ANNUAL REPORT 2014

Maldives Monetary Authority

Published in 2015

ISBN 978-99915-63-06-0

Maldives Monetary Authority
Boduthakurufaanu Magu
Male' 20182
Republic of Maldives

Email: mail@mma.gov.mv

Website: www.mma.gov.mv

ANNUAL REPORT 2014

Letter of Transmittal

15 June 2015

MALDIVES MONETARY AUTHORITY
Malé, Republic of Maldives

His Excellency Abdulla Yameen Abdul Gayoom,
President of the Republic of Maldives,
President's Office,
Malé.

Excellency,

In accordance with Article 35(2) of Maldives Monetary Authority Act (1981), I herewith submit the Annual Report of the Maldives Monetary Authority for the year 2014 which includes a copy of the Financial Statements for the year ended 31 December 2014 audited by the external auditors, Ernst & Young.

Yours sincerely,

Azeema Adam
Governor

Preface

In accordance with section 35(2) of the MMA Act 1981, this report covers the activities and developments of the Authority for the year 2014, and includes the audited financial statements for the year. It also covers developments in the domestic economy during 2014 and presents an overview of events in the global economy during the year. An outlook for 2015 is also included in the report. All analyses are based on information relating to the year 2014, received from relevant government authorities, financial sector agencies, public enterprises and other private sector sources. All data is as of April 2015. The views expressed in this report, however, are those of this Authority and do not necessarily represent those of the source of data. We thank all those who have contributed to the publication of this report including the provision of the information contained herein.

Functions of the Maldives Monetary Authority

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

- To issue currency, and to determine the international value of the Maldivian rufiyaa
- To advise the government on banking and monetary matters
- To supervise and regulate banking to promote a sound financial system
- To promote the stability of the Maldivian currency and foster financial conditions conducive to the orderly and balanced economic development of the Maldives

Board of Directors

(as at the end of 2014)

Dr. Azeema Adam	Governor and Chairperson
Ms. Aishath Zahira	Deputy Governor
Ms. Neeza Imad*	Assistant Governor
Mr. Mohamed Maleeh Jamal*	Minister of Youth and Sports
Mr. Ahmed Munawar*	Minister of State for Finance and Treasury
Mr. Hussain Hilmy*	Private Sector
Mr. Abdulla Ghiyaz Riyaz*	Private Sector

**Mr. Mohamed Maleeh Jamal and Mr. Hussain Hilmy were appointed as members of the Board from 12 January 2014.*

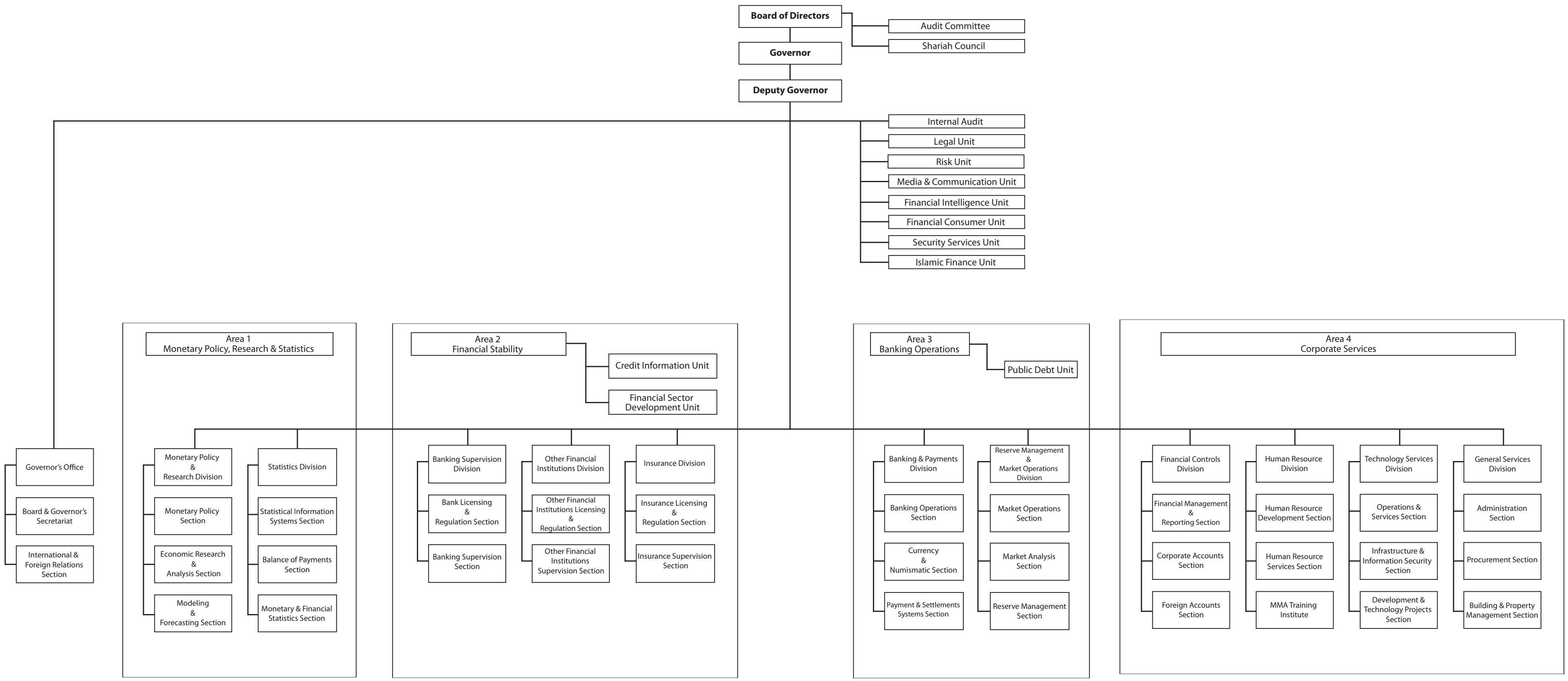
**Mr. Ahmed Munawar and Mr. Abdulla Ghiyas Riyaz were appointed as members of the Board from 12 March 2014.*

**Ms. Neeza Imad was appointed as a member of the Board on 24 April 2014.*

Senior Management

Dr. Azeema Adam	Governor
Ms. Aishath Zahira	Deputy Governor
Mr. Abdul Ghafoor Abdul Latheef	Assistant Governor - Islamic Finance Unit
Ms. Neeza Imad	Assistant Governor - Financial Stability
Ms. Mariyam Hussain Didi	Assistant Governor - Banking Operations
Mr. Athif Shakoor	Head of Financial Intelligence Unit
Ms. Idham Hussain	Executive Director - Statistics Division/Governor's Office
Mr. Abdul Hameed Mohamed	Executive Director - General Services Division
Ms. Mariyam Najeela	Executive Director - Banking Supervision Division
Ms. Aishath Nadhiya	Executive Director - Reserve Management and Market Operations Division
Mr. Shawn Rasheed	Executive Director - Technology Services Division
Uza. Sheeza Ahmed	Counsel General - Legal Unit
Ms. Fathimath Jawza	Executive Director - Financial Controls Division
Ms. Lubna Abdul Gadir	Assistant Executive Director - Human Resource Division

Organisational Chart



Contents

Letter of Transmittal	i
Preface	iii
Functions of the Maldives Monetary Authority	v
Board of Directors	vi
Senior Management	vii
Organisational Chart	viii
Abbreviations and Acronyms	1
Overview of Macroeconomic Developments	3
Macroeconomic Developments	7
International Economic Developments	9
Output	9
Inflation	11
Commodity Prices	13
Exchange Rates	15
Domestic Economic Developments	16
Production and Prices	16
Public Finance	25
Monetary Policy and Monetary Developments	34
Financial Sector	40
External Sector	44
Outlook for 2015	55
Internal Management, Policies and Organisational Developments	57
Monetary Policy	59
Monetary Policy Framework	59
Conduct of Monetary Policy	59
Intervention in the Domestic Foreign Exchange Market	60
Reserve Management	60
Financial Stability	61
Supervisory and Regulatory Activities	63

Currency, Banking and Payment Systems 64
Currency 64
Payment Systems 65
Banking Services to the Government 65
Internal Management and Corporate Services 67
Board of Directors 67
Internal Audit 68
Shari'ah Council 68
Audit Committee 68
Human Resources 68
Economic Research and Analysis 70
Statistics 71
Media and Public Awareness 71
Building and Premises 73
International Relations 74
International Monetary Fund 74
Asian Development Bank 75
SAARCFINANCE 75
Other Institutions 75
Annual Financial Statements 77
Statistical Appendix 137

Abbreviations and Acronyms

ACH	Automated Clearing House
ADB	Asian Development Bank
BOP	balance of payments
bps	basis points
BPT	business profit tax
c.i.f.	cost, insurance, freight
CIU	Credit Information Unit
CPI	Consumer Price Index
ECB	European Central Bank
ESS	external sector statistics
EU	European Union
FIU	Financial Intelligence Unit
f.o.b.	free on board
FRA	Fiscal Responsibilities Act
GDP	gross domestic product
GSP	Generalised Scheme of Preferences
GST	goods and services tax
GWP	gross written premium
IMF	International Monetary Fund
IIP	international investment position
LDC	least developed countries
M0	reserve money
M2	broad money
MFS	monetary and financial statistics
MIRA	Maldives Inland Revenue Authority
MMA	Maldives Monetary Authority
MMA TI	Maldives Monetary Authority Training Institute
MOU	memorandum of understanding
MRTGS	Maldives Real Time Gross Settlement
MRR	minimum reserve requirement
NBFI	non-bank financial institutions
NCG	net claims on central government
NDA	net domestic assets
NFA	net foreign assets
NPL	non-performing loan
ODF	Overnight Deposit Facility
OFC	other financial corporations

OLF	Overnight Lombard Facility
OMO	open market operations
OPEC	Organisation of the Petroleum Exporting Countries
PBA	public bank account
PNFC	public non-financial corporation
SAARC	South Asian Association for Regional Co-operation
TA	technical assistance
T-bill	treasury bill
T-bond	treasury bond
T-GST	tourism goods and services tax
UAE	United Arab Emirates
UK	United Kingdom
US	United States

Overview of Macroeconomic Developments

Supported by favourable external conditions—namely, the continued recovery of the global economy and lower global commodity prices—the real gross domestic product (GDP) growth of the Maldivian economy registered 8.5% in 2014, down from 8.8% in 2013. The growth of the economy was driven by a solid increase in tourist arrivals and the strong recovery of the construction sector. The growth in tourist arrivals was supported by higher arrivals from the Chinese market and other emerging source markets, although arrivals from the European market slowed down, largely owing to the sluggish performance of the Russian market. Although the growth in tourist bednights was markedly lower than the growth in arrivals, total tourist receipts to the country remained buoyant, reaching an estimated US$2.6 billion during 2014.

As for the developments in other key production sectors, the performance of the fisheries sector and fishing-related manufacturing activity weakened in 2014, following the decline in fish catch and also because of the significant dip in international tuna prices. The construction sector rebounded strongly in 2014 after two consecutive years of negative growth. The strong growth of the sector in 2014 was largely driven by the resumption of large-scale public sector infrastructure and housing projects as the sector recovered from severe shortages in the supply of construction materials, following the waiver of restrictions on export of stone aggregates to the Maldives from India in March 2014. Meanwhile, in line with the favourable developments in the tourism and construction sectors, activity in the wholesale and retail trade sector also remained buoyant in 2014, as indicated by its key performance indicators.

The rate of inflation remained subdued throughout the year and eased further to 2.4% in 2014 (compared with 4.0% in 2013). This was largely attributed to the decline in global prices, particularly food and oil prices, which led to the gradual easing of domestic food inflation. Meanwhile, easing of inflation during the year was also supported by stable fish prices in the domestic market.

In 2014, fiscal conditions remained weaker than expected owing to both shortfalls in revenue and overruns in current expenditure. While revenue collection remained robust throughout 2014, total revenue fell short of the target as some of the new revenue measures envisaged under the 2014 budget did not materialise as planned. On the spending side, total expenditure was marginally lower than budgeted as sizeable overruns in current expenditure were offset by lower-than-budgeted capital expenditure. In 2014, the financing requirement of the government was met almost entirely through domestic sources, mainly through the issuance of Treasury bills (T-bills) to commercial banks and other financial corporations. Meanwhile, reflecting the high budget deficits recorded over the past years, the total debt of the government reached

65% of GDP at the end of 2014, with domestic debt accounting for 65% of total public and publicly guaranteed debt.

The MMA remained firmly committed to achieving its core mandates of maintaining price stability and maintaining an adequate level of reserves. Against the background of favourable macroeconomic conditions and a stabilised foreign exchange market, the MMA took a number of monetary measures in 2014. As such the MMA reduced the minimum reserve requirement (MRR) from 25% to 20%, temporarily stopped open market operations (OMO), and revised the interest rate corridor by lowering the interest rates on the Overnight Deposit Facility (ODF) and the Overnight Lombard Facility and also reducing the indicative policy rate. The MRR was reduced to facilitate private sector lending and to reduce the cost of borrowing for commercial banks, and OMO was stopped to facilitate the raising of finances by the government through market-based sources. This was aimed at easing the continued difficulties faced by the government in financing the fiscal deficit, which at the time was being heavily monetised. Moreover, the financing difficulties faced by the government were further aggravated by the implementation of the Fiscal Responsibility Act in May 2014, which places statutory limits on the monetary financing of the fiscal deficit by the MMA.

Despite the easing of monetary conditions during the year, financial stability was ensured through the absorption of excess liquidity via the ODF (as commercial banks diverted their funds from OMO investments to placements in ODF) and the MMA's continued intervention in the foreign exchange market.

As for developments in the monetary aggregates, followed by a period of rapid expansion in 2013, the annual broad money (M2) growth decelerated in 2014. The slowdown in M2 was almost entirely due to the reversal of foreign asset accumulation by commercial banks during the second half of the year. Meanwhile, net domestic assets of the banking system registered a decline, owing to the slower growth in net claims on central government. This was largely due to the sharp increase in government deposits with the MMA, which offset the significant growth in credit to government by the commercial banks. Meanwhile, private sector credit picked up slightly towards the end of the year, registering a 3% growth at the end of 2014 as opposed to a marginal growth of 1% in the previous year.

In the banking sector, the main area of concern continued to be credit risk, as indicated by the high level of poor-quality loans. A few large recoveries earlier in 2014 led to improvements in non-performing loans (NPLs) during the past year; however, NPLs remain a concern with a ratio of 16% at the end of 2014. As for credit lent out, banks' appetite for lending has remained low largely owing to asset quality problems, resulting in the placement of funds in less risky investments. As a result, the industry's asset growth was largely observed in investments in T-bills. Meanwhile, the increased investment in low-risk, more liquid assets has resulted in improved liquidity positions for the banking sector.

As for developments in the balance of payments, the current account deficit is estimated to have widened to US$191.1 million (6% of GDP) in 2014, largely owing to the deterioration in the merchandise trade balance. This was entirely offset by a significant increase in the surplus of the services account, and negative balances in the income and current transfers account also contributed to the worsening of the current account deficit. Meanwhile, net inflows in the financial account increased, primarily owing to a substantial decrease in the foreign assets of the banking sector. As a result, the overall balance of payments recorded a surplus in 2014 and the gross international reserves increased to US$614.7 million at the end of the year. Out of this, usable reserves accounted for US$143.9 million, registering a marked expansion, mainly owing to the improvement in foreign currency receipts of the government.

MACROECONOMIC DEVELOPMENTS

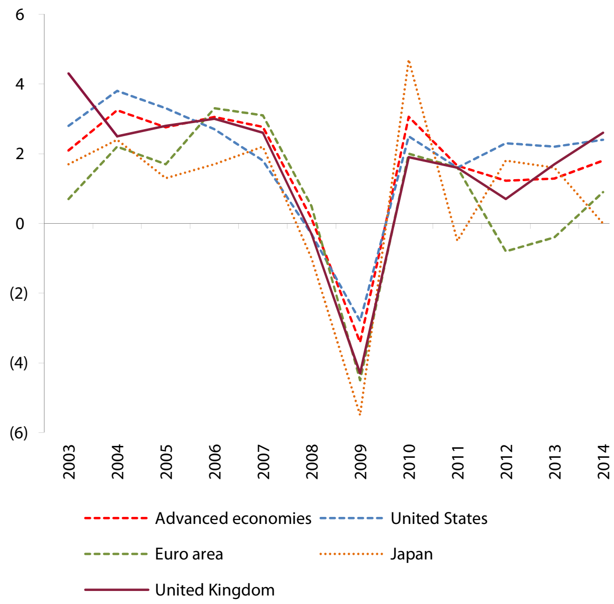
International Economic Developments

Output

According to the *World Economic Outlook Update* published by the International Monetary Fund (IMF) in January 2015, global output growth is estimated to remain at 3.3% in 2014, a downward revision of 0.1 percentage points from July 2014 projections. While falling oil prices provided a boost to many economies, this was offset by weaknesses in some of the key advanced economies and lower-than-expected growth in emerging markets owing to lacklustre domestic demand and the effect of increasing geopolitical tensions, especially on Russia and neighbouring countries.

Global growth in 2014 was led by the advanced economies, where growth picked up to 1.8% from 1.3% in 2013 (Figure 1). Much of this growth was driven by the revival of the United States (US) economy, which grew at the highest rate since 2010. Despite a contraction in the first quarter of 2014, the US economy grew strongly in 2014, recording 2.4%, up from 2.2% recorded in 2013. Growth was driven by an increase in personal consumption expenditure, supported by savings from lower oil prices. Additionally, accommodative fiscal and monetary policies helped spur growth during the year. Improved performance in the economy was reflected in the job market as the unemployment rate fell to a seven-year low of 5.6% at the end of December 2014, significantly lower than the 6.7% recorded at the end of the preceding year.

Figure 1: GDP Growth in Advanced Economies, 2003–2014
(annual percentage change in real GDP)



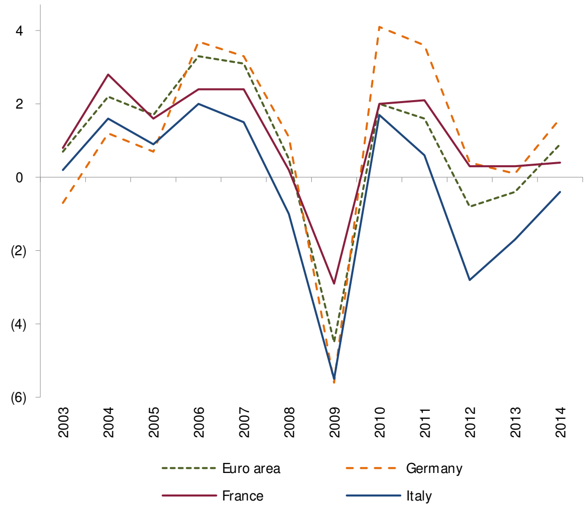
Source: IMF World Economic Outlook Database

As for the euro area, the region emerged from a two-year recession and recorded a positive output growth of 0.9% in 2014 (Figure 2). Growth was boosted by falling oil prices, the weakening of the euro and a decline in interest rates ahead of the expected stimulus package by the European Central Bank (ECB). Growth in the region was driven by the euro area's largest economy, Germany, which posted above-forecast growth rates of 1.6% during the review year. Output in Germany was boosted by lower oil prices, which helped to stimulate domestic demand, while the depreciation of the euro increased exports. However, growth in other key economies in the region continued to disappoint: output in France stagnated and the Italian economy declined for the third consecutive year. As a result, unemployment remains high in the euro area, recording 11.4% at the end of December 2014.

In Japan, growth stagnated in 2014 as the fall in output in Q2-2014 and Q3-2014 offset the increase in output in both Q1-2014 and Q4-2014. The decline in output during Q2-2014 and Q3-2014 was due to the hike in sales tax in April 2014. As a result, domestic personal expenditure declined by 1.2% in 2014. However, growth rebounded in Q4-2014, with exports gathering pace to take advantage of the weaker yen against the dollar.

In the United Kingdom (UK), revised estimates for output indicated that growth strengthened in 2014 to 2.6%, up from 1.7% in 2013. The revised growth estimates mark the highest rate of annual growth since 2006. The increase in output during 2014 was supported by improved domestic

Figure 2: GDP Growth in the Euro Area, 2003–2014
(annual percentage change in real GDP)

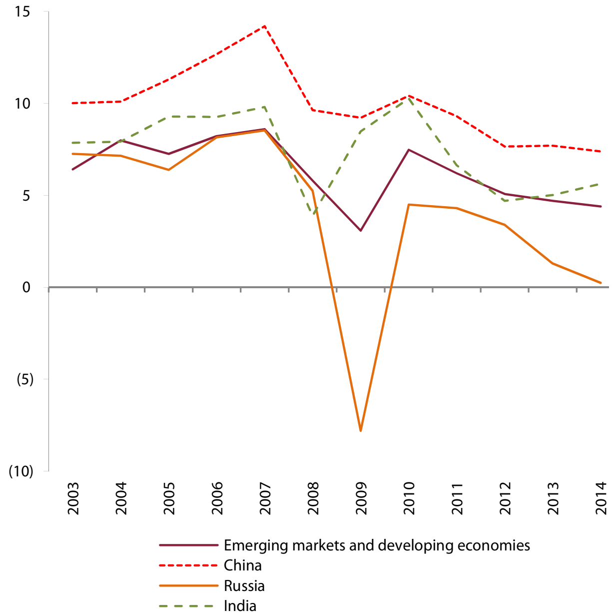


Source: IMF World Economic Outlook Database

consumption as well as higher exports, which helped to improve the trade balance. The improved performance in the economy was mirrored by a decline in the unemployment rate to 5.9%, the lowest since 2008 and much lower than that of the European Union (EU) at the end of 2014.

As for emerging markets and developing economies, growth decelerated to 4.4% in 2014 compared with 4.7% in 2013 (Figure 3). China continued to maintain high growth, although it declined slightly in 2014, to 7.4% from 7.7% in 2013, the slowest pace in 24 years. The slowdown in the Chinese economy reflects the sluggish growth in the property market, slowing factory output and weaker investment. Meanwhile, the Russian economy further weakened in 2014 as growth fell to 0.2%, from 1.3% in 2013. Growth figures for the Russian economy for 2014 were the lowest since 2009, amid western sanctions and low oil prices. As for India, growth is estimated to have accelerated in 2014 to 5.6% from 5.0% in 2013. The improved performance of the Indian economy was driven by lower global oil prices and improved public and private consumption.

Figure 3: GDP Growth in Emerging Markets and Developing Economies, 2003–2014
(annual percentage change in real GDP)



Source: IMF World Economic Outlook Database

Inflation

Global inflation[1] decelerated in 2014 to 3.2% from 3.6% in 2013, reflecting the general fall in global commodity prices and, more significantly, the rapid decline in oil prices towards the latter half of 2014 (Figure 4). The deceleration in global inflation was also underlined by slower growth in major economies such as China and the euro area.

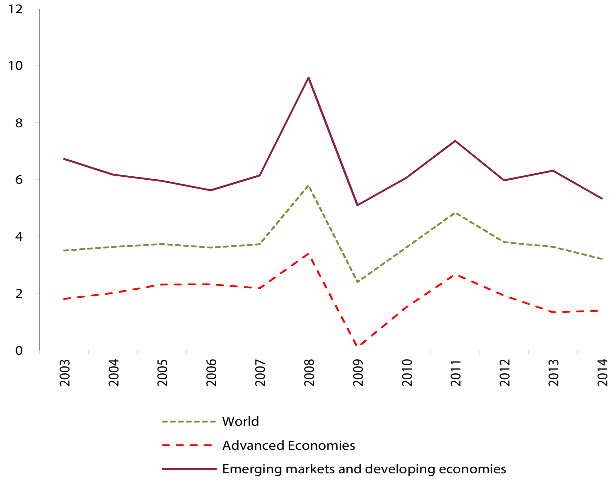
[1] *Source: IMF International Financial Statistics Database.*

In the advanced economies, prices observed a moderate increase from 2013 as the annual rate of inflation increased by one percentage point to 1.4% in 2014. In the US, the annual growth in the Consumer Price Index (CPI) rose to 1.6% in 2014 from 1.5% in 2013. Price increases in the US were held at a moderate level, reflecting the dollar appreciation and the decline in oil prices during the year. Sluggish wage growth also helped to mute inflationary pressure. As for the euro area, inflation decelerated throughout the year, falling to 0.4% in 2014 from 1.3% in 2013, well below the ECB's target of 2.0%. Inflation remained subdued because of lower oil prices and high unemployment rates, which have resulted in low demand in the euro area. In Japan, the hike in the general sales tax in April 2014 helped to curb deflationary pressure, with inflation increasing to 2.7% in 2014, rising from 0.4% in 2013. Despite the inflation rate reaching a high in May 2014 following the hike in the sales tax, prices eased towards the end of the year, mirroring the sharp decline in global oil prices. As for the UK, the rate of inflation moderated to 1.5% in 2014 from 2.6% in 2013, reflecting the fall in energy and food commodity prices.

Looking at emerging markets and developing economies, the rate of inflation eased to 5.3% in 2014, down from 6.3% in 2013. In China, the rate of inflation decelerated to 2.0% from 2.6% in 2013, reflecting the slowdown in the global commodity prices and dampening demand due to the sluggish domestic housing market. Meanwhile, in India, the inflation rate decelerated significantly, from 10.9% in 2013 to 6.4% in 2014, underlined by lower food and fuel prices.

Figure 4: Inflation, 2003–2014

(annual percent change in consumer price index)



Source: IMF World Economic Outlook Database

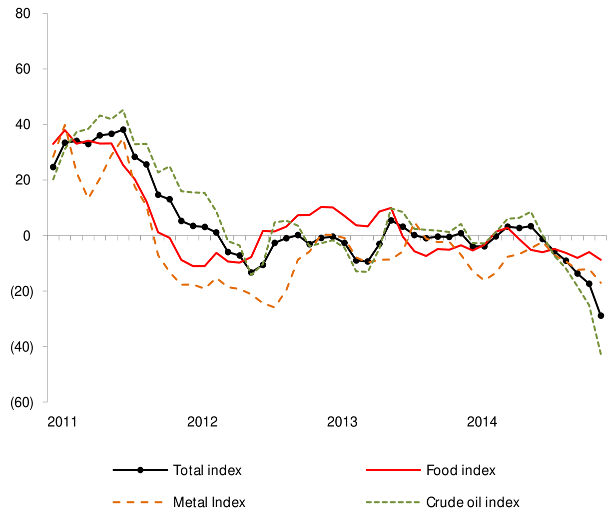
Commodity Prices

According to the IMF commodity price index, global commodity prices fell further by 6% during 2014, down from the 2% decline observed in 2013. While prices fell throughout the year, the most significant decline was observed in Q4-2014, when the commodity price index fell by 20% compared with the average decline of 2% in the previous three quarters. The sharp fall in the commodity price index reflects the steep decline in oil prices during Q4-2014. Price declines were also observed in other major indices such as food and metal prices (Figure 5).

The crude oil price index declined in 2014 by 8% compared with a 1% decline in 2013. Although crude oil prices in the international market[2] averaged US$96.2 per barrel in 2014 compared with US$104.1 per barrel in 2013, prices initially observed an increase of 3% in the first half of 2014 over the same period in 2013. The increase in prices observed during the first half of the year reflected supply shortages resulting from worsening tensions in the Middle East and growing concerns over the Russia–Ukraine conflict. However, crude oil prices declined rapidly from August onwards, falling by 6% in Q3-2014 and by 29% in Q4-2014. As a result, crude oil prices closed at US$60.6 per barrel at the end of 2014, recording a 43% decline compared with the same period in the preceding year. The sharp fall in oil prices during the latter half of the year reflected the decision made by the Organisation of the Petroleum Exporting Countries (OPEC) to maintain their production levels despite the increased supply from non-OPEC countries such as the US.

Figure 5: Global Commodity Prices, 2011–2014

(annual percentage change in the IMF Commodity Price Index)



Source: International Monetary Fund

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

As for global food prices, the IMF food price index declined by 4% in 2014 compared with a 1% increase in 2013. Food prices declined continuously throughout 2014, with steeper declines towards the last two quarters of the year reflecting the pass-on effects of lower oil prices. According to the Food and Agriculture Organisation of the United Nations, prices declined in 2014 for key food indices such as dairy, cereal, vegetable oil and sugar. Price declines were also underlined by improved supply prospects throughout the year.

In 2014, the IMF metal price index declined by 10% compared with a decline of 4% in 2013. The continuous decline in metal prices has been attributed to weak demand from China and other emerging economies, especially in the construction industry, which resulted in lower prices for iron ores and aluminium. In addition, cheaper and efficient production methods and increased capacity from countries such as Australia and Brazil have put further downward pressure on metal prices.

Exchange Rates

The US dollar appreciated against major currencies of the world during 2014, such as the euro, the Japanese yen and the sterling pound. The US dollar appreciated against the euro and closed 11% higher at the end of 2014 compared with 2013. The appreciation of the US dollar against the euro was due to the fall in demand for euro-denominated assets. This was because of the decision by the ECB to expand its asset purchase program in 2015 as well as the ongoing tapering and subsequent halting of quantitative easing by the US Federal Reserve in October 2014. Similarly, the US dollar appreciated against the Japanese yen by 15% at the end of 2014, underlined by the weak performance of the Japanese economy and the continuation of the asset purchase program by the Bank of Japan. Meanwhile, the US dollar closed 4% higher against the sterling pound at the end of the review year, after having depreciated in the first half of 2014. The continued quantitative easing program by the Bank of England and low interest rates have kept the value of the pound low against the US dollar (Figure 6).

Figure 6: Change in the US Dollar Exchange Rate Against Major Currencies, 2010–2014
(2010 Q1 =100)

Source: IMF International Financial Statistics database

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

Note: Data for international economic developments has been taken from the IMF International Financial Statistics database, IMF World Economic Outlook database, Eurostat database and statistical agencies of the respective countries.

Domestic Economic Developments

Production and Prices

Tourism

The domestic tourism sector continued to grow robustly in 2014, although the pace of activity moderated compared with the previous year, largely reflecting base effects stemming from the strong rebound in tourism activity in 2013. In 2014, total tourist arrivals were recorded at 1.2 million, exceeding the one million mark for the second consecutive year, with arrivals growing by 7% on an annual basis. This was largely driven by the growth in arrivals from the Chinese market, whereas arrivals from Europe recorded a marginal growth. These developments in the domestic tourism sector are in line with international tourist arrival trends as reported by the United Nations World Tourism Organisation, which estimated a 5% annual growth in global tourist arrivals in 2014, with the total number of global visitors surpassing 1.1 billion. The year 2014 also marked the fifth consecutive year of above-average growth in global tourism since the global financial crisis. The growth in international tourism was supported mainly by the Americas and Asia and the Pacific, which registered the strongest growth in terms of regions, at 7% and 5% respectively, while Europe grew at a slightly more modest pace of 4%.

With regard to developments in key indicators of the Maldivian tourism industry, the annual growth in tourist bednights of 4% was slightly lower in magnitude than the growth in arrivals, reflecting the decline in average stay from 6.3 days in 2013 to

Figure 7: Tourism indicators, 2003–2014

(arrivals in thousands, growth in annual percentage change)

Source: Ministry of Tourism

6.1 days in 2014. The downward trend in average stay, which has become more marked since 2009 (as shown in the deviation between tourist arrival growth and bednights growth in Figure 7), is due to a shift in the composition of inbound tourist markets towards countries such as China. Meanwhile, total tourist receipts[3] remained buoyant and grew by 13% (20% growth in 2013) to reach an estimated US$2.6 billion during 2014. The significant difference between the growth of tourist receipts and bednights may reflect the increase in tourist expenditure on high-end services in the industry.

Airline movements by international carriers also increased during the year, facilitating the growth in tourist arrivals. As such, international airline movements rose by an annual 7%, mirroring the growth in total tourist arrivals. The growth in airline movements was caused largely by the increase in flight movements from Mega Maldives and Cathay Pacific, and the commencement of operations by budget airlines such as Tiger Airways.

On the supply side, capacity expansions in both tourist resorts and guesthouses also contributed to the expansion in tourist arrivals during the year. As forecasted by the Ministry of Tourism at the beginning of 2014, three new tourist resorts were opened during the year, which increased the total registered number of resorts in the country to 112 in 2014.[4] Meanwhile, low-cost accommodation establishments continued to grow in 2014 as well, owing to the rapid growth of guesthouses, which accounted for 5% of the operational bed capacity of the tourism industry. Although 80 more guesthouses were registered with the Ministry of Tourism during 2014 (totalling 216 at the end of 2014), the number of guesthouses in operation declined from 103 to 95. Despite this decline, the operational bed capacity of guesthouses increased by an impressive 32% to 1,477 beds in 2014. Driven by the opening of new resorts and guesthouses, the average operational bed capacity of the industry rose by 3% (730 beds) to 26,891 beds in 2014. Despite the increase in bed capacity, the occupancy rate of the tourism industry increased by one percentage point to 75% in 2014, reflecting the relatively higher rise in tourist bednights. Of this, the occupancy rate in the resorts rose to 82% compared with 81% in 2013.

Looking at the market composition, the Asian market tipped Europe in 2014 to be the market leader for the first time, holding a share of 49% of total tourist arrivals and increasing by two percentage points from 2013. In contrast, arrivals from Europe increased marginally by less than 1% in 2014 compared with an increase of 2% in 2013. The sluggish growth of the European markets has been underlined by the uncertain economic climate in the region, owing particularly to the effects of the sharp slowdown in Russia. With regard to the main markets, arrivals from Germany increased by 5% during the year, following a decrease of 5% in 2013. Germany, as the top source market from Europe, increased its share of arrivals from Europe by one percentage point to 19%. The UK, which holds the second-largest share of the European market, also increased its share by one percentage point to 17%, an annual increase of 3% in tourist arrivals in 2014. Meanwhile, the Russian market, which had been one of the fastest-growing source

[3] Total tourist receipts are calculated on the basis of tourism goods and services tax (T-GST) receipts, duty-free sales from the Ibrahim Nasir International Airport and tourism tax receipts.

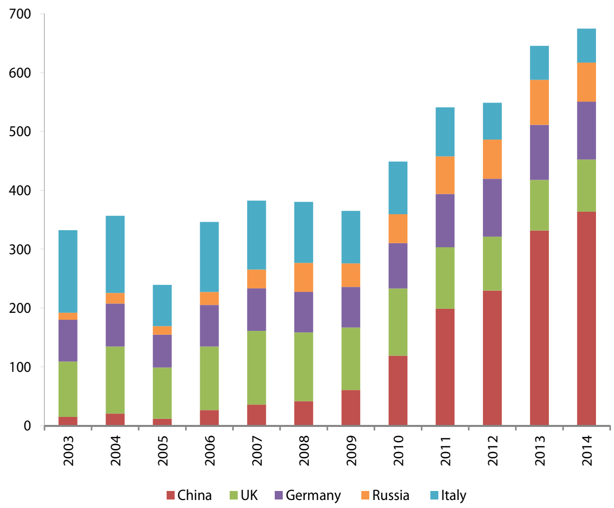
[4] Although three new resorts were opened during the year, the number of resorts in operation only increased from 104 to 105, reflecting the closing down of some resorts for renovation and other reasons.

markets to the Maldives over the past decade, decreased its share from 15% in 2013 to 13% in the review year, with arrivals from Russia declining by 13% compared with 2013. The poor performance of Russian markets was due to the sharp slowdown of its economy. Other major markets such as Italy did not show any significant change compared with 2013, but France grew weaker, with arrivals declining by 7% in 2014 (Figure 8).

