ANNUAL REPORT 2015

MALDIVES MONETARY AUTHORITY

Published in 2016
ISBN 978-99915-63-08-4

Cover design and infographics by Ahmed Naushad

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ANNUAL REPORT 2015

PREFACE

In accordance with Article 35 (b) (2) of the Maldives Monetary Act 1981, this Annual Report covers polices adopted by the MMA during the year 2015 to achieve its main objectives, and the activities and developments of the MMA for the year 2015. It also covers developments in the domestic economy during 2015 and presents an overview of events in the global economy during the year. An outlook for 2016 is also included in the report. All analyses are based on information relating to the year 2015, received from relevant government authorities, financial sector agencies, public enterprises and other private sector sources. All data is as of March 2016. The views expressed in this report, however, are those of the MMA and do not necessarily represent those of the source of data. This report also includes a copy of the Financial Statements for the year ended 31 December 2015 that have been examined and certified by the external auditors. We thank all those who have contributed to the publication of this report including the provision of the information contained herein.

GOVERNOR'S STATEMENT

The Maldives marked the Golden Jubilee of the country's Independence in 2015. To mark this historical occasion, the MMA introduced a commemorative note, which is available to the general public, as a symbolic memento. The MMA also inaugurated, for the first time in the history of the Maldives, polymer banknotes on 1st November 2015, in its Ran Dhihafaheh note series. These historic events, however, coincided with less than ideal economic conditions. Slowdown in economic activity in China, the downturn in the Russian economy and persistent uncertainty in euro area economies, did not help stimulate growth. With the Maldives being a small open economy very much influenced by global economic conditions, the domestic economy performed below what was initially expected in the year 2015.

The main reason for the less than expected performance of the Maldivian economy in 2015 was a slowdown in tourism sector activity. Even with a slight increase in tourist arrivals into the country, bed-nights actually fell, owing to a reduction in the average duration of stay by tourists during the year. Meanwhile, fiscal conditions deteriorated further, with the fiscal deficit for the year much higher than what was initially projected. The upshot, however, is that the financial sector performance picked up during 2015 with improvements in the banking sector's asset quality and a pick-up in lending to the private sector with higher investments in the country.

The annual rate of inflation remained low at an average of 1.4% during 2015. The slowdown in inflation was mostly influenced by the steep decline in international oil prices and global commodity prices in general. This pass-through effect to domestic prices is to a large degree inevitable in a small open economy like the Maldives. Despite record low oil prices, the current account deficit widened owing to a decline in tourism receipts and an increase in outward remittances.

As part of its mandate for shaping and implementing monetary policy, the MMA took some strategic decisions to stimulate growth in the Maldivian economy. One such measure was to halve the minimum reserve requirement (MRR) from 20% to 10% for both local currency and foreign currency deposits effective from 20th August 2015.

Effective regulation and supervision of the financial sector remains a key priority of the MMA. In this regard, the Third Amendment to the Maldives Monetary Authority Act of 1981 was passed and ratified, which strengthened the Authority's mandate to act as the regulator of financial institutions. The First Amendment to the Maldives Banking Act, also passed and ratified during the year, further enhanced the efficiency of the regulatory and supervisory arm of the MMA. Furthermore, the MMA issued regulations under the Prevention of Money Laundering and Financing of Terrorism Act to stipulate due diligence requirements and due procedures in order to prevent and detect money laundering and terrorism financing activities.

An important step taken to increase trust in the financial system and promote financial stability was the introduction of a deposit insurance scheme in 2015. This scheme was the first of its kind in the Maldives, and was established to provide an extra layer of protection, especially for small depositors, on top of the existing prudential rules set by the MMA.

Well-functioning payment systems are vital for financial stability and economic prosperity. The MMA promotes the use of electronic money in the economy, which is more efficient and promotes financial inclusion. In this respect, an important development that took place in 2015 was the commencement of the project "Enabling a Non-bank Mobile Money Solution", which will enable mobile operator-led mobile money and payment solutions. MMA has been working to establish the appropriate regulatory framework and has allowed two mobile operators to proceed with the setting up of mobile payment services in the country.

Maintaining confidence in the currency is essential for the smooth functioning of an economy, regardless of how cashless it is. On 1st November 2015, the MMA introduced the new banknote series, Ran Dhihafaheh. With that, the Maldives will be shifting from a cotton-base to a polymer substrate for all its banknotes and embraced a design showcasing tradition and modernity. The new note series features a substantial improvement in security compared with the 1983 banknote series. As the best defense for the security and the authenticity of currency notes are an aware public, an extensive public awareness campaign was conducted by the MMA in the last two months of the year. During this time, staff teams from the MMA visited all inhabited islands, resorts and industrial islands and conducted information sessions, road shows and door-to-door campaigns, in addition to media advertisements and announcements. This effort was to ensure that the public is fully aware of the features of the new banknote series, which is essential before such a major change takes place.

I wish to express my gratitude to the Board of Directors for their continued support and advice. Above all, I am extremely proud of the staff of the MMA for their contribution, and commend them for their professionalism and dedicated service throughout the year.

Azeema Adam
Governor

FUNCTIONS OF THE MALDIVES MONETARY AUTHORITY

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

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

BOARD OF DIRECTORS
(AS AT THE END OF 2015)

Dr. Azeema Adam	Governor and Chairperson
Ms. Aishath Zahira	Deputy Governor
Ms. Neeza Imad	Assistant Governor
Mr. Mohamed Saeed*	Minister of Economic Development
Mr. Ahmed Munawar	Minister of State for Finance and Treasury
Mr. Hussain Hilmy	Private Sector
Mr. Abdulla Ghiyas Riyaz	Private Sector

*Mr. Mohamed Saeed was appointed as a member of the Board on 24 May 2015.

SENIOR OFFICIALS
(AS AT THE END OF 2015)

Governor

Dr. Azeema Adam

Deputy Governor

Ms. Aishath Zahira

Assistant Governors

Ms. Neeza Imad

Ms. Mariyam Hussain Didi

Executive Directors

Ms. Idham Hussain - Statistics Division/ Governor's Office

Mr. Abdul Hameed Mohamed - General Service Division

Ms. Mariyam Najeela - Banking Supervision Division

Ms. Aishath Nadhiya - Reserve Management and Market Operations Division

Mr. Shawn Rasheed - Technology Service Division

Ms. Fathimath Jawza - Financial Controls Division

Counsel General

Uza. Sheeza Ahmed - Legal Unit

Assistant Executive Director

Ms. Lubna Abdul Gadir - Human Resource Division

Abbreviations and Acronyms

ACH	Automated Clearing House
ADB	Asian Development Bank
BOP	balance of payments
bps	basis points
BPT	business profit tax
CIC	currency in circulation
c.i.f.	cost, insurance, freight
CPI	consumer price index
ECB	European Central Bank
EU	European Union
FDI	foreign direct investment
FIU	Financial Intelligence Unit
f.o.b.	free on board
FRA	Fiscal Responsibility Act
GDP	gross domestic product
GIR	gross international reserve
GST	goods and services tax
GWP	gross written premium
IMF	International Monetary Fund
IAU	Internal Audit Unit
IIP	international investment position
M0	reserve money
M2	broad money
MIRA	Maldives Inland Revenue Authority
MMA	Maldives Monetary Authority
MPAO	Maldives Pension Administration Office
MRTGS	Maldives Real Time Gross Settlement
MRR	minimum reserve requirement
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
OFI	other financial institutions
OLF	Overnight Lombard Facility
OMO	open market operations
OPEC	Organisation of the Petroleum Exporting Countries
PSIP	Public Sector Investment Programme
PNFC	public non-financial corporation
SAARC	South Asian Association for Regional Co-operation
SEZ	Special Economic Zone
SOEs	state-owned enterprises
T-GST	tourism goods and services tax
UAE	United Arab Emirates
UK	United Kingdom
US	United States
WAIR	weighted average interest rate

Contents

ECONOMY AT A GLANCE

Economic Highlights 2015

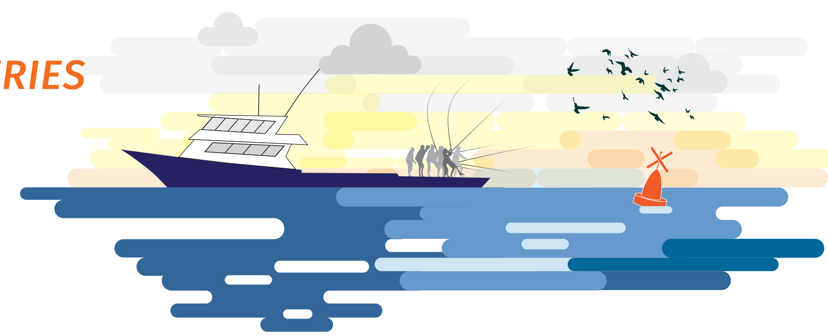
TOURISM

2%

Tourist arrivals growth

Tourist arrivals growth slowed down, attributed to a decline in arrivals from China, combined with the poor performance of the Russian market.

FISHERIES

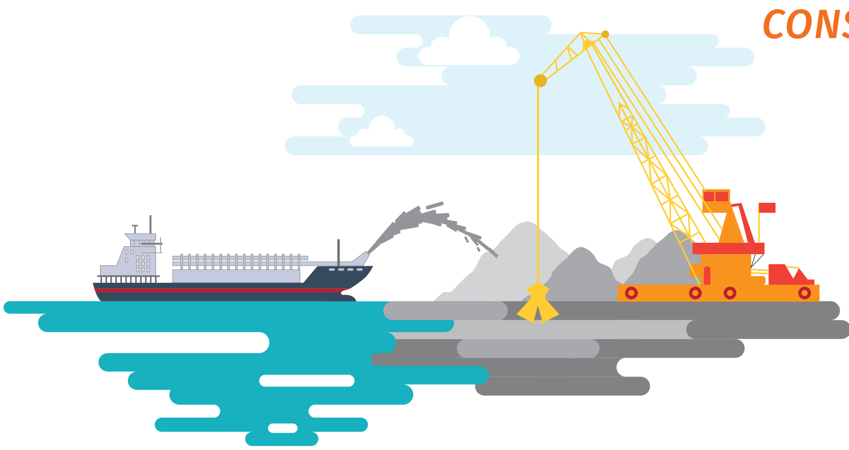


-10%

Fish purchases Jan-Nov 2015

Fishing activity declined, owing to dwindling fish purchases and adverse conditions in the international tuna market with sharp decline in tuna prices.

CONSTRUCTION



40%

Average construction sector output

Construction sector output remained robust, boosted by the commencement of several public sector infrastructure projects during the year.

INFLATION

1.4%
Inflation rate

The rate of inflation eased in 2015, contributed by declining global commodity prices and domestic fish prices.

PUBLIC FINANCE

7%
Fiscal deficit as a percentage of GDP

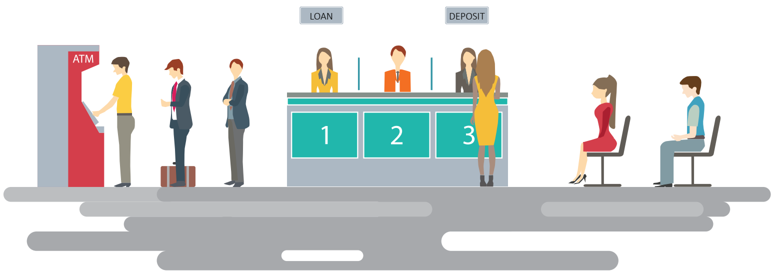
Fiscal deficit worsened in 2015 reaching 7% of GDP which exceeded the initial estimate and the deficit was almost entirely financed via domestic sources. Revenue collections fell short of the initial target, although total expenditure was lower than the budgeted value, owing to a fall in capital expenditure.

MONETARY POLICY

10%
Current MRR

The MMA lowered the MRR from 20% to 10%, effective 20th August 2015, with the aim of reducing the cost of funding for banks and to facilitate private sector lending; and to align the level of MRR in the Maldives to international levels.

FINANCIAL SECTOR



12%
Deposit base growth

The expansion in the deposit base of the banking sector led to a 11% growth in net assets of the sector.

The asset quality of the sector also improved with NPLs ratio falling to 14% in 2015. This was driven by a decline in the absolute value of NPLs and a significant increase in lending during the year.

EXTERNAL SECTOR

9%
Current account deficit as a percentage of GDP

Current account deficit worsened, owing to lower tourism receipts and increased outward remittances.

Net inflows on the financial account declined notably. Thus, the overall balance of payment recorded a deficit during the review year and gross international reserves posted a decline of US$50.0 million in 2015.

Economic Outlook for 2016

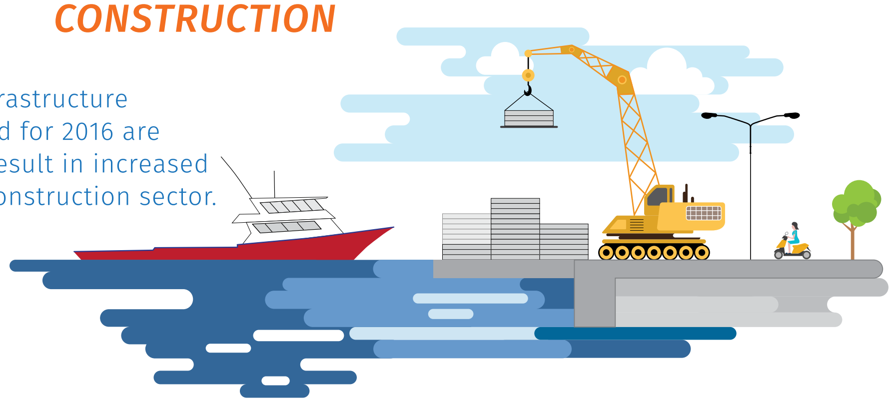
TOURISM

The annual growth rate of real GDP is forecasted to pick up to 6.4% in 2016. The growth is expected to be driven by increased output from the construction and tourism sectors.

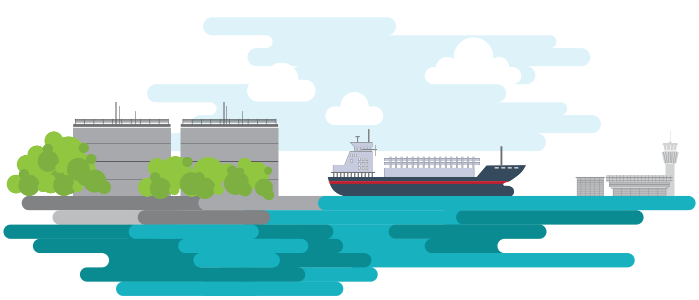
Promotional activities of the Visit Maldives Year 2016 campaign are expected to contribute to a significant increase in inbound tourism in 2016.

CONSTRUCTION

Large public infrastructure projects planned for 2016 are anticipated to result in increased activity in the construction sector.



INFLATION



The trends of declining oil and food prices in global commodity markets are expected to prevail, contributing to the further easing of consumer prices in the Maldives during 2016.

PUBLIC FINANCE

Fiscal deficit as a percentage of GDP is projected to decline to 6% in 2016, driven by increased revenue from new revenue measures. Current expenditure is expected to remain stable, but total expenditure is projected to rise owing to increased capital expenditure on large scale public infrastructure projects.

