

ANNUAL REPORT 2019



Maldives Monetary Authority

Boduthakurufaanu Magu

Male' 20182

Republic of Maldives

Email: mail@mma.gov.mv

ANNUAL REPORT 2019



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 2019 to achieve its main objectives, and the activities and developments of the MMA for the year 2019. It also covers developments in the domestic economy during 2019 and presents an overview of events in the global economy during the year. An outlook for 2020 is also included in the report. All analyses are based on information relating to the year 2019, received from relevant government authorities, financial sector agencies, public enterprises and other private sector sources. All data is as of April 2020. 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 2019 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

The Maldivian economy performed better than anticipated in 2019 with real GDP growth estimated at 5.7%, driven by the strong growth of the tourism sector. However, growth has moderated compared to 2018, largely due to the slowdown in the construction and the wholesale and retail trade activity. The slowdown in the pace of growth was mainly driven by the conclusion of several mega infrastructure projects in 2018. However, 2019 has been an exceptional year for the tourism sector, with tourist arrivals reaching a record and well above the target for the year, supported by strong global demand and increased air connectivity.



Following negative rates of inflation in the previous year, the rate of inflation picked up in 2019, although inflation continued to remain in negative territory until the end of the first quarter of the year. This was mirroring the base effects of past policy changes, such as the harmonisation of utility rates across the country and the reduction in administered prices of staple food items that came into effect in the first half of 2018. However, as these base effects dissipated, the rate of inflation edged up driven by the persistent rise in rental prices and growth in prices of specific food items. The rate of inflation though positive, remained stable and low for most part of the year.

Reflecting the exceptional performance of the tourism sector, together with the boost in re-exports and the fall in imports, the current account deficit improved in 2019, after having widened in 2018. During the year, the current account deficit was financed primarily by FDI inflows and external borrowings by the government and the private sector. Mirroring the increased net financial inflows, the gross international reserves improved in 2019.

Following a strong growth during the previous year, the growth prospects for the Maldivian economy appear dreary for 2020 amid the ongoing COVID-19 pandemic. The COVID-19 pandemic is expected to have a severe impact on the tourism sector and related sectors causing significant decline in the foreign currency earnings of the economy. Hence, the unprecedented nature of the ongoing health crisis is expected to have dire effects on the economic growth prospects of any tourism-dependent economy like the Maldives. However, with the expected decline in imports and outbound travel expenses, the current account deficit is projected to improve during 2020.

Similar to previous years, the MMA maintained a supportive monetary policy stance in 2019, to facilitate economic growth through the expansion of credit to the private sector. With the aim of maintaining exchange rate stability, the MMA continued close monitoring of the foreign exchange market and regular intervention, to ensure adequate supply of foreign exchange in the economy. Furthermore, the MMA continued to absorb excess liquidity in the banking system via the Overnight Deposit Facility and the Minimum Reserve Requirement.

The MMA continues in its efforts to promote a sound and stable financial system in the Maldives through effective monitoring and supervisory processes. As in the previous year, the financial sector continued to perform robustly during 2019, as reflected by solid capital adequacy which remained well above the regulatory minimum requirements, strong profitability ratios and asset quality maintained at the same level as 2018, across both the banking and non-banking sectors. The banking sector further expanded its outreach with the opening of two new bank branches and more ATMs across the country. The expansion of banking sector outreach is indeed an important pillar in closing the financial inclusion gap in the nation and providing access to finance to every corner of the archipelago.

Promotion of financial inclusion is one of the key priorities of the MMA under its function of fostering financial sector development. Accordingly, the MMA initiated the formulation of the National Financial Inclusion Strategy of the Maldives in 2019, as part of the efforts to sustainably achieve the financial inclusion objective. The MMA also became a principal member of the Alliance for Financial Inclusion in 2019 with the belief that the membership will allow the MMA to absorb the technical know-how in promoting financial inclusion in the country. Additionally, on the occasion of the 38th Anniversary of the institution, a “Currency Gallery” was opened within the MMA premises on 1 July 2019, showcasing the currencies that were used in the Maldives. In 2019, the MMA continued work on enhancing consumer protection, development of the Credit Guarantee Scheme, the Credit Information Bureau, the Affordable Housing Scheme and the development of payment services.

As part of the wider development of the financial sector, the ongoing work on the Payment System Development Project focused largely on the attainment of an appropriate technological solution for the concept model finalised in the previous year. The request for information (RFI) issued at the onset of the year received tremendous support with over 30 vendors expressing their interest to participate in the project to fulfil the MMA’s vision. Aided by the information received during the process, technical and functional requirement for the Instant Payment system was finalised, followed by a request for offer (RFO) issued in June 2019. In December 2019, a vendor was selected to deliver a safe and robust infrastructure for the instant payments system, which is set to virtually transform the entire financial and payment platform of the country.

The unveiling of the MMA’s Strategic Plan 2018-2022 in July 2018 pioneered by the former Governor Ahmed Naseer, highlighted the first ever medium-term blueprint to guide the MMA in strengthening the core functions of the MMA. I would like to take this opportunity to thank Mr Ahmed Naseer who served as the Governor from 24 August 2017 to 24 July 2019 for his dedication and commitment to developing the institution. For the proper implementation of this plan and to strengthen the MMA’s governance, the MMA received technical guidance from the IMF on various occasions during the year. Beyond the development of the aforementioned payment system, these measures include mechanisms to enhance the coverage, availability and quality of financial and economic statistics in the Maldives.

A robust and high performing institution is a handiwork of the collective efforts of the past and present colleagues of an institution. As such, the MMA remained committed to attract and retain the best personnel. In this regard, I am delighted to announce that a staff member of the MMA was selected to pursue postgraduate studies in Financial Technology—a highly dynamic and promising field in the financial world—while a member of the Public was awarded a scholarship in 2019 to pursue Bachelor’s degree in Economics. On a similar note, the MMA sponsored two staff to pursue professional certifications as the MMA recognises both academic and professional qualifications as an impetus in maintaining dynamic personnel. In addition, changes were brought to the organisational structure of the MMA and it is worth highlighting that the Payment Systems Section was restructured as the Payment Systems and Oversight Division and the Anti-money laundering/Combating the Financing of Terrorism Compliance Unit was established under the area for Financial Stability. Moreover, with the culmination of the one-year job rotation introduced in 2018, the year witnessed the senior management officials returning to their previous posts. The MMA will continue to ensure that our workforce remains dynamic and that our staff are resourceful and steadfast in reducing the challenges in the economic environment as well as in achieving the goals of the institution.

Although the year ahead may seem grim due to the existing uncertainties, I wish to draw from the experiences and lessons of the past year, while building on them to achieve our objectives for the year ahead. I want to extend my sincere gratitude to all my colleagues for a year of hard work, competence and commitment. I have no doubt that the dedicated staff of the MMA team will continue their efforts to address the financial and economic issues of the country and maintain monetary and financial stability in the economy.

Ali Hashim

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



Mr Ali Hashim
Chairperson (Governor)



Ms. Aishath Zahira
Deputy Governor



Ms. Idham Hussain
Assistant Governor



Uz. Ashraf Rasheed
Ministry of Finance



Mr. Ali Ihusaan
Private Sector

EXECUTIVE COMMITTEE

Mr Ali Hashim – Governor

Ms Aishath Zahira – Deputy Governor

Ms Mariyam Hussain Didi – Assistant Governor, Banking Operations

Ms Idham Hussain – Assistant Governor, Monetary Policy, Research and Statistics

Ms Mariyam Shifa – Assistant Governor, Financial Stability

Ms Fathimath Jawza – Senior Executive Director, Corporate Services

MANAGEMENT COMMITTEE

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

Ms. Hawwa Latheef – Payment Systems and Oversight Division

Abbreviations and Acronyms

ACH	Automated Clearing House
AFI	Alliance for Financial Inclusion
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
APG	Asia Pacific Group
ATMs	automated teller machines
BI	Bank Indonesia
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
e-GDDS	Enhanced General Data Dissemination System
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
IT	Information Technology
ITRS	International Transaction Reporting System
MFLC	Maldives Finance Leasing Company
MIB	Maldives Islamic Bank
MMA TI	MMA Training Institute
MOF	Ministry of Finance

MRR	minimum reserve requirement
MRTGS	Maldives Real Time Gross Settlement
NDA	net domestic assets
NFA	net foreign assets
NPL	non-performing loan
NSDP	National Summary Data Page
ODF	overnight deposit facility
OLF	overnight Lombard facility
OMO	open market operations
OPEC	Organization of the Petroleum Exporting Countries
PSP	Public Sector Investment Programme
PSPs	payment service providers
RBI	Reserve Bank of India
RFI	Request for Information
RFO	Request for Offer
SAARC	South Asian Association for Regional Cooperation
SARTTAC	South Asian Regional Training and Technical Assistance Center
SDFC	SME Development Finance Corporation
SMEs	small and medium-sized enterprises
SOEs	state-owned enterprises
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
WAIR	weighted average interest rate
WBG	World Bank Group

Contents

i	PREFACE
iii	GOVERNOR'S STATEMENT
vii	FUNCTIONS OF THE MALDIVES MONETARY AUTHORITY
viii	BOARD OF DIRECTORS
ix	EXECUTIVE COMMITTEE
x	MANAGEMENT COMMITTEE
xi	ABBREVIATIONS AND ACRONYMS
1	ECONOMY IN 2019
4	Overview
7	MACROECONOMIC DEVELOPMENTS
8	International Economic Developments
8	Output
11	Inflation
13	Commodity Prices
15	Exchange Rates
16	Domestic Economic Developments
16	Real Economy
23	Inflation
27	Public Finance
36	Monetary Developments
42	Financial Sector
54	External Sector
67	Outlook for 2019
69	DIGITALISATION AND INNOVATION
75	INTERNAL MANAGEMENT, POLICIES AND ORGANISATIONAL DEVELOPMENTS
76	Monetary Policy
76	Monetary Policy Framework
76	Implementation of Monetary Policy
78	Reserve Management
79	Financial Stability
79	Developments to the Regulatory Framework of the Financial Sector

80	Licensing, Supervision and Other Regulatory Activities
81	Development of the Financial Sector
83	Measures Taken to Prevent Financial Crimes
85	Currency, Banking and Payment Systems
85	Currency
86	Payment Systems
87	Maldives Payment System Development Project
88	Mobile Payment Services
88	Banking Services to the Government
89	Economic Research and Statistics
89	Economic Research
89	Economic Surveys
90	Statistics
91	Governance
91	Board of Directors
91	Audit Committee
91	Executive and Management Committee
92	Internal Audit
92	Shari'ah Council
93	Risk Management
94	Human Resources
97	Operational Infrastructure
98	International Relations
98	International Monetary Fund
100	SAARCFINANCE Network
100	Other Institutions
100	Participation at International Meetings and Forums
103	ANNUAL FINANCIAL STATEMENTS
177	STATISTICAL APPENDIX

ECONOMY IN 2019



ECONOMIC HIGHLIGHTS 2019



TOURISM

15%

Tourist arrivals growth

Tourist arrivals growth remained robust driven by strong demand amid rigorous promotional activities and increased air connectivity.

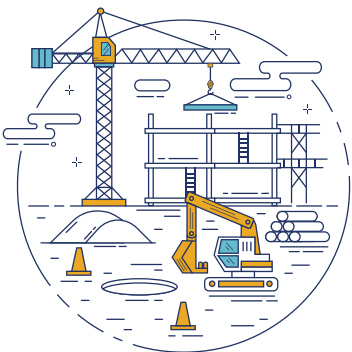


FISHERIES

3%

Fish purchases growth

The fisheries sector moderated as reflected by the modest growth in fish purchases by fish processing companies and the sizeable decline in the quantity of fish exports.



CONSTRUCTION

17%

Decline in construction-related imports

Construction sector growth slowed down, largely reflecting the completion of majority of the large scale public infrastructure projects, towards the end of 2018.



INFLATION

0.2%

Inflation rate

Average annual rate of inflation edged up, reflecting the dissipation of base effects of policy changes that came into effect in the second quarter of 2018 and the persistent growth in housing rent.



PUBLIC FINANCE

6.3%

Fiscal deficit as a percentage of GDP

Higher current expenditure, despite solid revenue growth, widened the fiscal deficit.



MONEY AND CREDIT

8%

Private sector credit growth

Private sector credit growth moderated following strong growth in 2018.



FINANCIAL SECTOR

10%

Annual growth in total assets of banks

The performance of the banking sector continued to be robust in 2019, with capital adequacy, asset quality and profitability ratios remaining strong.



EXTERNAL SECTOR

26%

Current account deficit as a percentage of GDP

The current account deficit narrowed driven by strong travel receipts and declining imports, reflecting the slowdown in infrastructure investment.

Despite a broad-based slowdown in the economies of major trading partners, the Maldivian economy continued to grow robustly in 2019, although the pace of growth moderated. According to forecasts made by the MMA and Ministry of Finance (MOF) in October 2019, real Gross Domestic Product (GDP) grew by 5.7% in 2019, which is higher than the initial growth forecast of 5.4% for the year, although lower than the 6.9% growth in 2018. Growth in 2019 was mainly driven by the exceptional performance of the tourism sector, on the back of strong global demand and increased air connectivity. The moderation in GDP growth over 2018 largely reflected the slowdown in the construction sector growth, mainly owing to the completion of the majority of large scale public infrastructure projects towards the end of 2018, and the weakening of activity in the wholesale and retail trade sector.

The average annual rate of inflation based on the national Consumer Price Index (CPI) remained low in 2019, although it edged up to 0.2% after recording a negative 0.1% in 2018. The pickup in inflation largely reflected the dissipation of base effects and the persistent surge in housing rent, while the decline in domestic fish prices (one of the most volatile components of CPI) had a dampening effect on the growth rate of the CPI.

With regard to fiscal developments, despite the buoyant growth in revenue, the overall fiscal deficit widened to 6.3% of GDP in 2019 from 5.2% in 2018, driven primarily by a surge in recurrent expenditure. In 2019, the growth in revenue entirely reflected the increase in tax revenue, as non-tax revenue recorded a decline. Meanwhile, the growth in recurrent expenditure stemmed mainly from expenses incurred as losses and write-offs and was further exacerbated by spending

on medical consumables as well as grants, contributions and subsidies. Conversely, capital expenditure registered a decline during the year, reflecting delays in the procurement process of the new projects planned for the year, which resulted in muted expenditure growth on Public Sector Investment Programme (PSIP) projects for the most part of the year. In 2019, the fiscal deficit was financed mainly through domestic sources—primarily treasury bills. Meanwhile, total public debt (excluding publicly guaranteed debt) increased to MVR54.2 billion (62% of GDP) at the end of 2019.

In 2019, the monetary policy stance of the MMA continued to be supportive in facilitating economic growth through strong credit growth of the private sector. In 2019, broad money growth accelerated, driven mainly by the surge in net foreign assets. Despite the increase in commercial banks' investment in government securities and credit extended to private sector, the net domestic assets of the banking system remained broadly unchanged in 2019, owing to the decline in net domestic assets of the MMA.

With regard to financial sector performance, the sector remained strong during 2019, as depicted by key indicators across both the banking and non-bank financial institutions. Capital adequacy observed an improvement during the year, while profitability remained robust and asset quality was maintained at the same level relative to 2018. Meanwhile, non-performing loans (NPL) as a percentage of total loans remained steady at 9% during the year. The performance of finance companies remained satisfactory, with strong capital ratios, low NPLs as well as growth in profitability. As for

the insurance industry, continued growth was recorded in terms of gross written premiums (GWP) and profitability.

As for developments in the balance of payments (BOP), owing to the growth in travel receipts from the strong performance of the tourism sector, the current account deficit narrowed to 26% of GDP during 2019. This was aided by the improvement in the merchandise trade deficit, mirroring the sizable growth in re-exports together with a decline in imports. However, this growth was offset to an extent by a surge in both workers'

remittances as well as re-investment of earnings by the tourism sector. In 2019, the estimated inflows on the financial account increased due to increased inflows from foreign direct investments and borrowings by the government and the private sector. As the deficit on the current account was outpaced by inflows on the financial account, the overall balance of payments recorded a surplus of US\$41.7 million. Reflecting these developments, the gross international reserves (GIR) improved to US\$753.0 million at the end of 2019.

MACROECONOMIC DEVELOPMENTS



International Economic Developments

Output

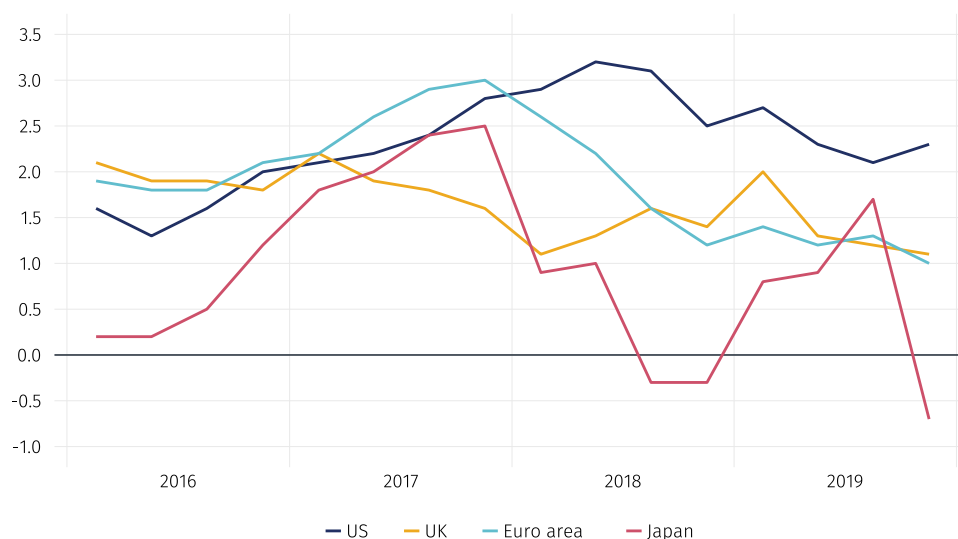
The moderation in global economic expansion seen in 2018 extended into 2019, as broad-based slowdown was observed for most economies, resulting in dampened market confidence and investment, against the backdrop of prevailing trade tensions and geopolitical uncertainties. Meanwhile, although inflationary pressures picked up towards the end of 2019, headline inflation was muted for most of 2019, owing to country-specific factors and lower commodity prices.

Global economic expansion weakened further in 2019, as broad-based slowdown was observed in most of the economies. Meanwhile, the persistent global trade tensions and geopolitical uncertainties further added to this downturn, resulting in a deceleration and dampening of economic activity. Hence, global growth¹ was estimated at 2.9% for 2019, a major drop from the 3.7% estimated for 2018. This was on account of geopolitical and social disputes in some of the advanced economies and negative surprises in few of the emerging market

and developing economies. However, the economic conditions were more favourable in the latter during the year.

Looking at the advanced economies, the United States (US) real GDP growth slowed to 2.3% in 2019, from 2.9% in 2018, falling below the government's target rate for the year (Figure 1). This deceleration in growth was largely owing to weakening non-residential fixed investment; and downturn in exports resulting from worsened business investment and relations with trading

Figure 1: Real GDP Growth in the Advanced Economies, 2016 - 2019
(annual percentage change)



Source: Bloomberg Database

¹International Monetary Fund, 'World Economic Outlook Update - January 2020'.

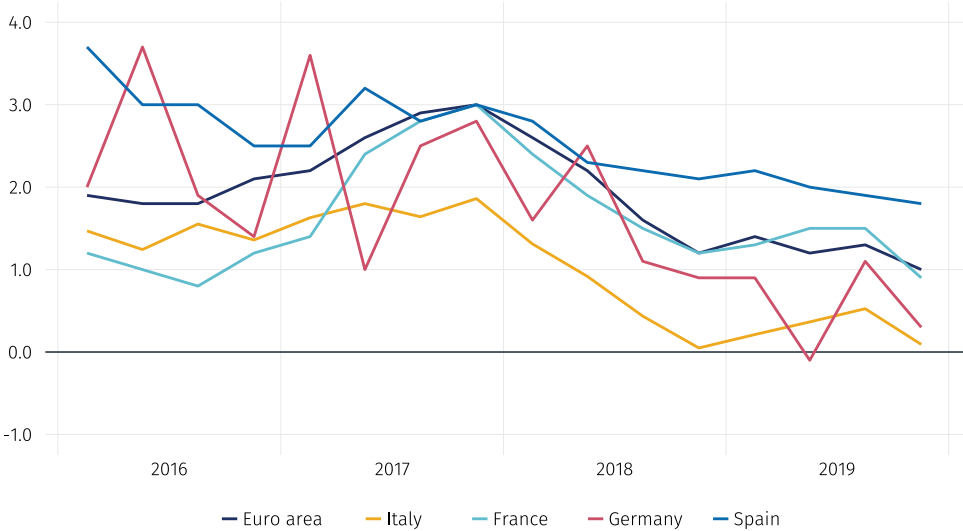
partners. In addition, despite the fall in the rate of unemployment, the deceleration in personal consumption expenditure—the main driver of the economy—further added to the moderation in GDP growth. However, the moderation was partially curbed by accelerated spending of the federal as well as state and local governments, which contributed positively to GDP growth in the year.

In the euro area, economic activity stagnated on the back of dampened manufacturing output and investment growth, mirroring trade-related uncertainties as well as some country-specific factors. Accordingly, GDP growth in the euro area decelerated to 1.2% in 2019 from 1.9% recorded in 2018 (Figure 2). Private consumption was the prominent contributor to growth, reflecting improved labour market conditions and income-aiding fiscal measures amid stable unemployment rates. In addition, favourable financing conditions and the resilience of both construction and services sectors supported growth in

the region. Looking at the main euro area economies, the export-oriented German economy witnessed a marked deceleration in growth reflecting weakened industries and external demand. Likewise, growth in France slumped as a result of the ongoing protests on pension reform, while activity in Italy decelerated due to subdued investment and domestic demand. Meanwhile, the slowdown in the Spanish economy was contributed by stagnated private consumption and investment.

In Japan, real GDP growth remained in positive growth territory for most part of 2019, further extending its longest growth streak since the global financial crisis. Growth accelerated to 0.7% in 2019, up from 0.3% in 2018, on the back of improving government consumption, private investment and strong labour market. However, growth of the economy slowed towards the end of the year, affected by falling output and consumption as a consequence of the value-added tax (VAT) hike in October 2019 and typhoon ‘Hagibis’ that hit in mid-October. These

Figure 2: Real GDP Growth in the Euro Area, 2016 - 2019
(annual percentage change)



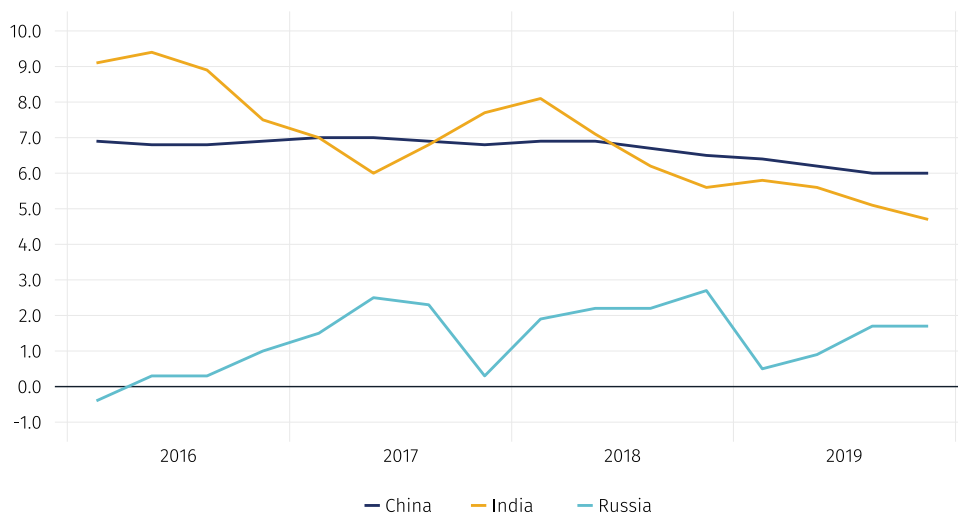
Source: Bloomberg Database

developments, coupled with global trade tensions further exacerbated exports, which contributed negatively to growth during the year.

In the United Kingdom (UK), GDP growth accelerated slightly and stood at 1.4% in 2019, reflecting a robust services sector—the main driver of the economy—despite the prevalent uncertainty amid the Brexit deal and trade tensions. However, growth in the economy was volatile during the first half of the year, reflecting the impact of political uncertainties on the performance of key industries. Consequently, the impact was more pronounced in both the production and the manufacturing industry with negative value-addition from these industries; followed by decline in value-addition from the financial services and the insurance industry. In addition, for the most part of the year, consumer and business confidence was subdued, despite improved labour market conditions.

Turning to the emerging markets and developing economies, a broad-based slowdown was observed owing to country-specific factors, in addition to the factors abroad (Figure 3). In China, the pace of growth followed a decelerating path for the most part of the year, and declined to 6.1% in 2019. Nevertheless, the economy remained resilient despite the incremental downward pressures arising from US-China trade tensions, which had weakened market sentiments and external demand. Domestic consumption continued to be the main driver of growth due to robust domestic demand and stable labour market, as the economy continued its transition to a consumption-driven economy. In addition, improvements in industrial production and services arising from diversification added to the resilience of the economy. Additionally, capital formation and foreign trade contributed positively to the GDP growth amid the downside factors.

Figure 3: Real GDP Growth in Emerging Markets and Developing Economies, 2016 - 2019
(annual percentage change)



Source: Bloomberg Database

India's economic growth decelerated and stood at 5.3% in 2019, reflecting suppressed domestic demand owing to the credit crisis, which rose from the stress in the non-bank financial sector; and industry-wide slowdown, except for the primary industries, as well as financial services, real estate and professional services industry. The slow rate of expansion stemmed from the extension of weakness in the manufacturing industry, falling exports as well as weakened private investment. The drags on the economy also reflected the repercussions of the global economic slowdown and the persistent geopolitical tensions.

The Russian economy witnessed a downturn and registered a growth of 1.3%—the lowest growth since 2016 and down from 2.3% in 2018—driven by subdued external demand and business sentiment amid the global economic slowdown. During the first half of the year, growth was suppressed due to decline in industrial production and weakened domestic demand owing to the VAT implementation that had lowered disposable income. However, economic growth picked up in the second half of the year owing to temporary factors such as good harvest, rise in industrial production and increased domestic demand due to subdued consumer prices. On the other hand, during the period, growth was curtailed to an extent by fall in exports.

Inflation

Against the backdrop of trade tensions and geopolitical uncertainties, headline inflation rates fell across advanced economies, while headline inflation picked up in most of the emerging markets and developing economies during 2019. However, inflationary pressures saw an upturn towards

the end of the year in most of the countries in both the groups. Core inflation remained muted and below the central banks' target levels in most countries in both the groups, reflecting suppressed energy prices and the widespread effect of economic uncertainties across the economies; despite the improvements in the labour market.

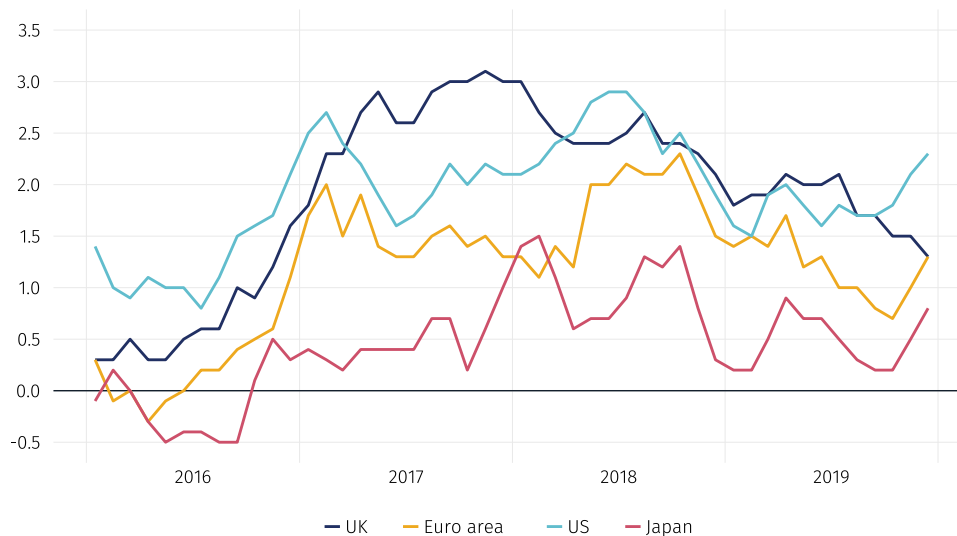
With respect to the inflation trends observed in the advanced economies, inflation in the US edged down during the year, largely reflecting movements in energy prices (Figure 4). Headline inflation stood at 1.8%, slightly below the Federal Reserve's inflation target of 2.0%, recording a deceleration from 2.4% in 2018. As such, prices of non-energy services, housing and food-related items drove inflation during the year. However, the decline in prices of energy-related item, reflecting lower fuel prices, coupled with the decline in prices of apparel pulled down the rate of inflation.

In the euro area, the rate of inflation as measured by the Harmonised Index of Consumer Prices (HICP), decelerated to 1.2% in 2019, down from 1.8% in 2018, moving further below the European Central Bank's (ECB) target inflation rate of 2.0%. As such, major contributors to inflation in the region were prices of services, followed by food, including alcohol and tobacco, which offset the year round negative contributions from telecommunications.

After a moderate increase in inflation in 2018, the annual rate of inflation reverted back to 2017 rate of 0.5% during the year, far below the Bank of Japan's target rate of 2.0%. The decline in inflation was largely brought on by the decline in price of fresh vegetables and food, coupled with lower communication and transportation prices. Meanwhile, growth in prices of food items (excluding

Figure 4: Inflation in the Advanced Economies, 2016 - 2019

(annual percentage change)



Source: Bloomberg Database

fresh food), together with the increase in prices in the culture and recreation category partially curbed the downturn in prices in the economy.

In the UK, the rate of inflation decelerated to 1.7% in 2019, down from 2.3% in 2018, and falling below the Bank of England’s target rate of 2.0%. While falling footwear and garment prices have continued to suppress inflationary pressure in the economy, upward contributions from restaurants and cafés; and accommodation services have controlled disinflationary factors. Additionally, amid the Brexit-related uncertainties, price of new cars and maintenance of personal transport equipment contributed positively to inflation during the year.

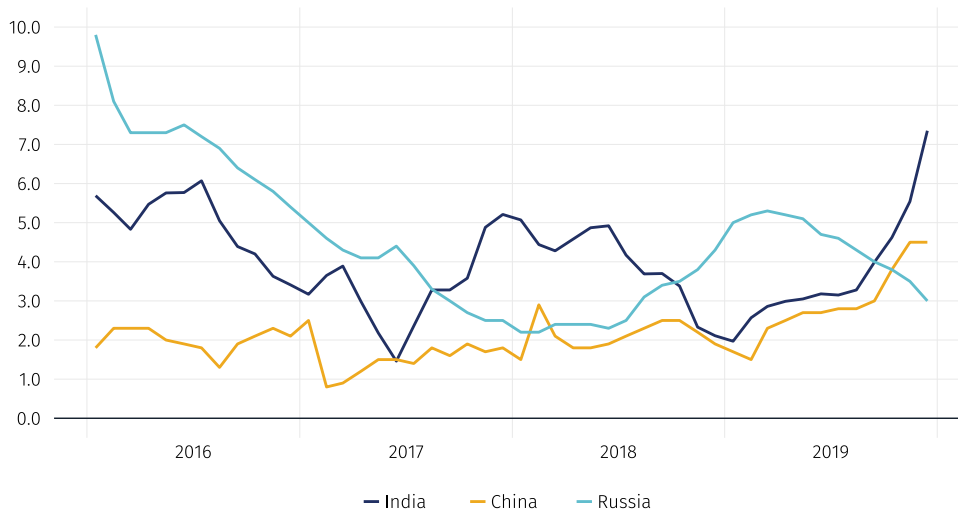
Turning to price developments within the emerging markets and developing economies, inflation in China accelerated to 2.9%, up from 2.1% the previous year, hovering close to the 3.0% target rate of the People’s Bank of China (Figure 5). The acceleration in prices stemmed primarily

from soaring food prices, reflecting higher pork and fresh food prices throughout the year due to supply disruptions. Meanwhile, disinflationary pressures broke from prices of transportation and communication; healthcare and prices of residence during the year.

Inflation in India rose to 7.7% in 2019, showcasing a major increase from the previous year’s 4.9%. The growth in prices was more pronounced during the first half of the year, due to higher prices of items in the miscellaneous group owing to a rise in health and education prices. Meanwhile, towards the end of the year, inflationary pressure was driven by food and beverages, notably prices of vegetables and pulses, together with the year-round positive contribution from the miscellaneous items; followed by the fuel and light prices.

In Russia, prices accelerated and registered above the targeted level of 4.0% set by the central bank of Russia. As such, the rate of inflation stood at 4.5% in 2019,

Figure 5: Inflation in Emerging Markets and Developing Economies, 2016 - 2019
(annual percentage change)



Source: Bloomberg Database

up from the 2.9% recorded during 2018. The acceleration was more pronounced during the first half of the year, reflecting the base effects of the VAT hike introduced in the beginning of 2019. However, the growth in prices began to lose momentum during the latter half of the year, due to the year-round appreciation of the ruble; and falling food and oil prices, partly arising from both the fading base effects of VAT as well as supply-side factors.

Commodity Prices

Following the strengthening in 2018, global commodity prices lost momentum in light of weakening demand and industrial production amid global economic slowdown and prevalent geopolitical uncertainties. According to the World Bank commodity price index, global commodities prices observed a marked decline during the year, primarily reflecting muted growth in prices of all commodities. Consequently, both energy and non-energy prices posted a decrease

from the previous year with weakness in global goods trade weighing on commodity demand (Figure 6).

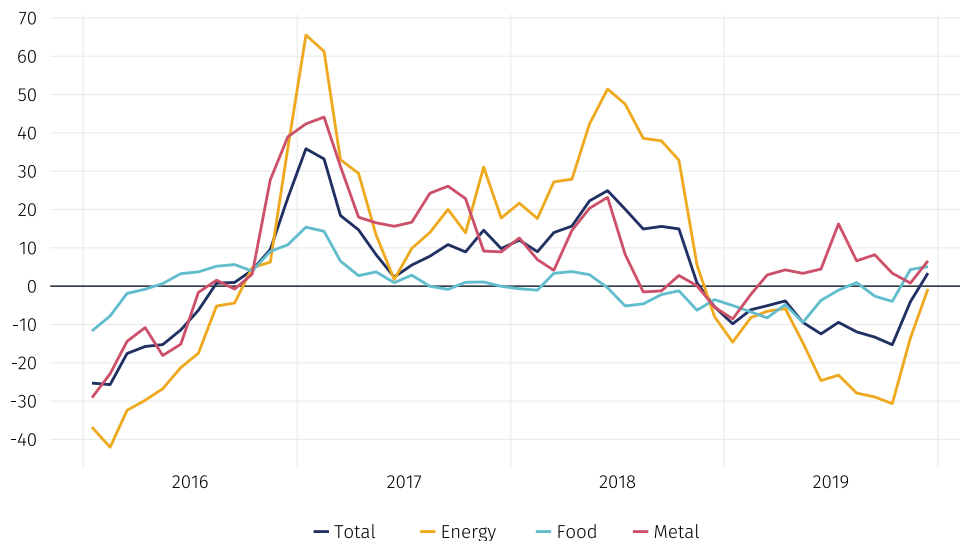
The World Bank energy price index showed a notable decline of 13%, down from the 28% growth posted during the previous year. Concurrently, average crude oil prices² slumped to US\$61.4 per barrel, from US\$68.3 per barrel recorded in 2018. For the most of 2019, upward movements in oil prices supported by supply-side factors were short-lived. However, despite supply shortfalls, it is noteworthy that the higher-than-anticipated global economic slowdown and weak demand throughout 2019, settled the prices on the lower end.

The extension of the agreement by the Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC oil producers to curb oil production at the onset of the second half of 2019; together with mounting geopolitical tensions and disaster-led supply disruptions, rallied the growth in oil prices during 2019. Following the drop in oil prices

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

Figure 6: Global Commodity Price Indices, 2016 - 2019

(annual percentage change)



Source: Bloomberg Database

In December 2018, prices peaked in April 2019 due to favourable oil market fundamentals amid tighter global oil supply, largely arising from the contamination of Russian Urals via the Druzhba pipeline; and the strong conformity of the countries participating in the Declaration of Cooperation. Further, prices were supported by the fall in oil production in the US, Iran and Venezuela. This was driven by geopolitical tensions and social unrests, as well as the US sanctions on the shipping companies of Iranian oil from China. Additionally, further reduction in the Saudi Arabian oil production due to the September attacks, also supported prices from the supply front.

On the demand-side, while peak in oil prices were driven by strong demand, particularly from the Asia Pacific, fall in industrial production and global vehicle sales amid the broad-based global economic downturn, offset the peak in prices during the year. Consequently, oil consumption observed a slowdown owing to the weakening demand across the globe.

Non-energy prices showed a decline of 4% during 2019, reflecting a decline in all major commodities in the non-energy category. Although prices rose till the end of April, metal prices fell considerably in annual terms during the first half of 2019 aided by the expectation of a potential trade agreement between the US and China, coupled with the expected recovery of manufacturing activity. However, prices receded substantially after May and remained subdued during the second half of the year. Weaker prices were primarily driven by weak industrial demand against the backdrop of unsuccessful negotiations between the US and China on the trade deal in the production of most base metals.

Looking at the other major commodities in the non-energy category, the World Bank food price index recorded a decline of 4% during 2019, after remaining largely unchanged in 2018. In this regard, a notable decline was observed for prices of oils and meals, reflecting the trade tensions between the US and China; expectations of

favourable harvests for soybean and palm oil; and due to reduced animal feed use amid the African swine fever. However, the growth in prices of some of the grains partially constrained the decline in the food prices. Meanwhile, as observed in 2018, prices of beverages fell owing to declines in the prices of coffee and tea.

Exchange Rates

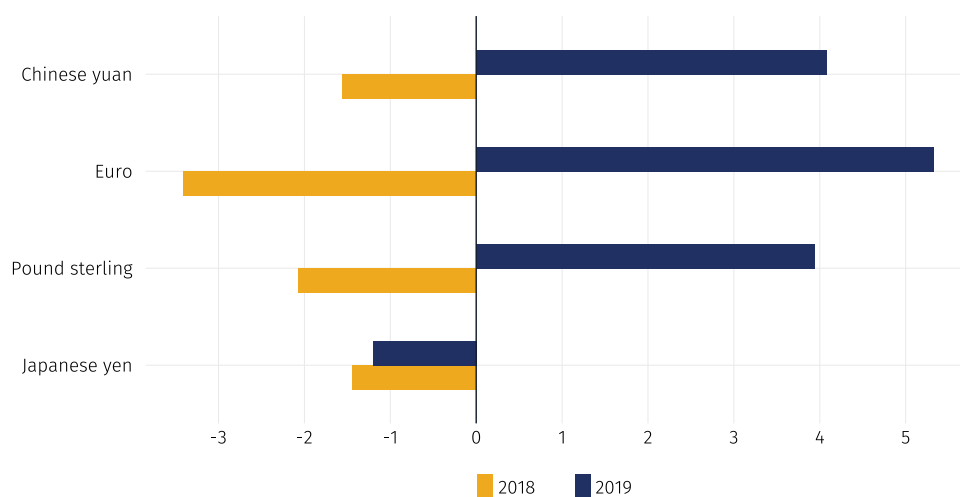
Following strong appreciation during the initial part of the year, the performance of the US dollar varied towards the end of 2019. In this regard, the US dollar closed higher against the euro and the Chinese yuan, despite closing lower against the pound sterling and the Japanese yen. It is worth noting that the appreciation of the US dollar slowed from rates observed in the previous year, signalling a weakening of the US dollar (Figure 7).

The US dollar appreciated by 2% against the euro at the end of the year. This was largely reflecting the fall in the value of the euro, mirroring the continued effect

of ECB’s quantitative easing and negative interest rate policy, amid weaker growth prospects and muted inflation in the region. Likewise, the US dollar appreciated against the Chinese yuan, reflecting the risk aversion arising from the trade tensions between the US and China. However, the pace of appreciation of the US dollar against the Chinese yuan slowed, with the anticipation of the phase-one deal between the two nations towards the end of the year.

Meanwhile, the US dollar depreciated by 4% against the pound sterling at the end of 2019, on the back of the expectation of reduced risk of Britain leaving the European Union. The appreciation in value of the pound sterling has been sensitive to the political as well as Brexit-related developments. Similarly, the US dollar depreciated against the Japanese yen at the end of 2019, mainly due to risk aversion behaviour of the investors amid trade tensions. This was reflecting higher demand for the Japanese yen in the latter months of the year as the Japanese yen is considered as a safe-haven asset.

Figure 7: Changes in the Exchange Rates of Major Currencies against the US Dollar, 2018 - 2019
(annual percentage change)



Source: Bloomberg Database

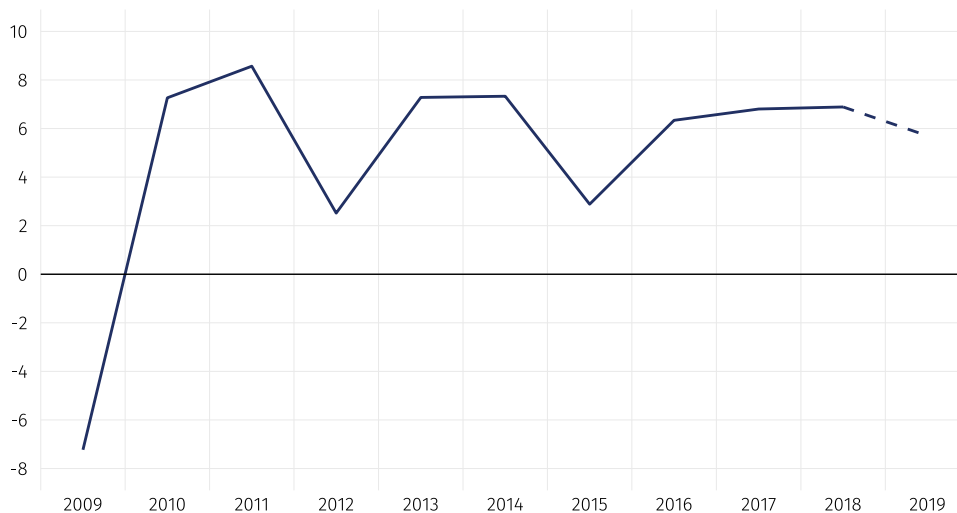
Note: Percentage changes have been calculated using yearly averages of monthly rates.

Domestic Economic Developments

Real Economy

The Maldivian economy is estimated to have grown by a robust 5.7% in 2019 (higher than the initial growth forecast of 5.4% for 2019), according to forecasts made by the MMA and MOF in October 2019, although the pace of growth moderated from 6.9% in 2018 (Figure 8). In 2019, growth was mainly driven by the exceptional performance of the tourism sector on the back of strong global demand and increased air connectivity. Consequently, activity in tourism-related sectors such as transport and communications also expanded and contributed positively to growth. In contrast, following strong growth in the last few years, activity in the construction sector slowed significantly in 2019, while wholesale and retail trade activity also weakened, which contributed to the slowdown in pace of overall economic growth during the year. The weakening of construction sector growth during the 2019 reflected the completion of the majority of large scale public infrastructure projects towards the end of 2018, and delays in the tendering and initiation of government projects planned for 2019.

Figure 8: Real GDP Growth, 2009 - 2019
(annual percentage change)



Source: National Bureau of Statistics, Maldives Monetary Authority, Ministry of Finance
Note: Dashed line represents estimate as of October 2019.

Tourism

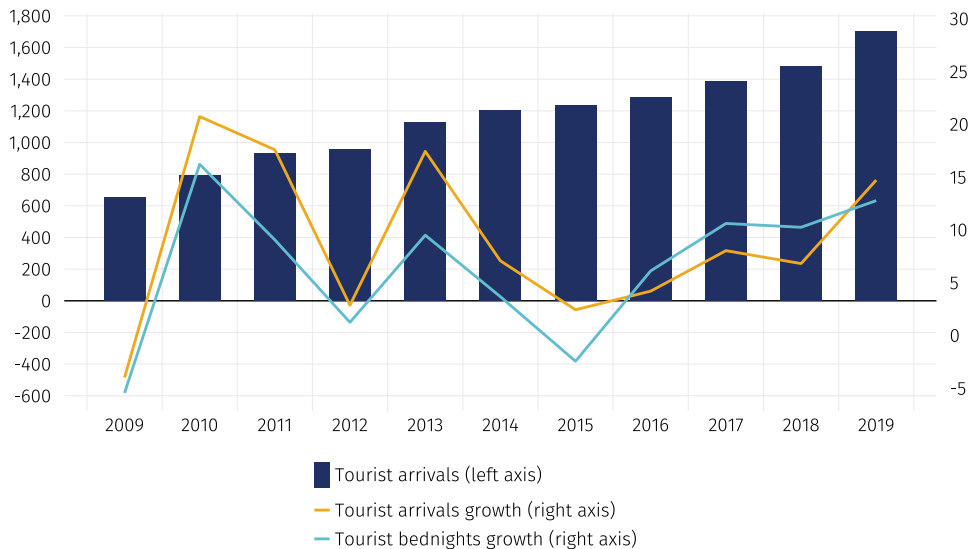
Despite the global economic slowdown, the tourism sector remained robust throughout 2019 driven by a record level of arrivals reflecting strong demand from major source markets amid rigorous promotional activities and opening of new resorts. In light of these developments, tourist arrivals grew annually by 15% in 2019 and reached a record 1,702,887 (Figure 9). In 2019, tourist bednights posted a growth of

13% as the average stay fell marginally to 6.3 days from 6.4 days in 2018. Against this backdrop, total tourism receipts recorded an annual growth of 4% and totalled US\$3.2 billion in 2019, up from US\$3.0 billion in 2018.

