	64	5
Claims on non-residents	67	(8)	(17)	26	21
Liabilities to non-residents	(3)	29	308	(77)	338
Net claims on central government	(11)	2	(3)	(14)	17
Monetary base	30	(18)	(13)	19	8
o/w Currency in circulation	(5)	4	1	8	5
Liabilities to other depository corporations	47	(25)	(19)	25	9

Source: Maldives Monetary Authority

Table 12: Other Depository Corporations Survey, 2014-2018

(millions of rufiyaa)

	2014	2015	2016	2017	2018
Net foreign assets	3,410.0	4,070.1	2,621.3	1,731.4	730.5
Claims on non-residents	4,600.5	5,112.8	4,519.4	3,949.4	2,998.3
Liabilities to non-residents	(1,190.6)	(1,042.6)	(1,898.1)	(2,218.0)	(2,267.8)
Net domestic assets	21,103.3	23,664.6	25,119.9	27,362.0	29,301.5
Domestic claims	31,983.6	35,257.1	38,237.7	41,630.8	44,453.3
Claims on central bank	11,496.6	10,810.1	9,681.6	11,092.4	11,301.6
Net claims on central government	3,821.3	5,924.7	8,115.1	7,270.7	7,725.5
o/w Claims on central government	5,914.3	7,858.1	10,109.1	9,003.3	9,487.4
Claims on other sectors	16,665.7	18,522.3	20,440.9	23,267.7	25,426.2
Claims on other financial corporations	288.3	303.9	429.7	565.9	670.6
Claims on public non-financial corporations	1,333.8	1,408.2	1,434.3	1,988.7	1,797.4
Claims on private sector	15,043.6	16,810.3	18,576.9	20,713.1	22,958.2
Other items (net)	(10,880.2)	(11,592.5)	(13,117.7)	(14,268.8)	(15,151.9)
Transferable, other deposits and securities other than shares included in broad money	24,513.3	27,734.7	27,741.3	29,093.4	30,032.0
Annual percentage change					
Net foreign assets	(3)	19	(36)	(34)	(58)
Claims on non-residents	(3)	11	(12)	(13)	(24)
Liabilities to non-residents	(3)	(12)	82	17	2
Net claims on central government	43	55	37	(10)	6
Claims on other sectors	2	11	10	14	9
Claims on other financial corporations	164	5	41	32	19
Claims on public non-financial corporations	(15)	6	2	39	(10)
Claims on private sector	3	12	11	11	11

Source: Maldives Monetary Authority

Table 13: Assets and Liabilities of the Maldives Monetary Authority, 2014-2018
(millions of rufiyaa)

	2014	2015	2016	2017	2018
Assets	16,406.9	15,796.2	16,484.9	17,680.8	18,796.8
Foreign assets	9,475.7	8,700.9	7,181.3	9,059.9	10,981.3
Claims on central government	6,440.5	6,373.0	6,372.4	6,331.2	6,250.0
Claims on other sectors	6.5	92.0	2,165.3	1,480.6	777.1
Other assets	178.2	169.4	337.5	358.1	351.7
Non-financial assets	306.0	461.0	428.4	451.0	436.8
Liabilities	16,406.9	15,796.2	16,484.9	17,680.8	18,796.8
Currency in circulation	3,099.4	3,220.7	3,243.5	3,496.3	3,669.0
Claims to central government	1,116.2	917.7	1,093.0	1,812.7	974.8
Claims to other depository corporations	9,401.8	7,052.3	5,734.2	7,186.9	7,861.9
Claims to other sectors	11.1	10.5	13.3	143.0	78.3
Other liabilities to other depository corporations	1,701.4	3,364.7	3,450.9	3,427.2	2,984.4
Foreign liabilities	365.8	473.6	1,933.9	437.8	1,918.0
Other liabilities	533.2	437.3	734.6	768.1	762.2
Shares and other equity	177.9	319.4	281.3	408.8	548.1
Annual percentage change					
Foreign assets	67	(8)	(17)	26	21
Claims on central government	3	(1)	(0)	(1)	(1)
Currency in circulation	(5)	4	1	8	5
Claims to central government	274	(18)	19	66	(46)
Memorandum items:					
Monetary Operations (average investment)					
Overnight Deposit Facility	1,131.6	2,496.4	3,229.4	3,095.1	3,152.2