EXTERNAL SECTOR

The current account deficit is projected to widen further to 10% of GDP, driven by increased construction-related imports stemming from the anticipated increase in construction activity.

Increased tax receipts in 2016 are expected to boost the gross international reserves of the country to US$661 million.

MACROECONOMIC DEVELOPMENTS

International Economic Developments

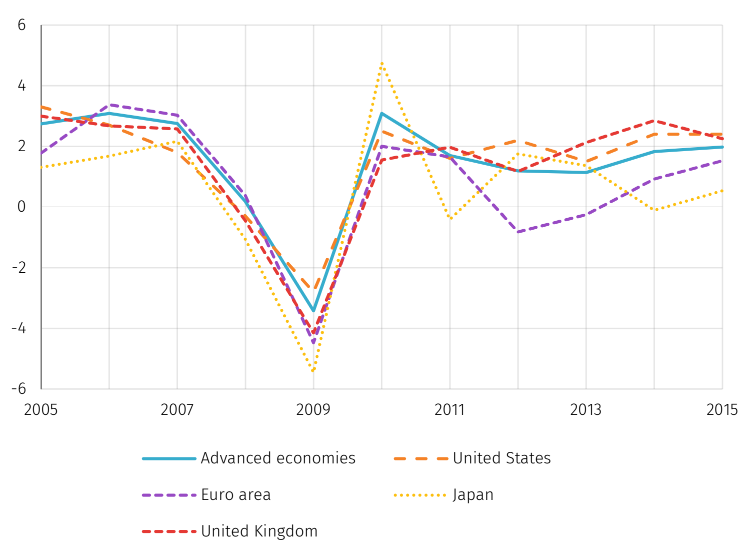
Output

The global economy slowed down in 2015 as output from emerging markets and developing economies weakened, while the expected recovery from advanced economies did not fully materialise and remained sluggish. Global inflation further eased during the year, driven by the steep decline in commodity prices.

According to the World Economic Outlook Update published by the International Monetary Fund (IMF) in January 2016, global growth for 2015 was estimated at 3.1%, unchanged from the estimates made in October 2015. Growth projections for 2015 reflect a deceleration when compared with a growth of 3.4% in 2014. This has been mainly on account of the deceleration in growth of the emerging markets and developing economies (accounting for over 70% of global growth) while recovery in the advanced economies remained timid.

Looking at the advanced economies, output increased by 2.0% in 2015, up marginally from 1.8% in 2014 (Figure 1). In the US, the economy grew by 2.4% in 2015, maintaining the same growth rate as the year before while the rate of unemployment also fell to 5.0% at the end of 2015, from 5.6% during the same period in 2014. The US economy was driven by strong consumer spending, which grew by 3.1% in 2015 compared with a growth of 2.7% in 2014. The US economy slowed towards the end of the year as exports of goods fell, due to

Figure 1: Real GDP Growth in the Advanced Economies, 2005–2015
(annual percentage change)



2.0%

Advanced economies registered a marginal growth of 2% in 2015

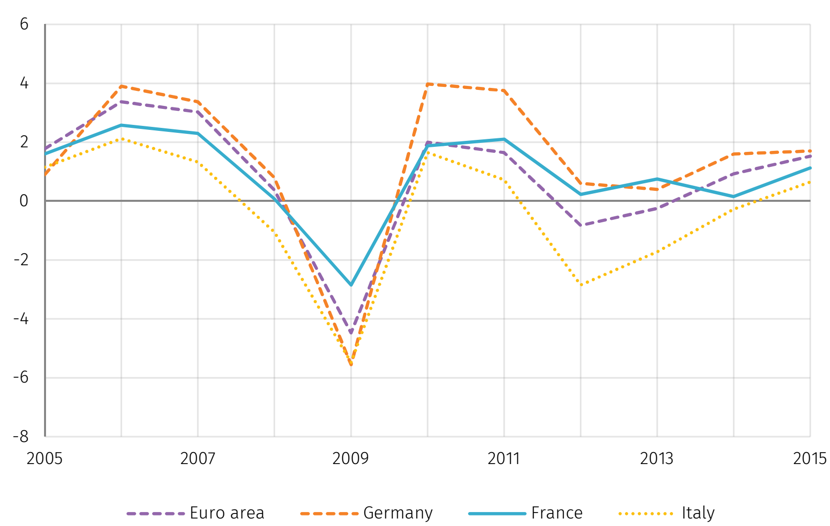
Sources: IMF World Economic Outlook Database, OECD Database, Bureau of Economic Analysis the appreciation of the US dollar and weaker investment from the private sector.

As for the euro area, output increased by 1.5% in 2015 compared with 0.9% in 2014. During 2015, the decline in international commodity prices—most significantly oil prices—provided a boost for the sluggish euro area economies. Further, quantitative easing measures by the European Central Bank (ECB), along with other monetary policy measures such as negative interest rates and cheap funding for banks, provided a boost to the output in the region. However, growth momentum in the euro area eased towards the latter half of 2015 due to weaker external demand resulting from the slowdown in key emerging markets and developing economies such as China and Russia. Examining the main economies in the euro area, the German economy grew by 1.7% in 2015 compared with 1.6% in 2014, driven by strong consumer spending on the back of cheaper commodity prices and low interest rates. In contrast, France and Spain posted modest growth rates while the Italian economy emerged from a three-year recession and grew by 0.7% in 2015 (Figure 2).

The Japanese economy rebounded slightly in 2015, recording a marginal growth of 0.5% after declining by 0.1% in 2014. The growth momentum was weak during the year amid uncertainties in the global economic climate, which dragged down exports while one of the key drivers of the economy—household consumption—continued to lag.

Figure 2: Real GDP Growth in the Euro Area, 2005–2015

(annual percentage change)



1.5%

Euro area growth remained moderate at 1.5% in 2015

Source: OECD Database

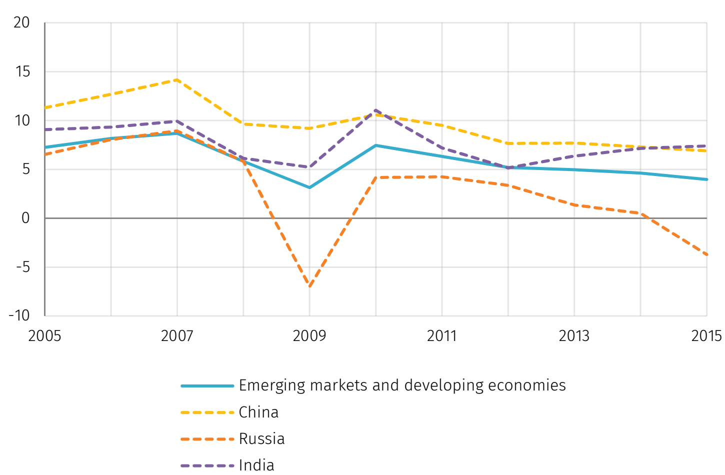
In the United Kingdom (UK), output growth decelerated to 2.3% in 2015 from a growth of 2.9% in 2014. Growth was largely driven by the services sector whereas the manufacturing and construction sector outputs weakened and dampened growth during 2015.

Growth in the emerging markets and developing economies is estimated to have decelerated to 4.0% in 2015 from 4.6% in 2014 (Figure 3). This significantly weaker outlook for 2015 reflects the slowdown in the Chinese economy, which grew by 6.9% in 2015, a significant fall from the 7.3% recorded in 2014 and the lowest since 1990. The slowdown has been mainly due to the shift in policy to rebalance the economy from an exports- and manufacturing-oriented economy to one more driven by consumption and services. As a result, growth has faltered in the manufacturing sector, lowering the demand for global commodities, while excess capacity has increased in industries such as the real estate market.

Meanwhile, the Russian economy contracted in 2015, with output declining by 3.7%, the lowest since 2009. This was mainly due to the decline in international oil prices while the sanctions levied against the Russian economy and the weak exchange rate continued to exacerbate the economic situation. During 2015, the Indian economy grew by 7.4% in 2015, compared with a growth of 7.2% in 2014. The Indian economy was driven mainly by the services sector while the manufacturing sector slumped as a result of weak external demand resulting in lower exports.

Figure 3: GDP Growth in Emerging Markets and Developing Economies, 2005–2015

(annual percentage change)



4.0%

Growth in emerging markets and developing economies decelerated to 4.0% in 2015

Sources: IMF World Economic Outlook Database, OECD Database, National Bureau of Statistics of China

Inflation

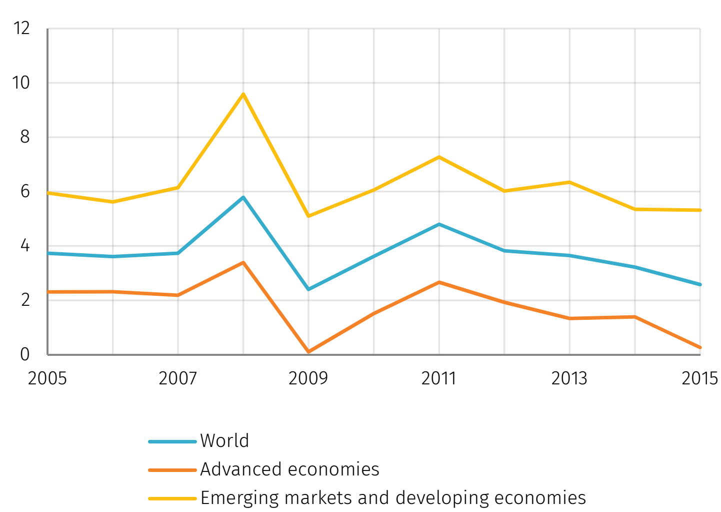
Global inflation decelerated in 2015, to 2.6% from 3.2% in 2014 (Figure 4), reflecting the rapid decline in global commodity prices during the review year. Additionally, prices experienced downward pressure due to the slowdown in key economies such as China, where the slowing manufacturing sector growth reduced demand for commodities.

In the advanced economies, prices eased in 2015 as the annual rate of inflation increased by 0.3% in 2015 compared with 1.4% in 2014. In the US, the annual growth in the CPI eased to 0.1% in 2015 from 1.6% in 2014, which was significantly lower than the Federal Reserve's inflation target of 2.0%. Inflation eased as a result of the appreciation of the US dollar against the major trading partners and due to the steep decline in commodity prices. Looking at the euro area, the rate of inflation as measured by the Harmonised Index of Consumer Prices was stagnant in 2015, recording an inflation rate of zero percent compared with a similarly low inflation rate of 0.5% in 2014. Prices in the euro area were kept low due to declining commodity prices and the sluggish recovery in the region. Prices were also suppressed by the high rate of unemployment in the region, although it fell from 11.4% in December 2014 to 10.4% at the end of December 2015.

In Japan, inflation decelerated significantly to 0.8% in 2015 compared with 2.8% in 2014. The deceleration in inflation has been underlined by the slow growth in the economy coupled with sluggish consumer spending and weak growth in wage levels. In the UK, the rate of inflation was stagnant and held at a record low of zero percent compared with 1.5% in 2014.

Figure 4: Inflation, 2005–2015

(annual percentage change)



Source: IMF International Financial Statistics Database

2.6%

Global inflation decelerated to 2.6% in 2015

Inflation remained low throughout the year, driven by the continued decline in oil prices and increased competition within the retail industry.

Looking at emerging markets and developing economies, the rate of inflation eased to 5.3% in 2015, down marginally from 5.4% in 2014. In China, the rate of inflation decelerated to 1.4% from 2.0% in 2014, reflecting the easing of domestic demand and falling commodity prices. In Russia, inflation accelerated to 15.5% in 2015 from 7.8% in 2014. The pick-up in prices mirrors the economic downturn being experienced in Russia due to sanctions, and the steep decline in the value of the Russian ruble. In India, the inflation rate decelerated further to 5.9% in 2015, down from 6.4% in 2014. The easing of inflation reflects favourable weather conditions that have assisted in stabilising food prices; falling oil prices also put downward pressure on prices.

Commodity Prices

According to the IMF Commodity Price Index, global commodity prices fell for the fourth consecutive year in 2015, recording a significant annual decline of 35%. This represents a much steeper fall in prices compared with the 6% decline in prices in 2014. This was largely due to the significant fall in crude oil prices and partly due to a fall in global food and metal prices (Figure 5).

The IMF Crude Oil Price Index declined by 47% in 2015 compared with a 7% decline in 2014. The steep decline in oil prices during the year reflects the strategy of the Organisation of the Petroleum Exporting Countries (OPEC), especially Saudi Arabia, to maintain their production levels despite the increase in supply from non-OPEC countries such as the US. In addition, the slowdown in global demand for oil, notably from large consumers such as China and the expectations of increased supply in the market due to the removal of trade restrictions on Iran, has put downward pressure on oil prices during the review year. Crude oil prices[1] averaged US$50.8 per barrel in 2015 compared with US$96.2 per barrel in 2014. Looking at oil price movements during the year, prices surged in the initial months of 2015, and reached a peak of US$62.5 per barrel in May 2015, owing mainly to the disruption in supplies from the Middle East. However, prices declined rapidly in the second half of 2015, closing at US$36.6 per barrel in December 2015, a 40% decline compared to the same period in 2014.

With respect to global food prices, the IMF Food Price Index declined by 17% in 2015 compared with a 4% decline in 2014. According to the Food and Agriculture Organisation of the United Nations, prices declined in 2015 for all key food indices which include meat, dairy, cereal, vegetable oil and sugar. The steep decline in food prices was due to weak global demand while supplies remained abundant and harvests have been favourable.

In 2015, the IMF metal price index declined by 23% compared with a decline of 10% in 2014. The decline in prices is attributed to the slowdown in global demand, especially from the Chinese economy where growth in the manufacturing sector and metal-intensive investment has remained subdued. Prices have been put under further pressure as a result of a significant increase in supply from low-cost suppliers such as Brazil and Australia.

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

Figure 5: Global Commodity Prices, 2012–2015

(annual percentage change)

Source: IMF

-35%

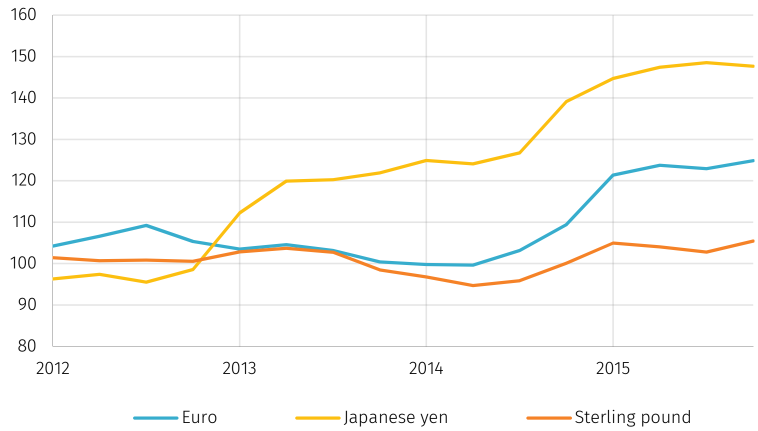
Global commodity prices recorded a significant decline of 35% in 2015

Exchange Rates

During 2015, the US dollar appreciated against major currencies of the world such as the euro, the Japanese yen and the sterling pound. The US dollar closed 13% higher against the euro at the end of 2015 compared with 2014. The appreciation of the US dollar against the euro was due to the fall in demand for euro-denominated assets due to the weak recovery in the euro area economy, along with the ECB initiating a quantitative easing program in March 2015 to purchase government bonds on a large scale, thus reducing their yields. Further, the US dollar gained strength due to increased speculation that the US Federal Reserve would raise interest rates in 2015 for the first time since 2006, which was subsequently realised in December 2015. Similarly, the US dollar appreciated against the Japanese yen by 2% at the end of 2015, 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 5% higher against the sterling pound at the end of 2015 and on average 8% higher during the year as a whole when compared with 2014. This was mainly due to an improved outlook for the US economy compared with the UK and expectations that the Bank of England would delay interest rate hikes in the near future (Figure 6).