The record level tourist arrivals during 2019 was bolstered further by increased air connectivity, reflecting the increased flight movements from existing airlines, coupled

Figure 9: Tourism Indicators, 2009 - 2019

(thousands, annual percentage change)



Source: Ministry of Tourism

with the commencement of new airlines. Flight movements observed a significant increase of 15%—a surge of over 1600 flights when compared with 2018. New airlines commenced during the year included Blue Panorama, Gulf Air and Air Italy.

The remarkable growth in tourist arrivals in 2019 reflected the rise in arrivals from major source markets, with the European market remaining as the dominant market for three consecutive years, followed by the Asia and the Pacific market (Figure 10). The market share of tourist remained unchanged from 2018, with arrivals from the European market constituting 49% of the total arrivals and increasing by 15% during 2019. Within the European market, the main market was Italy, followed by Germany, Russia and the UK. Meanwhile, tourist arrivals from the Asia and the Pacific market constituted 41% of total arrivals in 2019 and registered a growth of 13%. This was mainly driven by the tremendous growth of the Indian market, which recorded a growth of 84% during the period, becoming the single largest contributor to the growth in arrivals

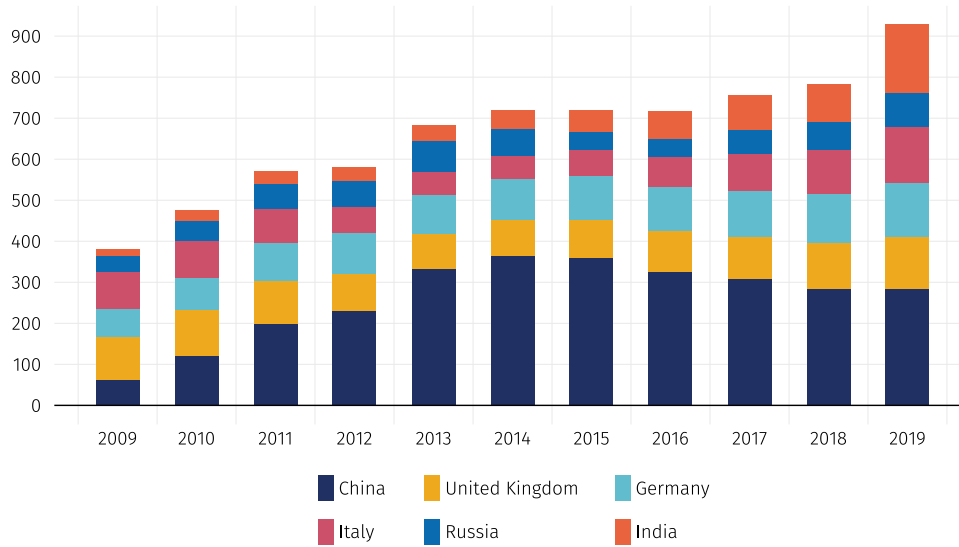
in 2019. Meanwhile, arrivals from China—the largest source market—also recorded an increase, after declining in 2018 (Figure 11).

On the supply side, with the opening of 19 new resorts during the year, the total number of resorts reached 164 at the end of 2019. Similarly, the registered number of guesthouses and safari vessels increased by 87 and 10, respectively. As for bed capacity, the average operational bed capacity³ increased by 13%, largely due to the additional beds from new establishments. As the operational bed capacity expanded at the same rate as tourist bednights, the occupancy rate of the industry remained broadly unchanged at 62% in 2019, while that of resorts stood at 74% (Figure 12).

In 2019, the performance of the Maldivian tourism sector was significantly better than international tourism trends. According to the World Tourism Barometer, international tourist arrivals grew by an annual 4% and totalled 1.5 billion in 2019, while arrivals to the Asia and Pacific moderated and grew by 5%.

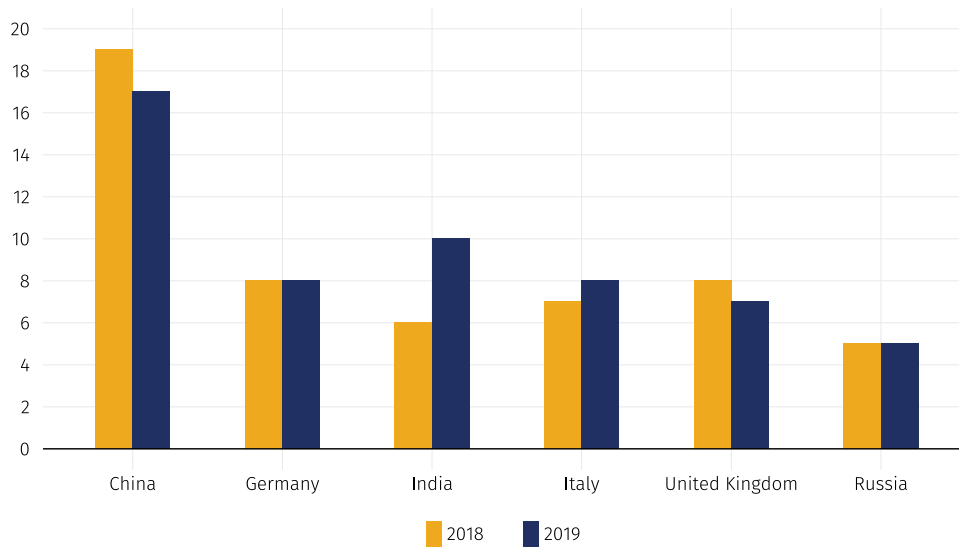
³ The average operational bed capacity refers to the number of beds in operation, not the registered number of beds.

Figure 10: Tourist Arrivals from Major Inbound Markets, 2009 - 2019
(thousands)



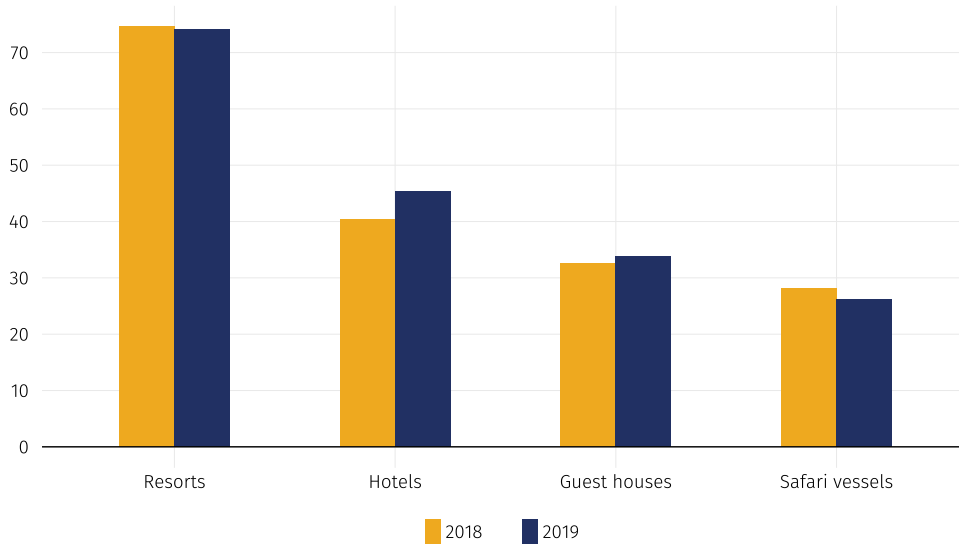
Source: Ministry of Tourism

Figure 11: Shares of Key Inbound Markets, 2018 - 2019
(percent)



Source: Ministry of Tourism

Figure 12: Occupancy Rates for the Tourism Industry, 2018 - 2019
(percent)



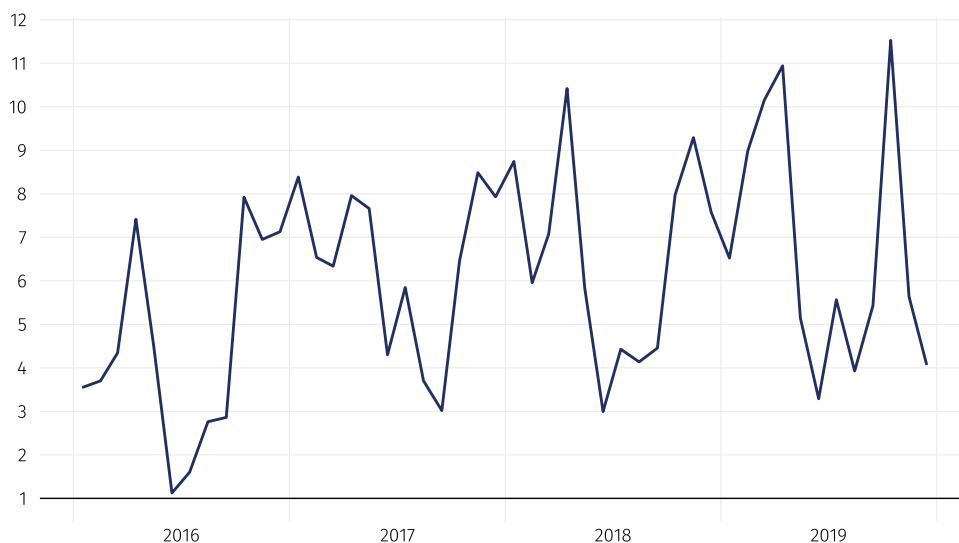
Source: Ministry of Tourism

Fisheries

Activity in the fisheries sector moderated for the second consecutive year, as indicated by the modest growth of fish purchases by fish processing companies and the sizeable decline in the volume of fish exports. In 2019, the volume of fish purchases increased annually by 3% and amounted to 81.2 thousand metric tonnes (Figure 13) driven by the positive turnaround

in yellowfin tuna purchases, after recording a considerable decline in 2018. Meanwhile, the decline in skipjack tuna and other high-value fish purchases partly offset the rise in yellowfin tuna purchases. It is noteworthy that both skipjack and yellowfin tuna collectively continued to account for 98% of total fish purchases.

Figure 13: Fish Purchases, 2016 - 2019
(thousand metric tonnes)



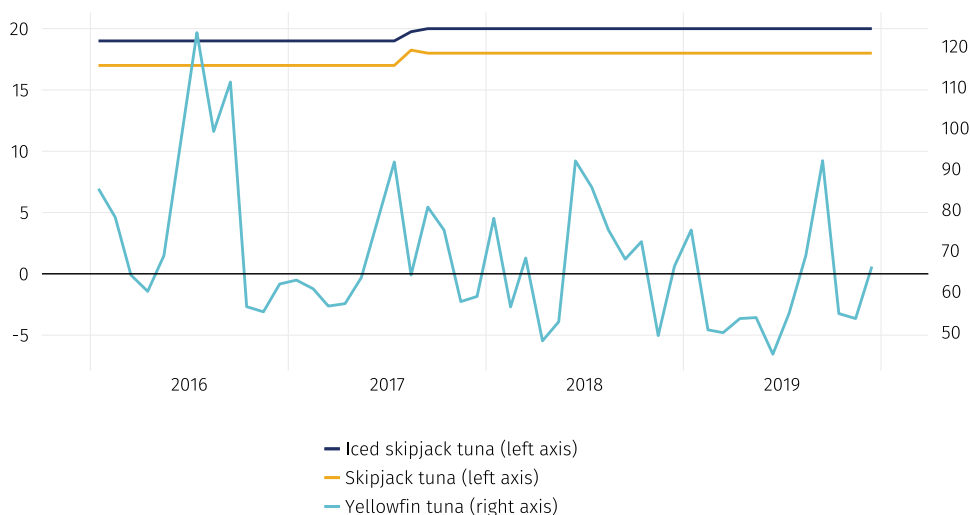
Source: Ministry of Fisheries, Marine Resources and Agriculture

Meanwhile, prices of both fresh and iced skipjack tuna were maintained by the local fish processing companies at the revised prices of August 2017, while the average price of yellowfin tuna further declined in 2019 (Figure 14). In the international market, price of yellowfin tuna averaged MVR253.1 per kilogram, while the average price of skipjack tuna further declined in 2019 and averaged

MVR18.1 per kilogram (Figure 15 and 16).

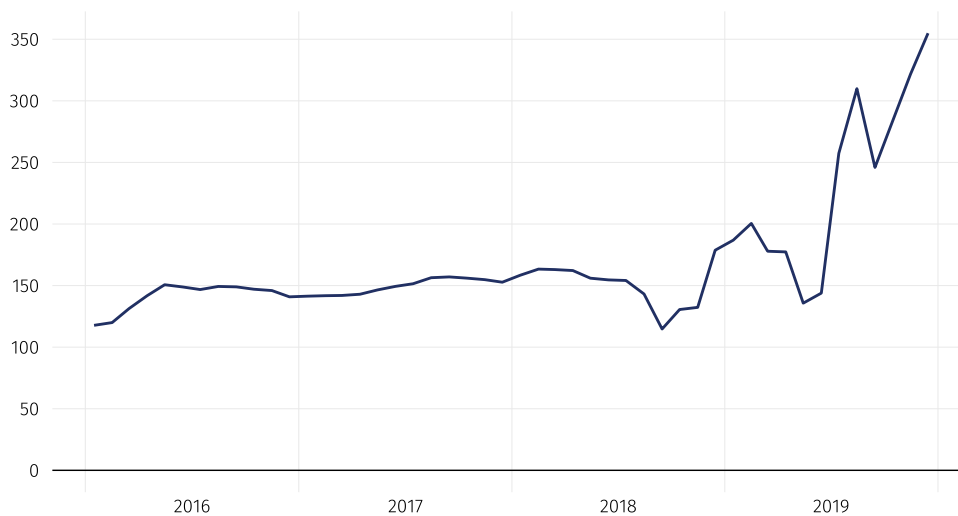
As for the volume of fish exports, a 14% decline was observed in annual terms, largely on account of declines in the export volume of frozen skipjack tuna; and canned or pouched tuna, which fully offset the increase in yellowfin tuna exports (Figure 17).

Figure 14: Prices Paid for Fish by Local Processing Companies, 2016 - 2019
(rufiyaa per kilogram)



Source: Ministry of Fisheries, Marine Resources and Agriculture

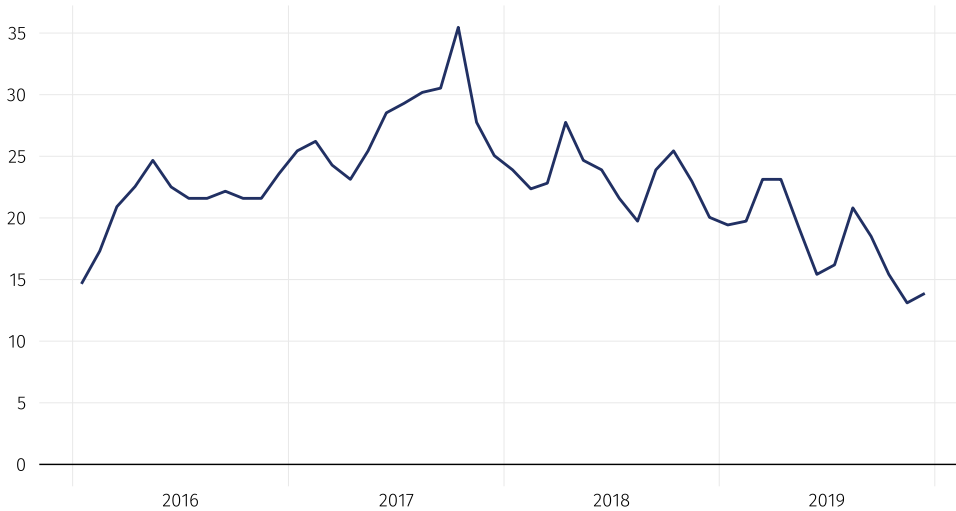
Figure 15: Yellowfin Tuna Prices, 2016 - 2019
(rufiyaa per kilogram)



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

Figure 16: Skipjack Tuna Prices, 2016 - 2019

(rufiyaa per kilogram)

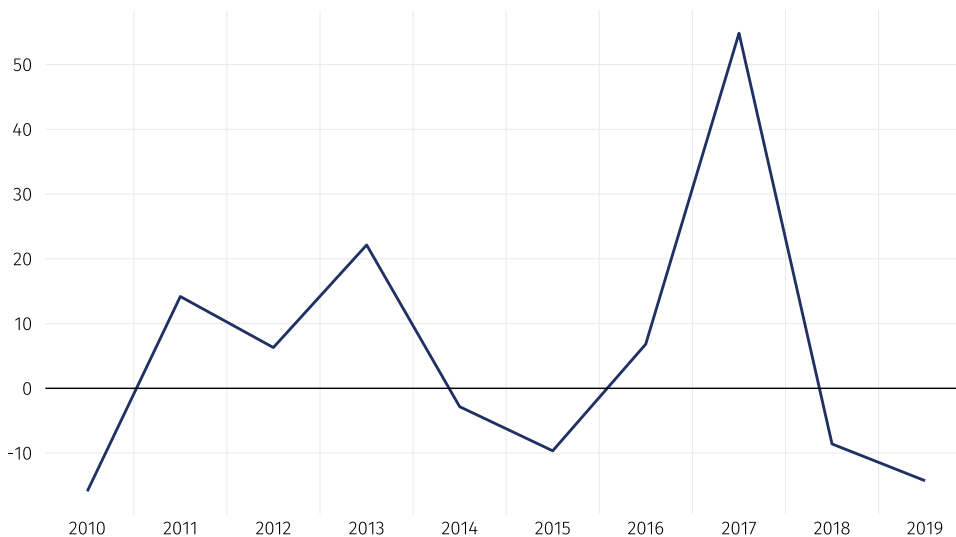


Source: Ministry of Fisheries, Marine Resources and Agriculture

Note: Prices are based on Bangkok frozen market prices.

Figure 17: Volume of Fish Exports, 2010 - 2019

(annual percentage change)



Source: Maldives Customs Service

Construction

After three consecutive years of strong growth, activity in the construction sector registered a slowdown in 2019 as majority of the large scale public infrastructure projects, such as the China-Maldives Friendship

Bridge and the Dharumavantha Hospital project concluded in 2018. In addition, the slowdown also reflected delays in tendering and initiation of public infrastructure projects planned for 2019. However, the

expansion in private investment in tourism and residential housing provided some impetus to the construction sector growth.

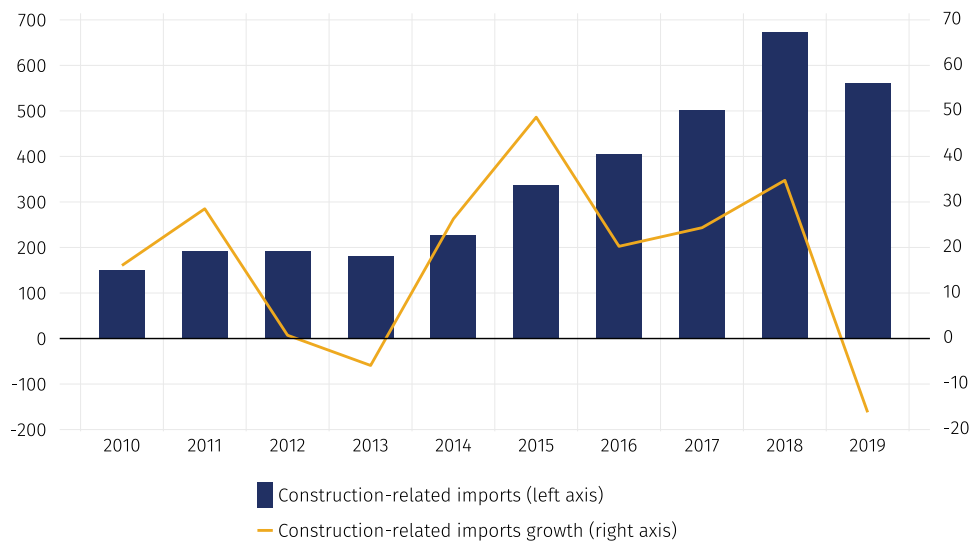
According to high frequency indicators, the construction sector showed mixed developments in 2019. For example, construction sector-related imports dropped by 17% in annual terms during the year, following a positive growth of 34% in 2018 (Figure 18). Meanwhile, commercial bank credit to the sector⁴ moderated, recording an annual growth of 6%, down from 21% in 2018 and accounted for 51% of total private sector credit. The growth in construction sector-related loans were largely due to the increase in loans extended for the construction of residential housing projects; and credit lent for new resort development. It should however be noted that a considerable share

of financing for resort development projects are sourced from abroad, while funding for public infrastructure projects are obtained from the government budget and through external borrowings.

Wholesale and Retail Trade

The performance of the wholesale and retail trade sector weakened in 2019, as indicated by the quarterly national accounts estimates for the first three quarters of 2019. In this regard, the expansion in private sector imports (excluding tourism) decelerated and registered an annual growth of 6%, down from 16% during the preceding year. Similarly, annual growth rate of commercial bank credit to the sector was negative for most part of 2019.

Figure 18: Construction-related Imports, 2010 - 2019
(millions of US dollars, annual percentage change)



Source: Maldives Customs Service

⁴ 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.

Inflation

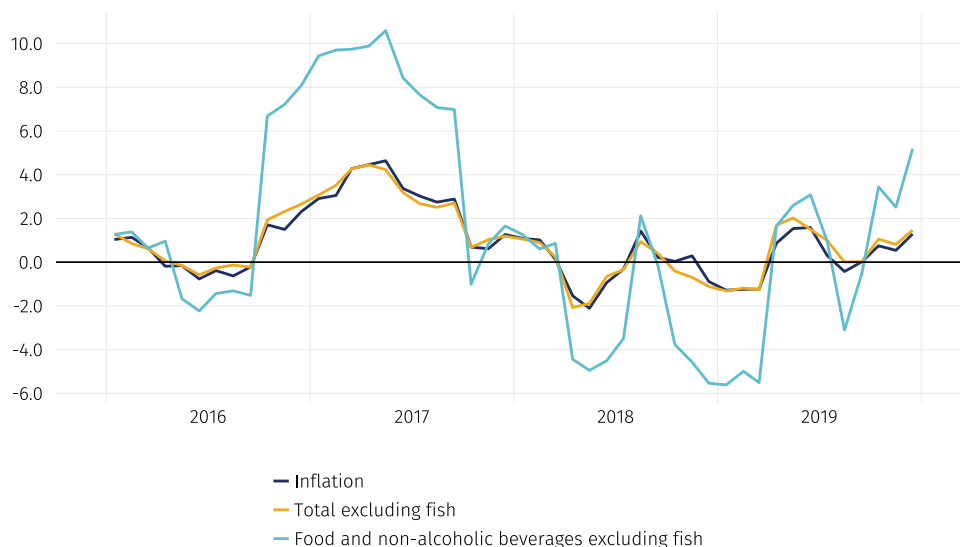
The average rate of inflation edged up to 0.2% in 2019, after recording a negative 0.1% in 2018. The pickup in inflation was contributed mainly by persistent growth in housing rent and reflecting the dissipation of base effects of policy changes that came into effect in Q2-2018 (harmonisation of utility tariff rates across the country, and reduction of administered prices of staple food items).

The average inflation rate based on the national CPI, accelerated slightly to 0.2% in 2019, after registering a negative 0.1% in 2018 (Figure 19). While the inflation rate remained negative during the first quarter of 2019, it was positive for the most part of the year. The rise in inflation was contributed primarily by persistent growth in housing rent and prices of fruits, as well as growth in prices in restaurants and cafés. During the first quarter of the year, overall inflation remained negative, reflecting the base effects of policy changes—harmonisation of utility rates across the country and reduction in administered prices of staple food items—that came into effect during March and April

2018. With the dissipation of these base effects, the second quarter observed an acceleration of inflation, mainly contributed by the rise in housing rent, coupled with growth in price of fruits as well as cost of medical services.

Housing and utilities category, which carry the largest weight of the CPI basket (rebased in August 2019) at 23.4%, at the national level, observed a growth of 2.2% during the year. While, housing rent was the primary contributor to the upward pressure on inflation, overall decline in price of electricity dampened the effect to an extent. With the rebasing of the CPI to August 2019,

Figure 19: Inflation (National), 2016 - 2019
(annual percentage change, August 2019=100)



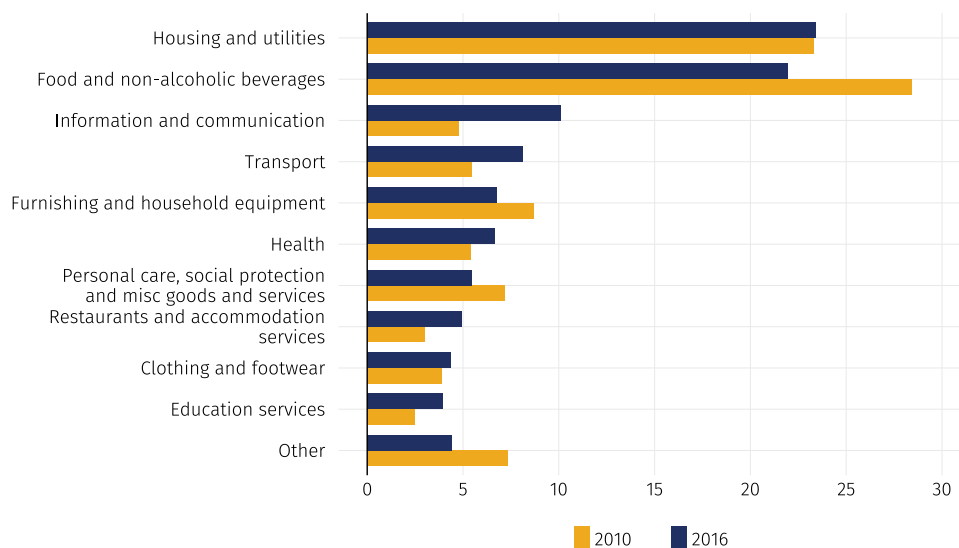
Source: National Bureau of Statistics

the share of housing rent in the CPI basket increased to 13.9% from 11.7% in the old series (Figure 20). As such, housing rent observed persistent growth throughout the year, at an overall rate of 4.5%. In contrast, electricity prices recorded an overall decline of 5.5%, largely mirroring the base effect of harmonisation of electricity tariff rates throughout the country, which exerted downward pressure on inflation during mainly the first quarter of the year. For the rest of the year, the price of electricity remained muted. This was aided further by the decline in oil prices during the year, which ensured that the cost of diesel declined, lowering the cost of electricity production.

On the contrary, prices of food and non-alcoholic items, which carry the second largest weight of the CPI basket (22.0%), declined during the year, and contributed negatively to the overall inflation. This

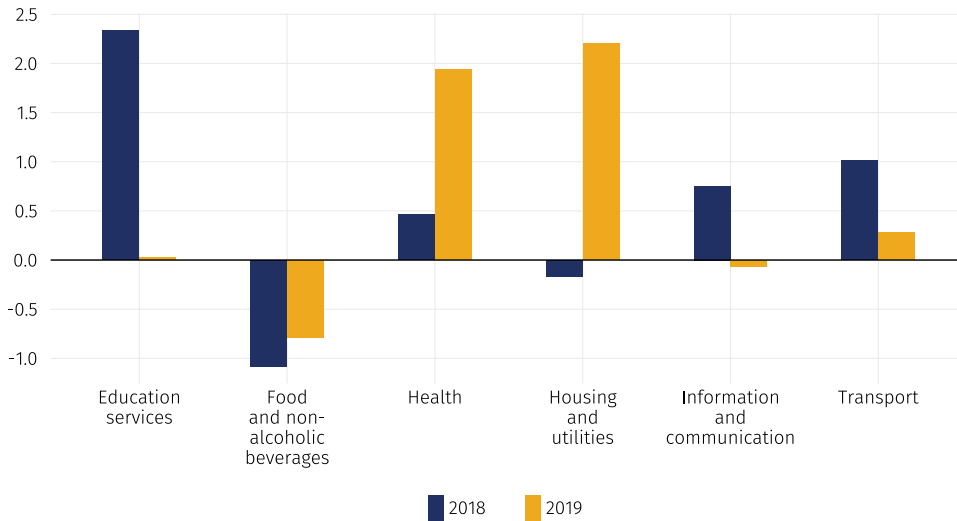
decline was driven mainly by fish prices, which recorded a 2.8% drop during the year, reflecting decreases in prices of live, fresh, chilled or frozen fish; and dried, salted, in brine or smoked fish products (Figure 21). Reflecting this, the inflation rate excluding fish was higher at 0.3% during the year. Additionally, prices of staple food items fell—rice declined by 7.6%, while sugar declined by 10.1%—mirroring the base effect of the downward revision of administered prices of these staples in April 2018, which continued up until April 2019. These declines were offset to an extent by the temporary surge in onion prices; particularly towards the end of 2019, owing to supply disruptions in India—the main import market. Further, fruit prices rose by 12.3%, mainly due to higher prices in ‘other fruits’ as well as dried fruits category (Figure 22).

Figure 20: Changes in CPI Weights (percent)



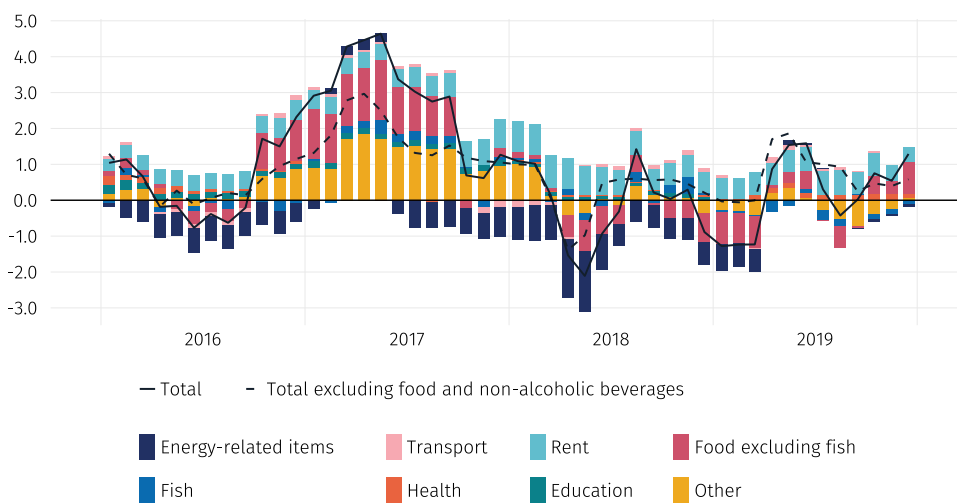
Source: National Bureau of Statistics

Figure 21: Inflation Rates of Selected Categories of CPI (National), 2018 - 2019
(annual percentage change)



Source: National Bureau of Statistics

Figure 22: Contribution of Major Categories to CPI Inflation (National), 2016 - 2019
(annual percentage change, percentage point contribution, August 2019=100)



Source: National Bureau of Statistics

Considering other main categories which contributed positively to inflation during the year, prices in the restaurants and cafés category observed an increasing trend throughout the year, with an overall growth of 4.2% in 2019. Meanwhile, prices of transport category edged up, reflecting the surge in cost of motorcycles amid higher domestic demand, increasing by 2.2% during the year. This was offset to a large extent by the decline in cost of domestic passenger air transport, by 7.7%, mirroring the reduction in airfare⁵ by the national carrier—Maldivian. Meanwhile, prices observed an upturn in the health category as well (1.9%), owing mainly

to a rise in the cost of diagnostic imaging and medical laboratory services; and outpatient rehabilitative and curative services.

In contrast, the notable decline in clothing prices (-3.7%), due to lower prices of garments for men and boys, exerted downward pressure on inflation during the year. Additionally, the information and communication category observed a marginal decrease of 0.1%, owing mainly to the 20.2% fall in prices of audio and video recording equipment. However, this decline was curbed by the 0.8% growth in cost of mobile phones during the year.

⁵ Maldivian aero announced an overall fare reduction between 25 to 30 percent on all local sectors, effective 10 January 2019.

Public Finance

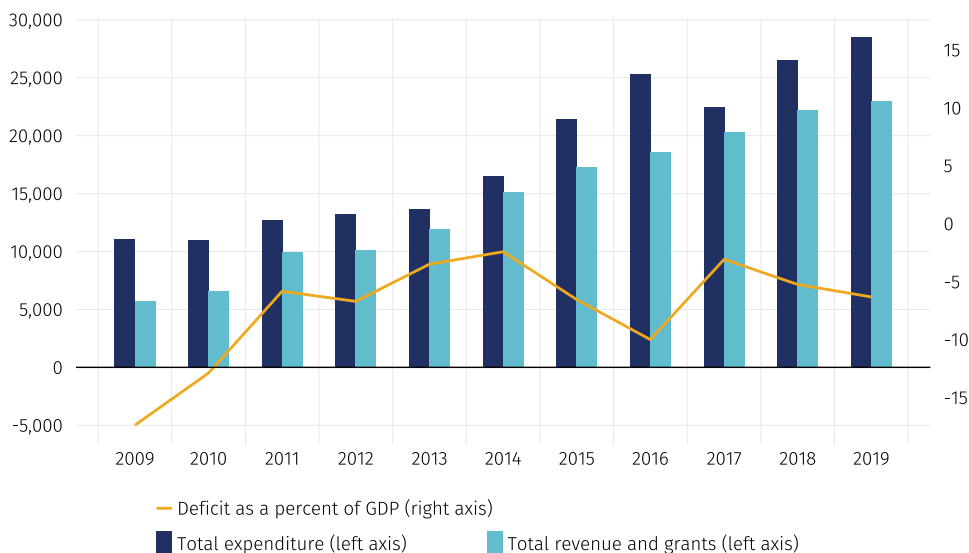
The fiscal deficit widened to 6.3% of GDP in 2019, driven by a significant growth in current expenditure, despite a solid growth in revenue. Total revenue was slightly lower than budgeted as non-tax revenue and capital receipts observed decreases. Nevertheless, a buoyant economic performance, along with measures undertaken to resolve deficiencies in the current taxation system, boosted tax revenue growth during the year.

According to the government budget 2019, fiscal policy was geared towards solving social and economic constraints faced in the islands through economic decentralisation. In this regard, government spending was prioritised towards bringing economic prosperity across the whole archipelago. In addition, strong importance was placed on the investment of infrastructure projects.

Despite the strong growth in revenue, the fiscal deficit widened to MVR5.6 billion in 2019 from MVR4.3 billion in 2018, which was

MVR1.2 billion higher than the fiscal deficit target for the year, driven by higher current expenditure. In terms of GDP, the overall fiscal deficit⁶ is estimated to have widened to 6.3% in 2019, higher than the 5.2% in 2018 (Figure 23). Similarly, the primary deficit⁷ widened to 4.6% of the GDP in 2019 from 3.5% in 2018. In 2019, the increase in total expenditure can be attributed to the significant rise in current expenditure, reflecting significant increases in all broad categories. However, capital expenditure saw a decrease, as spending

Figure 23: Government Revenue and Expenditure, 2009 - 2019
(thousands, annual percentage change)



Source: Ministry of Finance

⁶ Latest data available from the Ministry of Finance, as of 16 March 2020.

⁷ This is the total budget balance excluding interest expenditure.

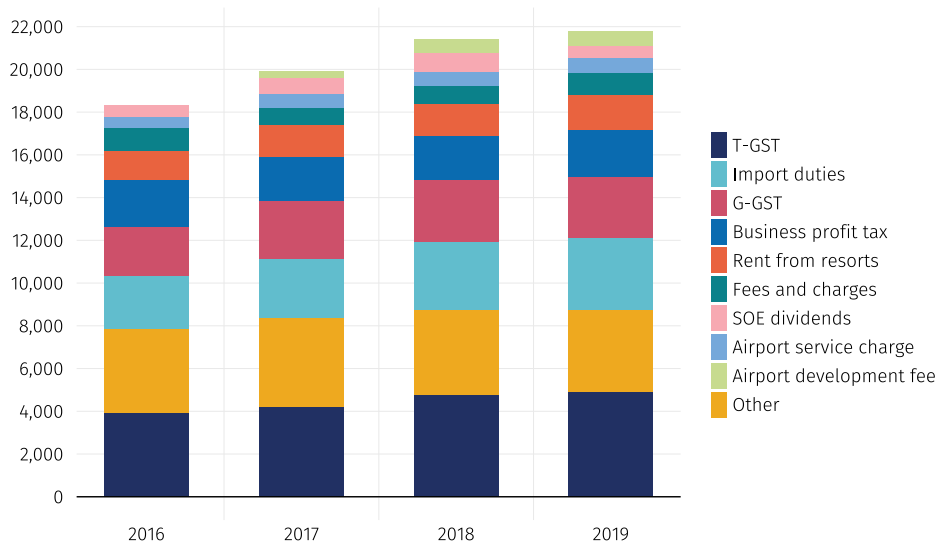
on PSIP projects remained muted for a large part of the year. During the year the solid growth in total revenue was led by strong economic growth and positive business performance, aided by measures undertaken to resolve deficiencies in the current taxation system, which steered higher tax inflows. Nonetheless, total revenue was lower than budgeted for the year 2019 as non-tax revenue and capital receipts observed decreases.

Revenue

Total government revenue (excluding grants) reached MVR21.8 billion in 2019, an increase of 2% compared with 2018. However, this represented a shortfall of MVR172.1 million compared with the revenue target. This upsurge in revenue was driven by tax revenue, as non-tax revenue recorded a decline during the year. It is noteworthy that, no new revenue measures were proposed for the year since the government budget 2019 was approved in a period of transition.

Tax revenue, the largest component of total revenue, grew significantly by MVR694.7 million and totalled MVR16.5 billion during the year (Figure 24). The growth in tax revenue was primarily driven by increased revenue from import duties, which registered a growth of MVR262.2 million. This was followed by an increase in revenue from business profit tax (BPT) amid efforts by the government to resolve loopholes and issues in the current tax system. Further, reflecting the buoyant tourism sector performance during the year, tourism goods and services tax (T-GST) registered a significant increase. This buoyancy was further witnessed in the growth in revenues from both the airport service charge and green tax. However, general goods and services tax (G-GST) recorded a decline and contributed negatively to the annual growth in tax revenue in 2019.

Figure 24: Breakdown of Revenue (Excluding Grants), 2016 - 2019
(millions of rufiyaa)



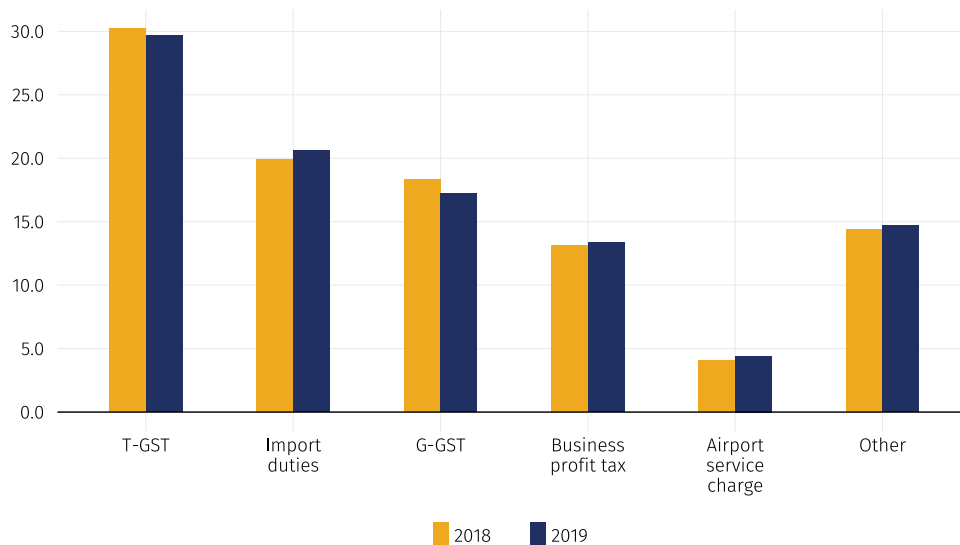
Source: Ministry of Finance

Considering the composition of tax revenue, T-GST continued to be the main single source of revenue for the government and totalled MVR4.9 billion in 2019 (Figure 25). Reflecting the strong performance of the tourism sector, revenue from T-GST grew by MVR120.1 million compared with the previous year, though it fell faintly short of the budgeted revenue target. The performance of the tourism sector also has direct implications on the airport service charge and green tax. In this regard, airport service charge observed a growth of MVR86.3 million, while revenue from green tax registered a growth of MVR40.1 million. Similarly, import duty—the second-largest source of revenue—observed a significant increase during the review period, mirroring the increase in imports for use in the tourism sector as well as the construction sector—following a pickup in construction activities towards the end of the year. Further, reflecting the continued robustness in economic growth, a substantial increase

was witnessed in business and property tax,⁸ which grew by MVR229.2 million in 2019. This increase stemmed from the growth in BPT, the largest component within the category. In contrast, G-GST recorded a significant decline during the year, owing to the combined effect of non-payments; muted growth in the wholesale and retail trade sector; and the slowdown in the construction sector for a large part of the year.

Non-tax revenue fell by MVR300.5 million and totalled MVR5.3 billion during 2019. This was mainly on account of a fall in dividends from state-owned enterprises (SOEs); and land acquisition and conversion fee, which posted declines of MVR348.8 million and MVR287.4 million, respectively. SOE dividends were anticipated to be higher as more SOEs were expected to resolve liquidity issues and commence payment of dividends over the course of the year. However, this failed to materialise during the year resulting in a decline in non-tax revenue. Meanwhile, the fall in land

Figure 25: Composition of Tax Revenue, 2018 - 2019
(percent)



Source: Ministry of Finance

⁸ Business and Property Tax revenues for 2018 were collected during 2019.

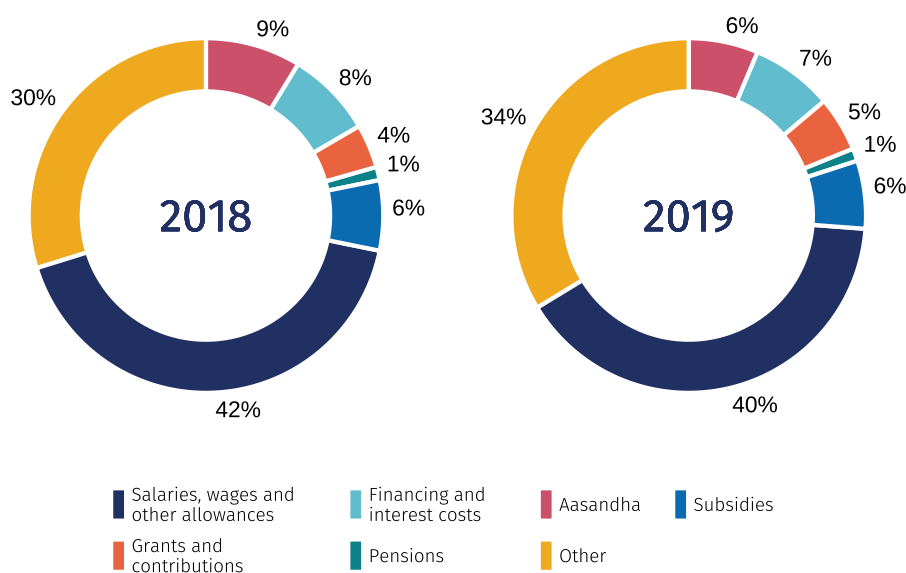
acquisition and conversion fee can be partly attributed to the decision of the government to temporarily suspend new tourism leases. On the contrary, a noticeable annual growth was observed in other fees and charges, which grew by MVR160.4 million. Likewise, rent from resorts and revenue from airport development fee also recorded sizeable growth which curbed further dampening of non-tax revenue. While increase in rent from resorts can be attributed to opening of new resorts during the year, the growth in revenue from airport development fee reflected the buoyancy of the tourism sector.

Expenditure

Total government expenditure (excluding net lending) amounted to MVR28.5 billion in 2019, registering an increase of MVR2.0 billion in annual terms. This upturn in total expenditure was driven by a significant growth in current expenditure, while capital expenditure observed a decrease during the year.

Current expenditure—which accounted for 73% of total expenditure—rose by MVR2.4 billion and totalled MVR20.7 billion (Figure 26). This was 12% in excess of the amount budgeted for current expenditure in 2019. The growth in current expenditure largely reflected increase in expenditure stemming from expenses incurred as losses and write-offs which totalled MVR1.0 billion. This includes compensation settlements given out to resolve disputes from arbitration cases regarding questionable contracts. Secondly, current expenditure was driven by increase in administrative and operational expenses stemming largely from increased expenditure on operational consumables, registering an increment of MVR252.1 million, mainly reflecting the costs on medical consumables of newly established hospitals. Similarly, a large increase was observed in grants, contributions and subsidies. Within this category, grants and contributions increased by MVR307.8 million,

Figure 26: Government Recurrent Expenditure



Source: Ministry of Finance

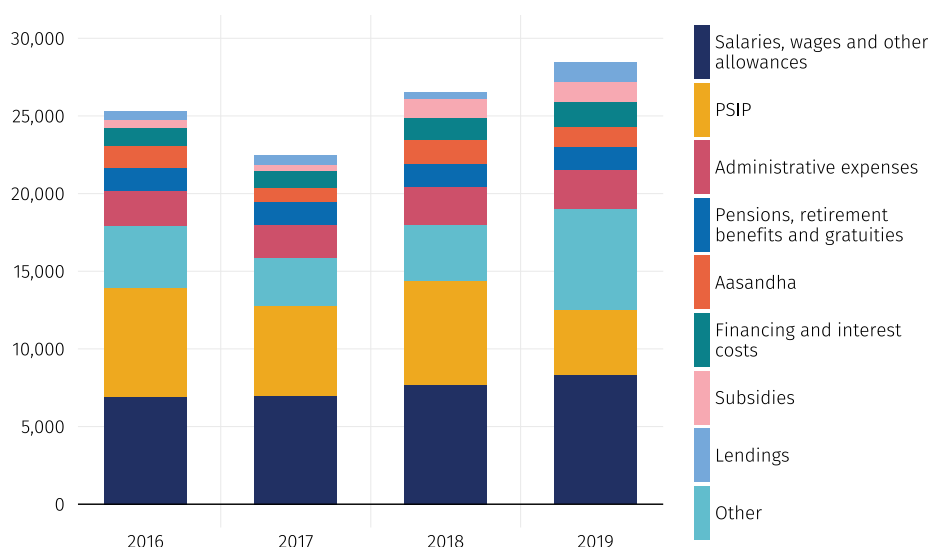
which largely mirrored the introduction of the Student Breakfast Program, as part of the first 100 day presidential pledge of the new government. In contrast, expenditure on the national health insurance scheme (Aasandha) decreased, amid efforts by the government to contain such expenditures, while expenditure on subsidies recorded a significant increase pushed up by higher fuel and electricity subsidies (Figure 27). This was mainly on the account of subsidies given to facilitate the harmonisation of electricity prices across the country.