Source: Maldives Monetary Authority

Table 14: Assets and Liabilities of Other Depository Corporations, 2014-2018
(millions of rufiyaa)

	2014	2015	2016	2017	2018
Assets	40,354.8	44,142.4	46,379.4	48,690.5	50,966.4
Foreign assets	4,600.5	5,112.8	4,519.4	3,949.4	2,998.3
Cash	416.7	464.6	548.5	583.8	612.0
Deposits with central bank	11,079.8	10,345.5	9,133.1	10,508.6	10,689.6
Securities other than shares	5,788.2	8,324.1	10,612.6	9,092.1	9,910.4
Loans and advances	16,778.4	18,041.7	19,922.9	23,109.5	24,933.9
Shares and other equity	13.4	14.6	14.5	69.4	69.4
Other assets	570.7	1,104.8	839.2	479.6	775.9
Non-financial assets	1,107.1	734.3	789.1	898.1	976.9
Liabilities	40,354.8	44,142.4	46,379.4	48,690.5	50,966.4
Foreign liabilities	1,190.6	1,042.6	1,898.1	2,218.0	2,267.8
Deposits	24,513.3	27,734.7	27,741.3	29,093.4	30,032.0
Central government liabilities	2,093.0	1,933.4	1,994.0	1,732.7	1,761.9
Other liabilities	3,837.1	4,017.1	3,636.8	3,758.1	4,574.1
Shares and other equity	8,720.9	9,414.5	11,109.2	11,888.4	12,330.6

Source: Maldives Monetary Authority

Table 15: Other Depository Corporations Private Sector Loans and Advances by Economic Group, 2014-2018

(millions of rufiyaa)

	2014	2015	2016	2017	2018
Total loans and advances	14,927.8	16,759.4	18,495.6	20,949.2	22,791.8
Agriculture	7.9	4.2	1.9	2.7	2.3
Fishing	399.8	450.9	520.0	501.8	466.3
Manufacturing	199.2	170.8	171.9	164.4	136.4
Construction	1,735.5	2,441.7	3,345.0	3,720.1	4,843.5
Real estate	619.5	669.9	633.0	1,638.2	1,697.3
Tourism	6,476.0	6,628.0	7,257.0	7,938.2	8,454.9
Commerce	2,515.5	2,964.3	3,178.1	3,212.9	3,140.1
Transport and communication	613.1	894.3	1,069.8	983.9	859.8
Electricity, gas, water and sanitary services	54.0	22.0	13.9	2.3	2.8
Other	2,307.3	2,513.4	2,305.0	2,784.9	3,188.4
As a percentage of total					
Fishing	3	3	3	2	2
Construction	12	15	18	18	21
Tourism	43	40	39	38	37
Commerce	17	18	17	15	14
Transport and communication	4	5	6	5	4
Annual percentage change					
Total loans and advances	3	12	10	13	9
o/w Fishing	(27)	13	15	(4)	(7)
Construction	31	41	37	11	30
Tourism	(13)	2	9	9	7
Commerce	(1)	18	7	1	(2)
Transport and communication	18	46	20	(8)	(13)

Source: Maldives Monetary Authority

Table 16: Interest Rates, 2014-2018
(weighted average interest rates per annum; end of period)

	2014	2015	2016	2017	2018
Maldives Monetary Authority					
Monetary Operations					
Standing Facilities					
Overnight Deposit Facility	1.50	1.50	1.50	1.50	1.50
Overnight Lombard Facility	10.00	10.00	10.00	10.00	10.00
Government					
Treasury bills ^{1/}					
28 days	7.50	3.50	3.50	3.50	3.50
91 days	8.00	3.87	3.87	3.87	3.87
182 days	8.50	4.23	4.23	4.23	4.23
364 days	9.00	4.60	4.60	4.60	4.60
Commercial banks					
Deposits					
Transferable deposits					
Local currency	2.24	2.37	2.38	1.45	1.45
Foreign currency	1.57	0.82	0.73	0.71	0.68
Savings deposits					
Local currency	2.23	2.20	1.65	1.48	1.50
Foreign currency	2.23	2.23	2.01	2.19	2.08
Time deposits (2 to 3 years)					
Local currency	4.01	3.94	2.50	2.66	4.39
Foreign currency	3.08	3.80	1.88	1.75	1.75
Loans and advances					
Public non-financial corporations					
Local currency	9.98	9.64	9.00	9.98	9.21
Foreign currency	9.25	11.39	9.52	8.92	8.87
Private sector					
Local currency	11.38	10.82	10.62	9.82	11.47
Foreign currency	8.46	8.85	9.08	9.07	8.82
Other financial institutions					
Share prices					
MASIX index (period average)	133.38	156.45	156.79	175.11	167.75
MASIX index (end of period)	134.13	156.48	155.05	174.97	169.06