With regard to Asia and Pacific, arrivals from the region increased by 12%, which is lower than the growth rate of 36% observed in 2013. This entirely reflects the slowdown in growth of the Chinese market, which accounted for 30% of total arrivals and 62% of arrivals from Asia and the Pacific in 2014. Despite the slowdown, China continues to be the single largest source country for inbound tourists, with arrivals from the country increasing by 10% during the year. Looking at other major markets in Asia, India and Korea both posted strong growth rates of 20% and 15%, respectively, while arrivals from Japan declined slightly, owing to the economic stagnation in the country.

Figure 8: Arrivals from Major Inbound Markets, 2003–2014

(thousands)



Source: Ministry of Tourism

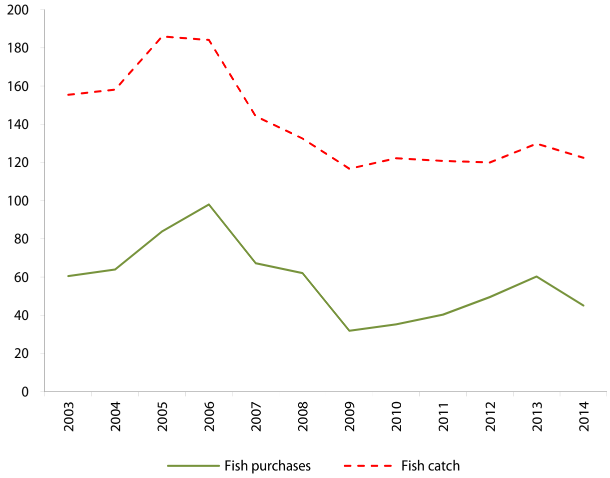
Fisheries

The fishing industry in the Maldives is dominated by tuna varieties (mainly skipjack and yellowfin tuna) and represented about 1% of gross domestic product (GDP) in 2014 and accounted for 10% of total employment in 2010. The vast majority of tuna is exported as fresh or chilled, frozen, dried or canned products. Although the importance of the fishing industry, in terms of its contribution to domestic GDP, has declined considerably over the years owing to the rapid growth of other sectors such as tourism, construction and other services sectors, the fisheries industry remains fundamental to the domestic economy, both in terms of employment and as a source of foreign currency. As such, the fisheries industry continues to be the second most important source of the nation's foreign currency earnings (export revenue from fish and fish products accounts for 47% of merchandise exports), and fisheries and fish processing companies provide the most important source of livelihood in the outer islands, where employment opportunities are limited.

The conditions in the fisheries sector deteriorated during 2014 because of the decline in fish catch and the significant fall in international tuna prices (Box 1). According to GDP estimates, the fisheries sector or primary fishing activity declined by 6% in 2014 following a strong growth of 8% in the previous year (Figure 9). The decline in fishing activity observed since 2006 has been partly attributed to the rising cost of ice, fuel and labour faced by the fishing industry. Reflecting the decline in fishing, fish purchases made by collector vessels from local fishermen for processing and exports also fell annually by 17% in January–November 2014—the first decline observed since 2009—and amounted to 45,105.8 metric tonnes. Despite the sharp decline in international tuna prices, the local fish processing companies, which faced operating losses because of the decline in supply of fish, raised their purchase prices for skipjack tuna (which accounted for 57% of the total catch in 2013) from MVR16 per kg to MVR17 per kg in 2014. During the year, the purchase price

Figure 9: Fish Catch and Purchases, 2003–2014

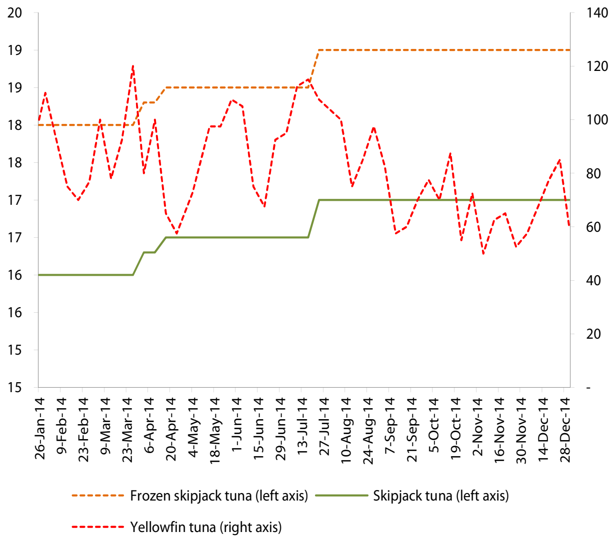
(thousand metric tonnes)



Source: Ministry of Fisheries and Agriculture

Figure 10: Local Companies' Fish Purchase Prices, 2014

(MVR prices per kg)



Source: Ministry of Fisheries and Agriculture of yellowfin tuna remained rather volatile but followed a gradual downward trend throughout the year (Figure 10).

The decline in fish catch and, more significantly, the fall in international tuna prices had a negative effect on fish exports. In 2014, the volume of exports fell by 3% compared with the previous year and totalled 48,183.2 metric tonnes, while earnings on fish exports fell by 14% to record US$139.1 million (Figure 11). Looking at individual categories, exports of frozen skipjack tuna, which has the highest export volume, observed a significant decline in earnings in 2014 owing to the fall in prices in the Thailand market, underlined by the weak demand from major canneries in the region. Meanwhile, exports of yellowfin tuna and canned tuna also fell in 2014, particularly to its key market, the EU. The decline in exports to the EU market also reflects a change in trade policy by the EU to remove trade concessions on Maldivian exports from 1 January 2014.

Figure 11: Growth of Volume and Earnings of Fish Exports, 2003–2014
(annual percentage change)

Source: Maldives Customs Service

Box 1: Trends in the International Tuna Market

Developments in the international market for tuna were generally unfavourable during 2014.[1] Stagnant demand for canned tuna by major markets such as the US and the EU dragged down the overall performance of tuna markets, and prices deteriorated further during the year. However, some positive trends were noted in emerging markets, particularly in the Middle East, West Africa and Latin America, as their import demand increased.

On the supply side, overall fishing remained stable with moderate fishing activity in the Pacific, Atlantic and Indian Oceans resulting in sufficient supplies of tuna. This in turn contributed to a further decline in skipjack and yellowfin tuna prices in the market.

For instance, in Thailand, which is the largest global exporter of canned and processed tuna, frozen skipjack tuna prices declined by 33% on average from 2013 to 2014. At the end of December 2014, skipjack tuna prices in Thailand recorded US$1,150/MT compared with US$1,430/MT in December 2013 (Figure 1). Prices of tuna have been declining in the international markets since 2013, and continued to deteriorate further in 2014 owing to a high level of stock and weak demand in the canned tuna market. However, skipjack tuna prices noted an upturn in the third quarter of 2014, before falling rapidly in the fourth quarter.

Figure 1: Skipjack Tuna Prices, 2011–2014

(MVR per MT)

Source: Bangkok frozen market prices, as provided by the Ministry of Fisheries and Agriculture

[1] *Data relating to international trends in the tuna markets has been taken from Globefish, a body of the Food and Agricultural Organisation, United Nations. Price data is based on information provided by the Ministry of Fisheries and Agriculture.*

In the US, which is the largest importer of canned tuna, demand remained flat for most of 2014, with an annual decline of 17% for canned tuna imports observed in the first half of 2014. The decline in demand for canned tuna in the US is attributed to weakening household demand. Despite the sluggish market for canned tuna in the US, imports of fresh or frozen tuna increased marginally, with increased supplies of yellowfin tuna. Moreover, the significantly lower import prices boosted imports of high-value tuna, suggesting a better demand trend for the non-canned tuna category.

As for the EU, the demand for canned tuna fell steeply in 2014, despite a robust growth in the demand for canned tuna in the previous year. A decline in imports was recorded for almost all major importing countries—namely, France, UK and Germany—whereas such imports were higher in Italy. Similarly, demand remained depressed in Japan, with the devaluation of the yen affecting tuna imports. As such, imports of fresh, frozen and canned tuna declined on an annual basis during the first half of the year.

Construction

Bouncing back from two consecutive years of negative growth, the construction sector rebounded strongly in 2014. Output grew by 20.6% compared with a decline of 2.5% recorded in 2013. The revival of the industry during the year was mainly due to the ease in obtaining construction materials, which allowed the resumption of large-scale public sector infrastructure projects and major housing projects. Moreover, the commencement of several new public sector infrastructure projects, particularly harbour construction projects, and the pick-up in private residential projects, owing to improved financing conditions, also boosted construction activity in 2014.

In 2014, the construction sector overcame the severe shortage in the supply of construction aggregates—experienced by the sector since December 2012—following the withdrawal of restriction of export of stone aggregates to the Maldives from India in March 2014. This resulted in a significant increase in the supply of construction aggregates and the subsequent easing of prices. As such, State Trading Organisation plc, one of the largest importers of construction materials in the Maldives, lowered the price of sand and river sand by about 40%. The strengthening of construction activity was reflected in the growth in construction-related imports (consisting of wood, metal, cement and aggregates) which grew annually by 24% in 2014 compared with a 3% decline in 2013.

With regard to commercial bank credit given out to the construction sector, this rose by 31% to total MVR1.7 billion at the end of the year. This was largely driven by the increase in loans and advances to residential projects (representing 80% of the total credit to the construction sector), while credit lent for commercial projects (9% of total credit) also increased significantly. Meanwhile, although bank credit for renovation of resorts picked up in 2014, credit given out for the development of new resorts continued on a downward trajectory, declining by 46%, reflecting the sluggishness in new resort construction.

Wholesale and Retail Trade

In line with the sustained growth of the tourism sector and the strong recovery of the construction sector in 2014, the wholesale and retail trade sector also performed buoyantly during the year. Key performance indicators of the sector such as imports and bank credit point to an acceleration in wholesale and retail trade sector activity compared with 2013. Accordingly, commercial bank credit to the sector grew robustly throughout the year, at an average rate of 8%, compared with 2% in 2013. At the end of 2014, credit to the sector had grown by 2% compared with December 2013 and totalled MVR2.5 billion. Meanwhile, private sector imports (excluding tourism) rose by 16% during the year, in contrast to a 6% increase recorded in the previous year.

Inflation

Following a relatively low and stable inflation level in 2013, inflation eased further in 2014 and continued to remain subdued throughout the year. Accordingly, the rate of inflation (as measured by annual percentage change in the CPI) averaged 2.4% in 2014, down from 4.0% in 2013.[5] In addition, fish prices, which are usually quite volatile, remained exceptionally stable during the year. As a result, inflation excluding fish prices was also at 2.4% in 2014 compared with 3.2% in 2013 (Figure 12).

The dampening of inflationary pressure during the year was largely influenced by the gradual easing in food inflation.[6] This stemmed from a combination of external and domestic factors; most significantly, on the external front, declining global food prices contributed considerably towards a decline in the inflation for food and non-alcoholic beverages (which accounts for 24% of the CPI basket). Accordingly, domestic food inflation decelerated to 1.0% in 2014 compared with 7.5% in 2013, in line with the consistent decline in global food prices from mid-2013 onwards. The easing of prices in this category was mostly related to the large deceleration in price growth of fruits and vegetables, reflecting the supply-related factors that have caused a significant decline in such prices in India, one of the main import markets for these items.

On the domestic front, the growth of fish prices (the item with the largest contribution to food inflation) decelerated significantly, from 10.0% to 2.6%, and was the second factor that dragged down overall food inflation. In particular, fish prices remained notably stable throughout the year, in contrast to the erratic price hikes in fish observed frequently in other years.

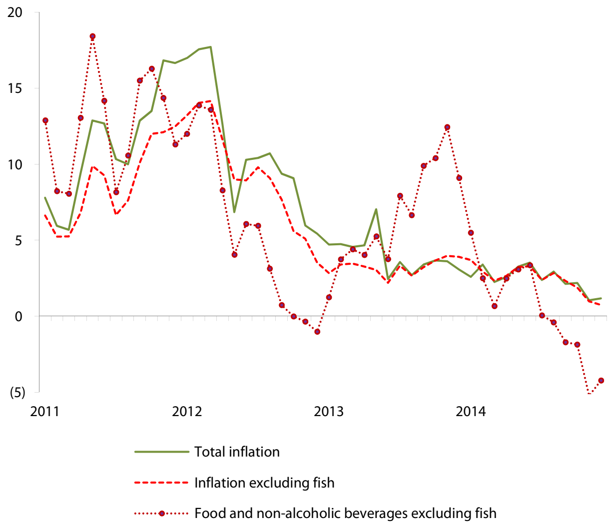
Looking at other major categories of the CPI, housing, water, electricity, gas and other fuels, which have the largest weight (33%) in the CPI basket, decelerated from 3.9% in

[5] *Inflation figures in this report refer to the 12-month moving average of the CPI, which gives a more representative number for the year.*
[6] *Food inflation, from here onwards, refers to inflation for food and non-alcoholic beverages.*

2013 to 2.9% in 2014. This was mostly due to a slowdown in the increase in rents and, more significantly, in the price of electricity and fuels. The latter could be attributed to the substantial decline in oil prices in the international markets during the year.

The rate of increase in the price of health services accelerated from 7.6% to 12.7%, almost entirely due to an increase in the prices charged for outpatient services. Meanwhile, price growth of the transport category edged up from 2.5% to 5.1%, reflecting the increase in the taxi fees in Male' implemented in December 2013. The rate of inflation for the education sector also increased, from 2.2% to 9.2%, owing to an increase in pre-primary and primary education fees. Conversely, prices in the furnishing, household and equipment category dragged down the rate of inflation as prices in this category continued to decline at a greater pace, mostly because of a decline in the prices of furniture and furnishings.

Figure 12: Inflation (Male'), 2011–2014
(annual percentage change in the consumer price index for Male', June 2012=100)



Source: National Bureau of Statistics

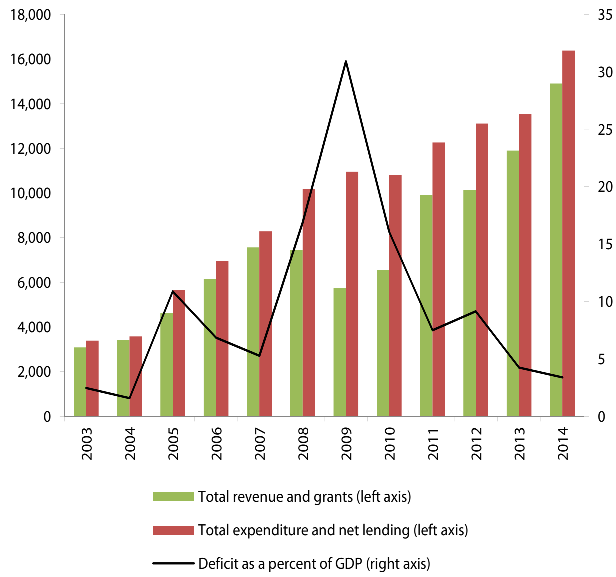
Public Finance

In 2014, the fiscal performance remained weaker than anticipated owing to slippages in both revenue and expenditure. The fiscal deficit for 2014 is estimated at MVR1.6 billion or 3.4% of GDP, slightly higher than the budget estimate of MVR1.3 billion or 2.8% of GDP and lower than the 4.2% of GDP in 2013 (Figure 13).[7] Revenue collection by the government remained robust in 2014, with total revenue (excluding grants) amounting to MVR14.5 billion or 31% of GDP. However, this was lower than the amount budgeted for 2014, largely because of slippages in revenue from lease period extension fee, resort lease rent and tourism goods and services tax (T-GST), given that some of the new revenue measures envisaged in the 2014 budget did not materialise as planned. Meanwhile, total expenditure (excluding net lending) increased significantly to MVR16.5 billion or 35% of GDP in 2014, although this was marginally lower than budgeted as sizeable overruns in current expenditure were offset by lower-than-budgeted capital expenditure.

During 2014, the budget deficit was largely financed by issuing Treasury bills (T-bills) to the domestic market and partly through borrowing from foreign sources and the MMA. However, it should be noted that, starting from 6 May 2014, the financing of the fiscal deficit by the MMA was halted following the full implementation of the Fiscal Responsibility Act (FRA). At the end of 2014, total public and publicly guaranteed debt (including domestic and external debt) reached 65% of GDP, reflecting persistent and high fiscal deficits over the past several years. Meanwhile, due to the increasing reliance on

Figure 13: Government Revenue and Expenditure, 2003–2014

(millions of rufiyaa)



Source: Ministry of Finance and Treasury

[7] *The data used in this section are based on estimates made by the Ministry of Finance and Treasury in October 2014.*

domestic sources to finance the fiscal deficit, the public domestic debt increased to 65% of total public and publicly guaranteed debt at the end of 2014.

Revenue

In 2014, the total revenue of the government was lower than the amount budgeted because some of the new revenue measures envisaged under the 2014 budget did not materialise as planned. For instance, the implementation of a T-GST hike (from 8% to 12%) was delayed from July 2014 to 1 November 2014; tourism tax, initially anticipated to be collected throughout the year (from January to December 2014), was only collected from February to November.[8] As for non-tax revenue measures, there was a considerable shortfall from the lease period extension fee collected during the year. Moreover, the lump-sum resort acquisition fee from the 12 new islands planned to be leased out for resort development did not materialise.[9] As a result, total revenue was MVR351.0 million less than budgeted and amounted to MVR14.5 billion in 2014. Despite this shortfall, total revenue showed an increase of MVR2.7 billion compared with 2013, mainly reflecting the implementation of most new tax measures.

Tax revenue, which accounted for 72% of total revenue, increased by MVR1.6 billion in 2014 and amounted to MVR10.4 billion. This increase was driven mostly by T-GST and business profit tax (BPT) receipts (Table 1). Revenue from T-GST (29% of tax revenue) increased by MVR823.2 million compared with 2013, mainly reflecting the rise in tourist arrivals and partly owing to the hike in the T-GST rate. However, T-GST collections were lower than budgeted by MVR334.2 million in 2014 as the hike in the T-GST rate came into effect in November 2014 instead of July, and therefore only one month of revenue collection was realised in 2014. As for receipts from general goods and services tax (GST), data from the Maldives Inland Revenue Authority indicate a 24% increase in 2014 owing to the implementation of GST on telecommunication services and strong economic growth, although data from the Ministry of Finance and Treasury indicate a decline in general GST receipts.[10] Revenue from BPT (23% of tax revenue) rose by MVR495.4 million compared with 2013 and totalled MVR2.4 billion in 2014. This was MVR623.0 million higher than the target for BPT revenue, reflecting the stronger-than-expected growth in overall business profitability. Finally, revenue from import duty (16% of tax revenue) increased by MVR141.1 million compared with the previous year, but was MVR103.3 million less than the target. The increase in import duty receipts reflected both import growth and the upward revision of import duty of certain items in April 2014.[11]

Non-tax revenue, which accounted for 27% of total revenue, increased significantly in 2014, by MVR1.3 billion, to reach MVR3.9 billion. However, this was MVR710.2 million less than the budget target owing to the significantly lower-than-expected receipts from new non-tax measures. This includes the collection of the lease period extension fee and the lump-sum resort acquisition fee from the new islands to be leased for resort development. Resort lease rent, which

---

[8] This was because of delays in passing the relevant legislation (fifth Amendment to the Maldives Tourism Act, passed in February 2014) and the decision to discontinue tourism tax after November 2014 as per the amendment brought.

[9] This was because the government was unable to lease out the 12 islands during the year.

[10] Refer to footnote 7.

[11] Import duty was raised for such items as textiles, cotton, sugar confectionaries, iron, steel, diesel motor oil and seat covers of passenger vehicles.

Table 1: Government Revenue and Grants, 2012–2014
(millions of rufiyaa)

	Actual			Budgeted	Percent of budget realised
	2012	2013	2014	2014	
Total revenue and grants	**10,138.1**	**11,900.7**	**14,907.2**	**15,129.0**	**99%**
├ Total revenue	9,771.4	11,783.1	14,492.6	14,843.6	98%
│ ├ Current revenue	9,723.4	11,515.0	14,366.7	14,830.6	97%
│ │ ├ Tax revenue	6,880.1	8,872.8	10,436.3	10,190.0	102%
│ │ │ ├ Business profit tax	1,401.3	1,881.0	2,376.4	1,753.4	136%
│ │ │ ├ GST (general)	1,005.7	1,538.4	1,478.0	1,535.9	96%
│ │ │ ├ GST (tourism sector)	1,553.6	2,154.7	2,977.9	3,312.1	90%
│ │ │ ├ Import duty	1,369.0	1,575.9	1,717.0	1,820.2	94%
│ │ │ └ Tourism tax	804.7	861.6	812.3	872.5	93%
│ │ └ Non-tax revenue	2,843.3	2,642.1	3,930.4	4,640.6	85%
│ │ └ Resort lease rent	1,031.2	1,106.3	1,271.1	1,686.0	75%
│ └ Capital revenue (sale of assets)	48.1	268.1	125.9	13.0	970%
└ Grants	366.7	117.7	414.6	285.4	145%

Source: Ministry of Finance and Treasury

remained the largest contributor to non-tax revenue (32%), fell short of the target as the government was unable to obtain the lump-sum resort acquisition fee as budgeted since all of the 12 islands were not leased in 2014. However, compared with 2013, resort lease rent registered an MVR164.8 million increase and amounted to MVR1.3 billion, because of the lease rent collection from the three new resorts that were opened in 2014. The lease period extension fee increased substantially by MVR727.8 million[12] but registered a shortfall of MVR549.0 million compared with the target. Meanwhile, owing to higher-than-anticipated profit transfers from Dhiraagu and Maldives Airports Company Pvt Ltd, profit transfers from state-owned enterprises, the third major contributor to non-tax revenue, increased by a greater-than-expected MVR281.3 million.

Expenditure

With regard to total government expenditure (excluding net lending), an increase of MVR2.8 billion was recorded to reach MVR16.5 billion in 2014, which was marginally lower than the budgeted amount. The growth in expenditure was driven by sizeable increases in both current and capital expenditure, although capital expenditure was lower than budgeted.

Current expenditure, which contributed 82% to total government expenditure in 2014, increased by around MVR2.0 billion during the year to total MVR13.5 billion. This was 8% or MVR957.9 million in excess of the budgeted value for current expenditure for 2014. The largest share of current expenditure went to salaries, wages and allowances of the public sector, which accounted for 43% of current expenditure (Figure 14). Subsidies and transfers,[13] and

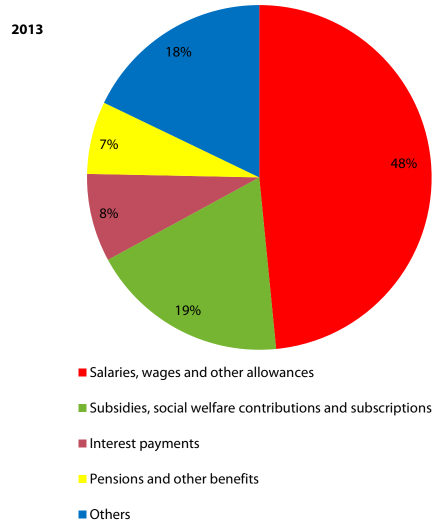
[12] Lease period extension fee was reinstated in February 2014 (Fourth Amendment to the Maldives Tourism Act) and three quarterly installments were collected in 2014. It was first introduced in 2011 and subsequently halted in early 2012 because of an injunction issued by the court.
[13] Includes food, electricity, water, fisheries and agriculture subsidies, pensions, and benefits and gratuities.

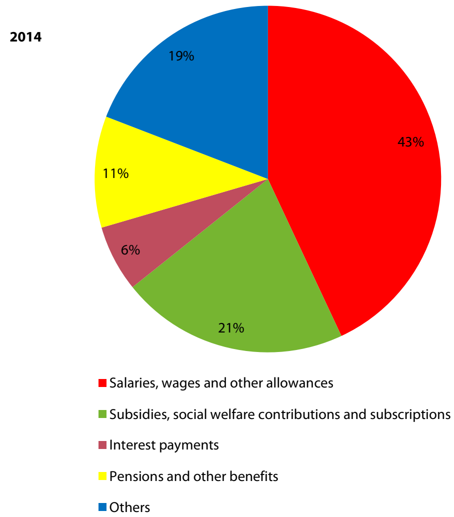
social welfare contributions[14] constituted 31% of current expenditure, and 19% went to administrative and operational purposes.

The main contributor to the growth in current expenditure during 2014 was the marked increase in social welfare contributions, which rose by MVR673.3 million to total MVR1.5 billion. The largest share of social welfare contributions went to the government's contribution to the universal health insurance scheme, Aasandha. The second-largest contribution to the growth in current expenditure came from subsidies and transfers, which rose by MVR609.8 million, mainly owing to the marked increase in pensions. The increase in expenditure on pensions of MVR565.3 million reflects the introduction of a senior citizens' allowance in February 2014, which provides a top-up to the existing basic old-age pension (of MVR2,300) to ensure that the elderly receive MVR5,000 per month. Meanwhile, payments for subsidies exceeded the budgeted amount by MVR814.0 million, although it registered only a marginal increase of MVR44.5 million compared with 2013. As for interest payments, which contributed 6% to current expenditure, an MVR116.7 million decline was recorded compared with the previous year and amounted to MVR840.0 million during the year. This was MVR375.5 million less than the amount budgeted for 2014.

Capital expenditure (18% of total expenditure), which usually falls short of the budgeted amount, increased significantly in 2014, reaching MVR2.9 billion. Capital expenditure includes spending on public infrastructure projects, investment in capital equipment and capital outlays. More than

Figure 14: Composition of Current Expenditure, 2013–2014





Source: Ministry of Finance and Treasury

[14] Includes such payments as medical insurance payments; allowances for single parents, disabled people, foreign and domestic medicals; welfare payments; and assistance to community programmes, associations and social organisations.

half of the capital expenditure (60%) went to public sector investment program projects,[15] which were financed through the domestic budget. Although capital expenditure in 2014 was MVR1.0 billion less than budgeted, it increased by MVR845.4 million compared with 2013 owing to the MVR1.1 billion increase in spending on land reclamation, harbours, residential and non-residential building projects, and other infrastructure.

Financing

As in the previous year, the government relied considerably on domestic sources, mainly through banks and other financial corporations (OFCs), to finance the budget deficit, as it was unable to raise foreign financing as budgeted for 2014. Based on actual financing data, almost 64% of financing to the government in 2014 came from domestic sources—as opposed to the 9% budgeted for the year—and foreign financing accounted for the balance. The issuance of T-bills remained the most important source of domestic financing for the government in 2014 with a net T-bill issuance of MVR3.0 billion in 2014 (Table 2).

With regard to the composition of domestic financing, the share of both banking sector and non-banks in total domestic financing increased in 2014 compared with the previous year. In contrast, the share of MMA in total domestic financing declined. The decline in the share of borrowings from MMA relative to 2013 reflects the end to the monetisation of the fiscal deficit in May 2014 following the full implementation of the FRA (Box 2). During the year, important changes were brought to the government securities'

Table 2: Domestic Claims on Government, 2010–2014
(millions of rufiyaa)

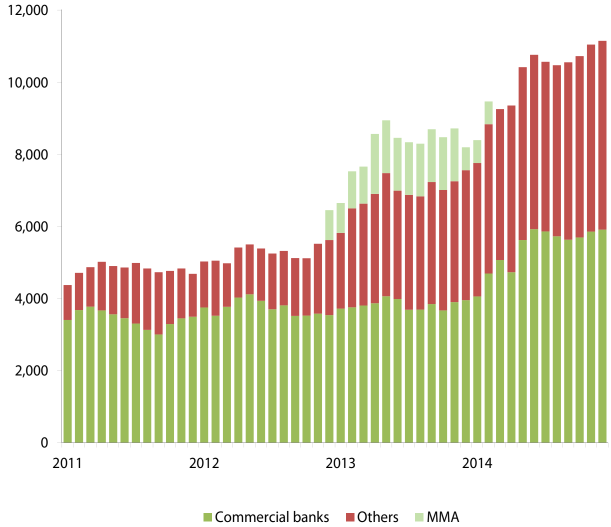
	Outstanding at the end of					Annual change		
	2010	2011	2012	2013	2014	2012	2013	2014
Total domestic claims on government	**11,889.8**	**12,782.9**	**14,452.2**	**16,907.6**	**20,644.3**	**1,669.3**	**2,455.4**	**3,736.7**
Government securities	**9,221.9**	**10,123.2**	**11,115.3**	**11,330.9**	**17,586.9**	**992.2**	**215.5**	**6,256.0**
T-bonds	5,179.4	5,438.7	4,664.7	3,136.6	6,440.5	(773.9)	(1,528.2)	3,303.9
MMA	3,894.4	3,894.2	3,892.1	3,136.6	6,440.5	(2.2)	(755.5)	3,303.9
Commercial banks	1,285.0	1,544.4	772.7	-	-	(771.7)	(772.7)	-
T-bills	4,042.5	4,684.5	6,450.6	8,194.3	11,146.4	1,766.1	1,743.7	2,952.1
MMA	-	-	829.6	634.0	-	829.6	(195.6)	(634.0)
Commercial banks	3,247.0	3,492.0	3,539.2	3,952.1	5,908.5	47.2	412.9	1,956.4
Non-banks	795.5	1,192.5	2,081.8	3,608.2	5,237.9	889.3	1,526.4	1,629.7
SOEs	436.0	597.5	362.7	1,239.7	1,343.3	(234.8)	877.0	103.6
OFCs	359.5	595.0	1,438.5	2,368.5	3,426.5	843.5	930.0	1,058.0
Others	-	-	280.6	-	468.1	280.6	(280.6)	468.1
Loans and advances	**2,667.9**	**2,659.7**	**3,336.9**	**5,576.7**	**3,057.5**	**677.2**	**2,239.9**	**(2,519.3)**
MMA	27.1	25.9	334.2	2,499.7	-	308.3	2,165.5	(2,499.7)
Commercial banks	156.0	180.6	440.9	537.8	126.1	260.3	96.9	(411.7)
OFCs	2,484.9	2,453.2	2,561.8	2,539.2	2,931.4	108.5	(22.6)	392.2

Source: Ministry of Finance and Treasury

[15] *Public sector investment program projects include residential and other building projects; roads and harbour projects; sewerage and water systems; electrification projects; and other infrastructure projects.*

market driven by the increase in debt service burden and medium-term sustainability concerns. These changes include the lowering of T-bill interest rates by reverting to a tap issuance of T-bills and restructuring the government's outstanding debt with the MMA. The interest rates of T-bills were reverted to a tap issuance as the T-bill market reflected non-market behaviour due to the dominance of one or two banks that drove up interest rates. Given the short maturity profile of T-bills, the restructuring of T-bills' interest rates is expected to reduce the high interest cost caused by sharp increases in interest rates and also reduce the high rollover risk by lengthening the maturity of T-bills.

Figure 15: T-bills by Holder, 2011–2014
(millions of rufiyaa)



Source: Maldives Monetary Authority

Public Debt

At the end of 2014, total public and publicly guaranteed debt (including domestic and external debt) reached MVR30.3 billion, equivalent to 65% of GDP, reflecting persistent and high fiscal deficits over the past several years. Of this, the share of domestic debt stood at 65% and external debt accounted for 35%. (A detailed write-up on external debt can be found under External Sector).

Turning to the composition of domestic debt, the increase in domestic debt in 2014 mainly reflected the increase in government securities—largely T-bills issued to both banks and other institutions, namely the pension fund (Figure 15). As for the share of T-bills in total domestic debt at the end of December 2014, this declined to 55% from 58% at the end of 2013. Out of the stock of T-bills, bills of the lowest maturity, which are the 28-day T-bills, declined from 36% in 2013 to 16% in 2014, while that of longer maturities—namely, 182- and 364-day T-bills—increased significantly from 12% to 28% and from 37% to 40%, respectively, at the end of 2014. This represents a shift to T-bills of longer-term maturities following the restructuring of T-bill interest rates in the second quarter of 2014.

The share of Treasury bonds (T-bonds), which entirely comprise T-bonds held by the MMA, in the total domestic debt increased in 2014. The substantial increase in the stock of T-bonds in 2014 reflects the conversion of the outstanding government debt with the MMA to a long-term bond in December 2014.

Box 2: Fiscal Responsibilities Act

The government initiated a process to formulate a Fiscal Responsibilities Act (FRA) in the Maldives in 2009. The objective of such a law was to achieve fiscal stability and sustainability, given the increasing level of public debt, and to improve the fiscal transparency as well as increase the accountability of the government.

The FRA bill, passed by the People's Majlis on 15 April 2013, specifies several numerical or quantitative fiscal targets such as ceilings on public debt and fiscal deficit, and also places stringent limits on the monetisation of fiscal deficit by the MMA. The FRA also specifies certain procedural rules to ensure fiscal accountability and transparency. Additionally, provisions on escape clauses provide flexibility to the government, with the approval of the People's Majlis, during unusually difficult circumstances and exogenous shocks such as a natural disaster[1] or an economic downturn.[2] The act also covers the fiscal policies and limits that should be followed by the local councils. The FRA bill was ratified by the president on 6 May 2013 with a decree to delay enforcement of 22 articles of the FRA by 12 months, as certain policies and systems required for its enforcement were not established at the time. As a result, the FRA came fully into force on 6 May 2014.

The following provides a summary of the numerical or quantitative fiscal targets and the procedural rules set out in the FRA.

Numerical fiscal targets

Rules relating to the national debt

a) A loan can be taken from the MMA by the government, given that the interest rate is not below the prevailing market rate and its repayment period does not exceed 91 days. The loan amount should also not exceed 1% of the average government revenue of the past three years.

b) Government should try to maintain the total national debt at a level that does not exceed 60% of the total GDP of the preceding year, by the end of three years starting from 1 January 2014.

c) From 1 January 2016, loans should be taken by the government only for national development projects and to facilitate the improvement of productivity. Additionally, loans should not be taken in order to repay national debt from this date.

---

[1] A natural disaster is an instance where 15% of the population has to suffer damages due to natural causes.

[2] Definition of an economic downturn in the FRA is vague; however, it mainly covers instances where national output registers stagnant growth in consecutive periods, inflation and unemployment increases and when there is a systemic banking/financial sector crisis or a balance of payments crisis.

d) However, for cash flow management, the government can take a loan from the MMA to be repaid within a maximum period of 14 days.

Rules for taking a loan or issuing a guarantee

e) The government, or the government in the name of the state should only take a loan for a public enterprise, or act as guarantor in accordance with the rules mentioned above, and the amount should not exceed what is budgeted for government guarantees and seeking finances for the year.

f) Every time a loan is taken as stated in e), information regarding the loan or guarantee should be sent by the Finance Minister to the People's Majlis within 30 days starting from the date of the loan or guarantee.

Rules relating to the fiscal deficit

g) The primary balance of the national budget should be in surplus within 3 years starting from 1 January 2014.

h) The overall balance of the national budget should be maintained at a level not exceeding 3.5% of the GDP within three years starting 1 January 2014.

Procedural rules

a) A Statement of Fiscal Strategy should be sent to the People's Majlis before the end of July every year and it should be published in the government gazette. The purpose of the statement is to create awareness about the national fiscal policy and to aid in evaluating the policy actions taken by the government to achieve its fiscal goals.

b) A Budget Position Report should be sent to the People's Majlis every year, after the national budget for the following year is presented to the People's Majlis by the minister, and before the preliminary discussions for the budget commences in the People's Majlis. This report should also be published in the government gazette. The purpose of the report is to ensure that the policy actions taken by the government are in accordance with the policy strategies proposed in the Fiscal Strategy Report.

c) A Statement of National Debt Strategy should be sent to the People's Majlis before the end of July every year. The purpose of the statement is to provide the People's Majlis with the information regarding the steps being taken by the government to repay and maintain national debt in a sustainable and efficient manner.