Meanwhile, salaries and wages—the major component of current expenditure—continued to account for the highest share of the total current expenditure, recording a growth of 7% during the year. Particularly, a significant growth was observed in government salaries; wages; and allowances mainly due to increase in the number of government employees with newly formed government ministries, as well as the introduction of non-practice allowance

by some government offices during the year. In addition to increase in government employees, this also mirrored additional staffs hired by the local councils, health sector and national security services.

Capital expenditure recorded a decline of MVR441.8 million and totalled MVR7.8 billion in 2019, which was significantly lower than budgeted for the year. Capital expenditure was lower than expected due to an overestimation of the procurement process of the new projects. As a result, spending on PSIP projects remained muted for a large part of the year. As such, a downfall of MVR2.4 billion was witnessed in spending on PSIP projects. However, capital expenditure rose towards the end of the year, driven by increased expenditure on development projects and investment outlays which somewhat curbed the fall in spending on roads, bridges and airports. Particularly, the pick-up in loan outlays reflected a rise in loan disbursements to SOEs.

Figure 27: Breakdown of Expenditure, 2016 - 2019
(millions of rufiyaa)



Source: Ministry of Finance

Financing

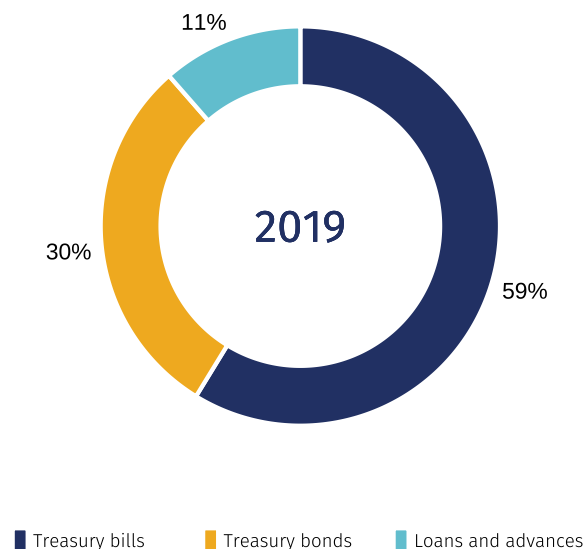
During the year, the fiscal deficit was mostly financed through domestic sources, which greatly exceeded the budget target for the year. Meanwhile, borrowing through external sources also observed a net borrowing, though it was significantly less than anticipated for the year.

Domestic borrowing by the government—consisting of both short-term and long-term loans and debt securities—represented a net borrowing of MVR4.6 billion in 2019, a significant increase when compared with the net borrowing of MVR556.0 million recorded in the previous year. The higher net borrowing during the year largely reflected a considerable increase in the issuance of government securities over the period. Hence, the issuance of government securities—treasury bills and treasury bonds⁹—was the primary source of domestic

borrowing in 2019 (Figure 28). This mostly stemmed from the net issuance of treasury bills, which recorded a net borrowing of MVR4.0 billion, while a net borrowing of MVR378.0 million was recorded for treasury bonds 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 2019, external financing recorded a net borrowing of MVR1.5 billion. This was driven by the growth in external borrowings as loans. As such, loan proceeds came through external loans acquired as buyer’s credit and from bilateral sources, followed by financing acquired from multilateral sources for project financing.

Figure 28: Composition of Domestic Claims on Government



Source: Maldives Monetary Authority

⁹ The pension recognition bond is not classified as a treasury bond as it is non-tradable.

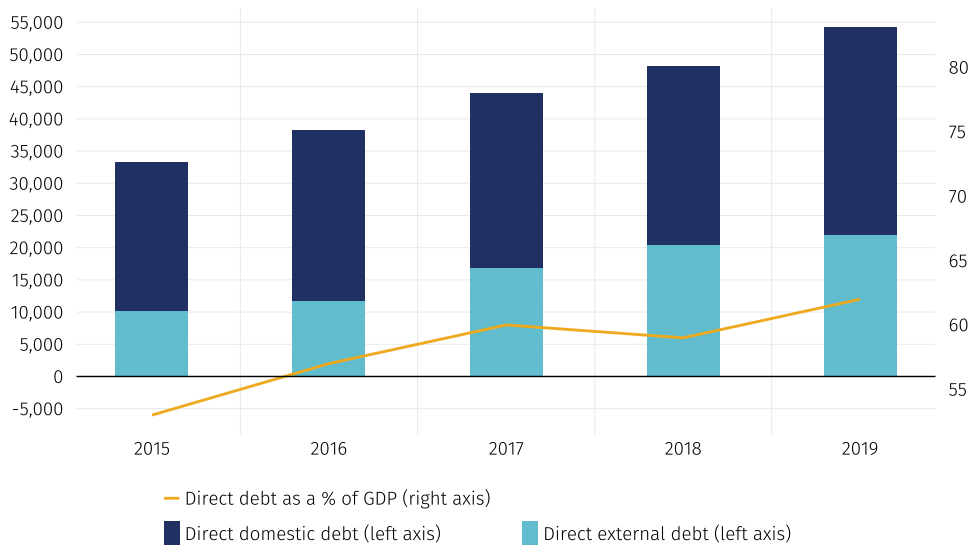
Public Debt

The total outstanding stock of public debt increased to MVR54.2 billion at the end of 2019 from MVR48.2 billion at the end of 2018, largely driven by an increase in domestic debt. In terms of GDP, public debt rose to 62% in 2019, from 59% recorded in 2018 (Figure 29). With regard to the composition of debt, domestic debt remained as the largest component with a share of 59% while, the share of external debt stood at 41% at the end of 2019.

Meanwhile, total public and publicly guaranteed debt as a percentage of GDP rose from 73% of GDP in 2018 to 76% in 2019. This can be largely attributed to increased reliance on external financing for large infrastructure development and housing projects undertaken by the SOEs (Figure 30).

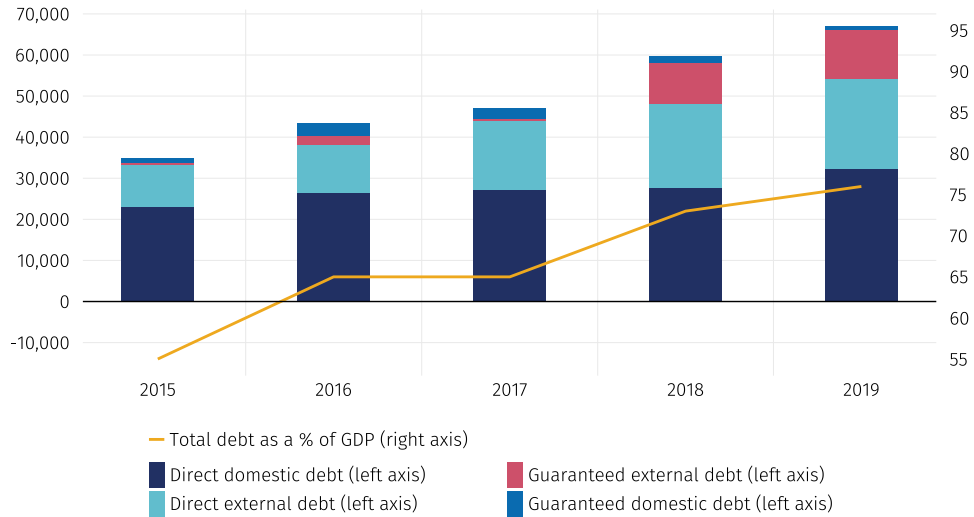
Domestic debt totalled MVR32.2 billion at the end of 2019, up from MVR27.7 billion in 2018. This largely reflected the increase in treasury bills investments by commercial banks, followed by treasury bills issued to other financial corporations. As a result, the share of treasury bills in total domestic debt increased from 54% to 59% in 2019. Similarly, the outstanding stock of treasury bonds also increased at the end of 2019. Meanwhile, external debt, which consists of external borrowings in the form of loans and sovereign bonds issued in the international market, totalled MVR22.0 billion at the end of 2019, up from MVR20.5 billion at the end of 2018. During this period, external financing acquired as buyer's credit and from multilateral sources dominated

Figure 29: Total Outstanding Stock of Public Debt, 2015 - 2019
(millions of rufiyaa, percent)



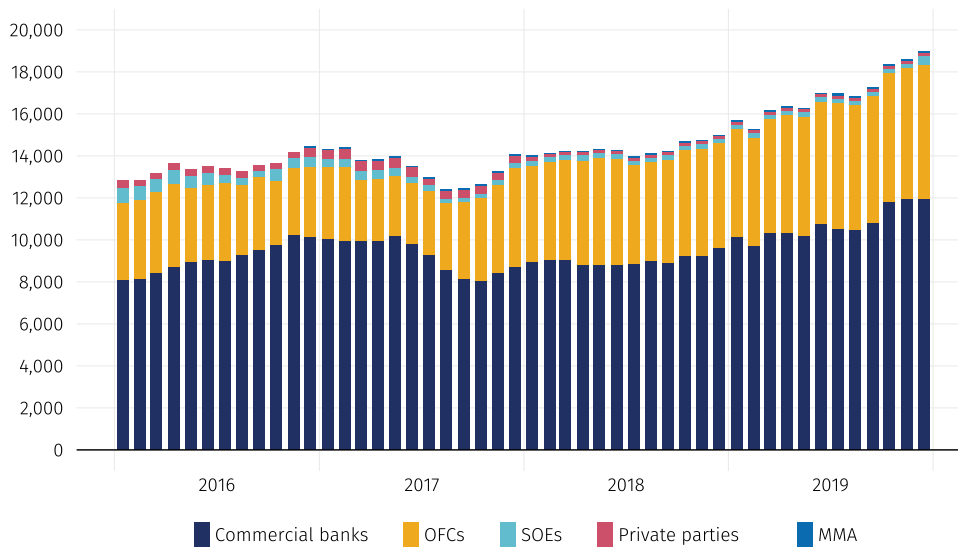
Source: Ministry of Finance

Figure 30: Total Outstanding Stock of Public and Publicly Guaranteed Debt, 2015 - 2019
(millions of rufiyaa, percent)



Source: Ministry of Finance

Figure 31: Outstanding Treasury Bills by Holder, 2016 - 2019
(millions of rufiyaa)



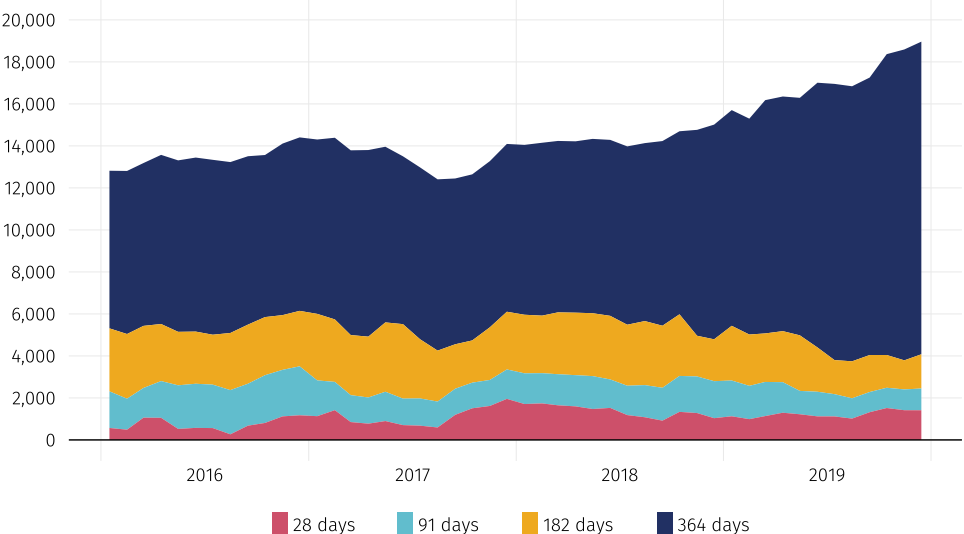
Source: Maldives Monetary Authority

the composition of external debt, reflecting external loans contracted for the financing of mega infrastructure projects.

Turning to the outstanding stock of treasury bills by holder, commercial banks continue to remain as the main investor in terms of holdings, with a share of 63% of the total outstanding treasury bills, followed by the other financial corporations (34%)

(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, majority of treasury bills (78%) 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 2019 was 7%, 5% and 9%, respectively.

Figure 32: Treasury Bills Holdings by Maturity, 2016 - 2019
(millions of rufiyaa)



Source: Maldives Monetary Authority

Monetary Developments

The monetary policy stance continued to be in line with the financial needs of the economy to facilitate further economic growth in the country. During the year, broad money growth accelerated driven by the annual growth in net foreign assets (NFA) of the banking system. Reflecting these developments, the MMA maintained its intervention in the foreign exchange market to ensure exchange rate stability. The MMA also 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 decline in 2019 on account of a decline in net domestic assets (NDA) of the MMA, despite a significant increase in NFA of the MMA. As for broad money, an annual increase was recorded in 2019 owing to the growth in NFA of the banking system as growth in NDA of the banking system remained broadly unchanged.

Reserve Money

Reserve money stood at MVR11.1 billion at the end of 2019—registering an annual decline of 4% (Figure 33). The decline in reserve money stemmed from the fall in NDA of the MMA, which entirely offset the increase in NFA of the MMA. The fall in NDA primarily reflected the significant fall in net claims on central government owing to the increase in the deposits of the central government held at the MMA. However, the decline in NDA was somewhat slowed down, as a decline in the ODF investments of commercial banks at the MMA curbed the reduction in the NDA to some extent.

Meanwhile, the growth in NFA primarily reflected the fall in foreign liabilities, mirroring the base effect of the local currency

component of the foreign currency swap facility with the Reserve Bank of India (RBI) which matured on 19 March 2019. Hence, the swap was paid back resulting in a significant decrease in foreign liabilities of the MMA by the end of December 2019.

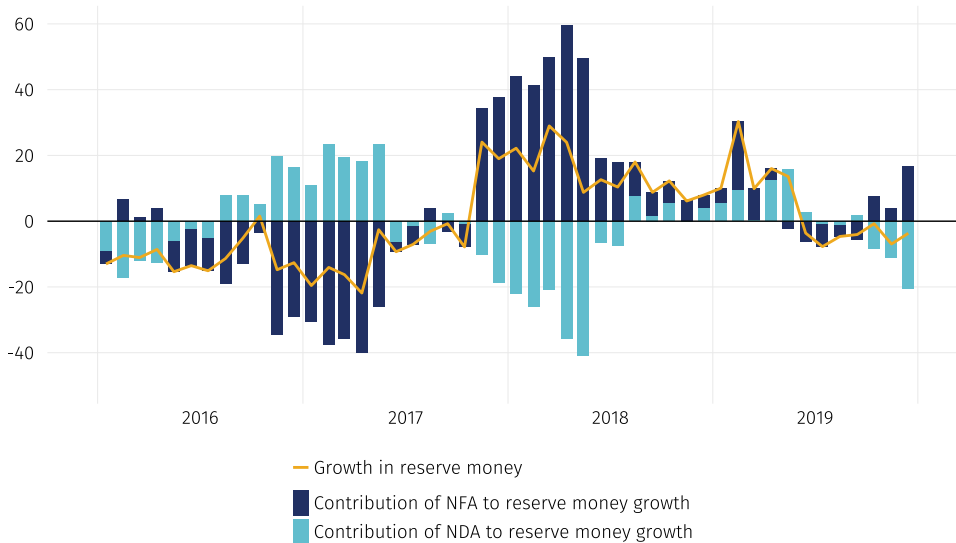
As regards the components of reserve money, commercial bank deposits at the MMA—which constituted 68% of reserve money at the end of 2019—declined by 5% in annual terms. Meanwhile, currency in circulation, which accounted for 32% of reserve money, also recorded a decrease of 2% at the end of the year.

Monetary Operations

The monetary policy instruments available to the MMA are open market operations (OMOs), minimum reserve requirement (MRR), the overnight deposit facility (ODF), the overnight Lombard facility (OLF) and foreign currency swap facilities. During 2019, commercial bank investments in the ODF facilitated the absorption of excess liquidity in the market. While daily investments in the ODF by commercial banks averaged MVR2.3 billion during the year, this represented a decline of 26% compared with average investments in the ODF during 2018.

Figure 33: Sources of Reserve Money, 2016 - 2019

(annual percentage change, contribution percent)



Source: Maldives Monetary Authority

Broad Money

The annual growth rate of broad money accelerated to 10% at the end of 2019 from 3% at the end of 2018, with the total stock of broad money increasing to MVR36.3 billion at the end of 2019 (Figure 34). Broad money growth was driven by the upsurge in NFA of the banking system, which recorded an annual growth of 32% at the end of December 2019. The growth in NFA of the banking system stemmed from the rise in NFA of both the MMA and commercial banks. As such, the NFA of the MMA grew by MVR1.9 billion, while that of commercial banks increased by MVR1.2 billion during the period. In contrast, NDA of the banking system remained broadly unchanged as growth of NDA of commercial banks was offset by a decline in NDA of the MMA at the end of 2019.

Components of broad money

With regard to components of broad money, it was mainly driven by the annual growth of quasi money (Figure 35).

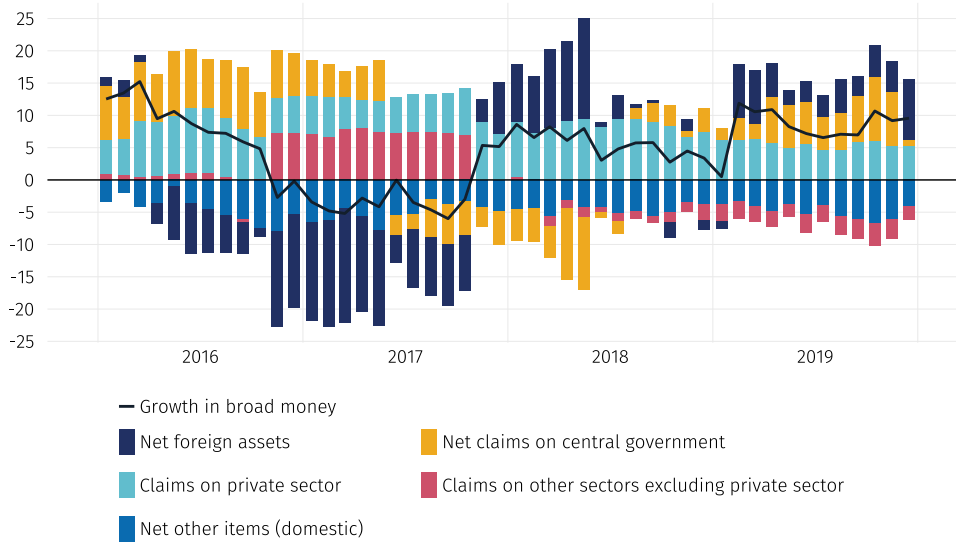
Quasi money, which accounted for 60% of broad money, increased at an accelerated pace of 17% at the end of 2019, from a 6% annual growth in 2018. This can be largely attributed to the growth in demand deposits denominated in foreign currency, followed by the increase in other deposits in both foreign and local currency. Meanwhile, narrow money, accounting for 40% of broad money, posted a marginal decrease, reflecting the decrease in currency outside the banking system.

Counterparts of broad money

The annual growth in broad money was driven by the growth in NFA of the banking system, which stemmed from the increase in NFA of both the MMA and commercial banks. The growth in NFA of the MMA can be primarily attributed to a fall in foreign liabilities, while the growth in the NFA of commercial banks was mainly due to the increase in foreign currency deposits held abroad.

Figure 34: Contribution to Broad Money Growth, 2016 - 2019

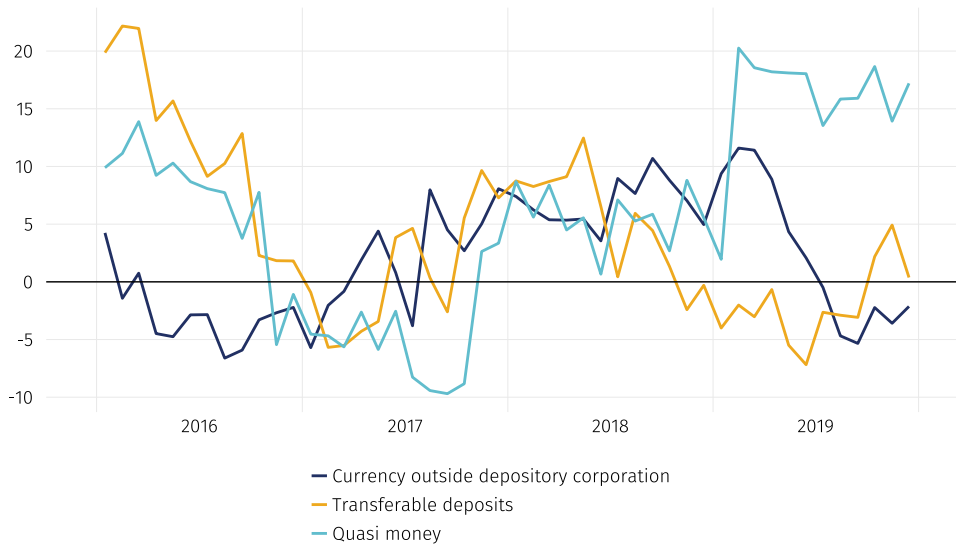
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

Figure 35: Components of Broad Money, 2016 - 2019

(annual percentage change)



Source: Maldives Monetary Authority

However, NDA of the banking system remained broadly unchanged in annual terms, as the decline in NDA of the MMA curbed the growth in NDA of commercial banks. The decline in NDA of MMA stemmed from the increase in deposits of the central government, resulting in a significant slowdown in the growth of net claims on central government by the banking system. Meanwhile, NDA of the commercial banks posted a significant growth, driven by the annual expansion of investment in government securities as well as increase in private sector credit.

Net Claims on Central Government

Net claims on central government, which totalled MVR13.3 billion at the end of 2019, registered an annual growth of 2%, a deceleration compared with 10% recorded in 2018. This deceleration stemmed from a decline in the MMA's net claims on central government, driven by the increase in deposits of the central government held at the MMA. This was largely offset by the significant increase in the net claims on central government by commercial banks, which stemmed from the higher outstanding stock of commercial banks' investments in government securities. The outstanding stock of government securities held by commercial banks, which consisted mostly of treasury bills, amounted to MVR11.9 billion at the end of the review period. This represented an annual growth of 26%, reflecting commercial banks' net investments in treasury bills as well as treasury bonds.

In 2019, the MMA's net claims on central government stood at MVR3.0 billion and accounted for 98% of the domestic assets of the MMA. Meanwhile, commercial banks' net claims on central government amounted to MVR10.3 billion and accounted for 21% of the domestic assets of the commercial banks.

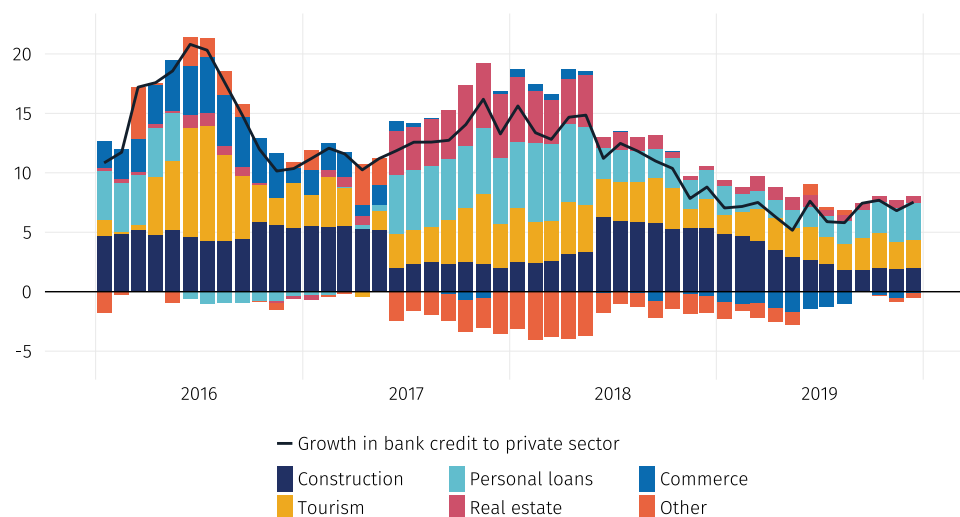
Credit to the Private Sector

Credit to the private sector by commercial banks continued to maintain a positive growth momentum since the downward revision of MRR in August 2015. In this regard, the annual growth in private sector credit recorded 8% at the end of December 2019, although the pace of growth slightly decelerated from 11% at the end of 2018 (Figure 36). During the year, the annual growth in private sector credit was largely driven by the rise in local currency lending, which grew by 11%, while foreign currency lending increased by 4%. Local currency lending accounted for 52% of total private sector credit, dominating over foreign currency lending since overtaking the latter 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 6% at the end of 2019. This resulted from the increase in loans as working capital in both local and foreign currency, as well as increased foreign currency lending for new resort development which offset the decline in credit provided for renovation of resorts. Loans to the construction sector, which accounted for 22% of total private sector credit, recorded annual growth of 10%, largely driven by local currency lending for construction and development of housing and private residences. Credit to the commerce sector, accounting for 13% of total private sector credit, marginally declined as the growth in credit provided for wholesale and retail trade was offset by a decline in credit given for restaurants and cafés.

Meanwhile, personal loans (11% of total private sector credit)—which was the largest contributor to growth in credit during

Figure 36: Contribution to Bank Credit to Private Sector by Economic Sectors, 2016 - 2019
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

2019—and real estate financing (8% of total private sector credit) also posted annual increases of 34% and 9%, 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 both local and foreign currency lending for residential and housing category.

Interest Rates

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 November 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.

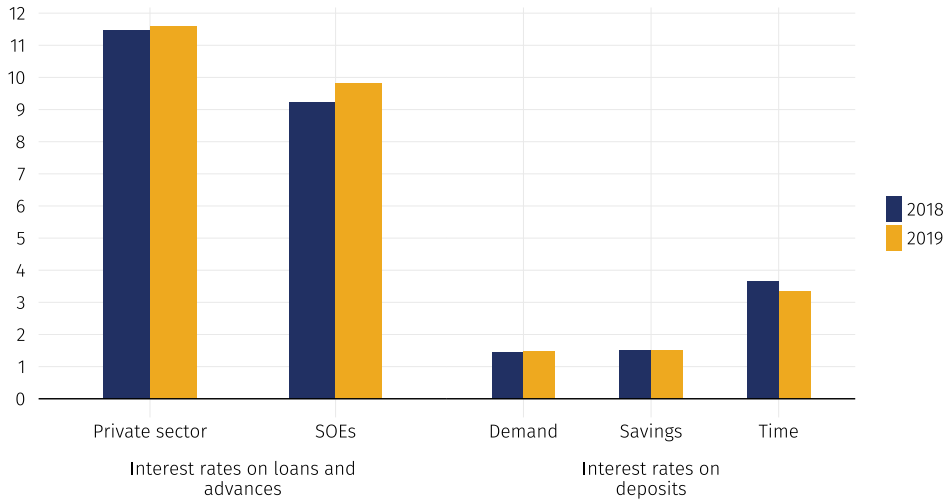
With regard to the weighted average interest rates (WAIR) levied on loans and advances, the rates on local-currency-

denominated loans to the private sector increased by 13 basis points (bps) in annual terms, while rates on foreign-currency-denominated private sector loans declined by 33 bps. For loans extended to SOEs, the WAIR on local-currency-denominated loans increased by 61 bps, while foreign-currency-denominated loans posted a decline of 28 bps (Figure 37 and 38).

Focusing on the interest rates on deposits at the end of year, the WAIR on both local and foreign currency demand deposits increased, by 3 bps and 5 bps, respectively. For savings deposits, the rate on local currency savings deposits remained broadly unchanged, while the rate on foreign currency savings deposits declined by 8 bps. However, the rate on both local and foreign currency time deposits¹⁰ declined by 32 bps and 20 bps, respectively.

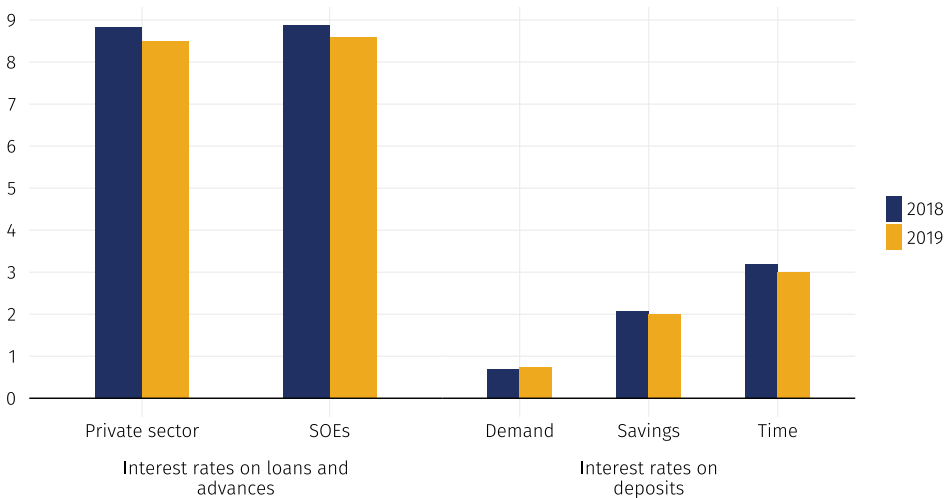
¹⁰ Maturity period of six months to one year.

Figure 37: Interest Rates for Loans and Deposits (Local Currency), 2018 - 2019
(weighted average interest rates per annum)



Source: Maldives Monetary Authority

Figure 38: Interest Rates for Loans and Deposits (Foreign Currency), 2018 - 2019
(weighted average interest rates per annum)



Source: Maldives Monetary Authority

Financial Sector

The Financial Sector of the Maldives continued to be strong in 2019. The capital adequacy of the banking sector improved while asset quality was maintained at the same level, and the profitability ratios remained strong. The overall performance of the finance companies remained satisfactory with strong capital ratios, increase in profitability, and low NPLs. The insurance industry continued to grow in terms of the gross written premiums and profits.

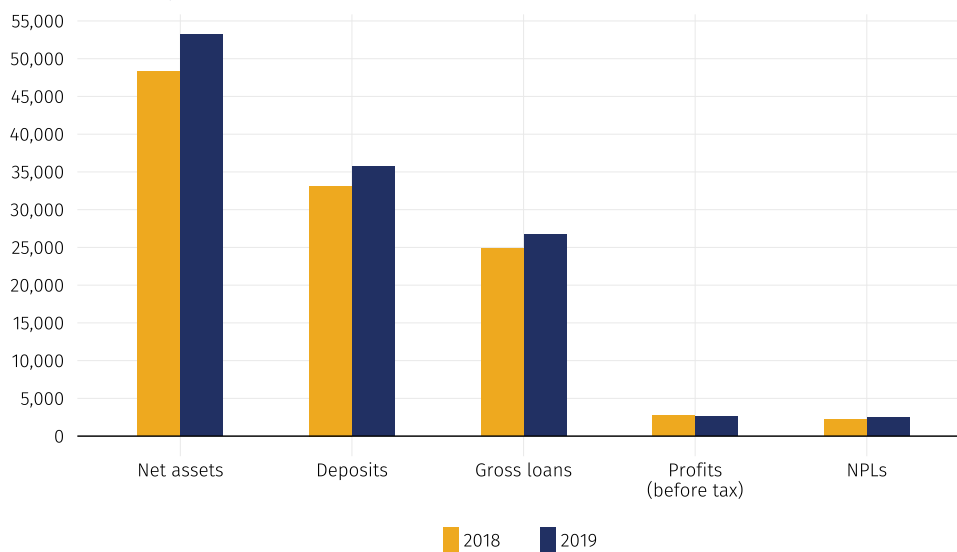
The Financial sector of the Maldives consists of banks and non-bank financial institutions and payment service providers. The banking sector consists of eight commercial banks; three locally incorporated banks, four branches of foreign banks and one subsidiary of a foreign bank. The non-bank financial institutions regulated by the MMA include five insurance companies, three finance companies, four money remittance providers and two payment service providers. The other non-bank financial institutions include security market intermediaries and

the pension fund, which are regulated by the Capital Market Development Authority.

Banking Sector

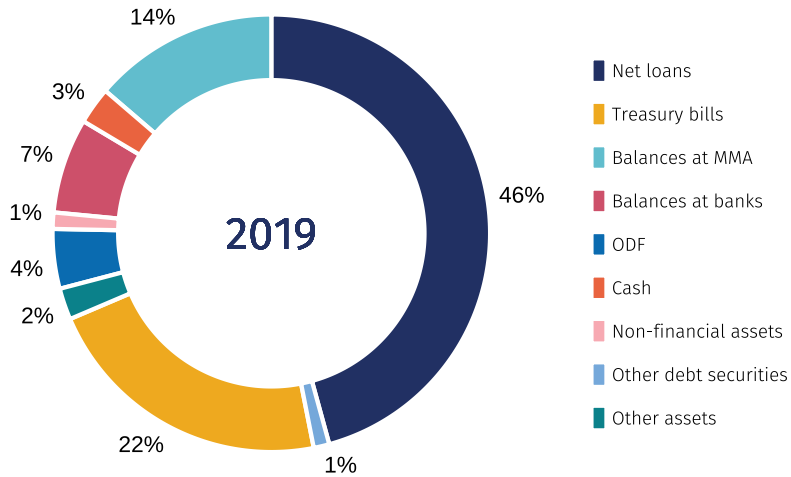
The performance of the banking sector continued to be strong during the year 2019, with key indicators on capital adequacy being well above the minimum requirements, with asset quality being maintained at the same level over the year. Profitability ratios remained strong despite a decline in profits.

Figure 39: Key Indicators of Banking Industry, 2018 - 2019
(millions of rufiyaa)



Source: Maldives Monetary Authority

Figure 40: Net Asset Composition of the Banking Industry, 31 December 2019

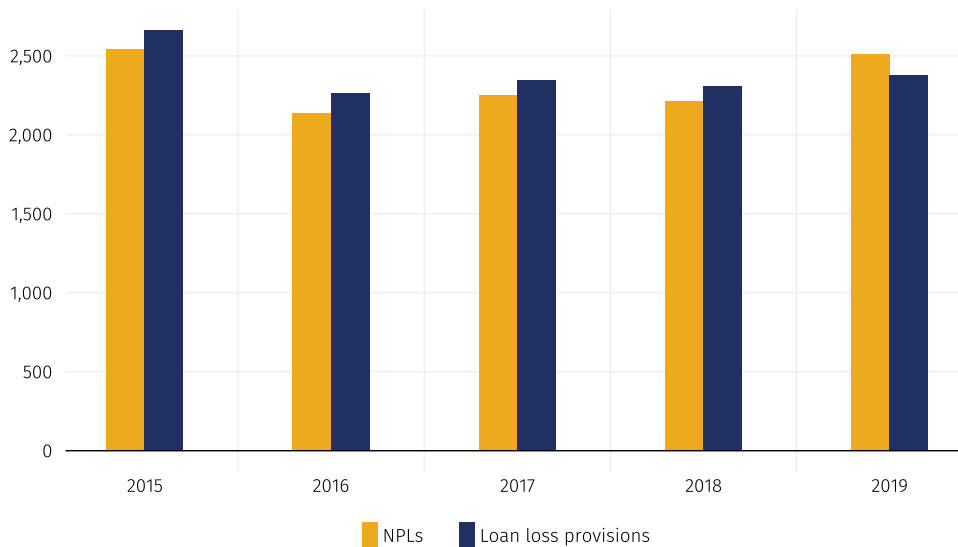


Source: Maldives Monetary Authority

Banks remain well capitalised, and total capital increased by 12% over the year, reaching MVR13.8 billion at the year-end. Total capital as a percentage of risk-weighted assets stood at 47% against the minimum requirement of 12%, due to the

significant portion of low risk assets in the banks' portfolio. Leverage capital, measured by equity (Tier 1 Capital) to assets, stood at 21% against the regulatory minimum requirement of 5%.

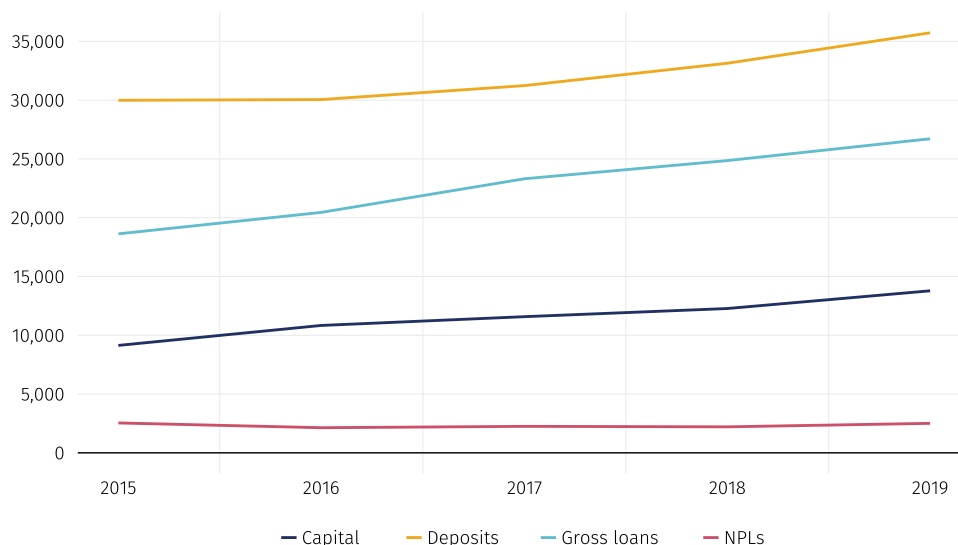
Figure 41: NPLs and Loan Loss Provisions, 2015 - 2019 (millions of rufiyaa)



Source: Maldives Monetary Authority

Figure 42: Key Indicators of the Banking Industry, 2015 - 2019

(millions of rufiyaa)



Source: Maldives Monetary Authority

Total assets of the banks stood at MVR53.2 billion, an annual growth of 10%. In terms of asset composition, net loans and advances made up 46% (MVR24.3 billion) of the portfolio and recorded a growth of 8% in annual terms (MVR1.8 billion). Investments in T-bills made up 22%, and amounted to MVR11.5 billion, while balances in the MMA’s reserve account and with other banks made up 21% of the assets.

With regard to asset quality, NPLs as a percentage of total loans at the end of year 2019 remained steady at 9%, while the absolute value of NPLs increased by 13% (MVR297.6 million) on annual terms, due to a few large loans becoming non-performing during the year. The credit risk is mitigated by the high levels of specific loan loss provisioning that covered 87% of the NPL portfolio.

In line with the growth in lending during the year, the net interest income increased by 8% year-on-year, while net non-interest income decreased by 4%. Profit

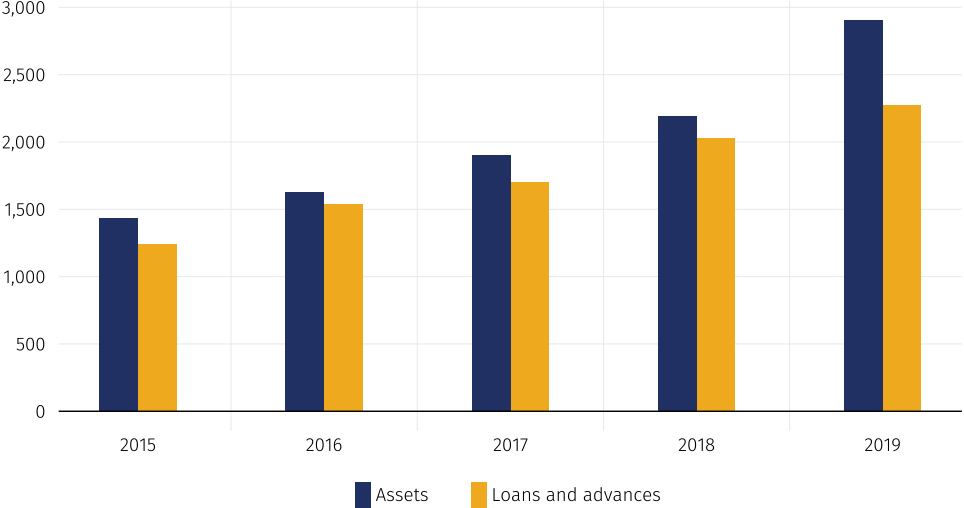
before tax, amounting to MVR2.6 billion, declined by 4% compared with the previous year. This decline is attributed to the increase in provisions expense, which increased by MVR354.5 million comparing to the previous year. Despite the decrease in net profit, the profitability ratios remained high, with the return on average equity at 15% and return on average assets at 4%.

Credit to deposit ratio remained steady at 75% over the year, and liquidity remained high; with 62% of asset portfolio being liquid assets. The total deposits amounted to MVR35.7 billion which is an increase of 8% in annual terms, with 87% of the increase stemming from growth in foreign currency deposits. While 57% of total deposits were foreign currency deposits, 78% of the total deposits were demand deposits.

At the end of 2019, the total number of bank branches in the country stood at 58, while total number of ATMs amounted to 148. Of these, 34 branches and 56 ATMs were outside the Male’ region.

Figure 43: Loans and Advances, and Assets of Finance Companies, 2015 - 2019

(millions of rufiyaa)



Source: Maldives Monetary Authority

Non-Bank Financial Institutions

Finance Companies

With the licensing of an additional financing business, SME Development Finance Corporation Private Limited (SDFC) during the year, the number of finance companies in the Maldivian financial sector increased to three. SDFC was licensed in February 2019 and also commenced operations during the first quarter of the year.

The assets of the non-bank financial sector increased significantly, with an annual growth of 33% to reach MVR2.9 billion, while the total credit portfolio showed increased by 12% to total MVR2.3 billion at the end of 2019 (Figure 44). The asset growth during the year is mainly on account of the debt securities issued by one of the finance companies and the entrance a new licensee.

Capital strength remained strong for the finance companies, with total risk-based capital ratio of 44%. Overall performance of the sector is satisfactory, recording pre-tax

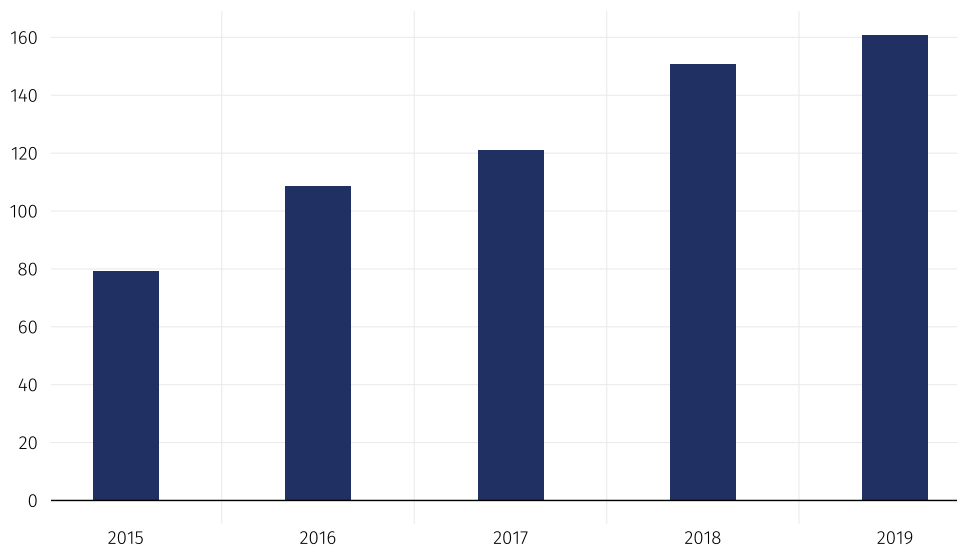
profits of MVR161.0 million, a 7% increase compared to previous year. Asset quality of the sector also remained strong, with a low NPL ratio of 1.5%.

Money Remittance Businesses

The total outward remittance of 2019 amounted to US\$75.1 million, an increase of 16% compared to the previous year, which is the first increase in total outward remittance following the decline from 2016. Despite the overall increase, outward remittance by foreign nationals continued to decline, with only 42% of outward remittances being conducted by foreigners. This trend for outward remittance by foreigners, has been observed since the implementation of the expatriate remittance tax, which came into effect on 1 October 2016 (Figure 45).

Bangladesh continued to be the top remittance destination, with 42% of all

Figure 44: Pre-tax Profits of Finance Companies, 2015 - 2019
(millions of rufiyaa)



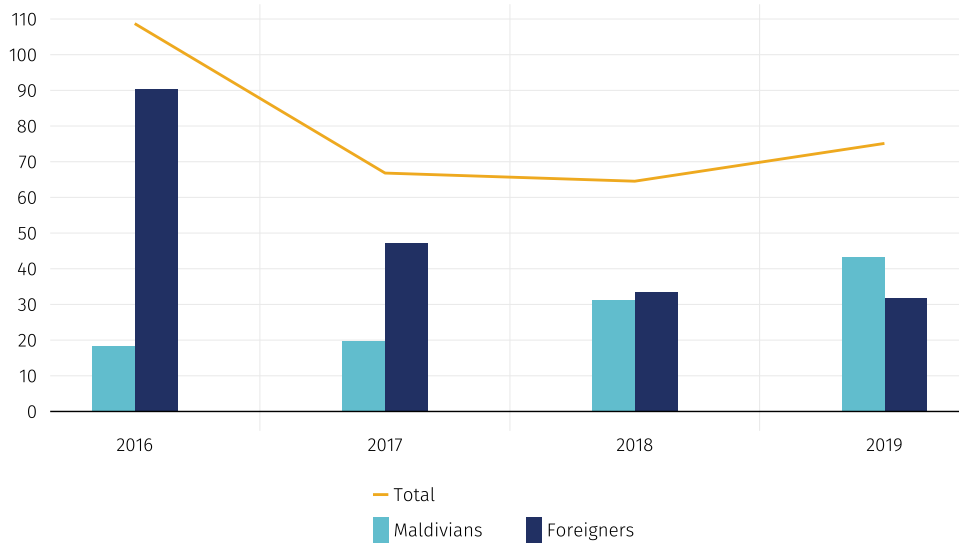
Source: Maldives Monetary Authority

outward remittances going to the country, which was an increase of 28% compared to the previous year (Figure 46). Nepal was the second most popular outward remittance destination with 9% of outward remittances,

followed by India (9%), Philippines (7%), Sri Lanka (5%), and Indonesia (5%) (Figure 47). Inward remittances showed a minor increase of 1% from the previous year, amounting to US\$4.9 million in 2019.