Figure 6: Change in the US Dollar Exchange Rate Against Major Currencies, 2012–2015

(annual percentage change)



⬆ USD

USD appreciated against major currencies in 2015

Source: IMF International Financial Statistics Database
Note: The upward (downward) movement of the data series represent the depreciation (appreciation) of the respective currency against the US dollar.

Domestic Economic Developments

Overview

Real gross domestic product (GDP) growth of the Maldivian economy slowed to 1.5% in 2015 compared with a growth of 6.5% in 2014. The slowdown was mainly driven by the sluggish performance of the tourism sector, which fell short of expectations owing to the strengthening of the United States (US) dollar against most currencies, worsening economic conditions in Russia—a major source market from Europe—and also increased domestic political tensions, especially during the latter half of the year. However, the lacklustre performance of the tourism sector was partly offset by strong construction output largely driven by the commencement of several public sector infrastructure projects; the pick-up in resort development projects and residential projects also contributed to some extent. Meanwhile, primary fishing activity and fishing-related manufacturing activity weakened in 2015, exacerbated by adverse conditions in the international tuna market, such as low demand and declining prices.

The rate of inflation, as measured by the annual change in the consumer price index (CPI) for Male' remained subdued in 2015 and eased further to 1.4% on average, down from 2.5% in 2014. The slowdown in inflation is largely attributed to declining global commodity prices, especially oil prices, which contributed significantly to the dampening of inflationary pressures during the year. Meanwhile, domestic fish prices (the most volatile component in the CPI) followed a declining trend in 2015 and contributed to the slowdown in inflation during the year. The decline in fish prices was also reflected in the slightly higher rate of inflation excluding fish prices (1.5%) for the year ending 2015.

The fiscal conditions continued to worsen in 2015 as indicated by the growing budget deficit with lower-than-expected revenue collections and increasing government expenditure. While revenue collections remained robust in 2015, driven by both tax and non-tax revenues, it missed the initial target mainly due to the sluggish performance of the tourism sector, which affected revenue sources directly linked to the sector. Meanwhile, government expenditure was also lower than budgeted as overruns in current expenditure were offset by lower-than-expected capital expenditure. However, when compared with 2014, total expenditure registered a significant growth owing to increases in both current and capital expenditure. On the financing side, the budget deficit was financed almost entirely through domestic sources, mainly by issuing treasury bills to the domestic market.

In 2015, the MMA's core objective of monetary policy remained as maintaining price stability and an adequate level of external reserves. The MMA lowered the minimum reserve requirement (MRR) from 20% to 10% effective 20 August 2015. The aim of this was to reduce the cost of funding for the banks and facilitate private sector lending, as well as to align the level of MRR in the Maldives with international levels. Despite the easing of monetary conditions during the year, the overall expansion of the monetary aggregates remained contained in 2015 due to the weakening of net foreign assets and also partly reflecting the sluggish growth of the private sector credit in the first half of the year. In addition, the MMA continued to absorb excess liquidity via the overnight deposit facility (ODF) and to intervene in the foreign exchange market to help maintain a stable exchange rate. As for the growth in broad money (M2), it decelerated slightly owing to a decline in the net foreign assets (NFA) of the MMA, which was attributed to a fall in foreign currency reserve balances held at the MMA. Meanwhile, net domestic assets (NDA) of the banking system picked up, especially in the latter half of the year, reflecting an improvement in private sector credit and claims on the central government.

Turning to the banking sector, the asset quality of the sector improved, as indicated by a lower non-performing loans (NPLs) ratio. This resulted from a decline in NPLs and an increase in the loan portfolio when compared with 2014. Looking at the gross assets of the industry, loans increased significantly and reached their highest annual growth in the past seven years, while investment in debt securities also continued to rise in 2015. The banks' asset portfolio remained concentrated in low-risk and liquid assets, which resulted in improved liquidity positions for the banks.

As for developments in the balance of payment, the current account deficit is estimated to have widened to 9% of GDP in 2015, up from 4% of GDP recorded in 2014. The deterioration in the current account deficit was largely driven by the fall in the services surplus owing to the sluggish performance of the tourism sector, despite a slight contraction in the trade deficit due to the plunge in oil prices and the continued easing of global food prices. Meanwhile, the net inflows of the financial account declined notably in 2015, as net inflows from foreign direct investment (FDI) were largely offset by marked decline in net inflows from private sector borrowing from abroad, together with the increase in the commercial banks' deposits held abroad. As a result, the overall balance of payment recorded a deficit and the gross international reserves decreased by US$50.0 million to record US$564.0 million at the end of the review year. Out of this, usable reserves accounted for US$193.7 million at the end of 2015, depicting a growth of 35% when compared with 2014, mainly owing to the improvement in foreign currency receipts of the government.

Real Economy

Real GDP growth of the domestic economy slowed down to 1.5% in 2015 from 6.5% in 2014. This was largely driven by a lower-than-expected performance of the tourism sector with a marked slowdown in tourist arrivals, especially due to the decline in arrivals from China and Russia. Fisheries sector performance also remained weak and reflected the adverse conditions in the international tuna market with sharp declines in tuna prices. Meanwhile, with the commencement of several public sector infrastructure projects in 2015, the construction sector remained robust during the year.

Tourism

The year 2015 was a challenging year for Maldivian tourism as the sector continued to face headwinds from increased domestic political tensions, especially in the latter part of the year; the deepening of the economic recession in Russia, a major source market from Europe; and the strengthening of the US dollar against most currencies (as room rates are priced in US dollars). Against these developments, the annual growth in tourist arrivals slowed markedly to 2% in 2015 (Figure 7), which was 2.0 percentage points lower than the initial growth forecast for the year[2], while the estimated tourism receipts for the year declined. The performance of the Maldivian tourism sector was also

Figure 7: Tourism Indicators, 2005–2015

(thousands, annual percentage change)

Source: Ministry of Tourism

2%

Tourist arrival growth slowed down to 2% in 2015

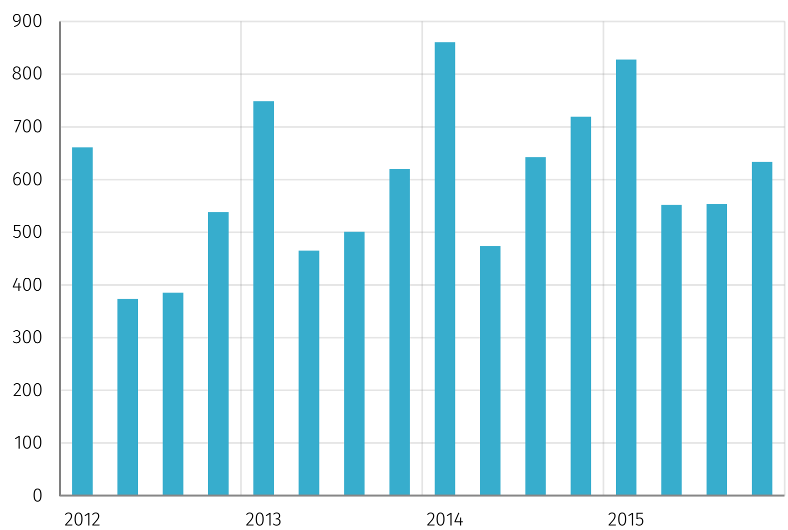
[2]Based on projections made in October 2015.

sluggish when compared with international and regional tourism trends for the year. According to United Nations World Tourism Organisation statistics, international arrivals for the year reached 1.2 billion, growing 4% in annual terms, and was mainly driven by increases in arrivals to Europe, the Asia–Pacific region and the Americas, in each of which tourist arrivals increased by 5%.

In 2015, total tourist arrivals reached 1.2 million, registering an annual growth of 2%, which is significantly lower than the 7% growth achieved in the previous year. The sluggish performance of the tourism sector was in particular attributed to the weakening of arrivals from the Chinese market, which became more pronounced in the last quarter of the year, combined with the poor performance of Russian market throughout the year. Forward booking cancellations following the declaration of a state of emergency by the government on 4th November 2015 also had an adverse effect on tourism performance in the last quarter of the year as shown by a drop in occupancy rates, which fell to 67% compared with an average occupancy rate of 75% observed in the fourth quarter over the last five years. Meanwhile, the estimated tourism receipts for 2015 fell by 5% to US$2.6 billion in 2015, down from US$2.7 billion in 2014 (Figure 8). The decline in tourism receipts largely reflects the 4% drop in the total tourist bed nights for 2015 owed to the reduction in the average duration of stay from 6.0 days to 5.7 days, exacerbated by aggressive price promotions by resorts due to softer demand and continued strengthening of the US dollar against the euro and Russian ruble.

Figure 8: Tourism Receipts, 2012 - 2015

(millions of US dollars)



Source: Ministry of Tourism

US$2.6 BILLION

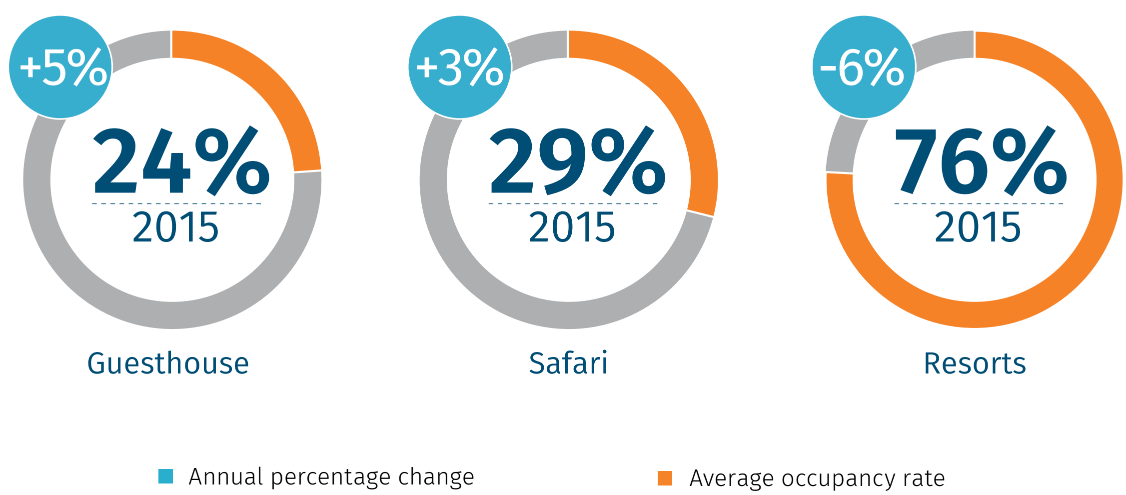
Tourism receipts for 2015 fell by 5%, to US$2.6 billion

With regard to bed capacity, the average operational bed capacity of the industry (this includes the number of beds in operation during the year, not the registered number of beds) rose by 3% to a total 27,748 beds in 2015. The increased bed capacity reflects the opening of three new resorts in December 2015, which added 909 beds. This has brought the total number of resorts in operation at the end of 2015 to 108 from 105 at the end of 2014. Reflecting lower bed nights and the addition of new beds, the occupancy rate of the tourism sector suffered a decline in 2015 with average occupancy of the industry falling to 69% in 2015, down 5 percentage points from 74% in 2014. Resort occupancy rates were consistently low throughout the year, averaging 76% for 2015, declining from 82% the preceding year (Figure 9). Average occupancy rates for guest houses and safari vessels, however, picked up during the year. Guesthouses observed an average occupancy rate of 24% in 2015, compared with 18% in 2014. Safari vessels maintained an average occupancy rate of 29%, compared to 26% in 2014.

Developments in airline movements by international carriers during 2015 showed negative growth during 2015, with the overall movements by international carriers declining 1% compared with the previous year.

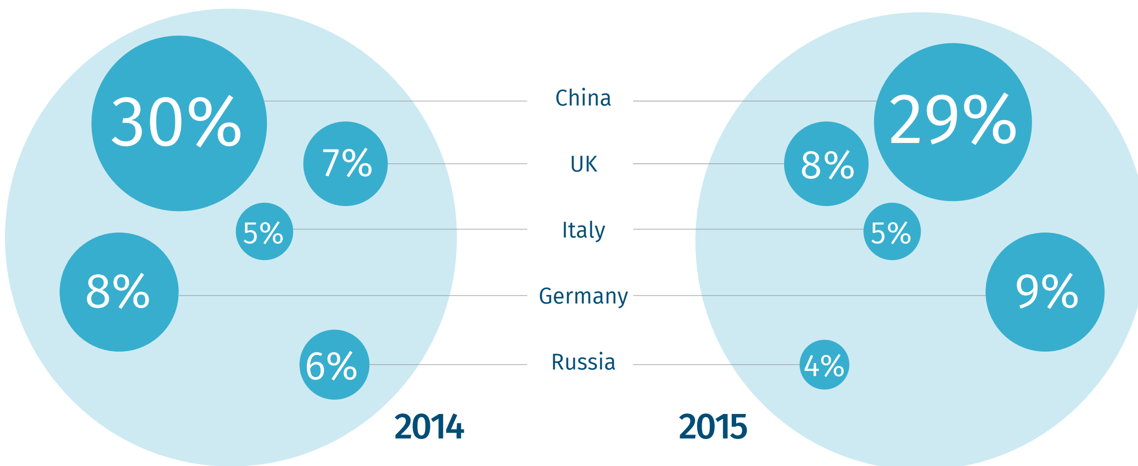
With regard to the market share of tourists, Asia retained its position as market leader for the second consecutive year, having surpassed Europe for the first time in 2014. Arrivals from the Asian market constituted 47% of total arrivals for both 2014 and 2015. Arrivals from Europe accounted for 43% of total arrivals for the review year, declining marginally from 44% in 2015 (Figure 10).