Monetary Policy and Monetary Developments

Monetary Policy

The MMA remained firmly committed to achieving its core mandates of maintaining price stability and maintaining an adequate level of reserves. Against the background of favourable macroeconomic conditions and a stabilised foreign exchange market, the MMA took a number of monetary measures in 2014. As such the MMA reduced the minimum reserve requirement (MRR) from 25% to 20%, temporarily stopped open market operations (OMO), and revised the interest rate corridor by lowering the interest rates on the Overnight Deposit Facility (ODF) and the Overnight Lombard Facility and also reducing the indicative policy rate. The MRR was reduced to facilitate private sector lending and to reduce the cost of borrowing for commercial banks, and OMO were stopped to facilitate the government in raising finances through market-based sources. This was aimed at easing the continued difficulties faced by the government in financing the fiscal deficit, which at the time was being heavily monetised. Moreover, the financing difficulties faced by the government were further aggravated owing to the implementation of the FRA in May 2014, which places statutory limits on the monetary financing of the fiscal deficit by the MMA. Meanwhile, the interest rate corridor was revised to rationalise the overall interest rate structure of the banking system—because of the changes brought to the interest rates of T-bills—and also to help foster active borrowing and lending by commercial banks. Despite the easing of monetary conditions during the year, financial stability was ensured through the absorption of excess liquidity via the ODF (as commercial banks diverted their funds from OMO investments to placements in the ODF) and the MMA's continued intervention in the foreign exchange market.

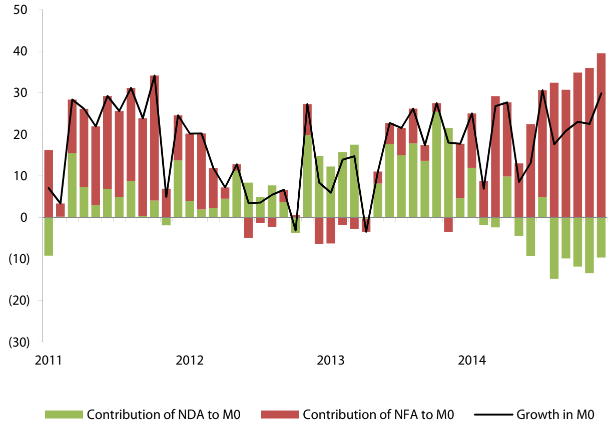
Monetary Developments

Reserve money (M0) growth remained on an upward path in 2014, despite temporary fluctuations. This was entirely due to the significant increase in the net foreign assets (NFA) of the MMA, which more than offset the decline in net domestic assets (NDA). Meanwhile, followed by a period of rapid expansion in 2013, the annual broad money (M2) growth decelerated in 2014 owing to the slowdown in the NFA of the commercial banks coupled with the decline in the NDA of the MMA.

Reserve Money

At the end of December 2014, annual M0 growth accelerated to 30% from 18% in 2013, reaching MVR12.5 billion at the end of the review year. This was entirely due to the 72% acceleration in the NFA of the MMA, as NDA declined by 21% during the year (Figure 16). With regard to the components of M0, commercial banks' deposit balances at MMA, which accounted for 75% of M0, recorded a strong growth of 47% during the review year, partly reflecting the increase in excess reserves following the lowering of the MRR during the year. Meanwhile, currency in circulation, which grew significantly during the first half of the year, slowed down markedly in the latter half of the year and thus recorded a decline of 5% at the end of December 2014.

Figure 16: Sources of Reserve Money (M0), 2011–2014
(annual percentage change)



Source: Maldives Monetary Authority

Monetary Operations

The two main instruments available to the MMA to absorb excess liquidity in the banking system are OMO and the ODF. In 2014, the average liquidity absorbed by the MMA via monetary operations more than doubled to MVR2.0 billion compared with the previous year. During the year, the liquidity in the banking system was absorbed mainly through the ODF since the commercial banks diverted their funds from OMO to the ODF when the MMA temporarily suspended OMO on 4 May 2014. This resulted in a substantial increase in ODF placements averaging MVR1.1 billion in 2014, compared with MVR345.7 million recorded the previous year. In addition, the released funds from the lowering of MRR also contributed to the increase in ODF placements during 2014 (Table 3).

Table 3: Average Amount of Liquidity Absorbed via Monetary Operations, 2012–2014

	2012	2013	2014	Percentage change 2014 - 2013
Average investment in reverse repos[1/]	276.7	580.9	883.9	52
Average investment in ODF	271.3	345.7	1,131.6	227
Average liquidity absorbed	548.0	926.6	2,015.6	118

Source: Maldives Monetary Authority

[1/]As OMO was suspended in May 2014, the figure for 2014 is the average liquidity absorbed via OMO in the period Jan-Apr 2014.

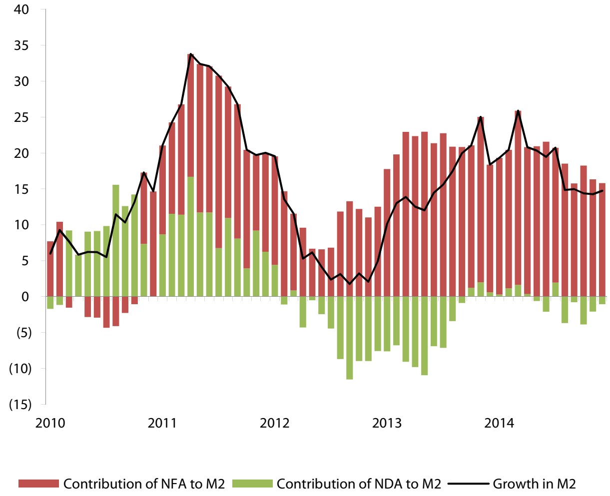
Broad Money

At the end of December 2014, the growth rate of M2 decelerated to 15% from 18% at the end of 2013, and amounted to MVR27.2 billion at the end of the review year (Figure 17). On the components side, this was driven by the sharp slowdown in the growth rate of narrow money in the last half of the year (Figure 18). As such, narrow money, which accounted for 41% of M2 and comprised mainly currency outside depository corporations and local currency demand deposits, fell from 24% at the end of 2013 to 8% at the end of 2014. This was due to the deceleration in the growth rate of local currency demand deposits and the sharp slowdown in the growth of currency outside the banking system in the fourth quarter of 2014. Meanwhile, quasi money, which accounted for 59% of M2, remained high during 2014 and accelerated to 20% at the end of 2014 from 15% at the end of 2013. This was brought about entirely by the significant growth in the foreign currency deposits of the commercial banks, reflecting the strong growth of the tourism sector.

With regard to the counterparts of M2, the slowdown in the growth rate of M2 in 2014 stemmed from the slower growth in NFA of the banking system, from 68% in 2013 to 42% in 2014, coupled with the 2% decline in NDA of the banking system. The slowdown in the growth rate of NFA can be attributed to the reversal of the rapid accumulation of assets by commercial banks during the latter half of 2014. This partly reflects the inward transfers of funds by commercial banks to meet their capital requirements. Meanwhile, the decline in NDA came mainly from the slower growth in net claims on central government (NCG).

Figure 17: Sources of Broad Money (M2), 2011–2014

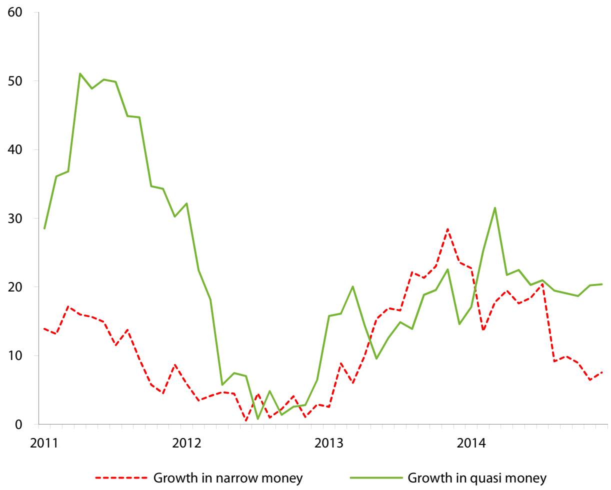
(annual percentage change)



Source: Maldives Monetary Authority

Figure 18: Narrow Money and Quasi Money, 2011–2014

(annual percentage change)



Source: Maldives Monetary Authority

In addition, the increased absorption of commercial banks' liquidity via the ODF during the review year also dragged down the banking system's NDA.

Net Claims on Central Government

Growth in NCG of the banking system slowed down significantly to 7% at the end of 2014 from 13% at the end of 2013, registering MVR9.3 billion at the end of the review year. This slowdown was due to the sharp increase in government deposits that offset the significant growth in credit to government. The growth in credit to government was driven by the significant increase in T-bills investment by the commercial banks during the year as banks used a large portion of the freed-up funds from the MRR reduction to invest in T-bills. Meanwhile, it should be noted that the MMA stopped monetising the government deficit in May 2014 owing to the full enforcement of the FRA that month.

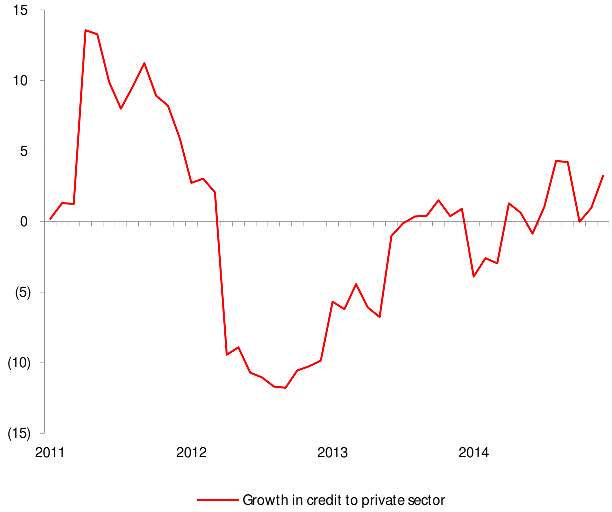
Credit to Private Sector

Growth in private sector credit remained sluggish during 2014 although it picked up towards the end of the year, registering 3% in December 2014 (Figure 19). The improvement in the growth in bank credit to the private sector could be partly attributed to a few large recoveries of non-performing loans (NPLs) of the commercial banks, which has been the main drag on private sector credit growth.

With regard to the sectoral developments in private sector credit, tourism, which accounts for the bulk of total private sector credit, observed a decline in its share to 43% in 2014 from 51% in 2013. Growth in credit to

Figure 19: Credit to Private Sector, 2011–2014

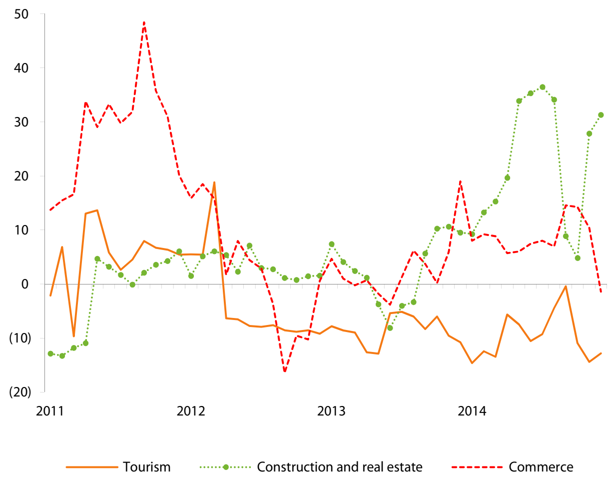
(annual percentage change)



Source: Maldives Monetary Authority

tourism remained negative and fell further to 13% at the end of 2014 (Figure 20). This was due to the decline in credit extended for development of new resorts in 2014, which offset the significant increase in credit extended for resort renovation. Meanwhile, credit to commerce (17% of the total private sector credit), which grew on average by 8% in 2014, fell markedly by 1% at the end of the year. Credit to the construction sector (accounting for 12% of total private sector credit) continued to remain strong, rising by 31% at the end of 2014, while other loans more than doubled during the year.

Figure 20: Loans and Advances to Private Sector by Industries, 2011–2014
(annual percentage change)



Source: Maldives Monetary Authority

Interest Rates

With the revisions made to the interest rate corridor during September 2014, the indicative policy rate of MMA was reduced from 7.00% p.a. to 4.00% p.a., which is a reduction of 300 basis points (bps).

During the second quarter of 2014, the interest rates on T-bills were reverted back to tap rates, which resulted in a significant decline in the weighted average interest rates on T-bills at the end of 2014 compared with 2013. Accordingly, rates on 28-, 91-, 182- and 364-day T-bills declined by 253, 221, 150 and 150 bps, respectively, at the end of December 2014 (Table 4).

As for the weighted average interest rates on loans and advances, rates on all loans denominated in the national currency fell at the end of 2014. As such, the loans to both public non-financial corporations and the private sector fell by 104 and 5 bps, respectively. However, with regard to the

Table 4: Interest Rates, 2010–2014

(weighted average interest rates per annum; as a percentage; end of period)

	2010	2011	2012	2013	2014
Reverse repo (1 week)	4.46	6.96	7.00	7.00	7.00
28 day T-bill	4.51	6.97	7.87	10.03	7.50
91 day T-bill	5.35	6.96	7.90	10.21	8.00
182 day T-bill	5.50	6.97	7.85	10.00	8.50
364 day T-bill[1/]	NA	NA	7.86	10.50	9.00
Interest rates on loans and advances					
PNFCs					
National currency	8.75	8.71	8.95	11.02	9.98
Foreign currency	10.01	9.73	9.33	9.24	9.25
Private sector					
National currency	10.45	10.17	10.51	11.42	11.38
Foreign currency	8.28	8.42	8.68	8.58	8.46
Interest rates on deposits					
Demand deposits					
National currency	2.21	2.22	2.24	2.23	2.24
Foreign currency	1.70	1.74	1.59	1.56	1.57
Saving deposits					
National currency	2.25	2.25	2.25	2.25	2.23
Foreign currency	2.36	2.22	2.22	2.28	2.23
Time deposits (2 to 3 years)					
National currency	3.75	4.10	3.80	4.00	4.01
Foreign currency	4.93	5.00	4.49	3.84	3.08

Source: Maldives Monetary Authority

[1/] 364 day T-bill was introduced in August 2012.

interest rates on loans denominated in foreign currency, interest rates on loans to the public sector rose by 1 bp, whereas loans to the private sector fell by 12 bps.

As for the weighted average interest rates on deposits, the interest rate movements varied according to the type of deposit and the currency in which it was denominated. Interest rates on demand deposits rose for both national currency and foreign currency denominated deposits by 1 bp and 2 bps, respectively, whereas rates on saving deposits fell for both national and foreign currency denominated deposits by 2 bps and 5 bps, respectively. Meanwhile, the rates on national currency time deposits (with maturity between two and three years) rose by 1 bp, but rates on foreign currency denominated time deposits registered a decline of 76 bps.

Financial Sector

The financial sector of the Maldives comprises banks, non-bank financial institutions (NBFIs), securities market intermediaries and the pension fund.[16] The banking sector consists of seven commercial banks, which include two locally incorporated banks and four branches of foreign banks and one subsidiary of a foreign bank. NBFIs in the Maldives include finance companies, insurance companies, money remittance companies and money changers. All commercial banks and NBFIs are licensed and regulated by the MMA, whereas securities market intermediaries, including brokers, dealers, investment advisers, stock exchange, central depositories and the pension fund are licensed and regulated by the Capital Market Development Authority.

Banking Sector

During 2014, the total deposits of the banking sector grew by 18%, which is an increase of MVR4.1 billion compared with 2013. This was mainly due to the expansion in the demand deposit base of the commercial banks, which resulted from the robust growth in the tourism sector during the review year. Banks' loan portfolio increased only slightly in 2014, owing to a few large recoveries, as well as to dampened growth in lending due to asset quality problems. This resulted in an increased preference for low-risk investments by the commercial banks, as seen in increased investments in T-bills and balances at banks.

With regard to the asset portfolio, total loans of the industry grew by 3% and amounted to MVR16.6 billion in 2014. Similar to the previous year, the loan portfolio of the industry was concentrated in the tourism sector (accounting for 43% of the total loans), followed by the commerce and construction sectors. With regard to the asset quality of the industry, NPLs declined by 9% in 2014, although the ratio of NPLs to total loans still remained high at 16%. Nevertheless, the credit risk was mitigated largely by an increased level of loan loss provisions that covered 99% of the entire NPL portfolio.

Although the profitability of the industry remained strong, with pre-tax profits at MVR2.0 billion in 2014, this was an annual decline of 1% compared with the previous year, largely owing to a decline in non-interest income of the sector. However, it should be noted that the non-interest income was inflated in 2013 because of abnormal recoveries experienced by the banking industry during the year.

As for the capital strength of the banking system, it remained relatively strong in 2014, as observed by the leverage ratio and the total risk-based capital ratio of the industry, which stood well above the minimum requirements, at 19% and 47% respectively, during the review year.

[16] *The figures used in this section are unaudited figures.*

Non-Bank Financial Institutions

Finance Companies

Finance companies are represented by two institutions in the Maldives: a specialised housing finance institution and a finance leasing company.

The total assets of finance companies amounted to MVR1.3 billion at the end of 2014, with a growth of 13% compared with the previous year (Figure 21). This in turn contributed to the improvement in net loans and advances, which rose by 16% and amounted to MVR1.0 billion in 2014. As for the asset quality of the finance companies, this also improved, as shown by the decrease in the ratio of NPLs to total loans and advances. As such NPLs stood at 5% of total loans and advances in 2014, compared with the 7% recorded in the previous year.

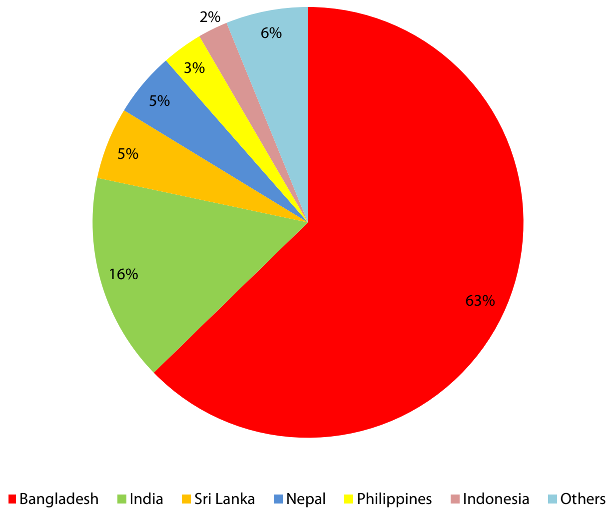
Figure 21: Net Advances and Total Assets of Finance Companies, 2010–2014
(millions of rufiyaa)

Source: Maldives Monetary Authority

Money Transfer Companies

Although the number of money transfer companies remained the same, the volume of outward remittances has been increasing annually in recent years. Outward remittances increased by 28% during 2014 compared with 2013, from US$87.2 million to US$111.9 million. This growth was due to the increasing population of expatriate workers remitting funds to their respective countries. Accordingly, 63% of total outward remittances were to Bangladesh, followed by 16% to India and 5% each to Sri Lanka and Nepal during the year (Figure 22). In contrast to the trend observed for outward remittances, inward remittances slowed down slightly, from US$5.8 million in 2013 to US$5.2 million in 2014.

Figure 22: Composition of Outward Remittances by Country, 2014
(percentage)



Source: Maldives Monetary Authority

Insurance Companies

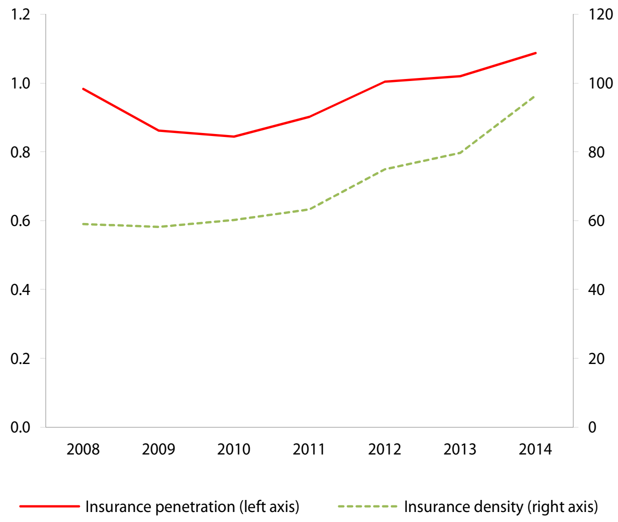
The insurance sector of the Maldives remained favourable during 2014. This is evident by the two key variables used internationally for determining the growth of the insurance industry: insurance density and penetration. Insurance density (the gross premium per capita) amounted to US$96.3 in 2014, which is an increase of 21% compared with US$79.7 recorded in the previous year. Meanwhile, insurance penetration (share of domestic premium value as a percentage of GDP) increased marginally compared with the previous year, to stand at 1% (Figure 23).

The increase in growth of both the insurance penetration and insurance density reflects the increased growth of gross written premium (GWP)[17] in 2014. GWP grew significantly, by 20%, during the year and amounted to MVR506.6 million. This is in comparison with an 8% growth recorded in 2013. The higher growth in premium underwritten during 2014 reflects the significant increase in fire, marine and health insurance businesses (Figure 24).

As for the types of insurance businesses in Maldives, fire insurance continues to be the single largest class of insurance business, accounting for 37% of the total premium, while marine insurance and health insurance accounted for 18% and 16% of the total premium, respectively, in 2014. Fire insurance includes property insurance, and marine insurance includes both marine hull and marine cargo insurance. As for health insurance, this includes government and corporate health policies and compulsory health insurance for the expatriates (Figure 25).

Figure 23: Insurance Density and Penetration, 2008–2014

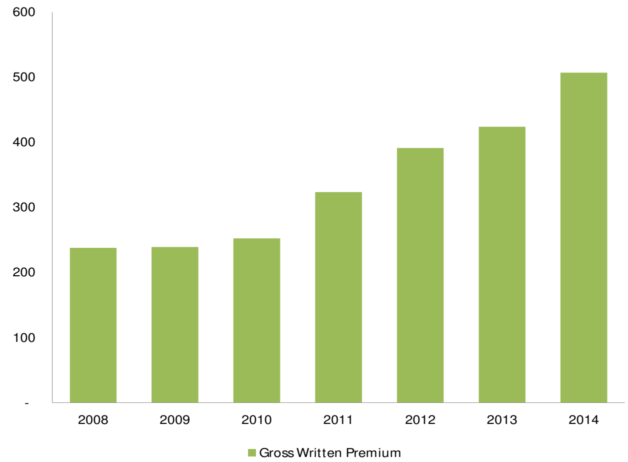
(penetration in percent, density in US dollars)



Source: Maldives Monetary Authority

Figure 24: Gross Written Premium, 2008–2014

(millions of rufiyaa)



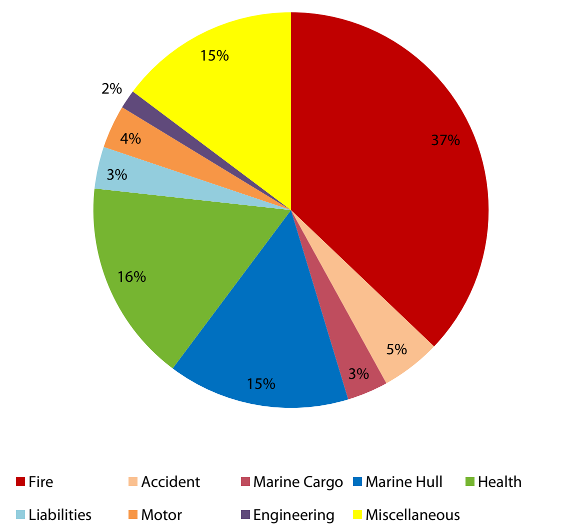
Source: Maldives Monetary Authority

[17] *Gross written premium indicates the total premium received by insurance companies during a particular period.*

The retention ratio, or the total premium retained with the insurance companies in proportion to the amount ceded for reinsurance, stood at 35% during 2014. This is a 1 percentage point increase compared with the previous year. The main contributors to the increase in total retention for the year were the rapid increases in the retention ratios of both health and motor insurance businesses, which retained more than 98% of the risk, indicating that the industry is taking up a riskier position. However, certain larger insurance products such as fire insurance retained less than 10% of their GWP, which implies that a large amount of risk is transferred from insurer to reinsurer, strengthening the protection of policyholders' rights.

As for the net claims paid by the insurance companies, these declined significantly, by 44%, from MVR141.5 million in 2013 to MVR78.8 million in 2014. This was caused by substantial decreases in claims made in fire, marine hull and health insurance during the year. The growth in the GWP and the decline of net claims in 2014 resulted in an increase of profitability of the industry by 3%, reaching MVR85.8 million compared with MVR82.9 million in 2013 (Figure 26).

Figure 25: Gross Written Premium by Insurance Classes, 2014



Source: Maldives Monetary Authority

Figure 26: Net Claims and Profitability of the Insurance Industry, 2008–2014
(millions of rufiyaa)

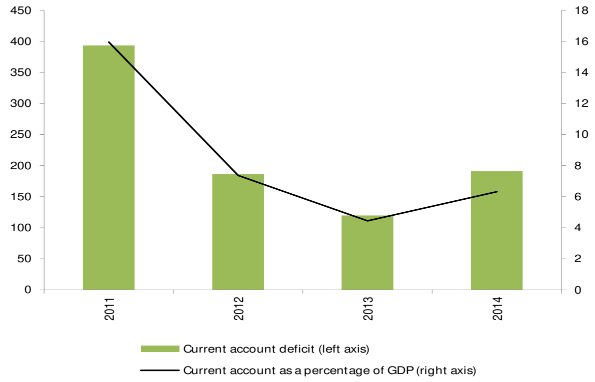
Source: Maldives Monetary Authority

External Sector

Current Account

The current account is one of the most important indicators of the country's external position. In 2014, the current account deficit worsened in comparison with the previous year, largely because of the deterioration in the merchandise trade deficit. According to revised estimates made by the MMA in April 2015, the current account deficit recorded US$191.1 million in 2014, which is equivalent to 6% of GDP (Figure 27). This compares with a current account deficit of US$119.8 million, or 4% of GDP, in 2013. Despite the widening of the merchandise trade deficit, which was due to the increase in imports coupled with the decline in exports, it was entirely offset by a significant increase in the surplus of the services account. Nevertheless, the income and current transfers account deficit also worsened in 2014, thus contributing to the worsening of the current account deficit (Figure 28).

Figure 27: Current Account Deficit, 2011–2014
(millions of US dollars)



Source: Maldives Monetary Authority

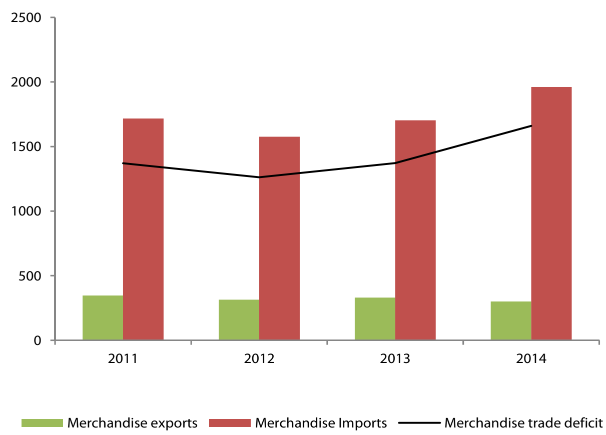
Figure 28: Composition of Current Account, 2011–2014
(millions of US dollars)

Source: Maldives Monetary Authority

Balance on Goods

The estimated merchandise trade deficit widened by 21% in 2014, recording US$1.7 billion. The worsening of the trade deficit was due to the growth in imports as well as the decline in exports during the year (Figure 29). Despite the decline in oil prices and overall global commodity prices, imports (f.o.b.) recorded a growth of 15% in 2014 owing to the strong domestic import demand. Meanwhile, the decline in exports, which also contributed to the widening of the trade deficit, is due to a fall in both domestic fish exports and re-exports.

Figure 29: Merchandise Trade Balance, 2011–2014
(millions of US dollars)



Source: Maldives Monetary Authority

Merchandise Exports

Merchandise exports, comprising domestic exports and re-exports, declined by 9% (US$30.1 million) in 2014, to total US$300.9 million. The decline in total exports was due to the fall in both domestic exports and re-exports during the year. In 2014, the share of domestic exports declined slightly to 48% while the share of re-exports increased to 52%. Domestic exports, which consist almost entirely of fish exports, totalled US$144.8 million, declining by 13% in 2014. This was largely due to the decline in international tuna prices and partly due to low levels of domestic fish catch. The decline in domestic exports could also be attributed to the change in trade policy by the EU to remove trade concessions on Maldivian exports from 1 January 2014 (Box 3). Meanwhile, re-exports, constituting mainly jet fuel sold to aircrafts at Ibrahim Nasir International Airport, declined by 5% in 2014, to total US$156.0 million. The fall in re-exports can be attributed to the steep decline in oil prices, particularly towards the end of 2014.

With regard to the composition of domestic exports, earnings from fish exports, which accounted for 96% of total domestic exports, fell by 14% to total US$139.1 million. Fish export earnings are largely dominated by fresh, chilled or frozen skipjack tuna (23%) and yellowfin tuna (54%). Meanwhile, canned or pouched tuna and processed fish accounted for a further 11% and 5% of earnings, respectively. Examining individual components, the decline in fish export earnings during the year stemmed from the significant fall in earnings from frozen skipjack and yellowfin tuna, which were mainly exported to Thailand (Box 4). However, earnings from fresh or chilled yellowfin tuna (which records the highest income from all fish categories), recorded a slight increase. As for canned or pouched tuna, earnings declined marginally by US$0.7 million and export of processed fish (which mostly includes dried tuna) also declined by US$1.4 million.

Box 3: The Generalised Scheme of Preferences

The Generalised Scheme of Preferences (GSP) is considered an influential mechanism for economic development because it provides developing countries most in need with preferential access to the EU market of over 500 million consumers. There are three main variants of the GSP:

- The general GSP agreement: this offers tariff reductions to developing countries through partial or entire removal of tariffs on two-thirds of all product categories.

- The GSP Plus agreement: this is an extended preference scheme which focuses on the full removal of tariffs on same product categories covered by the general GSP agreement. These are granted to countries which ratify and implement international conventions including human and labour rights, environment and good governance.

- "Everything but arms (EBA)" agreement: this is an arrangement for the least developed countries (LDCs) which grants duty-free and quota-free access to all products, except for arms and ammunition.

The Maldives was originally exempted from paying import tax to the EU under the EBA agreement because of its LDC status. However, the Maldives graduated from being an LDC country in 2011, but was given a three-year transition period till the end of 2013, when it could still benefit from the advantages of the EBA agreement. With effect from 1 January 2014, the Maldives is applicable to benefit from the general GSP, levying approximately 24% tax on canned tuna and 12% on fresh tuna.[1]

The Maldivian government applied for the GSP plus agreement but was not taken into consideration by the EU. As per the new GSP published in December 2013, access to the general GSP benefits will be withdrawn for the Maldives, China, Thailand and Ecuador as of 1 January 2015. This is according to the new provisions in the revised GSP, which state that preferential terms will be removed if a country has been classified by the World Bank as an upper-middle-income class for three consecutive years. For the Maldives, this criterion was met for the period 2011–2013.

[1] *World Trade Organisation - Trade Policy Review, report by Maldives. 22 September 2009.*

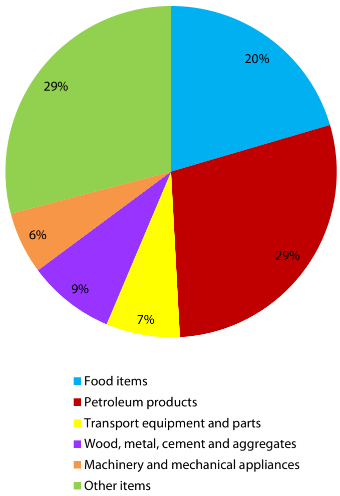
Merchandise Imports

Boosted by the increase in domestic economic activity in 2014 and the resulting import demand, merchandise imports (c.i.f.) increased by US$259.1 million in 2014, amounting to US$2.0 billion. With regard to the composition of imports by sector, the share of the imports by the private sector declined marginally to 69% and imports by the public sector rose to 31%. Private sector imports can be further classified into imports made directly by the tourism sector (25%) and private sector imports excluding the tourism sector (75%). Likewise, public sector imports can be categorised into imports made by public enterprises (94%) and imports by the government (6%).

As for the composition of imports, petroleum products and food items, which are the two main categories of imports, amounted to 29% and 20% of total imports during the year, respectively (Figure 30). The growth in import expenditure on petroleum products accelerated to 14% (US$68.4 million) in 2014 from 3% in 2013. Diesel (marine gas oil) is the largest subcategory within petroleum products, accounting for 61% of all such imports during the year. Expenditure on import of food items also rose by US$28.7 million during the year, with almost all major categories of food recording increases. However, the growth in import payments for food items was significantly lower in 2014 compared with 2013, owing to the easing of global food prices during the year.

Mirroring the strong performance of the construction sector, imports of construction materials (which include the imports of wood, metal, cement and aggregates) increased by US$32.9 million in 2014 after recording a decline in the previous year. Meanwhile, the imports of transport equipment (contributing 7% of total imports) registered a growth of US$23.2 million, mainly due to the increase in import of vessels during the year.

Figure 30: Composition of Imports, 2014

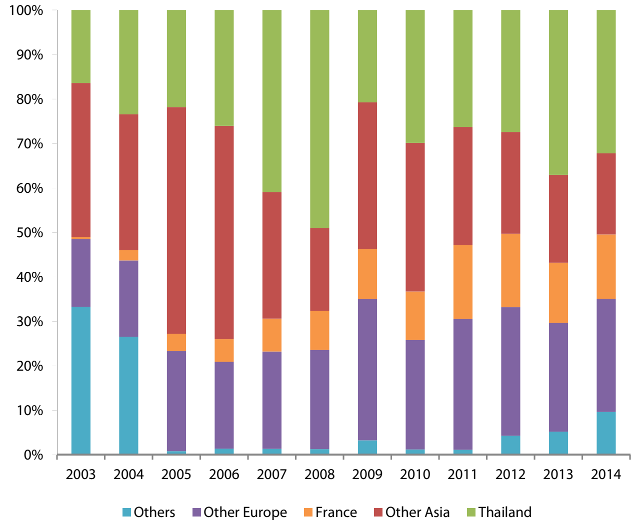


Source: Maldives Customs Service

Box 4: Direction of Trade in Goods

As in the previous years, the majority of Maldivian exports were exported to Asia and Europe. However, the share of exports to Asian countries decreased to 50% in 2014 from 57% in 2013 while the share for European countries increased slightly to 40% in 2014 from 38% in 2013 (Figure 1). The significant reduction in exports to Asia was due to a considerable decline in exports to Thailand, which accounted for 64% of all exports to Asia in 2014. The bulk of exports to Thailand are in the form of frozen skipjack tuna. Other export markets in Asia included Sri Lanka and Japan (12% and 11% of exports to Asia, respectively). Exports to Europe, mainly consisting of fresh or chilled yellowfin tuna, declined by 9%, with the main export markets within Europe being France (36% of exports to Europe), Germany (17%), Ireland (15%) and the UK (12%) in 2014.