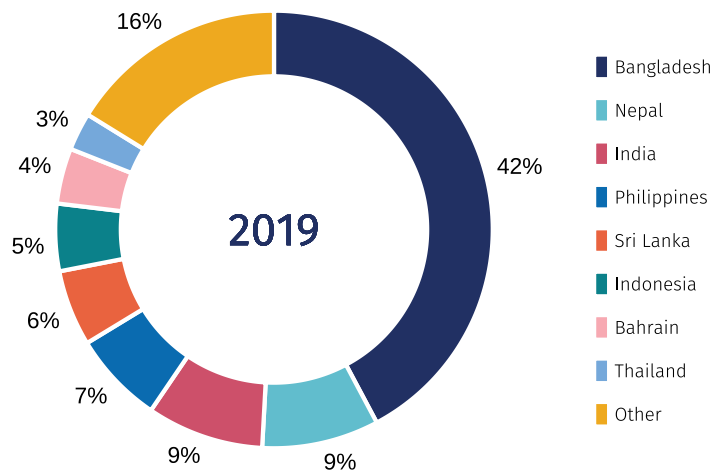
Figure 45: Outward Remittance by Locals and Foreigners, 2016 - 2019

(millions of rufiyaa)



Source: Maldives Monetary Authority

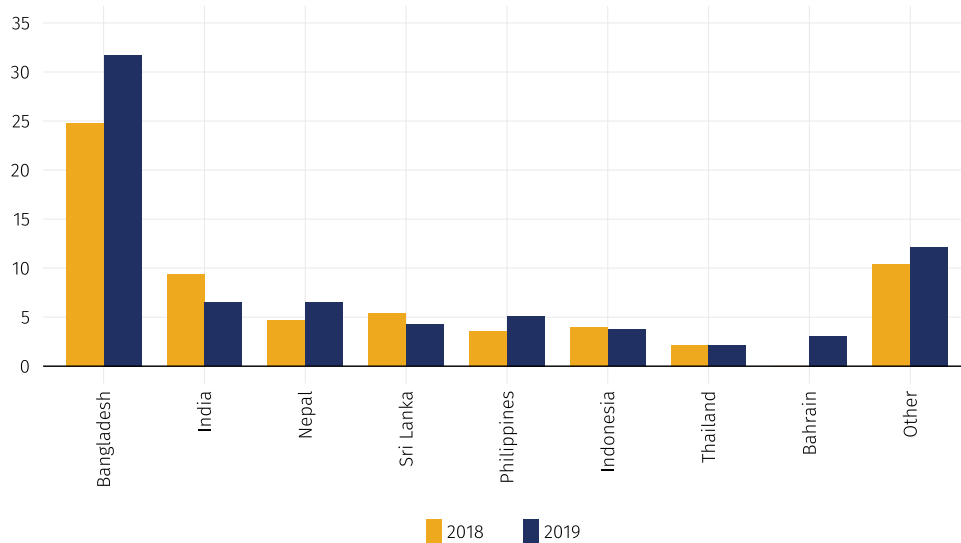
Figure 46: Composition of Outward Remittances by Country



Source: Maldives Monetary Authority

Figure 47: Outward Remittance by Country, 2018 - 2019

(millions of rufiyaa)



Source: Maldives Monetary Authority

Insurance Companies

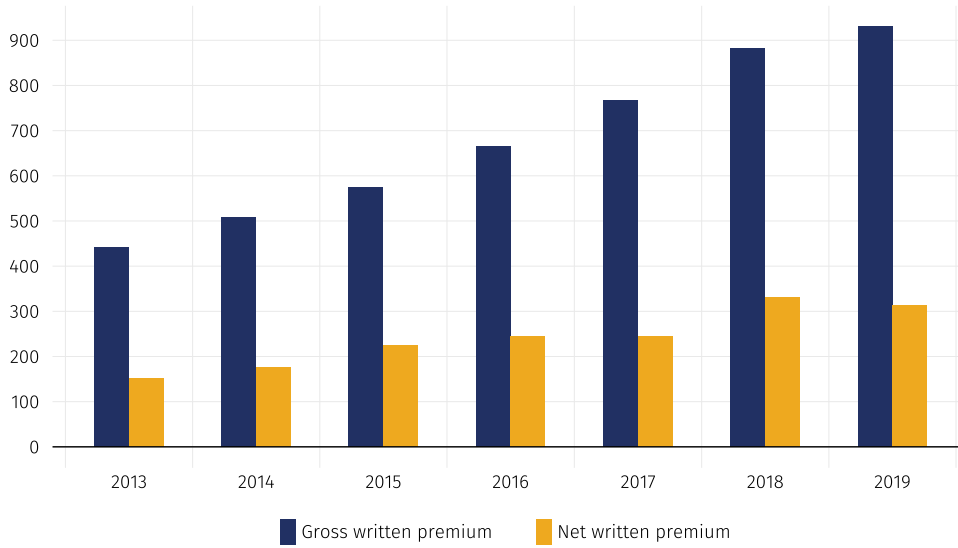
The general insurance industry continued to grow during 2019; however, the growth rate of the GWP and total assets decelerated compared to 2018 (Figure 48). Total assets increased marginally, to MVR1.4 billion, while GWP reached MVR929.9 million at the end of 2019; an increase of 5% compared to 15% in 2018 (Figure 49). Despite the deceleration of GWP growth, the number of policies sold during the year showed accelerating growth rate; with 25% in 2019, up from 19% in 2018, and the total sum insured during the year also showed a 35% growth. Thus, the slowdown in the GWP growth is not on account of a slowdown in the business, but is indicative of a decline in premium rates as a result of increased competition in the market.

This growth in GWP is reflected in the insurance penetration and density, the two key indicators used internationally to determine the maturity of the insurance industry (Figure 50). Insurance penetration

is measured as a ratio of the GWP to GDP while insurance density measures the GWP per capita. During the year 2019, insurance penetration for general insurance business remained constant at 1.1%, while insurance density increased slightly from US\$111.9 to US\$112.9.

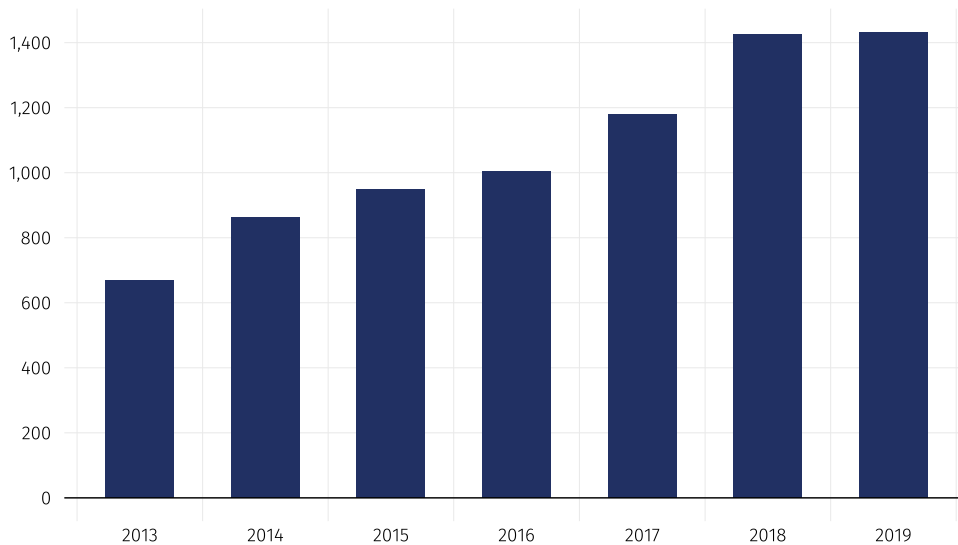
The premium growth during 2019 was mostly contributed by the significant rise in premium of fire and marine hull classes (Figure 51). Fire insurance, which continued to be the largest class of insurance with 33% of GWP, grew by MVR47.2 million (18%). Marine hull insurance, (which together with marine cargo, makes up the marine insurance class) grew by MVR7.6 million (7%). The marine insurance class accounted for 15% of the GWP. Health insurance, making up 25% of the GWP, increased by MVR5.9 million (3%). In contrast, engineering insurance business showed a decline by MVR21.6 million (65%).

Figure 48: Gross Written Premium, 2013 - 2019
(millions of rufiyaa)



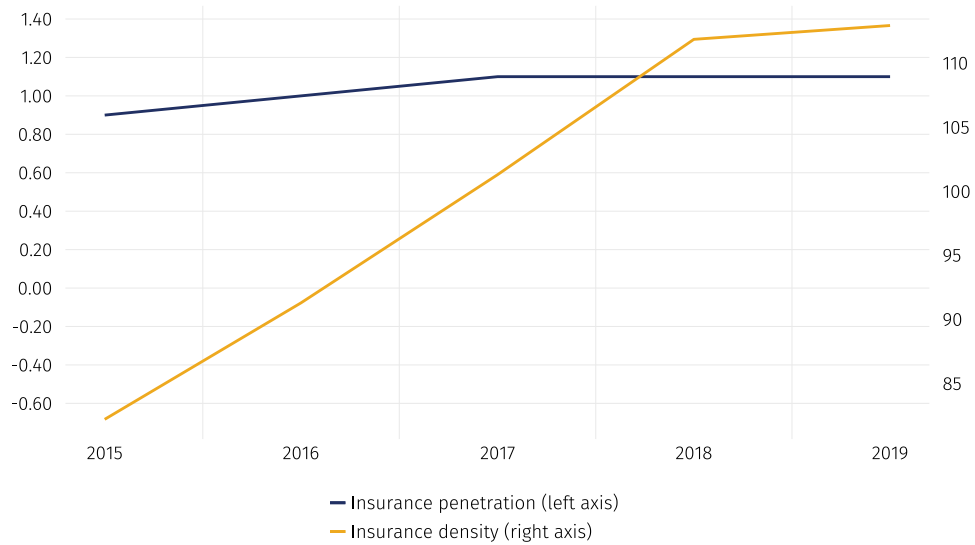
Source: Maldives Monetary Authority

Figure 49: Total Assets of Insurance Companies, 2013 - 2019
(millions of rufiyaa)



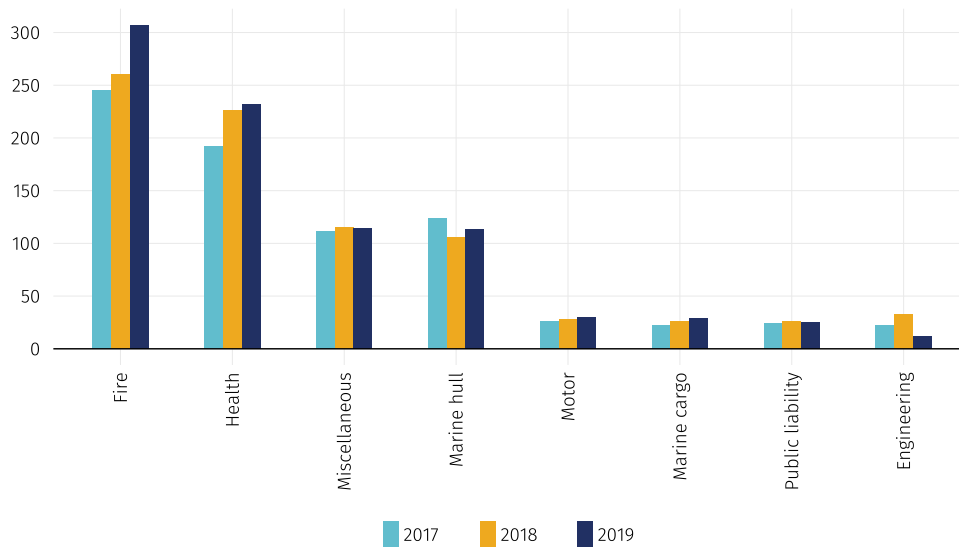
Source: Maldives Monetary Authority

Figure 50: Insurance Penetration and Density, 2015 - 2019
(percent, US dollars)



Source: Maldives Monetary Authority

Figure 51: GWP by Class of Insurance, 2017 - 2019
(millions of rufiyaa)



Source: Maldives Monetary Authority

Insurance companies manage and spread 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 or NWP) as a percentage of GWP, is an indicator of the level of reinsurance. The retention ratio varies by lines of business, reflecting the riskiness of business' and the insurers' risk appetites; with insurers retaining less of businesses with high claims volatility, and more of those with low claims volatility. The retention ratio has remained stable at approximately 34% to 39% in the last seven years (Figure 52).

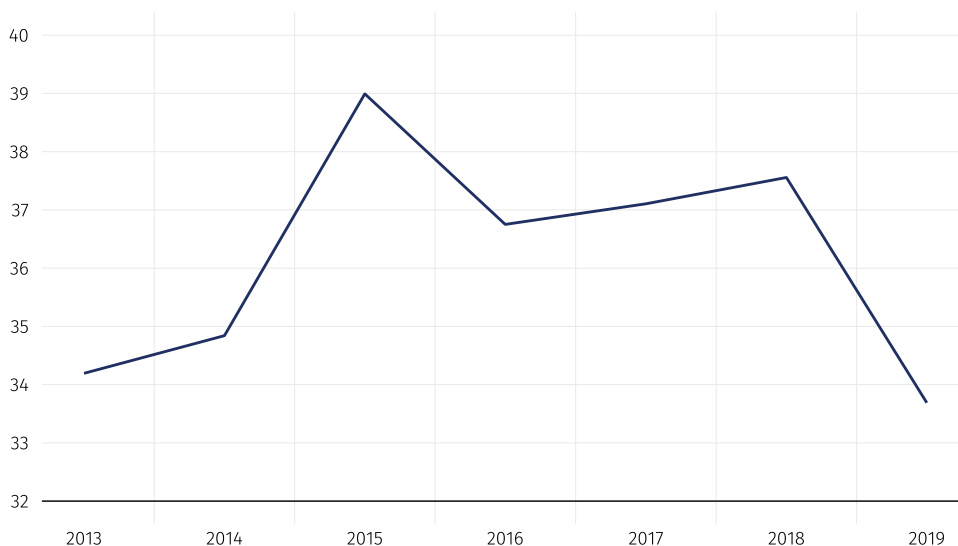
The gross claims paid by the insurance companies in 2019 amounted to MVR275.0 million, which is a decrease of 4% when compared to 2018 (Figure 53). Claims for health insurance policies accounted for 36% (MVR99.5 million) of the gross claims, representing an increase of 16% (MVR13.6 million). Despite contributing to 21% (MVR58.0 million) of the gross claims, marine hull insurance policies recorded a 40% (MVR39.0 million) decline in claims compared to 2018.

During the year 2019, fire insurance claims increased by 281% (MVR56.2 million) to reach MVR76.2 million, although claims from fire insurance policies had a declining trend in previous years.

In terms of asset composition, investments represented 29% of the total assets while reinsurance and premiums receivable accounted for 26% and 16% respectively. General insurance companies invest mostly in T-bills, equity securities and debt securities with 23%, 21% and 30% respectively of the total investment in each of the instruments. Lack of Shari'ah compliant investment instruments result in a large portion of Takaful funds being invested in fixed deposits (Figure 54).

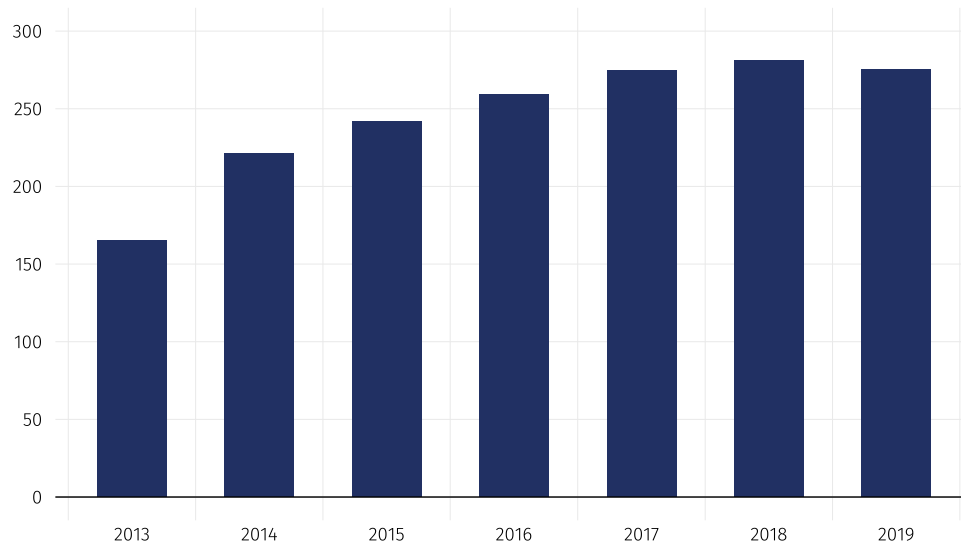
In line with improvements in key indicators, the profitability of the general insurance industry increased moderately during 2019. As such, pre-tax profits of licensed general insurers during the year increased by 26% to reach MVR156.1 million (Figure 55).

Figure 52: Retention Ratio, 2013 - 2019
(millions of rufiyaa)



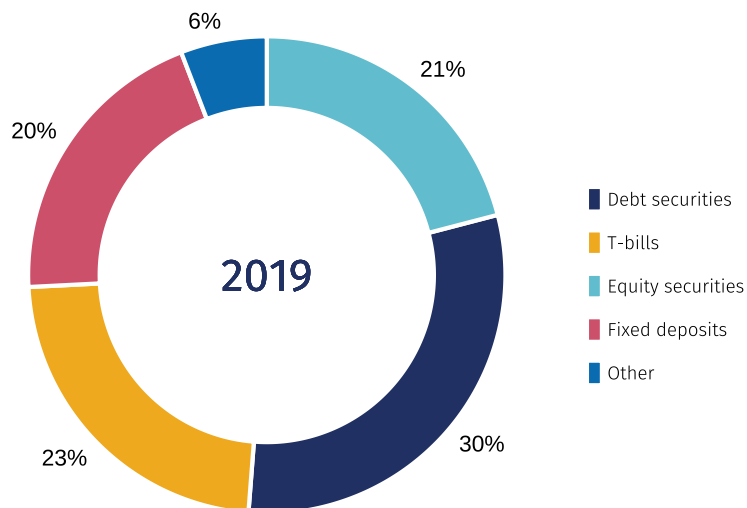
Source: Maldives Monetary Authority

Figure 53: Gross Claims, 2013 - 2019
(millions of rufiyaa)



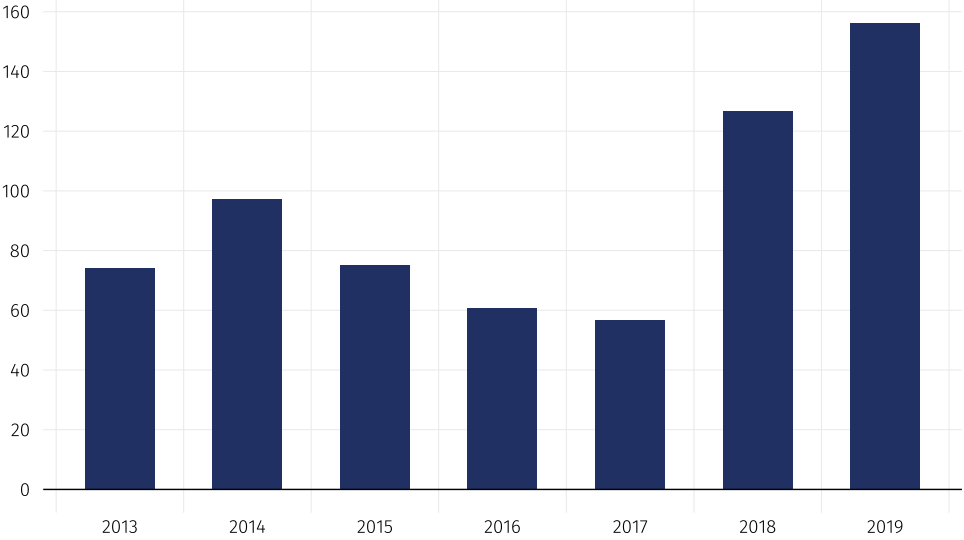
Source: Maldives Monetary Authority

Figure 54: Investment Composition of Insurance Companies



Source: Maldives Monetary Authority

Figure 55: General Insurance Profitability (Before Tax), 2013 - 2019
(millions of rufiyaa)



Source: Maldives Monetary Authority

External Sector

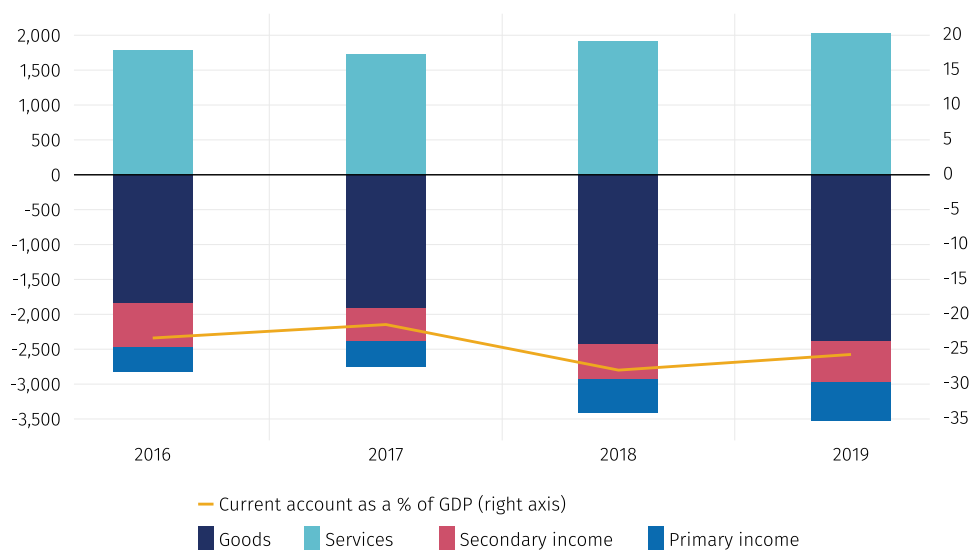
The current account deficit narrowed to 26% of GDP in 2019 from 28% in 2018. This largely reflected the increase in the services surplus, owing to the solid performance of the tourism sector during the year. In addition to this, the improvement in the merchandise trade deficit also contributed to the narrowing of the current account deficit, mirroring the boost in re-exports along with the fall in imports. In 2019, the current account deficit was financed primarily by increased foreign direct investment (FDI) inflows and borrowings made by the government and the private sector. In line with these developments, the overall balance of payments recorded a surplus in 2019, along with an increase in GIR for the year.

Current Account

With the high degree of openness to trade and excessive reliance on imports and tourism, the current account remains a vital indicator in assessing the external position of the Maldivian economy. According to the revised balance of payments estimates of April 2020, the current account deficit narrowed slightly to US\$1,498.4 million in 2019 from US\$1,502.5 million in 2018. In terms of GDP, the current account deficit fell

to 26% in 2019, after recording 28% for the previous year—but remained higher than the previous five-year average of 16% (Figure 56). The modest improvement in the current account deficit was due to the improvement in the services balance, owing to the strong performance of the tourism sector. This was aided further by improvement in the merchandise trade deficit, which reflected substantial growth in re-exports coupled

Figure 56: Composition of Current Account, 2016 - 2019
(millions of US dollars, percent)



Source: Maldives Monetary Authority

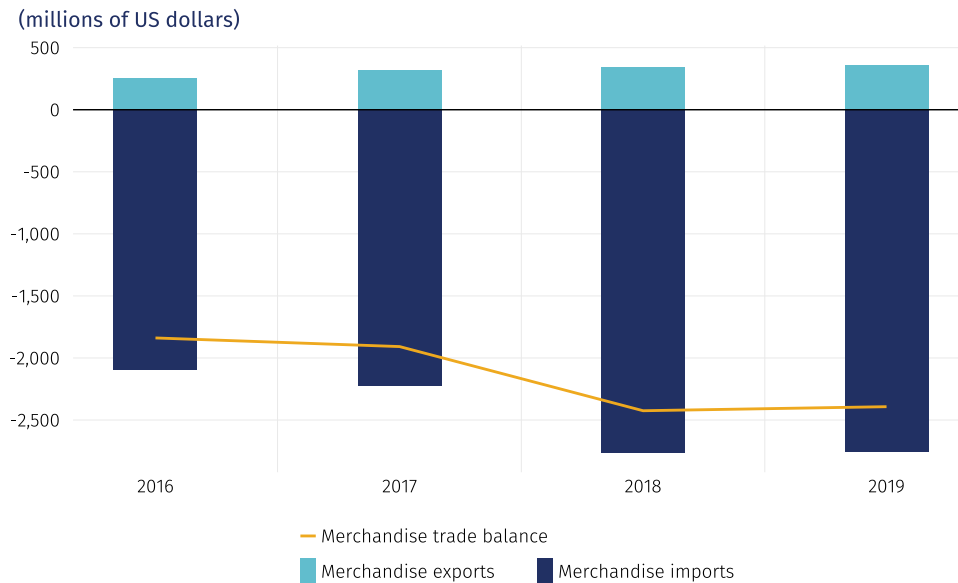
with a decline in imports. However, this was offset to an extent by growth in workers' remittances and the upsurge in re-investment of earnings by the tourism sector.

Goods

The merchandise trade deficit narrowed by US\$32.5 million when compared with 2018, to total US\$2.4 billion in 2019 (Figure 57). This was primarily due to surge in re-exports, as domestic exports registered a decline during the year. The growth in re-exports largely reflected increase in jet fuel sold to airlines on the back of the continued growth in flights to the Maldives by international carriers (Box 1). Meanwhile,

other re-exports, such as that of capital goods as well as metal also recorded an increase amid the conclusion of the majority of mega infrastructure projects in 2018. Reflecting this, as well as the delays in tendering and initiation of new public infrastructure projects planned for 2019, imports recorded a significant decline, contributing to the improvement of the trade deficit during the year. Accordingly, the largest decreases in import expenditure stemmed from the fall in expenditures on machinery and mechanical appliances; as well as construction-related items.

Figure 57: Merchandise Trade Balance, 2016 - 2019



Source: Maldives Monetary Authority

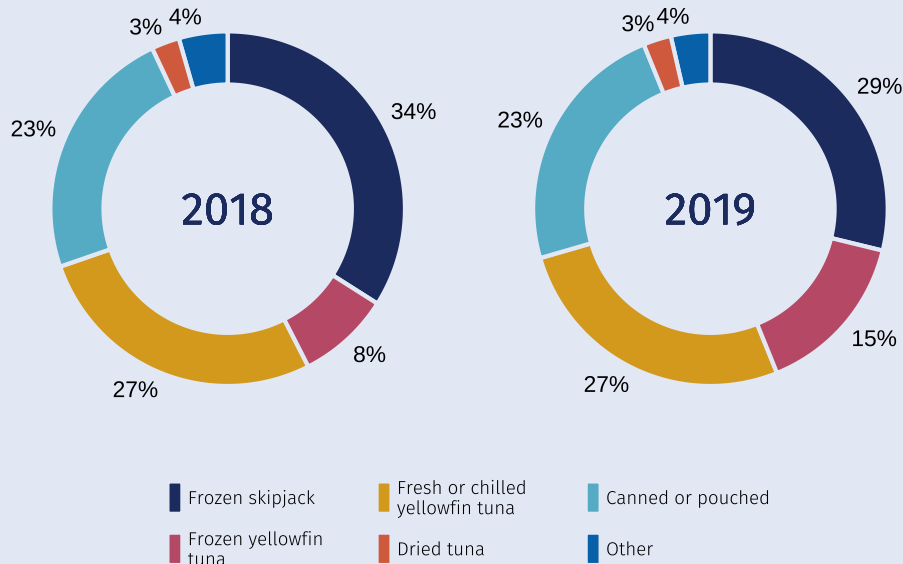
Box 1: Merchandise Trade¹

Merchandise Exports

Merchandise exports, constituting of domestic exports and re-exports, increased by 6% (US\$21.4 million) and totalled US\$360.7 million during 2019. The growth in merchandise exports, which consisted of 44% domestic exports and 56% re-exports, resulted entirely from a steep rise in re-exports, as domestic exports registered a decline during 2019.

Re-export earnings increased significantly by 29%, totaling US\$202.6 million at the end of the year. Similar to the previous year, re-export of jet fuel sold to airlines recorded the highest increase in 2019. This was largely a result of the continuous increase in the flight movements to the Maldives by international carriers. Likewise, other re-export categories have also registered an increase, albeit less significantly. This stemmed majorly from re-export of capital goods, diesel as well as metal. The increase in capital goods and metal re-exports partly reflected the conclusion of several mega infrastructure projects in 2018.

Figure 1: Composition of Fish Exports (Earnings)

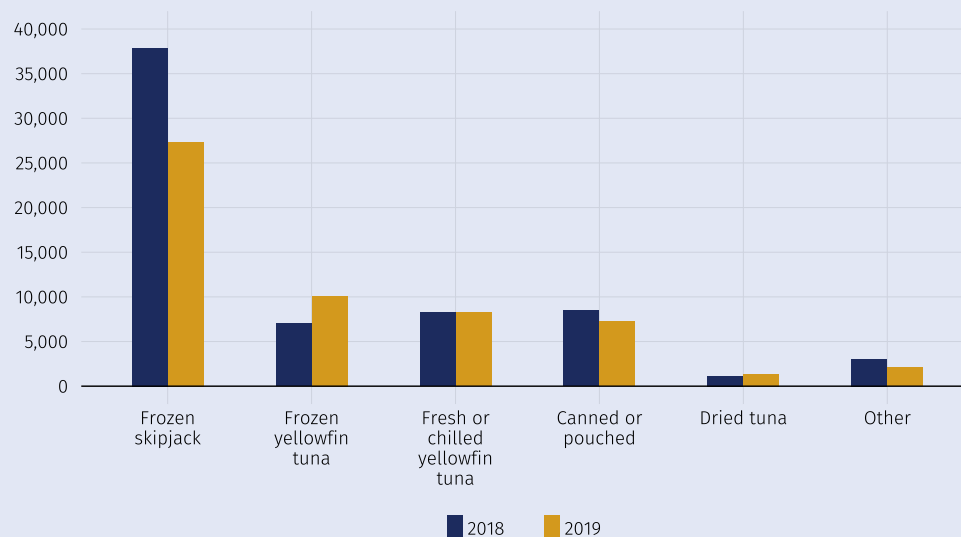


Source: Maldives Customs Service

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

Domestic exports, which comprises 95% fish exports, declined by 13% and totalled US\$158.0 million at the end of the year (Figure 1). The decline in such exports mainly resulted from a marked drop (27%) in export earnings from frozen skipjack tuna. This mainly reflected an annual decrease in skipjack prices coupled with a reduction in the volume exported. The decline in skipjack prices was due to short demand, reflecting healthy inventories in Thailand’s canneries despite the FAD fishing closure in the Western and Central Pacific and the 2-month IATTC ‘veda’ fishing closure in the Eastern Pacific. Similarly, export earnings from fresh or chilled yellowfin tuna also observed a decline during the year, although export volume remained virtually unchanged (Figure 2). This was offset to an extent by growth in export earnings from frozen yellowfin tuna during the year, which reflected increases in both the price and volume of such exports. Meanwhile, earnings from canned or pouched tuna recorded a substantial decline during the year, mirroring the decline in export volume.

Figure 2: Composition of Fish Exports (Volume), 2018 - 2019
(thousands of metric tonnes)

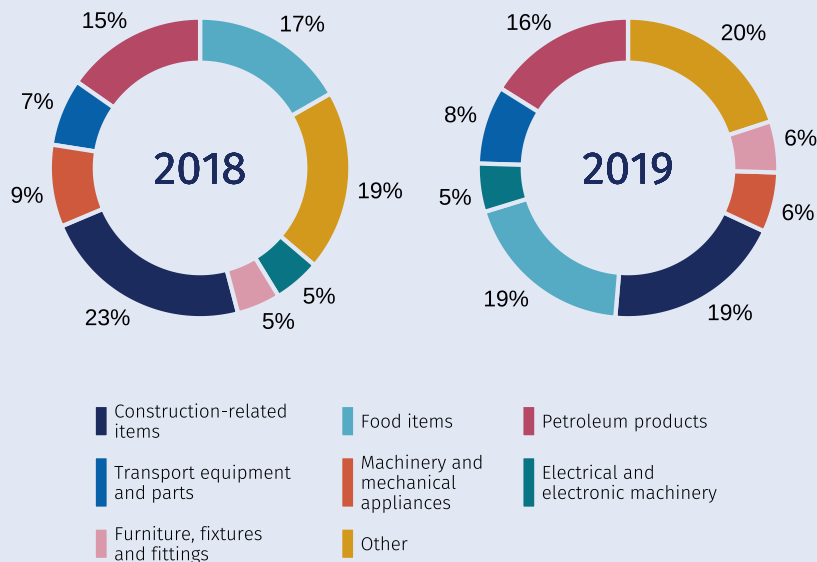


Source: Maldives Customs Service

Merchandise Imports

Total merchandise imports (c.i.f) declined slightly by 2% (US\$72.3 million) and totalled US\$2.9 billion during 2019, largely owing to the 29% decrease in machinery and mechanical appliances imports (Figure 3). This was followed by a significant decrease in import expenditure on construction-related items (wood, metal, cement and aggregates; and other construction-related items) which declined by 12% and 29%, respectively. This reflected the conclusion of several major public

Figure 3: Composition of Imports



Source: Maldives Customs Service

infrastructure projects during 2018, as well as the decline in PSIP projects carried out for the most part of 2019, due to delays in the procurement process of new projects.

In contrast to these developments, import expenditure on food items posted a significant annual increase of 10% with major sub-categories; namely beverages and confectionaries; fruit, nuts and seeds; and vegetables, root crops and spices registering increases of 13% during the year. Additionally, meat, fish and seafood category recorded an increase of 11%. Concurrently, import expenditure on transport equipment and parts posted a significant increase of 14% during the year, largely reflecting the increase in imports of aircraft resulting from the expansion of seaplane services in the Maldives. Meanwhile, import expenditure on furniture, fixtures and fittings recorded a significant increase (15%) during the period, while such expenditure on petroleum products (particularly, petrol) observed a 3% growth.

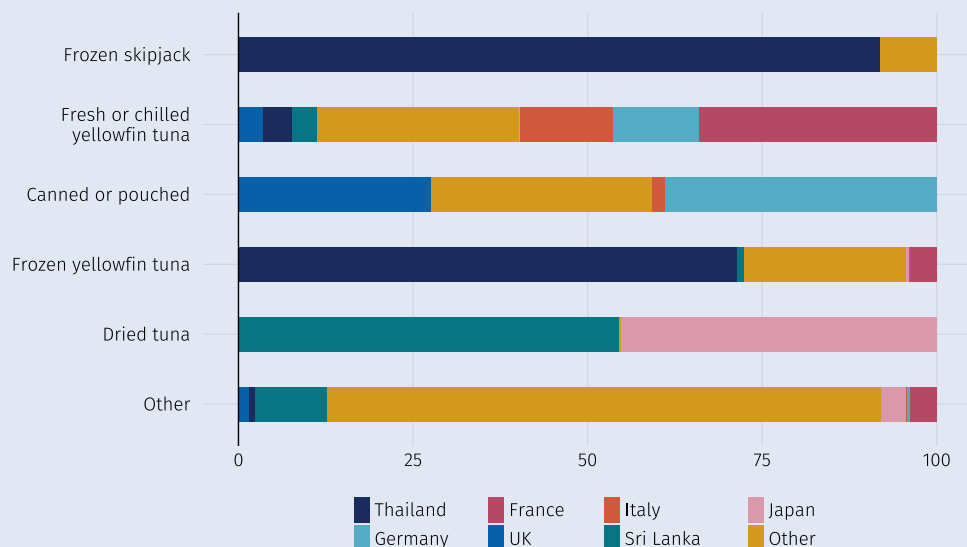
Direction of Trade

Exports

With a share of 51%, the Asian market remained the main destination for Maldivian exports in 2019. This was followed by the European market, which enjoyed a share of 39%. Similar to the previous year, the single largest Asian export market was Thailand which had a share of 36%, largely owing to the high volume of frozen skipjack tuna; and frozen yellowfin tuna exports (Figure 4). When compared to 2018, export earnings from frozen skipjack tuna declined by 29% due to lower skipjack tuna prices and a fall in the volume of such exports. However, export earnings from both frozen and fresh or chilled yellowfin tuna observed improvements. Meanwhile, the value of exports to Sri Lanka registered a 13% decline during the year, mainly due to a notable reduction in the earnings from fresh or chilled yellowfin tuna, despite posting a significant increase in the earnings from frozen yellowfin tuna. The decline was further exacerbated by the fall in export earnings from processed fish during the year. Although the share of exports to Vietnam slightly declined, it remained the third largest export market in Asia during the year. This was due to increases in earnings from frozen skipjack tuna; and frozen yellowfin tuna exports.

Within the European region, the largest export market was Germany, followed by France and the UK. Fish export earnings from Germany recorded an overall decline of 19%, mainly resulting from a reduction in export earnings from both

Figure 4: Direction of Trade by Domestic Export Categories, 2019
(percent)



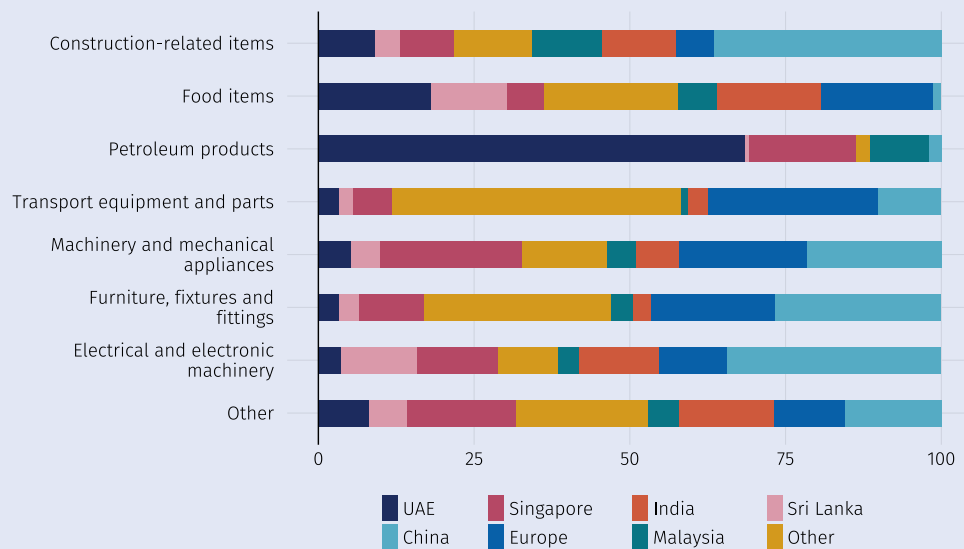
Source: Maldives Customs Service

canned or pouched tuna; and fresh or chilled yellowfin tuna. Export earnings from France registered a 12% increase, largely owing to the increase in export earnings from fresh or chilled yellowfin tuna. On the other hand, export earnings from the UK recorded a 33% decline on the back of both a drop in earnings from fresh or chilled yellowfin tuna, as well as a decline in canned or pouched tuna during the year.

Imports

With regard to the direction of imports, similar to previous years, the highest proportion of imports during the year (81% of the total) came from Asia. From this region, the United Arab Emirates (UAE) and China continued to be the main suppliers of imports to the Maldives, followed by Singapore and India (Figure 5). Imports from the UAE slightly increased compared to the previous year and mainly consisted of petroleum products. This was mainly due to increases in imports of diesel (marine gas oil), aviation gas, and petrol as well as food items. Meanwhile, imports from China witnessed a decline of 4% when compared with the previous year. A decline was observed for import expenditure on both machinery and mechanical appliances; and construction-related items, reflecting the completion of major infrastructure projects. Similarly, imports from Singapore also registered a decline during the year, largely reflecting a fall in imports of construction sector-related items; electrical and electronic machinery and equipment; and machinery and mechanical appliances. Conversely, imports from India recorded a slight increase

Figure 5: Direction of Trade by Import Categories, 2019
(percent)



Source: Maldives Customs Service

from the previous year, mirroring a significant growth in the import of electrical and electronic machinery and equipment, together with food items.

Imports from the European region, which accounted for 12% of total imports, registered a decrease of 10% during the year. This mainly reflected a significant decline in import expenditure on construction-related items. However, the decrease was slightly offset by increases in import expenditure on furniture, fixtures and fittings; as well as food items.

Services

The inherent surplus on the services account is a key feature of the current account of the Maldives, as it is a tourism-based economy, which relies heavily on the tourism-related services to generate the major portion of foreign exchange receipts. During 2019, the surplus on the services account improved by US\$122.9 million and totalled US\$2.0 billion, owing mainly to the resilient growth in tourist arrivals, reflecting the strong demand from source markets as well as the improved air connectivity (Figure 58).

On the receipts side, total services receipts are estimated to have reached US\$3.4 billion in 2019, an annual increase of US\$133.5 million. This growth was largely on account of the estimated increase in travel receipts, which accounted for 93% of all services receipts during the year. Travel receipts posted a sizable increase of US\$129.0 million and totalled US\$3.2 billion in 2019, on the back of the strong tourism sector growth. Additionally, receipts from transport services moved upwards, largely on account of the increase in receipts for services provision to international carriers by the airports.

On the payments side, total expenditure on services posted a growth of US\$10.6

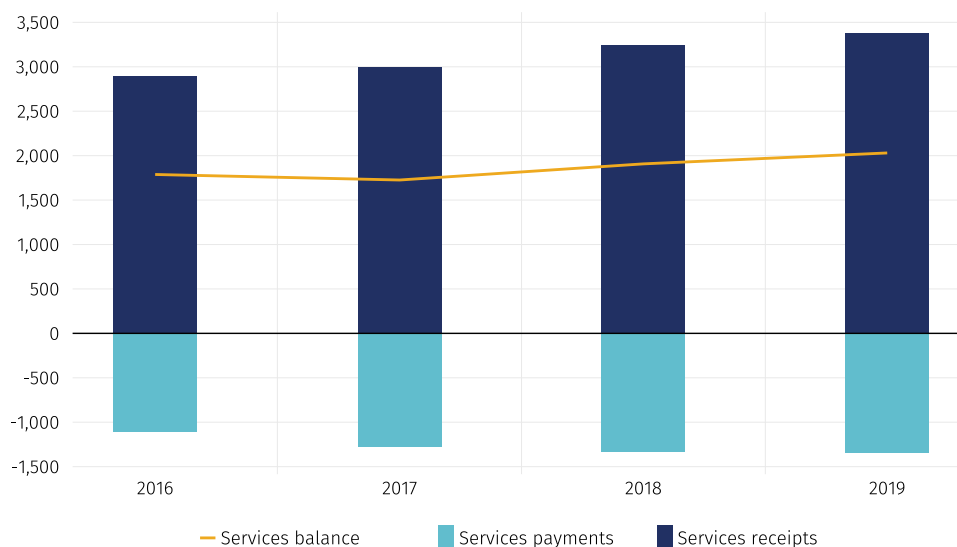
million and totalled US\$1.3 billion by the end of 2019. The growth in services expenditure was led mainly by the sizable US\$39.2 million increase registered by professional and management consultancy services sought externally for various business needs during the year. This was further exacerbated by the acceleration of travel expenditure, led by the surge in the average spending of Maldivians travelling abroad. Conversely, this was offset to an extent by declines in payments made for international transport services during the year, which reflected the lower freight cost on imports resulting from the decline in imports during the year. Additionally, a decline was observed in construction-related services acquired from non-residents, which mirrored the conclusion of key infrastructure projects during the previous year, as well as the delays in tendering and initiation of new public infrastructure projects planned for 2019.

Primary Income Account

Changes in the primary income account continued to be driven by the FDI related outflows, largely in the form of dividends to shareholders and the reinvestment of earnings. The deficit on the primary account

Figure 58: Trade in Services, 2016 - 2019

(millions of US dollars)



Source: Maldives Monetary Authority

widened by a sizable US\$65.5 million, to reach US\$557.9 million in 2019. As the majority of the companies in the tourism sector are FDIs, the reinvestment of earnings as well as the repatriation of profits—which registered a significant increase to reach US\$404.9 million—mirrored the strong performance of the tourism sector during the year. Additionally, primary account outflow was contributed further by increase in interest payments on private debt during the year. Conversely, inflows to the primary income account increased modestly to reach US\$21.0 million, mainly owing to interest income received from investments by the MMA.

Secondary Income Account

Movements in the secondary income account continued to be dominated by changes in workers’ remittances, government grants and other transfers. During 2019, the deficit on this account deteriorated further by US\$85.9 million and totalled US\$578.5 million in 2019. The growth in outflows was

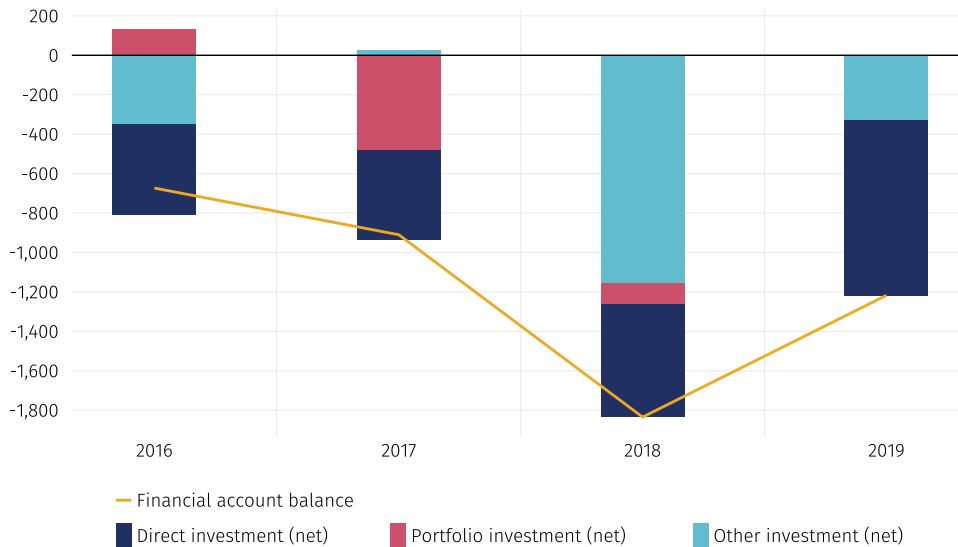
led by workers’ remittances, which surged by US\$61.8 million, to reach US\$593.5 million in 2019. In addition, arbitration payments made to several external parties also contributed to the growth in outflows during the year. Considering the inflows of income in the secondary income account, a growth of US\$20.8 million was recorded, which entirely reflected the growth foreign grant inflows.