Source: Maldives Monetary Authority and Maldives Stock Exchange

^{1/} Treasury bills reverted to a TAP system from an auction system in 2014. The rates were revised in 2015 due to a change in government policy.

Note: Open market operations has been temporarily suspended from May 2014 onwards.

Table 17: Balance of Payments, 2014-2018 ^{1/}

(millions of US dollars)

	2014	2015	2016	2017	2018
Current account balance	(117.8)	(301.7)	(1,032.4)	(1,058.9)	(1,338.1)
Balance on goods and services	545.0	375.9	(50.7)	(188.7)	(431.4)
Balance on goods	(1,660.0)	(1,654.7)	(1,838.7)	(1,908.1)	(2,421.3)
Export	300.9	239.8	256.2	318.3	339.2
Import	1,960.9	1,894.5	2,094.9	2,226.5	2,760.5
Balance on services	2,205.0	2,030.6	1,788.0	1,719.4	1,989.9
Export	2,998.3	2,905.3	2,891.4	3,000.7	3,341.3
Import	793.3	874.7	1,103.4	1,281.3	1,351.4
Balance on primary income	(355.1)	(332.5)	(352.9)	(401.4)	(416.6)
Balance on secondary income	(307.8)	(345.2)	(628.8)	(468.8)	(490.1)
Capital account balance ^{2/}	6.6	9.5	-	-	-
Financial account ^{3/} (excludes reserves and related items)	(544.3)	(480.9)	(673.4)	(968.0)	(1,418.2)
Direct investment	(333.4)	(298.0)	(456.6)	(492.7)	(551.8)
Portfolio investment	17.2	(122.9)	132.3	(328.7)	(98.2)
Other investment	(228.1)	(60.0)	(349.0)	(146.6)	(768.1)
Net errors and omissions	(179.6)	(236.4)	263.2	211.0	45.3
Overall balance	253.4	(47.7)	(95.8)	120.1	125.4
Reserve and related items	253.4	(47.7)	(95.8)	120.1	125.4
Memorandum items:					
Exports of goods and services	3,299.2	3,145.1	3,147.6	3,319.1	3,680.6
Current account as a percent of GDP	(3)	(7)	(23)	(22)	(25)
Gross International Reserves	614.7	564.0	467.1	587.3	712.0
Nominal GDP	3,687.9	4,095.1	4,399.3	4,855.1	5,350.5

Source: Maldives Monetary Authority and National Bureau of Statistics

^{1/} This table is compiled based on information available as at 25 April 2019.^{2/} Capital grants are included in secondary income account from 2016 onwards since it could not be segregated from total grants.^{3/} Positive sign indicates net lending and negative sign indicates net borrowing.

Table 18: Current and capital account of Balance of Payments, 2014-2018 ^{1/}
(millions of US dollars)

	2014	2015	2016	2017	2018
Current account balance	(117.8)	(301.7)	(1,032.4)	(1,058.9)	(1,338.1)
Balance on goods and services	545.0	375.9	(50.7)	(188.7)	(431.4)
Balance on goods	(1,660.0)	(1,654.7)	(1,838.7)	(1,908.1)	(2,421.3)
Export	300.9	239.8	256.2	318.3	339.2
Domestic exports	166.3	159.5	192.8	230.9	229.0
Re-exports	134.6	80.3	63.4	87.4	110.3
Import	1,960.9	1,894.5	2,094.9	2,226.5	2,760.5
Balance on services	2,205.0	2,030.6	1,788.0	1,719.4	1,989.9
Export	2,998.3	2,905.3	2,891.4	3,000.7	3,341.3
o/w Travel	2,695.7	2,569.1	2,505.6	2,743.7	3,028.1
Transportation	214.5	241.8	273.2	176.7	242.8
Import	793.3	874.7	1,103.4	1,281.3	1,351.4
o/w Travel	207.6	253.0	284.5	315.4	361.0
Transportation	208.5	214.1	237.8	338.2	399.8
Balance on primary income	(355.1)	(332.5)	(352.9)	(401.4)	(416.6)
o/w Debit: Investment income	360.1	341.8	365.3	415.1	435.8
Balance on secondary income	(307.8)	(345.2)	(628.8)	(468.8)	(490.1)
o/w Debit: Workers remittance	300.8	347.8	375.6	474.6	531.7
Capital account balance ^{2/}	6.6	9.5	-	-	-

Source: Maldives Monetary Authority

^{1/} This table is compiled based on information available as at 25 April 2019.