Figure 9: Occupancy Rates for Tourism Industry



Source: Ministry of Tourism

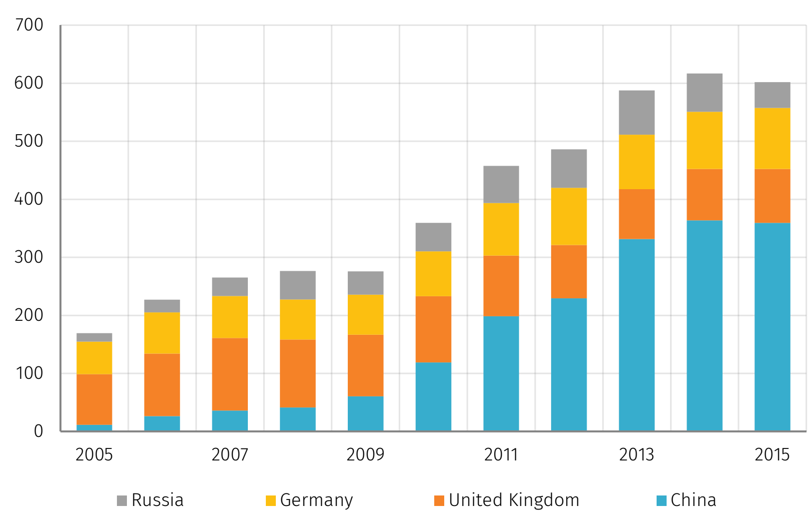
Figure 10: Change in Share of Key Inbound Markets,



Source: Ministry of Tourism

Figure 11: Arrivals from Major Inbound Markets, 2005–2015

(thousands)



Source: Ministry of Tourism

-1%

Arrivals from China, the largest market, declined by 1% in 2015

Total arrivals from Asia and the Pacific region grew by 2%, slowing down considerably from the 12% growth observed in 2014. This largely reflects the decline in arrivals from China, the biggest market in recent years, comprising 29% of total arrivals and 60% of arrivals from the Asia and Pacific region for the review year (Figure 11). Further, declines in arrivals from Korea and Singapore contributed to the slowdown in the growth of arrivals from the Asia and Pacific region. Looking at other major markets from the Asia and the Pacific region, India posted a strong positive growth rate of 15%, while arrivals from Japan grew only marginally by 1%.

The European market grew marginally by 1%, a slight increase over the less than 1% growth registered in 2014. The sluggish growth rate of the European market is entirely attributable to a sharp decline in arrivals from Russia—the fourth largest European market, accounting for 8% of European arrivals during the year—which declined by 33% in 2015. Arrivals from other major European source markets posted positive growths for the year as the continent continues its slow recovery from the eurozone crisis. Arrivals from Germany, the top source market from Europe comprising 20% of arrivals from the continent, posted a positive growth of 7%, up from the 5% growth registered in 2014. Arrivals from the UK, which accounted for 17% of the arrivals from Europe for 2015, also registered a positive growth, increasing by 5%, from 3% in 2014. Arrivals from Italy—the third largest European market, comprising 12% of arrivals from Europe—grew by 13%, while arrivals from France declined sharply by 17% in 2015.

Fisheries

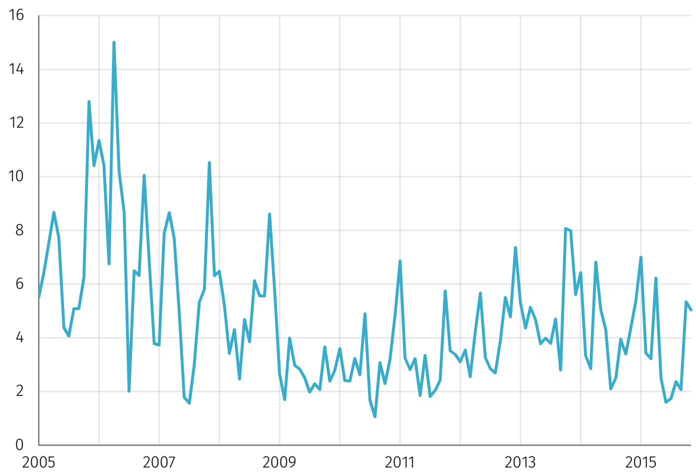
The trends of dwindling fish catch and declining fish purchases (Figure 12) observed over the previous two years continued into 2015. This, coupled with adverse conditions in the international tuna market in 2015 (Box 1), contributed to the weak performance of the fisheries sector during the year. According to GDP estimates, primary fishing activity declined by 3.6% in 2015, compared with its growth of 4.9% in 2014. Additionally, primary fishing activity as a share of GDP declined marginally in 2015, contributing to 1.2% of real GDP in 2015. Major indicators for the fisheries sector, such as fish purchases made by collector vessels from local fisherman, and exports, also pointed towards a weakening of activity in 2015. For example, fish purchases, which amounted to 40.6 thousand metric ton during January–November 2015, declined by 10% on annual terms, following a decline of 17% during the same period in 2014.

Despite the sharp decline in international tuna prices, the local fish processing companies maintained their purchase price of skipjack tuna stable (MVR17.0 per kilogram and MVR19.0 per kilogram for fresh and iced skipjack tuna, respectively) throughout 2015 (Figure 13). The price of yellowfin tuna however, remained volatile. In January 2015 the price of yellowfin tuna stood as high as MVR105.0 per kilogram, but prices continued to decline during the first quarter of the year before peaking around July. Prices once again began to decline and continued to fall during the last two quarters, ending the year at MVR67.5 per kilogram.

Reflecting the low level of activity in the primary fishing sector, activity in the fish processing sector declined as indicated by the volume of fish exports, which declined by 10% to 43.5 million metric ton in 2015. This was primarily due to steep declines in the volume of frozen yellowfin tuna and skipjack tuna exports, which offset the increase in exports of fresh or chilled yellowfin tuna and canned or pouched tuna (Figure 14).

Figure 12: Fish Purchases, 2005–2015

(thousand metric tons)



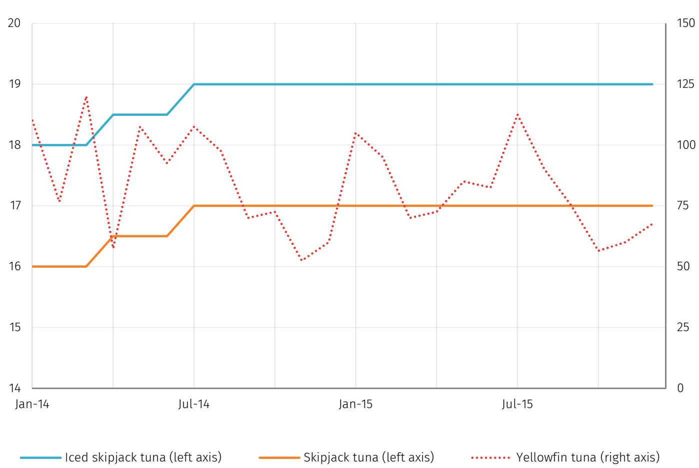
Source: Ministry of Fisheries and Agriculture
Note: Fish purchases for 2015 is for the period January - November.

-10%

Fish purchases declined by 10% during Jan-Nov 2015

Figure 13: Prices Paid for Fish by Local Processing Companies, 2014–2015

(rufiyaa per kilogram)



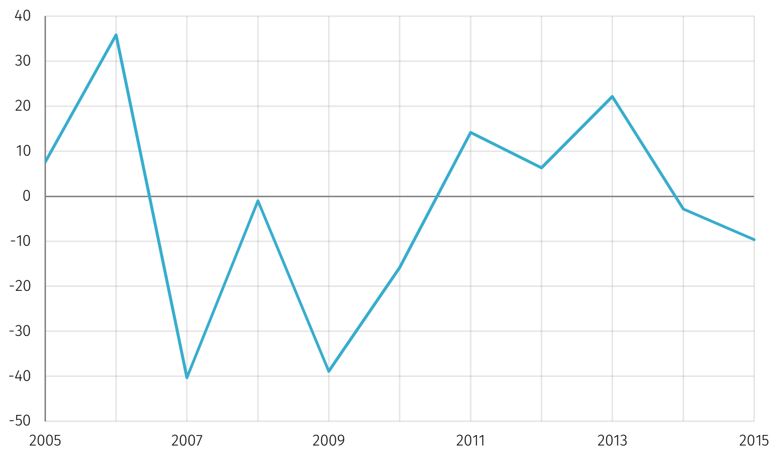
Source: Ministry of Fisheries and Agriculture

-5%

Average price of yellowfin tuna declined by 5% on annual terms in 2015

Figure 14: Volume of Fish Exports, 2005–2015

(annual percentage change)



-10%

Volume of fish exports declined by 10% in 2015

Source: Maldives Customs Service

Box 1: Trends in the International Tuna Market

The international tuna market[1] in 2015 was plagued by low demand despite the continued decrease in tuna prices that has been observed since 2013. Falling tuna prices have been mainly attributed to sluggish demand from key fish importing markets. Prices briefly increased in the third quarter of 2015 as tuna catches declined due to enforced fishing bans in the Western and Central Pacific region. Additionally, the World Tuna Purse Seine Organization reduced fish landings by 35% during the second half of 2015 to alleviate the weakness in prices.

For Thailand, the largest exporter of canned and processed tuna, the exports of such items fell in the first half of 2015 due to sluggish demand from the United States (US), the European Union (EU), Japan and Australia. Exports of canned and processed tuna from Thailand experienced an 18% decline to US$1.0 billion in the first half of 2015 compared with US$1.1 billion during the same period in 2014. Examining the individual markets, exports from Thailand to the EU declined by 33% in the first six months of 2015, which is attributable to the loss

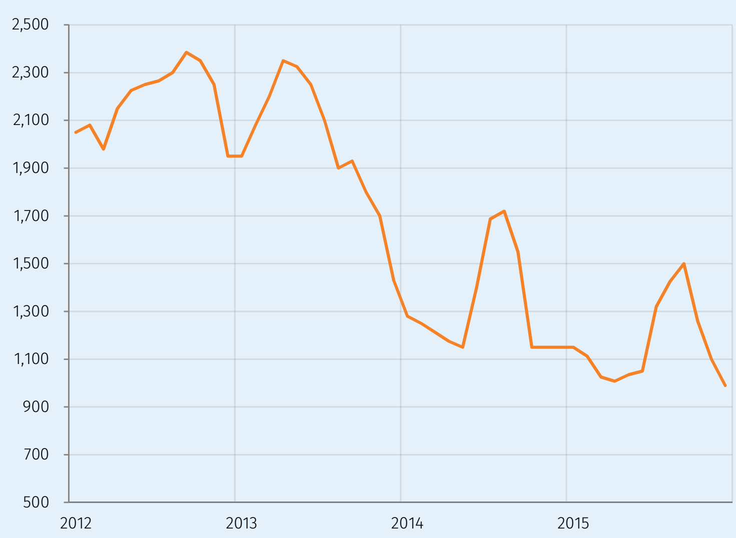
[1]Data relating to international trends in tuna markets were taken from Globefish, a body of the Food and Agriculture Organization of the United Nations.

of preferential trade agreements for Thai exporters with taxes on canned tuna exports to the EU rising to 24% from the beginning of 2015. Exports from Thailand to the US also declined by 14% in the first six months of 2015. Along with weak demand, fish prices underwent a significant decline in Thailand where frozen skipjack tuna prices declined by 16% from an average of US$1,150.0 per metric ton in December 2014 to US$1,000.0 per metric ton in December 2015 (Figure 1). Prices briefly increased in the third quarter, rising to a high of US$990.0 per metric ton in September 2015 before declining significantly in the fourth quarter.

In the US, the demand for canned and pouched tuna was sluggish owing to lower consumer demand. Imports of canned or pouched tuna observed a decline of 5% in the first half of 2015 compared with the same period in 2014. As for imports of canned or pouched tuna to the EU, these remained relatively unchanged in volume terms in the first half of 2015 although they registered a decline of 18% in value terms compared with the same period in 2014. Looking at individual markets, canned or pouched tuna imports to United Kingdom (UK) and Germany increased in the first half of 2015. However, imports to Netherlands and Belgium declined by 20% each, while imports to France and Italy were also lower during the same period.

Figure 1: Skipjack Tuna Prices, 2012–2015

(US dollars per metric ton)



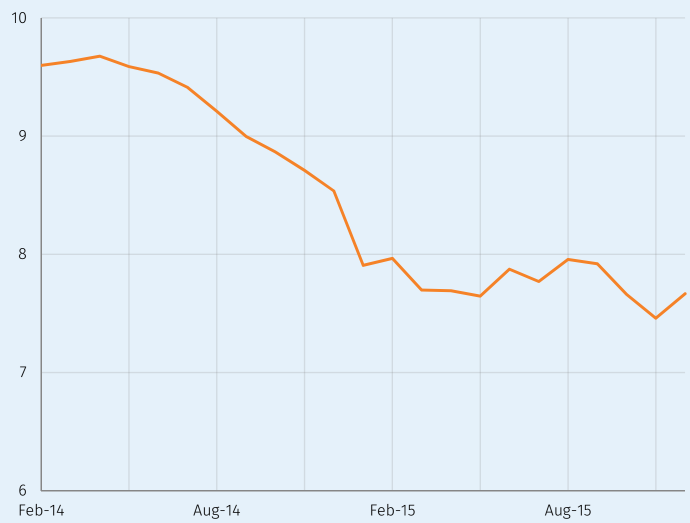
Source: Ministry of Fisheries and Agriculture

Note: Prices are based on Bangkok frozen market prices.

As for tuna prices in the EU, yellowfin tuna prices declined from an average of US$8.5 per kilogram in December 2014 to US$7.9 per kilogram in June 2015 (Figure 2). However, yellowfin tuna prices remained largely stable during the latter half of 2015 and closed at an average of US$7.7 per kilogram in December 2015. Looking at other regions, canned tuna imports to Japan increased by 7% in the first half of 2015 whereas in the Middle East, canned tuna imports to Egypt, Saudi Arabia and United Arab Emirates also increased.

Figure 2: Yellowfin Tuna Prices, February 2014 - December 2015

(US dollars per kilogram)



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

Construction

The construction sector continued to perform robustly in 2015 as indicated by the strong annual growth rate of construction output for the review year. The continued positive growth of the sector was maintained throughout the year largely due to the commencement of several public sector investment programme (PSIP) projects by the government in 2015. Further, construction projects related to the 50th anniversary of independence celebrations—which fell in 2015—also contributed to the positive growth of the sector in 2015. Key PSIP projects during the review year included harbour and jetty construction, shore protection, island reclamation and road projects.

In 2015 output of the construction sector grew by 39.8%, compared with a growth of 21.7% in 2014. Key monthly indicators used to gauge the performance of the sector, such as bank credit to the construction sector and construction-related imports, also depicted sustained annual growth rates in 2015, suggesting that construction activity was robust throughout the year. In 2015, construction-related imports (wood, metal, cement and aggregates) grew considerably—by 42% on annual terms—driven by imports made by the tourism sector indicating a pick-up in resort construction activity. Commercial bank credit to the construction sector (which excludes resort construction) rose by 41% to MVR2.4 billion at the end of 2015, compared with a 31% growth in credit to the sector during 2014. This significant growth was largely attributable to the growth in bank credit to residential/housing projects (comprising 89% of the total credit to the sector), which increased by 57% at the end of 2015. During the year, credit lent for the development of new resorts and renovation declined by 14% and 39% respectively, although it should be noted that the major portion of financing for resort development projects comes from abroad, either as FDI inflows or private borrowings.