Financial Account

Financial account records transactions of financial assets and liabilities for the residents of an economy and the rest of the world—which are categorized into direct investments, portfolio investment and other investments. The financial account recorded an estimated net inflow of US\$1.2 billion in 2019, down from US\$1.8 billion in 2018. The net inflows on the financial account mainly consisted of inflows from FDIs and other investments (Figure 59).

Figure 59: Financial Account, 2016 - 2019

(millions of US dollars)



Source: Maldives Monetary Authority

The majority of all external financial inflows to the Maldives during the year consisted of net inflows from direct investments, which is estimated to have risen to US\$891.1 in 2019, from US\$575.7 million in 2018. While this increase was contributed entirely by FDI inflows¹¹, this reflected a surge in new equity investments by foreign investors largely within the tourism sector, as well as inflows from developmental projects undertaken by foreign entities. Additionally, reinvestment of earnings of foreign investors in the country also observed an increase during the year.

As for portfolio investments, which comprise cross-border financial transactions involving equity and debt securities (other than those included in direct investments), an estimated net outflow was recorded for such investments during the year. Following a net inflow of approximately US\$103.4 million in 2018, a marginal net outflow

was recorded for 2019. The net outflow represented commercial bank investments in debt securities abroad.

Other investments, which consist of financial transactions other than direct investments and portfolio investments, is estimated to have recorded a substantial decline of net inflows to US\$328.9 million in 2019, from US\$1.2 billion in 2018. The main contributors to the inflow of such investments during the year was net borrowings in the form of loans by both the government and private sector. The decline in net inflows was contributed by the decrease in liabilities of the MMA, due to the repayment of the US\$100.0 million swap arrangement between the MMA and the RBI. Meanwhile, net acquisition of financial assets recorded an outflow, due to the increase in deposits held abroad by the commercial banks and private sector, hence contributing to the decline of inflows of other investments.

¹¹ Only the proceeds from inward FDIs are included in the direct investment account.

Overall Balance and Gross International Reserves

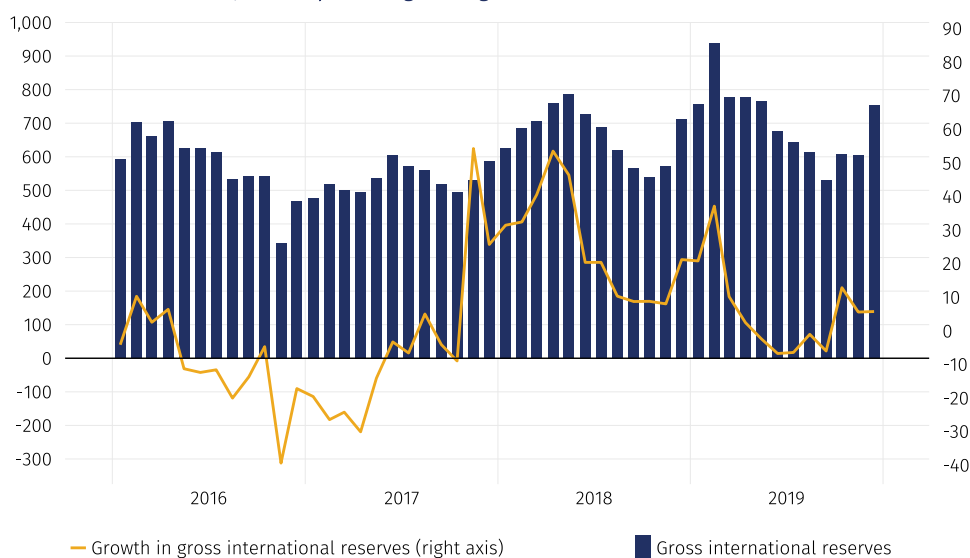
As the net inflows from the financial account outpaced the current account deficit during 2019, the overall balance of payments observed a surplus of US\$41.7 million, following a surplus of US\$125.4 million in 2018. In line with these developments, GIR¹² improved to US\$753.0 million in 2019, from US\$712.0 million in 2018 (Figure 60). In terms of GIR in months of imports, this translates into 2.9 months in 2019 and 2.1 months in 2018.

Looking at developments in GIR throughout the year, the fluctuations in GIR stemmed from fluctuations in foreign currency receipts and payments as well as short-term foreign liabilities. The growth in foreign currency receipts during the year largely mirrored receipts from the exchange

of the Sovereign Development Fund (SDF) investment account balances by the MMA in December 2019 and the foreign currency proceeds from US dollar treasury bills issued by the government, as well as increased tax receipts owing to the strong performance of the tourism sector. On the payments side, growth in payments reflected increased foreign currency intervention in the domestic market by the MMA and foreign currency payment obligations during the year.

Reflecting the significant increase in foreign currency reserve account balances of commercial banks held at the MMA, GIR peaked in February 2019. However, with the repayment of the US\$100.0 million foreign currency swap facility with the RBI upon maturity in March 2019, as well as owing

Figure 60: Gross International Reserves, 2016 - 2019
(millions of US dollars, annual percentage change)



Source: Maldives Monetary Authority

¹² GIR comprises of foreign currency deposits of the MMA and the government, commercial banks' US dollar reserve accounts and Maldives' reserve position at the IMF.

to decline in the reserve account balances of commercial banks at the MMA, GIR fell significantly in March and remained fairly stable until the end of May 2019. Partly mirroring the foreign currency payment obligations, such as the arbitration payments, as well as the continued downward trend of reserve account balances of commercial banks at the MMA, declines were recorded in the GIR, particularly between June and September 2019. Additionally, this was contributed by the increase in foreign currency intervention by the MMA, which spiked further during the last quarter.

Nonetheless, GIR gradually climbed during the last quarter of the year, reflecting solid growth of tax receipts owing to the strong growth of the tourism sector, as well as the US dollar receipts from the exchange of SDF investment account balances by the MMA in December 2019. The stock of GIR finally closed at a high of US\$753.0 million at the end of the year.

External Debt

According to the latest available statistics,¹³ the total external debt stock (government and commercial banks) increased by US\$133.4 million and totalled US\$1,535.5 million at the end of 2019. As such, the stock of external debt as a ratio to GDP registered a modest growth to 27% in 2019, from 26% in 2018 (Figure 61). The growth in external debt reflected rise in loans obtained by the government in the form of buyer's credit,¹⁴ as well as loans from both bilateral and multilateral sources.

In terms of composition of the total outstanding stock of external debt,

the government external borrowing—which primarily consists of buyer's credit, debt securities and loans obtained from multilateral and bilateral sources—rose by US\$98.9 million, and totalled US\$1,431.5 million at the end of 2019 (Figure 62). However, in terms of GDP, the outstanding stock of central government external debt remained unchanged from 2018 at 25%. Debt obtained in the form of buyer's credit observed a growth of US\$44.3 million mirroring the credit extended to finance various development projects, and totalled US\$594.8 million during 2019. Meanwhile, bilateral loans registered a growth of US\$34.2 million and amounted to US\$169.2 million, while multilateral loans increased by US\$26.4 million to total US\$316.5 million during the year. As for debt securities, it remained virtually unchanged during the year.

With regard to foreign liabilities of commercial banks, an increase of US\$34.4 million was observed, primarily in the form of borrowings from head offices and branches, closing at US\$103.8 million at the end of 2019.

The total cost of debt servicing¹⁵ declined by US\$4.2 million and amounted to US\$100.9 million (2% of GDP) in 2019, mainly reflecting the decline in principal payments on bilateral loans. Meanwhile, mirroring the lower cost of debt servicing, the debt service ratio¹⁶—which measures the adequacy of a country's foreign exchange earnings to meet maturing debt obligations—decreased to 2.7% in 2019, from 2.8% in 2018.

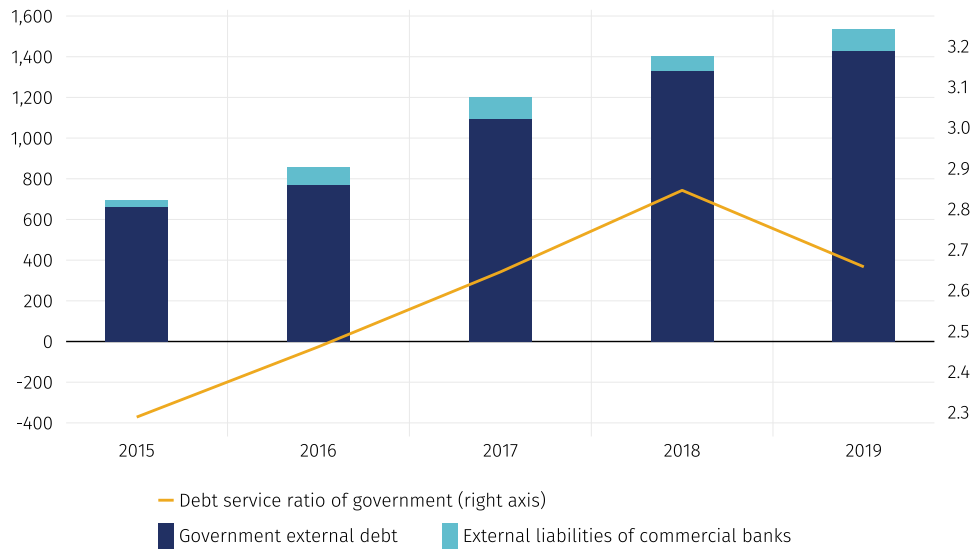
¹³ External debt statistics mentioned here refer to government external borrowings and foreign liabilities of commercial banks, which are different from external debt under public debt.

¹⁴ 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.

¹⁵ Includes both principal and interest payments.

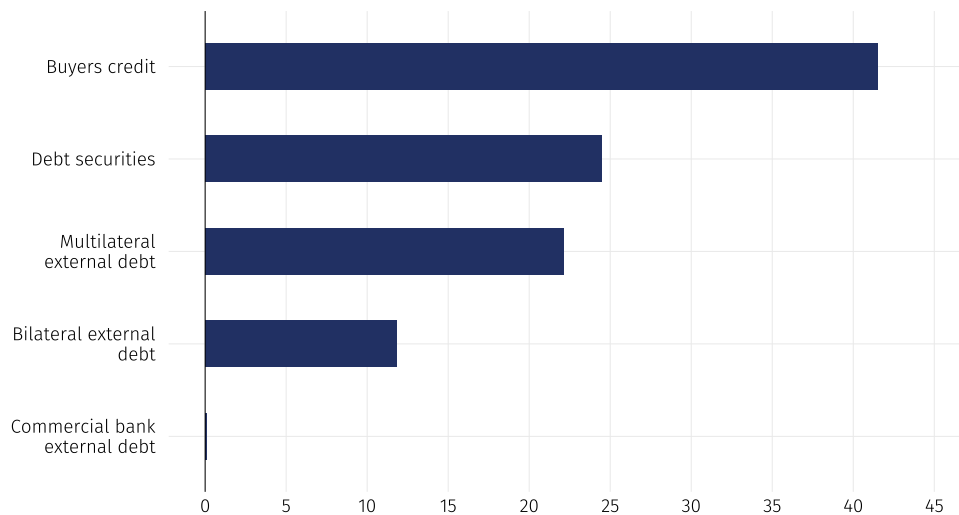
¹⁶ Debt service ratio is the ratio of debt service payments to export of goods and services.

Figure 61: External Debt, 2015 - 2019
(millions of US dollars, percent)



Source: Ministry of Finance and Treasury and Maldives Monetary Authority

Figure 62: Composition of Total Government External Debt Outstanding, 2019
(percent)



Source: Maldives Monetary Authority

The spread of the COVID-19 pandemic is a major shock to the growth prospects for the Maldivian economy. While the current crisis is temporary in nature, the impact of the shock on the economy will largely depend on the duration of the shock. According to the projections made in April 2020, based on data available as of the projection cut-off date, real GDP growth is expected decline sharply in 2020—a major fall from the 7.5% growth projected for 2020 pre-COVID-19 crisis—due to a significant decline in tourist arrivals as well as the fall in domestic demand. The severe adverse impact of the pandemic on tourism sector and related sectors such as transport; communication; and wholesale and retail trade reflects the drastic measures being taken by governments to contain the spread of the coronavirus both globally and domestically.

According to projections made pre-COVID-19 crisis, the rate of inflation was forecast to revert to the trend level of 1.0% in 2020. However, the impact of COVID-19 on inflation remains highly uncertain. The downward pressure on inflation stemming from the plunge in global crude oil prices amid the severe downturn in global demand could be offset by upward pressure related to supply disruptions. Meanwhile, the deepening of the COVID-19 crisis, which could result in a potential shortage in the supply of foreign currency in the economy, may lead to an increase in prices of imported goods, increasing the inflationary pressure in the economy.

With regard to public finances, although the overall fiscal deficit was initially projected to narrow slightly to 6.2% of GDP in 2020, from 6.3% in 2019, the fiscal deficit is now expected to widen markedly in 2019. This reflects a sharp reduction in government revenue, owing to a significant

fall in tourism-related revenues and also other sources of tax revenues such as BPT and G-GST, and an increase in government expenditure, aimed at both pandemic preparedness and mitigation efforts, as well as curbing the negative economic impact on businesses and the general public through transfers and subsidies. To reprioritise government expenditure and potentially narrow the projected overall fiscal deficit, the government have announced plans to reduce both recurrent expenditure and capital expenditure. With the persistent growth in deficit, public debt level is forecast to increase in 2020.

On the external front, the current account deficit is projected to narrow in 2020, mainly on account of the projected decline in merchandise imports as well as the plunge in outbound travel expenditure as a result of the COVID-19 shock. Additionally, the estimated contraction in the current account deficit is to be mainly supported by grants from multilateral sources; decline in profit repatriation by the FDI companies, owing to the pandemic-led decline in tourism sector profits; and a fall in workers' remittances. However, as the surplus on the services account is anticipated to decline as well, owing to the sizable decrease in travel receipts, the level of current account deficit would depend largely on the balance between these factors.

Risks to Outlook

As for risks to the growth outlook, downside risks predominate, led by the rapidly-evolving and unprecedented nature of the COVID-19 pandemic, which has temporarily decimated tourism worldwide. The recovery of the domestic economy depends heavily upon the recovery of

the tourism sector, which in turn would be dependent upon the reduction in the severity, spread and magnitude of the pandemic. Headwinds are also foreseen from sharp downturns in economies around the world—particularly the major tourism source markets for the Maldives from Europe—which could delay the recovery of the domestic tourism sector and worsen the negative impact on the economy as a whole.

As for fiscal balances, risks remain tilted to the downside, as the potential decline in revenue could be steeper-than-expected, worsening the projected overall deficit. Additionally, sizable increases in government expenditure, particularly expenses mobilized towards containment and mitigation of the COVID-19 pandemic, as well as expenses to facilitate economic

recovery, could further exacerbate the fiscal deficit. With the lack of fiscal space to accommodate the surge in government expenditure, fiscal imbalances could worsen, adding to debt vulnerabilities.

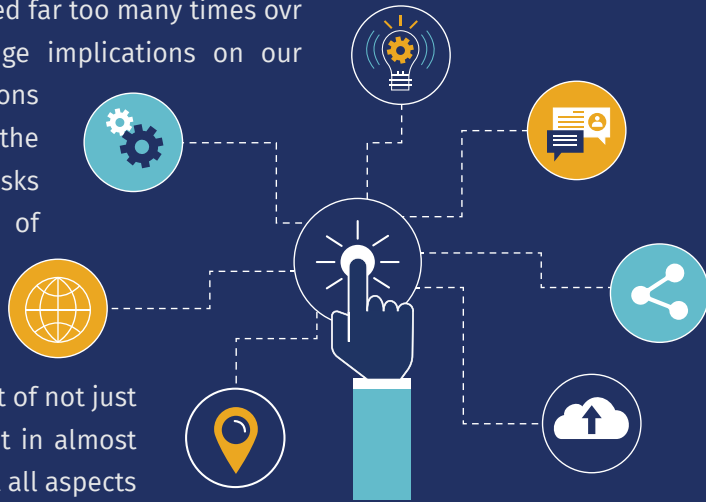
Risks to the external sector projections remain more or less balanced. While the decline in travel receipts owing to the negative impact of the COVID-19 pandemic on the tourism sector would widen the current account deficit, this would be offset by the decline in import expenditure and travel expenditure of Maldivians travelling abroad. The fall in imports would reflect both the downturn in domestic economic activity and the plunge in global oil prices due to the sharp decline in global demand.

DIGITALISATION AND INNOVATION



DIGITALISATION AND INNOVATION

Digital—the buzzword that has been used far too many times over the past few years—brings about huge implications on our society. The prevalence of digital solutions and devices has been immense over the last few years. From the simplest of tasks to the most complex, the use of technology has found a way to digitalise or innovate their processes. Put simply, digitalisation and innovation are now at the forefront of not just the financial and banking industry, but in almost every other industry and in most, if not all aspects of our personal lives as well.



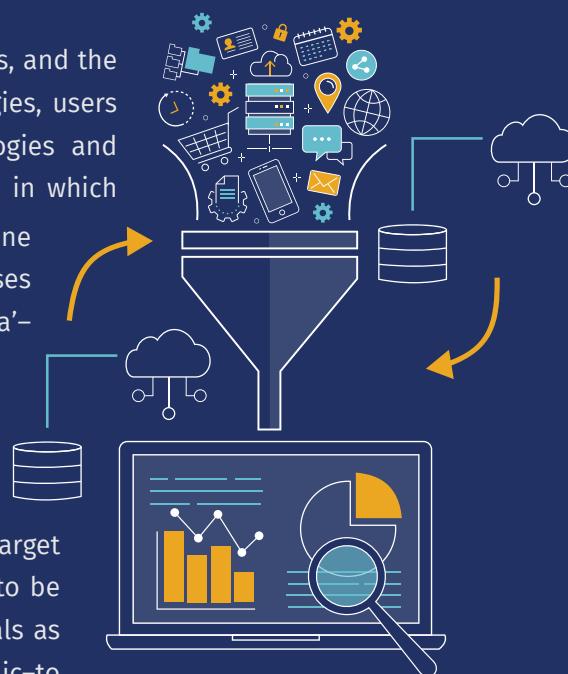
Digitalisation and Innovation is using technology such that it re-creates efficient operations and processes. In contrast to popular belief, digitalisation is not necessarily a complete replacement of the traditional systems in place, but the use of technology and innovation is merely making the existing systems, services and processes significantly more efficient and thus – better.

Throughout the financial sector, there is a widespread technological disruption. With the evolution of banking services as we know it, and the evolution of fintechs and other non-banks, digitalisation continues to remarkably ruffle the dynamics of the sector. Concepts such as digital banking (branch-less banking) are slowly becoming the norm, with service delivery over internet, mobile applications and other digital means threatening to make the more traditional methods of over-the-counter service delivery obsolete. At the same time, use of biometrics and other such methods are taking over the identity verification processes, a key element of protecting consumer rights in financial services.



Further to these elements, innovative services through digitalisation are also aiding with the accessibility and inclusion in the provision of financial services. A digitally enhanced network as opposed to service delivery over physical outlets and cash, opens a lot more avenues which is limited by the latter. Especially in a country as geographically dispersed as the Maldives, service delivery over digital means allows for the services to reach even the most isolated corners of the country, as the need to carry cash, and the need to visit physical outlets are significantly minimized by the services that now enable all general services such as making payments for daily spending, transfer money to your friends and families, and paying utility bills, to be transacted instantly with a tap on your smart device.

Despite the prevalence of numerous such services, and the high penetration of smart devices and technologies, users tend to be foreign to the underlying technologies and processes that enables these services. The ways in which technology and innovation enables to streamline and maximize the efficiency of the work processes are heavily linked with the way in which 'big data'—one of the emerging technological trends in the work place - is managed. Millennials are more tech-savvy and open to adopting innovative products and services than ever, and the new entrants to the workforce as well as the target demographics for most of the innovations tend to be this crop. Thus, the need for working professionals as well as the customers from the general public—to associate themselves with basic programming and database management tools have never been more important. At the same time, the need to create an environment that facilitates such developments and caters for those needs are paramount at the workplace as well as in the community, acknowledging that this demographic will essentially shape the future of the economy as we go forward with the inevitable changes and developments.



Hence, as a leading institution in the Maldives in embracing the digital era and fostering innovation within the system, the MMA has initiated the 'Innovation Hub' programme for its staff during this year. The programme was established with the aim of building an innovative team, capable of implementing innovative solutions in-house. Such a programme will also encourage

employees from all backgrounds to work on practical solutions to streamline the processes as relevant to their respective divisions, without solely depending on a designated IT team. Lead by the MMA IT division, the programme teaches basic computer programming, database management and other relevant skills to staff across all divisions to streamline and automate MMA's processes. The sessions are conducted by MMA's IT staff through in-house knowledge sharing and training sessions in the form of workshops and tutorials.



While the MMA seeks to emphasise on the importance of developing such skills among the staff, the need to grow developers and programmers, and paving the way for young and enthusiastic innovators to nurture their skills and ideas to potentially be able to commercialize them in the market is also a priority for the MMA. The development of the instant payment system, with the accompanying digital bank and the system's smart addressing capabilities, is expected to bring out the creativity of the incumbent payment service providers, in addition to potential entrants with the level playing field the system aims to create for these service providers. As a result, a host of value adding services are anticipated to embrace the market with the digital infrastructure that will facilitate them in the form of the Unified Payment Gateway being developed by the MMA.

With this in mind, MMA also plans to kick-start an external program targeted for O' Level graduates, a short-term course titled 'Introduction to Computer Science and Programming using Python' to introduce aspiring coders and programmers to the basics of coding and programming, and inspiring them towards taking the first step in learning the essentials with the help of qualified professionals at the MMA's IT division. The first batch of this programme is expected to commence in early 2020.



Building on the MMA's role as the main regulatory body for financial services in the country, the MMA strives to be at the forefront of all potential developments in the sector, to place itself in a position to better regulate and oversee their activities. In terms of digitalisation and innovation, Regulatory Technology (RegTech) and Supervisory Technology (SupTech) are two emerging concepts that are revamping financial supervision. Going forward, MMA believes that this presents an opportunity that could be sought to enable the automation of regulatory processes, in the supervision of financial services under MMA's regulatory regime.

For this reason, the MMA wishes to be a leading institution embracing the era of technology, digitalisation and innovation whereby the MMA's role is not just limited to the regulatory position it holds in the sector, but also to facilitate the infrastructure, and the regulations to allow for innovative services and adopt the latest technological means in the payments industry. The economic benefits of the changes that the industry is witnessing today, can only be fully realized when the MMA develops its services at the same pace—or ahead of—the other stakeholders in the market, to facilitate and prepare the system for the ever evolving developments.



INTERNAL MANAGEMENT, POLICIES AND ORGANISATIONAL DEVELOPMENTS



Monetary Policy Framework

One of the key functions of the MMA is the formulation and implementation of monetary policy in the Maldives. The ultimate objective of monetary policy in the Maldives is ensuring price stability which is consistent with a sustainable level of economic growth. Given that the Maldives is an import dependent economy with a high degree of exchange rate pass-through, the price level in the economy is highly susceptible to price fluctuations in the external market and changes in the exchange rate. Hence, to ensure price stability, the MMA strives to maintain the exchange rate peg with the US dollar within the band of MVR10.28 and MVR15.42. To attain the intermediate target of exchange rate stability, the MMA regularly intervenes in the domestic foreign exchange market by selling US dollars. To further support exchange rate stability, the MMA continues to manage the excess liquidity in the banking system.

The monetary policy instruments available to the MMA are minimum reserve requirement (MRR), open market operations (OMO), foreign currency swaps and the standing facilities which comprise overnight deposit facility (ODF) and overnight Lombard facility (OLF). The monetary policy framework and the policy instruments remained broadly unchanged during 2019.

The monetary policy decisions regarding the formulation of the policy framework and operational adjustments to the policy instruments are made by the Board of Directors of the MMA based on the careful consideration of the recommendation by the Monetary Policy Committee (MPC). The MPC regularly meets four times a year, at the end of each quarter, to assess the macroeconomic developments and to review the monetary policy stance.

Implementation of Monetary Policy

To support the monetary policy objectives, the MMA continued to carry out the two core operations in 2019: foreign exchange market interventions, and rufiyaa liquidity management. As part of the foreign exchange intervention, the MMA continued to regularly monitor the market rates in the domestic foreign exchange market and provide US dollars, via the banking system, to cater for the requirements of the domestic economy. The foreign exchange intervention is aimed at addressing the US dollar shortage in the domestic market and maintaining the exchange rate stability. With respect to the management of rufiyaa liquidity, the policy instruments used by the MMA in 2019 were the standing facilities and MRR.

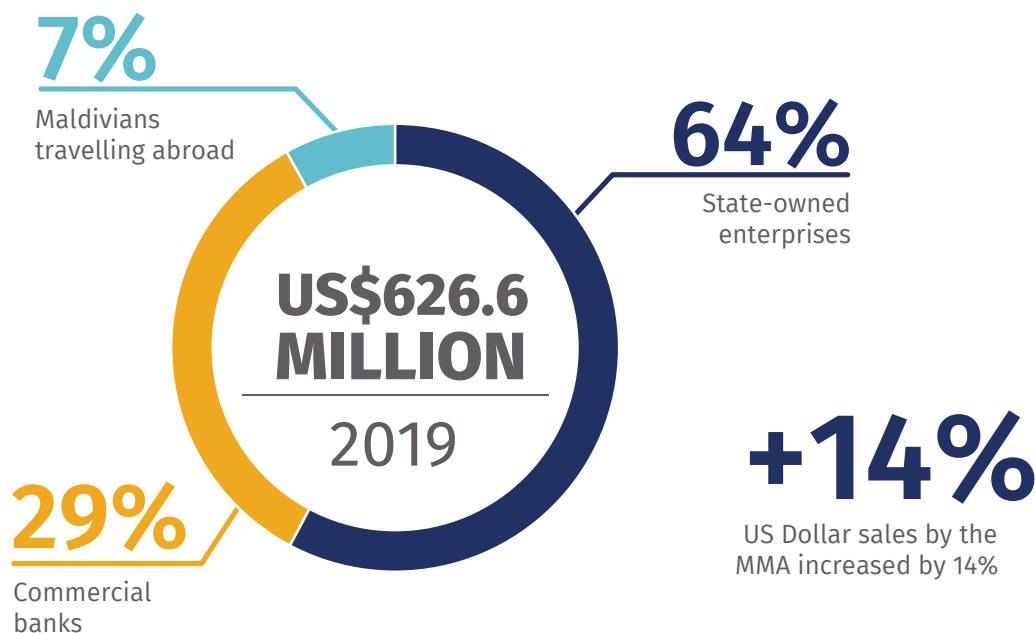
Exchange Rate Stability

Similar to the previous years, the MMA continued its foreign exchange interventions by selling US dollars through the commercial banks. The total US dollar sales by the MMA for 2019 amounted to US\$626.6 million, which is an increment of 14% compared to 2018.

The largest portion of the total US dollar sales in 2019 were made to SOEs, which amounted to US\$399.9 million and constituted 64% of the total sales. In annual terms, this represented a growth of 25% compared to 2018. Currently, the MMA caters the total US dollar requirements of the SOEs for their development projects and business operations.

In addition, the MMA continued selling US dollars to banks in order to accommodate the foreign exchange requirements of private businesses and the general public. The total US dollar sales to banks amounted to

US Dollar Injected to the Domestic Market



US\$226.7 million in 2019, which is an annual decline of 2%. Considering the breakdown of the total sales to banks during 2019, the MMA sold US\$168.0 million as part of the routine weekly allocations. An additional amount of US\$10.6 million was also provided to meet the US dollar requirements of locals travelling abroad for medical and education purposes. To further relieve the dollar shortage for Maldivians travelling abroad, the MMA continued the policy of providing a maximum of US\$500 per Maldivian travelling abroad from Velana International Airport via the Bank of Maldives Plc (BML). A total of US\$44.0 million was sold under this policy in 2019. Further, a total amount of US\$4.1 million was sold to cater for other foreign currency requirements of the domestic economy, which includes US dollar sales to Hajj, and Umrah groups.

Management of Local Currency Liquidity

During 2019, the MMA mainly used the standing facilities (ODF and OLF) for managing the level of rufiyaa liquidity in the banking system. Due to the suspension of OMO in May 2014, the MMA continued to absorb the excess liquidity of the banking system via the ODF. On average, the ODF placements stood at MVR2.3 billion in 2019, which is a decrease of 26% when compared to that of 2018. Meanwhile, the OLF was used only once to manage a temporary liquidity shortage of one bank during 2019.

The MMA continued using the MRR as a policy instrument and a liquidity management tool in 2019. Since the policy revision in August 2015, all commercial banks

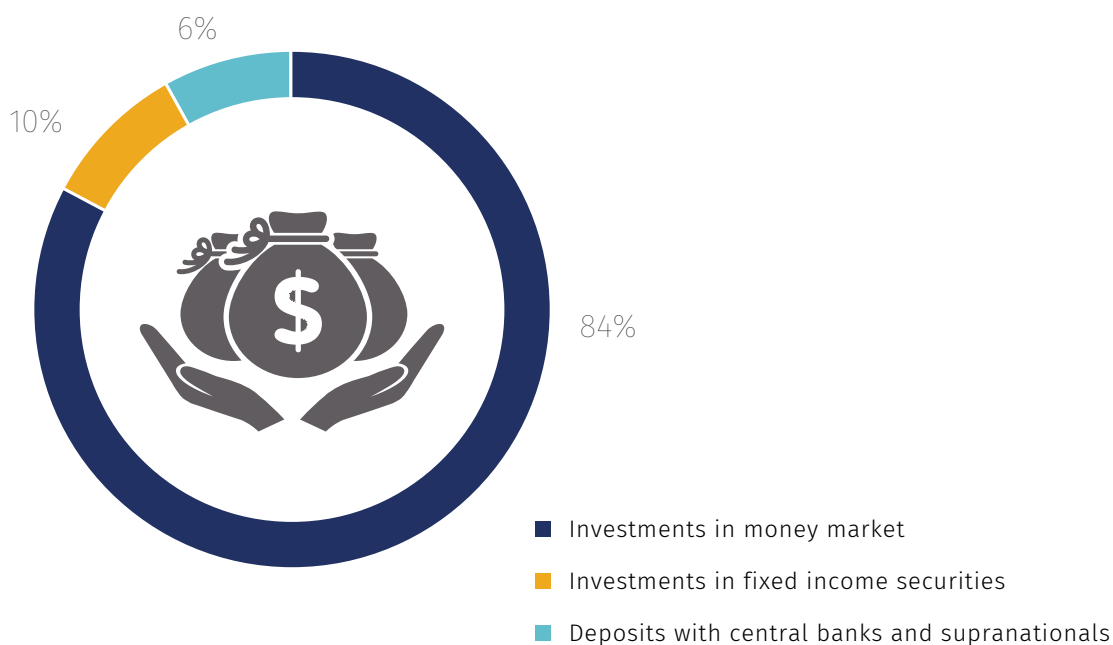
are currently required to keep 10% of their average deposits in both local currency and foreign currency over the maintenance period. The MRR allows the MMA to control the level of liquidity in the banking system while the reserve averaging system of the MRR enables the banks to manage the liquidity shocks over the maintenance period.

Reserve Management

The MMA is mandated to manage the foreign exchange reserves of the Maldives in order 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 focuses 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 2019, investments were made across various asset classes in line with reserve investment guidelines. At the end of 2019, 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 financial institutions during the year. Thus, by the end of 2019, the MMA had established counterparty relationships with 17 financial institutions.

Reserve Investments by Main Asset Classes, 2019



Maintaining a healthy and stable financial system in the Maldives is an important objective of the MMA, and it is essential for maintaining the public's confidence in the financial system. To achieve this objective, the MMA licenses and regulates financial institutions, and supervises them in order to identify risks to the financial system and to assess the system's capacity to cope with threats. In addition, the MMA undertakes several measures to further strengthen and develop the financial sector.

Commercial banks and non-bank financial institutions form the Maldivian financial system. Financial sector institutions and financial service providers currently licensed and regulated by the MMA include commercial banks, insurance companies, finance leasing companies, housing finance institutions, money remittance companies, insurance brokers and agents, and mobile payment service providers.

Developments to the Regulatory Framework of the Financial Sector

To strengthen the supervisory and regulatory activities of the financial sector, the following circulars were issued to the banks in 2019, mainly on preventing financial crimes.

- Circular no: CN-BSD/2019/6 on 'Fraud Risk Management and Reporting', came into effect on 13 May 2019. This circular requires the formulation of an internal policy on fraud prevention by each bank and sets out the minimum requirements on fraud risk management which should be followed by the banks. Banks are

also required to inform the MMA on a quarterly basis of fraud cases, through 'Fraud Incident Reporting Form.'

- Circular no: CN-BSD/2019/18 on 'Cyber Security Framework in Banks' came into effect on 31 December 2019. The purpose of this circular is to enhance the security of the banks' IT infrastructure and reduce exposure and loss from cyber-attacks or data breaches. This circular requires banks to formulate a cyber-security policy and outlines the minimum requirements to be included in the policy. Furthermore, banks are also required to inform the MMA through 'Cyber Security Events (CSE) forms' of any cyber-incidents on the following working day, and on a quarterly basis on the status of the corrective actions taken for the incidents during the quarter.

To strengthen the supervisory and regulatory activities of the non-banking financial sector, the following circular was issued in 2019.

- Circular no: CN-OFI/2019/16 on 'introduction of maximum rate of interest/financing' was issued for the non-banking sector. In view of lowering overall cost of financing and aligning Rufiyaa interest/financing rates with the banking sector, a maximum rate of interest/financing was set at 20% per annum on facilities denominated in Rufiyaa. The rate will be effective for facilities granted from 1 January 2020.

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 a safe and sound manner within 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 licences of financial institutions.

On-site Examinations

During on-site examinations, areas of risks in the operations of financial institutions are identified and level of compliance with relevant regulatory requirements and internal policies are checked. On-site examinations of banks are conducted at least every two years by the MMA, as required by the law, with more frequent examinations being conducted based on the bank's risk profile. The following on-site examinations of the financial institutions were conducted in 2019:

- A limited-scope¹ examination of BML was conducted to assess the quality of assets, including the lending and credit administration practices, and to assess its compliance with relevant regulations.
- A full-scope examination of Habib Bank Limited was conducted to assess the overall condition and performance of the bank, and to review its compliance with the relevant regulatory requirements concerning lending policies.

- A limited-scope examination of Bank of Ceylon was carried out to follow-up on matters highlighted in the full-scope² on-site examination of 2018, and to review its compliance with banking laws and regulations.
- A limited-scope examination of The Mauritius Commercial Bank Maldives Pvt. Ltd. was conducted to follow-up on issues related to the previous examination and to review compliance.
- A full-scope on-site examination of State Bank of India was conducted to evaluate its asset quality, adequacy of capital and loan loss provisions, liquidity and cash flow risks and overall compliance with the banking laws and regulations.
- Full-scope on-site examinations of Ceylinco Insurance Company Pvt. Ltd. and Allied Insurance Company of the Maldives Pvt. Ltd. were carried out to assess compliance with regulations, evaluate operational activities, financial health, governance structure and internal controls of the companies.
- A limited-scope on-site examination of Amana Takaful Maldives Plc was carried out, covering Shari'ah compliance and governance.
- A limited-scope examination of Housing Development Finance Corporation Plc 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

¹Limited-scope examinations look into specific issues.

²Full-scope examinations involve assessing all key areas of operation; compliance with relevant laws, regulations and internal policies; and identifying weaknesses and areas of risk.

reports, and the adequacy of its policies were also assessed in the examination.

- On-site examinations of three money remittance companies—Island Financial Services Pvt. Ltd., NBL Money Transfer (Maldives) Pvt. Ltd. and Maldives Post Ltd. were conducted during the year.

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.

Licenses Issued and Cancelled during the Year

License was granted to the following pre-existing bank to open a new service centre during 2019.

- Maldives Islamic Bank was granted permission to open a service centre, which was opened in December 2019.

Other licensing changes were as follows:

- Insurance agent licences were issued to four insurance agents.
- Licences were issued to 66 money changers, and 73 money changer licences were cancelled during the year, either at the licensee's request or as a result of non-compliance to licensing conditions.

Development of the Financial Sector

In the efforts to sustainably develop the financial sector and to foster inclusive growth in the Maldives, several initiatives were undertaken in 2019. Key initiatives undertaken focused mainly on facilitating ease of access to finance for the small and medium-sized enterprises (SMEs), enhancing financial consumer protection and fostering financial inclusion in the Maldives.

The MMA continuously works towards strengthening the financial infrastructure to enhance the efficiency of the financial sector. In this regard, the development of the national payments project was continued. To facilitate financial inclusion, the MMA initiated the formulation of the National Financial Inclusion Strategy. Similarly, the MMA continued the work of the Credit Guarantee Scheme (CGS), Credit Information Bureau (CIB), Islamic finance, and financial consumer protection.

Additionally, the Affordable Housing Loan Scheme introduced by the MMA in 2017, with the objective of providing easier access to finance to purchase housing for those who lack adequate housing, was also continued in 2019.

National Financial Inclusion Strategy

The MMA initiated the formulation of the National Financial Inclusion Strategy of the Maldives during 2019 with the purpose of sustainably achieving financial inclusion objectives in the country. In this regard, the MMA became a principal member of the Alliance for Financial Inclusion (AFI) in year

2019. This membership will bring the much needed technical assistance and knowledge exchange in promoting financial inclusion in the Maldives. The MMA has also been awarded with AFI's knowledge exchange grant. This grant will facilitate knowledge exchange visits to AFI's member countries to gain knowledge on key focus areas of the National Financial Inclusion Strategy including financial consumer protection, access to finance, and digital finance.

Credit Guarantee Scheme

The purpose of the Credit Guarantee Scheme (CGS) is to facilitate access to finance by alleviating the financing challenges faced by SMEs. The scheme provides guarantee cover for 90% of the loan granted by the participating banks to commercially viable SMEs.

At the end of 2019, 85 applicants were provided loans under the scheme, of which 10 loans were guaranteed in the year 2019. Compared to 2018, the loans approved in 2019 were relatively lower, reflecting the introduction of additional credit facilities for SMEs.

At the end of 2019, 17% of the loans approved under the scheme were granted to SMEs owned by women. With respect to sector wise spread of the CGS loans, the retail sector held the major portion the total CGS loans (50%) followed by loans given to the construction sector (13%). Meanwhile, 9% and 5% of the total loans were issued to SMEs operating in tourism and fisheries sector, respectively. Under the CGS, loans were provided to SMEs operating across 17 atolls outside the Greater Male' region.

Affordable Housing Loan Scheme

As part of the MMA's broader objective of increasing access to finance and financial inclusion, the Affordable Housing Loan Scheme was established to enable affordable loans to first time home owners to secure housing.

The MMA provided guarantee for down payments of 53 loans amounting to MVR24.0 million under the first phase of the scheme. At the end of 2019, 81 loans amounting to MVR150.8 million were approved under the second phase of scheme.

Credit Information Bureau

The CIB released a 'Self-Inquiry Report' during the year 2019, with the aim of facilitating greater financial inclusion. 'The Self-Inquiry Report' is generated upon a request made by an individual or a corporate entity for them to identify their credit standing. This service is envisioned to assist individuals and corporate entities to become disciplined borrowers by monitoring and streamlining the repayment habits and eventually easing the access to credit by building reputational collateral and borrowing against it. During the year 2019, the bureau also launched a website to increase public awareness about its services and the importance of a good credit history in gaining access to finance.

The newly established SME Development Finance Corporation (SDFC) became a member of the CIB during the year 2019. With the expansion in member base, the number of credit reports generated by the member institutions were increased to

over 100% in the year 2019, indicating the increased usage of the Credit Information System by the credit providers.

Additionally, the work on finalizing the 'Secured Transactions Act', which is vital to implement the Secured Transactions Registry developed in 2018, was continued in 2019. The purpose of the registry is to provide easier access to information for the banks and other financial institutions regarding moveable collateral assets, as well as to facilitate SMEs to use moveable assets as collateral to gain easier access to credit.

Financial Consumer Protection

In the pursuit of maintaining stability in the financial sector of the Maldives and to uphold customer trust in the sector, a complaint handling mechanism is established within the MMA. In the year 2019, Financial Consumer Protection Section received 13 written complaints, all of which were resolved by the end of the year.

During 2019, the MMA took the initiative to draft 'Financial Consumer Protection Regulation', the purpose of which is solely to protect the rights of the financial consumers.

As the central bank, the MMA continues to give importance to creating a financially conscious community as it complements the development of the financial sector. To this end, the MMA spearheaded the celebrations of the Global Money Week, an annual financial awareness campaign built to inspire children and young people to learn about money matters, livelihoods and entrepreneurship. The 2019's edition of the Global Money Week featured numerous activities in Male' city as well as in Hdh. Kulhudhuffushi, L. Gan and Gdh. Thinadhoo, with particular focus on enhancing awareness of children and youth residing in outside Greater Male'

regions. A total of 4,200 students and youth actively engaged in these activities while approximately 35,000 people were reached throughout the week. Apart from this, the MMA partnered with Sparkhub and Dhiraagu in hosting AngelHack Maldives 2019. The MMA participated in this to encourage young developers to provide innovative and much needed financial solutions in the Maldives. A total of 10 teams competed in AngelHack Maldives 2019, comprising of local developers and designers.

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, Prevention of Money Laundering and Financing of Terrorism Act (Law no. 10/2014) was ratified in 2014 and amendment process of this act was initiated during 2019 in order to strengthen the legal framework to prevent Money Laundering and Terrorism Financing. Moreover, several regulations have also been issued by the MMA under the aforementioned Act. These include regulations setting out requirements for banks; money transfer and money changer businesses; life insurance and family takaful insurance businesses; as well as securities related businesses.

The Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regulations require financial institutions to undertake 'customer due diligence' measures prior to establishing a

business relationship and while conducting transactions. These regulations also require the financial institutions to monitor customer transactions and report suspicious transactions to the Financial Intelligence Unit (FIU) of the MMA.

During 2019, a mechanism for securities dealers and life insurance service providers to report to the FIU was established: Suspicious Transactions Reports and Threshold Transactions Reports. Additionally, the FIU conducted trainings and workshops on identifying money laundering and terrorism financing in which all financial institutions participated.

As part of the 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, AML/CFT on-site examination of two commercial banks were carried out during the year.

Additionally, as a member of the Asia Pacific Group on Money Laundering (APG), the FIU participated in its annual meeting and continued to report yearly progress. As such, information relating to efforts by the Maldives to strengthen compliance to the FATF Standards during the past year was provided in the yearly progress report to APG. In November 2019, a high-level meeting of the National Coordination Committee on Money Laundering and Financing of Terrorism (NCC), chaired by the Governor, was held where a new TOR for the committee was adopted.

Currency, Banking and Payments Systems

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.

Inauguration of Currency Gallery

On the occasion of the 38th Anniversary of the MMA, a 'Currency Gallery' was opened in the MMA on 1 July 2019. As the MMA is the institution responsible for issuing currency in the Maldives, the purpose of opening this gallery was to display the currencies that were used in the Maldives. The gallery was inaugurated by the Minister of Finance Mr Ibrahim Ameer and former Governor Mr Gasim Ibrahim also joined the function.

Minting of Coins

Two Rufiyaa and one Rufiyaa coins were minted in 2019 to replenish stock with no changes to the current design.

Destruction of Banknotes

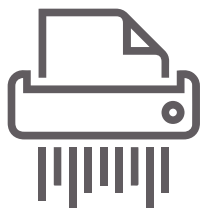
The MMA regularly destroys banknotes that are unfit for circulation. The notes are destroyed as per the banknote destruction policy when the volume reaches the prescribed amount, and in the presence of officials from the MMA as well as an official from the Auditor General's office, who are assigned to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

Given 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 were not carried out during the year. However, of the banknotes of the 1983 paper banknote series submitted to the MMA to be exchanged for Ran Dhihafaheh banknote series, a total of 46,976 paper banknotes were destroyed (valued at MVR3,836,852.00).

Currency in Circulation

The total value of banknotes in circulation stood at MVR3.5 billion at the end of 2019, an annual decrease of 3%. The total value of coins in circulation increased by 6% from the previous year and was recorded at MVR75.9 million at the end of 2019.

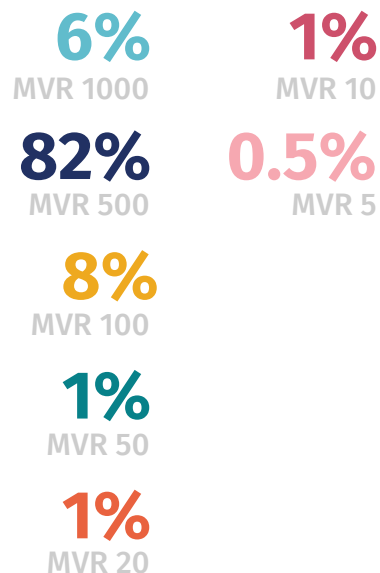
Quantity of Paper Banknotes Destroyed, 2019



46,976

Paper Banknotes Destroyed

Value of Banknotes in Circulation



Payment System

A well-functioning payment system plays an important role in promoting financial stability and contributes to the strengthening of financial infrastructure. Such a system enables swift and secure conduct of financial transactions between economic agents. Thus, developing and establishing an efficient payment system in the Maldives is one of the key goals of the MMA.