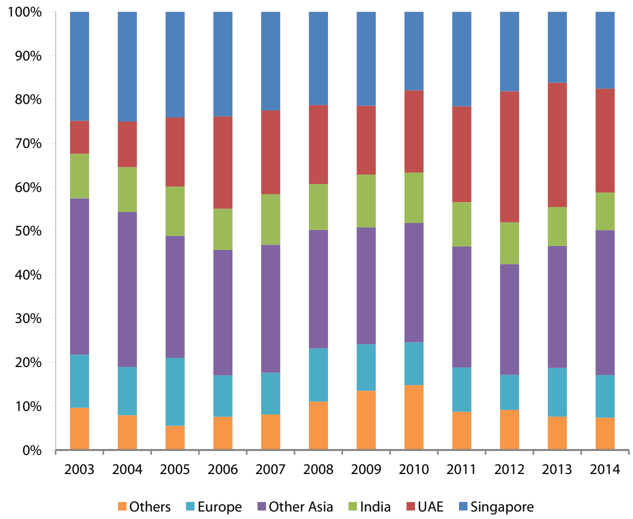
Figure 1: Direction of Trade of Exports, 2003–2014



Source: Maldives Customs Service

The direction of trade of imports did not change significantly during 2014. Similar to the previous year, the bulk of goods were imported from Asia (83%). In particular, 24% and 18% of all items were imported from the United Arab Emirates (UAE) and Singapore, respectively. The large amount of imports from the UAE mainly reflects the import of aviation gas and marine gas oil, while imports from Singapore largely constitute import of marine gas oil as well as machinery and mechanical appliances. Meanwhile, imports from Europe comprised 10% of all imports (Figure 2).

Figure 2: Direction of Trade of Imports, 2003-2014



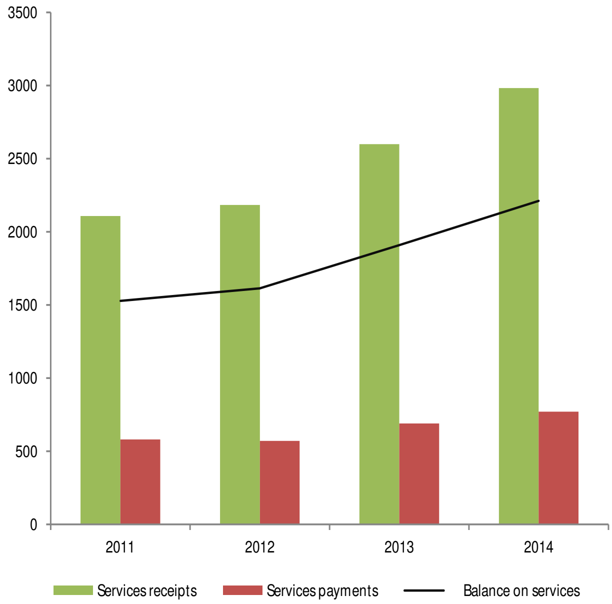
Source: Maldives Customs Service

Balance on Services

The balance on services is dominated by substantial inflows of foreign exchange from the tourism sector. During 2014, the estimated services surplus increased markedly from US$1.9 billion to US$2.2 billion, almost entirely due to the growth in travel receipts in the review year (Figure 31). Travel receipts accounted for 89% of all services receipts in 2014, reflecting the growth in tourism expenditure in the Maldives. Accordingly, tourist receipts increased by US$308.6 million and amounted to US$2.6 billion in 2014.

Meanwhile, the improvement in the services account surplus was slightly offset by higher payments made for services abroad. Among these, the largest share of services payments (55%) was made for transportation and travel purposes. Expenditure on travel by Maldivians travelling abroad is estimated to have risen by US$30.5 million and amounted to US$228.0 million.[18] Similarly, payments made for international transport services increased from US$173.7 million to US$194.2 million, mostly because of the increase in freight charges on imports, due to the increase in total imports during the year.

Figure 31: Balance on Services, 2011–2014
(millions of US dollars)



Source: Maldives Monetary Authority

Balance on Income

In 2014, the estimated deficit on the income account widened by US$24.5 million to US$394.2 million. This deterioration was mainly driven by dividend payments made to direct investors. As such, outflows relating to direct investment increased to US$350.3 million in 2014 compared with

[18] *Estimates made for the component of expenditure by Maldivians travelling abroad is made by the MMA based on the Maldivians Travelling Abroad Survey held every year in December.*

those of US$333.9 million in 2013. Moreover, increased net outflows from the income account were also due to higher government interest payments on public external debt.

Balance on Current Transfers

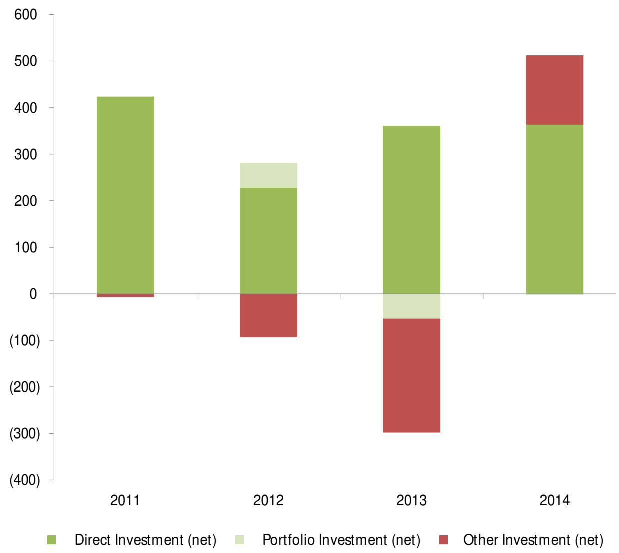
The estimated deficit on current transfers widened to US$348.7 million in 2014, increasing by US$61.4 million from the previous year. This was largely because of the US$58.5 million increase in the estimated workers' remittances during the year, which amounted to US$323.6 million. As for current inward transfers, which mainly include grants received by the government, these declined marginally by US$0.2 million to record US$2.3 million.

Financial Account

The financial account records financial transactions with the residents of an economy and the rest of the world. In the case of the Maldives, transactions on financial assets and liabilities are represented under direct investment, portfolio investment, other investments and reserve assets.

The financial account registered a net inflow of US$510.3 million in 2014 compared with a net inflow of US$62.6 million during 2013. External financial inflows to the Maldives during the year were mainly in the form of foreign direct investment, which constituted 71% of total financial inflows. Foreign direct investment into the country in 2014 is estimated to be US$363.3 million, while a net

Figure 32: Financial Account, 2011–2014
(millions of US dollars)



Source: Maldives Monetary Authority

inflow of US$360.8 million was estimated for 2013. However, the increase in the net inflows on the financial account in 2014 compared with 2013 was largely due to a substantial decrease in the foreign assets of the banking sector (Figure 32).

As for portfolio investment, which consists of cross-border financial transactions involving equity or debt securities other than those included in direct investment, it recorded a net outflow of US$2.0 million during 2014. This represents a reduction in the liabilities position of debt securities of non-residents in the Maldives.

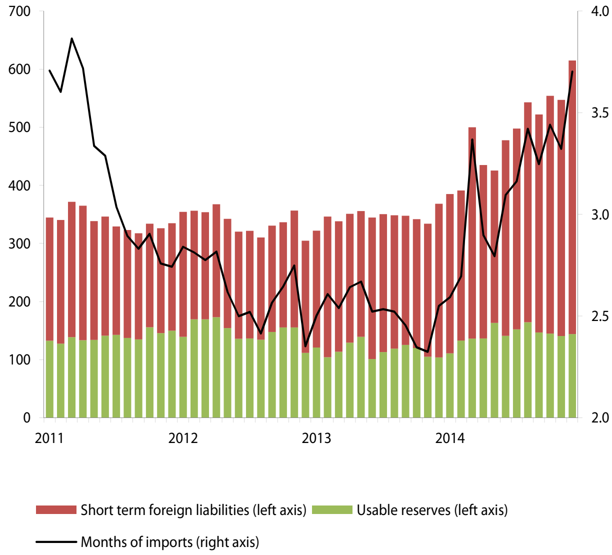
The net "other investment" flows consist of financial transactions of commercial banks, the government, the central bank and the private sector. This component of the financial account recorded a net inflow of US$149.0 million in 2014 compared with a net outflow of US$244.9 million in the previous year owing to higher net inflows by banks and the private sector in 2014. The net inflow of banks in 2014 amounting to US$6.8 million reflects a decrease in their foreign assets, which compares with a net outflow of US$132.1 million in 2013, reflecting an increase in foreign assets. Meanwhile, borrowings of the private sector from abroad increased, recording an inflow of US$151.2 million in 2014 compared with an outflow of US$70.4 million in 2013, which reflects a decline in foreign liabilities.

Overall Balance and International Reserves

The overall balance of the balance of payments improved significantly from 2013 to 2014, with its surplus increasing from US$63.8 million to US$246.4 million. This was entirely due to the increase in the net inflows on the financial account, which offset the deterioration in the current account deficit. As a result, gross international reserves[19] increased from US$368.3 million in 2013 to US$614.7 million at the end of the year. Out of this, usable reserves[20] amounted to US$143.9 million at the end of 2014, depicting a growth of 38% (US$40.0 million) when compared with 2013. The increase in gross reserves during the year was a result of improved usable reserves as well as increased net inward transfers of the commercial banks. Usable reserves rose substantially because of increased foreign currency revenue receipts by the government and temporary factors such as the disbursement of a budget support loan and the issuance of reverse dual currency US dollar T-bills. Despite the rise in imports, reserves as measured by months of imports increased to 3.7 months at the end of 2014 from 2.5 months at the end of 2013, owing to the significant growth in reserves during the year (Figure 33).

Figure 33: Gross International Reserves and Months of Imports, 2011–2014

(millions of US dollars)



Source: Maldives Monetary Authority, Maldives Customs Service

External Debt

The information on external debt statistics is limited to public and publicly guaranteed foreign borrowings of the government and foreign liabilities of commercial banks. According to the latest available external debt statistics, the official external debt stock stood

[19] Gross international reserves comprise foreign currency deposits of both the MMA and the government, commercial banks' US dollar reserve accounts and the Maldives' reserve position in the IMF.

[20] Usable reserves = Gross international reserves – Short-term foreign liabilities. This shows the amount of funds that are readily available for use by the MMA in foreign exchange intervention.

at US$738.5 million or 24% of GDP at the end of 2014. Compared with last year, the external debt decreased by 7%; in terms of GDP, this was a decline from 29% of GDP in 2013. The decrease in external debt stemmed mainly from the decline in borrowings made by the government from multilateral and bilateral sources.

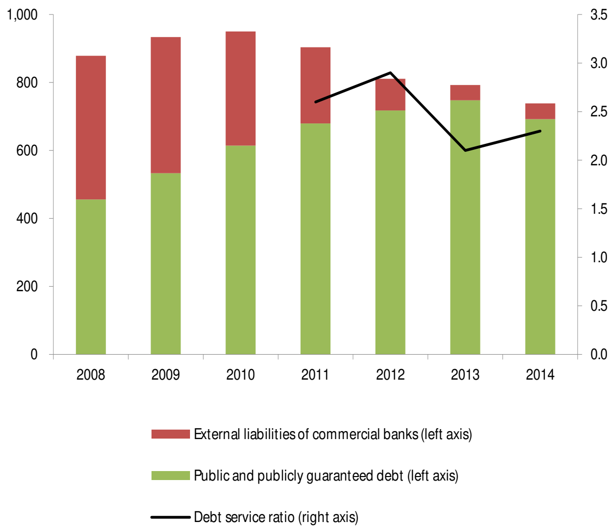
Public and publicly guaranteed external debt declined annually by US$55.6 million to US$692.3 million in 2014, or 23% of GDP. Meanwhile, external liabilities of commercial banks increased moderately by the end of 2014, after being on a gradual declining trend since 2010. Commercial banks' external liabilities recorded an increase of US$1.4 million and totalled US$46.2 million at the end of 2014 (Figure 34).

As for the composition of the public and publicly guaranteed external debt, it constituted mainly loans obtained from multilateral and bilateral sources. Multilateral loans amounted to US$290.1 million (42% of public external debt) and bilateral loans amounted to US$186.6 million (27% of public external debt) by the end of 2014. As for borrowings from commercial sources, an increase from US$7.5 million to US$31.9 million was noted, with such borrowings accounting for 5% of public external debt.

The cost of debt servicing (which includes both principal and interest payments) also increased during 2014, which mainly reflected the increase in debt service during the year. Debt servicing by the government amounted to US$76.8 million, which was an increase of US$16.0 million compared with 2013. Correspondingly, the debt service ratio[21] of public external debt increased to 2.3% in 2014 from 2.1% in 2013.

Figure 34: External Debt and Debt Service, 2008–2014

(millions of US dollars)



Source: Ministry of Finance and Treasury, Maldives Monetary Authority

[21] *Cost of debt servicing is expressed as a percentage of exports of goods and services.*

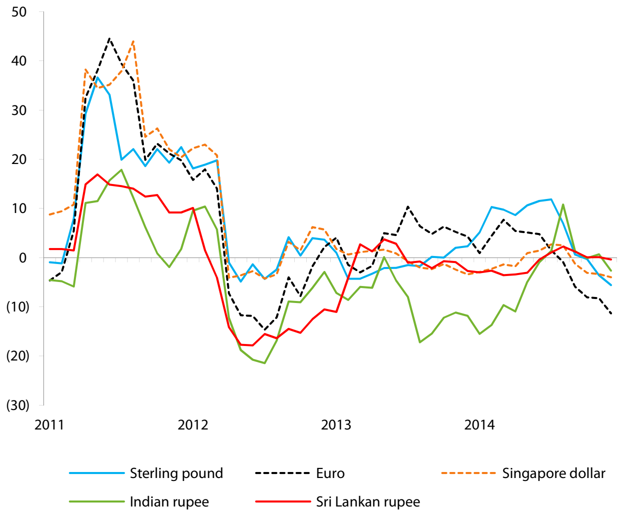
Exchange Rates

With effect from 11 April 2011, the Maldivian rufiyaa was allowed to fluctuate within a horizontal band of 20% on either side of a central parity of MVR12.85 per US dollar. However, immediately after the introduction of the exchange rate band, the exchange rate of the rufiyaa per US dollar moved towards the upper limit of the band, and since then, it has remained virtually fixed at MVR15.42 per US dollar. At the end of 2014, the MMA reference rate[22] of the rufiyaa per US dollar stood at MVR15.40, remaining largely unchanged from MVR15.41, recorded at the end of 2013.

In terms of bilateral exchange rates, the Maldivian rufiyaa appreciated against most currencies of major trading partners, mirroring the strengthening of the US dollar against these currencies. The appreciation of the rufiyaa against its major trading partners can largely be attributed to the halting of the quantitative easing policy in the US in the last quarter of 2014, and expectations of higher interest rates in the economy. Conversely, poor economic conditions in both the eurozone and Japan have led to the respective governments pursuing aggressive quantitative easing programs, leading to the depreciation of the euro and the yen. These factors have led to the rufiyaa appreciating most significantly against the Japanese yen and the euro during 2014, by 13% and 11%, respectively.

The rufiyaa also appreciated against the sterling pound by 6% and the Indian rupee by 3%. The improvement of the US economy coupled with the Bank of England's decision to keep interest rates unchanged caused the pound to weaken against the rufiyaa during the year. Moreover, the rufiyaa appreciated against the Singapore dollar by 4% and the Sri Lankan rupee by less than 1% (Figure 35).

Figure 35: Exchange Rate Movement of Foreign Currencies, 2011–2014
(annual percentage change)



Source: Bank of Maldives

[22] *The MMA reference rate is the midpoint of the weighted average buying and selling rates of all commercial banks.*

Outlook for 2015

Against the background of a positive outlook for the external economic environment, the Maldivian economy is expected to expand further in 2015. According to projections made by the National Bureau of Statistics in October 2014, real GDP is projected to expand by 10.5% in 2015, up from 8.5% in 2014. Nonetheless, owing to the recent downward revision made to the tourism sector growth forecasts for 2015, the real GDP growth is now expected to be lower than what was forecasted in October 2014.

Looking at the drivers of GDP growth in 2015, growth is projected to be led by the robust growth of tourist arrivals supported by the recovery of key European markets and the continued expansion of the Chinese market and other new markets. In 2015, growth is also expected to benefit from the strengthening of the construction sector, which has rebounded strongly from sharp declines in output in 2012 and 2013. Construction activity is expected to be boosted by the large public sector infrastructure projects outlined in the 2015 budget as well as the pick-up in private residential projects amid improved financing conditions. However, downside risks remain on GDP growth projections. These include lower-than-anticipated tourist arrivals stemming from a likely setback in euro area recovery and a further weakening of the Russian economy, which is currently one of the key European markets. Meanwhile, the construction sector growth may register a slowdown because of potential difficulties in raising finance for the large public sector infrastructure projects.

The rate of inflation in 2015 is projected to decline slightly to 1.9%, supported by the moderation in global oil and food prices, However, there are upside risks such as increase in import duties which may push up inflation.

As for the government budget proposed for 2015, the fiscal deficit is projected to decline by 0.4 percentage points of GDP to 3.0% of GDP in 2015. The reduction in fiscal deficit stems from increasing revenue by raising import duty from zero-rated items and duty hikes on vehicles. Significant revenues are expected from the acquisition of land for Special Economic Zones and licences for new resorts. Expenditure reducing measures for 2015 aim to contain current spending, and include a public employment freeze and expenditure savings from the rationalisation of subsidies. Despite this positive outlook, there are several risks to the revenue and expenditure projections, some of which have already materialised. These include slippages in total revenue stemming from the recent reversal of the planned import duty hike for motorcycles and textiles, which would reduce import duty receipts. Meanwhile, the recent downward revision to tourist arrivals forecast for 2015 would likely reduce T-GST revenue. On the expenditure side, there may be overruns in social spending owing to delays in the targeting of electricity subsidies. These slippages may set back the fiscal consolidation required to achieve the medium-term fiscal sustainability targets specified under the FRA.

The external current account deficit is projected to worsen in 2015 owing to the widening of the merchandise trade deficit stemming from the high import growth and weak export growth. Despite the projected increase in economic activity, import growth is expected to slow in 2015, reflecting low global prices. Meanwhile, fish exports are projected to remain weak during the year. Since the growth of the tourism receipts is insufficient to offset the increase in imports, interest payments and remittance outflows, the current account deficit is projected to deteriorate to 7% of GDP in 2015. Meanwhile, net financial inflows are projected to decrease in 2015 and gross international reserves are projected to decline to US$517.0 million in 2015, which is equivalent to 2.6 months of imports.

INTERNAL MANAGEMENT, POLICIES AND ORGANISATIONAL DEVELOPMENTS

Monetary Policy

Monetary Policy Framework

The MMA is responsible for the conduct of monetary policy in the Maldives. The main aim of monetary policy is to achieve price stability and maintain a sufficient level of foreign exchange reserves. Under the current monetary policy framework, the exchange rate peg is used as the nominal anchor for price stability. The monetary policy instruments available to the MMA in support of the objectives of monetary policy are the minimum reserve requirement (MRR); open market operations (OMO); and the MMA standing facilities, namely, the Overnight Deposit Facility (ODF) and the Overnight Lombard Facility (OLF). All key decisions relating to monetary policy are recommended by the Monetary Policy Committee and approved by the Board of Directors of the MMA.

Conduct of Monetary Policy

Against the background of favourable macroeconomic conditions and a stabilised foreign exchange market, the MMA took a number of monetary measures in 2014.

Minimum Reserve Requirement

The MRR continues to be one of the three main monetary policy instruments available to the MMA in controlling the liquidity of the banking system. Effective 20 February 2014, the MRR was lowered from 25% to 20% for both local and foreign currency deposits. The MRR was lowered primarily to foster private sector lending and to reduce the cost of borrowing for commercial banks. Currently, banks are obliged to meet the local currency MRR in rufiyaa deposits and the foreign currency MRR in US dollar deposits. Prior to this change in MRR, banks were required to denominate 3% of foreign currency MRR in local currency. Hence, the reduction in the effective MRR was 8% for local currency MRR and 2% for foreign currency MRR.

Interest Rate Corridor

The interest rate corridor was revised in August 2014 and implemented in September 2014. The purpose of the interest rate corridor revision was to rationalise the overall interest rate structure of the banking system—owing to the changes brought to the interest rates of Treasury bills (T-bills)—as well as to foster banks' lending activities. Accordingly, the interest rate on ODF was lowered from 3.00% p.a. to 1.50% p.a., and the interest rate on OLF was lowered from 12.00% p.a. to 10.00% p.a. Moreover, the indicative policy rate of the MMA was reduced from 7.00% p.a. to 4.00% p.a.

Open Market Operations and Standing Facilities

Because of weak lending in the banking system and the stable foreign exchange market, the MMA temporarily stopped OMO in May 2014 to assist the government in its cash flow management. Despite this measure, excess liquidity continued to be absorbed through the ODF as commercial banks diverted their funds to the ODF, which resulted in a significant increase in ODF placements. Plans to resume OMO depend on the banking sector liquidity and lending behaviour as well as developments in the foreign exchange market.

Intervention in the Domestic Foreign Exchange Market

In order to stabilise the exchange rate, the MMA sells US dollars to the commercial banks on a weekly basis. As part of such efforts, the MMA increased the amount of US dollars injected into the market by US$1 million from September 2013 onwards. This additional allocation was targeted towards specific areas such as education, travel and medical requirements. In June 2014, the MMA started providing part of these added allocations in cash to the commercial banks to cater specifically for the US dollar cash demand for travel purposes. To curb the disparity between the market rates and the official rate further, the MMA increased the monthly dollar sales to state-owned enterprises during the second half of 2014 for essential needs.

Reserve Management

The MMA aims to ensure that the financial system is developed through a well-functioning money market and a foreign exchange market. In line with this aim, managing the reserves of the MMA is one vital function that supports the conduct of monetary policy.

The MMA began actively managing foreign reserves in 2014. Accordingly, following revisions brought to the reserve management policy and investment guidelines, foreign reserves were diversified into currencies other than the US dollar. Although such reserves were mainly held in US dollars in the past, foreign reserves were diversified to include currencies such as the Australian dollar, the euro and the sterling pound as prescribed within the revised guidelines.

Moreover, the MMA began investing in fixed deposits in 2014 and also increased the number of counterparties to include a central bank and six reputable commercial banks as well as one financial institution with good credit ratings. The investments on fixed deposits were placed in shorter maturities to meet liquidity needs.

Through these efforts, the returns earned from managing the foreign reserves increased significantly in 2014 and amounted to US$1.4 million. This was mainly on investments in currencies other than the US dollar.

Financial Stability

Maintaining financial stability is an important objective of the MMA. Financial stability is important to maintain trust in the financial system, which helps to prevent destabilising incidents such as bank runs. To ensure financial stability, the MMA regulates and supervises all commercial banks and other financial institutions to identify the possible sources of risk and vulnerability as well as to take necessary measures to safeguard the health and efficient functioning of these institutions.

The financial institutions regulated and supervised by the MMA include commercial banks, insurance companies, finance leasing companies, housing finance institutions, money service businesses and insurance brokers and agents.

While commercial banks and other financial corporations form the major part of the Maldivian financial system, financial infrastructure such as payments and settlement systems and a credit information registry facilitate the effective operation of these financial intermediaries. Accordingly, a credit information unit (CIU), which aims to develop a national credit information registry to reduce and ultimately eliminate lending to poorly assessed investment requests, operates within the MMA. Moreover, to support the legal and regulatory framework of the financial system, a financial intelligence unit (FIU) has also been established in the MMA. The FIU is the central national agency in charge of receiving, analysing and disseminating information in relation to money laundering activities.

In 2014, a financial sector development unit was created in the MMA to design, implement and monitor a long-term financial sector development plan of the Maldives. This unit was established to develop the whole financial industry, and to focus particularly on fostering an efficient, competitive and flexible financial system.

Moreover, the MMA signed a memorandum of understanding (MOU) with the Capital Market Development Authority in May 2014 to facilitate the regulatory and supervisory functions of both institutions and the exchange of information to foster a safe and sound financial system.

Developments to the Regulatory Framework of the Financial Sector

A number of measures were taken to strengthen the regulatory framework of the financial sector during 2014. These include changes made to legislation in bank and non-bank supervision areas as well as strengthening the legal framework facilitating the effective functioning of the financial sector.

- The implementation of the Prevention of Money Laundering and Financing of Terrorism Act in October 2014 marked a significant achievement in strengthening the regulatory framework of the financial sector of the Maldives. This act was passed by the People's Majlis on 31 March 2014, and ratified by the president on 13 April 2014. In addition to providing for the prohibition and prevention of money laundering and financing of terrorism and its related procedures, the act provides for the establishment of an FIU in the Maldives. The law came into effect on 12 October 2014, and numerous regulations have been drafted during the year and issued on 15 January 2015, as was required by the act. These regulations include Regulation for Banks on Prevention of Money Laundering and Financing of Terrorism, Regulation for Life Insurance and Family Takaful Insurance Businesses on Prevention of Money Laundering and Financing of Terrorism, and Regulation on Prevention of Money Laundering and Financing of Terrorism for Money Transfer Businesses and Money Changing Businesses. To enhance the supervisory and regulatory powers of the MMA over other financial institutions, the bill on the Third Amendment to the Maldives Monetary Authority (6/81) was reviewed by the MMA during the year. It was sent to the Attorney General's Office to be submitted to the People's Majlis. The main purpose of this amendment was explicitly to provide the MMA with powers to regulate broader non-bank financial institutions and activities.

- To strengthen the financial sector regulatory framework further, a law was drafted in 2014 to provide licences to financial institutions to conduct consumer finance business in the Maldives and supervision of such institutions. It is envisaged that this bill will be enacted in 2015.

- The First Amendment to the Banking Act (3/2015) was passed by the People's Majlis on 25 December 2014, followed by the ratification by the president on 4 January 2015. The main change made by this amendment was to remove the single borrower limits and credit exposure limits from the act, so that they may be issued under a regulation of the MMA instead.

- Moreover, several amendments made to guidelines pertaining to the insurance sector were passed by the board on 22 October 2014. Amendments were made to the Guidelines for the Administration of Insurance Agents 2010, Guidelines on Annual Fees for Insurance Businesses 2010 and Guidelines on Application Fees for Insurance Businesses 2010. The purpose of these changes was to address the need to set aside different applicable fees for agents of compulsory insurance from the regular fees applicable to other insurance businesses and agents.

- Further, two guidelines specific to the insurance industry, Guidelines for Insurance Surveyors and Guidelines on Solvency for Insurance Undertakings, were also drafted in 2014 and are expected to come into effect in 2015.

Supervisory and Regulatory Activities

The relevant supervision divisions carried out several regulatory activities during the year.

- The on-site inspection of five commercial banks was carried out by the Banking Supervision Division, in addition to the regular and continuous off-site monitoring of banks.
- On-site inspections of seven money transfer companies were carried out by the Other Financial Institutions Division, in collaboration with the FIU.
- On-site inspection of one finance company and two insurance companies were carried out by the Other Financial Institutions Division and the Insurance Division, respectively.
- The FIU analysed nine suspicious transaction reports received from financial institutions during 2014 and disseminated four of them to the relevant law enforcement authority for further action.
- The Financial Consumer Unit of the MMA received eight consumer complaints about financial institutions in 2014; seven of these cases were closed by the end of the year and one is ongoing.

The work of issuing and cancelling licences was also carried out in 2014.

- New licences for one individual insurance agent, four corporate insurance agents and one insurance broker were issued.
- Licences for one individual insurance agent and two corporate insurance agents were cancelled.
- Forty-eight new money changer licences were issued and 27 money changer licences were cancelled.

Currency, Banking and Payment Systems

Currency

The MMA is the issuer of the Maldivian currency and is responsible for ensuring that the demand for currency is met adequately. In addition, the MMA safeguards the integrity and the quality of the Maldivian currency and ensures that only genuine and fit notes and coins are in circulation.

At the end of 2014, total currency in circulation stood at MVR3.1 billion, which is a decrease of 5% compared with MVR3.3 billion recorded at the end of 2013. The value of banknotes issued by the MMA in 2014 amounted to MVR316.2 million, decreasing by 63% from the previous year (Table 5).

As for the value of coins issued by the MMA, this increased to MVR13.0 million in 2014 from MVR7.0 million a year ago. During the year, rufiyaa 1 coins were minted by the Royal Mint in the UK to replenish the stock of coins.

During the year the process of destroying worn-out and damaged currency notes was also carried out. Concurrently, counterfeit notes received by the MMA were removed from circulation.

Launching of Ran Dhihafaheh Banknote Series

In 2014, the MMA announced the introduction of a new banknote series, which

Table 5: Quantity and Value of Banknotes and Coins Issued, 2012–2014

Denomination	2012		2013		2014	
	Pieces	MVR millions	Pieces	MVR millions	Pieces	MVR millions
Rufiyaa 500	350,000	175.0	1,552,000	776.0	200,000	250.0
Rufiyaa 100	850,000	85.0	541,000	54.1	500,000	50.0
Rufiyaa 50	160,000	8.0	280,000	14.0	100,000	5.0
Rufiyaa 20	50,000	1.0	400,000	8.0	300,000	6.0
Rufiyaa 10	100,000	1.0	550,000	5.5	267,000	2.7
Rufiyaa 5	500,000	2.5	600,000	3.0	500,000	2.5
Total banknotes	**2,010,000**	**272.5**	**3,923,000**	**860.6**	**1,867,000**	**316.2**

Denomination	2012		2013		2014	
	Pieces	MVR millions	Pieces	MVR millions	Pieces	MVR millions
Rufiyaa 2	1,384,000	2.8	746,000	1.5	368,000	7.4
Rufiyaa 1	1,708,000	1.7	4,033,000	4.0	2,905,000	2.9
Laari 50	1,296,000	0.6	1,733,000	0.9	990,000	0.5
Laari 25	1,536,000	0.4	1,922,000	0.5	972,000	0.2
Laari 10	407,000	0.0	675,000	0.1	224,000	0.0
Laari 5	645,000	0.0	1,030,000	0.1	-	-
Laari 1	640,000	0.0	1,371,000	0.0	-	-
Total coins	**7,616,000**	**5.6**	**11,510,000**	**7.0**	**5,459,000**	**13.0**

Source: Maldives Monetary Authority

is to be launched in 2015. The purpose of replacing the current banknote series with a completely new design is to enhance the security features of the currency, as it is not possible to incorporate the latest security features into the current banknotes. The MMA also announced the release of the first commemorative banknote to celebrate the 50th year of independence in 2015.

Accordingly, on 3 September 2014, the MMA invited the public to submit their artwork for the new banknote series of the Maldivian rufiyaa named *Ran Dhihafaheh* and the commemorative note; for this invitation, the MMA received 66 proposals. However, as the MMA did not receive designs of adequate quality to be used for a new banknote series, the invitation to submit artwork was re-announced with a slight change in guidelines. For the second invitation, the MMA received 29 proposals. From this, the best proposal to design the new currency series is to be selected in 2015.

Payment Systems

Payment systems are a major constituent of the financial infrastructure of a country. The efficient functioning of the payment systems enables transactions to be completed in a fast and efficient manner, thus contributing to overall economic performance.

The payment systems, Maldives Real Time Gross Settlement (MRTGS) system and Automated Clearing House (ACH) enable the efficient transfer and settlement of interbank payments. The MRTGS system, which commenced its live operations in 2011, settles large-value and urgent interbank transactions in real time on a gross basis, thus reducing risk in payment systems and allowing banks to manage their liquidity effectively. In contrast, ACH is a session-based clearing system for cheques, direct debits and direct credits. This system clears a high volume of low-value transactions sent in batches and submits them for settlement to the MRTGS system.

During 2014, the volume of transactions processed via MRTGS was over 48,000 whereas that for ACH was over 112,000. This reflects a value of MVR730.8 billion and MVR1.7 billion for MRTGS and ACH, respectively. In 2014, the total number of cheques cleared by the MMA was 684,350 and the total value of these cheques amounted to MVR101.8 trillion.

Banking Services to the Government

The government holds a single government account with the MMA—the Public Bank Account (PBA). The PBA receives deposits on it and allows payments to be made.

Although the PBA was overdrawn and not repaid fully at the end of 2013, the PBA balance continued to deteriorate further during early 2014. The main factors contributing to this deterioration were the high interest servicing costs of T-bills in the first half of the year and an increase in government expenditure. The Fiscal Responsibility Act, which came into full effect on 6 May 2014, sets out limits on borrowing from the MMA by the government. Under the FRA, borrowings from the MMA shall not exceed 1% of annual average of the government revenue for the preceding three years. Accordingly, the PBA overdraft of MVR3.3 billion as at 5 May 2014 was converted to a short-term loan to the Ministry of Finance and Treasury as passed by the Board of Directors. This loan was restructured to a Treasury bond (T-bond) at the end of the year. Since May 2014, the PBA balance has maintained a healthy credit balance, mainly because of the MVR2.9 billion in financing raised by the issuance of new T-bills and Islamic securities.

Management of Government Securities

The MMA acts as an agent of the government to issue and manage government securities efficiently and to offer advice to the government on all aspects related to the issuance of government securities.
During the year, the Islamic Treasury Security *Murabahah* certificate was introduced on 8 May 2014 on a private placement basis. The *Murabahah* certificate was issued with maturities of 6, 9 and 12 months whereby the parties to the contracts agree to a selected mark-up on purchase and sale of certain goods. Likewise, there was an increased issuance of the *Mudarabah* certificate, which was introduced in 2013. Under the *Mudarabah* agreement, profits from the investments were shared as per a pre-agreed ratio.

To facilitate the management of government debt, outstanding government debt held by the MMA amounting to MVR6.4 billion[1] was restructured to a 50-year amortising T-bond on 30 December 2014.

[1] *This includes an existing T-bond of MVR3.1 billion and a short-term loan to the Ministry of Finance and Treasury (the PBA overdraft of MVR3.3 billion as at 5 May 2014).*

Internal Management and Corporate Services

Dr Azeema Adam—who previously held the position of assistant governor of Monetary Policy, Research and Statistics—was appointed by the president as the governor of the MMA on 20 April 2014. This was following the resignation of the former governor, Dr Fazeel Najeeb, at the end of 2013. The nomination of Dr Azeema for this post was made by the president and approved by the People's Majlis. Further, Ms Aishath Zahira was reappointed as deputy governor for another term in July 2014.

The organisation of the MMA is headed by the governor and the deputy governor, while all major policies are set by the Board of Directors. The operations of the MMA are divided into four areas: Monetary Policy, Research and Statistics; Financial Stability; Banking Operations; and Corporate Services. A number of separate units also report directly to the governor.

Board of Directors

The Board of Directors is the highest policymaking body of the MMA. The board formulates key policies concerning monetary and corporate policies and sets strategic direction to the organisation in maintaining price stability in the country. The governor and deputy governor of the MMA are appointed by the president with the consultation of the People's Majlis. The remaining directors are appointed by the president with the recommendation of the governor.

During 2014, 16 meetings of the Board of Directors were held. Following are the main resolutions passed by the board relating to the policies of the MMA:

- Reducing the MRR applicable to the deposits of the commercial banks from 25% to 20%

- Revising the interest rate corridor by decreasing the OLF rate from 12.00% to 10.00% p.a., and the ODF rate from 3.00% to 1.50% p.a—the indicative policy rate of the MMA was also reduced from 7.00% to 4.00% p.a.

- Revising the reserve management policy of the MMA to strengthen the reserve management function further

- Setting a redundancy policy for employees, outlining the circumstances in which a staff member could be made redundant and the financial allowance to be given to such a staff member

- Setting the interest rate chargeable on the overdrawn amount of the PBA at the interest rate of 28 day T-bills plus an additional 1%

- Restructuring the government debt held by the MMA into a long-term T-bond with a maturity period of 50 years and an interest rate of 2.50% p.a.

- Introducing a new currency series in the year 2015 as well as issuing a commemorative note in celebration of 50 years of independence

- Granting approval to Glo Inc Pvt Ltd to act as agent of Xpress Money Services Limited to provide money transfer services

- Revising the insurance industry's guidelines on fees and charges to be paid to the MMA by the stakeholders of the insurance industry

Internal Audit

The objective of an internal audit is to provide independent and objective assurance and consulting services designed to add value and improve the operations of the MMA. The audit provides an independent appraisal of the adequacy and effectiveness of the controls set up by the management to assist the operations of the MMA. The controls subject to evaluation encompass the following:

- Compliance with laws, regulations, and the MMA's directives and controls
- The effectiveness of operations
- The reliability and integrity of financial and operational information
- Safeguarding of assets
- The information systems environment

Shari'ah Council

The *Shari'ah* Council is responsible for establishing a framework that will harmonise *Shari'ah* interpretations in accordance with Islamic law and strengthen the regulatory and supervisory oversight of the Islamic banking and finance industry. Accordingly, the *Shari'ah* Council is also responsible for validating all Islamic banking and finance operations to ensure their compatibility with the *Shari'ah* principles.