Wholesale and Retail Trade

The wholesale and retail trade sector posted a positive growth during the year although the pace of growth slowed when compared with the previous year. According to GDP estimates, output of the sector grew by 1.9% in 2015, down from the 8.0% growth registered in 2014. Further, indicators such as bank credit to commerce pointed to continued expansion in the wholesale and retail trade sector during the review year. Commercial bank credit to the sector grew at an average rate of 12% in 2015, compared with the average growth of 8% observed in 2014. However, private sector imports (excluding tourism) declined by 4% during the year.

Inflation

The rate of inflation as measured by the annual change in CPI for Male' slowed down to 1.4% during 2015. The slowdown in inflation was mostly influenced by global oil prices, which declined steeply during 2015. This in turn contributed to lower global commodity prices, which also remained on a general downward trend throughout the year. Consequently the inflation rates for a number of components in the CPI (including the two largest categories) decelerated markedly during the year. Price declines were observed for the categories of clothing and footwear, transport, communication, recreation and culture, and miscellaneous goods and services, whereas only two categories registered higher rates of inflation compared to the previous year.

Following two consecutive years of relatively low and stable inflation in 2013 and 2014, the rate of inflation eased further in 2015 and remained low throughout the year. The rate of inflation, as measured by the annual change in the CPI for Male', eased to 1.4% on average in 2015 from 2.5% in 2014 (Figure 15). During the year, total inflation excluding the volatile fish prices stood slightly higher at 1.5% while inflation excluding prices of food and non-alcoholic beverages stood at 1.6%, which implies strengthening of price pressures stemming from other categories of CPI.

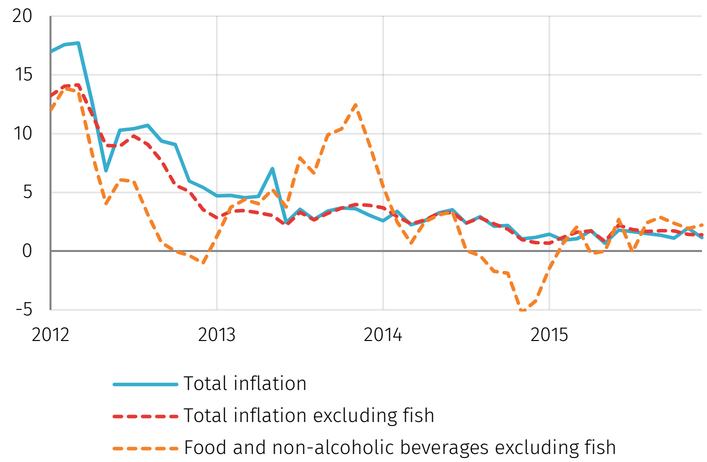
The slowdown in the rate of inflation during 2015 was influenced by a number of domestic and external factors. On the external front, declining commodity prices, especially crude oil prices, which plummeted to their lowest in 10 years during December 2015, contributed significantly to the dampening of inflationary pressures (Box 2). The knock-on effects of declining global oil prices were felt across all commodity prices including global food prices, which continued to decline throughout 2015, exacerbated by excessive food supplies.

On the domestic front, declining prices of fish (33% of the food and non-alcoholic beverages category) in the domestic market was the main contributor to the easing of inflation during 2015. Fish prices on average declined by 0.1% in 2015, down from an increase of 2.7% in 2014. The prices of fish in the domestic market remained on a downward trend for the first quarter of the year, but the decline moderated and prices remained relatively stable for the next three quarters of the year, apart from a one-off price hike in November, attributable to the exceptionally high prices fetched for fresh, frozen or chilled varieties of fish during the month.

Looking at developments in the major categories of the CPI (Figure 16), growth in prices of food and non-alcoholic beverages (which accounts for 24% of the CPI basket) decelerated to 0.8% in 2015 from 1.1% in 2014. Although much of this slowdown is attributable to lower fish prices, many subcategories of the food index also showed declines, reflecting lower global food commodity prices. For example, the inflation rate of dairy products (milk, cheese and

Figure 15: Inflation (Male'), 2012–2015

(annual percentage change)



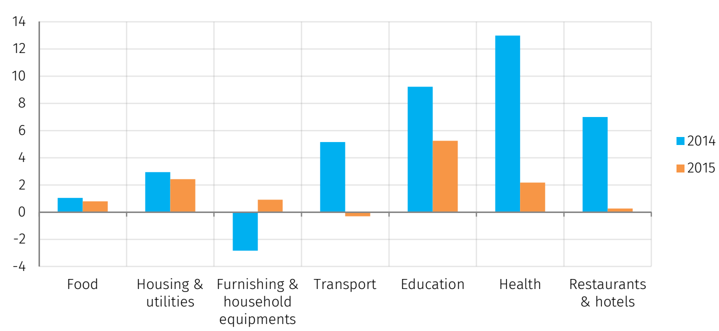
Source: National Bureau of Statistics

1.4%

Annual CPI inflation for Male' eased to 1.4% in 2015

Figure 16: Inflation Rates of Select Categories of the CPI (Male'), 2014–2015

(annual percentage change)



Source: National Bureau of Statistics

2.4%

Annual inflation of housing and utilities eased to 2.4% in 2015 eggs) also eased to 1.2%, down from 4.2% the previous year. This was mostly due to a slowdown in the inflation rate of preserved milk during the year. A decline in the price of eggs also contributed to the slowdown in the inflation of dairy products. Similarly, the inflation rate of fruits decelerated to 3.3% in 2015, down from 4.2% the previous year. Meanwhile, the slowdown in food prices during the year was partially offset by price increases for certain imported vegetables, caused by temporary supply disruptions. In 2015 the inflation rate of vegetables rose significantly to 8.1%, in contrast with the decline of 11.4% in the previous year. Looking at individual items within the vegetable category, price increases were observed in cabbages, root crops, dried vegetables and other preserved or processed vegetables.

With regard to developments in other major categories of the CPI, the inflation rate of the housing, water, electricity and gas category (which accounts for 33% of the CPI basket) also decelerated to 2.4% for 2015 down from 2.9% in 2014. This was due to substantial decreases in the price of electricity, as a result of the decline in global oil prices. However, a marginal increase in housing rent reduced the impact of the decline in electricity prices on the category. Meanwhile, the rate of inflation for furnishings, household equipments and appliances accelerated in 2015, while there was a significant decline in prices of the transport category of the CPI. Transport prices on average declined by 0.3% during the year, compared to an increase of 5.2% in 2014. The decline was contributed by a fall in the prices of motorcycles, fuel and lubricants; and significant slowdowns in the price increases of passenger transport by road and sea, reflecting declining global oil prices.

The inflation rate for education costs also decelerated to 5.3% from 9.2% the previous year, and the prices charged at restaurants and hotels also decelerated considerably during 2015. Finally, a significant slowdown in price increases for healthcare also contributed to the deceleration of inflation. After increasing by 13.0% in 2014, the inflation rate of the healthcare category slowed down substantially to 2.2%, mainly due to the significant deceleration in the cost of outpatient medical services during the year.

Box 2: The Effects of Falling Oil Prices on Domestic Inflation

International oil prices have fallen steeply since the second half of 2014, with the price of crude oil hovering around US$36.6 per barrel at the end of 2015—a decline of 66% from June 2014. As Maldives is a net importer of oil (in 2015 net imports of petroleum products accounted for 8% of nominal GDP), and given the high import content of the domestic consumer price index (CPI) basket and production, changes in international oil prices are expected to have a significant effect on domestic CPI inflation. This article describes the effects of the recent decline in international oil prices on domestic CPI inflation focussing on both its direct and indirect effects.

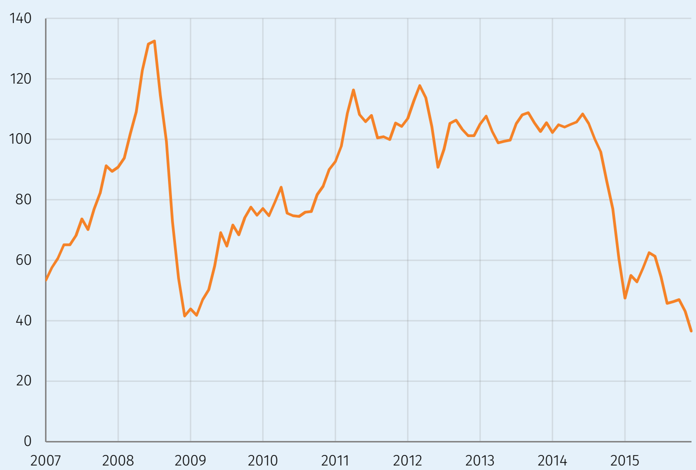
Developments in global oil prices and inflation

Oil prices in international markets declined to the lowest level in over a decade during 2015, recording US$36.6 per barrel at the end of December 2015, the lowest since June 2004. This is in sharp contrast to when crude oil prices reached a high of US$108.4 per barrel in June 2014. However, crude oil prices since then has experienced a steep decline, closing at US$60.6 per barrel at the end of 2014 and declining by a further 40% at the end of 2015 (Figure 1). The recent decline in oil prices has been mainly attributed to supply side factors, namely the significant increase in North American shale oil production, along with the decision made by the Organisation of the Petroleum Exporting Countries (OPEC) to maintain their production levels, despite the increase in supply from non-OPEC countries such as the US. Meanwhile, the expected decline in demand for oil due to the slowdown in emerging markets and developing economies such as China, Russia and Brazil, have also contributed, though to a lesser extent, to the decline in oil prices.

The decline in oil prices is expected to put downward pressure on global inflation. According to estimates from the World Bank (2015), a sustained 30% decline in oil prices is expected to reduce global inflation by 0.4–0.9 percentage points. However, the degree of pass-through of lower oil prices in a country depends on a number of factors such as the share of import oil prices in relation to the CPI basket; whether the country is a net importer or exporter of oil; and the dependence of a country on subsidies—for example, the pass-through of oil prices to consumer prices is higher for countries with limited fuel subsidies (Jongwanich and Park 2009).

Figure 1: Crude Oil Prices, 2007–2015

(US dollars per barrel)



Source: IMF

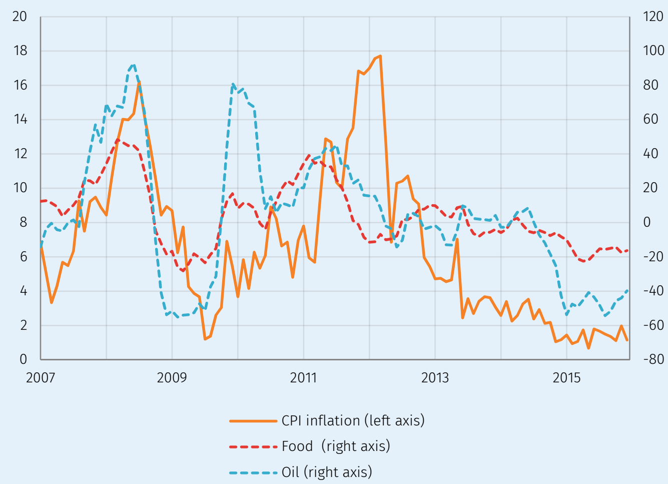
Note: Average of Brent, Dubai Fateh and West Texas Intermediate.

Domestic CPI and global oil prices

The rate of inflation as measured by the annual change in the CPI for Male' has remained subdued since 2014 and eased to 1.4% in 2015, registering the fourth consecutive year of deceleration. Much of the recent moderation in inflation can be attributed to declining global commodity prices, in particular food and crude oil prices. As shown in Figure 2, domestic CPI inflation has moved almost in line with global oil prices in the last 10 years, except for 2010 and 2012 when they deviated from each other reflecting in particular administered prices, subsidies, taxation and exchange rate devaluation. The pass-through of lower oil prices to CPI inflation can be categorised into direct and indirect effects. The direct effects of oil price movements measure the changes to the CPI via the changes in prices of oil-related items paid by household consumers. Meanwhile, the indirect effects measure the effects on CPI through changes in production costs or input prices paid by businesses, which may then be passed on to the final consumer.

Figure 2: Inflation and Global Commodity Prices, 2007-2015

(annual percentage change)



Sources: National Bureau of Statistics, IMF

Note: CPI = Consumer Price Index

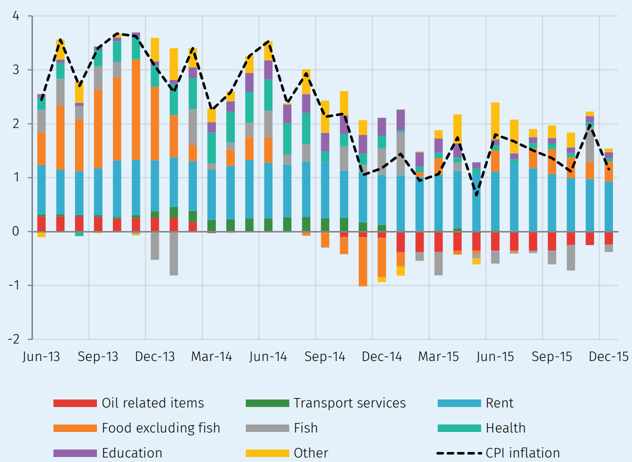
Direct effects

Looking at the direct effects of oil price changes on inflation, oil-related items account for 5% of the CPI for Male', of which electricity is the main item (3.12%), followed by natural gas (1.11%), liquid fuels (0.74%) and fuel and lubricants (0.06%). The prices of oil-related items, which declined by 6.7% in 2015 following a marginal growth of 0.1% in 2014, contributed a negative 0.2 percentage points to inflation in those two years (Figure 3). The decline in prices of oil-related items has been driven mainly by the significant reduction in electricity prices and its relatively larger share of household expenditure, compared with other oil-related items (Figure 4). However, it is important to note that the link between domestic electricity prices and global oil prices has been rather weak in Maldives, as shown in Figure 5. This was due to the administration of electricity tariffs by the government prior to 2009; later due to the introduction of a subsidies scheme. As a result, the magnitude of the pass-through of low or high oil prices to domestic consumer electricity prices has been much smaller than it would have been otherwise.