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 MRTG and ACH systems, the volume of transactions settled through these payment systems have been increasing annually. During 2019, the number of transactions settled through

MRTGS system totalled 155,756, an annual increase of 14%. Meanwhile, the value of direct credit transactions settled through the ACH system increased by 35% from the previous year and stood at MVR5.4 billion at the end of 2019. In addition, the amount of cheques cleared through the clearing house of the MMA increased by over 2% compared with the previous year. In terms of value, this was an increase of 6%.

With the developments in technology, innovative payment solutions are being introduced in the Maldives. In this regard, payment service providers are on an increasing trend leading to an increase in volume of transactions through these services. In addition, the new payment system project initiated by the MMA would facilitate introduction of innovative solutions in the payments arena. Hence, with the objective of monitoring and ensuring that the payments systems operated in the Maldives are compliant with the relevant laws and regulations, on 13 May 2019, a new

Value of Transactions Settled through Payment Systems, 2019

MVR76.3 Billion

Transactions settled through ACH

MVR1.4 Trillion

Transactions settled through MRTGS

division; Payment Systems and Oversight Division (PSOD) was established under Area 3 - Banking Operations. This newly formed division is mandated with ensuring the smooth operation of payment and settlement infrastructure, which constitutes an integral part in ensuring the financial system stability in the Maldives. In order to effectively carry out the activities of the division, two sections were formed; Payment Systems Licensing and Development Section, and Payment Systems Oversight Section. Payment Systems Licensing and Development Section is responsible for the licensing payment systems and payment service providers, implementing the national payment systems strategy and facilitating the development of payment systems in the Maldives. Payment Systems Oversight Section is responsible for monitoring of activities of payment systems and payment service providers through conducting on-site and off-site examination, collection and analysing of payment statistics as well as conducting necessary research for policy development.

Maldives Payment System Development Project

During 2019, activities of the project were mainly focused on acquiring the appropriate technological solution for the concept model finalized in 2018. The MMA

issued a Request for Information (RFI) in January 2019 with the objective of obtaining information about prospective vendors' capabilities, potential solutions and the costs involved to fulfil the MMA's vision. A remarkable response was received to the RFI with over 30 vendors expressing their interest to participate in the project. Based on the information received during the RFI process, the scope, technical and functional requirements was developed for the instant payments system.

Subsequently, a Request for Offer (RFO) was issued in June 2019, inviting interested vendors to submit technical and financial proposals to deliver the technological solution required for the infrastructure of the instant payment system for the Maldivians. The MMA sought technical assistance and consultancy from international experts during all stages of procurement, in defining the technical and functional requirements as well as in evaluation of the proposals. A vendor was selected on 19 December 2019, after a thorough evaluation process. With the current timeline, the system is expected to go live and be operational during the last quarter of 2020.

With the Maldives Payment System Development project, significant changes may occur in the payments industry as it will provide a new window of opportunity for the potential players to enter to the

industry offering modern and innovative digital financial solutions. Hence, it is essential to create awareness among the stakeholder and educate them on the impact of such developments. Accordingly, the MMA conducted two workshops in collaboration with the Visa School of Public Policy and Currency Research during 2019. These workshops aimed at delivering key information to the participants regarding the payment trends and innovation, benefits of digital and instant payment systems, and policy and regulatory developments pertaining to such services. Relevant personnel from banks and other payment service providers, in addition to staff from the MMA took part in the sessions.

Mobile Payment Services

In 2019, mobile payment service providers expanded their distribution networks to a total of over 700 agents and merchants, covering more than 50% of all inhabited islands. Mobile money services are now available in over 70 islands that do not have a bank branch or automated teller machine (ATM), thus enhancing the access to financial services. This year saw a significant growth in terms of volume and value of transaction conducted through mobile wallets compared to 2018, with value of transactions more than doubling for both operators. This was mainly due to the payment service providers' effort to enhance their distribution network by acquiring agents, merchants and partners. Integration with banks to facilitate seamless mobile wallet top-up as well as introduction of NFC cards were also notable initiatives undertaken by mobile payment service providers during 2019.

Banking Services to the Government

The MMA, as the main banker of the government, continued the operation of the government's Single Treasury Account, called the Public Bank Account (PBA). With the aim of strengthening and enhancing the banking services provided to the government, development work was undertaken in 2019 to automate and streamline financial communications between institutions.

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 in all aspects related to the issuance of government securities in 2019 as well. Further, work on the 'Government Securities Market Development Project' initiated by the MMA, aimed at expanding government securities market, was continued in 2019. Under this project, newly acquired Central Securities Depository system was established on September 2019, and initiated user acceptance testing phase of the system.

With the objective of expanding the government Islamic securities market and obtaining financing for development projects of the government, Islamic securities were issued in 2019 as well. Mudha'raba certificates which have been issued since 2013 to raise finance for projects carried out by SOEs, were rolled over in 2019. Furthermore, long-term treasury bonds, were issued to raise additional finance.

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 macroeconomic statistics on a regular basis.

Economic Research

In 2019, 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. In this regard, to identify the priority research areas and to create a research roadmap that would serve as a guide for the institution, a research agenda was formulated during the year 2019. The research agenda aims to ensure that key cross-cutting issues are addressed in a collaborative manner, while also highlighting the economy-specific issues that need in-depth research and encouraging the conduct of more empirical research. The 2019 research agenda focused on policy relevant research required by the MMA for the next 12 months.

Furthermore, the MMA continued to conduct analysis on topics related to monetary policy, real sector issues, fiscal issues and financial sector issues. These analyses are disseminated through the Quarterly Economic Bulletin and the Annual Report published on the MMA website. A new monthly publication, titled *Economic Update*—which provides a quick overview of the monthly developments in the economy as well as a chart pack of global economic and financial indicators—was also released during 2019.

The MMA Lunchtime Seminar Series—a series of one hour seminars held on a monthly basis open to all staff of the MMA—was re-launched during 2019 after being halted since 2014. First initiated in 2012, the seminar series aims to provide a platform for the staff of MMA to present and discuss issues related to macroeconomic research and central banking. Since re-commencement, four seminars were held on various topics. External stakeholders were also invited to participate in some of these seminars, depending upon the topic.

The MMA develops econometric models and forecasts key macroeconomic variables that provides analytical input for effective policy decision making. The forecasts are made using a combination of medium and long-term models and cover gross international reserves, inflation, tourism sector aggregates and the balance of payments (BOP). The projections for GDP are produced jointly by the staff of the MMA and the Ministry of Finance (MOF).

As in the previous years, the MMA also provided its professional opinion to the People’s Majlis regarding the proposed government budget for 2020.

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*, which aims to obtain a quick assessment of current business trends and expected future economic activity. The survey reports were published as per the scheduled timeline. In addition, the *Bank*

Credit Survey, which is conducted biannually, was also carried out. 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. As in the previous years, the MMA also conducted the *Maldivians Travelling Abroad Survey* in 2019. The purpose of this survey is to obtain data for the compilation of travel expenditure for the BOP statistics. In 2019, this survey was conducted during the off-peak season. The purpose of conducting the survey during the off-peak season was to capture differences in the reason for travel and spending pattern of travellers in the off-peak season compared with the peak season which coincides with the annual academic break.

Statistics

The MMA is primarily responsible for the compilation of BOP statistics and monetary and financial statistics in the Maldives. In addition, the MMA also collects and disseminates a wide range of macroeconomic statistics. Similar to previous years, these statistics were published regularly in the Monthly Statistics of the MMA and Viya, the official mobile application of the MMA. To enhance the accessibility of data to researchers, analysts and the general public, the MMA launched a web application of the MMA mobile 'Viya' app, which was made available on the MMA website from March 2019.

In 2019, work was carried out to implement the International Monetary Fund's (IMF) Enhanced General Data Dissemination System (e-GDDS), and the Maldives was able

to successfully participate in e-GDDS in June 2019, by publishing essential macroeconomic data on the Maldives National Summary Data Page (NSDP). Moreover, the MMA has regularly provided monetary and financial statistics, BOP statistics and related data of the Maldives to the NSDP. The move to e-GDDS increases the data transparency and availability of data at an international level.

During 2019, efforts were also made to align the MMA's data dissemination programs closely with international best practice. Part of these efforts included the introduction of an 'Advance Release Calendar' in November 2019, specifying the expected release dates of MMA statistics and publications.

In addition, high level meetings between the MMA and stakeholder agencies were conducted during 2019, to address gaps in key macroeconomic data. In this regard, meetings were held with the Ministry of Tourism, Ministry of Economic Development, Maldives Immigration and Maldives Inland Revenue Authority and the outcome has been positive.

Moreover, a team from the MMA visited Bank Indonesia (BI) on a study visit, from 11 to 15 November 2019, regarding the use of International Transaction Reporting System (ITRS) for the compilation of BOP statistics. Three staff from the BOP Section and one staff from the Technology Services Division took part in the visit. The objective of the visit was to get insight on the design and implementation of ITRS and learn from the experiences of BI on the implementation of ITRS. In addition to this, the team also focused on the legal framework, institutional setup and technological infrastructure currently used by BI.

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 Board of Directors comprises seven members, including executive and non-executive members. However, following the removal of the member who represented the government's economic sector in October 2017 and the resignation of the private sector member in May 2019, replacements were not appointed during 2019. Hence, the Board of Directors comprised of five members by the end of 2019.

Board of Directors as at 31 December 2019:

- Mr Ali Hashim – Chairperson (Governor)
- Ms Aishath Zahira – Deputy Governor
- Ms Idham Hussain – Assistant Governor
- Uz Ashraf Rasheed – Ministry of Finance
- Mr Ali Ihusaan – Private Sector

Main Resolutions Adopted by the Board of Directors in 2019

During 2019, 10 meetings of the Board of Directors were held. The following are the main resolutions adopted by the Board in 2019.

- Granting of a licence to SME Development Finance Corporation Pvt. Ltd. to conduct financing business in the Maldives.
- Granting of a licence to JMT Pvt. Ltd. to

conduct finance leasing business in the Maldives.

- Resolution to enter a foreign currency swap arrangement with the Reserve Bank of India.
- Appointing an asset manager.

Audit Committee

The Audit Committee is a subcommittee of the Board of Directors of the MMA and consists of three non-executive directors. The main responsibilities of the committee includes assisting the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls, the audit process and the process for monitoring compliance with laws and regulations.

Executive and Management Committee

According to *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 Ali Hashim is the Governor of the MMA since his appointment on 8 September 2019.

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 to carry out the functions 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. 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 the MMA. 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, controls, and governance processes.

During the year 2019, the Internal Audit team conducted audits that included audits of reserve management process, ERP access controls, SWIFT access controls, exchange rate application, notes held for sale and quarterly cash counts including the annual cash count audit. Internal Audit also observed the process of destruction of paper banknotes that were removed from circulation during the year.

Additionally, an internal review on AML/CFT controls was conducted and consultancy was given on the control aspects related to Central Securities Depository System (CSD) that is being developed in the MMA. Also monitoring logs of SWIFT system were reviewed on a daily basis by Internal Audit and facilitated the SWIFT Attestation for the year 2019 conducted by KPMG. Furthermore, Internal Audit has documented control flow charts for major processes and compiled all policies and procedures developed within the MMA during the year 2019.

As part of compliance with the International Professional Practices Framework (IPPF) for Internal Auditors, all staff of Internal Audit has been trained on the IPPF for Internal Auditors during 2019.

Shari'ah Council

The 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 MMA's Shari'ah Council is to ensure that the services accorded by financial institutions, which are permitted to offer Islamic banking and Islamic financing services in the Maldives, are compatible with the Shari'ah principles. The Council also provides technical advice to the MMA to strengthen the regulatory and supervisory function of providing Islamic finance.

In addition to this, the MMA has established Islamic finance Industry working group in the year 2019. The working group consists of the staff of the MMA as well as representatives from Islamic finance institutions regulated by the MMA. The purpose of the working group is to hold discussions with the stakeholders to promote the development of Islamic finance and bring forth solutions to the challenges faced by the industry. Two meetings of the working group took place in 2019. Important issues that were discussed in the meetings include the development of Shari'ah compliant liquidity management instruments as well as short to long term goals set to promote the development of Islamic finance industry. The MMA is also developing standardizing guidelines to make the existing frameworks more robust and comprehensive.

Risk Management

The MMA uses a coordinated approach to internal risk management by committing to a business strategy that supports and integrates identification, assessment, measurement, management and reporting of risk. The risk information is used to enhance decision-making and developing appropriate business strategies.

In 2019, an Enterprise Risk Management Committee was created to ensure that the Management has in place policies, procedures and processes to manage the significant risk to which the MMA may be exposed to and to ensure compliance with applicable laws and regulations.

With regard to compliance, in order to maintain high levels of AML and CFT controls, transaction monitoring and KYC screening are conducted on all transactions and when on-boarding new customers. Additionally, certain high-risk AML and CFT controls were reviewed during the year, in order ensure compliance with the high standards of AML and CFT controls. The compliance function also ensures that different sections of the MMA comply with internal policies and procedures.

Human Resources

The MMA recognises the importance of retaining and developing its human resources to improve the quality of its services. To achieve this, the MMA places utmost emphasis 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 2019, the MMA had a total staff base of 237 employees, of which 36 were new recruits and two staff who re-joined the MMA after completing higher education. In addition to this, nine staff left the MMA in order to pursue higher studies abroad.

The MMA strives to promote gender equality and academic excellence among the staff. In line with these ideals, the MMA

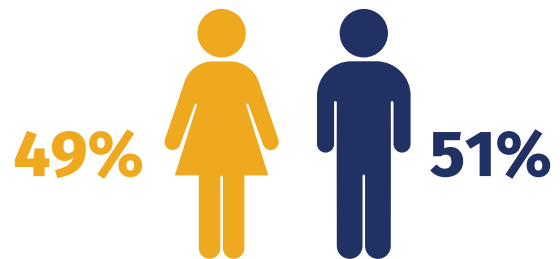
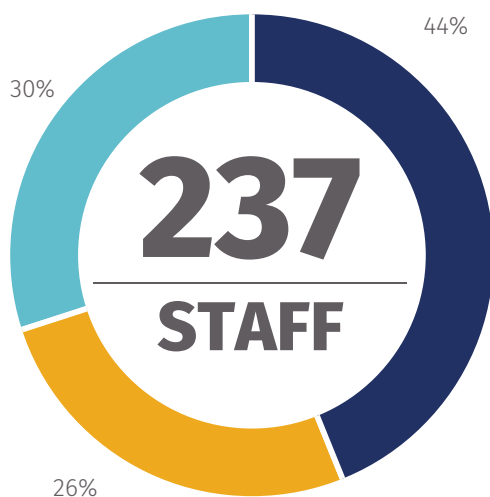
had a staff base consisting of 51% males and 49% females at the end of 2019. With regard to academic qualifications of the staff, 70% of staff have accomplished a first degree, of which 26% have achieved a master's degree.

Changes to the MMA's Organisational Structure and Management

Due to the resignation of Governor Mr Ahmed Naseer on 24 July 2019, Mr Ali Hashim was appointed as the Governor of the MMA on 8 September 2019.

In order to improve the overall efficiency of operations and hastening of services of the MMA, some changes were brought to the MMA's organisational structure in 2019. The Payment Systems Section, under Area 3 - Banking Operations, was restructured as Payment Systems and Oversight Division. In addition to this, the MMA Training Institute, which was under the Human Resource Division, was moved under the direct supervision of Governor and Deputy Governor.

Composition of Staff by Qualification, 2019



- Bachelor's degree
- Master's degree
- Others

The one-year job rotation of senior management officials was completed on 31 July 2019. Following this, senior management officials were returned to their previous posts: Ms Idham Hussain, Assistant Governor and Head of Area 1 - Monetary Policy, Research and Statistics; Ms Mariyam Hussain Didi, Assistant Governor and Head of Area 3 - Banking Operations and Ms Mariyam Shifa, Assistant Governor and Head of Area 2 - Financial Stability.

In addition to this, Ms Mariyam Shifa, Assistant Governor, was assigned to oversee the Public Bank and Ms Mariyam Hussain Didi, Assistant Governor, was assigned to oversee Area 5 - Financial Sector Development.

Staff Loan Scheme

In order to retain competent and dedicated staff of the MMA, the staff loan scheme introduced in 2017 under the *Regulation on Issuing Loans to Employees of the Maldives Monetary Authority* was continued during 2019 as well. During the year, sixteen staff were provided loans for various important purposes.

Staff Training and Development

The year 2019 was a very successful year for the MMA in terms of training and development with 82 staff of the MMA having participated in international trainings; and 40 international forums and meetings. Meanwhile, 18 staff participated in 13 short-term local trainings provided by a variety of local institutions.

In addition to obtaining excellent academic qualifications, the MMA recognizes the importance of technical professional qualifications and sponsored two staff to achieve professional certifications: 'Certified

Internal Auditor' and 'Certified Information Systems Auditor' qualification.

MMA Scholarship Program

The 'MMA Scholarship' was introduced by the MMA in 2018, open to both the public and staff of the MMA. In 2019, this scholarship was awarded to a member of the public, to pursue a Bachelor's degree in Economics. In addition to this, a staff of the MMA was awarded the 'HRD Scholarship', which is open only to staff of the MMA, to pursue a Master's degree in Fintech.

Social Activities for Staff

The MMA Social Club was established in order to promote friendship and unity between staff. In order to promote staff health, wellbeing and social spirit, the MMA participated in various social activities in 2019 through the Social Club. Outlined below are some of the most significant events:

- Club Maldives Cup Football Tournament
- Ramadan Cricket Carnival organised by Cricket Board of Maldives
- Inter-office Handball organised by Handball Association

MMA Training Institute

In 2019, various training programmes were conducted by the MMA Training Institute (MMA TI) to address the needs of financial institutions and develop the knowledge and skills of its staff. A total of 869 participants attended these training programmes, mostly officials from the MMA, commercial banks and other financial institutions. The programs conducted at the MMA TI include, International Professional Practice

Framework for Internal Auditors; Course on Financial Programming and Policies organised jointly with the IMF-South Asia Regional Training and Technical Assistance Center (IMF-SARTTAC), Payments for Cash Professionals and Time Management. In addition to this, the MMA TI also conducted Macroeconomic Awareness Workshops for secondary school students and Employee Orientation Training for new staff members who joined the MMA during 2019 to familiarise them with the work of the MMA.

Furthermore, the MMA TI continued to offer professional qualifications for the employees of the MMA and financial institutions in the Maldives. In collaboration

with the Asian Institute of Chartered Bankers, Malaysia, the 2nd batch of the Professional Banker level of Chartered Banker qualification was commenced in 2019 and the 4th batch of the Certificate of Malaysian Insurance Institute programme was conducted in collaboration with the Malaysian Insurance Institute.

MMA Internship Program

Among the university students who requested for internship opportunities, the MMA provided 5 university students with the opportunity to complete internships.

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 (IT) industry. In 2019, the main focus in the area of IT was to instil software development skills and concepts in the various departments of the MMA. The rationale behind this was to give a clear picture of what IT can do and how it can be applied to different domain areas of the MMA. In order to reduce the gap between business needs and IT requirements and to produce domain experts that have a clear understanding of IT and programming concepts, the MMA launched an Innovation Hub towards the end of the year. The Innovation Hub brings together domain experts and developers in the MMA to create innovative solutions using data sets of different domains. Python programming and data analytics was taught to the participants of the Innovation Hub.

In order to strengthen the security and safety of the MMA premises, the MMA's

security system was upgraded with new and advanced access controls during 2019. This included upgrading the CCTV control system, installation of a metal detector walk-through gate and an X-ray machine at the ground floor security check point. Further, the first ever emergency evacuation drill was conducted during the year to test the readiness for evacuation in case of an emergency situation. In this regard, a public address system was installed in the MMA building to make important as well as emergency announcements.

The MMA gives utmost importance to ensure a safe and sound working environment for its staff. In line with this, major design changes were brought to the interior layout of the MMA premises during the year 2019. This included building a modern and technologically advanced meeting room facility in the fifth floor and work was carried out to make the premises more environment-friendly. As such, interior lights were changed to energy efficient LED lights to reduce carbon emissions.

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. In this regard, the MMA maintains close collaborations with international financial institutions and development agencies such as the IMF, the World Bank, the Asian Development Bank (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 former Governor of the MMA, Mr Ahmed Naseer represented the Maldives on this board until his resignation on 24 July 2018. Following his appointment as the Governor of the MMA, Mr Ali Hashim now represents the Maldives on the IMF Board of Governors as the Governor, 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 the 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,³ representing 0.004% of the total IMF quota.

South Asia Regional Training and Technical Assistance Center (SARTTAC)

The SARTTAC is a training and technical assistance centre established in 2017 by the IMF, the member countries (Bangladesh, Bhutan, India, Maldives, Nepal, Sri Lanka), and development partners, to increase the institutional and human capacity of

member country institutions in the design and implementation of macroeconomic and financial policies. In this regard, the SARTTAC provided various training opportunities and technical assistance to the MMA during 2019.

SARTTAC Steering Committee Meeting

The third Steering Committee meeting of the SARTTAC, jointly organised by the SARTTAC and the MMA, was held on 10 June 2019 at the Paradise Island Resort in the Maldives. The meeting was co-chaired by the Maldives by Assistant Governor Ms Idham Hussain of the MMA and Minister of State for Finance Mr Ismail Ali Manik of the MOF. attended by officials from the SARTTAC member countries Bangladesh, Bhutan, India, Maldives, Nepal and Sri Lanka attended the meeting, along with development partner representatives from the European Union, the UK, and Australia. The Committee reviewed the training and technical assistance delivered by the center in fiscal year 2019, endorsed the work program for fiscal year 2020, and discussed a range of issues related to the operation of SARTTAC.

IMF Article IV Mission and Staff Visit

The IMF's Charter includes missions and staff visits to member countries to assess the performance of the economy and to provide consultation. In this regard, an IMF staff team visited the Maldives from 20 February to 5 March 2019 for the 2019 Article IV consultation; and, from 20 to 25 November 2019 for a staff visit. During the missions, the IMF teams discussed economic and financial issues with ministers in charge of economic

³An 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.

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 2019.

IMF Technical Assistance on Financial Supervision and Regulation

During 2019, the SARTTAC conducted a series of missions to strengthen the insurance supervisory capacity of the MMA under the Financial Supervision and Regulation Technical Assistance program of SARTTAC. The missions followed up on the visits in 2018 by the SARTTAC. Over three visits (17 to 28 February, 14 to 23 April and 18 to 29 August) in 2019 the expert provided end-to-end support in the conduct of an onsite inspection. The missions covered risk assessment methodology, risk-based supervisory approach covering both off-site review and on-site examination, market conduct supervision, and preparation of supervisory reports (including inspection reports) and supervisory plans based on the risk analysis.

IMF Technical Assistance on strengthening the Monetary Policy of the Maldives

To assist the MMA in accomplishing the monetary policy related objectives in the Strategic Plan 2018-2022, an IMF mission from SARTTAC visited the Maldives from 11 to 24 June and from 26 November to 5 December 2019. The TA missions broadly focused on

strengthening the monetary policy to attain price stability. In particular, the TA mission in June 2019 evaluated and recommended improvements in the following key areas: foreign exchange regulation and framework, monetary policy, macro prudential policy and developing strategies for communication and cooperation. The second TA mission in 2019 was a hands-on mission elaborating on in-depth practical implementation of some of the recommendations by the previous mission.

IMF Technical Assistance on the Quarterly Business Survey

The MMA received technical assistance from the SARTTAC to review the Quarterly Business Survey (QBS) conducted by the MMA. The technical assistance mission, which was conducted from 15 to 19 September 2019, evaluated and formulated strategies to improve the existing QBS. While an adequate sampling strategy was formulated with the assistance of the mission, methods for adjusting excessive seasonality and the absence of data validation and analysis were discussed further.

IMF Technical Assistance on Central Bank Governance and SP implementation

At the request of the MMA, a Monetary and Capital Markets (MCM) Department mission from the IMF visited the MMA from 17 February to 4 March and from 27 October to 7 November 2019, to advise the MMA on strengthening the central bank governance, in support of the successful implementation of the MMA's Strategic Plan 2018-2022.

The second mission in November 2019 was built on the work of the first mission,

which made recommendations for the MMA governance and internal organisation; and changes aimed at strengthening the MMA's focus on strategic plan implementation. This included assessing the implementation progress of the Strategic Plan and providing advice in the development of a framework for stakeholder engagement.

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), consisting 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 the 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 both the 38th and 39th SAARCFINANCE Group Meetings and the 15th SAARCFINANCE Governor's Symposium held during 2019. Deputy Governor, Ms Aishath Zahira and Assistant Governor, Ms Idham Hussain attended the 38th SAARCFINANCE Group Meeting and the 15th SAARCFINANCE Governor's Symposium held on 14 July 2019 in Paro, Bhutan. Deputy Governor, Ms Aishath Zahira, Assistant Governor, Ms Mariyam Hussain Didi; and Executive Director, Ms Mariyam Rashfa attended the 39th SAARCFINANCE Group Meeting held on 17 October in Washington DC, USA.

Other Institutions

The MMA is a member of the SAARC Payment Council, the International Association of Insurance Supervisors, the Islamic Financial Services Board, the 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 in International Meetings and Forums

Senior officials of the MMA participated and held discussions at various meetings and forums in 2019, as follows:

- **Islamic Financial Services Board (IFSB) Annual Meeting:** Deputy Governor, Ms Aishath Zahira and Assistant Manager, Ms Fathimath Niha Ahmed attended this conference organised by Islamic Financial Services Board, which was held from 28 April to 1 May 2019 in Kuala Lumpur, Malaysia.
- **Asia Insurance Week 2019 - Insurance Regulation and Supervision:** Assistant Governor, Ms Idham Hussain attended the Forum as a speaker which was held from 3 to 4 July in Singapore. She participated in the Regulatory Panel on Working with Different Insurance Jurisdictions in Asia Pacific –what it means for Products and Bottom Lines and also gave a presentation on Regulatory Developments in the Insurance Industry of the Maldives.
- **High Level Conference on Balancing Fintech Opportunities and Risks- Implementing the Bali Fintech Agenda:**

Deputy Governor, Ms Aishath Zahira and Assistant Executive Director, Hamida Shakeela attended the conference held from 11 to 12 June 2019, in Bangkok, Thailand.

- **48th Asian Clearing Union Board of Directors:** Deputy Governor, Ms Aishath Zahira; Assistant Governor, Ms Idham Hussain; and Manager, Ms Fathimath Ulfa attended the meeting held from 14 to 15 July 2019, in Paro, Bhutan.
- **SEACEN High Level Seminar for Deputy Governors and Financial Stability and Supervision:** Deputy Governor, Ms Aishath Zahira and Senior Executive Director, Ms Mariyam Najeela participated in the annual meeting held from 17 to 18 July 2019, in Kuala Lumpur, Malaysia.
- **Asian Regional Forum on Investment Management of Foreign Reserves:** Deputy Governor, Ms Aishath Zahira participated in the Forum organised by Monetary Authority of Singapore held from 29 to 31 August 2019 in Singapore.
- **2019 Annual Meetings of the IMF/World Bank Group (WBG):** Deputy Governor, Ms Aishath Zahira; Assistant Governor, Ms Mariyam Hussain Didi; and Executive

Director, Ms Mariyam Rashfa attended Annual Meetings of the IMF/WBG held from 14 to 20 October 2019 in Washington DC, USA.

- **2019 Asian Regional Forum on Investment Management of Foreign Reserves:** Deputy Governor, Ms Aishath Zahira attended the forum held from 29 to 31 October 2019, in Singapore.

Official visits of the Governor:

- **2019 Spring Meetings of the IMF/WBG:** Governor, Mr Ahmed Naseer and Assistant Executive Director, Mr Mansoor Zubair attended the Spring Meetings of the IMF/WBG, which was held from 8 to 14 April 2019 in Washington DC, USA. On the sidelines of the Spring Meetings, Governor, Mr Ahmed Naseer and Assistant Executive Director, Mr Mansoor Zubair also attended the 'Reserve Advisory and Management Programme (RAMP)' which was held from 15 to 16 April 2019.
- **Central Bank Payments Conference:** Governor, Mr Ahmed Naseer attended the Central Bank Payments Conference held from 24 to 27 June 2019, in Berlin, Germany. Governor was accompanied by Senior Manager, Ms Hawwa Latheef.

ANNUAL FINANCIAL STATEMENTS



Abbreviations and Acronyms of Annual Financial Statements

ACH	Automated Clearing House
ACU	Asian Clearing Union
ADB	Asian Development Bank
AHS	Affordable Housing Loan Scheme
BCCI	Bank for Credit and Commerce International
BIS	Bank for International Settlements
CGAP	Consultative Group to Assist the Poor
CGS	Credit Guarantee Scheme
EAD	Exposure at Default
ECL	Expected Credit Loss
EIR	Effective Interest Rate
ERP	Enterprise Resource Planning System
ESF	Exogenous Shock Facility
FARR	Foreign Asset Revaluation Reserve
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
GST	Goods and Services Tax
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
LGD	Loss Given Default
MIGA	Multilateral Investment Guarantee Agency
MIPS	Maldives Interoperable Payment System
MIRA	Maldives Inland Revenue Authority

MOF	Ministry of Finance
MPS	Maldives Payment System
MRTGS	Maldives Real Time Gross Settlement
MVR	Maldivian Rufiyaa
OCI	Other Comprehensive Income
OLF	Overnight Lombard Facility
OMO	Open Market Operation
PD	Probability of Default
POCI	Purchased or Originated Credit-Impaired
RDF	Randhihafaheh
SDF	Sovereign Development Fund
SDR	Special Drawing Rights
SICR	Significant increase in credit risk
SME	Small and Medium Enterprises
SPPI	Solely payments of principle and interest
STR	Secured Transaction Registry



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

Basis for opinion

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

Independence

We are independent of the 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 2019 (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

PricewaterhouseCoopers is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.



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`

27 April 2020

For PRICEWATERHOUSECOOPERS

Registration No: F0005

A handwritten signature in blue ink, appearing to read 'Jatindra Bhatray', with a long horizontal stroke extending to the right.

Jatindra Bhatray
Partner

Statement of Financial Position

As at 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	2019	2018
ASSETS			
Foreign currency financial assets			
Cash and balances with banks	7	10,261,458,861	10,492,331,512
IMF related assets	8	492,746,951	506,554,606
Investments in securities	9	1,172,492,048	1,038,106,645
Subscriptions to international agencies	10	832,058	833,681
Receivable from Asian Clearing Union	11	26,377	1,849,200
Interest and other receivables	12	46,178,911	13,646,343
Total foreign currency financial assets		11,973,735,206	12,053,321,987
Local currency financial assets			
Cash and balances with banks	7	50,127,946	52,879,564
Subscriptions to international agencies	10	8,264,330	8,264,330
Investments in securities	9	75,510,660	63,974,361
Investment in Government treasury bonds	13	6,086,681,383	6,160,957,255
Short term loans	14	561,378	709,399
Long term loans	15	43,242	47,438
Interest and other receivables	12	723,942	220,332
Total local currency financial assets		6,221,912,881	6,287,052,679
Total financial assets		18,195,648,087	18,340,374,666
Local currency non-financial assets			
Gold and silver assets	16	39,130,481	31,008,861
Inventories	17	91,931,093	100,163,927
Property, plant and equipment	18	91,751,512	50,674,417
Intangible assets	19	21,048,898	22,995,774
Other assets	20	43,264,892	60,908,907
Total local currency non-financial assets		287,126,876	265,751,886
Total assets		18,482,774,963	18,606,126,552

The accounting policies and notes on pages 114 to 176 form an integral part of the financial statements.

Statement of Financial Position

As at 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)


	Note	2019	2018
LIABILITIES			
Foreign currency financial liabilities			
Balances of commercial banks	21	5,692,945,142	6,218,023,905
Balances of the Government and Government institutions	22	616,727,327	174,615,901
Payable to Asian Clearing Union	11	409,687,018	150,678,617
IMF related liabilities	23	513,685,843	527,520,193
Interest bearing loans	24	85,916,544	88,773,709
Deposits of international financial institutions	27	832,058	833,681
Other liabilities	29	22,492,332	1,637,730,062
Total foreign currency financial liabilities		7,342,286,264	8,798,176,068
Local currency financial liabilities			
Balances of commercial banks	21	4,107,570,953	4,625,455,901
Balances of the Government and Government institutions	22	2,387,981,451	641,712,726
Currency in circulation	25	3,599,651,259	3,669,012,227
Balances of insurance and remittance companies	26	13,692,176	13,692,176
Deposits of international financial institutions	27	10,530,146	10,530,146
Deposit insurance fund	28	13,728	6,286
Other liabilities	29	259,159,053	264,260,031
Total local currency financial liabilities		10,378,598,766	9,224,669,493
Total financial liabilities		17,720,885,030	18,022,845,561
Other liabilities			
Deferred grants	30	8,192,362	10,146,014
Pension and other employment benefits payable	31	26,533,963	25,045,385
Total other liabilities		34,726,325	35,191,399
Total liabilities		17,755,611,355	18,058,036,960
EQUITY			
Capital	32	50,000,000	50,000,000
Reserve	32	677,163,608	498,089,592
Total equity		727,163,608	548,089,592
Total liabilities and equity		18,482,774,963	18,606,126,552

The Board of Directors of the Maldives Monetary Authority approved these financial statements on 27 April 2020

Signed for and on behalf of the Board by,



Ali Hashim - Governor



Ali Ihusaan - Director

The accounting policies and notes on pages 114 to 176 form an integral part of the financial statements.

Statement of Comprehensive Income

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	2019	2018
OPERATING INCOME			
Foreign currency income and expenses	33		
Interest income on foreign currency financial assets		270,276,253	256,174,744
Interest expense on foreign currency financial liabilities		(17,369,833)	(4,354,242)
Net foreign currency income		252,906,420	251,820,502
Local currency income and expenses	34		
Interest income on local currency financial assets		151,326,113	152,808,036
Interest expense on local currency financial liabilities		(47,118,058)	(59,538,379)
Profit from local currency financial assets		503,689	220,367
Net local currency income		104,711,744	93,490,024
Other income	35	30,139,926	25,083,579
Income from foreign exchange management		52,881,318	30,819,980
Net investment income		466,392	(1,106,131)
Net foreign exchange revaluation loss		(5,363,240)	(11,405,702)
		78,124,396	43,391,726
Total net operating income		435,742,560	388,702,252
OPERATING EXPENSES			
Personnel expenses	36	74,171,556	61,160,195
Administration expenses	37	70,469,008	76,919,478
Depreciation, amortisation and impairment		13,978,610	15,455,582
Total operating expenses		158,619,174	153,535,255
Net impairment loss on financial instruments		696,356	51,841
Net profit for the year		276,427,030	235,115,156
OTHER COMPREHENSIVE INCOME			
Change in value of securities at FVOCI		10,012,151	129,056
Gain/(loss) on gold and silver revaluation		8,121,621	(293,431)
Gain from property revaluation		34,788,975	-
Total other comprehensive (loss)/income		52,922,747	(164,375)
Total comprehensive income		329,349,777	234,950,781
Transferred to FVOCI reserve	32	(10,012,151)	(129,056)
Transferred to FARR-gold and silver revaluation (gain)/loss	32	(8,121,621)	293,431
Transferred to FARR-foreign exchange revaluation loss	32	5,363,240	11,405,702
Transferred to property revaluation reserve	32	(34,788,975)	-
Profit for the year per MMA Act		281,790,270	246,520,858

The accounting policies and notes on pages 114 to 176 form an integral part of the financial statements.

Statement of Changes in Equity

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Contributed capital	General reserve	Foreign asset revaluation reserve	Retained earnings	FVOCI reserve	Property revaluation reserve	Total
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
As at 1 January 2019	50,000,000	179,724,725	71,694,572	246,520,858	149,437	-	548,089,592
Profit re-appropriation to the Government (Note 38)	-	-	-	(150,000,000)	-	-	(150,000,000)
Transfer to general reserve (Note 32.2)	-	96,520,856	-	(96,520,858)	-	-	-
Profit for the year	-	-	-	276,427,030	-	-	276,427,030
Transfer of foreign currency revaluation loss (Note 32.3)	-	-	(5,363,240)	5,363,240	-	-	-
Other comprehensive gain from gold and silver revaluation	-	-	8,121,621	-	-	-	8,121,621
Other comprehensive gain from property revaluation	-	-	-	-	-	34,788,975	34,788,975
Reclassification to profit or loss from FVOCI reserve	-	-	-	-	(275,759)	-	(275,759)
Other comprehensive income arising from change in value of securities at FVOCI	-	-	-	-	10,012,151	-	10,012,151
As at 31 December 2019	50,000,000	276,245,581	74,452,953	281,790,270	9,885,829	34,788,975	727,163,608

The accounting policies and notes on pages 114 to 176 form an integral part of the financial statements.

Statement of Cash Flows

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	2019	2018
Cash flows from operating activities			
Receipts			
Interest received - foreign currency		239,229,850	251,522,331
Interest received - local currency		151,596,402	168,953,636
Fees, commission and other miscellaneous income received		28,728,273	23,988,861
		419,554,525	444,464,828
Disbursements			
Interest paid - foreign currency		(19,068,115)	(2,296,048)
Interest paid - local currency		(47,570,738)	(59,460,000)
Payments to employees		(72,154,010)	(60,825,417)
Payments to suppliers		(76,373,970)	(76,258,541)
Fees/commission paid		(3,962,861)	(2,611,394)
		(219,129,694)	(201,451,400)
Net cash generated from operating activities	39	200,424,831	243,013,428
Cash flows from investing activities			
Receipts			
Net (decrease)/increase in currency deposits		(2,885,128,556)	761,747,563
Net (decrease)/increase in deposits from financial institutions		(983,010,494)	271,938,482
Net increase/(decrease)in deposits from the Government and		2,149,828,067	(692,665,111)
Net decrease in other liabilities		(340,996)	(360,398)
		(1,718,651,979)	340,660,536
Disbursements			
Net decrease in assets held with the IMF		8,874,127	8,997,487
Net (increase)/decrease in investments in short term securities		(814,966,994)	153,900,507
Net decrease in loans and advances to the Government and		450,434,381	1,101,126,037
Expenditure on development projects and intangible assets		(3,434,981)	(6,421,308)
Purchase of property, plant and equipment		(14,684,471)	(17,641,136)
Profit paid to the Government		(150,000,000)	(93,740,700)
Net decrease in other assets		4,038,871	4,740,897
		(519,739,067)	1,150,961,784
Net cash (used in)/generated from investing activities		(2,238,391,046)	1,491,622,320
Cash flows from financing activities			
Receipts			
Net (decrease)/increase in currency in circulation		(73,271,946)	182,576,883
Net (decrease)/increase in liabilities with other central banks		(1,541,000,000)	1,538,000,000
Net increase/(decrease) in ACU payables		259,547,011	(26,744,306)
Net decrease in interest bearing loans		(2,024,202)	(1,235,742)
Net decrease in liabilities with IMF		(8,706,452)	(8,922,912)
Net (decrease)/increase in grants received		(2,989,164)	1,433,551
Net cash (used in)/generated from financing activities		(1,368,444,753)	1,685,107,474
Net (decrease)/increase in cash and cash equivalents		(3,406,410,968)	3,419,743,222
Exchange rate effect on cash and cash equivalents		(16,442,597)	(29,995,981)
Cash and cash equivalents as at the beginning of the year		9,776,871,289	6,387,124,048
Cash and cash equivalents as at the end of the year	40	6,354,017,724	9,776,871,289

The accounting policies and notes on pages 114 to 176 form an integral part of the financial statements.

Notes to the Financial Statements

Year ended 31 December 2019

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 2019 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 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;

Notes to the Financial Statements

Year ended 31 December 2019

- 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 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.

Notes to the Financial Statements

Year ended 31 December 2019

2 BASES OF ACCOUNTING

Basis of preparation

The financial statements are prepared on the historical cost basis, except for financial assets and liabilities and freehold land that have been measured at fair value 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:

	31 December 2019	31 December 2018
	MVR	MVR
1 Australian Dollar	10.7598	10.8498
1 Euro	17.2325	17.6376
1 Japanese Yen	0.1409	0.1398
1 Singapore Dollar	11.3960	11.2819
1 Special Drawing Rights (SDR)	21.2269	21.4321
1 Pound Sterling	20.1837	19.5757
1 United States Dollar	15.3800	15.4100

Notes to the Financial Statements

Year ended 31 December 2019

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

(i) Classification of assets

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

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.

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.

Notes to the Financial Statements

Year ended 31 December 2019

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.

Revaluation of freehold land

The Authority engaged independent professional valuers to determine the fair value of its freehold land. It is determined using valuation techniques that include the use of mathematical models as there is no active market to derive the prices of similar assets. 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 (see note 18.5).

4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied is consistent with those used in the previous financial year.

4.1 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.

Notes to the Financial Statements

Year ended 31 December 2019

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 (FVPL), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the income statement. Immediately after initial recognition, an 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 statement of comprehensive income 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.

4.1.1 Financial assets

(i) Classification and subsequent measurement

The Authority classifies its financial assets in the following measurement categories:

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

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

Notes to the Financial Statements

Year ended 31 December 2019

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.
- **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 other comprehensive income (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.

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.

Notes to the Financial Statements

Year ended 31 December 2019

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 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.

Notes to the Financial Statements

Year ended 31 December 2019

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.

4.1.2 Financial liabilities

(i) Classification and subsequent measurement

Financial liabilities are classified and subsequently measured at amortised cost, except for;

- Financial guarantee contracts (see note 4.2)

(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

Notes to the Financial Statements

Year ended 31 December 2019

fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

4.2 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 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.

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.

(d) Loans and advances

Loans and advances include 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.

Notes to the Financial Statements

Year ended 31 December 2019

(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:

- 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.

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.

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

Notes to the Financial Statements

Year ended 31 December 2019

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.

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.

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.

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 (see 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.

4.4 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 OCI.

(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

Notes to the Financial Statements

Year ended 31 December 2019

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

Except for the freehold land, 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.

Freehold land is stated at fair value and the resulting revaluation gain/ (loss) is recognised in OCI within property revaluation reserve. The value for freehold land is based on an independent professional valuation.

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

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.

Notes to the Financial Statements

Year ended 31 December 2019

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. 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 initially 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.

Notes to the Financial Statements

Year ended 31 December 2019

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.

4.5 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.

(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.

Notes to the Financial Statements

Year ended 31 December 2019

(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.

4.6 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.

4.7 Revenue and expenses

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

(a) Interest income and expenses

Interest income and expense are recognised in the statement of comprehensive income on an accrual basis using the effective interest rate method based on the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability (see note 4.3(g)). Interest income mainly includes interest earned from fixed deposit investments, coupon earned from fixed income securities, discount accrued from treasury bills and other discounted instruments.

Notes to the Financial Statements

Year ended 31 December 2019

(b) 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.

4.8 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.

4.9 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.

4.10 Comparatives

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

5 NEW ACCOUNTING STANDARDS ADOPTED IN 2019

5.1 IFRS 16 Leases

The Authority has adopted IFRS 16 retrospectively as issued by IASB in January 2016 with a date of transition of 1st January 2019. The adoption of IFRS 16 did not have any adjustments or recognition arising from new leasing rules on the Authority's financial statements. The Authority does not have any lease contracts except for a short term lease which had no change in treatment due to the adoption of IFRS 16.

6 ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Authority. These standards are not expected to have a material impact on the Authority in the current or future reporting periods and on foreseeable future transactions.

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

7 CASH AND BALANCES WITH BANKS

	2019	2018
7.1 Foreign currency balances		
Foreign currency cash in hand	108,460,620	65,044,068
Balances with other central banks	146,935,309	391,152,056
Balances with other foreign banks	46,982,395	24,139,309
Balances with external asset manager	2,922,926	1,578,664
Balances with local banks - related party	473,619	51,285
Money at overnight placements with other central banks (Note 7.3)	569,060,000	479,251,000
Investment in fixed deposits with foreign banks (Note 7.4)	9,389,397,000	9,533,267,000
Expected credit losses	(2,773,008)	(2,151,870)
	10,261,458,861	10,492,331,512
7.2 Local currency balances		
Balances with local banks - related parties	50,135,855	52,887,907
Expected credit losses	(7,909)	(8,343)
	50,127,946	52,879,564
	10,311,586,807	10,545,211,076

7.3 Money at overnight placements with other central banks

The Authority invested USD 37,000,000 (2018: USD 31,100,000) in an overnight repurchase agreement with the Federal Reserve Bank of New York at an interest rate of 1.45% per annum (2018: 2.45%).

7.4 Investment in fixed deposits with foreign banks

	2019	2018
Fixed deposits with maturity of 3 months or less	5,429,047,000	8,762,767,000
Fixed deposits with maturity more than 3 months	3,960,350,000	770,500,000
Expected credit losses	(2,704,222)	(2,090,487)
	9,386,692,778	9,531,176,513

8 IMF RELATED ASSETS

	2019	2018
Holding of special drawing rights (Note 8.1)	42,551,614	51,920,548
IMF quota (Note 8.2)	450,010,280	454,360,520
Interest receivables	185,057	273,538
	492,746,951	506,554,606

8.1 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 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

8 IMF RELATED ASSETS (CONTINUED)

8.1 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.

8.2 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 2019, 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 2019, the IMF Quota of Maldives is SDR 21.2 million (2018: SDR 21.2 million).

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

9 INVESTMENTS IN SECURITIES

	2019	2018
Foreign currency balances		
Short term investment securities (Note 9.1)	38,502,788	34,019,300
Investment in corporate bond (Note 9.2)	-	694,551,019
Investment in securities at FVOCI (Note 9.3)	1,133,989,260	309,536,326
	1,172,492,048	1,038,106,645
Local currency balances		
Investment in fixed deposits with local banks	11,907,752	8,984,999
Short term investment securities (Note 9.1)	63,604,786	54,990,779
Expected credit losses	(1,878)	(1,417)
	75,510,660	63,974,361

9.1 Short term investment securities

9.1.1 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.

Foreign currency balances

	2019	2018
Purchased during the year	38,502,788	34,019,300
Balance as at 31 December	38,502,788	34,019,300

As at 31 December 2019 the Authority has invested in USD Government treasury bills with face values of USD 2.6 million at purchase price of USD 2,503,432 maturing in 2020. As at 31 December 2018 the Authority invested in USD Government treasury bills with face values of USD 2.3 million at purchase price of USD 2,207,612 which matured in 2019.