During 2014, the *Shari'ah* Council of the MMA held one meeting to deliberate on various issues. Issues deliberated on by the council included various product structures and documents submitted by the Bank of Maldives, Allied Insurance Company of the Maldives and Housing Development Finance Corporation.

Audit Committee

The Audit Committee is a subcommittee of the Board of Directors of the MMA and comprises three non-executive members. The purpose of the committee is to assist the board in monitoring and assessing the effectiveness and integrity of the financial statements of the MMA, the MMA's external auditor's qualifications and independence, and the performance of the MMA's internal audit function and external auditors. The committee is also responsible for overseeing internal controls over financial reporting and compliance by the MMA with legal and regulatory requirements.

Human Resources

The MMA continued to strengthen the knowledge and skills of its employees, focusing particularly on training them as well as maintaining a motivated workforce.

Staff Recruitment, Training and Development

At the end of 2014, there were a total number of 182 staff at the MMA, of which 52% were female and 48% were male. During the year, 33 new staff were employed at MMA and 25 staff left the MMA for various reasons. The percentage of undergraduate degree holders among professional and technical jobs was maintained at 67%.

In terms of training and development of the workforce, the MMA provides its staff with specialised training in the field of finance, economics, banking and information technology. In this regard, 38 staff participated in 33 different short-term training events (including seminars and workshops) organised and held overseas. Additionally, 15 staff participated in six different training events organised and held by local institutions in the country. Further, to provide staff with more exposure in certain technical fields, five staff were provided with short-term internship opportunities and study visits to other central banks and financial institutions.

Under the MMA's human resource development programme, a scholarship was awarded to a staff member in 2014 to pursue postgraduate studies overseas in database systems. In addition, one staff member was sponsored under the Scholarship Top-up Scheme to pursue a postgraduate degree overseas.

MMA Training Institute

In 2014, the MMA Training Institute (MMA TI) organised a number of different training programmes to address the various needs of financial institutions and to enhance the knowledge and skills of staff. These training programmes were attended by over 900 participants and were mostly targeted at officials of the MMA, the commercial banks and other financial institutions. Trainers and facilitators of the training programmes held by the MMA TI include experts from well-known international organisations and central banks.

During the year, the MMA TI continued to offer professional qualifications to the employees of the MMA and financial institutions in the Maldives. In collaboration with the Malaysian Insurance Institute, the MMA TI conducted certificate- and diploma-level programmes of the Chartered Insurance Program. Accordingly, the second batch of the Certificate of the Malaysian Insurance Institute and the first batch of the Diploma of the Malaysian Insurance Institute were completed in 2014, while the Associateship level commenced during the year. Additionally, in collaboration with the Asian Institute of Chartered Bankers, Malaysia, the Chartered Banker qualification was completed in 2014 as well.

Further, orientation programmes for new employees of the MMA were also held throughout the year.

Service Recognition

In recognition of their dedicated and valued service to the MMA, the MMA continued to award long service awards to employees who have worked 20 years or more with the MMA. The employees who received this award in 2014 were Ms Moonisa Abdul Razzaq and Ms Aishath Jumna. In addition, Ms Fathimath Ibrahim was given an award in recognition of her continuous service to the MMA for more than 15 years. Moreover, the MMA continued to reward staff who foster a friendly work environment, promote collaboration and team spirit and show initiation and leadership.

As for staff promotions, staff who performed well in 2013 were rewarded with promotions in line with the promotion policy.

Internal Staff Policy

The internal staff policy of the MMA was revised in 2014 to strengthen the staff policy further, particularly in motivating and retaining the employees of the MMA. The policy includes provisions for internal policies on promotion and other such issues, and was implemented during the year.

Economic Research and Analysis

The MMA carries out research and in-depth analysis on topical economic issues and on areas important for the formulation of the monetary policy and for other functions and tasks of the MMA. These analyses are presented in the form of various publications such as the *MMA Research Paper Series, Annual Report, Quarterly Economic Bulletin, Monthly Economic Review* and *Iqthisaadhee Review*.

In 2014, the MMA launched its first research paper series, aptly titled *MMA Research Papers*. The main aim of this publication is to stimulate policy-relevant debate while providing the general public with an accessible source of information about key economic issues. The articles in this compilation include those with more in-depth analyses and more general articles that are targeted towards a broader readership. The first issue of the *MMA Research Papers* included 10 articles, mainly contributed by the staff from the Monetary Policy and Research Division.

The MMA launched a bank credit survey in 2014 targeted at all commercial banks in the Maldives. The main purpose of the survey is to obtain information regarding banks' lending activities, particularly to private businesses and households. This information, complemented by existing statistics on domestic credit from the banking system, will be used to assist in the formulation of monetary policy. The bank credit survey is conducted every six months, by means of a survey questionnaire sent to all commercial banks operating in the country.

The MMA continued to conduct the quarterly business survey during 2014 as well. The survey, which is aimed at obtaining a quick assessment of current business trends and expected future economic activity in the country, was carried out during the four quarters. Additionally, the first survey report based on the findings of the Q4-2013 survey was published in February, with a special event held to mark its release.

The MMA also provided its professional opinion to the People's Majlis on the proposed government budget for 2015.

During 2014, a series of one-hour seminars titled "Lunchtime Seminar Series" were held to provide a platform for MMA staff to present papers related to economics and central banking. The aim of these seminars is to help widen the knowledge base, improve skills and stimulate discussion on topical issues. However, due to administrative constraints, the seminars were held only twice during the year.

Statistics

The MMA compiles and disseminates statistics relevant to its core objectives of monetary policy and price stability. The MMA is primarily responsible for the compilation of the balance of payments (BOP) statistics and monetary and financial statistics (MFS) in the Maldives. These statistics are compiled as per the guidelines provided by the International Monetary Fund (IMF) and published regularly in Monthly Statistics. In addition, a wide range of other macroeconomic statistics are collected for advisory, analytical and research purposes from a variety of sources. The MMA also continues to participate in the General Data Dissemination System[2] of the IMF.

In 2014, the MMA published a new and improved version of its publication *Monthly Statistics* with the objective of presenting the data in a more comprehensive and user-friendly format. The new version also consists of additional information on the fiscal sector and the financial sector.

As for the data coverage improvement of MFS, other financial corporations' data, which were compiled during 2013, were published in the first issue of the new *Monthly Statistics* in 2014. Moreover, as a requirement of the IMF, financial soundness indicators (core set) for 2012–2013 were compiled during 2014 and are to be disseminated in early 2015.

As part of ongoing efforts to improve the coverage of the BOP statistics, the MMA continued to conduct the survey on Maldivians travelling abroad. Additionally, the foreign investment survey and the survey on foreign assets and liabilities, which were initially conducted in 2013 for foreign companies established in the Maldives, were launched for local companies in 2014. The aim of these surveys is to obtain detailed information on the asset and liability positions and transactions between local companies and non-related, non-resident enterprises.

Additionally, the MMA signed an MOU with the Maldives Inland Revenue Authority (MIRA) in June 2014, to collaborate on data sharing between the two institutions

Media and Public Awareness

The MMA uses various communication tools to reach a wide audience. In addition to providing general information and promoting the MMA's publications on social media (Facebook, YouTube and Twitter), the MMA places great emphasis on holding events to enhance awareness among the public on general economic or financial issues.

One of the key events celebrated in 2014 under the MMA's public education agenda was Global Money Week. The MMA in collaboration with the Ministry of Education,

[2] *General Data Dissemination System is a structured process through which IMF member countries voluntarily participate. The aim of this program is to improve the quality of the data produced and disseminated by each country's statistical systems over the long run to meet the needs of high-quality macroeconomic analysis.*

the National Museum and financial institutions celebrated this week for the first time in the Maldives in 2014. Activities for the week, carried out from 10 to 17 March 2014, were aimed at empowering the next generation to be confident, responsible and skilled economic citizens and to create financial awareness among the children and youth of the country.

The following activities were carried out to celebrate Global Money Week 2014:

- A visit by representative staff from the MMA to 16 schools in the Male' region to deliver a special speech at the school assembly, conveying the importance and value of money

- A museum visit organised jointly by the MMA and the National Museum for school students to view the exhibits on Maldivian currency and to learn about the history of the Maldivian currency during the visit, a presentation was given by the staff of the MMA on the Maldivian rufiyaa and the security features of banknotes

- Information sessions for Grade 9 students at their respective schools, aimed at creating financial awareness during these sessions, information was presented by staff from commercial banks and other financial institutions on banking services, saving, investment, pension and retirement

- An art competition organised by the MMA for students of grades 1–5 in the Male' region, aimed at creating awareness on how to save for their future, the importance of managing a budget and creating a saving culture among the children

- A nationwide essay competition organised by the MMA for secondary and tertiary students, encouraging them to think analytically and critically about current economic and financial issues

Among these activities, winners were selected for the art competition and the essay competition were awarded prizes, and an exhibition of all artwork submitted for the art competition was displayed at the National Art Gallery.

Apart from the Global Money Week activities, the MMA continued to host macroeconomic workshops for secondary and higher secondary students, to raise their awareness about the Maldivian economy and to encourage them to think critically about current economic issues. In 2014, under this very successful workshop series, sessions were held for nine schools and over 500 students took part. In these workshops, the staff of the MMA provided information on various sectors of the Maldivian economy and carried out interactive activities and quizzes.

Moreover, in 2014, the FIU provided awareness training on the Prevention of Money Laundering and Financing of Terrorism Act to the prosecutors at the Prosecutor General's Office upon request.

Building and Premises

During 2014, the ground floor and first floor of the MMA building, which provides administrative and banking services to the general public, were redesigned and refurbished to facilitate a more spacious and pleasant environment for both the MMA staff and its customers.

International Relations

The MMA continues to work closely with other central banks and supervisory authorities to promote cross-border supervision of financial institutions, to foster a safe and sound financial system in the Maldives and to share expertise and best practices. Further, 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

IMF Article IV Mission

The Article IV Consultation mission from the IMF visited the Maldives from 9 to 20 November 2014. The mission held discussions with the governor of the MMA, the minister of Finance and Treasury, parliament members, representatives of the commercial banks, other senior officials of the MMA, the government and private parties regarding macroeconomic developments and policies and the outlook for the medium term. At the end of the mission, the IMF staff provided their assessment of the economy along with policy recommendations.

IMF Technical Assistance on Strengthening the Foreign Exchange Market

A mission from the IMF Monetary and Capital Markets Department visited the Maldives from 29 May to 5 June 2014. The main objective of this mission was to review the structure and the functioning of the foreign exchange market in the Maldives and suggest measures to improve the foreign exchange market. As part of their work, the mission held meetings with the governor, the deputy governor, technical staff of the MMA, the Ministry of Tourism, the MIRA, some of the large commercial banks and the private sector (mainly resort operators and major importers). The mission provided their main findings and recommendations to the MMA at the end of the mission.

IMF Technical Assistance on Balance of Payments

As part of ongoing efforts to improve the BOP and international investment position (IIP), a mission from the IMF (under the Japan Administered Account for Selected IMF Activities' Project on the Improvement of External Sector Statistics [ESS] in the Asia and Pacific Region) provided technical assistance (TA) to the MMA under a three-year (2013–2015) project. The purpose of this mission—which was conducted from 26 January to 6 February, 15 to 26 June and 23 November to 4 December 2014—was to evaluate and recommend improvements for the compilation and dissemination of ESS of the Maldives, mainly the BOP and the IIP.

IMF Technical Assistance on Banking Supervision

An IMF TA mission on banking supervision was conducted from 17 to 27 March 2014. The purpose of this mission was to strengthen the capacity of the MMA staff to conduct stress testing exercises on the financial system and improve the prudential regulations of banks.

IMF Annual Meetings

Governor Azeema Adam and Executive Director Idham Hussain attended the 2014 annual meetings of the IMF and the World Bank group held in Washington, DC, from 10 to 12 October 2014. During the annual meetings, the governor also participated as a panellist in a session titled "Boosting Women's Participation in the Labour Force" on 8 October 2014.

Asian Development Bank

The MMA continued to receive TA from the ADB in the form of training, technical and financial assistance during 2014 as well.

ADB Consultancy on the Operation of the Credit Information Unit

Under financial assistance from the ADB, an international consultant provided assistance in addressing the major challenges faced by the CIU. Moreover, to assist in improving the current legal framework, an additional international consultant was hired under financial assistance from the ADB in 2014.

ADB Technical Assistance on Financial Stability

Under the TA for supporting financial stability in the Bhutan and Maldives, consultants from PricewaterhouseCoopers provided TA to help develop the macro-prudential framework and a liquidity management strategy for the Maldives.

SAARCFINANCE

The MMA is a member of the SAARCFINANCE Network. In 2014, Assistant Governor Mariyam Hussain Didi and Executive Director Aishath Nadhiya attended the 28th SAARCFINANCE group meeting and the SAARCFINANCE Governors' Symposium from 24 to 25 July 2014 in Colombo, Sri Lanka. In addition, Governor Azeema Adam attended the 29th SAARCFINANCE group meeting on 9 October 2014, held on the sidelines of the IMF annual meetings in Washington, DC. In this meeting, issues relevant to the region were discussed among representatives from the respective South Asian Association for Regional Cooperation (SAARC) countries.

Other Institutions

The MMA is a member of the Islamic Financial Services Board, Asian Clearing Union and the Steering Group of the Asia/Pacific Group on Money Laundering. Apart from being a member of these international organisations, the governor participated in the following international meetings and forums in 2014:

Islamic Finance News Sri Lanka Forum 2014

Governor Azeema Adam and Assistant Governor Neeza Imad participated in the Islamic Finance News Sri Lanka Forum 2014 on 21 October 2014 in Colombo, Sri Lanka.

Berlin Economic Forum 2014

Governor Azeema Adam delivered a keynote speech at the Berlin Economic Forum 2014-24 "Sustainable Economies, Sustainable Technologies, Sustainable Industries" held in Berlin, Germany, from 8 to 11 November 2014.

ANNUAL FINANCIAL STATEMENTS

Building a better working world

Ernst & Young
Chartered Accountants
G. Shafag, 2nd Floor
Rahdhebai Magu
Malé
Republic of Maldives

Tel: +960 332 0742
Fax: +960 332 0748
eymv@lk.ey.com
ey.com

Reg. No: C-192/95

KR/AHF/RHH

Independent Auditors' Report
To the Board of Directors of Maldives Monetary Authority

Report on the financial statements
We have audited the accompanying financial statements of Maldives Monetary Authority (the "Authority"), which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of movements in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and 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.

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

22 April 2015
Male'

Statement of Financial Position

As at 31 December 2014

Assets	Note	2014 MVR	2013 MVR
Foreign currency financial assets			
Cash and cash equivalents	4	9,254,745,885	5,466,198,832
IMF related assets	5	374,103,405	400,463,098
Subscriptions to international agencies	6	833,140	833,681
Interest and other receivables	7	15,688,837	211,930
Total foreign currency financial assets		9,645,371,267	5,867,707,541
Local currency financial assets			
Subscriptions to international agencies	6	8,509,716	8,509,557
Interest and other receivables	7	-	23,761,138
Loans to Government institutions	8	-	2,475,985,941
Investment in Government treasury bills	9	-	623,771,051
Investment in Government bonds	10	6,440,468,919	3,136,576,058
Total local currency financial assets		6,448,978,635	6,268,603,745
Total financial assets		**16,094,349,902**	**12,136,311,286**
Local currency non-financial assets			
Gold and silver assets	11	28,755,643	29,203,357
Inventories	12	65,080,637	73,044,020
Property, plant and equipment	13	42,458,744	40,961,441
Intangible assets	14	35,140,817	43,255,010
Other assets	15	2,466,193	3,547,727
Total local currency non-financial assets		**173,902,034**	**190,011,555**
Total assets		**16,268,251,936**	**12,326,322,841**

Statement of Financial Position

As at 31 December 2014

	Note	2014 MVR	Restated 2013 MVR
Liabilities and equity			
Foreign currency financial liabilities			
Balances of commercial banks	16	6,865,756,984	3,660,826,421
Balances of the Government and Government institutions	17	105,928,645	125,865,775
Payable to Asian Clearing Union	18	103,182,962	63
IMF related liabilities	19	407,206,313	532,453,471
Interest bearing loans	20	94,325,210	104,331,222
Deposits of international financial institutions	23	833,140	833,681
Other liabilities	24	19,657,273	19,307,373
Total foreign currency financial liabilities		7,596,890,527	4,443,618,006
Local currency financial liabilities			
Balances of commercial banks	16	4,233,065,101	2,804,908,993
Balances of the Government and Government institutions	17	868,418,981	22,004,181
Securities sold under agreement to repurchase	21	-	902,000,000
Balances of insurance companies	22	10,000,000	10,000,000
Deposits of international financial institutions	23	10,040,243	9,991,252
Other liabilities	24	264,584,834	265,015,511
Total local currency financial liabilities		5,386,109,159	4,013,919,937
Total financial liabilities		**12,982,999,686**	**8,457,537,943**
Other liabilities			
Currency in circulation	25	3,099,431,556	3,252,432,252
Deferred grants	26	3,206,657	3,369,659
Pension and other employment benefits payable	27	4,668,375	4,399,589
Total liabilities		**16,090,306,274**	**11,717,739,443**
Equity			
Capital	28	50,000,000	50,000,000
Reserve	28	127,945,662	558,583,398
Total equity		**177,945,662**	**608,583,398**
Total liabilities and equity		**16,268,251,936**	**12,326,322,841**

The Board of Directors of the Maldives Monetary Authority authorised these financial statements for issue on 22 April 2015.

Signed for and on behalf of the Board by,

…………………………………………… …………………………………………

Azeema Adam - Governor **Ahmed Munawar - Director**

The accounting policies and notes on pages 85 to 135 form an integral part of the financial statements.

Statement of Comprehensive Income

Year ended 31 December 2014

Operating income	Note	2014 MVR	Restated 2013 MVR
Foreign currency income and expenses	29		
Interest income on foreign currency financial assets		24,298,525	4,703,161
Interest expense on foreign currency financial liabilities		(1,184,955)	(2,125,065)
Net foreign currency income		**23,113,570**	**2,578,096**
Local currency income and expenses	30		
Interest income on local currency financial assets		151,025,811	434,404,034
Interest expenses on local currency financial liabilities		(66,466,730)	(65,904,025)
Net local currency income		**84,559,081**	**368,500,009**
Other income	31	15,342,114	13,370,986
Net foreign exchange revaluation gain / (loss)		(187,639,505)	8,649,650
		(172,297,391)	**22,020,636**
Total net operating income		**(64,624,740)**	**393,098,741**
Expenses			
Personnel expenses	32	44,624,704	38,665,370
Administration expenses	33	38,600,786	47,580,235
Depreciation, amortisation and impairment		15,472,230	31,097,083
Total operating expenses		**98,697,720**	**117,342,688**
Net profit/ (loss) for the year		**(163,322,460)**	**275,756,053**
Other comprehensive income		-	-
Total comprehensive income/ (loss)		**(163,322,460)**	**275,756,053**
Transferred to foreign asset revaluation reserve	28	187,639,505	(8,649,650)
Profit for the year		**24,317,045**	**267,106,403**

The accounting policies and notes on pages 85 to 135 form an integral part of the financial statements.

Statement of Movements in Equity

Year ended 31 December 2014

	Contributed capital MVR	General reserve MVR	Restated Foreign asset revaluation reserve MVR	Retained earnings MVR	Total MVR
As at 1 January 2012	**50,000,000**	**100,000,000**	**271,739,358**	**205,310,125**	**627,049,483**
Profit re-appropriation to the Government (Note 34)	-	-	-	(205,310,125)	(205,310,125)
Profit for the year	-	-	-	205,063,505	205,063,505
Transfers to Foreign asset revaluation reserve (Note 28)	-	-	17,723,142	(17,723,142)	-
1/5 of Foreign asset revaluation reserve payable to the Government	-	-	(57,893,055)	-	(57,893,055)
As at 31 December 2012	**50,000,000**	**100,000,000**	**231,569,445**	**187,340,363**	**568,909,808**
Profit re-appropriation to the Government (Note 34)	-	-	-	(188,038,644)	(188,038,644)
Profit for the year	-	-	-	275,756,053	275,756,053
Transfers to Foreign asset revaluation reserve (Note 28)	-	-	8,649,650	(8,649,650)	-
1/5 of Foreign asset revaluation reserve payable to the Government	-	-	(48,043,819)	-	(48,043,819)
As at 31 December 2013	**50,000,000**	**100,000,000**	**192,175,276**	**266,408,122**	**608,583,398**
Profit re-appropriation to the Government (Note 34)	-	-	-	(266,408,122)	(266,408,122)
Loss for the year	-	-	-	(163,322,460)	(163,322,460)
Transfers to Foreign asset revaluation reserve (Note 28)	-	-	(187,639,505)	187,639,505	-
1/5 of Foreign asset revaluation reserve payable to the Government	-	-	(907,154)	-	(907,154)
As at 31 December 2014	**50,000,000**	**100,000,000**	**3,628,617**	**24,317,045**	**177,945,662**

The accounting policies and notes on pages 85 to 135 form an integral part of the financial statements.

Statement of Cash Flows

Year ended 31 December 2014

	Note	2014 MVR	2013 MVR
Operating activities			
Receipts:			
Interest received - foreign currency		7,951,408	4,486,061
Interest received - local currency		164,558,000	459,537,766
Fees, commission and other miscellaneous income received		14,590,143	12,210,321
		187,099,551	**476,234,148**
Disbursements:			
Interest paid - foreign currency		(1,391,661)	(2,221,842)
Interest paid - local currency		(66,866,663)	(65,413,953)
Payments to employees		(44,461,169)	(39,522,742)
Payments to suppliers and fees/commission paid		(31,065,296)	(48,000,780)
		(143,784,789)	**(155,159,317)**
Net cash flow from operating activities	35	**43,314,762**	**321,074,831**
Investing Activities			
Receipts:			
Net increase/ (decrease) in currency deposits		(2,716,337,615)	(13,103)
Net increase/ (decrease) in deposits from financial institutions		4,649,900,771	1,479,782,660
Net increase/ (decrease) in deposits from the Government		834,032,721	11,384,018
Net increase/ (decrease) in other liabilities		(468,695)	1,850,773
		2,767,127,182	**1,493,004,348**
Disbursements:			
Net (increase)/ decrease in assets held with IMF		917,450	1,660,640
Net (increase)/ decrease in loans and advances to the Government		(193,906,921)	(1,279,570,423)
Expenditure on development projects		(816,290)	(7,501,083)
Purchase of property plant & equipment		(8,040,923)	(6,012,063)
Profit paid to the Government		(266,408,122)	(188,038,644)
Net increase/ (decrease) in other assets		23,268,467	33,973
		(444,986,339)	**(1,479,427,600)**
Net cash flow from investing activities		**2,322,140,843**	**13,576,748**
Financing activities			
Receipts:			
Net increase/ (decrease) in currency in circulation		(153,000,697)	776,892,250
Net increase/ (decrease) in ACU payables		102,995,055	(12,535,827)
Net increase/ (decrease) in securities issued		(902,000,000)	-
Net increase/ (decrease) in interest bearing loans		(3,669,700)	(22,273,583)
Net increase/ (decrease) in liabilities with IMF		(95,568,375)	(83,741,966)
Net increase/ (decrease) in grants received		(521,429)	-
Net cash flow from financing activities		**(1,051,765,146)**	**658,340,874**
Net increase/ (decrease) in cash and cash equivalents		**1,313,690,459**	**992,992,453**
Exchange rate effect on cash and cash equivalents		(8,414,787)	2,961,243
Cash and cash equivalents as at the beginning of the year		5,465,318,963	4,469,365,267
Closing cash and cash equivalents as at 31 December	36	**6,770,594,635**	**5,465,318,963**

The accounting policies and notes on pages 85 to 135 form an integral part of the financial statements.

Notes to the Financial Statements

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 is responsible:-

(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 2014 were authorised for issue by the Board of Directors of the Authority in accordance with the article 35 of MMA Act.

2. ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared on the historical cost basis, except for certain assets and liabilities that have been measured at fair value as identified in specific accounting policies below.

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 provide 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.

Statement of compliance

These financial statements of the Authority for the year ended 31 December 2014 have been prepared in accordance with International Financial Reporting Standard (IFRS).

2.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those used in the previous financial year.

2.2 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE

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

2.2.1. IFRS 9 Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Authority's financial assets, but no impact on the classification and measurement of the Authority's financial liabilities.

2.2.2 Amendment to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Authority given that the Authority has not used a revenue-based method to depreciate its non-current assets.

2.2.3. IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

2.3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. In the process of applying the accounting policies, the Authority has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements.

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.

Impairment losses on loans and advances

The Authority reviews its individually significant loans and advances at each Statement of Financial Position date to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident.

Pensions 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 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 taken under the income statement. For the purposes of retranslation the following Maldivian Rufiyaa exchange rates for major currencies were used:

	31 December 2014 MVR	31 December 2013 MVR
1 Australian Dollar	12.5122	13.6335
1 Euro	18.6893	21.1850
1 Singapore Dollar	11.6209	12.1511
1 Special Drawing Rights (SDR)	22.3100	23.8117
1 Sterling Pound	23.8871	25.3830
1 United States Dollar	15.4000	15.4100

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. In accordance with the Chapter 3, Section 13 of MMA Act 1981, on 10 April 2011, The President of The Republic of Maldives in consultation with the Board of Directors of MMA has announced that the exchange rate of Maldivian Rufiyaa against USD is permitted to fluctuate within a ±20% band of MVR 12.85 per USD, effective from 11 April 2011.

3.2 Financial Instruments – Initial Recognition and Subsequent measurement

Financial Assets within the scope of IAS 39 are classified as Loans and Receivables, Held-to-Maturity Investments, Available-for-Sale Financial Assets as appropriate. The Authority determines the classification of its Financial Assets at initial recognition.

Date of Recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Authority becomes a party to the contractual provisions of the instrument. This includes 'regular way trades': purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

a) Available-for-sale financial investments

Available-for-sale investments include equity and debt securities. Equity investments classified as available-for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value.

b) Held to Maturity Financial Assets

Held to maturity financial assets are non–derivative financial assets with fixed or determinable payments and fixed maturities, which the Authority has the intention and ability to hold to maturity. After initial measurement, held to maturity financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest Income' in the Income Statement.

If the Authority were to sell or reclassify more than an insignificant amount of held to maturity assets before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available for sale. Furthermore, the Authority would be prohibited from classifying any financial asset as held to maturity during the following two years under IAS 39.

c) Loans and Advances to the Government

'Loans and advances to the Government' include non–derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement, 'Loans and Advances to the Government' are subsequently measured at amortised cost using the Effective Interest Rate, less allowance for impairment. Amortised cost is calculated by taking into account any fees and costs that are an integral part of the EIR. The amortisation is included in 'interest income' in the income statement. The losses arising from impairment are recognised in the Income Statement in 'Impairment Charge'.

d) International Monetary Fund (IMF) related balances

In accordance with Article 22(j) of the MMA Act, the Authority may act as fiscal agent of the government in its dealings with International Financial Institutions, transacts 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) in which records all transactions with the IMF have been included in these financial statements on that basis.

The cumulative allocation of SDR's by the IMF is treated as a liability. Exchange gains and losses arising on revaluation of IMF assets and liabilities are recognised in the income statement at the Maldivian Rufiyaa exchange rate per SDR applying as at the reporting date.

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

3.3 Cash and cash equivalents

Cash and cash equivalents comprise cash at foreign banks and financial institutions and short-term deposits.

As a part of local currency activities the Authority generates certain income and incurs expenses, which do not involve in movement of cash. Those activities result in certain assets and liabilities and mainly comprise of the transactions with Government and transactions with domestic banks and financial institutions. Transactions with Government include the banking transaction to the government and governmental institutions. The results of these transactions are reflected as mere book entries in the records of the Authority.

As the sole statutory authority, the Authority issues currency to the public in line with MMA Act. Currency issued by the Authority represents a claim on the Authority in favour of the holder. This is a liability on the part of the Authority while it is an item of cash in the hands of the holder. Movement in circulation currency is included as part of financing activities in line with prevailing industry practices among those central banks which present statement of cash flows.

The Authority through the cash/pay order process disburses cash in the form of notes and coins or cheques drawn on the Authority, to various drawers including suppliers and employees for goods and services obtained, which is either added to the currency in circulation liability or deposits by banks and financial institutions. Such forms of utilisation of currency for the purposes of the Authority's payments form part of cash outflows of the Authority.

3.4 Repurchase and reverse-repurchase transactions

Securities sold under agreements to repurchase would be recorded as assets in the statement of financial position. The transactions for reverse-repurchase transactions are disclosed as a liability. The difference between the sale and repurchase price in repurchase transactions and the purchase price and sale price in reverse-repurchase transactions represents an expense and income respectively and is recognised in the income statement.

Securities held under reverse-repurchase agreements are recorded as an asset in the statement of financial position (securities purchased under agreements to re-sell). Both repurchase and reverse-repurchase transactions are reported at the transaction value inclusive of any accrued income or expense.

3.5 Investment portfolio

a) Government of Maldives treasury bonds

The Authority's investment portfolio consists of treasury bonds purchased from Government of Maldives. The portfolio is recorded in the statement of financial position at amortised cost since they represent loans provided to the Government.

b) Government of Maldives treasury bills

This investment portfolio consist treasury bills purchased from Government of Maldives. Under article 22 (h) of the MMA Act, the Authority has purchased MVR T-Bills to meet the budget financing of the Government of Maldives.

c) Advances to government

Advances to Government represents direct provisional advances made to Government of Maldives under Section 22 (h) of the MMA Act, as amended.

d) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

3.6 Other assets

a) Gold

Section 21 (2) of the MMA Act which specifies the composition of external reserve indicates that gold may be held by the Authority as part of this reserves. Hence, Authority holds gold as part of its external reserves.

As this gold is part of the external reserve and not used as a commodity which is traded during the normal course of business, (hence, not a financial instrument as per the definition in IAS) gold is fair valued and the gains or losses are transferred to the income statement. Prior to appropriation of profits, the unrealised gains or losses from gold are transferred to the foreign asset revaluation reserve.

b) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the price at which inventories can be sold in the ordinary course of the business less the estimated cost of completion and the estimated cost necessary to make the sale.

The value of each category of Inventory is determined on First in First out basis.

c) Property, plant and equipment

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

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

Class of asset	Useful life
Buildings on freehold land	30 years
Machinery and equipment	5 years
Furniture and fittings	5 years
Motor vehicles	5 years
Computer equipment	3 years

The carrying values of 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 live and methods are reviewed, and adjusted if appropriate, regularly.

d) Intangible assets

The Authority's intangible assets include the Maldives Credit Information Bureau and the Maldives Real Time Gross Settlement System which went live in 2011, the Automated Clearing House which went live during the year 2012, Oracle E-Business Suite which went live during the year 2013 and other software. Costs of these intangible assets are recognised only when its 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 income statement 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.

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

Class of asset	Useful life
Oracle E-Business Suite (ERP)	8 years
RTGS Software	7 years
Automated Clearing House	7 years
Credit Information Bureau Software	5 years
Other Software	3 years

3.7 Impairment of financial assets

The Authority assesses at each reporting date, whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial re-organisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3.8 Impairment of non-financial assets

The Authority assesses at each reporting date if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, 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 CGU'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 Income Statement. Impairment losses relating to goodwill are not reversed in future periods.

3.9 Other 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) Defined contribution plans

Employees are eligible for Maldives Pension Office Contributions in line with Maldives Pension Act of 8/2009. The Authority contributes 7% of employees' pensionable salary to Maldives Pension 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 as per the provisions of Maldives Pension Act of 8/2009.

c) Currency in circulation

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 face value in the statement of financial position.

The fair value of currency in circulation is considered to be its face value as reported in the financial statements.

d) 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 income statement 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, the fair value is credited to a deferred government grant account and is released to the income statement over the expected useful life of the relevant asset on a systematic basis consistent with the depreciation policy of the related asset.

3.10 Current Tax

In accordance to the section 15 (a) (1) of the Business Profit Tax Act of Maldives Inland Revenue Authority (MIRA), Provisions of the Business Profit Tax Act are not applicable to Maldives Monetary Authority.

3.11 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 income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income statement in arriving at the result for the year.

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

Interest income and expenses

Interest income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price unless collectability is in doubt. Interest income includes coupons earned on fixed income investments and securities and accrued discount and premium on treasury bills and other discounted instruments. Interest income is suspended when loans become doubtful of collection. Such income is excluded from interest income until received.

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 income statement, 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 are not material, are aggregated, reported and presented on a net basis.

3.12 Contingent liabilities and commitments including off balance sheet items

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

3.13 Cash Flow Statement

The Statement of Cash Flow 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 recognized. Cash and cash equivalents comprise mainly cash balances, money at overnight placements and highly liquid investments that has original maturity of 3 months or less.

3.14 Nature and extent of activities

The Board of the Authority is vested with the powers to carry out the functions of the Authority and are responsible for the management, operations and administration of the Authority. The functions of the Authority as per Article 22 of MMA Act are given below:

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;
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.

The activities carried out in order to achieve its objective of economic, price and financial system stability with a view to encouraging and promoting the development of the productive resources of the Maldives can be broadly segregated into foreign currency and local currency activities. Results of these activities are taken to mean operating activities in the context of the income statement.

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 foreign currency assets are held in various currencies. The majority of foreign currency assets are denominated in United States Dollars, Euros and Sterling Pounds.

b) Local currency activities

Local currency activities largely involves the Authority offsetting the daily net flows to or from government or market by advancing funds to or withdrawing funds from the banking system. With regard to this, liquidity management is undertaken through weekly open market operations. In addition to this the Authority's budgetary expenses are also included in local currency activities.

Notes to the Financial Statements

Year ended 31 December 2014

4 CASH AND CASH EQUIVALENTS

	2014 MVR	2013 MVR
Foreign currency cash in hand	46,564,803	20,414,097
Balances with other central banks	8,296,933	151,904,554
Balances with other foreign banks	2,846,642	17,539,902
Money at overnight placements		
With other central banks (Note 4.1)	3,136,980,000	5,239,400,000
With other foreign banks	-	33,902,000
Investment in fixed deposits with foreign banks (Note 4.2)	6,060,057,507	3,038,279
	9,254,745,885	**5,466,198,832**

4.1 Federal Reserve Bank of New York

The Authority invested USD 203,700,000/- (2013: USD 340,000,000/-) in an overnight repurchase agreement with the Federal Reserve Bank of New York at an interest rate of 0.09% per annum (2013: 0.06%).

4.2 Investment in fixed deposits with foreign banks

	2014 MVR	2013 MVR
Fixed deposits with maturity of 3 months or less	3,575,906,257	2,158,410
Fixed deposits with maturity more than 3 months	2,484,151,250	879,869
	6,060,057,507	**3,038,279**

5 IMF RELATED ASSETS

	2014 MVR	2013 MVR
Holding of special drawing rights (Note 5.1)	150,976,187	162,310,286
IMF quota (Note 5.2)	223,100,000	238,117,000
Interest receivables	27,218	35,812
	374,103,405	**400,463,098**

5.1 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 four key international currencies, and SDR's can be exchanged for freely usable currencies.