Along with electricity prices, the significant decline in prices of fuels and lubricants (namely petrol and diesel) has contributed to some extent to the

Figure 3: Contribution of Sub-Categories to CPI Inflation (Male'), June 2013- December 2015

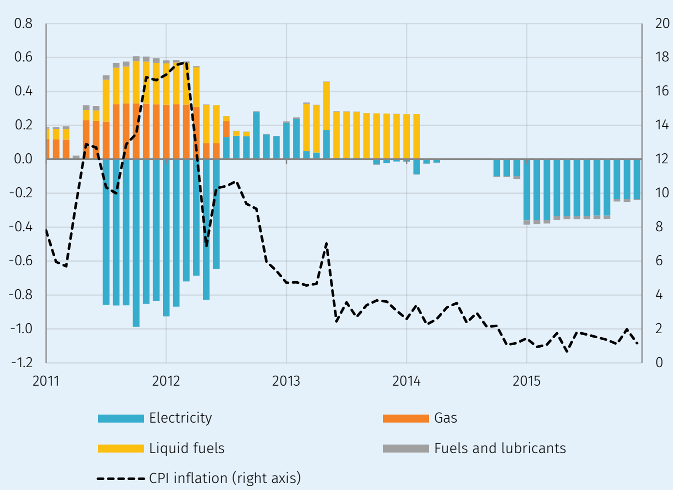
(annual percentage change, percentage point contribution)



Source: National Bureau of Statistics
Note: CPI = consumer price index

Figure 4: Contribution of Oil Related Items to CPI Inflation (Male'), 2011-2015

(percentage point contribution, annual percentage change)



Source: National Bureau of Statistics
Note: CPI = consumer price index

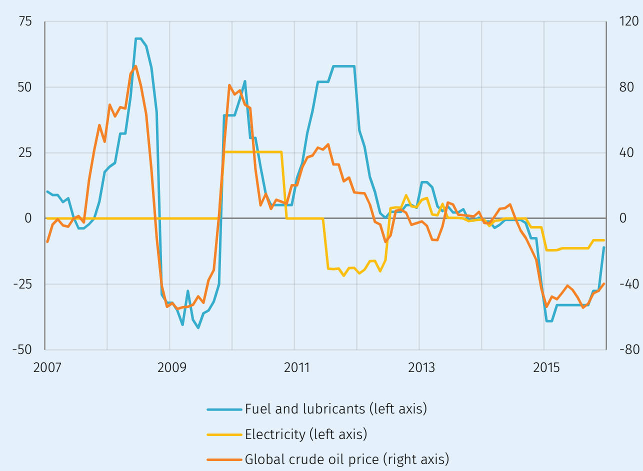
reduction in the prices of oil-related items in the CPI, although its effects have been limited given the small share of these products in household expenditure. Moreover, the prices of petroleum products are controlled by the government and only react to market conditions with a significant lag (taking into account available stock and local conditions). For example, although local petrol and diesel prices were lowered in response to the fall in oil prices in January 2015, local kerosene prices (which enters as liquid fuels in the CPI) have not changed since the first quarter of 2013 (see Figure 6). Similarly, the price of natural gas, the remaining oil-related item in the CPI, has not changed in the last three years.

Indirect effects

Unlike direct effects, the indirect effects of oil price changes on inflation are difficult to determine as they depend on a number of factors including the pricing behaviour of businesses—that is, the extent to which businesses pass on changes in their costs to consumers. Lower oil prices are expected to affect prices of all types of goods as low oil prices reduce transportation and distribution costs. Also, given the high import content of domestic production and the CPI basket, lower oil prices can indirectly impact domestic inflation via lower output prices in trading partner economies.

Figure 5: Global Oil Prices and Selected Oil Related Items of CPI (Male'), 2007-2015

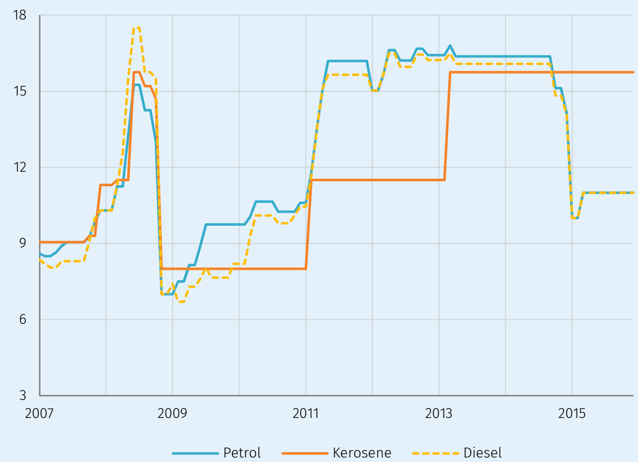
(annual percentage change)



Source: National Bureau of Statistics, IMF
Note: CPI = consumer price index

Figure 6: Domestic Fuel Prices, 2007-2015

(rufiyaa per litre)



Source: State Trading Organisation

In energy-intensive sectors, such as the transport services, the impact of lower oil prices has not been evident. In 2014 the price of domestic transport services, which accounts for 2.17% of the CPI basket, rose by 10.4% although it moderated to 0.6% in 2015. The increase in 2014 was mainly contributed by the upward adjustment of taxi fares in Male'—where a fixed price is charged per trip—from MVR20.0 to MVR25.0. Since then, taxi fares, which account for 0.74% of the transport services component of CPI, have not been revised despite the significant reduction in retail petrol prices. It is important to note that there is a weak relationship between taxi fares and global oil prices, in particular due to the administration of taxi fares by the Transport Authority of the Maldives and due to the lag in change in prices of domestic fuel prices in relation to changes in world prices as previously mentioned. Furthermore, domestic sea transportation fares (1.04% of the CPI basket) also remained unchanged in 2015, whereas domestic air transport fares, which had declined in 2014, increased slightly in 2015.

Although low oil prices are likely to have a general effect on non-oil-related components of domestic inflation, the effect so far seems small given that the indirect effects of lower oil prices take a longer time to pass-through than fuel or energy prices. Also with demand remaining solid, businesses in some sectors may seek to increase their mark-ups to boost profits, thus dampening the effect of low oil prices on inflation.

Public Finance

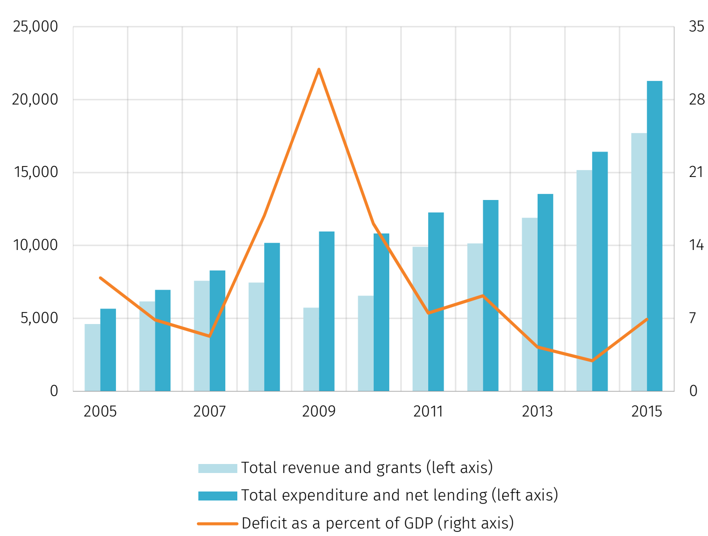
According to the latest data available from the Ministry of Finance and Treasury, the fiscal deficit for 2015 is estimated to have increased to 7% of GDP from 3% of GDP in 2014. This significant increase was brought about by higher growth in expenditure than in revenue. In 2015, total government revenue increased to 32% of GDP, whereas total government expenditure increased to 41% of GDP. As a result, the total public and publicly guaranteed debt is estimated to have reached 67% of GDP, from 64% of GDP in 2014.

According to data available from the Ministry of Finance and Treasury as of January 2016, the fiscal deficit for 2015 is estimated to be 7% of GDP in 2015. This far exceeds the fiscal deficit of 3% of GDP in 2014.

In 2015, total revenue (excluding grants) increased to MVR16.6 billion or 32% of GDP (32% of GDP in 2014 as well) driven by higher growth in both tax and non-tax revenue (Figure 17). Although revenue collection by the government in 2015 remained strong, total revenue fell short of the budget target due to shortfalls in both tax and non-tax revenue. Meanwhile, total expenditure (excluding net lending), which rose from 35% of GDP in 2014 to 41% of GDP or MVR21.3 billion in 2015, was lower than budgeted mainly due to a fall in capital expenditure.

Figure 17: Government Revenue and Expenditure, 2005–2015

(millions of rufiyaa, percent)



Source: Ministry of Finance and Treasury

7%

Fiscal deficit is estimated to be 7% of GDP in 2015

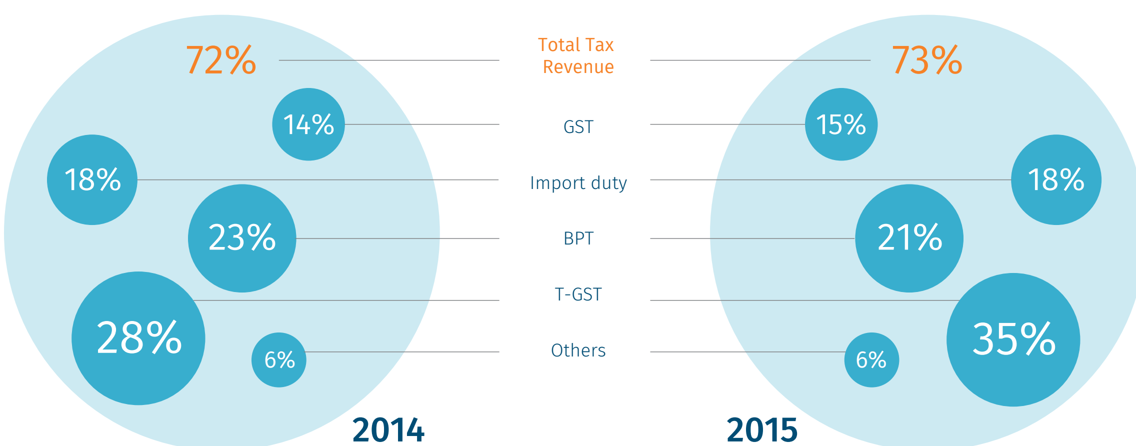
In 2015, the budget deficit was almost entirely financed from domestic sources, mainly by issuing treasury bills to the domestic market. Reflecting the persistent high budget deficit over recent years, total public and publicly guaranteed debt reached 67% of GDP. Meanwhile, due to the increasing reliance on domestic financing of the deficit in recent years, the total public domestic debt had increased to 64% of total public and publicly guaranteed debt by the end of 2015.

Revenue

In 2015, total revenue increased by MVR1.6 billion in 2014, and amounted to MVR16.6 billion. The increase in revenue mainly reflects the hike in the T-GST (Tourism Goods and Services Tax) rate from 8% to 12% in November 2014 and the increase in receipts from resort lease period extension fees. However, total revenue was MVR3.2 billion short of the budgeted revenue target for 2015 as both tax and non-tax revenue were lower than anticipated. On the tax revenue side, this mainly reflected the sluggish performance of the tourism sector, which affected revenue sources directly linked to the sector. Tax revenue did not reach the target mainly owing to the shortfall in revenue from T-GST, despite the T-GST rate hike, and to some extent due to lower than expected revenue from the newly introduced 'green' tax as bednights fell short of expectations. In addition, the anticipated revenue from the Airport Service Charge fell short of target by MVR136.0 million (22% less than budgeted), which also reflected the low growth in tourist arrivals.

Tax revenue (Figure 18), which accounted for 73% of total revenue, showed an increase of MVR1.3 billion to total MVR12.1 billion in 2015. This growth was driven largely by the strong growth in T-GST receipts, reflecting the hike in the T-GST rate. Revenue from T-GST (35% of tax revenue in 2015 and 28% in 2014) increased by a marked MVR1.3

Figure 18: Composition of Revenue



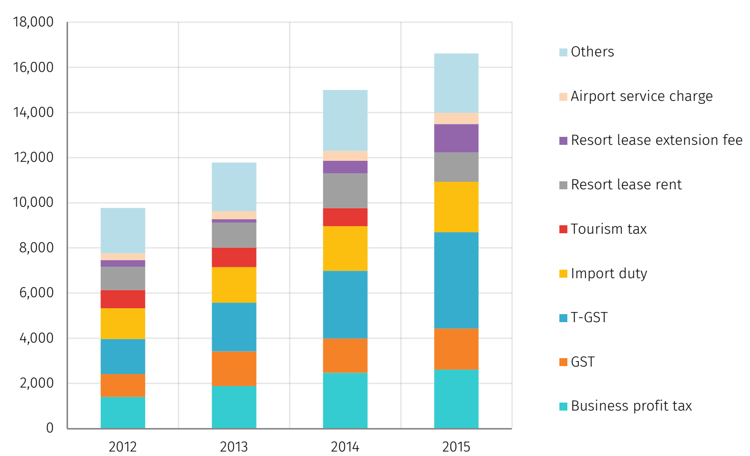
Source: Ministry of Finance and Treasury billion compared with 2014, and totalled MVR4.3 billion in 2015. However, T-GST receipts were lower than anticipated as the actual growth in tourist arrivals was much lower than anticipated and tourist bednights declined during the year. Revenue from general GST (15% of tax revenue) showed a growth of MVR310.4 million compared with 2014, partly reflecting the implementation of GST on telecommunication services from mid-2014 onwards and also reflecting the buoyant growth of the economy.

Revenue from import duty (18% of tax revenue in 2015) increased by MVR260.5 million over the previous year, but was MVR219.5 million short of the target. The lower-than-expected revenue from import duty partly reflected the reduction in import prices of petroleum products, as petroleum products constitute a major share of imports. It also reflected the revision of the Maldives Import Export Act, which gives the president the authority to waive import duties for items imported to commence, undertake and operate activities that are beneficial for the Maldivian economy[3]. With regard to the newly introduced green tax, although it was estimated that MVR340.5 million would be raised during the review year, only MVR52.3 million was realised because it was implemented later than expected. Thus, it fell short of target by MVR288.2 million.

In 2015, non-tax revenue—which constituted around 26% of total revenue—amounted to MVR4.3 billion. Although non-tax revenue in 2015 was MVR294.8 million higher than 2014 it was MVR2.0 billion lower than budgeted, largely due to unrealised

Figure 19: Breakdown of Revenue (excluding grants), 2012–2015

(millions of rufiyaa)



Source: Ministry of Finance and Treasury

MVR16.6 BILLION

Total government revenue increased to 16.6 billion in 2015

[3]The decree states that such imports are limited to expensive machinery, capital equipment, infrastructure material, aircrafts and aircraft spares. It also states that the total value of items imported must be above US$2 million and that duty can be waived for a period between 3 to 15 years depending on the investment of the business.

revenue from resort lease rent, which is the main contributor to non-tax revenue (30%). When compared with 2014, resort lease rent registered a decrease of MVR229.6 million in 2015 and amounted to MVR1.3 billion. Meanwhile, revenue collection from lease period extension fees (which accounted for 29% of non-tax revenue) was only MVR44.4 million short of its target for 2015 and totalled MVR1.3 billion during the year (Figure 19). In addition, profit transfers from state-owned enterprises (SOEs) registered a decline of MVR143.3 million compared with the previous year to total MVR638.6 million in 2015.

Expenditure

In 2015, total government expenditure (excluding net lending) increased by 29% (MVR4.8 billion) compared with 2014, and reached MVR21.3 billion. The increase in total expenditure was due to increases in both current and capital expenditure. However, it should be noted that total expenditure during the year was 7% lower than budgeted, as expenditure was restrained due to lower than expected revenue.