^{2/} Capital grants are included in secondary income account from 2016 onwards since it could not be segregated from total grants.

Table 19: Financial Account of Balance of Payments, 2014-2018 ^{1/}
(millions of US dollars)

	2014	2015	2016	2017	2018
Financial account ^{2/} (excludes reserves and related items)	(544.3)	(480.9)	(673.4)	(968.0)	(1,418.2)
Direct investment	(333.4)	(298.0)	(456.6)	(492.7)	(551.8)
Net acquisition of financial assets	na	na	na	na	na
Net incurrence of liabilities	333.4	298.0	456.6	492.7	551.8
o/w Equity and investment fund shares	333.4	298.0	456.6	492.7	551.8
Equity other than reinvestment of earnings	162.4	186.9	314.0	346.8	410.3
Reinvestment of earnings	171.0	111.0	142.7	145.9	141.5
Portfolio investment	17.2	(122.9)	132.3	(328.7)	(98.2)
Net acquisition of financial assets	15.3	4.6	5.1	(22.5)	1.5
Equity and investment fund shares	0.0	(0.0)	0.0	2.5	-
Debt Instruments	15.3	4.6	5.1	(25.0)	1.5
Net incurrence of liabilities	(2.0)	127.5	(127.2)	306.2	99.8
Equity and investment fund shares	(1.2)	1.9	(0.7)	(0.7)	-
Debt Instruments	(0.8)	125.6	(126.4)	306.9	99.8
o/w General government				250.0	99.8
Other sectors	(0.8)	125.6	(126.4)	56.9	-
Other investment	(228.1)	(60.0)	(349.0)	(146.6)	(768.1)
Net acquisition of financial assets	(44.3)	19.2	39.8	82.1	44.7
o/w Debt Instruments	(44.3)	19.2	39.8	82.1	44.7
o/w Central bank	0.0	(0.0)	0.1	(0.1)	0.1
Deposit-taking corporations	(23.3)	28.3	(47.9)	(15.6)	(63.2)
Other sectors	(21.0)	(9.2)	87.7	97.9	107.9
Net incurrence of liabilities	183.9	79.1	388.9	228.7	812.9
o/w Debt Instruments	183.9	79.1	388.9	228.7	812.9
Central bank	6.6	10.1	96.2	(97.4)	97.0
Deposit-taking corporations	(2.9)	(8.8)	56.1	20.3	3.2
General Government	(19.3)	(6.8)	115.2	107.9	153.5
Other sectors	199.5	84.5	121.4	198.0	559.1
Reserve and related items	253.4	(47.7)	(95.8)	120.1	125.4

Source: Maldives Monetary Authority

^{1/} This table is compiled based on information available as at 25 April 2019.

^{2/} Positive sign indicates net lending and negative sign indicates net borrowing.

Table 20: Import and Export by Sector, 2014-2018

(millions of US dollars)

	2014	2015	2016	2017	2018
Total imports (cif)	1,992.5	1,896.3	2,125.4	2,360.4	2,963.9
Private imports	1,366.6	1,384.2	1,570.3	1,819.7	2,194.0
Tourism	340.7	402.2	485.7	560.9	728.4
Private (excluding tourism)	1,026.0	982.0	1,084.6	1,258.8	1,465.6
Public imports	625.9	512.2	555.1	540.7	770.0
Public enterprises	587.0	441.1	408.9	465.4	558.5
Government	38.9	71.1	146.1	75.3	211.5
Total exports (fob)	300.9	239.8	256.2	318.3	339.2
Domestic exports	144.8	144.1	139.6	199.4	181.6
Private exports	96.6	107.2	96.4	116.1	108.1
Public exports	48.3	37.0	43.2	83.3	73.6
Re-exports	156.0	95.7	116.6	118.9	157.6
Jet fuel	133.0	73.0	58.5	83.0	108.1
Memorandum items:					
Crude oil average prices (US dollars per barrel) ^{1/}	96.2	50.8	42.8	52.8	68.3

Source: Maldives Customs Service, Maldives Airports Company Limited, Gan International Airport, Maamigili International Airport and The World Bank

^{1/} This is an average of Brent, Dubai and WTI crude oil prices.