Holding of SDR's is potentially a claim on freely usable currencies of IMF members, in that holders of SDR's can exchange their currencies for SDR's. The SDR's value as a reserve asset derives from the commitments of members to hold and accept SDR's and to honor various obligations connected with the operation of the SDR system. The IMF ensures that the SDR's claim on freely usable currencies is being honored in two ways: by designating IMF members with a strong external position to purchase SDR's 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 SDR's by the Authority as at the respective reporting dates.

Notes to the Financial Statements

Year ended 31 December 2014

5 IMF RELATED ASSETS (CONTINUED)

5.2 IMF quota

The International Monetary Fund (IMF) is an international organization of 187 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. Quotas (capital subscriptions) are the primary source of IMF resources. The IMF receives its resources from its member countries. 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 percent of its quota in widely accepted foreign currencies or SDRs, and the remaining 75 percent in its own currency.

The quota defines a member's voting power in IMF decisions. Each IMF member has 250 basic votes plus one additional vote for each SDR 0.1 millions of quota. The amount of financing a member can obtain from the IMF (Access limits) is based on its quota. Under Stand-By and Extended Arrangements, for instance, a member can currently borrow up to 200 percent of its quota annually and 600 percent cumulatively. Access may be higher in exceptional circumstances and to meet specific problems.

The Republic of the Maldives has been a member of the IMF since 1978. The Maldives Monetary Authority acts as both the fiscal agent and the depository for the IMF. As fiscal agent the Monetary Authority is authorised to carry out all operations and transactions with the Fund. As depository the Monetary Authority maintains the Fund's currency holdings and ensures that the assets and liabilities of Fund membership are properly reflected in its accounts and presented in its financial statements. The Quota of the Maldives is its membership subscription.

The subscription is granted mainly by the issue of promissory notes in favour of the IMF and partly by foreign currency payments by the Government of the Maldives. As at 31 December 2014 the IMF Quota of Maldives is SDR 10 million.

Notes to the Financial Statements

Year ended 31 December 2014

6 SUBSCRIPTIONS TO INTERNATIONAL AGENCIES

	2014 MVR	2013 MVR
MOFT promissory notes issued		
Foreign currency		
Multilateral Investment Guarantee Agency	833,140	833,681
Local currency		
International Bank for Reconstruction and Development	8,264,330	8,264,330
Asian Development Bank securities	245,386	245,227
	8,509,716	**8,509,557**
	9,342,856	**9,343,238**

6.1 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 The Ministry of Finance and Treasury (MOFT) 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.

7 INTEREST AND OTHER RECEIVABLES

	2014 MVR	2013 MVR
Foreign currency		
Interest receivable	15,688,837	211,930
Local currency		
Other receivables (Note 7.1)	4,053,012	27,814,150
Less: Allowance for doubtful receivables	(4,053,012)	(4,053,012)
	-	23,761,138
	15,688,837	**23,973,068**

7.1 Other receivables

Interest on loans to government institutions	-	23,761,138
Prepayments and advances	4,053,012	4,053,012
	4,053,012	**27,814,150**

8 LOANS TO GOVERNMENT INSTITUTIONS

	2014 MVR	2013 MVR
Ministry of Finance and Treasury (Note 8.1)	-	2,475,985,941

Notes to the Financial Statements

Year ended 31 December 2014

8 LOANS TO GOVERNMENT INSTITUTIONS (CONTINUED)

8.1 Overdraw of Public Bank Account

Under article 22 (h) of the MMA Act, the Authority has granted short term advances to meet the budget deficit financing of the Government of Maldives. Inorder to minimize further overdrawing on PBA balance, control measures were implemented effective 1st December 2013 under MMA Board direction. The direction allows the Government to utilize 90 or 95 percent of the previous day's revenue for execution of Government payments on the current day and MMA to retain 5 to 10 percent to reduce the overdrawn balance on PBA. In addition, exception was allowed to further overdraw PBA only to the extent of debt repayments in instances where the revenue limit is insufficient.

Subsequent to the enforcement of the Fiscal Responsibility Act 7/2013 on 6 May 2014, the overdraft provided to the Government of Maldives as at the end of 5 May 2014 was frozen and transferred to a temporary loan account with the agreement to restructure the full government debt during the year. Accordingly, on 30 December 2014, the overdraft balance amounting to MVR 3,328,248,614/- was transferred to the remaining balance of government bonds to restructure the existing bond to a bond with longer maturity.

9 INVESTMENT IN GOVERNMENT TREASURY BILLS

	2014 MVR	2013 MVR
Balance as at 1 January	634,000,000	829,600,000
Purchased during the year	-	832,400,000
Settled during the year	(634,000,000)	(1,028,000,000)
Balance as at 31 December	**-**	**634,000,000**
Deferred discount	-	(10,228,949)
	-	**623,771,051**

9.1 Purchase and settlement of Government Treasury Bills

Under article 22 (h) of the MMA Act, the Authority has purchased MVR Treasury Bills of the Government of Maldives. On 1 April 2013, the Authority purchased Treasury bill with a face value of MVR 634,000,000/- at a discount rate of 7% and these were settled upon the maturity on 31 March 2014.

10 INVESTMENT IN GOVERNMENT BONDS

	2014 MVR	2013 MVR
Balance as at 1 January	3,136,576,058	3,806,000,000
Purchased during the year (Note 10.1)	3,328,248,614	3,172,000,000
Settled during the year	(24,355,753)	(3,841,423,942)
Balance as at 31 December (Note 10.2)	**6,440,468,919**	**3,136,576,058**
Interest receivable on Government bonds (Note 10.3)	-	-
	6,440,468,919	**3,136,576,058**

Notes to the Financial Statements

Year ended 31 December 2014

10 INVESTMENT IN GOVERNMENT BONDS (CONTINUED)

10.1 Investment in Government bonds

Under article 22 (h) of the MMA Act, the Authority has granted loans and advances to meet the budget deficit financing of the Government of Maldives. On 16 August 2009 and 30 September 2009, both the Authority and the Government of Maldives agreed to convert the outstanding principal amounts of the loans and advances provided by the Authority to the Government, which amounted to MVR 4,089,000,000/- in total, into Government bonds.

On 24 April 2012, the Authority agreed with the Government to rollover two bonds of MVR 317 million each for a period of 1 year. These two bonds were redeemed in April 2013, and the remaining bonds of MVR 3,172,000,000 was restructured into a single bond with a maturity of 20 years and 1 month, at the interest rate of 7.73% on 12 August 2013.The coupon interest and principle repayment was agreed to be made on a monthly basis.

On 30 December 2014, the total debt of the Government, which includes the overdraft balance of the Public Bank Account amounting to MVR 3,328,248,614/- together with the existing balance of government bonds amounting to MVR 3,112,391,740/- was converted to a bond. Accordingly, an amount of MVR 6,440,640,354/- was re-structured into a long term bond with a maturity of 50 years, at the interest rate of 2.4%. The coupon interest and principle repayment is agreed to be made on a monthly basis.

10.2 Remaining term to maturity

	2014 MVR	2013 MVR
Within one year	67,493,312	71,078,689
Two to five years	286,294,224	345,207,187
Six to ten years	398,469,783	611,982,326
More than ten years	5,688,211,600	2,108,307,856
	6,440,468,919	**3,136,576,058**

10.3 Interest receivable on Government bonds

Balance as at 1 January	-	86,069,446
Interest accrued during the year	79,905,843	138,058,644
Interest settlements made during the year	(79,905,843)	(224,128,090)
Balance as at 31 December	-	-

Notes to the Financial Statements

Year ended 31 December 2014

11	GOLD AND SILVER ASSETS	2014 MVR	2013 MVR
	Gold at fair value (Note 11.1)	28,684,471	29,132,185
	Silver at cost	71,172	71,172
		28,755,643	**29,203,357**

11.1 The Authority holds gold as part of its reserves. Gold is fair valued and the gains or losses are recognised in the income statement.

12	INVENTORIES	2014 MVR	2013 MVR
	Notes for circulation	26,470,275	31,365,429
	Coins for circulation	16,286,008	14,960,786
	Coins held abroad in storage (Note 12.1)	20,509,682	25,711,377
	Commemorative coins	992,931	1,006,428
	Circulating coin sets	133,667	-
	Printing in Progress	688,074	-
	Total inventories at cost	**65,080,637**	**73,044,020**

12.1 MVR 20,509,682/- (2013 - MVR 25,711,377/-) is the cost incurred to mint the coins held abroad at the warehouses of the Minting Company. These coins were minted during 2007 and 2012 and would be brought in due course. Coins with a cost of MVR 5,201,695/- (2013-MVR 10,930,826/-) were brought to the Authority's premises during the year.

Notes to the Financial Statements

Year ended 31 December 2014

		Freehold land MVR	Buildings on freehold land MVR	Machinery and equipment MVR	Furniture and fittings MVR	Motor vehicles MVR	Computer equipment MVR	2014 Total MVR
13	**PROPERTY, PLANT AND EQUIPMENT**							
13.1	**Gross carrying amounts at cost**							
	Balance as at 1 January	1,000,000	34,879,719	70,701,706	18,449,573	1,655,236	15,643,657	142,329,891
	Additions during the year	-	134,002	4,438,359	2,270,506	-	1,198,056	8,040,923
	Disposals/ transfers during the year	-	-	(78,087)	(719,246)	-	(307,035)	(1,104,368)
	Value of depreciable assets	**1,000,000**	**35,013,721**	**75,061,978**	**20,000,833**	**1,655,236**	**16,534,678**	**149,266,446**
13.2	**Depreciation**							
	Balance as at 1 January	-	5,796,237	63,988,003	17,504,714	752,481	13,327,015	101,368,450
	Charge for the year	-	1,192,501	2,750,932	373,039	303,828	1,921,448	6,541,748
	Disposals/ transfers during the year	-	-	(76,215)	(719,246)	-	(307,035)	(1,102,496)
	Accumulated depreciation	**-**	**6,988,738**	**66,662,720**	**17,158,507**	**1,056,309**	**14,941,428**	**106,807,702**
13.3	**Net book value**	**1,000,000**	**28,024,983**	**8,399,258**	**2,842,326**	**598,927**	**1,593,250**	**42,458,744**

13.4 As at 31 December 2014, property, plant and equipment includes fully depreciated assets having a gross carrying amounts of MVR 92,522,217/- (2013 : MVR 78,327,208/-).

13.5 During the financial year, the Authority acquired property, plant and equipment to the aggregate value of MVR 8,040,923/- (2013: MVR 6,400,410/-).

		Maldives Credit Information Bureau MVR	Maldives Real Time Gross Settlement System MVR	Automated Clearing House MVR	Mobile Payment System & EFT Switch MVR	Oracle E-Business Suite MVR	Software - Others MVR	2014 Total MVR
14	**INTANGIBLE ASSETS**							
14.1	**Gross carrying amounts at cost**							
	Balance as at 1 January	8,935,357	18,885,062	22,288,946	38,671,687	11,216,288	50,640	100,047,980
	Cost incurred during the year	-	-	-	-	51,236	104,532	155,768
	Transfers from development projects	-	-	-	-	-	-	-
	Balance as at 31 December	**8,935,357**	**18,885,062**	**22,288,946**	**38,671,687**	**11,267,524**	**155,172**	**100,203,748**
14.2	**Accumulated amortisation/impairment**							
	Balance as at 1 January	5,198,440	6,963,499	5,921,266	38,671,687	726,982	7,033	57,488,907
	Charge for the year	1,777,063	2,668,551	3,194,214	-	1,255,268	35,386	8,930,482
	Balance as at 31 December	**6,975,503**	**9,632,050**	**9,115,480**	**38,671,687**	**1,982,250**	**42,419**	**66,419,389**
14.3	**Net book value**	**1,959,854**	**9,253,012**	**13,173,466**	**-**	**9,285,274**	**112,753**	**33,784,359**

Notes to the Financial Statements

Year ended 31 December 2014

14 INTANGIBLE ASSETS (CONTINUED)

14.4 On 22 October 2009 the Authority has entered into an agreement with Dun & Bradstreet (Asia Pacific) Pte Ltd to develop Maldives Credit Information Bureau (MCIB) for a total cost of USD 977,800/-. The above balances represent the cost incurred on the project as at the respective reporting dates. Development of MCIB commenced on 19 November 2009 and the asset became operational on 7 February 2011.

14.5 The Authority implemented Maldives Interoperable Payment System (MIPS) which includes Maldives Real Time Gross Settlement System (MRTGS), Automated Clearing House (ACH), Mobile Payment Systems (MPS) and EFT Switch at a total cost of MVR 79,845,695/-. Maldives Real Time Gross Settlement System (MRTGS) became operational on 10 April 2011 and Automated Clearing House (ACH) became operational on 2 February 2012. The above balances represent the cost incurred and the amortisation charges as at the respective reporting dates.

14.6 Projects under work in progress

14.6.1 Oracle E-Business Suite

The Enterprise Resource Planning System (ERP) of the Authority (The Oracle E-Business Suite) became operational with effect from 02 June 2013. The project is fully funded from the Authority's budget. The Authority completed the development of the ERP system in order to centralize and automate the accounting system, systemize the maintenance of HR records and procurement process.

The balance as at 31 December 2014 relates to expenses that incurred for "Time & Labour" component of Oracle E-Business suite which was not implemented as at 31 December 2014.

	2014 MVR	2013 MVR
Balance as at 1 January	**157,287**	**5,132,382**
Cost incurred during the year	-	6,241,193
Transfers to Intangible Assets	-	(11,216,288)
Balance as at 31 December	**157,287**	**157,287**

14.6.2 Central Movable Asset Registry (CMAR)

The Authority has been working on the development of a Central Movable Asset Registry as the second phase under the Credit Information Bureau of MMA. The project is partially funded from loan taken from Asian Development Bank for the development of the Credit Information Bureau and a grant provided by ADB to the project.

	2014 MVR	2013 MVR
Balance as at 1 January	538,650	538,650
Cost incurred during the year	660,521	-
Balance as at 31 December	**1,199,171**	**538,650**

Notes to the Financial Statements

Year ended 31 December 2014

15	OTHER ASSETS	2014 MVR	2013 MVR
	Prepayments and receivables	2,466,193	3,449,883
	Advance paid	-	97,844
		2,466,193	**3,547,727**

16	BALANCES OF COMMERCIAL BANKS		
	Foreign currency balances		
	Related parties	1,235,794,874	946,223,146
	Others	5,629,962,110	2,714,603,275
		6,865,756,984	**3,660,826,421**
	Local currency balances		
	Related parties	1,260,946,978	1,393,193,806
	Others	1,275,118,123	1,320,715,187
		2,536,065,101	**2,713,908,993**
	Overnight placement deposits		
	Related parties	1,400,000,000	-
	Others	297,000,000	91,000,000
		1,697,000,000	**91,000,000**
	Total balances of commercial banks	**11,098,822,085**	**6,465,735,414**

16.1 As per the 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 monitor minimum reserve requirements imposed on the commercial banks.

16.2 MMA introduced the Overnight Deposit Facility to the commercial banks on 23 March 2010, whereby banks can place their excess funds at MMA overnight. As at 31 December 2014 the interest rate on overnight deposits of commercial banks at MMA was 1.5% per annum and the interest as at 31 December 2013 was 3%.

17 BALANCES OF GOVERNMENT AND GOVERNMENT INSTITUTIONS

Related parties	2014 MVR	2013 MVR
Foreign currency deposits:		
MOFT and Government institutions	105,928,645	125,865,775
Local currency deposits:		
MOFT and Government institutions	867,364,783	20,449,983
Public enterprises	1,054,198	1,554,198
	868,418,981	**22,004,181**
Total balances of Government and Government institutions	**974,347,626**	**147,869,956**

Notes to the Financial Statements

Year ended 31 December 2014

18 PAYABLE TO ASIAN CLEARING UNION

ACU dollar balances	103,180,000	-
Accrued interest	2,962	63
	103,182,962	**63**

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.

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 0.03% to 0.07% in 2014. Above balance represents the amounts due to ACU as at the reporting date.

19 IMF RELATED LIABILITIES

	2014 MVR	2013 MVR
IMF Securities Account (Note 19.1)	184,554,054	294,604,472
IMF No. 1 Account (Note 19.2)	5,267,346	5,621,895
IMF No. 2 Account (Note 19.3)	6,581	7,024
Allocation of SDR (Note 19.4)	171,588,619	183,138,356
Exogenous shock facility (Note 19.5)	45,735,500	48,813,985
Charges payable on SDR allocation (Note 19.6)	14,412	31,717
Charges payable on IMF SBAL (Note 19.6)	39,801	236,022
	407,206,313	**532,453,471**

19.1 IMF Securities Account

The Authority maintains the IMF securities account on the statement of financial position and includes non-negotiable, non-interest bearing securities issued by the MOFT in favor 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 MMA books are revalued as at the last working day of each week. The IMF accounts were last revalued in 30 December 2014 by IMF.

During March 2013, MMA started the repayments for the total disbursement of SDR 8.2m received under the IMF standby arrangement. During the year 2014, 8 repayments of SDR 512,500 each were made with a total repayment of SDR 4,100,000 A total of SDR 7,687,500 has been repaid to date. Repayments under IMF standby arrangement are expected to be completed by 31 March 2015.

Notes to the Financial Statements

Year ended 31 December 2014

19 IMF RELATED LIABILITIES (CONTINUED)

19.1 IMF Securities Account (Continued)	2014 MVR	2013 MVR
Balance as at 1 January	294,604,472	377,499,115
Promissory notes redeemed during the year	(95,481,011)	(83,720,006)
Exchange rate effect on IMF Securities account	(14,569,407)	825,363
Balance as at 31 December	**184,554,054**	**294,604,472**

19.2 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.

19.3 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.

19.4 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 four key international currencies, and SDR's can be exchanged for freely usable currencies. The amount shown above represents the total allocation of SDR's to the Authority as at the respective reporting dates.

19.5 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. The ESF has two components:

A rapid-access component under which a country can access fairly quickly, up to 50 percent of its quota for each exogenous shock, with resources normally being provided in a single disbursement. This component can be used on a stand-alone basis or as a first step towards higher access.

A high-access component with access up to 150 percent of quota for each arrangement in normal circumstances. Resources are provided in phased disbursements based on reviews, and programs are one-to-two years in length. The IMF approved a 24 month arrangement under ESF for Maldives amounting to SDR 8.2 million (100% of quota) on 4 December 2009.

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.

Notes to the Financial Statements

Year ended 31 December 2014

19 IMF RELATED LIABILITIES (CONTINUED)

19.5 Exogenous Shock Facility (Continued)

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

Non-current	Interest rate	Maturity date	2014 MVR	2013 MVR
Exogenous Shock Facility	0.50%	1 April 2020	45,735,500	48,813,985

19.6 Charges payable on SDR allocation and SBAL

The Fund levies a service charge of 0.5 percent (50 basis points) on each purchase, except for reserve tranche purchases, payable in SDRs at the time of the disbursement. The Fund also levies charges on the outstanding use of its resources. These charges are computed on the basis of the daily balance outstanding and are payable in SDRs by members shortly after the end of each IMF financial quarter (July, October, January and April). The rate of charge is determined at the beginning of each Fund financial year as the SDR interest rate plus a fixed margin expressed in basis points.

20 INTEREST BEARING LOANS

The MOFT	MIPS MVR	MCIB MVR	Total 2014 MVR	Total 2013 MVR
Balance as at 1 January	**93,338,170**	**10,993,052**	**104,331,222**	**126,820,558**
Received during the year	-	-	-	-
Refunded during the year	(3,669,700)	-	(3,669,700)	(23,070,000)
Effects of exchange rates	(5,643,028)	(693,284)	(6,336,312)	580,664
Balance as at 31 December	**84,025,442**	**10,299,768**	**94,325,210**	**104,331,222**

20.1 The MOFT provided a loan to the Authority for an amount equal to SDR 4,900,000/- to undertake the Maldives Interoperable Payment System (MIPS) project on 3 August 2008. During November 2013 an amount of SDR 980,155 (USD 1,500,000) was refunded and during April 2014, the remaining unutilised amount of SDR 153,577 (USD 238,138) was refunded. As at the reporting date, the loan amount outstanding is SDR 3,766,268/-.

Total loan amount	SDR 3,766,268	
Interest rate	0.75%	
Repayment Dates	15 March & 15 September each year	
Annual Repayment	From 15/09/2018 to 15/03/2028	SDR 75,325/-
	From 15/09/2028 to 15/03/2048	SDR 150,651/-

20.2 On 23 July 2009 the MOFT and the Authority have entered into a subsidiary loan agreement to fund the Maldives Credit Information Bureau (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 being payable 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 withdrawn SDR 461,666/- from this loan.

Notes to the Financial Statements

Year ended 31 December 2014

21 SECURITIES SOLD UNDER AGREEMENT TO REPURCHASE

	2014 MVR	2013 MVR
Related parties	-	800,000,000
Others	-	102,000,000
	-	902,000,000

The above balance represents the seven days maturity repurchases transaction as at the respective reporting dates under the Open Market Operations. The weighted average interest rate as at 30 December 2013 was 7%.

22 BALANCES OF INSURANCE COMPANIES

	2014 MVR	2013 MVR
Related parties	4,000,000	4,000,000
Others	6,000,000	6,000,000
	10,000,000	**10,000,000**

The above balances represent the statutory deposits of the insurance companies operating in the Maldives. These deposits carry interest at the rate of 1% per annum.

23 DEPOSITS OF INTERNATIONAL FINANCIAL INSTITUTIONS

	2014 MVR	2013 MVR
Foreign currency deposits:		
Multilateral Investment Guarantee Agency	833,140	833,681
	833,140	**833,681**
Local currency deposits:		
International Development Association	338,179	303,574
International Bank for Reconstruction and Development	8,339,689	8,570,689
Asian Development Bank	1,189,931	944,545
Multilateral Investment Guarantee Agency	172,444	172,444
	10,040,243	**9,991,252**

23.1 The Authority is designated as the depository of the International Development Association (IDA), International Bank for Reconstruction and Development (IBRD), Asian Development Bank and Multilateral Investment Guarantee Agency (MIGA) for the Republic of Maldives. The above balances represent the amounts collected on behalf of these supranational institutions for various purposes as at the respective reporting dates.

24 OTHER LIABILITIES

24.1 Foreign currency other liabilities

	2014 MVR	2013 MVR
Accrued charges and other payables	3,471,632	3,111,221
Bank of Credit and Commerce International (BCCI)	15,087,873	15,097,671
Commercial banks human resource development deposits	798,414	798,933
Other deposits	299,354	299,548
	19,657,273	**19,307,373**

Notes to the Financial Statements

Year ended 31 December 2014

24 OTHER LIABILITIES (CONTINUED)

24.2 Local currency other liabilities

	2014 MVR	2013 MVR
Accrued charges and other payables	2,464,811	3,361,848
Government Contribution to IMF Quota (Note 24.3)	33,381,644	33,381,644
1/5 of foreign asset revaluation reserve -		
payable to the Government	212,416,113	211,508,959
Sundry creditors	10,310,000	10,310,000
Commercial banks human resource development deposits	3,483,925	3,924,719
Bank of Credit and Commerce International (BCCI)	2,528,341	2,528,341
	264,584,834	**265,015,511**

24.3 Government's contribution to IMF quota

As at 31 December 2011, The MOFT has made three payments towards the IMF Quota. This balance represents the foreign currency portion of quota payments made by The MOFT for the 1992, 1999 and 2011 quota increments.

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		**2014** **MVR**	**2013** **MVR**
Coins:			
1	Laari	58,389	55,558
2	Laari	49,682	49,682
5	Laari	399,394	385,431
10	Laari	584,088	555,148
25	Laari	2,717,131	2,440,996
50	Laari	6,018,736	5,491,267
1	Rufiyaa	25,090,227	21,991,347
2	Rufiyaa	23,409,564	22,694,228
Damaged coins		(2,455)	(2,455)
		58,324,756	**53,661,202**

Notes to the Financial Statements

Year ended 31 December 2014

25 CURRENCY IN CIRCULATION (CONTINUED)

Notes:

2	Rufiyaa	1,628,340	1,628,340
5	Rufiyaa	21,177,100	20,211,400
10	Rufiyaa	29,773,470	28,681,320
20	Rufiyaa	33,619,040	30,735,740
50	Rufiyaa	44,200,450	42,725,750
100	Rufiyaa	217,079,400	207,587,500
500	Rufiyaa	2,693,629,000	2,867,201,000
		3,041,106,800	**3,198,771,050**
		3,099,431,556	**3,252,432,252**

25.2 Currency in circulation is increased by the Authority's holding of Rufiyaa coins and notes outstanding amounting to MVR 371,454,597/- and MVR 157,586,531/- as at 31 December 2014 and 2013, respectively. These amounts are deducted from the total currency in circulation to arrive the above amounts.

26 DEFERRED GRANTS

26.1 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 unutilized 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 fully charged to the income statement. Grant Value apportioned to ACH and RTGS are deferred over the useful life of each component and charged to income statement on a monthly basis.

26.2 The Authority has received a motor vehicle as a gift from the MOFT. The motor vehicle has been recognised as an asset in the books and the corresponding credit recognised as deferred revenue and will be amortised over the period that matches with the depreciation policy of motor vehicle. This grant was fully amortised during the year 2014.

26.3 The Authority has received a grant for the development of the Central Movable Asset Registry (CMAR) of Credit Information Bureau from the MOFT. An amount equivalent to USD 770,000/- is expected to be disbursed under the grant. As at 31 December 2014, USD 71,485/- has been disbursed in the form of payments to a legal consultant and an operational consultant. The grant disbursed for the operational consultant of the Credit Bureau, amounting to USD 28,594/- is considered as an income grant and has been recognized in the statement of comprehensive income.

26.4 The movement of deferred grants

	2014 MVR	2013 MVR
Balance as at 1 January	**3,369,659**	**4,441,733**
Grants received during the year	1,099,581	-
Recognised in the statement of comprehensive income	(1,262,583)	(1,072,074)
Balance as at 31 December	**3,206,657**	**3,369,659**

Notes to the Financial Statements

Year ended 31 December 2014

27 PENSION AND OTHER EMPLOYMENT BENEFITS PAYABLE

	2014 MVR	2013 MVR
Pre- Maldives Pension Act 8/2009 Pensions (Note 27.1)		
Opening balances	4,011,095	4,874,507
Less: Payments during the year	(531,550)	(531,550)
Add: Winding of interest	778,270	(331,862)
Present value of pension obligation	**4,257,815**	**4,011,095**
Employee and employer pension contribution payable	410,560	388,494
Balance as at 31 December	**4,668,375**	**4,399,589**

27.1 Pre- Maldives Pension Act 8/2009 Pensions

The Authority provides defined benefit plans ("Pre- Maldives Pension Act 8/2009 Pensions") for those employees who have completed 20 years service and opted to continue to receive such benefits. This is a frozen calculation, where the pension payment amount was determined based on the salary received by the employee at the date of completing 20 years service. Pre- Maldives Pension Act 8/2009 Pension was worked out as follows:

a) An employee who became eligible (by working in public sector for 20 years) to pension arrangement in 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:

	2014 MVR	2013 MVR
Nominal value of the benefit obligation	8,102,804	8,634,353
Present value of the benefit obligation	4,257,816	4,011,095
Unrecognised interest component	3,844,987	4,623,258
Discount rate: 364 day Treasury bill rates	9.00%	10.50%
Number of employees in the scheme	11	11
Average remaining years of service	14.55	15.55
Retirement age	65	65

Notes to the Financial Statements

Year ended 31 December 2014

28 EQUITY AND RESERVES

28.1 Capital

The Capital account represents the capital of the Authority in accordance with Chapter V, Section 25 of the MMA Act.

On 19 January 2010, The President's Office authorised the increase in Authority's authorised capital by MVR 49 million. Subsequently, the Authority's authorised and contributed capital has been increased to MVR 50 million by transferring MVR 49 million from retained earnings.

In addition to the retained earnings, reserves comprise the following;

28.2 General reserve

The general reserve is established in accordance with Chapter V, Section 27 of the MMA Act. As per the provisions of the Act, the Authority could 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 could allocate 25% of its net profit to the General Reserve account until the General Reserve is equal to twice of the authorised capital.

28.3 Foreign asset revaluation reserve

The Authority established Foreign Asset Revaluation Reserve (FARR) in accordance with Chapter V, section 28 of the MMA Act of 1981. According to the Act the 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. As per the provisions of the MMA Act neither the gains nor the losses from change in valuation of foreign currency assets and liabilities of the Authority should be included in the computation of profit or loss.

29 FOREIGN CURRENCY INCOME AND EXPENSES

29.1 Interest income on foreign currency financial assets

	2014 MVR	2013 MVR
Interest on overnight placements	2,741,528	4,367,775
Receipts on SDR holdings	183,041	335,386
Interest on short term deposits	9,853	-
Interest on fixed deposit	21,364,103	-
	24,298,525	**4,703,161**

29.2 Interest expense on foreign currency financial liabilities

	2014 MVR	2013 MVR
Charges on Stand-By Agreement	746,319	1,740,625
Interest on reserve deposits	283,307	239,251
Charges on SDR allocations	155,329	145,189
	1,184,955	**2,125,065**

Notes to the Financial Statements

Year ended 31 December 2014

30 LOCAL CURRENCY INCOME AND EXPENSES

30.1	Interest income on local currency financial assets	2014 MVR	2013 MVR
	Interest on Government Bonds	79,905,843	259,982,094
	Interest on loans to Government institutions	60,790,066	89,866,910
	Interest on reserve deposits	25,008	13,824
	Discounts on treasury bills	10,228,949	84,541,206
	Interest on Lombard Facility	75,945	-
		151,025,811	**434,404,034**

30.2	Interest expenses on local currency financial liabilities	2014 MVR	2013 MVR
	Interest on reserve deposits	18,628,667	20,514,783
	Interest on open market operations	21,384,137	36,814,795
	Interest on overnight deposit facility	26,353,931	8,474,452
	Interest on security deposits of insurance companies	99,995	99,995
		66,466,730	**65,904,025**

31	OTHER INCOME	2014 MVR	2013 MVR
	Commissions received	11,002,256	9,223,844
	Bank charges received	718,028	725,989
	Annual license fees from financial institutions	745,000	649,200
	Miscellaneous earnings	2,876,830	2,771,953
		15,342,114	**13,370,986**

32	PERSONNEL EXPENSES	2014 MVR	2013 MVR
	Salaries and wages	41,390,219	35,705,723
	Defined contribution costs	2,413,417	2,190,694
	Remuneration to the board members	821,068	768,953
		44,624,704	**38,665,370**

Notes to the Financial Statements

Year ended 31 December 2014

33	ADMINISTRATION EXPENSES	2014 MVR	2013 MVR
	Board and Shariah council other expenses	105,253	208,322
	Staff expenses	1,719,238	918,290
	Staff development expenses	3,494,793	4,620,362
	Meetings and hospitality expenses	154,868	540,661
	Expert expenses	743,132	1,069,220
	Audit fees	930,790	638,827
	Memberships, subscriptions and reference materials	1,398,391	1,771,312
	Software license renewal and maintenance	5,576,331	5,823,341
	Development activities and project expenses	1,682,266	1,434,411
	Other administrative expenses	1,474,939	1,577,744
	Transportation	24,480	48,522
	Utility charges	5,531,042	4,865,791
	Communication	1,919,238	2,051,428
	Insurance	518,551	318,272
	Maintenance	3,145,149	3,354,040
	Payment charges	370,317	527,474
	Charges on Import of Banknotes	653,903	-
	Rebate expenses on USD withdrawals	370,500	-
	Issuing notes and coins	8,787,605	17,812,218
		38,600,786	**47,580,235**

34 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 266,408,122 to the Government in respect of profit for the year ended 31 December 2013.

Notes to the Financial Statements

Year ended 31 December 2014

35 RECONCILIATION OF NET PROFIT WITH OPERATING CASH FLOWS

	2014 MVR	2013 MVR
Reported Profit / (Loss)	**(163,322,460)**	**275,756,053**
Add / (subtract) non-cash items		
Depreciation, amortisation and impairment	15,472,230	31,251,183
Unrealised losses/ (gains) on gold	447,714	10,857,925
Unrealised losses / (gains) on foreign exchange	187,191,791	(19,507,574)
Add / (subtract) movements in other working capital items		
(Increase) / decrease in interest receivable	(2,814,927)	24,916,631
(Increase) / decrease in other receivables	(751,970)	(1,160,668)
Increase / (decrease) in interest payable	(606,639)	393,297
Increase / (decrease) in other payables	7,699,023	(1,432,016)
Net Cash Flow from Operating Activities	**43,314,762**	**321,074,831**

36 CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS

	2014 MVR	2013 MVR
Foreign currency cash in hand	46,564,803	20,414,097
Balances with foreign banks	11,143,575	169,444,456
Money at overnight placements	3,136,980,000	5,273,302,000
Investment in fixed deposits -		
- with maturities of 3 months or less	3,575,906,257	2,158,410
	6,770,594,635	**5,465,318,963**

37 CAPITAL MANAGEMENT

The Authority's objectives when managing capital, which is broader than the 'equity' on the face of the statement of financial position are;

- to comply with the capital requirements outlined in section 25 of the MMA Act; and
- to safeguard the Authority's ability to continue as a going concern so that it can continue to provide central banking facilities for the Maldives;

Capital adequacy and the use of statutory capital are monitored by the Authority's management in accordance with the guidelines established by the MMA Act. As at 31 December 2014 the Authority's authorised and paid up capital was MVR 50 million. Authorised capital may be increased from time to time by such amounts as may be proposed by the Board and approved by the President of the Maldives.

Notes to the Financial Statements

Year ended 31 December 2014

38 CONCENTRATIONS OF FUNDING

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

As at 31 December 2014	2014 Total MVR	Government of Maldives MVR	Commercial banks MVR	Supranational financial institutions MVR	Others MVR
Foreign currency financial liabilities					
Balances of commercial banks	6,865,756,984	-	6,865,756,984	-	-
Balances of Government and Government institutions	105,928,645	105,928,645	-	-	-
Payable to Asian Clearing Union	103,182,962	-	-	103,182,962	-
IMF related liabilities	407,206,313	-	-	407,206,313	-
Interest bearing loans	94,325,210	94,325,210	-	-	-
Deposits of international financial institutions	833,140	-	-	833,140	-
Other liabilities	19,657,273	3,709,763	800,578	-	15,146,932
Total foreign currency financial liabilities	**7,596,890,527**	**203,963,618**	**6,866,557,562**	**511,222,415**	**15,146,932**
Local currency financial liabilities					
Balances of commercial banks	4,233,065,101	-	4,233,065,101	-	-
Balances of Government and Government institutions	868,418,981	868,418,981	-	-	-
Securities sold under agreement to repurchase	-	-	-	-	-
Balances of insurance companies	10,000,000	-	-	-	10,000,000
Deposits of international financial institutions	10,040,243	-	-	10,040,243	-
Other liabilities	264,584,834	256,327,091	139,479	-	8,118,264
Total local currency financial liabilities	**5,386,109,159**	**1,124,746,072**	**4,233,204,580**	**10,040,243**	**18,118,264**
Total financial liabilities	**12,982,999,686**	**1,328,709,690**	**11,099,762,142**	**521,262,658**	**33,265,196**
Other liabilities					
Currency in circulation	3,099,431,556	-	-	-	3,099,431,556
Deferred grant	3,206,657	-	-	-	3,206,657
Pension and other employment benefit payables	4,668,375	-	-	-	4,668,375
	3,107,306,588	**-**	**-**	**-**	**3,107,306,588**
Total Liabilities	**16,090,306,274**	**1,328,709,690**	**11,099,762,142**	**521,262,658**	**3,140,571,784**

Notes to the Financial Statements

Year ended 31 December 2014

38 CONCENTRATIONS OF FUNDING (CONTINUED)

Comparative figures as at 31 December 2013 are as follows;

As at 31 December 2013	2013 Total MVR	Government of Maldives MVR	Commercial banks MVR	Supranational financial institutions MVR	Others MVR
Foreign currency financial liabilities					
Balances of commercial banks	3,660,826,421	-	3,660,826,421	-	-
Balances of Government and Government institutions	125,865,775	125,865,775	-	-	-
Payable to Asian Clearing Union	63	-	-	63	-
IMF related liabilities	532,453,471	-	-	532,453,471	-
Interest bearing loans	104,331,222	104,331,222	-	-	-
Deposits of international financial institutions	833,681	-	-	833,681	-
Other liabilities	19,307,373	2,080,786	848,661	-	16,377,926
Total foreign currency financial liabilities	**4,443,618,006**	**232,277,783**	**3,661,675,082**	**533,287,215**	**16,377,926**
Local currency financial liabilities					
Balances of commercial banks	2,804,908,993	-	2,804,908,993	-	-
Balances of Government and Government institutions	22,004,181	22,004,181	-	-	-
Securities sold under agreement to repurchase	902,000,000	-	902,000,000	-	-
Balances of insurance companies	10,000,000	-	-	-	10,000,000
Deposits of international financial institutions	9,991,252	-	-	9,991,252	-
Other liabilities	265,015,511	255,424,508	4,459,560	-	5,131,443
Total local currency financial liabilities	**4,013,919,937**	**277,428,689**	**3,711,368,553**	**9,991,252**	**15,131,443**
Total financial liabilities	**8,457,537,943**	**509,706,472**	**7,373,043,635**	**543,278,467**	**31,509,369**
Other liabilities					
Currency in circulation	3,252,432,252	-	-	-	3,252,432,252
Deferred grant	3,369,659	-	-	-	3,369,659
Pension and other employment benefit payables	4,399,589	-	-	-	4,399,589
	3,260,201,500	**-**	**-**	**-**	**3,260,201,500**
Total Liabilities	**11,717,739,443**	**509,706,472**	**7,373,043,635**	**543,278,467**	**3,291,710,869**

Notes to the Financial Statements

Year ended 31 December 2014

39 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 and international financial institutions while foreign currency cash and cash equivalents, loan to Government, treasury bonds and IMF related assets are its main financial assets. The Authority does not enter into derivative transactions. However the Authority is exposed to a variety of financial and non-financial risks when performing its functions such as;

- Country risk
- Market risk
- Liquidity risk
- Operational risk
- Interest rate risk
- Foreign currency risk
- Credit 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.