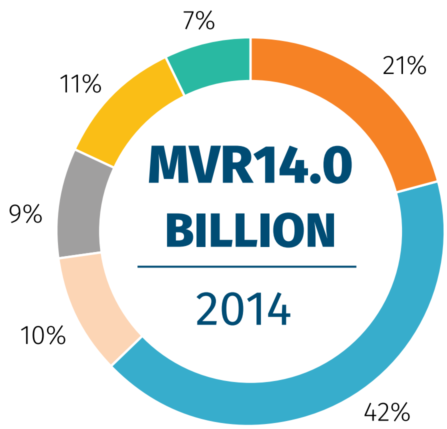
Current expenditure, which constituted 76% of total government expenditure, increased by MVR2.3 billion and totalled MVR16.2 billion. This was 3% (MVR452.4 million) in excess of the amount budgeted for current expenditure in 2015, while capital expenditure was 28% (MVR2.0 billion) lower than expected. Similar to 2014, the largest share of current expenditure went to spending on salaries, wages and other allowances of the public sector, which accounted for 41% of current expenditure (Figure 20). This was followed by transport, communications and utilities; social welfare contributions[4]; and subsidies and transfers[5], each constituting 11% of current expenditure, while 8% went to interest payments.

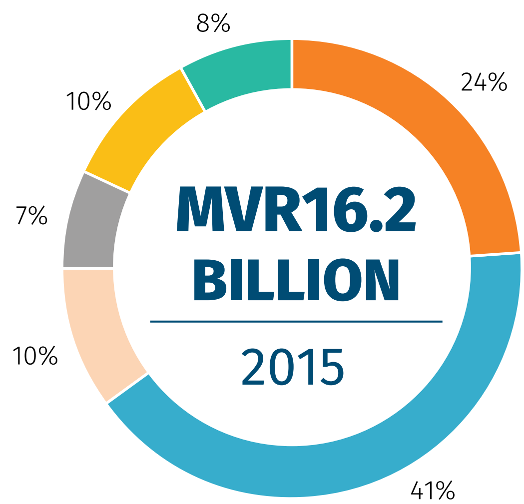
In 2015, the main contributor to the growth in current expenditure was the increase in salaries, wages and allowances of the public sector, which rose by MVR767.8 million, to MVR6.6 billion in 2015. The increase in expenditure on salaries, wages and allowances mainly reflected the rise in salaries of employees in the health sector. Meanwhile, operational expenses rose by MVR469.6 million to total MVR1.8 billion in 2015, reflecting the 50th anniversary of independence in Maldives celebrations.

Capital expenditure increased by MVR2.5 billion and totalled MVR5.1 billion in 2015. Capital expenditure includes spending on public infrastructure projects, investment in capital equipment and capital outlays. The largest chunk of capital expenditure (45%) went to PSIP projects financed through the domestic budget, which included residential and other building projects; roads and harbour projects; sewage and water systems; electrification projects; and other infrastructure projects. PSIP expenditure increased by MVR597.5 million compared with 2014, and totalled MVR2.3 billion. The increase in PSIP expenditure mainly reflected the upgrading of Ibrahim Nasir International Airport and the establishment of water and sanitation systems. However, the largest increase in capital expenditure came from grant-financed development expenditure, which increased by MVR904.1 million to total MVR1.0 billion in 2015 (Figure 21).

[4]Includes medical insurance payments; allowances for single parents, disabled people, foreign and domestic medicals; welfare payments; assistance to community programmes, associations and social organizations; other benefits and gratuities; etc.
[5]Includes food, electricity, water, fisheries and agriculture subsidies as well as pensions.

Figure 20: Composition of Current Expenditure

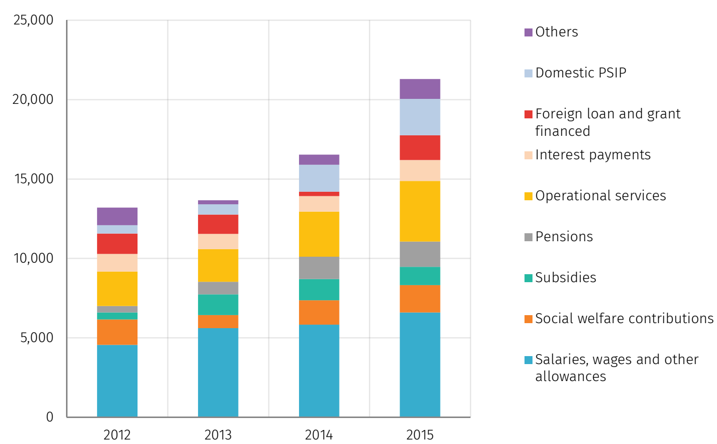




- Salaries, wages and other allowances
- Pensions
- Subsidies
- Social welfare contributions
- Interest payments
- Others

Source: Ministry of Finance and Treasury

Figure 21: Expenditure Breakdown, 2012–2015
(millions of rufiyaa)



MVR21.3 BILLION

Total expenditure increased to MVR21.3 billion in 2015

Source: Ministry of Finance and Treasury
Note: Pensions include expenditure on two budget codes: pensions and "other benefits and gratuities".

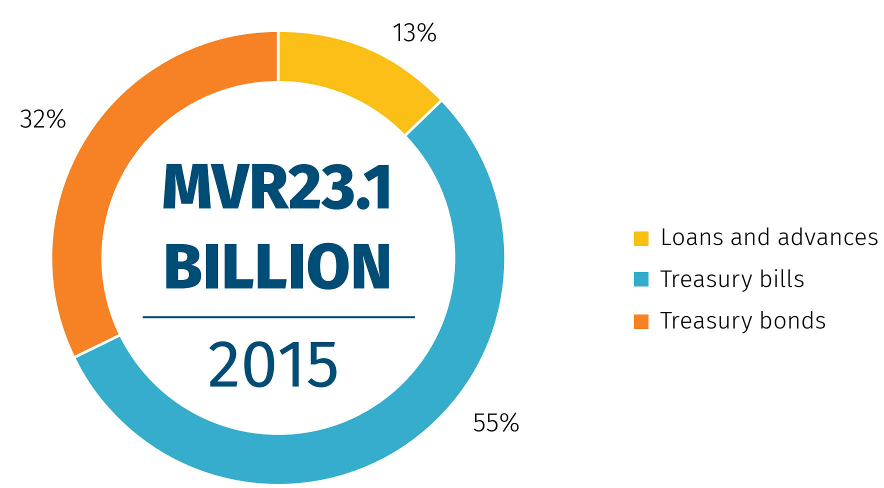
Financing

In 2015, it was initially anticipated that 57% (MVR904.3 million) of the budget deficit would be financed by foreign sources and 43% (MVR671.8 million) from domestic sources. However, according to data available from the Ministry of Finance and Treasury as of January 2016, government relied entirely on domestic sources mainly through the issuance of treasury bills to finance the budget deficit. As for net foreign financing, a negative amount was recorded as foreign debt was paid off during the year.

Domestic claims on government (Figure 22)—which includes treasury bills, treasury bonds, and loans and advances to the government—increased to MVR23.1 billion at the end of December 2015 from MVR20.6 billion at the end of December 2014, reflecting net borrowing of MVR2.4 billion during the period. However, net borrowing from the domestic sector for 2015 was lower when compared with the net borrowing of MVR3.7 billion in 2014.

The key source of domestic financing was the issuance of government securities. The total outstanding stock of government securities increased to MVR20.0 billion at the end of December 2015 from MVR17.6 billion at the end of 2014, reflecting a net issuance of MVR2.4 billion during the period, which was nonetheless lower than the net issuance of MVR6.3 billion for the year 2014. It should be noted that the large net issuance during 2014 was due to the restructuring of the outstanding debt of the government held by the MMA to a long-term treasury bonds in 2014. As a result, loans and advances to the government reduced noticeably during the preceding year but remained largely unchanged during 2015.

Figure 22: Composition of Domestic Claims on Government

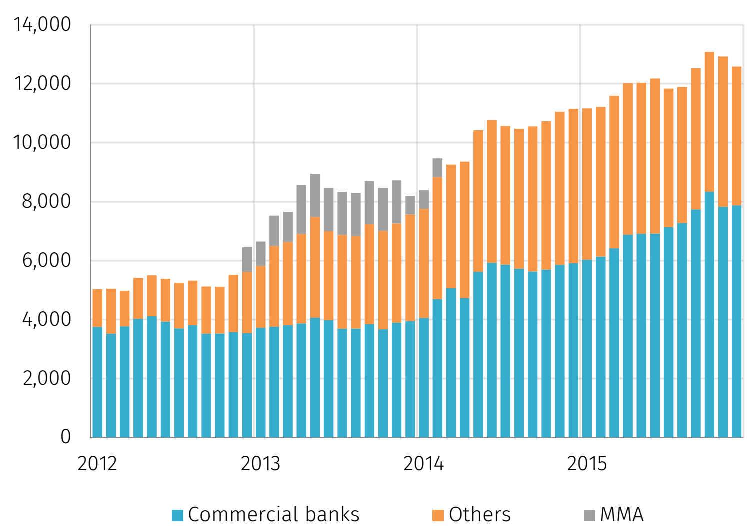


Source: Ministry of Finance and Treasury

Looking at the composition of government securities, the total outstanding stock of treasury bills stood at MVR12.6 billion at the end of 2015, while the total outstanding stock of treasury bonds amounted to MVR7.4 billion at the end of 2015 (Figure 23). The net issuance of treasury bills declined markedly from MVR3.0 billion at the end of 2014 to MVR1.4 billion in 2015, mainly due to the conversion of part of the treasury bills held by the pension fund to treasury bonds during the review year. Consequently, the net issuance of treasury bonds rose by MVR979.2 million and stood at MVR7.4 billion at the end of 2015. Meanwhile, a net payment of treasury bills was seen from the SOE side, due to claimed liquidity shortage by a few large investors. Commercial banks remain the main investors in terms of holdings of treasury bills, while the move to the tap issuance of treasury bills (fixed interest rates) during the year 2014 has encouraged investors to shift their investments to longer-term tenures, assisting in the reduction of treasury bills refinancing risk (Box 3).

Figure 23: Treasury Bills by Holder, 2012–2015

(millions of rufiyaa)



Source: Maldives Monetary Authority

MVR12.6 BILLION

Total outstanding stock of treasury bills stood at MVR12.6 billion at the end of 2015

Box 3: Government Securities Market

Persistent high budget deficits coupled with a significant reduction in foreign financing since 2009 compelled the government to rely heavily on domestic sources for its financing needs. This led to a substantial rise in the volume of treasury bills issuance in the domestic market. The total amount of outstanding treasury bills increased from MVR2.8 billion at the end of 2009 to MVR9.3 billion by the end March 2014. Interest rates on treasury bills also soared during this period, as a result of the high financing requirement of the government and due to the high dominance of few large investors in the government securities market. For instance, the weighted average interest rate on 28-day treasury bills increased from 4.47% in June 2011 to 10.27% by the end of March 2014. This further added to an already high government expenditure in terms of increased debt servicing costs.

Against this backdrop, changes were brought to the government securities market in 2014 and 2015. The auction system for the issuance of treasury bills was replaced with a tap system (with revised interest rates) and the government debt held by the Maldives Monetary Authority (MMA) was restructured and converted to treasury bonds in 2014. The treasury bills rates were further revised down in 2015, and part of the outstanding treasury bills were also converted to treasury bonds. These initiatives were intended to reduce the high interest cost and rollover risk for the government.

Revision of treasury bills interest rates

Reverting back to a tap system[1] (fixed interest rates) for the issuance of treasury bills and with revised interest rates in 2014, the burden of debt management for the government has somewhat been eased, as it was observed that investors gradually shifted their preference towards longer-term maturities. However, the debt servicing cost continued to rise in 2015 due to increased net issuance of treasury bills. As such, the interest cost of treasury bills recorded an increase of 13% for the period Jan-Oct 2015 compared to the same period of 2014.

[1]Treasury bills were initially issued under a tap system when it was introduced on 10 September 2006, with a maturity profile of one month (28-day) and three months (91-day) treasury bills. Interest rates on 28-day and 91-day treasury bills were set at 5.00% and 5.25%, respectively. On 28 December 2009, the issuance of treasury bills was changed to an auction system, in order to develop the government securities market. After the auction system was established, treasury bills with longer-term maturities were introduced (182- day treasury bills on 5 July 2010 and 364-day treasury bills on 8 August 2012), with the aim of lengthening the maturity profile of domestic debt. The auction system was in place up until the tap system was reintroduced in 2014.

The tap rates of treasury bills were once again revised downwards on 28 October 2015 (Table 1). This revision aimed to further reduce the interest cost burden and rollover risk for the government and to rationalise the interest rate structure of the government securities market.

Table 1: Changes to the Treasury Bill Rates, 2015

Tenure	Previous rates	Revised rates
28-day treasury bills	7.50	3.50
91-day treasury bills	8.00	3.87
182-day treasury bills	8.50	4.23
364-day treasury bills	9.00	4.60

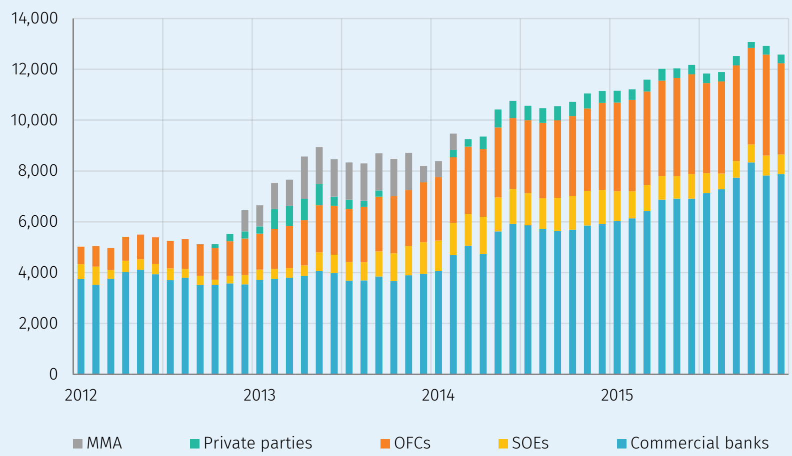
Source: Maldives Monetary Authority

Impact of revised treasury bills rates on outstanding treasury bills

As shown in Figure 1, the total outstanding amount of treasury bills continued to grow during 2012–15. Accordingly, the outstanding amount of treasury bills reached MVR12.6 billion at the end of December 2015, which is an annual increase of 13% after registering a growth of 36% in 2014. It is noteworthy that treasury bills holdings reached a peak of MVR13.1 billion in October 2015 after which a decline of MVR496.6 million was observed by the end of December 2015. There were two contributors to the significant increase in outstanding treasury bills holdings in October 2015. First, in September and October, the MMA informed investors regarding the revision of treasury bills tap rates, effective from 28 October 2015. This led to many commercial banks to immediately increase their investments in treasury bills to benefit from the existing higher interest rates. This is also evident in the bid-to-cover ratio shown in Figure 2. Second, due to the reduction of the minimum reserve requirement (MRR) by 10 percentage points (in August 2015), a significant amount of funds was released and became readily available to commercial banks for investment. A proportion of the released funds was then invested in treasury bills, which also contributed to the growth in outstanding treasury bills during this period. The slight decline in outstanding treasury bills observed by the end of December 2015 was mainly due to the conversion of MVR459.0 million treasury bills held by the Maldives Pension Administration Office (MPAO) into treasury bonds (Figure 3).