Table 21: Composition of Imports (cif), 2014-2018

(millions of US dollars)

	2014	2015	2016	2017	2018
Total imports	1,992.5	1,896.3	2,125.4	2,360.4	2,963.9
Food items	407.6	405.9	429.6	462.4	495.6
Furniture, fixtures and fittings	64.8	66.8	99.7	89.4	138.2
Electronic and electrical appliances	52.5	53.8	61.2	67.2	75.3
Petroleum products	571.6	285.2	247.3	314.3	453.7
o/w Petrol	56.6	26.0	26.3	37.4	51.0
Diesel (marine gas oil)	346.3	208.0	193.1	234.4	351.3
Transport equipments and parts	143.7	188.7	188.7	167.8	214.5
Wood, metal, cement and aggregates	169.2	241.0	286.4	355.8	483.6
Machinery and mechanical appliances and parts	120.9	121.9	203.7	205.2	262.4
Electrical, electronic machinery and equipments and parts	88.3	99.5	114.6	135.8	149.0
Other items	373.9	433.6	494.2	562.5	691.7

Source: Maldives Customs Service

Table 22: Composition of Exports (fob), 2014-2018
(millions of US dollars)

	2014	2015	2016	2017	2018
Merchandise exports	300.9	239.8	256.2	318.3	339.2
Domestic exports	144.8	144.1	139.6	199.4	181.6
Fish exports	139.1	137.3	134.8	193.1	173.8
Fresh, chilled or frozen tuna	112.0	108.7	106.6	158.2	123.0
o/w Skipjack	31.8	28.0	37.4	76.4	59.1
Yellowfin tuna	75.5	77.2	67.0	79.3	62.1
Fresh, chilled or frozen fish (excluding tuna)	4.4	4.9	4.4	4.5	4.9
Canned or pouched	15.8	13.8	15.4	23.8	40.5
Other processed fish	6.9	9.9	8.4	6.6	5.5
Fish products, sea food, other marine products and live fish	1.9	2.6	2.2	1.4	1.2
Garments and other exports	3.7	4.2	2.6	4.8	6.6
Re-exports	156.0	95.7	116.6	118.9	157.6

Source: Maldives Customs Service, Maldives Airports Company Limited, Gan International Airport and Maamigili International Airport

Table 23: Direction of Trade - Import of Goods, 2014-2018
(millions of US dollars)

	2014	2015	2016	2017	2018
Total imports	1,992.5	1,896.3	2,125.4	2,360.4	2,963.9
Asia	1,651.4	1,528.6	1,738.7	1,915.2	2,398.7
o/w China	105.1	147.3	285.6	280.6	489.6
India	170.6	226.5	275.5	287.6	286.6
Malaysia	145.1	141.9	120.9	174.0	233.6
Singapore	349.5	325.1	305.4	318.3	369.2
Thailand	87.6	91.0	99.3	110.1	124.2
United Arab Emirates	472.8	317.0	333.4	434.3	537.3
Europe	194.4	231.9	242.5	270.5	390.5
o/w France	17.6	18.1	17.5	23.4	25.9
Germany	34.8	35.7	51.7	55.9	55.4
Italy	29.6	23.5	33.8	34.8	46.9
North America	62.0	53.5	58.0	71.8	69.3
o/w USA	33.5	37.4	42.2	43.6	50.3
Oceania	56.9	53.9	48.1	65.2	66.3
o/w Australia	36.7	32.1	34.5	40.5	43.0
South America	17.4	16.2	18.0	20.2	17.8
Africa	10.5	12.2	20.0	17.5	21.3

Source: Maldives Customs Service

Table 24: Direction of Trade - Export of Goods, 2014-2018

(millions of US dollars)