Local currency balances

	2019	2018
Purchased during the year	61,098,371	52,717,763
Interest receivable on Government treasury bills	2,506,415	2,273,016
Balance as at 31 December	63,604,786	54,990,779

As at 31 December 2019 the Authority has invested in MVR Government treasury bills with face values of MVR 63.60 million at purchase price of MVR 61,098,371 maturing in 2020. As at 31 December 2018, the Authority invested in MVR Government treasury bills amounting to 52,717,763 which matured in 2019.

The balance under interest receivable on Government treasury bills comprises of discount receivable from MVR treasury bills of MVR 1,363,198 (2018: 1,177,105) and reverse dual currency treasury bills of MVR 1,143,217 (2018: 1,095,911).

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

9 INVESTMENTS IN SECURITIES (CONTINUED)

9.2 Investment in corporate bond

	2019	2018
Balance as at 1 January	693,090,312	1,414,584,906
Realized during the year	(692,149,232)	(720,829,147)
Effects of exchange rates	(941,080)	(665,447)
	-	693,090,312
Interest receivable on corporate bond	-	1,460,707
Balance as at 31 December	-	694,551,019

Remaining term to maturity

	2019	2018
Within one year	-	693,090,312
	-	693,090,312

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 matured in November 2019.

Interest receivable on corporate bond

	2019	2018
Balance as at 1 January	1,460,707	2,981,276
Interest accrued during the year	7,172,729	25,421,273
Interest realized during the year	(8,633,200)	(26,932,752)
Effects of exchange rates	(236)	(9,090)
Balance as at 31 December	-	1,460,707

9.3 Investments in securities at FVOCI

	2019	2018
Balance as at 1 January	309,536,326	307,453,580
Purchased during the year	1,469,429,146	688,853,774
Sold and matured during the year	(654,974,501)	(686,273,113)
Unrealized fair value changes during the year	10,394,723	(498,035)
Realized loss during the year	(279,537)	(181,660)
Effects of exchange rates	(116,897)	181,780
Balance as at 31 December	1,133,989,260	309,536,326

The balance as at 31 December 2019 includes USD 45 million (2018: USD 20 million) managed by the Authority's external asset managers and USD 28 million invested by the Authority.

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

10 SUBSCRIPTIONS TO INTERNATIONAL AGENCIES

	2019	2018
MOF promissory notes issued		
Foreign currency		
Multilateral Investment Guarantee Agency	832,058	833,681
Local currency		
International Bank for Reconstruction and Development	8,264,330	8,264,330
	9,096,388	9,098,011

10.1 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.

11 ASIAN CLEARING UNION

11.1 Receivable from Asian Clearing Union

	2019	2018
ACU Dollar balances	26,377	1,849,200
	26,377	1,849,200

11.2 Payable to Asian Clearing Union

	2019	2018
ACU Dollar balances	409,108,000	150,349,206
Accrued charges	579,018	329,411
	409,687,018	150,678,617

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 1.60% and 2.51% in 2019. Above balance represents the amounts due to and from ACU as at the reporting date.

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

12 INTEREST AND OTHER RECEIVABLES

	2019	2018
Foreign currency		
Interest receivable	46,191,310	13,649,692
Expected credit losses	(12,399)	(3,349)
	46,178,911	13,646,343
Local currency		
Other receivables	4,777,068	4,273,379
Less: Allowance for doubtful receivables	(4,053,012)	(4,053,012)
Expected credit losses	(114)	(35)
	723,942	220,332

13 INVESTMENT IN GOVERNMENT TREASURY BONDS

	2019	2018
Balance as at 1 January	6,160,957,255	6,233,473,467
Settled during the year	(74,275,872)	(72,516,212)
Balance as at 31 December (Note 13.1)	6,086,681,383	6,160,957,255

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

	2019	2018
Within one year	75,670,291	74,275,872
Two to five years	322,799,492	315,131,408
Six to ten years	449,683,046	438,652,069
More than ten years	5,238,528,554	5,332,897,906
	6,086,681,383	6,160,957,255

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

14 SHORT TERM LOANS

	2019	2018
Balance as at 1 January	709,399	666,962
Loans disbursed during the year	435,349	628,616
Settled during the year	(583,370)	(586,179)
Balance as at 31 December	561,378	709,399

The Authority has granted interest free loans to its staff with a repayment period of 6 to 24 months.

15 LONG TERM LOANS

	2019	2018
Balance as at 1 January	47,438	-
Loans disbursed during the year	-	49,165
Settled during the year	(4,196)	(1,727)
Balance as at 31 December	43,242	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

	2019	2018
Gold assets	38,742,819	30,937,689
Silver assets	387,662	71,172
	39,130,481	31,008,861

- 16.1 The Authority holds gold and silver as part of its reserves. Gold and silver assets, except gold other articles and silver coins, are fair valued and the gains or losses are recognised in other comprehensive income.

17 INVENTORIES

	2019	2018
Notes for circulation	60,982,688	65,944,498
Coins for circulation	14,525,731	12,313,123
Coins held abroad in storage (Note 17.1)	10,116,173	15,312,927
Commemorative notes and coins	6,200,636	6,262,561
Circulating coin sets	105,865	110,409
Printing and minting in progress (Note 17.2)	-	220,409
Total inventories	91,931,093	100,163,927

- 17.1 MVR 10,116,173 (2018: 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 minting company regarding orders placed for minting coins.

Notes to the Financial Statements

Year ended 31 December 2019

(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	2019 Total	2018 Total
18.1	Gross carrying amounts at cost											
	Balance as at 1 January	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
	Additions / (capitalized) during the year	-	3,290,516	(152,321)	8,344,365	(206,347)	183,413	-	2,202,420	1,480,675	15,142,721	17,641,135
	Property revaluation	34,788,975	-	-	-	-	-	-	-	-	34,788,975	-
	Disposals/ transfers during the year	-	-	(53,000)	(265,563)	-	(455,638)	(1,041,250)	(179,430)	-	(1,994,881)	(2,189,501)
	Value of depreciable assets	35,788,975	38,641,652	26,500	94,576,168	84,799	20,007,183	3,501,426	29,365,066	1,768,371	223,760,140	175,823,325

18.2 Accumulated Depreciation

	Balance as at 1 January	-	11,728,652	-	75,355,173	-	18,049,584	1,663,849	18,351,650	-	125,148,908	120,246,985
	Charge for the year	-	1,255,103	-	3,928,769	-	439,657	291,390	2,681,834	-	8,596,753	7,061,920
	Disposals/transfers during the year	-	-	-	(230,982)	-	(383,636)	(942,985)	(179,430)	-	(1,737,033)	(2,159,997)
	Accumulated depreciation	-	12,983,755	-	79,052,960	-	18,105,605	1,012,254	20,854,054	-	132,008,628	125,148,908

18.3	Net book value	35,788,975	25,657,897	26,500	15,523,208	84,799	1,901,578	2,489,172	8,511,012	1,768,371	91,751,512	50,674,417
------	-----------------------	-------------------	-------------------	---------------	-------------------	---------------	------------------	------------------	------------------	------------------	-------------------	-------------------

18.4 As at 31 December 2019, property, plant and equipment includes fully depreciated assets having gross carrying amount of MVR 102,899,907 (2018 : MVR 97,833,605).

18.5 The Authority revalued its freehold land as at 31 December 2019 and the valuation was performed by an external professional valuer based on a combination of income approach and open market approach. The revaluation gain of MVR 34,788,975 has been included in the property revaluation reserve through other comprehensive income. The carrying amount of freehold land if stated at cost would have been MVR 1,000,000.

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the freehold land valuation for the total land sq ft of 11,111.

	Increase / (decrease) in freehold land value	Sensitivity effect on property revaluation reserve Increase/(decrease) for the year
Increase in market rate by MVR 100 per sq.ft	1,111,100	1,111,100
Decrease in market rate by MVR 100 per sq.ft	(1,111,100)	(1,111,100)

18.6 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 2019. 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 2019. The balance under computer equipment - WIP includes expenses incurred for design and supply of server infrastructure which was not completed as at 31 December 2019.

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	2019 Total	2018 Total
19.1	Gross carrying amounts at cost								
	Balance as at 1 January	21,740,581	19,057,862	23,589,046	38,671,687	13,847,642	2,079,080	118,985,898	113,659,864
	Cost incurred during the year	-	-	-	-	1,020,545	518,069	1,538,614	5,326,034
	Balance as at 31 December	21,740,581	19,057,862	23,589,046	38,671,687	14,868,187	2,597,149	120,524,512	118,985,898

19.2 Accumulated amortisation/impairment

	Balance as at 1 January	11,954,978	18,883,895	22,231,627	38,671,687	7,360,839	1,029,271	100,132,297	91,738,635
	Charge for the year	2,103,251	173,967	629,982	-	1,585,874	888,783	5,381,857	8,393,662
	Balance as at 31 December	14,058,229	19,057,862	22,861,609	38,671,687	8,946,713	1,918,054	105,514,154	100,132,297

19.3	Net book value	7,682,352	-	727,437	-	5,921,474	679,095	15,010,358	18,853,601
------	-----------------------	------------------	----------	----------------	----------	------------------	----------------	-------------------	-------------------

19.4 As at 31 December 2019, intangible assets include fully amortised/impairment assets having gross carrying amount of MVR 89,237,090 (2018 : MVR 64,435,022).

Notes to the Financial Statements

Year ended 31 December 2019

(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	2019 Total	2018 Total
Balance as at 1 January	157,287	3,984,886	4,142,173	1,387,687
Cost incurred during the year	-	1,896,367	1,896,367	2,754,486
Cost capitalized during the year	-	-	-	-
Balance as at 31 December	157,287	5,881,253	6,038,540	4,142,173
Grand Total			21,048,898	22,995,774

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 2019 relates to expenses that were incurred for "Time & Labour" component of Oracle E-Business suite which was not implemented as at 31 December 2019.

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 advice from a technical consultant hired by the Authority. The project is expected to be completed by the end of 2020.

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

20 OTHER ASSETS

	2019	2018
Prepayments and receivables	9,795,523	15,577,967
Deferred employee benefits	98,898	117,534
Deferred replacement cost	33,370,471	45,213,406
	43,264,892	60,908,907

21 BALANCES OF COMMERCIAL BANKS

	2019	2018
Foreign currency balances		
Related parties	1,930,331,729	1,437,725,755
Others	3,762,613,413	4,780,298,150
	5,692,945,142	6,218,023,905
Local currency balances		
Related parties	1,210,943,043	1,046,820,312
Others	602,627,910	596,635,589
	1,813,570,953	1,643,455,901
Overnight placement deposits		
Related parties	1,407,000,000	1,900,000,000
Others	887,000,000	1,082,000,000
	2,294,000,000	2,982,000,000
Total balances of commercial banks	9,800,516,095	10,843,479,806

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 2019 and 31 December 2018, 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	2019	2018
Foreign currency deposits		
MOF and Government institutions	616,727,327	174,615,901
	616,727,327	174,615,901
Local currency deposits		
MOF and Government institutions	2,387,981,451	577,108,434
Public enterprises	-	64,604,292
	2,387,981,451	641,712,726
Total balances of Government and Government institutions	3,004,708,778	816,328,627

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

23 IMF RELATED LIABILITIES

	2019	2018
IMF Securities Account (Note 23.1)	343,021,546	346,337,528
IMF No. 1 Account (Note 23.2)	5,011,629	5,060,076
IMF No. 2 Account (Note 23.3)	6,262	6,322
Allocation of SDR (Note 23.4)	163,258,380	164,836,596
Charges payable on SDR allocation (Note 23.5)	212,269	295,720
Exogenous shock facility (Note 23.6)	2,175,757	10,983,951
	513,685,843	527,520,193

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 2019 by IMF.

	2019	2018
Balance as at 1 January	346,337,528	353,092,306
Exchange rate effect on IMF Securities account	(3,315,982)	(6,754,778)
Balance as at 31 December	343,021,546	346,337,528

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 2019

(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 2018 and 2019.

The following table shows the details of Exogenous Shock Facility Loan:

Non-current	Interest rate per annum	Maturity date	2019	2018
Exogenous shock facility	0.25%	1 April 2020		
Balance as at 1 January			10,983,951	20,156,717
Repayments during the year			(8,706,453)	(8,922,912)
Effects of exchange rates			(101,742)	(249,854)
Balance as at 31 December			2,175,757	10,983,951

24 INTEREST BEARING LOANS - THE MOF

	MCIB	MIPS	Total 2019	Total 2018
Balance as at 1 January	8,863,798	79,909,911	88,773,709	91,748,327
Repayments during the year	(409,697)	(1,614,505)	(2,024,202)	(1,235,742)
Effects of exchange rates	(83,491)	(749,472)	(832,963)	(1,738,876)
Balance as at 31 December	8,370,610	77,545,934	85,916,544	88,773,709

- 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 67,326.

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

24 INTEREST BEARING LOANS - THE MOF (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 3,653,192.

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

		2019	2018
Coins			
1	Laari	96,601	95,511
2	Laari	49,656	49,656
5	Laari	554,122	524,850
10	Laari	683,341	673,982
25	Laari	3,509,676	3,375,655
50	Laari	7,741,765	7,507,909
1	Rufiyaa	36,901,465	33,805,203
2	Rufiyaa	26,359,138	25,282,756
		75,895,764	71,315,522
Notes			
5	Rufiyaa	16,922,525	14,440,885
10	Rufiyaa	28,194,850	25,791,130
20	Rufiyaa	42,031,620	38,432,340
50	Rufiyaa	50,994,800	49,585,350
100	Rufiyaa	281,356,700	259,485,000
500	Rufiyaa	2,886,799,000	3,003,929,000
1000	Rufiyaa	217,456,000	206,033,000
		3,523,755,495	3,597,696,705
Total net currency in circulation		3,599,651,259	3,669,012,227

- 25.2 Currency in circulation shown above are after deducting the Authority's holding of Rufiyaa notes and coins amounting to MVR 584,204,128 and MVR 382,370,210 as at 31 December 2019 and 2018 respectively.

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

26 BALANCES OF INSURANCE AND REMITTANCE COMPANIES

26.1 Balances of insurance companies

	2019	2018
Related parties	4,000,000	4,000,000
Others	9,292,176	9,292,176
Balance as at 31 December	13,292,176	13,292,176

26.2 Balances of remittance companies

	2019	2018
Related parties	-	-
Others	400,000	400,000
Balance as at 31 December	400,000	400,000

Grand total	13,692,176	13,692,176
--------------------	-------------------	-------------------

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

	2019	2018
Foreign currency deposits		
Multilateral Investment Guarantee Agency	832,058	833,681
Balance as at 31 December	832,058	833,681
Local currency deposits		
International Development Association	348,008	348,008
International Bank for Reconstruction and Development	8,575,332	8,575,332
Asian Development Bank	1,434,362	1,434,362
Multilateral Investment Guarantee Agency	172,444	172,444
Balance as at 31 December	10,530,146	10,530,146

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 amounts collected and obligations of the Government of Maldives in terms of subscriptions to these supranational institutions for various purposes as at the respective reporting dates.

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

28 DEPOSIT INSURANCE FUND

	2019	2018
Deposit insurance fund	13,728	6,286
	13,728	6,286

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 22,765,209 in Government treasury bills during 2019. 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

	2019	2018
Payables to other central banks (Note 29.3)	-	1,541,000,000
Accrued charges and other payables	6,337,748	44,383,313
Payable for banknotes	-	36,150,597
Bank of Credit and Commerce International (BCCI)	15,058,242	15,097,671
Commercial banks human resource development deposits	797,377	798,933
Other deposits	298,965	299,548
	22,492,332	1,637,730,062

29.2 Local currency other liabilities

	2019	2018
Accrued charges and other payables	3,797,172	3,416,299
Government contribution to IMF Quota (Note 29.4)	92,720,021	92,720,021
Commercial banks human resource development deposits	1,062,944	1,388,604
Bank of Credit and Commerce International (BCCI)	2,604,253	2,622,369
Paper Note 1983 Series payable (Note 29.5)	145,231,843	149,142,823
Credit Guarantee Scheme (Note 29.6)	13,680,984	14,898,380
Expected credit losses - provision on guarantee	61,836	71,535
	259,159,053	264,260,031

Notes to the Financial Statements

Year ended 31 December 2019

(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 2019, 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 2019.

29.5 Paper Note 1983 Series payable

These are the banknotes of 1983 series yet to be received as at 31 December 2019. 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 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.

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. As at the reporting date the grant has been fully absorbed to the statement of comprehensive income.

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

30.2 The Authority has received a grant for the development of the Secured Transaction Registry (STR) of MCIB from the MOF. The agreed limit for disbursement under the grant arrangement was USD 1,024,767. As at 31 December 2019, 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 117,231 was released to the statement of comprehensive income, which is consistent with the amortisation policy on software.

30.3 The Authority has received a car as a grant from the MOF in the year 2018. Grant value of the car of MVR 1,509,440 is deferred over its useful life and credited to the statement of comprehensive income on a monthly basis. During the year, MVR 150,944 was released to the statement of comprehensive income, which is consistent with the depreciation policy for motor vehicles.

30.4 The movement of deferred grants

	2019	2018
Balance as at 1 January	10,146,014	7,346,523
Grants received during the year	-	4,991,531
Recognised in the statement of comprehensive income	(1,953,652)	(2,192,040)
Balance as at 31 December	8,192,362	10,146,014

31 PENSION AND OTHER EMPLOYMENT BENEFITS PAYABLE

	2019	2018
Pre- Maldives Pension Act 8/2009 Pensions (Note 31.1)	4,744,008	5,043,140
Retirement gratuity obligation (Note 31.2)	21,789,955	20,002,245
	26,533,963	25,045,385

31.1 Pre- Maldives Pension Act 8/2009 Pensions

	2019	2018
Opening balances	4,514,130	4,823,786
Less: payments during the year	(531,550)	(531,550)
Add: winding of interest	207,650	221,894
Present value of pension obligation	4,190,230	4,514,130
Employee and employer pension contribution payable	553,778	529,010
Balance as at 31 December	4,744,008	5,043,140

The Authority provides defined benefit plans ("Pre- Maldives Pension Act 8/2009 Pensions") for those employees who have completed 20 years of 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 of service. Pre- Maldives Pension Act 8/2009 Pension was worked out as follows:

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

31 PENSION AND OTHER EMPLOYMENT BENEFITS PAYABLE (CONTINUED)

31.1 Pre- Maldives Pension Act 8/2009 Pensions (Continued)

- 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.
- 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:

	2019	2018
Nominal value of the benefit obligation	5,445,054	5,976,604
Present value of the benefit obligation	4,190,230	4,514,130
Unrecognised interest component	1,254,824	1,462,474
Discount rate: 364 day treasury bill rate	4.60%	4.60%
Number of employees in the scheme	11	11
Average remaining years of service	9.55	10.55
Retirement age	65	65

31.2 Retirement gratuity obligation

	2019	2018
Balance as at 1 January	20,002,245	19,357,850
Charge for the year	2,140,614	2,064,840
Interest for the year	869,228	840,840
Surplus for the year	(1,222,132)	(2,261,285)
Present value as at 31 December	21,789,955	20,002,245

- 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:

	2019	2018
Discount rate	4.60%	4.60%
Staff turnover rate	12.00%	13.00%
Expected salary increment	2.67%	2.67%
Retiring age	65 years	65 years

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

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 96,520,856 was transferred to General Reserve from the Authority's net profit for the year 2018.

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, gold or other units of account 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.

32.5 Property Revaluation Reserve

Property Revaluation Reserve comprises of revaluation gains arising from valuation of property. During the year MVR 34,788,975 was transferred to Property Revaluation Reserve from the valuation of the Authority's land. Any revaluation decrease arising from a valuation will be recognised as an expense to the extent that it exceeds any amount previously credited to the Property Revaluation Reserve relating to the same asset.

When a revalued asset is disposed of, any revaluation surplus may be transferred directly to the General Reserve, or it may be left in Property Revaluation Reserve. The transfer to General Reserve shall not be made through statement of comprehensive income.

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

33 FOREIGN CURRENCY INCOME AND EXPENSES

33.1 Interest income on foreign currency financial assets

	2019	2018
Interest on overnight placements	15,223,794	11,198,161
Interest income on USD Reserve deposits	122,385	-
Receipts on SDR holdings	1,455,262	1,473,502
Interest on fixed deposit	212,898,111	180,032,468
Interest income from investments in fixed income securities	13,033,739	4,727,762
Interest on corporate bond	15,613,028	51,695,882
Interest from external asset management	11,929,934	7,046,969
	270,276,253	256,174,744

33.2 Interest expense on foreign currency financial liabilities

	2019	2018
Interest on reserve deposits	185,397	161,623
Charges on SDR allocations	1,629,424	1,563,834
Currency swap charges	15,555,012	2,628,785
	17,369,833	4,354,242

34 LOCAL CURRENCY INCOME AND EXPENSES

34.1 Interest income on local currency financial assets

	2019	2018
Interest on Government treasury bonds	147,037,836	148,797,496
Discounts on Government treasury bills	4,194,031	3,610,387
Other interest income	94,246	400,153
	151,326,113	152,808,036

34.2 Profit from local currency investments

	2019	2018
Profit from investments in commercial banks	503,689	220,367
	503,689	220,367

34.3 Interest expenses on local currency financial liabilities

	2019	2018
Interest on reserve deposits	11,772,856	12,117,888
Interest on overnight deposit facility	35,208,287	47,283,575
Interest on security deposits of insurance and remittance companies	136,915	136,916
	47,118,058	59,538,379

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

35 OTHER INCOME

	2019	2018
Commissions received	16,607,783.00	16,638,962
Bank charges received	1,107,340.00	946,539
Annual fees from financial institutions	4,171,500.00	3,916,300
Profit on sale of commemorative note	181,431.00	118,507
Profit on sale of currency notes and coins	398,001.00	261,327
Income from credit information services	5,260,750.00	-
Miscellaneous income	2,413,121.00	3,201,944
	30,139,926	25,083,579

36 PERSONNEL EXPENSES

	2019	2018
Salaries and wages	68,438,488.00	56,870,997
Defined contribution costs	3,268,907.00	3,042,303
Defined benefit plan	1,787,709.00	644,395
Remuneration to the board members	676,452.00	602,500
	74,171,556	61,160,195

37 ADMINISTRATION EXPENSES

	2019	2018
Notes and coins related expenses	21,235,753	38,045,717
Software license renewal and maintenance	10,385,510	10,134,426
Staff development expenses	7,418,937	3,931,904
Payment charges	4,413,007	3,064,467
Other administrative expenses	4,000,608	2,814,880
Utility charges	3,931,458	5,582,019
Staff expenses	3,039,714	2,465,099
Maintenance expenses	2,477,673	1,896,244
Memberships, subscriptions and reference materials	2,135,187	1,239,711
Expert expenses	1,806,561	1,004,361
Communication	1,714,951	1,770,700
Public outreach expenses	1,491,727	43,945
Fees to external asset manager	1,452,259	1,171,040
Charges on import of banknotes	1,420,624	1,440,353
Services fees to Reserve Advisory and Management Program	1,089,978	-
Audit fees	948,885	926,307
Development activities and project expenses	738,577	780,578
Insurance	570,030	607,727
Remuneration charges	197,569	-
	70,469,008	76,919,478

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

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 150,000,000 to the Government in respect of profit for the year ended 31 December 2018.

39 RECONCILIATION OF NET PROFIT WITH OPERATING CASH FLOWS

	2019	2018
Total comprehensive profit	329,349,778	234,950,780
Add/(subtract) non-cash items:		
Depreciation, amortisation and impairment	13,978,609	15,455,584
Revaluation (gain)/loss on gold and silver	(8,121,621)	293,431
Revaluation gain on property	(34,788,975)	-
Revaluation loss on foreign exchange	5,363,239	11,405,701
Unrealized gain from investment in securities at FVOCI	(10,012,151)	(129,056)
Expected credit loss allowance arising from investments in securities	696,356	51,841
Add/(subtract) movements in other working capital items:		
(Increase)/decrease in interest receivable	(31,279,802)	11,272,560
Increase in other receivables	(54,759,361)	(30,808,568)
(Decrease)/increase in interest payable	(2,147,165)	2,136,831
Decrease in other payables	(7,854,076)	(1,615,676)
Net cash flow from operating activities	200,424,831	243,013,428

40 CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS

	2019	2018
Foreign currency cash in hand	108,460,620	65,044,068
Balances with foreign banks	307,999,109	416,870,029
Balances with local banks	50,186,995	52,939,192
Money at overnight placements	458,324,000	479,251,000
Investment in fixed deposits - 3 months or less	5,429,047,000	8,762,767,000
Cash and cash equivalent as at the end of the year	6,354,017,724	9,776,871,289

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

41 CONCENTRATIONS OF FUNDING

The Authority's year-end significant concentrations of funding were as follows:

As at 31 December 2019	2019 Total	Government of Maldives	Commercial banks	Supranational financial institutions	Others
Foreign currency financial liabilities					
Balances of commercial banks	5,692,945,142	-	5,692,945,142	-	-
Balances of Government and Government institutions	616,727,327	616,727,327	-	-	-
Payable to Asian Clearing Union	409,687,018	-	-	409,687,018	-
IMF related liabilities	513,685,843	-	-	513,685,843	-
Interest bearing loans	85,916,544	85,916,544	-	-	-
Deposits of international financial institutions	832,058	-	-	832,058	-
Other liabilities	22,492,332	5,457,803	797,377	-	16,237,152
Total foreign currency financial liabilities	7,342,286,264	708,101,674	5,693,742,519	924,204,919	16,237,152
Local currency financial liabilities					
Balances of commercial banks	4,107,570,953	-	4,107,570,953	-	-
Balances of Government and Government institutions	2,387,981,451	2,387,981,451	-	-	-
Currency in circulation	3,599,651,259	-	-	-	3,599,651,259
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	13,728	-	13,728	-	-
Other liabilities	259,159,053	92,933,237	1,258,901	-	164,966,915
Total local currency financial liabilities	10,378,598,766	2,480,914,688	4,108,843,582	10,530,146	3,778,310,350
Total financial liabilities	17,720,885,030	3,189,016,362	9,802,586,101	934,735,065	3,794,547,502
Other liabilities					
Deferred grants	8,192,362	-	-	-	8,192,362
Pension and other employment benefit payable	26,533,963	-	-	-	26,533,963
	34,726,325	-	-	-	34,726,325
Total Liabilities	17,755,611,355	3,189,016,362	9,802,586,101	934,735,065	3,829,273,827

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

41 CONCENTRATIONS OF FUNDING (CONTINUED)

Comparative figures as at 31 December 2018 are 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

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

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.

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.

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)

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 2019, 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 2019. As per IFRS 9, the Authority has assessed the credit risk of these financial guarantees.

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)

The following table sets out the gross carrying amount (principal plus accrued interest) of the financial assets that are exposed to credit risk as at 31 December 2019 and 31 December 2018.

	2019	2018
Foreign currency financial assets		
Cash and balances with banks	10,264,231,869	10,494,483,382
IMF related assets	492,746,951	506,554,606
Investment in securities		
at amortised cost	38,502,788	728,570,319
at FVOCI	1,133,989,260	309,536,326
Subscriptions to international agencies	832,058	833,681
Receivable from Asian Clearing Union	26,377	1,849,200
Interest and other receivables	46,191,310	13,649,692
Local currency financial assets		
Cash and balances with banks	50,135,855	52,887,907
Subscriptions to international agencies	8,264,330	8,264,330
Investments in securities	75,512,538	63,975,778
Investment in Government treasury bonds	6,086,681,383	6,160,957,255
Short term loans	561,378	709,399
Long term loans	43,242	47,438
Interest and other receivables	724,056	220,367
Total	18,198,443,395	18,342,539,680

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.
- 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.

Notes to the Financial Statements

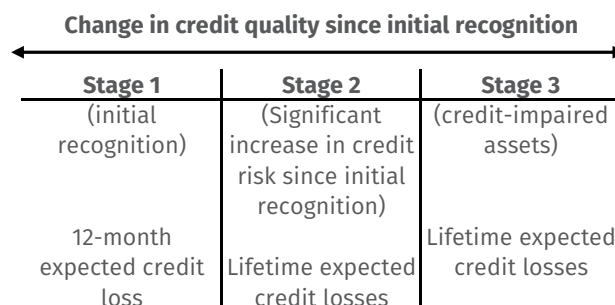
Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)

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:

- 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.

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)

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;
- 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.

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)

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.

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

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.

The forward-looking information incorporated in the calculation of ECL for this set of financial statements is not adjusted for the potential impacts of COVID-19 pandemic.

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

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						
	2019				2018	
At Amortised cost	Stage 1	Stage 2	ECL Staging Stage 3	Purchased credit-impaired	Total	Total
Credit grade	12-month ECL	Lifetime ECL	Lifetime ECL			
Rated AAA	697,164,428	-	-	-	697,164,428	3,146,453,816
Rated AA- to AA+	1,246,089,082	-	-	-	1,246,089,082	812,394,201
Rated A- to A+	8,242,129,671	-	-	-	8,242,129,671	5,709,995,323
Rated B- to B+	51,816	-	-	-	51,816	728,622,043
PD Negligible	655,981,372	-	-	-	655,981,372	1,345,099,300
Floor Rate	1,114,984	-	-	-	1,114,984	3,376,197
Gross carrying amount	10,842,531,353	-	-	-	10,842,531,353	11,745,940,880
Loss allowance	(2,785,407)	-	-	-	(2,785,407)	(2,155,219)
Carrying amount	10,839,745,946	-	-	-	10,839,745,946	11,743,785,661
At FVOCI						
Rated AAA	464,373,757	-	-	-	464,373,757	-
Rated AA- to AA+	422,995,919	-	-	-	422,995,919	-
Rated A- to A+	227,779,146	-	-	-	227,779,146	-
Floor Rate	18,840,438	-	-	-	18,840,438	309,536,326
Loss allowance	(110,369)	-	-	-	(110,369)	(34,607)
Total	11,973,735,206	-	-	-	11,973,735,206	12,053,321,987
Local currency financial assets						
	2019				2018	
At Amortised cost	Stage 1	Stage 2	ECL Staging Stage 3	Purchased credit-impaired	Total	Total
Credit grade	12-month ECL	Lifetime ECL	Lifetime ECL			
Floor Rate	62,767,663	-	-	-	62,767,663	62,093,273
Standard Monitoring	6,267	-	-	-	6,267	-
PD Negligible	6,159,148,852	-	-	-	6,159,148,852	6,224,969,201
Gross carrying amount	6,221,922,782	-	-	-	6,221,922,782	6,287,062,474
Loss allowance	(9,901)	-	-	-	(9,901)	(9,795)
Carrying amount	6,221,912,881	-	-	-	6,221,912,881	6,287,052,679
Guarantees						
	2019				2018	
At Amortised cost	Stage 1	Stage 2	ECL Staging Stage 3	Purchased credit-impaired	Total	Total
Credit grade	12-month ECL	Lifetime ECL	Lifetime ECL			
Financial guarantees	-	-	-	-	-	-
PD Negligible	-	-	-	-	-	-
Gross carrying amount	-	-	-	-	-	-
Loss allowance	(61,836)	-	-	-	(61,836)	(71,535)
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'.

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

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 2019	2,151,870	-	-	-	2,151,870
Changes in PDs/LGDs/EADs	621,138	-	-	-	621,138
Loss allowance as at 31 December 2019	2,773,008	-	-	-	2,773,008
Investment in securities at FVOCI					
Loss allowance as at 1 January 2019	34,607	-	-	-	34,607
Changes in PDs/LGDs/EADs	75,762	-	-	-	75,762
Loss allowance as at 31 December 2019	110,369	-	-	-	110,369
Interest and other receivables					
Loss allowance as at 1 January 2019	3,349	-	-	-	3,349
Changes in PDs/LGDs/EADs	9,050	-	-	-	9,050
Loss allowance as at 31 December 2019	12,399	-	-	-	12,399
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 2019	8,343	-	-	-	8,343
Changes in PDs/LGDs/EADs	(434)	-	-	-	(434)
Loss allowance as at 31 December 2019	7,909	-	-	-	7,909
Investment in securities					
Loss allowance as at 1 January 2019	1,417	-	-	-	1,417
Changes in PDs/LGDs/EADs	461	-	-	-	461
Loss allowance as at 31 December 2019	1,878	-	-	-	1,878
Interest and other receivables					
Loss allowance as at 1 January 2019	35	-	-	-	35
Changes in PDs/LGDs/EADs	79	-	-	-	79
Loss allowance as at 31 December 2019	114	-	-	-	114

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)

	Guarantees			Purchased credit-impaired	Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		
Financial Guarantees					
Loss allowance as at 1 January 2019	71,535	-	-	-	71,535
Changes in PDs/LGDs/EADs	(9,699)	-	-	-	(9,699)
Loss allowance as at 31 December 2019	61,836	-	-	-	61,836

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 foreign currency financial assets held abroad, the Authority uses ratings published by the rating 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 country rating while assigning a PD for financial assets backed by sovereign guarantees and 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, 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 2019.

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.

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

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 4.1.1. 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 in 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:

	2019	2018
Maldives	6,252,634,859	7,007,419,748
Qatar	3,104,075,041	2,317,057,616
China	2,500,207,174	146,534,075
United Arab Emirates	1,680,962,954	309,659,670
Canada	1,272,198,401	397,167,709
Singapore	1,225,724,225	794,895,592
United States of America	851,462,998	671,676,866
Supranational financial institutions	621,222,996	1,349,912,100
Saudi Arabia	173,895,593	-
Germany	166,225,835	211,962,424
Sweden	80,728,067	48,521,898
South Korea	63,735,341	15,534,513
Austria	31,185,245	15,496,450
France	28,062,396	286,477,390
Japan	17,254,572	2,361,808,246
Norway	15,332,622	-
United Kingdom	4,646,118	20,875,244
Australia	428,338	11,889,300
Switzerland	-	2,310,606,771
Expect credit losses	(2,795,308)	(2,165,014)
Total financial assets (except foreign cash in hand)	18,087,187,467	18,275,330,598

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

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.

	2019	2018
Potential loss of interest income	2,441,256	1,338,592

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

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 %	2019 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	1.11%	692,300,799	692,300,799	-	-	-	-	-
IMF related assets	0.74%	42,551,614	42,551,614	-	-	-	-	-
Investments in securities	2.28%	1,133,989,260	312,488,748	15,406,915	328,668,047	477,425,550	-	-
Total interest sensitive foreign currency financial assets		1,868,841,673	1,047,341,161	15,406,915	328,668,047	477,425,550	-	-
Non-interest sensitive foreign currency financial assets								
Cash and balances with banks		9,569,158,062	7,647,038,179	1,922,119,883	-	-	-	-
IMF related assets		450,195,337	185,057	-	-	-	-	450,010,280
Investments in securities		38,502,788	34,087,442	4,415,346	-	-	-	-
Subscriptions to international agencies		832,058	-	-	-	-	-	832,058
Receivable from Asian Clearing Union		26,377	26,377	-	-	-	-	-
Interest and other receivables		46,178,911	46,178,911	-	-	-	-	-
Total non-interest sensitive foreign currency financial assets		10,104,893,533	7,727,515,966	1,926,535,229	-	-	-	450,842,338
Total foreign currency financial assets		11,973,735,206	8,774,857,127	1,941,942,144	328,668,047	477,425,550	-	450,842,338
Interest sensitive foreign currency financial liabilities								
IMF related liabilities	0.74%	163,258,380	-	-	-	-	-	163,258,380
Payables to Asian Clearing Union	1.60%	409,108,000	409,108,000	-	-	-	-	-
Total interest sensitive foreign currency financial liabilities		572,366,380	409,108,000	-	-	-	-	163,258,380
Non-interest sensitive foreign currency financial liabilities								
Balances of commercial banks	0.01%	5,692,945,142	5,692,945,142	-	-	-	-	-
Balances of Government and Government institutions		616,727,327	616,727,327	-	-	-	-	-
Payable to Asian Clearing Union		579,018	579,018	-	-	-	-	-
IMF related liabilities		350,427,463	7,405,917	-	-	-	-	343,021,546
Interest bearing loans	0.82%	85,916,544	1,003,604	1,003,604	2,007,207	6,021,623	75,880,506	-
Deposits by international financial institutions		832,058	-	-	-	-	-	832,058
Other liabilities		22,492,332	7,434,090	-	-	-	-	15,058,242
Total non-interest sensitive foreign currency financial liabilities		6,769,919,884	6,326,095,098	1,003,604	2,007,207	6,021,623	75,880,506	358,911,846
Total foreign currency financial liabilities		7,342,286,264	6,735,203,098	1,003,604	2,007,207	6,021,623	75,880,506	522,170,226
Foreign currency interest rate sensitivity gap		1,296,475,293	638,233,161	15,406,915	328,668,047	477,425,550	-	(163,258,380)

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.6 Interest rate risk (Continued)

Local currency interest rate sensitivity gap	Weighted Ave. Int. Rate %	2019 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		50,127,946	50,127,946	-	-	-	-	-
Subscriptions to international agencies		8,264,330	-	-	-	-	-	8,264,330
Investments in securities		75,510,660	45,416,330	18,188,456	-	11,905,874	-	-
Investment in Government treasury bonds	2.40%	6,086,681,383	38,005,899	37,664,392	77,914,427	244,885,065	5,688,211,600	-
Short term loans		561,378	235,766	167,358	158,254	-	-	-
Long term loans		43,242	2,397	2,621	5,998	25,999	6,227	-
Interest and other receivables		723,942	723,942	-	-	-	-	-
Total non-interest sensitive local currency financial assets		6,221,912,881	134,512,280	56,022,827	78,078,679	256,816,938	5,688,217,827	8,264,330
Total local currency financial assets		6,221,912,881	134,512,280	56,022,827	78,078,679	256,816,938	5,688,217,827	8,264,330
Non-interest sensitive local currency financial liabilities								
Balances of commercial banks	1.28%	4,107,570,953	4,107,570,953	-	-	-	-	-
Balances of Government and Government institutions		2,387,981,451	2,387,981,451	-	-	-	-	-
Currency in circulation		3,599,651,259	-	-	-	-	-	3,599,651,259
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		13,728	-	-	-	-	-	13,728
Other liabilities		259,159,053	148,614,230	-	-	-	-	110,544,823
Total non-interest sensitive local currency financial liabilities		10,378,598,766	6,644,166,634	-	-	-	-	3,734,432,132
Total local currency financial liabilities		10,378,598,766	6,644,166,634	-	-	-	-	3,734,432,132
Local currency interest rate sensitivity gap		-	-	-	-	-	-	-
Net liquidity gap		474,763,057	(4,470,000,325)	1,996,961,367	404,739,519	728,220,865	5,612,337,321	(3,797,495,690)

Net liquidity gap represents the excess / (deficit) of the total financial assets over the financial liabilities.

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.6 Interest rate risk (Continued)

Comparative figures as at 31 December 2018 were as follows:

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	1.69%	661,905,544	661,905,544	-	-	-	-	-
IMF related assets	1.10%	51,920,548	51,920,548	-	-	-	-	-
Investments in securities	2.84%	309,536,326	30,711,822	16,957,512	11,579,806	250,287,186	-	-
Total interest sensitive foreign currency financial assets		1,023,362,418	744,537,914	16,957,512	11,579,806	250,287,186	-	-
Non-interest sensitive foreign currency financial assets								
Cash and balances with banks		9,830,425,968	9,445,034,310	385,391,658	-	-	-	-
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		11,029,959,569	9,863,111,766	711,653,602	-	-	-	455,194,201
Total foreign currency financial assets		12,053,321,987	10,607,649,680	728,611,114	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		708,176,616	594,188,708	16,957,512	11,579,806	250,287,186	-	(164,836,596)

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

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	2.40%	63,974,361	35,198,719	19,792,060	-	8,983,582	-	-
Investment in Government treasury bonds		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	21,745	16,480	-
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	248,466,444	5,771,566,455	8,264,330
Total local currency financial assets		6,287,052,679	126,146,573	56,811,754	75,797,123	248,466,444	5,771,566,455	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	5,419,322,663	-	-	-	-	3,805,346,830
Total local currency financial liabilities		9,224,669,493	5,419,322,663	-	-	-	-	3,805,346,830
Local currency interest rate sensitivity gap		-	-	-	-	-	-	-
Net liquidity gap		317,529,105	(2,826,095,632)	756,583,525	70,435,387	492,673,796	5,692,925,804	(3,868,993,775)

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

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 2019, the Authority's net exposure to major currencies was as follows:

	Currency of denomination							Total
	US Dollar	Euro	Singapore Dollar	Pound Sterling	Special Drawing Rights	Australian Dollar	Japanese Yen	
As at 31 December 2019								
Foreign currency financial assets								
Cash and balances with banks	9,957,611,540	119,928,869	341,805	4,530,371	-	161,792,869	17,253,407	10,261,458,861
IMF related assets	-	-	-	-	492,746,951	-	-	492,746,951
Investments in Securities	1,172,492,048	-	-	-	-	-	-	1,172,492,048
Subscriptions to international agencies	832,058	-	-	-	-	-	-	832,058
Receivable from Asian Clearing Union	26,377	-	-	-	-	-	-	26,377
Other receivables	46,067,569	-	-	-	-	111,342	-	46,178,911
Total foreign currency financial assets	11,177,029,592	119,928,869	341,805	4,530,371	492,746,951	161,904,211	17,253,407	11,973,735,206
Proportion	93.35%	1.00%	0.00%	0.04%	4.12%	1.35%	0.14%	100%
Foreign currency financial liabilities								
Balances of commercial banks	5,692,945,142	-	-	-	-	-	-	5,692,945,142
Balances of Government and Government institutions	616,727,327	-	-	-	-	-	-	616,727,327
Payable to Asian Clearing Union	409,687,018	-	-	-	-	-	-	409,687,018
IMF related liabilities	-	-	-	-	513,685,843	-	-	513,685,843
Interest bearing loans	-	-	-	-	85,916,544	-	-	85,916,544
Deposits of international financial institutions	832,058	-	-	-	-	-	-	832,058
Other liabilities	22,225,356	258,488	-	3,797	-	4,691	-	22,492,332
Total foreign currency financial liabilities	6,742,416,901	258,488	-	3,797	599,602,387	4,691	-	7,342,286,264
Proportion	91.83%	0.00%	0.00%	0.00%	8.17%	0.00%	0.00%	100%
Net foreign currency exposure	4,434,612,691	119,670,381	341,805	4,526,574	(106,855,436)	161,899,520	17,253,407	4,631,448,942

Notes to the Financial Statements

Year ended 31 December 2019

(all amounts in Maldivian Rufiyaa unless otherwise stated)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

42.7 Foreign currency risk (Continued)

a) Net exposure to foreign currencies (Continued)

As at 31 December 2018, the Authority's net exposure to major currencies was as follows:

	Currency of Denomination							Total
	US Dollar	Euro	Singapore Dollar	Pound Sterling	Special Drawing Rights	Australian Dollar	Japanese Yen	
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 2019

(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.

	2019	2018
Changes in profit/equity due to appreciation in the value of the Rufiyaa	(463,145,274)	(325,514,592)
Changes in profit/equity due to depreciation in the value of the Rufiyaa	463,145,274	325,514,592

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:

	2019				2018			
	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	1,133,989,260	-	-	1,133,989,260	309,536,326	-	-	309,536,326

Notes to the Financial Statements

Year ended 31 December 2019

(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:

	2019	2018
Profit re-appropriation to the Government (Note 38)	150,000,000	93,740,700
Gross foreign exchange transactions during the year		
- Sales	14,120,094,795	13,089,651,052
- Purchases	14,030,262,190	13,071,388,162

- 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.

	2019	2018
Interest income earned from related parties (Note c)	167,278,138	204,103,765
Goods and Services Tax paid (Note d)	37,014	23,500
Finance charges paid	936,115	1,094,757
Charges and commissions earned from related parties	16,012,043	16,000,926
Gross value of goods and services obtained	9,668,111	11,366,338

- c) The aggregate balances due from and due to the Government and Government related entities, as at 31 December are given below.

	2019	2018
Investment in Government treasury bonds (Note 13)	6,086,681,383	6,160,957,255
Investment in Government treasury bills (Note 9.1.1)	102,107,574	89,010,079
Investment in corporate bond (Note 9.2)	-	694,551,019
	6,188,788,957	6,944,518,353

Government deposits with the Authority (Note 22)	3,004,708,778	751,724,335
State Owned Enterprises deposits with the Authority (Note 22)	-	64,604,292
Security deposits held by insurance companies (Note 26.1)	4,000,000	4,000,000
Interest bearing loans (Note 24)	85,916,544	88,773,709
Investments on behalf of SDF Custodian Account (Note 45.2, 45.5)	391,412,952	1,329,426,152
	3,486,038,274	2,238,528,488

- 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 2019

(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 7 and 21 for the gross outstanding balances as at 31 December 2019.
- 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 2019.

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. During 2019, one board member representing private sector resigned and the director representing the Ministry of Finance changed. Particulars of transactions with key managerial personnel were as follows:

	2019	2018
Compensation to the key management personnel	4,770,342	4,364,561

Notes to the Financial Statements

Year ended 31 December 2019

(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 (l) of MMA Act, the Authority could guarantee the repayment of Government loans and service charges. As at 31 December 2019, 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 44,035,551 was guaranteed as at 31 December 2019.

Additionally, under the Affordable Housing Loan Scheme (AHS) 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 2019, 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 AHS.

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 350,633,950 (2018: MVR 1,314,205,275) and profit/interest accrued of MVR 40,779,002 (2018: MVR 15,220,877).

45.3 Legal claims

There are no on-going legal proceedings against the Authority as of 31 December 2019.

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

The coronavirus that has hit the world in the recent months is expected to impact the global economy including the Maldives. The possible impact of this event on the Authority and this set of financial statements for the year ended 31 December 2019 cannot be assessed due to many uncertainties. The Authority considers this outbreak of COVID-19 to be a non-adjusting post balance sheet event. There have been no other material events, occurring after the reporting date that require adjustments to or disclosure in the financial statements.