39.1 Country risk

The foreign reserve invested overseas is exposed to the country credit risk due to political, economic and financial events in the country of investment. Country risk includes the possibility of nationalization or expropriation of assets, Government repudiation of external indebtedness, changes in exchange control policies and currency depreciation or devaluation. Majority of the Authority's foreign reserve investments are in economically advanced and politically stable countries to limit the exposure to country risk.

The Authority's year end significant concentrations of credit exposure by geographical area (based on the entity's country of ownership) are as follows.

	2014 MVR	2013 MVR
Maldives	6,440,468,919	6,260,094,188
United States of America	3,141,177,427	5,285,961,664
United Arab Emirates	1,871,666,503	-
Singapore	1,325,774,534	1,332,516
Great Britain	935,950,924	2,357,347
Qatar	714,924,651	-
France	710,950,277	-
Germany	521,258,016	18,497,156
Supranational financial institutions	383,446,261	409,806,336
Australia	2,167,587	137,847,982
Total financial assets (except foreign cash in hand)	**16,047,785,099**	**12,115,897,189**

Notes to the Financial Statements

Year ended 31 December 2014

39 RISK MANAGEMENT (CONTINUED)

39.2 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 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.

39.3 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.

39.4 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.

39.5 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.

	2014 MVR	2013 MVR
Potential loss of interest income	2,959,053	6,873,414

Notes to the Financial Statements

Year ended 31 December 2014

39.5 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 %**	**2014 Total MVR**	**Less than 6 Months MVR**	**Less than 12 Months MVR**	**Less than 2 Years MVR**	**Less than 5 Years MVR**	**More than 5 Years MVR**
Interest sensitive foreign currency financial assets							
Cash and balances with banks	0.09%	3,140,014,436	3,140,014,436	-	-	-	-
IMF related assets	0.05%	150,976,187	150,976,187	-	-	-	-
Total interest sensitive foreign currency financial assets		**3,290,990,623**	**3,290,990,623**	**-**	**-**	**-**	**-**
Non-interest sensitive foreign currency financial assets							
Cash and balances with banks	0.87%	6,114,731,449	6,114,731,449	-	-	-	-
IMF related assets		223,127,218	27,218	-	-	-	-
Subscriptions to international agencies		833,140	-	-	-	-	-
Interest and other receivables		15,688,837	15,688,837	-	-	-	-
Total non-interest sensitive foreign currency financial assets		**6,354,380,644**	**6,130,447,504**	**-**	**-**	**-**	**-**
Total foreign currency financial assets		**9,645,371,267**	**9,421,438,127**	**-**	**-**	**-**	**-**
Interest sensitive foreign currency financial liabilities							
IMF related liabilities	0.19%	228,757,994	13,720,650	4,573,550	18,294,200	20,580,975	-
Payables to Asian Clearing Union	0.05%	103,180,000	103,180,000	-	-	-	-
Total interest sensitive foreign currency financial liabilities		**331,937,994**	**116,900,650**	**4,573,550**	**18,294,200**	**20,580,975**	**-**
Non-interest sensitive foreign currency financial liabilities							
Balances of commercial banks	0.01%	6,865,756,984	6,865,756,984	-	-	-	-
Balances of Government and Government institutions		105,928,645	105,928,645	-	-	-	-
Payable to Asian Clearing Union		2,962	2,962	-	-	-	-
IMF related liabilities		178,448,319	5,328,140	-	-	-	-
Interest bearing loans	0.78%	94,325,210	-	-	214,578	3,808,234	90,302,398
Deposits by international financial institutions		833,140	-	-	-	-	-
Other liabilities		19,657,273	4,569,400	-	-	-	-
Total non-interest sensitive foreign currency financial liabilities		**7,264,952,533**	**6,981,586,131**	**-**	**214,578**	**3,808,234**	**90,302,398**
Total foreign currency financial liabilities		**7,596,890,527**	**7,098,486,781**	**4,573,550**	**18,508,778**	**24,389,209**	**90,302,398**
Foreign currency interest rate sensitivity gap		**2,959,052,629**	**3,174,089,973**	**(4,573,550)**	**(18,294,200)**	**(20,580,975)**	**-**

Notes to the Financial Statements

Year ended 31 December 2014

39.5 Interest rate risk (Continued)

Local currency interest rate sensitivity gap:	**Weighted Ave. Int. Rate %**	**2014 Total MVR**	**Less than 6 Months MVR**	**Less than 12 Months MVR**	**Less than 2 Years MVR**	**Less than 5 Years MVR**	**More than 5 Years MVR**
Interest sensitive Local currency financial assets							
Loans to Government institutions		-	-	-	-	-	-
Total interest sensitive local currency financial assets		**-**	**-**	**-**	**-**	**-**	**-**
Non-interest sensitive local currency financial assets							
Subscriptions to international agencies		8,509,716	-	-	-	-	-
Interest and other receivables		-	-	-	-	-	-
Investment in Government bonds	2.40%	6,440,468,919	34,177,453	33,315,860	68,703,901	217,590,324	6,086,681,381
Investment in Government treasury bills		-	-	-	-	-	-
Total non-interest sensitive local currency financial assets		**6,448,978,635**	**34,177,453**	**33,315,860**	**68,703,901**	**217,590,324**	**6,086,681,381**
Total local currency financial assets		**6,448,978,635**	**34,177,453**	**33,315,860**	**68,703,901**	**217,590,324**	**6,086,681,381**
Interest sensitive local currency financial liabilities							
Securities sold under agreement to repurchase	4.00%	-	-	-	-	-	-
Total interest sensitive local currency financial liabilities		**-**	**-**	**-**	**-**	**-**	**-**
Non-interest sensitive local currency financial liabilities							
Balances of commercial banks	1.20%	4,233,065,101	4,233,065,101	-	-	-	-
Balances of Government and Government institutions		868,418,981	868,418,981	-	-	-	-
Balances of insurance companies	1.00%	10,000,000	-	-	-	-	-
Deposits by international financial institutions		10,040,243	-	-	-	-	-
Other liabilities		264,584,834	1,988,190	-	-	-	-
Total non-interest sensitive local currency financial liabilities		**5,386,109,159**	**5,103,472,272**	**-**	**-**	**-**	**-**
Total local currency financial liabilities		**5,386,109,159**	**5,103,472,272**	**-**	**-**	**-**	**-**
Local currency interest rate sensitivity gap		**-**	**-**	**-**	**-**	**-**	**-**

Notes to the Financial Statements
Year ended 31 December 2014

39.5 Interest rate risk (Continued)

Comparative figures as at 31 December 2013 were as follows.

Foreign currency interest rate sensitivity gap:	Weighted Ave. Int. Rate %	2013 Total MVR	Less than 6 Months MVR	Less than 12 Months MVR	Less than 2 Years MVR	Less than 5 Years MVR	More than 5 Years MVR
Interest sensitive foreign currency financial assets							
Cash and balances with banks	0.06%	5,430,087,661	5,430,087,661	-	-	-	-
IMF related assets	0.08%	162,310,286	162,310,286	-	-	-	-
Total interest sensitive foreign currency financial assets		**5,592,397,947**	**5,592,397,947**	**-**	**-**	**-**	**-**
Non-interest sensitive foreign currency financial assets							
Cash and balances with banks		36,111,171	36,111,171	-	-	-	-
IMF related assets		238,152,812	35,812	-	-	-	-
Subscriptions to international agencies		833,681	-	-	-	-	-
Interest and other receivables		211,930	211,930	-	-	-	-
Total non-interest sensitive foreign currency financial assets		**275,309,594**	**36,358,913**	**-**	**-**	**-**	**-**
Total foreign currency financial assets		**5,867,707,541**	**5,628,756,860**	**-**	**-**	**-**	**-**
Interest sensitive foreign currency financial liabilities							
IMF related liabilities	0.08%	292,969,822	48,813,985	48,813,985	12,203,496	-	-
Payables to Asian Clearing Union	0.09%	63	63	-	-	-	-
Total interest sensitive foreign currency financial liabilities		**292,969,885**	**48,814,048**	**48,813,985**	**12,203,496**	**-**	**-**
Non-interest sensitive foreign currency financial liabilities							
Balances of commercial banks	0.01%	3,660,826,421	3,660,826,421	-	-	-	-
Balances of Government and Government institutions		125,865,775	125,865,775	-	-	-	-
Interest bearing loans	1.67%	104,331,222	-	-	-	1,522,663	102,808,559
IMF related liabilities		239,483,649	5,896,658	-	7,322,098	29,288,391	12,203,496
Other liabilities		19,307,373	3,111,221	-	-	-	-
Deposits by international financial institutions		833,681	-	-	-	-	-
Total non-interest sensitive foreign currency financial liabilities		**4,150,648,121**	**3,795,700,075**	**-**	**7,322,098**	**30,811,054**	**115,012,055**
Total foreign currency financial liabilities		**4,443,618,006**	**3,844,514,123**	**48,813,985**	**19,525,594**	**30,811,054**	**115,012,055**
Foreign currency interest rate sensitivity gap		**5,299,428,062**	**5,543,583,899**	**(48,813,985)**	**(12,203,496)**	**-**	**-**

Notes to the Financial Statements
Year ended 31 December 2014

39.5 Interest rate risk (Continued)

Local currency interest rate sensitivity gap:	Weighted Ave. Int. Rate %	2013 Total MVR	Less than 6 Months MVR	Less than 12 Months MVR	Less than 2 Years MVR	Less than 5 Years MVR	More than 5 Years MVR
Total interest sensitive local currency financial assets							
Loans to Government institutions	9.84%	2,475,985,941	2,475,985,941	-	-	-	-
Total interest sensitive local currency financial assets		**2,475,985,941**	**2,475,985,941**	**-**	**-**	**-**	**-**
Non-interest sensitive local currency financial assets							
Subscriptions to international agencies		8,509,557	-	-	-	-	-
Interest and other receivables		23,761,138	23,761,138	-	-	-	-
Investment in Government bonds	7.73%	3,136,576,058		71,078,689	-	345,207,187	2,720,290,182
Investment in Government Treasury Bills	7.00%	623,771,051	-	623,771,051	-	-	-
Total non-interest sensitive local currency financial assets		**3,792,617,804**	**23,761,138**	**694,849,740**	**-**	**345,207,187**	**2,720,290,182**
Total local currency financial assets		**6,268,603,745**	**2,499,747,079**	**694,849,740**	**-**	**345,207,187**	**2,720,290,182**
Interest sensitive local currency financial liabilities							
Securities sold under agreement to repurchase	7.00%	902,000,000	902,000,000				
Total interest sensitive local currency financial liabilities		**902,000,000**	**902,000,000**	**-**	**-**	**-**	**-**
Non-interest sensitive local currency financial liabilities							
Balances of commercial banks	1.00%	2,804,908,993	2,804,908,993	-	-	-	-
Balances of Government and Government institutions		22,004,181	22,004,181	-	-	-	-
Balances of insurance companies		10,000,000	10,000,000	-	-	-	-
Deposits by international financial institutions		9,991,252	-	-	-	-	-
Other liabilities		265,015,511	221,323,867	-	-	-	-
Total non-interest sensitive local currency financial liabilities		**3,111,919,937**	**3,058,237,041**	**-**	**-**	**-**	**-**
Total local currency financial liabilities		**4,013,919,937**	**3,960,237,041**	**-**	**-**	**-**	**-**
Local currency interest rate sensitivity gap		**1,573,985,941**	**1,573,985,941**	**-**	**-**	**-**	**-**

Notes to the Financial Statements

Year ended 31 December 2014

39.6 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 mc 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 cı 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 mε Authority to exchange rate risk.

Net exposure to foreign currencies

As at 31 December 2014 the Authority's net exposure to major currencies was as follows.

			Currency of denomination			
			Singapore	Sterling		Australian
	US Dollars	Euro	Dollars	Pound	SDR	Dollars
As at 31 December 2014	MVR	MVR	MVR	MVR	MVR	MVR
Foreign currency financial assets						
Cash and balances with banks	7,241,519,131	12,097,816	414,418	622,207,922	-	1,378,506,598
IMF related assets	-	-	-	-	374,103,405	-
Subscriptions to international agencies	833,140	-	-	-	-	-
Other receivables	975,645	6,594	-	1,429,465	-	13,277,133
Total foreign currency financial assets	**7,243,327,916**	**12,104,410**	**414,418**	**623,637,387**	**374,103,405**	**1,391,783,731**
Proportion	**75.10%**	**0.13%**	**0.00%**	**6.47%**	**3.88%**	**14.43%**
Foreign currency financial liabilities						
Balances of commercial banks	6,865,756,984	-	-	-	-	-
Balances of Government and Government institutions	105,928,645	-	-	-	-	-
Payable to Asian Clearing Union	103,182,962	-	-	-	-	-
IMF related liabilities	-	-	-	-	407,206,313	-
Interest bearing loans	-	-	-	-	94,325,210	-
Deposits of international financial institutions	833,140	-	-	-	-	-
Other liabilities	19,652,054	-	-	2,767	-	2,452
Total foreign currency financial liabilities	**7,095,353,785**	**-**	**-**	**2,767**	**501,531,523**	**2,452**
Proportion	**93.40%**	**0.00%**	**0.00%**	**0.00%**	**6.60%**	**0.00%**
Net foreign currency exposure	**147,974,131**	**12,104,410**	**414,418**	**623,634,620**	**(127,428,118)**	**1,391,781,279**

Notes to the Financial Statements

Year ended 31 December 2014

39.6 Foreign currency risk (Continued)

As at 31 December 2013 the Authority's net exposure to major currencies was as follows.

As at 31 December 2013	US Dollars MVR	Euro MVR	Singapore Dollars MVR	Sterling Pound MVR	SDR MVR	Australian Dollars MVR
				Currency of Denomination		
Foreign currency financial assets						
Cash and balances with banks	5,307,281,651	18,496,610	419,804	2,357,347	-	137,643,420
IMF related assets	-	-	-	-	400,463,098	-
Subscriptions to international agencies	833,681	-	-	-	-	-
Other receivables	6,822	546	-	-	-	204,562
Total foreign currency financial assets	**5,308,122,154**	**18,497,156**	**419,804**	**2,357,347**	**400,463,098**	**137,847,982**
Proportion	**90.46%**	**0.32%**	**0.01%**	**0.04%**	**6.82%**	**2.35%**
Foreign currency financial liabilities						
Balances of commercial banks	3,660,826,421	-	-	-	-	-
Balances of Government and Government institutions	125,865,775	-	-	-	-	-
Payable to Asian Clearing Union	63	-	-	-	-	-
IMF related liabilities	-	-	-	-	532,453,471	-
Interest bearing loans	-	-	-	-	104,331,222	-
Deposits of international financial institutions	833,681	-	-	-	-	-
Other liabilities	18,871,061	-	-	434,049	-	2,263
Total foreign currency financial liabilities	**3,806,397,001**	**-**	**-**	**434,049**	**636,784,693**	**2,263**
Proportion	**85.66%**	**0.00%**	**0.00%**	**0.01%**	**14.33%**	**0.00%**
Net foreign currency exposure	**1,501,725,153**	**18,497,156**	**419,804**	**1,923,298**	**(236,321,595)**	**137,845,719**

39.7 Credit risk

Credit risk is the possibility that the counter party will not fulfil its contractual obligation, resulting in a financial loss. To manage the credit risk the Authority determines and evaluates the credit limits Government. Loans and advances granted to the Government of Maldives until May 2014 were converted into Government bonds and are used as collateral for conducting open market operations. Fu provided to commercial banks are backed by Government securities.

Notes to the Financial Statements

Year ended 31 December 2014

39.7 Credit risk (Continued)

a) Credit exposure by credit rating

The following table presents the credit ratings of respective financial assets or issuers (except foreign cash in hand), based on the ratings of Standard and Poor's and Fitch Ratings. Under Standard & Poor's ratings long term credit ratings AAA is the highest quality rating possible and indicates the lowest expectations of credit risk, followed by AA+ which differs from AAA slightly because of greater likelihood to long term risk compared to AAA. Under Standard & Poor's ratings short term issue credit ratings A-1 is the highest quality rating possible and indicates the lowest expectations of credit risk. It is assigned only in the case of exceptionally strong capacity for timely payment of financial commitment. A-2 is high quality grade, indicating very low expectation of credit risk, and is an upper medium grade, indicating a low expectation of credit risk; A-3 is the lower medium investment grade rating indicating that there is currently a low expectation of credit risk and exhibits adequate protection parameters. Ratings can be modified by + or – signs to indicate relative standing within the major categories. NR indicates the financial instruments that have no ratings.

Under Fitch short term credit ratings F1+ is the highest credit rating showing exceptionally strong ability to meet financial commitments followed by F1 indicating strong capacity to meet commitments and F2 indicating good capacity to meet its financial commitments.

	Credit rating	2014 MVR	%	2013 MVR	%
Cash and balances with banks					
Foreign Central Banks*	A-1+	3,145,276,933	32.77%	5,391,304,554	92.20%
Foreign banks and financial institutions	A-1+	1,342,239,004	13.98%	-	0.00%
	A-1	4,204,044,000	43.80%	41,876,715	0.72%
	A-2	516,530,578	5.38%	9,339,360	0.16%
	A-3	26,257	0.00%	906,759	0.02%
	F2	64,310	0.00%	68,337	0.00%
	NA	-	0.00%	2,289,010	0.04%
Other foreign currency financial assets					
Foreign Central Banks*	A-1+	16,931	0.00%	205,700	0.00%
Foreign Banks and financial institutions	A-1+	465,298	0.00%	-	0.00%
	A-1	11,349,008	0.12%	277	0.00%
	A-2	3,857,600	0.04%	-	0.00%
	A-3	-		5,953	0.00%
Supranational financial institutions	NR	374,103,405	3.90%	400,463,098	6.85%
Government of Maldives	NR	833,140	0.01%	833,681	0.01%
Total foreign currency financial assets		**9,598,806,464**	**100%**	**5,847,293,444**	**100%**
Local currency financial assets					
Government of Maldives	NR	6,448,978,635	100%	6,268,603,745	100%
Total financial assets (except foreign cash in hand)		**16,047,785,099**		**12,115,897,189**	

* As the central banks' do not have credit ratings, the sovereign credit ratings were applied for the respective countries.

b) Concentrations of credit exposure

The Authority's end-of-year significant concentrations of credit exposure (except foreign cash in hand) by Institution type are as follows.

	2014 MVR	2013 MVR
Government of Maldives and Government institutions	6,449,811,775	6,269,437,426
Foreign Central Banks	3,145,293,864	5,391,510,254
Supranational financial institutions	374,103,405	400,463,098
Foreign banks and financial institutions	6,078,576,055	54,486,411
Total financial assets	**16,047,785,099**	**12,115,897,189**

Notes to the Financial Statements

Year ended 31 December 2014

40 RELATED PARTIES TRANSACTION DISCLOSURES

40.1 Transactions with state and state controlled entities

a) In the normal course of its operations, the Authority enters into transactions with related parties. Related parties include the Republic of Maldives (State: as the ultimate owner of the Authority), various Government departments and state owned entities. Particulars of transactions, and arrangements entered into by the Authority with the State and State controlled entities are as follows:

	2014 MVR	2013 MVR
Profit re-appropriation to the Government (Note 34)	266,408,122	188,038,644
Surplus payable to the Government	907,154	48,043,819
Temporary advances made to the Government (Note b)	-	2,475,985,941
Gross foreign exchange transactions during the year		
- Sales	7,108,547,045	6,176,522,575
- Purchases	9,253,902,685	7,893,447,557

b) Under article 22 (h) of MMA Act the Authority may make short term loans to the Government to finance the budget expenditure.

c) Through the operations the Authority earns interest, charges and commission from the services provided to the Government and other Governmental entities, which are included as part of the income statement and thus paid out as dividend to the Government.

	2014 MVR	2013 MVR
Interest income earned from related parties (Note d)	150,924,858	434,390,210
Loans received from the MOFT	-	-
Finance charges paid	1,040,569	730,006
Charges and commissions earned from related parties	10,971,787	9,404,850
Gross value of goods and services obtained	6,965,620	11,554,719

d) During the year, interest receivable from the Government on Government dues amounting to MVR 186,047,373/- has been waived off in order to give the Government fiscal space as a result of the enforcement of the Fiscal Responsibility Act on 6 May 2014. Further, Government debts owing to the Authority amounting to MVR 6,440,640,354/- has been converted into a 50 year Government bond on 30 December 2014.

e) The aggregate balances outstanding on deposits and amounts due from the Government and Governmental entities, as at 31 December are given below.

	2014 MVR	2013 MVR
Advances to the Government as at 31 December (Note 8)	-	2,475,985,941
Investment in Government Treasury bills (Note 9)	-	623,771,051
Investment in Government bonds (Note 10)	6,440,468,919	3,136,576,058
	6,440,468,919	**6,236,333,050**
Government deposits with the Authority (Note 17)	973,293,428	146,315,758
State Owned Enterprises deposits with the Authority (Note 17)	1,054,198	1,554,198
Security deposits held by insurance companies (Note 22)	4,000,000	4,000,000
	978,347,626	**151,869,956**

Notes to the Financial Statements

Year ended 31 December 2014

40 RELATED PARTIES TRANSACTION DISCLOSURES (CONTINUED)

40.1 Transactions with state and state controlled entities (Continued)

f) The Authority performs the functions of implementing its monetary policy mainly through open market operations and enforcing Statutory Reserve Requirement under article 31 of MMA Act. Further, the Authority act as the banker to both commercial banks and Government institutions. Government of Maldives as a related party has a significant shareholding in Bank of Maldives Plc. Please refer Note 16 for the gross outstanding balances as at 31 December.

g) Empowered by the article 4 (c) of the MMA Act, the Financial Sector Division of the Authority carries out the regulatory and supervisory functions of the banks licensed by the Authority. The Bank of Maldives Plc which had been funded by the Government and having a significant influence, falls under the supervision of this division.

h) The Insurance Division of the Authority carries out its regulatory and supervisory functions in respect of Insurance Companies in Maldives. Accordingly, the following related entity is under the supervision of the Authority.

Allied Insurance Company of the Maldives (Refer Note 22)

i) As per article 22(f) of MMA Act, the Authority is vested with the function of public debt management. Accordingly, as the agent of the Government, the Public Debt Unit (PDU) of the Authority issues securities to the domestic market to meet the budgetary requirements and to ensure that financing needs of the Government and its payment obligations are met.

j) The Authority, in carrying out the normal operations, enters into transactions to obtain various goods and services with Government entities or entities in which Government has significant influence or control (Refer Note 40.1 (c)).

k) The Authority did not provide any guarantee over any of the borrowings of a related parties during the year ending 31 December 2014.

40.2 Transactions with key managerial personnel (present and former)

Key Managerial Personnel of the Authority are the members of the Board that includes Governor, Deputy Governor (The Authority restricts such members' positions as director, officer, employee or shareholder of any banking institution.) and other members of the Board. Particulars of transactions with key managerial personnel were as follows:

	2014 **MVR**	**2013** **MVR**
Compensation to the key management personnel	2,998,354	5,921,101

Notes to the Financial Statements

Year ended 31 December 2014

41 FINANCIAL INSTRUMENTS

Investment in fixed deposits

The carrying values of deposits are considered to approximate their fair value as they are payable on demand.

Reverse-Repurchase Agreements

The reported value of repurchase and reverse-repurchase agreements is considered to approximate their fair value due to the short term nature of the agreements.

42 RETROSPECTIVE RESTATEMENT OF ERRORS

Where errors have been corrected retrospectively during the current year, comparative figures have been restated. Changes to the previous year's statement of financial position are summarised as follows;

42.1 Foreign Asset Revaluation Reserve and dividend payable to the Government

As at 31 December 2013, to comply with the MMA Act, the revaluation gains or losses are transferred from the Retained Earnings to the foreign asset revaluation reserve and 1/5th of the balance in foreign asset revaluation reserve is transferable to Government as dividend. The entry to transfer 1/5th of FARR to dividend payable to the Government was not reflected in financial statements as at 31 December 2013. Hence, this has been corrected in the financial statements as a retrospective restatement of errors.

	As reported now	As reported previously
	2013	**2013**
	MVR	**MVR**
Foreign Asset Revaluation Reserve		
Opening Balance	231,569,445	231,569,445
Transfers to FARR	8,649,650	8,649,650
Less: 1/5th of FARR transferable to the Government	(48,043,819)	
	192,175,276	**240,219,095**
1/5 of Foreign asset revaluation reserve - payable to the Government	**211,508,959**	**163,465,140**

Notes to the Financial Statements

Year ended 31 December 2014

43 COMPARATIVE INFORMATION

Where changes have been made in presentation of disclosure for the current year, comparative figures have been restated. Changes to the statement of financial position are summarised as follows;

Grant received from ADB to Ministry of Finance and Treasury to be granted to Maldives Monetary Authority for the CMAR project amounting to MVR 1,181,950/- was recorded under "Deferred Grants" in the financial statements for the year ended 31 December 2013 while it should have been recorded under "balances of government and government institutions", since the amount was not yet granted to MMA as at that date. Hence, comparative information has been corrected accordingly.

	As reported now	As reported previously
	2013	2013
DEFERRED GRANTS	Rf	Rf
Balance as at 1 January	4,441,733	4,441,733
Grants received during the year	-	1,181,950
Recognised in the statement of comprehensive income	(1,072,075)	(1,072,075)
Balance as at 31 December	**3,369,658**	**4,551,608**
BALANCES OF GOVERNMENT AND GOVERNMENT INSTITUTIONS;		
Foreign currency deposits:		
MOFT and government institutions	125,865,775	124,683,825

44 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

44.1 Guarantees

The Bank acting as an agent of the Government or its agencies and institutions, provides guarantees to various parties on the strength of counter guarantees issued to MMA by the MOFT. There were no such outstanding guarantees as at 31st December 2014.

44.2 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.

44.3 Legal claims

There are no ongoing legal proceedings against the Authority as of 31 December 2014.

Notes to the Financial Statements

Year ended 31 December 2014

44 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (CONTINUED)

44.4 Commitments

On the request made by the MOFT, 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 MOFT on behalf of the Government has counter guaranteed to repay the Authority, the equivalent Rufiyaa for the aforesaid payments.

45 EVENTS OCCURRING SUBSEQUENT TO REPORTING DATE

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the financial statements.

STATISTICAL APPENDIX

Statistical Appendix

Real Sector

Table 1: Gross Domestic Product 140
Table 2: Tourism Indicators 141
Table 3: Fish Production and Volume of Fish Exports 141
Table 4: Consumer Price Index–Male' 142

Public Finance

Table 5: Summary of Government Finance 143
Table 6: Government Revenue and Grants 144
Table 7: Government Expenditure and Net Lending 145
Table 8: Claims on Government by Ownership 146

Monetary Sector

Table 9: Financial Corporations Survey 146
Table 10: Depository Corporations Survey 147
Table 11: Central Bank Survey 148
Table 12: Other Depository Corporations Survey 149
Table 13: Assets and Liabilities of Maldives Monetary Authority 150
Table 14: Assets and Liabilities of Other Depository Corporations 150
Table 15: Private Sector Loans and Advances by Other Depository Corporations 151
Table 16: Interest Rates 152

External Sector

Table 17: Balance of Payments 153
Table 18: Composition of Imports 154
Table 19: Composition of Exports 154
Table 20: Direction of Trade of Imports 155
Table 21: Direction of Trade of Exports 155
Table 22: External Debt 156
Table 23: Exchange Rates 156

Table 1: Gross Domestic Product, 2010–2014 [1/]

(millions of rufiyaa at constant prices)

	2010	2011	2012	2013	2014
Gross domestic product (at market prices)	21,182.2	23,852.3	24,568.5	26,724.2	29,006.0
Gross domestic product (at basic prices)	19,113.2	20,351.0	20,622.3	21,586.5	23,062.7
Agriculture and mining	350.6	361.2	363.2	372.0	379.2
Fisheries	324.6	321.0	318.8	345.0	322.8
Manufacturing	759.0	780.1	802.5	757.8	772.8
Electricity and water supply	588.6	633.5	657.2	697.3	755.5
Construction	1,423.9	1,694.3	1,673.6	1,631.1	1,966.8
Wholesale and retail trade	770.0	850.1	909.7	1,008.2	1,019.9
Tourism	5,335.4	5,824.6	5,820.6	6,346.1	6,779.8
Transport	1,800.9	1,926.9	1,902.6	1,889.3	2,100.1
Communication	1,803.1	1,954.2	2,045.3	2,256.8	2,474.3
Real estate	1,568.3	1,596.9	1,617.3	1,679.6	1,747.6
Government administration	2,290.0	2,279.0	2,345.1	2,441.5	2,546.3
(annual percentage change)					
Gross domestic product (at market prices)	7.1	12.6	3.0	8.8	8.5
Agriculture and mining	4.1	3.0	0.5	2.4	1.9
Fisheries	(5.7)	(1.1)	(0.7)	8.2	(6.4)
Manufacturing	(6.9)	2.8	4.6	(5.3)	0.1
Electricity and water supply	9.1	7.6	3.3	8.4	6.5
Construction	9.3	19.0	(1.2)	(2.5)	20.6
Wholesale and retail trade	0.6	10.4	7.0	10.8	1.2
Tourism	15.8	9.2	(0.1)	9.0	6.8
Transport	17.0	7.0	(1.3)	(0.7)	11.2
Communication	1.9	8.4	4.7	10.3	9.6
Real estate	3.4	1.8	1.3	3.9	4.0
Government administration	1.7	(0.5)	2.9	4.1	4.3
Memorandum items:					
Real GDP (in millions of US dollars)	1,654.9	1,863.5	1,919.4	2,087.8	2,266.1
Nominal GDP (market prices, in millions of rufiyaa)	29,855.6	35,931.2	38,942.8	41,569.2	46,637.0
Nominal GDP (market prices, in millions of US dollars)	2,332.5	2,466.1	2,525.5	2,695.8	3,024.5
Real GDP per capita (in rufiyaa)	53,819.6	58,697.5	58,496.6	61,504.9	64,463.9
Real GDP per capita (in US dollars)	4,204.7	4,585.7	4,570.0	4,805.1	5,036.2
Total mid-year population [2/]	393,578	406,359	419,998	434,505	449,957

Source: National Bureau of Statistics

[1/] GDP series was revised on October 2014. Figures for 2012 and 2013 are revised estimates. And 2014 numbers are provisional estimates.

[2/] Mid-year population figures includes local and expatriate population. Expatriate population is projected for the subsequent years using the past 5-year growth rate of foreign population.

Table 2: Tourism Indicators, 2010–2014

	2010	2011	2012	2013	2014
Tourist arrivals	791,917	931,333	958,027	1,125,202	1,204,857
Europe	505,421	537,769	517,809	527,274	529,291
Germany	*77,108*	*90,517*	*98,351*	*93,598*	*98,328*
United Kingdom	*114,158*	*104,508*	*91,776*	*85,869*	*88,704*
Russia	*49,111*	*63,936*	*66,378*	*76,479*	*66,308*
Asia	239,882	334,692	367,680	505,753	568,030
China	*118,961*	*198,655*	*229,551*	*331,719*	*363,626*
India	*25,756*	*30,978*	*31,721*	*38,014*	*45,587*
Japan	*38,791*	*35,782*	*36,438*	*39,463*	*38,817*
Korea	*24,808*	*25,285*	*23,933*	*30,306*	*34,896*
Tourist bednights ('000)	5,986.3	6,529.2	6,450.9	7,057.7	7,310.3
Average stay (days)	7.6	7.0	6.7	6.3	6.1
Operational capacity (beds in operation)	23,648.8	24,493.3	25,062.0	26,161.1	26,890.7
Bednight capacity ('000)	8,631.8	8,939.3	9,173.2	9,549.7	9,814.0
Occupancy rate	69	73	70	74	75
Tourism revenue [1/] (millions of US dollars)	-	1,942.3	1,950.6	2,332.7	2,645.2
Number of resorts by lease holders (year-end)	98	101	105	109	-
Local	74	74	73	76	-
Foreign	10	12	13	15	-
Joint Venture	14	15	19	18	-
Number of resorts by operators (year-end)	98	101	105	109	-
Local	43	47	50	49	-
Foreign	37	37	35	41	-
Joint Venture	18	17	20	19	-

Source: Ministry of Tourism, Maldives Monetary Authority, Statistical Yearbook 2014 & 2013

[1/] Estimates made by the MMA for tourist expenditure for the travel component of the balance of payments statistics.

Table 3: Fish Production and Volume of Fish Exports, 2010–2014

(quantity in thousands of metric tonnes)

	2010	2011	2012	2013	2014
Fish catch [1/]	122.2	120.8	120.0	129.8	122.0
Fish purchases [2/]	35.3	40.3	49.5	60.2	45.1
Voume of fish exports	33.5	38.2	40.6	49.6	48.2
Fresh, chilled or frozen tuna	25.2	31.9	35.4	44.7	42.7
o/w Skipjack tuna	*16.4*	*18.5*	*17.9*	*23.3*	*21.8*
Yellowfin tuna	*8.7*	*13.2*	*17.4*	*21.1*	*19.5*
Fresh, chilled or frozen fish (excluding tuna)	0.6	0.8	0.9	0.7	1.0
Canned or pouched	1.4	1.5	2.1	2.4	2.6
Processed fish, nes	6.3	4.1	2.2	1.9	1.8

Source: Ministry of Fisheries and Agriculture, Maldives Customs Service.

[1/] Fish catch data for 2014 is a projection made by the Ministry of Fisheries and Agriculture for the 2015 government budget.