	2014	2015	2016	2017	2018
Domestic exports	144.8	144.1	139.6	199.4	181.6
Asia	73.1	69.0	72.6	118.1	90.9
o/w Japan	7.7	4.7	3.0	3.2	2.9
Sri Lanka	8.7	17.3	14.2	7.5	6.2
Thailand	46.7	36.6	48.0	97.0	65.9
Europe	57.8	59.5	53.7	65.9	73.7
o/w France	20.9	15.1	12.3	13.9	13.4
Germany	9.7	10.0	12.2	14.3	23.1
Italy	5.1	8.1	6.9	5.8	7.9
UK	6.8	8.3	5.8	11.4	16.8
North America	13.6	15.2	12.6	14.6	16.1
o/w USA	13.1	14.7	12.4	13.9	15.0
Oceania	0.4	0.2	0.6	0.7	0.5
South America	-	-	-	0.2	-
Africa	0.0	0.2	0.0	0.0	0.4

Source: Maldives Customs Service

Table 25: External Debt, 2014-2018

(millions of US dollars)

	2014	2015	2016	2017	2018
Outstanding stock					
Total external debt outstanding	744.0	696.2	848.8	1,190.3	1,389.5
Central government	697.8	662.2	763.9	1,082.3	1,320.1
Debt securities ^{1/}	-	-	-	250.0	350.0
Loans	697.8	662.2	763.9	832.2	970.1
Multilateral	292.6	268.7	254.6	277.0	290.1
Bilateral	189.9	169.3	142.7	121.6	122.7
Commercial banks	31.9	24.5	18.6	12.7	6.9
Buyers credit	183.4	199.7	348.1	420.9	550.5
Other depository corporations ^{2/}	46.2	34.0	84.9	108.1	69.4
Head offices or branches	25.9	34.0	75.6	61.9	28.8
Non-resident ODC	20.3	-	9.3	46.2	40.6
Flow					
Central government debt disbursed and debt service					
Disbursements ^{3/}	49.0	55.5	190.2	350.3	326.0
Debt service	77.3	72.4	81.4	88.5	113.8
Principal repayment	64.7	62.3	70.3	68.1	72.4
Interest payments	12.6	10.1	11.1	20.5	41.4
Debt service ratio (central government)	2.3	2.3	2.6	2.7	3.1
As a percentage of GDP					
Total external debt outstanding	20	17	19	25	26
Central government	19	16	17	22	25
Other depository corporations	1	1	2	2	1
Annual percentage change					
Total external debt outstanding	(6)	(6)	22	40	17
Central government	(7)	(5)	15	42	22
Other depository corporations	3	(26)	150	27	(36)
Memorandum items:					
Nominal GDP (millions of US dollars)	3,687.9	4,095.1	4,399.3	4,855.1	5,350.5
Exchange rate ^{4/}	15.40	15.41	15.35	15.41	15.41
Exports of goods and services (millions of US dollars)	3,299.2	3,145.1	3,147.6	3,319.1	3,680.6

Source: Ministry of Finance, Maldives Monetary Authority and National Bureau of Statistics

^{1/} This refers to government sovereign bond issued to international market.

^{2/} This refers to resident commercial banks foreign borrowings.

^{3/} This refers to debt securities and loans disbursements.

^{4/} External debt statistics is converted from rufiyaa to US dollars using rates provided by Ministry of Finance.

Table 26: Exchange Rates, 2014-2018 ^{1/}
(rufiyaa per foreign currency; end of period mid-rate)

	2014	2015	2016	2017	2018
US dollar	15.4000	15.4100	15.3500	15.4100	15.4100
Japanese yen	0.1278	0.1288	0.1313	0.1358	0.1392
Singapore dollar	11.5661	10.8079	10.4518	11.4203	11.1910
Indian rupee	0.2425	0.2315	0.2260	0.2392	0.2193
Sri Lankan rupee	0.1172	0.1070	0.1029	0.1043	0.0869
Pound sterling	23.8169	22.6893	18.7847	20.4903	19.4030
Euro	18.6308	16.7015	15.9899	18.1140	17.4211

Source: Maldives Monetary Authority and Bank of Maldives plc

^{1/} The US dollar rate refers to the reference rate of the Maldives Monetary Authority whereas all other currency rates refer to the mid-rate of the buying and selling rates of the Bank of Maldives.

Maldives Monetary Authority

Boduthakurufaanu Magu

Male' 20182

Republic of Maldives

Email: mail@mma.gov.mv

Website: www.mma.gov.mv