STATISTICAL APPENDIX



Table 1: Gross Domestic Product, 2015-2019 ^{1/}**(millions of rufiyaa at constant prices)**

	2015	2016	2017	2018	2019
Gross domestic product (at market prices)	58,507.1	62,215.5	66,448.4	71,025.9	75,217.6
Gross domestic product (at basic prices)	52,554.5	56,038.1	59,764.7	63,888.8	na
o/w Agriculture	796.1	811.4	817.1	835.3	na
Fisheries	2,209.7	2,238.7	2,484.9	2,625.4	na
Manufacturing	1,209.8	1,310.9	1,480.8	1,639.6	na
Electricity and water	912.9	1,118.2	1,223.7	1,268.1	na
Construction	3,530.1	3,726.8	4,108.4	4,622.4	na
Wholesale and retail trade	5,000.4	5,589.5	5,705.8	6,025.9	na
Tourism	14,160.1	14,792.4	16,322.1	17,917.6	na
Transportation	3,867.9	3,988.1	3,934.5	3,986.5	na
Postal and telecommunication	2,120.1	2,578.2	2,697.6	2,790.0	na
Real estate	4,315.3	4,473.5	4,495.1	4,757.3	na
Public administration	4,646.7	4,942.5	5,554.3	5,860.9	na
Annual percentage change					
Gross domestic product (at market prices)	2.9	6.3	6.8	6.9	5.9
o/w Agriculture	1.6	1.9	0.7	2.2	na
Fisheries	(1.1)	1.3	11.0	5.7	na
Manufacturing	7.2	8.4	13.0	10.7	na
Electricity and water	3.7	22.5	9.4	3.6	na
Construction	27.2	5.6	10.2	12.5	na
Wholesale and retail trade	(6.6)	11.8	2.1	5.6	na
Tourism	(1.3)	4.5	10.3	9.8	na
Transportation	3.9	3.1	(1.3)	1.3	na
Postal and telecommunication	25.6	21.6	4.6	3.4	na
Real estate	3.6	3.7	0.5	5.8	na
Public administration	6.3	6.4	12.4	5.5	na
Memorandum items:					
Real GDP (market price, in millions of US dollars)	3,794.2	4,034.7	4,309.2	4,606.1	4,877.9
Nominal GDP (market prices, in millions of rufiyaa)	63,146.7	67,300.3	72,872.7	81,993.8	88,826.9
Nominal GDP (market prices, in millions of US dollars)	4,095.1	4,364.5	4,725.9	5,317.4	5,760.5
Real GDP per capita (in rufiyaa)	128,747.2	131,693.5	135,170.6	138,712.2	140,872.3
Real GDP per capita (in US dollars)	8,349.4	8,540.4	8,765.9	8,995.6	9,135.7
Nominal GDP per capita (in US dollars)	9,011.5	9,238.4	9,613.4	10,384.7	10,788.6
Total mid-year population ^{2/}	454,434	472,426	491,589	512,038	533,941

Source: National Bureau of Statistics, Ministry of Finance and Maldives Monetary Authority

^{1/} GDP base year is 2014 and the data broadly complies with the guidelines of System of National Accounts 2008. Figures for 2019 are projections available as at 31 March 2020 as revised estimates by the Ministry of Finance and Maldives Monetary Authority.^{2/} Mid-year population figures includes local and expatriate population.

Table 2: Tourism Indicators, 2015-2019

	2015	2016	2017	2018	2019
Tourist arrivals	1,234,248	1,286,135	1,389,542	1,484,274	1,702,887
o/w Europe	535,962	575,176	646,363	726,420	833,939
o/w Germany	105,132	106,381	112,109	117,532	131,561
United Kingdom	92,775	101,843	103,977	114,602	126,199
Russia	44,323	46,522	61,931	70,935	83,369
Asia	578,322	572,336	586,791	580,928	661,000
o/w China	359,514	324,326	306,530	283,116	284,029
India	52,368	66,955	83,019	90,474	166,030
Japan	39,244	39,894	41,133	42,304	44,251
South Korea	33,001	29,580	34,808	34,400	37,073
Tourist bednights ('000)	7,323	7,771	8,596	9,478	10,689
Average stay (days)	5.9	6.0	6.2	6.4	6.3
Operational capacity (beds in operation)	31,424	33,802	38,592	41,887	47,274
Bednight capacity ('000)	11,471	12,373	14,089	15,291	17,260
Occupancy rate (percentage)	64	63	61	62	62
Total number of arrival flights ^{1/}	11,644	11,811	11,586	11,935	13,781
Scheduled flights	10,755	10,887	10,618	11,112	12,800
General flights ^{2/}	889	924	968	823	981
Travel receipts ^{3/} (millions of US dollars)	2,569.1	2,505.6	2,743.7	3,028.1	3,157.1

Source: Ministry of Tourism, Maldives Monetary 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 flights.

^{3/} Estimates made by Maldives Monetary Authority for the travel component of the balance of payments statistics. This refers to data available as at 9 April 2020.

Table 3: Fish Production and Volume of Fish Exports, 2015-2019
(quantity in thousands of metric ton)

	2015	2016	2017	2018	2019
Fish catch	127.4	129.2	143.2	151.0	na
Fish purchases	45.2	53.9	76.6	78.9	81.2
Volume of fish exports	43.5	46.5	72.0	65.8	56.4
Fresh, chilled or frozen tuna	36.5	39.3	63.3	53.8	46.0
o/w Skipjack tuna	19.7	21.8	41.1	37.9	27.3
Yellowfin tuna	15.8	16.8	21.6	15.3	18.4
Fresh, chilled or frozen fish (excluding tuna)	1.4	1.5	1.9	2.0	1.3
Canned or pouched	2.9	3.0	4.8	8.5	7.2
Other processed fish	2.7	2.7	2.0	1.6	1.9

Source: Ministry of Fisheries, Marine Resources and Agriculture and Maldives Customs Service

Table 4: Consumer Price Index - National, 2015-2019

(August 2019 = 100)

	Weight	2015	2016	2017	2018	2019
Total index	100.0	96.4	96.9	99.6	99.5	99.7
Food and non-alcoholic beverages	22.0	95.7	96.3	101.7	100.6	99.8
o/w Food	19.5	95.5	96.2	101.8	100.6	99.7
o/w Fish	4.1	98.3	96.7	99.8	101.5	98.7
Alcoholic beverages, tobacco and narcotics	1.8	71.0	73.9	93.3	101.2	100.2
Clothing and footwear	4.3	106.2	105.7	104.9	102.7	100.0
Housing, water, electricity, gas and other fuel	23.4	96.0	96.3	97.6	97.4	99.5
Furnishing, household equipment, carpets and other floor coverings	6.7	99.9	100.8	101.9	100.6	100.0
Health	6.6	95.8	97.5	97.3	97.8	99.7
Transport	8.1	99.0	97.4	97.9	98.9	99.2
Information and communication	10.1	100.5	99.7	99.6	100.3	100.3
Recreation, sport and culture	2.5	105.6	104.3	104.2	102.6	100.4
Education services	3.9	89.4	93.7	97.7	100.0	100.0
Restaurants and accommodation services	4.9	90.0	91.5	93.4	95.3	99.2
Insurance and financial services	0.1	na	na	na	na	100.0
Personal care, social protection and miscellaneous goods and services	5.5	101.3	101.1	100.9	100.2	100.0
Total excluding fish	-	96.2	96.9	99.6	99.3	99.8
Total excluding food and non-alcoholic beverages	-	96.7	97.1	98.8	99.1	99.7

Inflation (annual percentage change of the CPI)

	100.0	1.0	0.5	2.8	(0.1)	0.2
Total rate	100.0	1.0	0.5	2.8	(0.1)	0.2
Food and non-alcoholic beverages	22.0	0.5	0.6	5.6	(1.1)	(0.8)
o/w Food	19.5	0.4	0.7	5.9	(1.2)	(0.9)
o/w Fish	4.1	(0.5)	(1.6)	3.2	1.7	(2.8)
Alcoholic beverages, tobacco and narcotics	1.8	17.2	4.0	26.4	8.4	(0.9)
Clothing and footwear	4.3	(0.9)	(0.5)	(0.7)	(2.1)	(2.7)
Housing, water, electricity, gas and other fuel	23.4	1.0	0.3	1.3	(0.2)	2.2
Furnishing, household equipment, carpets and other floor coverings	6.7	0.6	0.9	1.1	(1.3)	(0.5)
Health	6.6	2.1	1.8	(0.2)	0.5	1.9
Transport	8.1	(2.3)	(1.5)	0.5	1.0	0.3
Information and communication	10.1	0.3	(0.8)	(0.1)	0.8	(0.1)
Recreation, sport and culture	2.5	(0.2)	(1.2)	(0.1)	(1.5)	(2.1)
Education services	3.9	7.6	4.9	4.2	2.3	0.0
Restaurants and accommodation services	4.9	(0.2)	1.7	2.0	2.1	4.0
Insurance and financial services	0.1	na	na	na	na	na
Personal care, social protection and miscellaneous goods and services	5.5	(0.2)	(0.3)	(0.2)	(0.7)	(0.3)
Total excluding fish	-	1.1	0.7	2.8	(0.3)	0.5
Total excluding food and non-alcoholic beverages	-	1.1	0.5	1.7	0.3	0.7

Source: National Bureau of Statistics

Note: Data refers to the twelve-month average.

Table 5: Summary of Central Government Finance, 2015-2019 ^{1/}**(millions of rufiyaa)**

	2015	2016	2017	2018	2019
Total revenue and grants	17,306.2	18,578.1	20,258.7	22,223.0	22,940.9
Total revenue	16,828.4	18,482.2	20,041.4	21,517.1	21,887.5
Tax revenue	12,270.6	13,293.0	14,742.4	15,833.9	16,528.6
Non-tax revenue	4,527.6	5,173.9	5,264.8	5,639.3	5,338.7
Capital receipts	30.1	15.3	34.2	43.9	20.2
Grants	636.9	253.1	343.8	819.8	1,137.5
Less: Subsidiary loan repayment	(159.1)	(157.3)	(126.5)	(113.9)	(84.1)
Total expenditure	21,440.9	25,306.5	22,497.6	26,522.8	28,491.2
Recurrent expenditure	16,733.7	16,141.0	14,955.2	18,268.0	20,678.2
Capital expenditure	4,707.2	9,165.5	7,542.4	8,254.8	7,813.0
Primary balance	(2,787.0)	(5,546.2)	(1,141.9)	(2,859.6)	(4,002.2)
Overall balance	(4,134.7)	(6,728.4)	(2,238.9)	(4,299.9)	(5,550.3)
Total public debt outstanding	33,296.9	38,128.4	43,784.8	47,971.5	52,534.1
Domestic debt	23,092.5	26,401.8	27,107.4	27,664.0	30,719.4
External debt	10,204.4	11,726.6	16,677.4	20,307.5	21,814.7
As a percentage of GDP					
Total revenue	27	27	28	26	25
Tax revenue	19	20	20	19	19
Non-tax revenue	7	8	7	7	6
Capital receipts	0	0	0	0	0
Grants	1	0	0	1	1
Total expenditure	34	38	31	32	32
Recurrent expenditure	26	24	21	22	23
Capital expenditure	7	14	10	10	9
Overall balance	(7)	(10)	(3)	(5)	(6)
Total public debt outstanding	53	57	60	59	59
Domestic debt	37	39	37	34	35
External debt	16	17	23	25	25
Memorandum items:					
Nominal GDP ^{2/}	63,146.7	67,300.3	72,872.7	81,993.8	88,826.9

Source: Ministry of Finance and National Bureau of Statistics

^{1/} Format is based on Monthly Fiscal Developments published by Ministry of Finance. For the year 2019, annual figures are aggregated from monthly figures.^{2/} Nominal GDP for 2019 is based on revised GDP estimates by Ministry of Finance and Maldives Monetary Authority as at 31 March 2020.

Table 6: Central Government Revenue and Grants, 2015-2019 ^{1/}**(millions of rufiyaa)**

	2015	2016	2017	2018	2019
Total revenue and grants	17,306.2	18,578.1	20,258.7	22,223.0	22,940.9
Total revenue	16,828.4	18,482.2	20,041.4	21,517.1	21,887.5
Tax revenue	12,270.6	13,293.0	14,742.4	15,833.9	16,528.6
o/w Import duty	2,346.4	2,487.4	2,799.4	3,148.8	3,411.0
Business and property tax	3,219.9	3,264.3	3,423.4	3,314.4	3,543.7
General goods and services tax	1,904.2	2,328.1	2,683.0	2,906.1	2,844.7
Tourism goods and services tax	4,150.3	3,920.7	4,198.5	4,783.3	4,903.4
Green tax	36.7	623.1	696.2	810.5	850.6
Airport service charge	496.7	537.5	706.2	644.8	731.1
Non-tax revenue	4,527.6	5,173.9	5,264.8	5,639.3	5,338.7
o/w Fees and charges	1,533.0	1,038.1	1,080.2	1,484.3	1,724.8
o/w Airport development fee	-	-	317.1	659.3	733.7
Property income	1,472.1	2,364.5	2,223.6	2,040.5	1,873.7
o/w Rent from resorts	1,247.0	1,357.4	1,488.6	1,526.0	1,654.2
Interest, profit and dividends	522.7	663.9	906.9	1,048.4	677.2
Capital receipts	30.1	15.3	34.2	43.9	20.2
Grants	636.9	253.1	343.8	819.8	1,137.5

Source: Ministry of Finance

^{1/} Format is based on Monthly Fiscal Developments published by Ministry of Finance. For the year 2019, annual figures are aggregated from monthly figures.

Table 7: Central Government Expenditure, 2015-2019 ^{1/}

(millions of rufiyaa)

	2015	2016	2017	2018	2019
Total expenditure	21,440.9	25,306.5	22,497.6	26,522.8	28,491.2
Recurrent expenditure	16,733.7	16,141.0	14,955.2	18,268.0	20,678.2
Salaries, wages and pensions	8,243.3	8,338.0	8,433.8	9,179.3	9,833.3
Salaries and wages	3,929.2	4,029.6	3,996.6	4,278.4	4,640.8
Allowances to employees	2,891.5	2,868.9	2,975.2	3,398.4	3,651.4
Pensions, retirement benefits and gratuities	1,422.6	1,439.5	1,462.0	1,502.5	1,541.0
Administrative and operational expenses	8,437.7	7,725.3	6,477.7	8,964.7	9,795.6
o/w Travelling expenses	188.9	186.9	176.7	175.5	227.2
Administrative supplies and services	2,641.1	2,246.0	2,158.2	2,414.4	2,481.7
Training expenses	415.2	456.0	248.3	523.1	556.0
Financing and interest costs	1,347.6	1,182.3	1,096.9	1,440.3	1,548.1
Grants, contributions and subsidies	2,831.0	2,768.8	2,035.6	3,488.5	3,632.2
Aasandha	786.3	1,471.1	928.2	1,591.0	1,313.0
Subsidies	1,236.9	492.6	334.8	1,167.4	1,281.2
Grants and contributions	807.8	805.1	772.6	730.1	1,037.9
Losses and write-offs	52.8	77.6	43.7	124.0	1,049.4
Capital expenditure	4,707.2	9,165.5	7,542.4	8,254.8	7,813.0
Capital equipments	592.0	716.4	444.0	557.5	441.0
Public Sector Investment Program	3,118.2	7,079.0	5,789.8	6,687.6	4,251.7
Development projects and investments outlays	935.4	810.4	602.5	568.8	1,795.2
Lendings	61.6	559.6	706.2	441.0	1,325.2

As a percentage of GDP

Recurrent expenditure	26	24	21	22	23
o/w Salaries and wages	6	6	5	5	5
Pensions, retirement benefits and gratuities	2	2	2	2	2
Grants, contributions and subsidies	4	4	3	4	4
Capital expenditure	7	14	10	10	9
o/w Public Sector Investment Program	5	11	8	8	5

Source: Ministry of Finance

^{1/} Format is based on Monthly Fiscal Developments published by Ministry of Finance. For the year 2019, annual figures are aggregated from monthly figures.

Table 8: Claims on Central Government, 2015-2019

(millions of rufiyaa)

	2015	2016	2017	2018	2019
Outstanding stock					
Total domestic claims on central government	23,109.3	26,446.6	27,184.4	27,715.9	32,281.3
Government securities	20,001.6	23,230.2	23,414.2	24,262.0	28,591.2
Treasury bonds	7,419.6	8,774.6	9,320.9	9,248.4	9,626.4
MMA	6,373.0	6,304.3	6,233.5	6,161.0	6,086.7
Commercial banks	115.7	57.8	-	-	201.1
Other financial corporations	931.0	2,412.5	3,087.4	3,087.4	3,338.7
Treasury bills and Islamic instruments	12,582.0	14,455.7	14,093.4	15,013.6	18,964.7
MMA	-	68.2	82.4	90.3	103.6
Commercial banks	7,875.9	10,154.9	8,694.4	9,605.5	11,954.4
State owned enterprises	771.3	521.9	250.2	201.0	434.3
Other financial corporations	3,590.8	3,301.9	4,744.6	5,017.1	6,372.8
Others	344.0	408.8	321.7	99.7	99.7
Loans and advances	3,107.7	3,216.4	3,770.2	3,453.9	3,690.2
MMA	-	-	16.3	-	-
Commercial banks	73.6	34.9	431.3	19.1	147.2
Other financial corporations ^{1/}	3,034.0	3,181.5	3,322.7	3,434.9	3,543.0
Change					
Total domestic claims on central government	2,465.0	3,337.3	737.8	531.5	4,565.5
Government securities ^{2/}	2,414.8	3,228.6	184.0	847.7	4,329.2
Treasury bonds	979.2	1,354.9	546.3	(72.5)	378.0
MMA	(67.5)	(68.7)	(70.8)	(72.5)	(74.3)
Commercial banks	115.7	(57.8)	(57.8)	-	201.1
Other financial corporations	931.0	1,481.5	674.9	-	251.3
Treasury bills and Islamic instruments	1,435.6	1,873.7	(362.3)	920.2	3,951.2
MMA	-	68.2	14.3	7.9	13.2
Commercial banks	1,967.4	2,279.0	(1,460.5)	911.1	2,348.9
State owned enterprises	(572.0)	(249.4)	(271.7)	(49.2)	233.3
Other financial corporations	164.3	(288.9)	1,442.7	272.4	1,355.7
Others	(124.1)	64.8	(87.1)	(222.0)	-
Loans and advances ^{3/}	50.2	108.7	553.8	(316.2)	236.3
MMA	-	-	16.3	(16.3)	-
Commercial banks	(52.4)	(38.7)	396.3	(412.2)	128.1
Other financial corporations	102.7	147.4	141.2	112.2	108.1
Memorandum items:					
Exchange rate	15.41	15.35	15.41	15.41	15.38

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, 2015-2019**(millions of rufiyaa)**

	2015	2016	2017	2018	2019
Net foreign assets	12,197.0	7,796.0	10,335.6	9,852.1	13,097.1
Central bank	8,227.2	5,247.5	8,622.0	9,063.3	11,002.9
Other depository corporations	4,070.1	2,621.3	1,731.4	753.8	1,964.6
Other financial corporations	(100.4)	(72.8)	(17.8)	35.0	129.7
Net domestic assets	26,344.3	32,337.3	32,639.8	35,556.9	37,081.2
Domestic claims	38,679.1	46,243.1	48,362.8	52,804.7	56,006.4
Net claims on central government	18,640.9	22,039.3	21,736.5	24,358.4	26,327.7
Claims on other sectors	20,038.2	24,203.8	26,626.3	28,446.3	29,678.7
Other items (net)	(12,334.8)	(13,905.8)	(15,723.1)	(17,247.8)	(18,925.1)
Currency outside financial corporations	2,755.1	2,694.1	2,911.2	3,055.5	2,991.5
Deposits	27,622.8	27,894.3	29,022.4	29,663.6	32,761.4
Insurance technical reserves	8,163.3	9,544.9	11,041.7	12,689.8	14,425.5

Source: Maldives Monetary Authority

Table 10: Depository Corporations Survey, 2015-2019

(millions of rufiyaa)

	2015	2016	2017	2018	2019
Net foreign assets	12,297.4	7,868.8	10,353.4	9,817.0	12,967.4
Central bank	8,227.2	5,247.5	8,622.0	9,063.3	11,002.9
Other depository corporations	4,070.1	2,621.3	1,731.4	753.8	1,964.6
Net domestic assets	18,194.5	22,567.5	21,652.4	23,271.3	23,283.6
Domestic claims	29,993.8	35,958.6	36,484.7	39,251.5	40,602.0
Net claims on central government	11,380.0	13,394.4	11,789.2	13,004.5	13,283.0
Claims on other sectors	18,613.9	22,564.1	24,695.5	26,247.0	27,319.0
o/w Claims on private sector	16,817.0	18,583.0	20,723.4	23,084.4	24,824.8
Other items (net)	(11,799.3)	(13,391.1)	(14,832.3)	(15,980.2)	(17,318.4)
Broad money	30,491.9	30,436.3	32,005.9	33,088.3	36,251.1
Narrow money	13,337.9	13,468.5	14,469.7	14,579.4	14,557.8
Quasi money	17,154.0	16,967.8	17,536.2	18,508.9	21,693.3
Annual percentage change					
Net foreign assets	(2)	(36)	32	(5)	32
Central bank	(10)	(36)	64	5	21
Other depository corporations	19	(36)	(34)	(56)	161
Domestic claims	16	20	1	8	3
Net claims on central government	24	18	(12)	10	2
Claims on other sectors	12	21	9	6	4
Broad money	12	(0)	5	3	10
Narrow money	19	1	7	1	(0)
Quasi money	7	(1)	3	6	17
Memorandum items:					
Dollarization ratio	50.6	48.5	48.7	48.8	52.9

Source: Maldives Monetary Authority

Table 11: Central Bank Survey, 2015-2019

(millions of rufiyaa)

	2015	2016	2017	2018	2019
Net foreign assets	8,227.2	5,247.5	8,622.0	9,063.3	11,002.9
Claims on non-residents	8,700.9	7,181.3	9,059.9	10,981.3	11,589.8
Liabilities to non-residents	(473.6)	(1,933.9)	(437.8)	(1,918.0)	(587.0)
Net domestic assets	2,046.8	3,730.2	2,061.2	2,467.6	103.3
Domestic claims	5,547.3	7,444.6	5,999.1	6,052.2	3,078.7
Net claims on central government	5,455.3	5,279.3	4,518.5	5,275.1	3,004.9
o/w Claims on central government	6,373.0	6,372.4	6,331.2	6,250.0	6,188.8
Claims on other sectors	92.0	2,165.3	1,480.6	777.1	73.8
Other items (net)	(3,500.4)	(3,714.4)	(3,937.9)	(3,584.6)	(2,975.4)
Monetary base	10,274.1	8,977.7	10,683.2	11,530.9	11,106.2
Currency in circulation	3,220.7	3,243.5	3,496.3	3,669.0	3,599.7
Liabilities to other depository corporations	7,052.3	5,734.2	7,186.9	7,861.9	7,506.5
Liabilities to other sectors	1.1	-	-	-	-
	Annual percentage change				
Net foreign assets	(10)	(36)	64	5	21
Claims on non-residents	(8)	(17)	26	21	6
Liabilities to non-residents	29	308	(77)	338	(69)
Net claims on central government	2	(3)	(14)	17	(43)
Monetary base	(18)	(13)	19	8	(4)
o/w Currency in circulation	4	1	8	5	(2)
Liabilities to other depository corporations	(25)	(19)	25	9	(5)

Source: Maldives Monetary Authority

Table 12: Other Depository Corporations Survey, 2015-2019

(millions of rufiyaa)

	2015	2016	2017	2018	2019
Net foreign assets	4,070.1	2,621.3	1,731.4	753.8	1,964.6
Claims on non-residents	5,112.8	4,519.4	3,949.4	3,021.5	4,474.1
Liabilities to non-residents	(1,042.6)	(1,898.1)	(2,218.0)	(2,267.7)	(2,509.5)
Net domestic assets	23,664.6	25,119.9	27,362.0	29,277.6	31,294.7
Domestic claims	35,257.1	38,237.7	41,630.8	44,563.2	47,834.1
Claims on central bank	10,810.1	9,681.6	11,092.4	11,301.8	10,248.0
Net claims on central government	5,924.7	8,115.1	7,270.7	7,729.3	10,278.1
o/w Claims on central government	7,858.1	10,109.1	9,003.3	9,487.4	12,081.1
Claims on other sectors	18,522.3	20,440.9	23,267.7	25,532.1	27,308.0
Claims on other financial corporations	303.9	429.7	565.9	670.6	803.1
Claims on public non-financial corporations	1,408.2	1,434.3	1,988.7	1,797.4	1,691.2
Claims on private sector	16,810.3	18,576.9	20,713.1	23,064.1	24,813.8
Other items (net)	(11,592.5)	(13,117.7)	(14,268.8)	(15,285.7)	(16,539.5)
Transferable, other deposits and securities other than shares included in broad money	27,734.7	27,741.3	29,093.4	30,031.3	33,259.2
	Annual percentage change				
Net foreign assets	19	(36)	(34)	(56)	161
Claims on non-residents	11	(12)	(13)	(23)	48
Liabilities to non-residents	(12)	82	17	2	11
Net claims on central government	55	37	(10)	6	33
Claims on other sectors	11	10	14	10	7
Claims on other financial corporations	5	41	32	19	20
Claims on public non-financial corporations	6	2	39	(10)	(6)
Claims on private sector	12	11	11	11	8

Source: Maldives Monetary Authority

Table 13: Assets and Liabilities of the Maldives Monetary Authority, 2015-2019
(millions of rufiyaa)

	2015	2016	2017	2018	2019
Assets	15,796.2	16,484.9	17,680.8	18,796.8	18,678.6
Foreign assets	8,700.9	7,181.3	9,059.9	10,981.3	11,589.8
Claims on central government	6,373.0	6,372.4	6,331.2	6,250.0	6,188.8
Claims on other sectors	92.0	2,165.3	1,480.6	777.1	73.8
Other assets	169.4	337.5	358.1	351.7	347.9
Non-financial assets	461.0	428.4	451.0	436.8	478.3
Liabilities	15,796.2	16,484.9	17,680.8	18,796.8	18,678.6
Currency in circulation	3,220.7	3,243.5	3,496.3	3,669.0	3,599.7
Claims to central government	917.7	1,093.0	1,812.7	974.8	3,183.9
Claims to other depository corporations	7,052.3	5,734.2	7,186.9	7,861.9	7,506.5
Claims to other sectors	10.5	13.3	143.0	78.3	13.7
Other liabilities to other depository corporations	3,364.7	3,450.9	3,427.2	2,984.4	2,296.1
Foreign liabilities	473.6	1,933.9	437.8	1,918.0	587.0
Other liabilities	437.3	734.6	768.1	762.2	764.6
Shares and other equity	319.4	281.3	408.8	548.1	727.2
	Annual percentage change				
Foreign assets	(8)	(17)	26	21	6
Claims on central government	(1)	(0)	(1)	(1)	(1)
Currency in circulation	4	1	8	5	(2)
Claims to central government	(18)	19	66	(46)	227
Memorandum items:					
Monetary Operations (average investment)					
Overnight Deposit Facility	2,496.4	3,229.4	3,095.1	3,152.2	2,347.5

Source: Maldives Monetary Authority

Table 14: Assets and Liabilities of Other Depository Corporations, 2015-2019**(millions of rufiyaa)**

	2015	2016	2017	2018	2019
Assets	44,142.4	46,379.4	48,690.5	51,078.9	56,165.1
Foreign assets	5,112.8	4,519.4	3,949.4	3,021.5	4,474.1
Cash	464.6	548.5	583.8	612.0	607.8
Deposits with central bank	10,345.5	9,133.1	10,508.6	10,689.8	9,640.2
Securities other than shares	8,324.1	10,612.6	9,092.1	9,910.3	12,290.2
Loans and advances	18,041.7	19,922.9	23,109.5	25,039.8	26,995.4
Shares and other equity	14.6	14.5	69.4	69.4	103.5
Other assets	1,104.8	839.2	479.6	759.3	844.4
Non-financial assets	734.3	789.1	898.1	976.9	1,209.4
Liabilities	44,142.4	46,379.4	48,690.5	51,078.9	56,165.1
Foreign liabilities	1,042.6	1,898.1	2,218.0	2,267.7	2,509.5
Deposits	27,734.7	27,741.3	29,093.4	30,031.3	33,259.2
Central government liabilities	1,933.4	1,994.0	1,732.7	1,758.1	1,803.0
Other liabilities	4,017.1	3,636.8	3,758.1	4,496.5	4,603.4
Shares and other equity	9,414.5	11,109.2	11,888.4	12,525.3	13,989.9

Source: Maldives Monetary Authority

Table 15: Other Depository Corporations' Private Sector Loans and Advances by Economic Group, 2015-2019

(millions of rufiyaa)

	2015	2016	2017	2018	2019
Total loans and advances	16,759.4	18,495.6	20,949.2	22,793.7	24,511.1
Agriculture	4.2	1.9	2.7	2.3	1.9
Fishing	450.9	520.0	501.8	466.3	434.3
Manufacturing	170.8	171.9	164.4	136.4	108.7
Construction	2,441.7	3,345.0	3,720.1	4,843.5	5,305.8
Real estate	669.9	633.0	1,638.2	1,697.3	1,842.4
Tourism	6,628.0	7,257.0	7,938.2	8,455.0	8,979.5
Commerce	2,964.3	3,178.1	3,212.9	3,140.1	3,100.7
Transport and communication	894.3	1,069.8	983.9	859.9	899.9
Electricity, gas, water and sanitary services	22.0	13.9	2.3	2.8	0.7
Other	2,513.4	2,305.0	2,784.9	3,190.2	3,837.1

As a percentage of total

Fishing	3	3	2	2	2
Construction	15	18	18	21	22
Tourism	40	39	38	37	37
Commerce	18	17	15	14	13
Transport and communication	5	6	5	4	4

Annual percentage change

Total loans and advances	12	10	13	9	8
o/w Fishing	13	15	(4)	(7)	(7)
Construction	41	37	11	30	10
Tourism	2	9	9	7	6
Commerce	18	7	1	(2)	(1)
Transport and communication	46	20	(8)	(13)	5

Source: Maldives Monetary Authority

Table 16: Interest Rates, 2015-2019
(weighted average interest rates per annum; end of period)

	2015	2016	2017	2018	2019
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	3.50	3.50	3.50	3.50	3.50
91 days	3.87	3.87	3.87	3.87	3.87
182 days	4.23	4.23	4.23	4.23	4.23
364 days	4.60	4.60	4.60	4.60	4.60
Commercial banks					
Deposits					
Transferable deposits					
Local currency	2.37	2.38	1.45	1.45	1.48
Foreign currency	0.82	0.73	0.71	0.68	0.73
Savings deposits					
Local currency	2.20	1.65	1.48	1.50	1.50
Foreign currency	2.23	2.01	2.19	2.08	2.00
Time deposits (2 to 3 years)					
Local currency	3.94	2.50	2.66	4.39	4.72
Foreign currency	3.80	1.88	1.75	1.75	1.75
Loans and advances					
Public non-financial corporations					
Local currency	9.64	9.00	9.98	9.21	9.83
Foreign currency	11.39	9.52	8.92	8.87	8.58
Private sector					
Local currency	10.82	10.62	9.82	11.47	11.60
Foreign currency	8.85	9.08	9.07	8.82	8.49
Other financial institutions					
Share prices					
MASIX index (period average)	156.45	156.79	175.11	167.75	189.22
MASIX index (end of period)	156.48	155.05	174.97	169.06	199.05

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, 2015-2019 ^{1/}**(millions of US dollars)**

	2015	2016	2017	2018	2019
Current account balance	(301.7)	(1,032.4)	(1,026.7)	(1,502.5)	(1,498.4)
Balance on goods and services	375.9	(50.7)	(182.3)	(517.5)	(362.1)
Balance on goods	(1,654.7)	(1,838.7)	(1,908.1)	(2,424.9)	(2,392.4)
Export	239.8	256.2	318.3	339.2	360.7
Import	1,894.5	2,094.9	2,226.5	2,764.2	2,753.1
Balance on services	2,030.6	1,788.0	1,725.8	1,907.4	2,030.3
Export	2,905.3	2,891.4	3,000.7	3,245.1	3,378.6
Import	874.7	1,103.4	1,274.9	1,337.7	1,348.3
Balance on primary income	(332.5)	(352.9)	(375.6)	(492.4)	(557.9)
Balance on secondary income	(345.2)	(628.8)	(468.8)	(492.6)	(578.5)
Capital account balance ^{2/}	9.5	-	-	-	-
Financial account ^{3/} (excludes reserves and related items)	(480.9)	(673.4)	(910.3)	(1,835.1)	(1,217.6)
Direct investment	(298.0)	(456.6)	(457.8)	(575.7)	(891.1)
Portfolio investment	(122.9)	132.3	(479.4)	(103.4)	2.4
Other investment	(60.0)	(349.0)	26.9	(1,156.1)	(328.9)
Net errors and omissions	(236.4)	263.2	236.5	(207.2)	322.5
Overall balance	(47.7)	(95.8)	120.1	125.4	41.7
Reserve and related items	(47.7)	(95.8)	120.1	125.4	41.7
Memorandum items:					
Exports of goods and services	3,145.1	3,147.6	3,319.1	3,584.3	3,739.3
Current account as a percent of GDP	(7)	(24)	(22)	(28)	(26)
Gross International Reserves	564.0	467.1	587.3	712.0	753.0
Nominal GDP ^{4/}	4,095.1	4,364.5	4,725.9	5,317.4	5,760.5

Source: Maldives Monetary Authority, National Bureau of Statistics and Ministry of Finance

^{1/} This table is compiled based on information available as at 9 April 2020.^{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.^{4/} Nominal GDP for 2019 is based on revised GDP estimates by Ministry of Finance and Maldives Monetary Authority as at 31 March 2020.

Table 18: Current and Capital Account of Balance of Payments, 2015-2019 ^{1/}
(millions of US dollars)

	2015	2016	2017	2018	2019
Current account balance	(301.7)	(1,032.4)	(1,026.7)	(1,502.5)	(1,498.4)
Balance on goods and services	375.9	(50.7)	(182.3)	(517.5)	(362.1)
Balance on goods	(1,654.7)	(1,838.7)	(1,908.1)	(2,424.9)	(2,392.4)
Export	239.8	256.2	318.3	339.2	360.7
Domestic exports	159.5	192.8	230.9	229.0	216.8
Re-exports	80.3	63.4	87.4	110.3	143.9
Import	1,894.5	2,094.9	2,226.5	2,764.2	2,753.1
Balance on services	2,030.6	1,788.0	1,725.8	1,907.4	2,030.3
Export	2,905.3	2,891.4	3,000.7	3,245.1	3,378.6
o/w Travel	2,569.1	2,505.6	2,743.7	3,028.1	3,157.1
Transportation	241.8	273.2	176.7	144.6	150.1
Import	874.7	1,103.4	1,274.9	1,337.7	1,348.3
o/w Travel	253.0	284.5	308.0	337.8	350.4
Transportation	214.1	237.8	338.2	404.1	370.5
Balance on primary income	(332.5)	(352.9)	(375.6)	(492.4)	(557.9)
o/w Debit: Investment income	341.8	365.3	389.2	511.0	578.2
Balance on secondary income	(345.2)	(628.8)	(468.8)	(492.6)	(578.5)
o/w Debit: Workers remittance	347.8	375.6	474.6	531.7	593.5
Capital account balance ^{2/}	9.5	-	-	-	-

Source: Maldives Monetary Authority

^{1/} This table is compiled based on information available as at 9 April 2020.

^{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, 2015-2019^{1/}
(millions of US dollars)

	2015	2016	2017	2018	2019
Financial account^{2/} (excludes reserves and related items)	(480.9)	(673.4)	(910.3)	(1,835.1)	(1,217.6)
Direct investment	(298.0)	(456.6)	(457.8)	(575.7)	(891.1)
Net acquisition of financial assets	-	-	-	-	-
Net incurrence of liabilities	298.0	456.6	457.8	575.7	891.1
o/w Equity and investment fund shares	298.0	456.6	457.8	575.7	891.1
Equity other than reinvestment of earnings	186.9	314.0	345.8	449.3	730.3
Reinvestment of earnings	111.0	142.7	112.0	126.4	160.8
Portfolio investment	(122.9)	132.3	(479.4)	(103.4)	2.4
Net acquisition of financial assets	4.6	5.1	(22.5)	2.9	2.4
Equity and investment fund shares	(0.0)	0.0	2.5	1.4	0.0
Debt Instruments	4.6	5.1	(25.0)	1.5	2.4
Net incurrence of liabilities	127.5	(127.2)	456.9	106.3	-
Equity and investment fund shares	1.9	(0.7)	(0.8)	31.8	-
Debt Instruments	125.6	(126.4)	457.7	74.4	-
o/w General government	-	-	250.0	95.0	-
Other sectors	125.6	(126.4)	207.7	(20.5)	-
Other investment	(60.0)	(349.0)	26.9	(1,156.1)	(328.9)
Net acquisition of financial assets	19.2	39.8	73.0	(196.3)	146.8
o/w Debt Instruments	19.2	39.8	73.0	(196.3)	146.8
o/w Central bank	(0.0)	0.1	(0.1)	0.1	(0.1)
Deposit-taking corporations	28.3	(47.9)	(15.6)	(63.1)	92.4
Other sectors	(9.2)	87.7	88.8	(133.3)	54.6
Net incurrence of liabilities	79.1	388.9	46.1	959.8	475.7
o/w Debt Instruments	79.1	388.9	46.1	959.8	475.7
Central bank	10.1	96.2	(97.4)	97.0	(85.8)
Deposit-taking corporations	(8.8)	56.1	20.3	3.2	16.0
General Government	(6.8)	115.2	31.3	159.3	105.6
Other sectors	84.5	121.4	91.9	700.2	440.0
Reserve and related items	(47.7)	(95.8)	120.1	125.4	41.7

Source: Maldives Monetary Authority

^{1/} This table is compiled based on information available as at 9 April 2020.

^{2/} Positive sign indicates net lending and negative sign indicates net borrowing.

Table 20: Import and Export by Sector, 2015-2019

(millions of US dollars)

	2015	2016	2017	2018	2019
Total imports (cif)	1,896.3	2,125.4	2,360.4	2,959.8	2,887.5
Private imports	1,384.2	1,570.3	1,819.7	2,191.9	2,303.1
Tourism	402.2	485.7	560.9	728.9	753.2
Private (excluding tourism)	982.0	1,084.6	1,258.8	1,463.0	1,549.9
Public imports	512.2	555.1	540.7	767.9	584.4
Public enterprises	441.1	408.9	465.4	557.6	511.4
Government	71.1	146.1	75.3	210.3	73.0
Total exports (fob)	239.8	256.2	318.3	339.2	360.7
Domestic exports	144.1	139.6	199.4	181.6	158.0
Private exports	107.2	96.4	116.1	108.1	97.9
Public exports	37.0	43.2	83.3	73.6	60.1
Re-exports	95.7	116.6	118.9	157.6	202.6
Jet fuel	73.0	58.5	83.0	108.1	134.9
Memorandum items:					
Crude oil average prices (US dollars per barrel) ^{1/}	50.8	42.8	52.8	68.3	61.4

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), 2015-2019

(millions of US dollars)

	2015	2016	2017	2018	2019
Total imports	1,896.3	2,125.4	2,360.4	2,959.8	2,887.5
Food items	405.9	429.6	462.4	495.6	546.1
Furniture, fixtures and fittings	66.8	99.7	89.4	138.1	159.1
Electronic and electrical appliances	53.8	61.2	67.2	75.2	88.1
Petroleum products	285.2	247.3	314.3	452.4	465.1
o/w Petrol	26.0	26.3	37.4	51.0	59.1
Diesel (marine gas oil)	208.0	193.1	234.4	350.0	353.0
Transport equipments and parts	188.7	188.7	167.8	214.0	243.3
Wood, metal, cement and aggregates	241.0	286.4	355.8	482.4	426.2
Machinery and mechanical appliances and parts	121.9	203.7	205.2	261.3	186.3
Electrical, electronic machinery and equipments and parts	99.5	114.6	135.8	149.2	150.1
Other items	433.6	494.2	562.5	691.5	623.2

Source: Maldives Customs Service

Table 22: Composition of Exports (fob), 2015-2019**(millions of US dollars)**

	2015	2016	2017	2018	2019
Merchandise exports	239.8	256.2	318.3	339.2	360.7
Domestic exports	144.1	139.6	199.4	181.6	158.0
Fish exports	137.3	134.8	193.1	173.8	150.1
Fresh, chilled or frozen tuna	108.7	106.6	158.2	123.0	106.8
o/w Skipjack	28.0	37.4	76.4	59.1	43.2
Yellowfin tuna	77.2	67.0	79.3	62.1	62.6
Fresh, chilled or frozen fish (excluding tuna)	4.9	4.4	4.5	4.9	3.2
Canned or pouched	13.8	15.4	23.8	40.5	35.1
Other processed fish	9.9	8.4	6.6	5.5	5.1
Fish products, sea food, other marine products and live fish	2.6	2.2	1.4	1.2	1.4
Garments and other exports	4.2	2.6	4.8	6.6	6.5
Re-exports	95.7	116.6	118.9	157.6	202.6

Source: Maldives Customs Service, Maldives Airports Company Limited, Gan International Airport and Maamigili International Airport

Table 23: Direction of Trade - Import of Goods, 2015-2019**(millions of US dollars)**

	2015	2016	2017	2018	2019
Total imports	1,896.3	2,125.4	2,360.4	2,959.8	2,887.5
Asia	1,528.6	1,738.7	1,915.2	2,394.6	2,329.3
o/w China	147.3	285.6	280.6	488.1	469.4
India	226.5	275.5	287.6	286.6	290.3
Malaysia	141.9	120.9	174.0	232.2	191.5
Singapore	325.1	305.4	318.3	369.0	354.5
Thailand	91.0	99.3	110.1	124.2	119.4
United Arab Emirates	317.0	333.4	434.3	536.5	543.4
Europe	231.9	242.5	270.5	390.5	351.0
o/w France	18.1	17.5	23.4	25.9	46.5
Germany	35.7	51.7	55.9	55.4	63.4
Italy	23.5	33.8	34.8	46.9	44.2
North America	53.5	58.0	71.8	69.3	86.4
o/w USA	37.4	42.2	43.6	50.3	56.4
Oceania	53.9	48.1	65.2	66.3	78.5
o/w Australia	32.1	34.5	40.5	43.0	47.7
South America	16.2	18.0	20.2	17.8	17.0
Africa	12.2	20.0	17.5	21.3	25.2

Source: Maldives Customs Service

Table 24: Direction of Trade - Export of Goods, 2015-2019

(millions of US dollars)

	2015	2016	2017	2018	2019
Domestic exports	144.1	139.6	199.4	181.6	158.0
Asia	69.0	72.6	118.1	90.9	80.0
o/w Japan	4.7	3.0	3.2	2.9	2.3
Sri Lanka	17.3	14.2	7.5	6.2	5.1
Thailand	36.6	48.0	97.0	65.9	57.6
Europe	59.5	53.7	65.9	73.7	62.3
o/w France	15.1	12.3	13.9	13.4	15.0
Germany	10.0	12.2	14.3	23.1	18.6
Italy	8.1	6.9	5.8	7.9	6.0
UK	8.3	5.8	11.4	16.8	11.3
North America	15.2	12.6	14.6	16.1	15.1
o/w USA	14.7	12.4	13.9	15.0	13.9
Oceania	0.2	0.6	0.7	0.5	0.4
South America	-	-	0.2	-	0.0
Africa	0.2	0.0	0.0	0.4	0.2

Source: Maldives Customs Service

Table 25: External Debt, 2015-2019

(millions of US dollars)

	2015	2016	2017	2018	2019
Outstanding stock					
Total external debt outstanding	696.5	855.9	1,201.6	1,401.9	1,535.3
Central government	662.5	771.0	1,093.5	1,332.5	1,431.5
Debt securities ^{1/}	-	-	250.0	350.0	350.0
Loans	662.5	771.0	843.5	982.5	1,081.5
Multilateral	268.7	254.5	277.0	290.2	316.5
Bilateral	169.6	149.8	132.9	135.0	169.2
Commercial banks	24.5	18.6	12.7	6.9	1.0
Buyers credit	199.7	348.1	420.9	550.5	594.8
Other depository corporations ^{2/}	34.0	84.9	108.1	69.4	103.8
Head offices or branches	34.0	75.6	61.9	28.8	59.0
Non-resident ODC	-	9.3	46.2	40.6	44.8
Flow					
Central government debt disbursed and debt service					
Disbursements ^{3/}	55.6	197.0	354.5	330.8	166.6
Debt service	72.0	77.5	87.8	105.1	100.9
Principal repayment	62.3	67.8	68.0	71.5	61.1
Interest payments	9.7	9.6	19.7	33.6	39.9
Debt service ratio (central government)	2.3	2.5	2.6	2.8	2.7
As a percentage of GDP					
Total external debt outstanding	17	20	25	26	27
Central government	16	18	23	25	25
Other depository corporations	1	2	2	1	2
Annual percentage change					
Total external debt outstanding	(6)	23	40	17	10
Central government	(5)	16	42	22	7
Other depository corporations	(26)	150	27	(36)	50
Memorandum items:					
Nominal GDP (millions of US dollars) ^{4/}	4,095.1	4,364.5	4,725.9	5,317.4	5,760.5
Exchange rate ^{5/}	15.41	15.35	15.41	15.41	15.37
Exports of goods and services (millions of US dollars)	3,145.1	3,147.6	3,319.1	3,584.3	3,739.3

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/} Nominal GDP for 2019 is based on revised GDP estimates by Ministry of Finance and Maldives Monetary Authority as at 31 March 2020.

^{5/} External debt statistics is converted from rufiyaa to US dollars using exchange rates provided by the Ministry of Finance.

Table 26: Exchange Rates, 2015-2019 ^{1/}**(rufiyaa per foreign currency; end of period mid-rate)**

	2015	2016	2017	2018	2019
US dollar	15.4100	15.3500	15.4100	15.4100	15.3800
Japanese yen	0.1288	0.1313	0.1358	0.1392	0.1406
Singapore dollar	10.8079	10.4518	11.4203	11.1910	11.3321
Indian rupee	0.2315	0.2260	0.2392	0.2193	0.2147
Sri Lankan rupee	0.1070	0.1029	0.1043	0.0869	0.0876
Pound sterling	22.6893	18.7847	20.4903	19.4030	20.0371
Euro	16.7015	15.9899	18.1140	17.4211	17.0659

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