[2/] Fish purchases data for 2014 is for the period January to November. Figures for 2013 are estimates and figures for 2014 are provisional.

Table 4: Consumer Price Index - Male', 2010–2014

(June 2012 = 100)

	weight	2010	2011	2012	2013	2014
Food and non-alcoholic beverages	23.8	69.6	83.4	98.2	105.5	106.6
Food [1/]	*21.6*	-	-	*101.0*	*105.9*	*106.8*
Fish	*7.6*	*36.0*	*57.4*	*94.4*	*103.8*	*106.6*
Tobacco and arecanut	1.3	50.5	64.3	101.1	98.2	101.2
Clothing and footwear	3.3	72.5	81.9	98.2	99.7	100.0
Housing, water, electricity, gas and other fuel	33.3	93.8	96.5	100.0	104.0	107.0
Furnishing, household equipment & maintenance	7.4	80.4	83.8	98.5	96.5	93.8
Health	3.3	123.1	136.1	102.8	110.6	124.7
Transport	5.0	80.6	91.6	99.9	102.4	107.7
Communication	4.9	100.4	100.6	99.9	98.0	97.1
Recreation and culture	3.9	100.0	97.9	99.1	99.2	102.0
Education	3.1	72.5	85.8	100.0	102.1	111.6
Restaurants and hotels	4.1	70.2	81.1	103.9	117.3	125.5
Miscellaneous goods and services	6.6	80.7	86.7	100.7	98.8	98.6
Total index (Male')	**100.0**	**80.6**	**89.7**	**99.4**	**103.4**	**105.9**
Total index, excluding fish	-	*84.3*	*91.7*	*100.1*	*103.4*	*105.9*
Food and non-alcoholic beverages excluding fish	-	*84.2*	*94.8*	*99.8*	*106.3*	*106.6*
			Inflation (annual percentage change of the CPI)			
Food and non-alcoholic beverages	23.8	7.5	19.9	17.7	7.5	1.0
Food	*21.6*	-	-	-	*4.8*	*0.9*
Fish	*7.6*	*7.7*	*59.3*	*64.6*	*10.0*	*2.6*
Tobacco and arecanut	1.3	(0.3)	27.2	57.3	(2.9)	3.1
Clothing and footwear	3.3	3.0	12.9	20.0	1.5	0.3
Housing, water, electricity, gas and other fuel	33.3	7.6	2.9	3.6	3.9	2.9
Furnishing, household equipment & maintenance	7.4	6.0	4.2	17.6	(2.0)	(2.8)
Health	3.3	4.7	10.6	(24.5)	7.6	12.7
Transport	5.0	3.3	13.7	9.0	2.5	5.1
Communication	4.9	0.2	0.2	(0.7)	(1.9)	(0.9)
Recreation and culture	3.9	5.7	(2.1)	1.3	0.1	2.8
Education	3.1	9.4	18.3	16.6	2.2	9.2
Restaurants and hotels	4.1	3.2	15.6	28.1	12.9	6.9
Miscellaneous goods and services	6.6	4.9	7.4	16.1	(1.9)	(0.2)
Total index (Male')	**100.0**	**6.1**	**11.3**	**10.9**	**4.0**	**2.4**
Total index, excluding fish	-	*6.1*	*8.7*	*9.2*	*3.2*	*2.4*
Food and non-alcoholic beverages excluding fish	-	*7.4*	*12.6*	*5.3*	*6.6*	*0.3*

Source: National Bureau of Statistics

[1/] The CPI for 'Food' is only available from June 2012 onwards. Hence, the annual percentage change of the CPI for this catgory can only be calculated from 2013 onwards.

Note: Data refers to the twelve–month moving average.

Table 5: Summary of Government Finance, 2010–2014 [1/]

(millions of rufiyaa)

	2010	2011	2012	2013	2014 [2/]
Total revenue and grants	**6,546.9**	**9,904.6**	**10,138.1**	**11,900.7**	**14,907.2**
Total revenue	6,392.4	9,172.1	9,771.4	11,783.1	14,492.6
Current revenue	6,343.0	8,637.7	9,723.4	11,515.0	14,366.7
Capital revenue	49.4	534.5	48.1	268.1	125.9
Grants	154.5	732.4	366.7	117.7	414.6
Expenditure and net lending	**10,815.1**	**12,264.7**	**13,110.0**	**13,530.8**	**16,385.7**
Total expenditure	10,996.4	12,663.7	13,200.2	13,666.3	16,488.2
Current expenditure	8,428.1	9,075.7	10,316.5	11,573.2	13,549.7
Capital expenditure	2,568.3	3,588.0	2,883.7	2,093.0	2,938.5
Net lending	(181.3)	(399.0)	(90.2)	(135.5)	(102.5)
Primary balance	**(3,592.4)**	**(1,634.4)**	**(1,864.8)**	**(808.8)**	**(741.0)**
Overall balance	**(4,268.1)**	**(2,360.2)**	**(2,971.9)**	**(1,765.5)**	**(1,581.0)**
Overall balance excluding grants	(4,422.7)	(3,092.6)	(3,338.6)	(1,747.7)	(1,893.1)
Current balance	(2,085.0)	(438.1)	(593.1)	(58.2)	817.0
Financing	**4,268.1**	**2,360.2**	**2,971.9**	**1,765.5**	**1,581.1**
Foreign financing	1,228.3	968.0	772.2	472.6	574.0
Domestic financing	3,039.8	1,392.1	2,199.7	1,293.0	1,007.1
(as a percentage of GDP)					
Total revenue	21	26	25	28	31
Current revenue	21	24	25	28	31
Capital revenue	0	1	0	1	0
Grants	1	2	1	0	1
Total expenditure	37	35	34	33	35
Current expenditure	28	25	26	28	29
Capital expenditure	9	10	7	5	6
Overall balance	-14	-7	-8	-4	-3
Memorandum items:					
Nominal GDP	29,855.6	35,931.2	38,942.8	41,569.2	46,637.0

Source: Ministry of Finance and Treasury, National Bureau of Statistics

[1/] Format is based on IMF Government Finance Statistics Manual 1986 (GFSM 1986).

[2/] Figure for 2014 are revised estimates.

Table 6: Government Revenue and Grants, 2010–2014[1/]

(millions of rufiyaa)

	2010	2011	2012	2013	2014[2/]
Total revenue and grants	**6,546.9**	**9,904.6**	**10,138.1**	**11,900.7**	**14,907.2**
Total revenue	6,392.4	9,172.1	9,771.4	11,783.1	14,492.6
Current revenue	6,343.0	8,637.7	9,723.4	11,515.0	14,366.7
Tax revenue	**2,931.0**	**4,893.0**	**6,880.1**	**8,872.8**	**10,436.3**
o/w Import duty	2,055.8	2,586.5	1,369.0	1,575.9	1,717.0
Tourism tax	597.3	750.8	804.7	861.6	812.3
Bank profit tax	203.3	229.9	313.2	355.0	482.4
Goods and Services Tax	-	243.0	1,005.7	1,538.4	1,478.0
Tourism Goods and Services Tax	-	665.3	1,553.6	2,154.7	2,977.9
Business Profit Tax	-	34.9	1,401.3	1,881.0	2,376.4
Nontax revenue	**3,412.0**	**3,744.7**	**2,843.3**	**2,642.1**	**3,930.4**
o/w Net sales to public enterprises	1,080.3	973.7	633.3	475.9	757.2
o/w State Trading Organisation plc	106.9	-	-	-	-
Dhivehi Rajjeyge Gulhun plc	505.7	487.1	254.5	156.9	325.5
Maldives Monetary Authority	304.9	132.6	205.3	188.0	226.4
Island Aviation Services Limited	3.4	2.7	9.0	-	-
Maldives Ports Limited	36.2	40.0	39.4	76.2	-
Bank of Maldives plc	-	-	-	3.8	17.9
Maldives Airports Company Ltd	62.8	244.3	-	-	120.0
Housing Development Corporation	-	-	11.1	-	11.1
Maldives Water & Sewerage Company	41.8	52.8	95.2	43.0	40.5
Housing Development Finance Corporation plc	-	14.3	18.9	7.8	7.8
Thilafushi Corporation Limited	-	-	-	-	
Royalties, land and resort rent	1,264.1	1,311.9	1,110.0	1,185.4	1,353.9
o/w Resort lease rent	1,106.3	1,152.2	1,031.2	1,106.3	1,271.1
Administrative fees & charges	562.0	1,058.7	727.6	583.5	1,402.3
Capital revenue (sale of assets)	49.4	534.5	48.1	268.1	125.9
Grants	154.5	732.4	366.7	117.7	414.6
(as a percentage of GDP)					
Tax revenue	10	14	18	21	22
Import duty	7	7	4	4	4
Tourism Goods and Services Tax	-	2	5	5	6
Business Profit Tax	-	0	4	5	5
Goods and Services Tax	-	1	3	4	3
Nontax revenue	11	10	7	6	8
Net sales to public enterprises	4	3	2	1	2
Resort lease rent	4	4	3	3	3

Source: Ministry of Finance and Treasury

[1/] Format is based on IMF Government Finance Statistics Manual 1986 (GFSM 1986).

[2/] Figures for 2014 are revised estimates.

Table 7: Government Expenditure and Net Lending, 2010–2014 [1/]

(millions of rufiyaa)

	2010	2011	2012	2013	2014[2/]
Total expenditure and net lending	**10,815.1**	**12,264.7**	**13,110.0**	**13,530.8**	**16,385.7**
Total expenditure	10,996.4	12,663.7	13,200.2	13,666.3	16,488.2
Current expenditure	**8,428.1**	**9,075.7**	**10,316.5**	**11,573.2**	**13,549.7**
Expenditure on goods and services	7,113.5	7,352.3	8,519.2	8,842.3	10,325.7
Salaries and wages	2,486.5	2,596.3	2,722.7	3,283.7	3,369.2
Other allowances	1,691.9	1,684.7	1,836.5	2,322.0	2,460.1
Transportation, communication and utilities	864.9	990.8	1,035.3	1,038.3	1,332.8
Social welfare contributions	1,360.7	1,005.6	1,595.3	823.3	1,496.6
Others	709.5	1,075.0	1,329.4	1,375.0	1,666.9
Interest payments	675.8	725.8	1,107.1	956.7	840.0
Subsidies and transfers	638.8	997.7	690.2	1,774.2	2,384.0
Food, medicine and other	389.5	748.9	442.1	1,308.5	1,353.0
Pensions	249.3	248.8	248.1	465.7	1,031.0
Capital expenditure and net lending	**2,387.0**	**3,189.0**	**2,793.5**	**1,957.6**	**2,836.0**
Development expenditure	2,568.3	3,588.0	2,883.7	2,093.0	2,938.5
Foreign loan-financed	1,256.3	1,327.6	1,131.6	1,176.9	388.6
Others[3/]	1,311.9	2,260.4	1,074.7	234.5	458.3
Net lending	(181.3)	(399.0)	(90.2)	(135.5)	(102.5)
(as a percentage of GDP)					
Current expenditure	32	29	32	28	29
Salaries and wages	9	8	8	8	7
Social welfare contributions	5	3	5	2	3
Subsidies and transfers	2	3	2	4	5
Development expenditure	10	11	9	5	6

Source: Ministry of Finance and Treasury

[1/] Format is based on IMF Government Finance Statistics Manual 1986 (GFSM 1986).

[2/] Figures for 2014 are revised estimates.

[3/] This includes development expenditure financed from domestic sources and foreign grants.

Table 8: Claims on Central Government by Ownership, 2010–2014

(millions of rufiyaa)

	2010	2011	2012	2013	2014
Claims on central government	**11,889.8**	**12,782.9**	**14,452.2**	**16,907.6**	**20,644.3**
Treasury bills	4,042.5	4,684.5	6,450.6	8,194.3	11,146.4
MMA	-	-	829.6	634.0	-
Commercial banks	3,247.0	3,492.0	3,539.2	3,952.1	5,908.5
Others[1/]	795.5	1,192.5	2,081.8	3,608.2	5,237.9
Treasury bonds	5,179.4	5,438.7	4,664.7	3,136.6	6,440.5
Loans and advances	2,667.9	2,659.7	3,336.9	5,576.7	3,057.5

Source: Maldives Monetary Authority

[1/] Includes other financial corporations, public nonfinancial corporations and private sector parties.

Table 9: Financial Corporations Survey, 2010–2014

(millions of rufiyaa)

	2010	2011	2012	2013	2014
Net foreign assets	**510.5**	**2,627.7**	**5,085.7**	**8,687.3**	**12,446.3**
Central bank	4,067.6	4,725.5	4,241.0	5,308.0	9,110.0
Other depository corporations	(3,382.0)	(1,852.5)	1,017.3	3,505.4	3,442.2
Other financial corporations	(175.2)	(245.3)	(172.6)	(126.1)	(105.9)
Net domestic assets	**18,364.5**	**20,252.4**	**19,414.7**	**20,444.1**	**21,678.7**
Domestic claims	25,468.7	28,646.8	28,639.8	30,703.9	33,325.3
Net claims on central government	8,164.0	9,734.5	11,429.3	13,263.7	15,354.5
Claims on other sectors	17,304.7	18,912.3	17,210.5	17,440.2	17,970.8
Other items (net)	(7,104.1)	(8,394.4)	(9,225.1)	(10,259.7)	(11,646.7)
Currency outside financial corporations	1,570.0	1,857.5	2,115.8	2,800.9	2,681.5
Deposit	14,479.9	17,451.3	18,004.2	21,015.9	24,625.6
Insurance technical reserves	2,825.1	3,571.4	4,380.4	5,314.7	6,817.8

Source: Maldives Monetary Authority

Table 10: Depository Corporations Survey, 2010–2014

(millions of rufiyaa)

	2010	2011	2012	2013	2014
Net foreign assets	**685.6**	**2,873.0**	**5,258.3**	**8,813.4**	**12,552.2**
Central bank	4,067.6	4,725.5	4,241.0	5,308.0	9,110.0
Other depository corporations	(3,382.0)	(1,852.5)	1,017.3	3,505.4	3,442.2
Net domestic assets	**15,198.4**	**16,189.2**	**14,743.3**	**14,863.3**	**14,612.1**
Domestic claims	22,181.2	24,688.4	23,893.6	24,959.2	26,008.3
Net claims on central government	5,380.7	6,830.9	7,649.6	8,637.7	9,272.6
Claims on other sectors	16,800.5	17,857.5	16,244.0	16,321.5	16,735.7
o/w Claims on private sector	15,191.0	16,090.5	14,505.4	14,637.9	15,114.4
Other items (net)	(6,982.8)	(8,499.2)	(9,150.2)	(10,095.9)	(11,396.2)
Broad money	**15,884.0**	**19,062.2**	**20,001.6**	**23,676.7**	**27,164.2**
Narrow money	7,538.7	8,192.4	8,428.3	10,415.8	11,201.6
Quasi money	8,345.2	10,869.9	11,573.3	13,260.9	15,962.6
(annual percentage change)					
Net foreign assets	(151)	319	83	68	42
Central bank	32	16	(10)	25	72
Other depository corporations	(23)	(45)	(155)	245	(2)
Domestic claims	5	11	(3)	4	4
Net claims on central government	32	27	12	13	7
Claims on other sectors	(2)	6	(9)	0	3
Broad money	15	20	5	18	15
Narrow money	1	9	3	24	8
Quasi money	30	30	6	15	20
Memorandum items:					
Dollarisation ratio	47.1	49.5	49.2	50.2	53.8

Source: Maldives Monetary Authority

Table 11: Central Bank Survey, 2010–2014

(millions of rufiyaa)

	2010	2011	2012	2013	2014
Net foreign assets	**4,067.6**	**4,725.5**	**4,241.0**	**5,308.0**	**9,110.0**
Claims on non-residents	4,491.3	5,169.6	4,689.6	5,685.1	9,475.7
Liabilities to non-residents	(423.6)	(444.1)	(448.6)	-377.1	-365.7
Net domestic assets	**1,996.7**	**2,825.8**	**3,940.9**	**4,321.1**	**3,392.4**
Domestic claims	2,730.9	3,532.0	4,692.4	5,969.1	5,331.5
Net claims on central government	2,725.0	3,527.4	4,685.5	5,961.6	5,325.1
o/w Claims on central government	3,921.5	3,920.2	5,005.9	6,260.1	6,440.5
Claims on other sectors	5.9	4.7	6.9	7.5	6.4
Other items (net)	(734.3)	(706.2)	(751.6)	-1,648.0	-1,939.2
Monetary base	**6,064.3**	**7,551.3**	**8,181.9**	**9,629.1**	**12,502.3**
Currency in circulation	1,871.1	2,196.7	2,475.5	3,252.4	3,099.4
Liabilities to other depository corporations	4,182.6	5,294.2	5,705.7	6,375.1	9,401.8
Liabilities to other sectors	10.5	60.4	0.6	1.6	1.1
(annual percentage change)					
Net foreign assets	32	16	(10)	25	72
Claims on non-residents	34	15	(9)	21	67
Liabilities to non-residents	52	5	1	(16)	(3)
Net claims on central government	(20)	29	33	27	(11)
Monetary base	(1)	25	8	18	30
Currency in circulation	4	17	13	31	(5)
Liabilities to other depository corporations	(3)	27	8	12	47

Source: Maldives Monetary Authority

Table 12: Other Depository Corporations Survey, 2010–2014

(millions of rufiyaa)

	2010	2011	2012	2013	2014
Net foreign assets	**(3,382.0)**	**(1,852.5)**	**1,017.26**	**3,505.4**	**3,442.2**
Claims on non-residents	1,034.1	1,755.6	2,684.8	4,727.8	4,620.6
Liabilities to non-residents	(4,416.2)	(3,608.1)	(1,667.6)	-1,222.4	-1,178.4
Net domestic assets	**17,684.4**	**18,996.7**	**16,866.9**	**17,367.9**	**21,038.2**
Domestic claims	24,429.9	26,852.8	25,452.6	26,800.7	32,710.6
Claims on central bank	4,979.6	5,696.4	6,251.4	7,810.5	12,033.9
Net claims on central government	2,655.7	3,303.5	2,964.0	2,676.1	3,947.5
o/w Claims on central government	4,665.4	5,192.3	4,735.5	4,475.0	5,965.2
Claims on other sectors	16,794.5	17,852.8	16,237.2	16,314.0	16,729.3
Claims on other financial corporations	144.5	98.8	161.0	109.2	288.3
Claims on public non-financial corporations	1,465.0	1,668.1	1,577.6	1,574.4	1,332.9
Claims on private sector	15,185.0	16,085.9	14,498.6	14,630.4	15,108.0
Other items (net)	(6,745.5)	(7,856.0)	(8,585.6)	(9,432.8)	(11,672.4)
Transferable, other deposits and securities other than shares included in broad money	14,302.4	17,144.2	17,884.2	20,873.3	24,480.4
(annual percentage change)					
Net foreign assets	(23)	(45)	(155)	245	(2)
Claims on non-residents	16	70	53	76	(2)
Liabilities to non-residents	(17)	(18)	(54)	(27)	(4)
Net claims on central government	313	24	(10)	(10)	48
Claims to other sectors	(2)	6	(9)	0	3
Claims on other financial corporations	(16)	(32)	63	(32)	164
Claims on public non-financial corporations	5	14	(5)	(0)	(15)
Claims on private sector	(2)	6	(10)	1	3

Source: Maldives Monetary Authority

Table 13: Assets and Liabilities of the Maldives Monetary Authority, 2010–2014

(millions of rufiyaa)

	2010	2011	2012	2013	2014
Assets	**8,962.5**	**9,551.2**	**10,199.9**	**12,450.6**	**16,406.1**
Foreign assets	4,491.3	5,169.6	4,689.6	5,685.1	9,475.7
Claims on central government	3,921.5	3,920.2	5,005.9	6,260.1	6,440.5
Claims on other sectors	5.9	4.7	6.9	7.5	6.4
Other assets	275.6	158.3	189.4	191.1	178.2
Non-financial assets	268.2	298.4	308.1	306.7	305.3
Liabilities	**8,962.5**	**9,551.2**	**10,199.9**	**12,450.6**	**16,406.1**
Currency in circulation	1,871.1	2,196.7	2,475.5	3,252.4	3,099.4
Claims to central government	1,196.5	392.8	320.4	298.5	1,115.4
Claims to other depository corporations	4,182.6	5,294.2	5,705.7	6,375.1	9,401.8
Claims to other sectors	20.6	70.5	10.6	11.6	11.1
Other liabilities to other depository corporations	496.7	85.3	197.4	997.9	1,701.4
Foreign liabilities	423.6	444.1	448.6	377.1	365.7
Other liabilities	421.6	315.5	413.1	529.4	532.0
Shares and other equity	349.8	752.1	628.6	608.6	179.3
(annual percentage change)					
Foregin assets	34	15	(9)	21	67
Claims on central government	(7)	(0)	28	25	3
Currency in circulation	4	17	13	31	(5)
Claims to central government	51	(67)	(18)	(7)	274

Source: Maldives Monetary Authority

Table 14: Assets and Liabilities of Other Depository Corporations, 2010–2014

(millions of rufiyaa)

	2010	2011	2012	2013	2014
Assets	**27,885.2**	**31,318.0**	**30,947.4**	**34,984.5**	**41,210.6**
Foreign assets	1,034.1	1,755.6	2,684.8	4,727.8	4,620.6
Cash	300.1	339.1	358.7	450.5	416.7
Deposits with central bank	4,587.5	5,357.3	5,892.6	6,457.8	11,617.1
Securities other than shares	4,509.4	5,011.8	4,294.6	3,937.2	5,839.1
Loans and advances	17,036.2	18,027.0	16,663.7	17,741.6	16,842.9
Shares and other equity	6.4	6.4	14.3	12.4	12.4
Other assets	59.3	420.7	534.3	566.0	649.1
Non-financial assets	352.3	400.1	504.3	1,091.1	1,212.7
Liabilities	**27,885.2**	**31,318.0**	**30,947.4**	**34,984.5**	**41,210.6**
Foreign liabilities	4,416.2	3,608.1	1,667.6	1,222.4	1,178.4
Deposits	14,302.4	17,144.2	17,884.2	20,873.3	24,480.4
Central government liabilities	2,009.7	1,888.8	1,771.5	1,798.9	2,017.6
Other liabilities	2,395.5	3,768.1	3,890.6	3,895.3	5,040.9
Shares and other equity	4,761.5	4,908.8	5,733.6	7,194.7	8,493.3

Source: Maldives Monetary Authority

Table 15: Private Sector Loans & Advances by other Depository Corporations, 2010–2014

(millions of rufiyaa)

	2010	2011	2012	2013	2014
Total loans and advances	**15,094.2**	**15,970.3**	**14,403.2**	**14,533.5**	**14,928.3**
Agriculture	28.7	25.0	15.9	10.3	7.9
Fishing	896.0	772.3	551.9	546.6	399.8
Manufacturing	493.1	492.0	324.1	316.5	199.2
Construction	1,119.7	1,187.4	1,205.8	1,320.7	1,734.2
Real estate	691.2	721.1	605.2	713.0	619.5
Tourism	8,698.3	9,170.3	8,326.8	7,430.1	6,476.0
Commerce	1,774.3	2,131.1	2,144.3	2,551.7	2,515.6
Transport and communication	677.7	614.0	480.0	520.0	643.6
Electricity, gas, water and sanitary services	7.7	241.0	0.7	11.4	54.0
Other loans and advances, nes	707.5	616.0	748.4	1,113.3	2,278.7
(as a percentage of total; end of period)					
Fishing	6	5	4	4	3
Construction	7	7	8	9	12
Tourism	58	57	58	51	43
Commerce	12	13	15	18	17
Transport and communication	4	4	3	4	4
(annual percentage change)					
Total loans and advances	(2)	6	(10)	1	3
Fishing	(7)	(14)	(29)	(1)	(27)
Construction	(11)	6	2	10	31
Tourism	(5)	5	(9)	(11)	(13)
Commerce	12	20	1	19	(1)
Transport and communication	(17)	(9)	(22)	8	24

Source: Maldives Monetary Authority

Table 16: Interest Rates, 2010–2014

(weighted average interest rates per annum; as a percentage; end of period)

	2010	2011	2012	2013	2014
Maldives Monetary Authority					
Open Market Operations					
Reverse repurchase [1/]	4.46	6.96	7.00	7.00	7.00
MMA Standing Facilities					
Overnight Deposit Facility [2/]	1.50	0.25	0.25	3.00	1.50
Overnight Lombard Facility [3/]	16.00	16.00	16.00	12.00	10.00
Government					
Treasury bills [4/]					
28 days	4.51	6.97	7.87	10.03	7.50
91 days	5.35	6.96	7.90	10.21	8.00
182 days	5.50	6.97	7.85	10.00	8.50
364 days [5/]	-	-	7.86	10.50	9.00
Commercial banks					
Deposits					
Transferable deposits					
National currency	2.21	2.22	2.24	2.23	2.24
Foreign currency	1.70	1.74	1.59	1.56	1.57
Savings deposits					
National currency	2.25	2.25	2.25	2.25	2.23
Foreign currency	2.36	2.22	2.22	2.28	2.23
Time deposits (2 to 3 year)					
National currency	3.75	4.10	3.80	4.00	4.01
Foreign currency	4.93	5.00	4.49	3.84	3.08
Loans and advances					
Public non-financial corporations					
National currency	8.75	8.71	8.95	11.02	9.98
Foreign currency	10.01	9.73	9.33	9.24	9.25
Private sector					
National currency	10.45	10.17	10.51	11.42	11.38
Foreign currency	8.28	8.42	8.68	8.58	8.46
Other financial institutions					
Share prices					
MASIX index (period average)	211.87	163.65	152.39	144.21	137.37
MASIX index (end of period)	211.17	157.44	149.74	114.60	134.13

Source: Maldives Monetary Authority, Maldives Stock Exchange

[1/] Reverse repo (7 days) was introduced on 27 August 2009. Open market operations has been temporarily suspended from May 2014 onwards.

[2/] MMA introduced Overnight Deposit Facility for commercial banks on 23 March 2010.

[3/] Overnight Lombard Facility was reinstated on 9 May 2010.

[4/] Treasury bills were issued on 11 September 2006. Since December 2009, treasury bills were issued on auction and the rate represents the weighted average interest rates accepted by the government. From mid-2014 onwards the issuance of treasury bills have been reverted to a tap system.

[5/] 364 day T-bill was introduced in August 2012.

Table 17: Balance of Payments, 2011–2014 [1/]

(millions of US dollars)

	2011	2012	2013	2014
Current account	**(393.4)**	**(186.1)**	**(119.8)**	**(191.1)**
Balance on goods	(1,370.5)	(1,261.4)	(1,372.0)	(1,660.0)
Goods: credit	346.4	314.4	331.0	300.9
Goods: debit	(1,716.8)	(1,575.8)	(1,703.0)	(1,960.9)
Balance on services	1,527.5	1,613.4	1,909.1	2,211.7
Services: credit	2,108.5	2,184.0	2,598.9	2,981.9
o/w Travel	1,940.2	1,958.0	2,336.6	2,645.2
Services: debit	(581.0)	(570.6)	(689.7)	(770.2)
Balance on income	(308.7)	(278.9)	(369.7)	(394.2)
Balance on current transfers	(241.8)	(259.2)	(287.2)	(348.7)
Capital Account	**28.5**	**17.4**	**7.9**	**15.7**
Financial Account	**416.6**	**187.7**	**62.6**	**510.3**
Direct investment (net)	423.5	228.0	360.8	363.3
Portfolio investment (net)	0.1	53.1	(53.3)	(2.0)
Other investment (net)	(7.1)	(93.3)	(244.9)	149.0
Net errors and omissions	(67.0)	(49.4)	113.2	(88.5)
Overall balance	**(15.3)**	**(30.4)**	**63.8**	**246.4**
Memorandum items:				
Exports of goods and services	2,454.9	2,498.4	2,929.8	3,282.8
Current account as a percent of GDP	(16)	(7)	(4)	(6)
Reserves (millions of US dollars)	334.9	304.5	368.3	614.7

Source: Maldives Monetary Authority

[1/] Based on the latest revision made in April 2015.

Table 18: Composition of Imports (c.i.f.), 2010–2014
(millions of US dollars)

	2010	2011	2012	2013	2014
Total imports	**1,090.9**	**1,465.3**	**1,554.3**	**1,733.4**	**1,992.5**
Private imports	779.8	1,010.9	1,113.2	1,210.6	1,366.6
Private (excluding tourism)	568.1	739.2	835.4	886.8	1,026.0
Tourism	211.6	271.7	277.8	323.8	340.7
Total public imports	311.1	454.4	441.1	522.8	625.9
Public enterprises	263.9	347.0	403.0	495.9	587.0
Government	47.2	107.4	38.2	26.9	38.9
Total imports	**1,090.9**	**1,465.3**	**1,554.3**	**1,733.4**	**1,992.5**
Food items	236.0	296.9	318.9	378.9	407.6
Furniture, fixtures and fittings	36.3	50.8	47.6	64.9	64.8
Electronic and electrical appliances	37.3	39.3	36.2	45.6	52.5
Petroleum products	250.6	366.4	488.3	503.2	571.6
o/w Diesel (marine gas oil)	198.9	289.3	330.7	297.0	346.3
Transport equipments and parts	68.7	110.5	74.5	120.5	143.7
Wood, metal, cement and aggregates	111.2	140.6	140.1	136.4	169.2
Machinery and mechanical appliances and parts	64.3	81.4	80.3	89.8	120.9
Electrical and electronic machinery and equipments and parts	66.3	96.8	55.0	72.7	88.3
Other items	220.2	282.6	313.4	321.5	373.9

Source: Maldives Customs Service

Table 19: Composition of Exports (f.o.b.), 2010–2014
(millions of US dollars)

	2010	2011	2012	2013	2014
Merchandise exports	**197.5**	**346.4**	**314.4**	**331.0**	**300.9**
Domestic exports	73.9	127.4	161.6	166.5	144.8
Fish exports	68.3	120.6	156.1	161.3	139.1
Fresh, chilled or frozen tuna	46.9	96.3	128.3	133.3	112.0
o/w Skipjack	18.4	31.5	39.4	46.3	31.8
Yellowfin tuna	28.2	64.5	88.2	85.6	75.5
Fresh, chilled or frozen fish (excluding tuna)	2.5	4.0	4.4	3.2	4.4
Canned or pouched	5.8	9.2	13.8	16.5	15.8
Processed fish, nes	13.1	11.1	9.6	8.3	6.9
Fish products, sea food, marine product nes and live fish	2.0	2.4	1.9	1.8	1.9
Garments and other exports	3.6	4.4	3.6	3.4	3.7
Re-exports	123.6	219.0	152.8	164.4	156.0

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

Table 20: Direction of Trade of Imports of Goods, 2010–2014
(millions of US dollars)

	2010	2011	2012	2013	2014
Total imports	**1,090.9**	**1,465.3**	**1,554.3**	**1,733.4**	**1,992.5**
Asia	822.9	1,189.3	1,287.8	1,408.5	1,651.4
o/w China	31.5	74.0	68.5	81.5	105.1
Malaysia	77.8	79.7	85.4	85.2	145.1
Singapore	195.5	316.3	282.1	281.0	349.5
Thailand	57.3	61.7	74.4	86.0	87.6
Europe	106.5	148.2	124.3	192.9	194.4
o/w France	11.4	11.6	15.9	34.2	17.6
Germany	20.1	25.7	28.6	30.0	34.8
Italy	14.5	24.0	15.6	24.4	29.6
North America	97.0	68.7	83.8	57.3	62.0
o/w USA	27.8	30.5	45.6	30.2	33.5
Oceania	42.7	40.3	39.0	45.2	56.9
o/w Australia	30.3	32.2	31.3	32.4	36.7
South America	6.4	10.5	12.0	20.3	17.4
Africa	15.4	8.4	7.4	9.2	10.5

Source: Maldives Customs Service

Table 21: Direction of Trade of Exports of Goods, 2010 2014
(millions of US dollars)

	2010	2011	2012	2013	2014
Domestic exports	**73.9**	**127.4**	**161.6**	**166.5**	**144.8**
Asia	46.8	67.3	81.3	94.6	73.1
o/w Japan	1.3	3.8	3.3	5.1	7.7
Thailand	22.1	33.5	44.3	61.7	46.7
Europe	26.2	58.6	73.4	63.2	57.8
o/w France	8.0	21.1	26.7	22.5	20.9
Germany	2.1	3.3	5.5	10.0	9.7
Italy	6.9	12.7	12.4	8.2	5.1
UK	7.0	9.3	12.0	9.1	6.8
North America	0.5	1.2	6.1	8.1	13.6
Oceania	0.0	0.1	0.9	0.6	0.4
South America	-	-	-	-	-
Africa	0.4	0.2	0.0	0.0	0.0

Source: Maldives Customs Service

Table 22: External Debt, 2010–2014

(millions of US dollars)

	2010	2011	2012	2013	2014
Total external debt outstanding and disbursed	**950.2**	**903.7**	**810.9**	**792.7**	**738.5**
Public and publicly-guaranteed (medium and long term)	614.2	679.6	717.7	747.9	692.3
Multilateral	311.0	313.5	326.6	323.6	290.1
Bilateral	179.3	217.5	231.9	216.6	186.6
Financial markets	-	-	-	-	-
Commercial	31.7	21.7	12.9	7.5	31.9
Suppliers credit	92.3	126.9	146.3	200.2	183.8
Pipeline	-	-	-	-	-
Guaranteed debt	-	-	-	-	-
Depository corporations [1/]	336.0	224.1	93.2	44.8	46.2
Head offices or branches	316.1	219.0	90.6	43.0	25.9
Other depository institutions	19.8	5.1	2.6	1.8	20.3
Public and publicly-guaranteed (medium and long term)					
Disbursements	141.5	130.5	109.8	77.4	45.1
Debt service	49.5	64.0	72.6	60.8	76.8
Amortisation	41.5	55.2	63.2	52.5	64.6
Interest payments	8.0	8.8	9.4	8.3	12.2
(as a percentage of GDP)					
Total external debt outstanding and disbursed	41	37	32	29	24
Public and publicly-guaranteed debt	26	28	28	28	23
Commercial banks' debt	14	9	4	2	2
Debt service ratio [2/] (public and publicly-guaranteed)	n.a	2.6	2.9	2.1	2.3
Memorandum items:					
Nominal GDP (millions of US dollars)	2,332.5	2,466.1	2,525.5	2,695.8	3,024.5
Exchange rate [3/]	12.80	15.41	15.41	15.41	15.41
Exports of goods and services (millions of US dollars)	n.a	2,454.9	2,498.4	2,929.8	3,282.8

Source: Ministry of Finance and Treasury, Maldives Monetary Authority

[1/] Foreign borrowings.

[2/] This is calculated as debt service as a percentage of exports of goods and services. Debt service ratio is only available from 2011 onwards.

[3/] Exchange rate applied as per the Ministry of Finance and Treasury.

Table 23: Exchange Rates, 2010–2014

(rufiyaa per foreign currency; end of period mid rate)

	2010	2011	2012	2013	2014
US dollar [1/]	12.8000	15.4100	15.3700	15.4100	15.4000
Japanese yen	0.1568	0.1985	0.1785	0.1462	0.1278
Singapore dollar	9.8057	11.8028	12.4758	12.0466	11.5661
Indian rupee	0.2861	0.2910	0.2825	0.2491	0.2425
Sri Lankan rupee	0.1239	0.1352	0.1209	0.1176	0.1172
Sterling pound	19.4329	23.7940	24.6595	25.2298	23.8169
Euro	16.4776	19.7321	20.1550	21.0160	18.6308

Source: Maldives Monetary Authority, Bank of Maldives plc

[1/] The US dollar rate refers to the reference rate of the MMA 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
Tel: (960) 3312343
Fax: (960) 3323862
Email: mail@mma.gov.mv
Website: www.mma.gov.mv