Figure 1: Outstanding Treasury Bills by Holder, 2012-2015

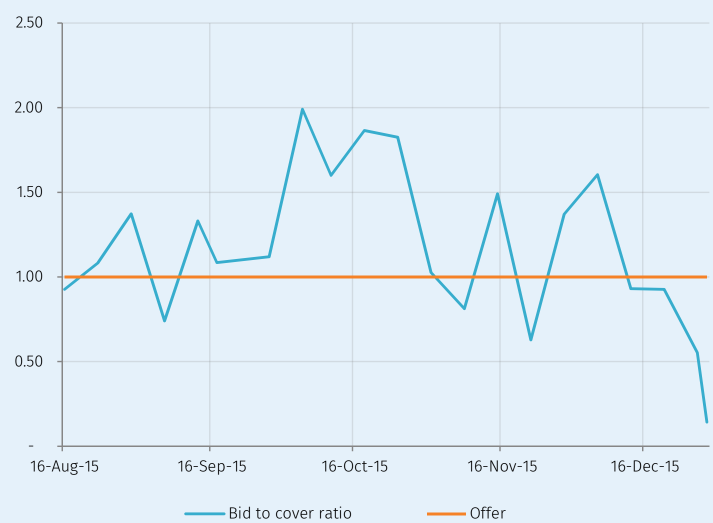
(millions of rufiyaa)



Source: Maldives Monetary Authority
Note: OFCs = other financial corporations, SOEs = state owned enterprises

Figure 2: Bid to Cover Ratio, August 2015-December 2015

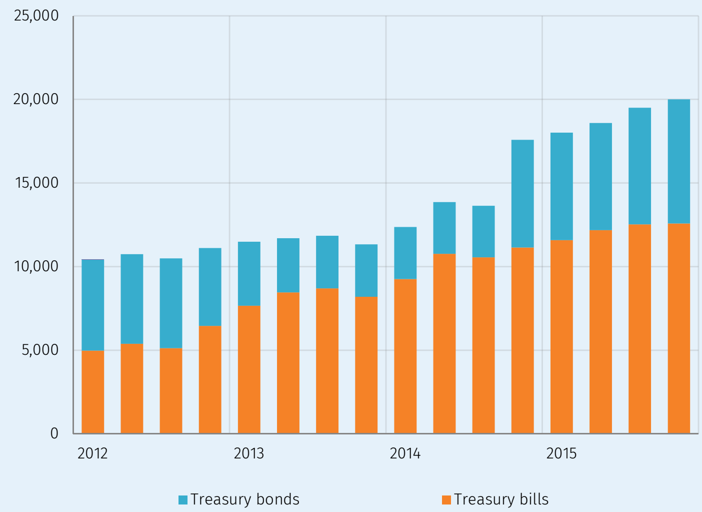
(annual percentage change)



Source: Maldives Monetary Authority

Figure 3: Outstanding Government Securities, 2012-2015

(millions of rufiyaa)



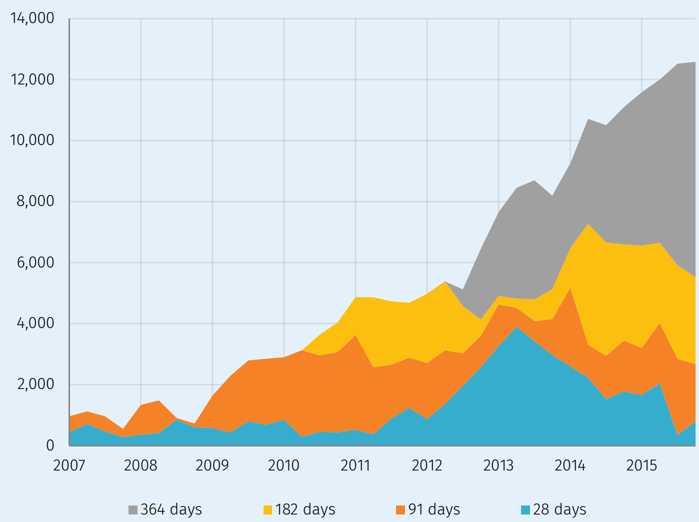
Source: Maldives Monetary Authority

In 2015, the demand for shorter-term treasury bills continued to decline and the demand for 364-day treasury bills increased significantly. It is noteworthy that on average, investors shifted their preference more towards longer-term maturities (182 and 364 days) after treasury bills issuance was reverted back to a tap system (Figure 4). Accordingly, the stock of 28-day, 91-day and 182-day treasury bills outstanding at the end of 2015 was 7%, 14% and 21% respectively, whereas the equivalent figures in 2014 were 16%, 14% and 28% respectively. The stock of 364-day treasury bills outstanding increased from 40% in 2014 to 59% in 2015. This shift in the stock of treasury bills from shorter- to longer-term tenures assists in reducing the treasury bills refinancing risk. However, it should be noted that around half of the 364-day treasury bills continues to be held by the MPAO.

Long-term implications of treasury bills rate revision

With the reduction in interest rates, the debt financing cost to the government is expected to decline and these savings could be utilised in other productive expenditure, and used to repay future debt obligations. Additionally, the revised rates will contribute to the development of a liberalised and effective

Figure 4: Treasury Bills Holdings by Maturity, 2007-2015
(millions of rufiyaa)



Source: Maldives Monetary Authority

financial market, once the treasury bills issuance is reverted to an auction system in the medium to long term. However, the desired outcome can only be achieved if the low interest rates are sustained in the long run; to ensure this it is necessary for the government to establish sound debt management strategies.

Conversion of treasury bills to treasury bonds

To prevent disruptive cash flow constraints and minimise refinancing and rollover risk arising from a high level of outstanding treasury bills, the government securities portfolio was restructured by converting part of the short-term investments in treasury bills to medium-term treasury bonds. In this regard, a portion of the treasury bills held by the MPAO was converted to treasury bonds in 2015. This conversion was carried out in two periods. The first conversion, amounting to MVR472.0 million, was made in July 2015 and the second, amounting to MVR459.0 million, was made in December 2015.

Monetary Policy and Monetary Developments

Despite the easing of monetary conditions during the year with the reduction in MRR from 20% to 10%, the overall expansion in main monetary aggregates, such as the growth in broad money, remained contained in 2015. This can be mainly attributed to the weakening of NFA of the banking system, although NDA picked up contributed by the growth in net credit to government, and recovery of private sector lending during the second half of the year.

Monetary Policy

The core objective of MMA's monetary policy remained as maintaining price stability and an adequate level of external reserves. In 2015, the MMA lowered the MRR from 20% to 10%, effective 20th August 2015, with the aim of reducing the cost of funding for banks and to facilitate private sector lending. Additionally, the MRR was lowered to align the level of MRR in the Maldives to international levels. Despite the easing of monetary conditions during the year, the overall expansion in monetary aggregates remained contained in 2015, largely reflecting the weakening of NFA and also partly due to sluggish growth of private sector credit (Box 4) in the first half of the year. Moreover, the absorption of excess liquidity via the ODF (as commercial banks diverted their funds from open market operations (OMO) investments to placements in the ODF), and the MMA's continued intervention in the foreign exchange market has helped in maintaining the stability of the exchange rate.

Monetary Developments

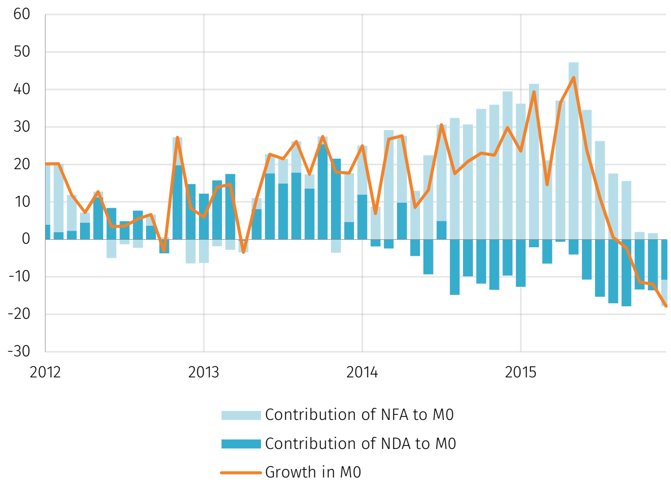
Reserve money (M0) growth decelerated significantly from May 2015 onwards and became negative in the latter half of the year. This largely reflected the movements in the NFA of the MMA, which also followed a similar growth pattern during the year. Meanwhile, the annual broad money (M2) growth also decelerated sharply in the first quarter of 2015, although it gained pace in the following two quarters before slowing down once again in the last three months of the year. The slowdown during the last quarter was entirely contributed by a significant decline in the NFA of the banking system, although the annual growth in NDA picked up during the period.

Reserve Money

At the end of December 2015, annual M0 growth fell significantly by 18% after registering a growth of 30% in 2014, and amounted to MVR10.3 billion at the end of the review year (Figure 24). This was mainly on account of a 10% annual decline in NFA of the MMA, followed by a 72% growth in the previous year. With regard to the components of M0, commercial banks' deposit balances at MMA—which accounted for 69% of M0—declined by 25% during the review year, partly reflecting the reduction in MRR in 20th August 2015 that allowed the commercial banks to use the released funds to expand their asset portfolio. Meanwhile, currency in circulation (CIC), which accounted for 31% of M0, was generally on an upward path throughout the year, although it experienced a slowdown during the final quarter of 2015. At the end of December 2015, CIC recorded a growth of 4% in annual terms.

Figure 24: Sources of Reserve Money (M0), 2012–2015

(annual percentage change)



-18%

Annual reserve money (M0) growth declined by 18% in 2015

Source: Maldives Monetary Authority
Note: NFA= net foreign assets, NDA= net domestic assets

Monetary Operations

The two main instruments available to the MMA to absorb excess liquidity in the banking system are OMO and ODF. As OMO remained suspended since May 2014, the MMA relied entirely on the ODF to absorb the excess liquidity in the banking system during 2015. Accordingly, the excess amount of liquidity absorbed by the MMA averaged MVR2.5 billion, which was a 24% increase when compared with the previous year (Table 1) and generally followed an upward trend throughout the year despite a slowdown in ODF placements during the second quarter of the year. The significant growth in ODF during the year was also contributed by the lowering of MRR in August 2015 as banks invested a large proportion of the released funds in ODF placements in 2015.

Table 1: Average Amount of Liquidity Absorbed via Monetary Operations, 2013–2015

(millions of rufiyaa)

	2013	2014	2015	Percentage change 2014 - 2015
Average investment in reverse repos[1/]	580.9	883.9	-	-
Average investment in ODF	345.7	1,131.6	2,496.4	121
Average liquidity absorbed	926.6	2,015.6	2,496.4	24

Source: Maldives Monetary Authority
[1/]As OMO was suspended in May 2014, the figure for 2014 is the average liquidiy absorbed via OMO in the period Jan-Apr 2014.

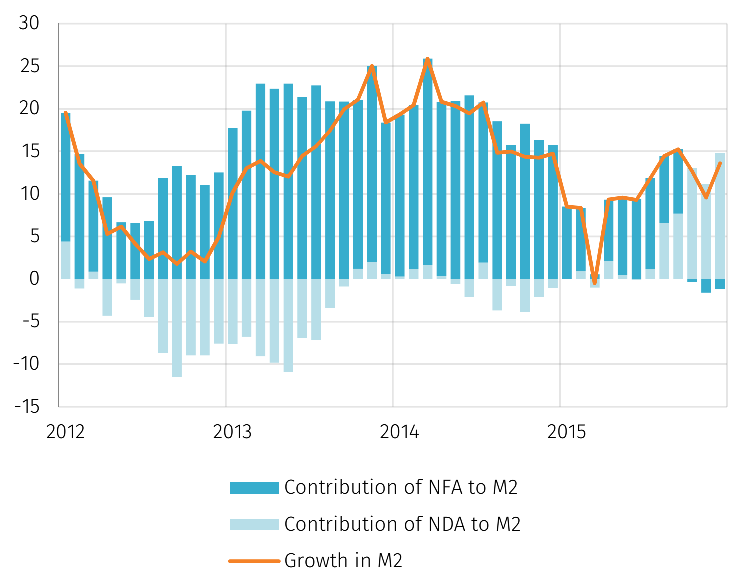
Broad Money

At the end of December 2015, the growth rate of M2 decelerated slightly to 14% from 15% at the end of 2014, and amounted to MVR30.9 billion at the end of the review year (Figure 25). On the components side, this was mainly due to slower growth in quasi money at the end of 2015. Accordingly, quasi money, which accounted for 57% of M2, decelerated to 10% in 2015 after registering 20% growth at the end of the previous year (Figure 26). The main contributor to this slower growth in quasi money was the deceleration in foreign currency deposits. It is also noteworthy that quasi money registered a decline of 6% during March 2015, reflecting a decline in foreign currency demand deposits when compared with the same period in the previous year. Meanwhile narrow money (which accounted for 43% of M2) accelerated significantly due to an expansion in local currency demand deposits during the year.

With regard to the counterparts of M2, the main contributor to the slower M2 growth in 2015 was the decline in NFA of the banking system. The NFA of the banking system declined by 3% at the end of 2015 following significant growth of 42% at the end of the previous year. This decline mainly reflected a significant drop in NFA of the MMA, as foreign assets of the commercial banks registered an increase at the end of December 2015. The NDA of the banking system registered a growth of 27%, in contrast to the decline of 2% recorded at the end of the previous year. This was largely driven by the growth in net claims on central government (NCG) and credit to the private sector in 2015.

Figure 25: Sources of Broad Money (M2), 2012–2015

(annual percentage change)



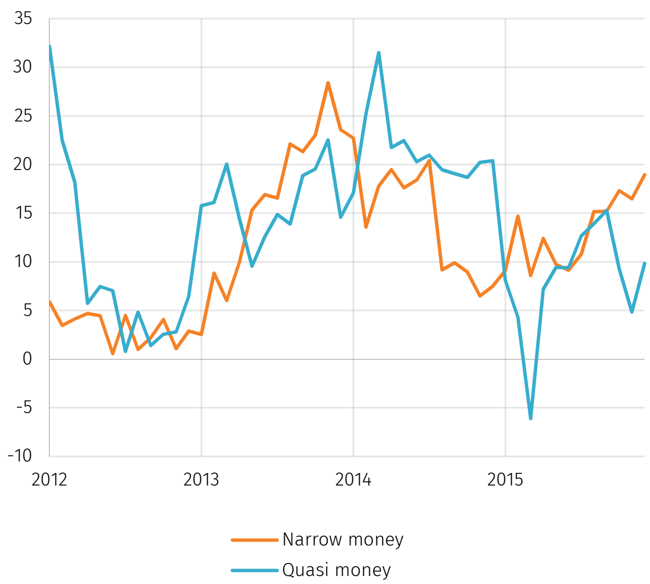
Source: Maldives Monetary Authority
Note: NFA= net foreign assets, NDA= net domestic assets

14%

Annual broad money (M2) growth decelerated to 14% in 2015

Figure 26: Growth in Narrow Money and Quasi Money, 2012–2015

(annual percentage change)



Source: Maldives Monetary Authority

10%

Quasi money decelerated to 10% in 2015

Net Claims on Central Government

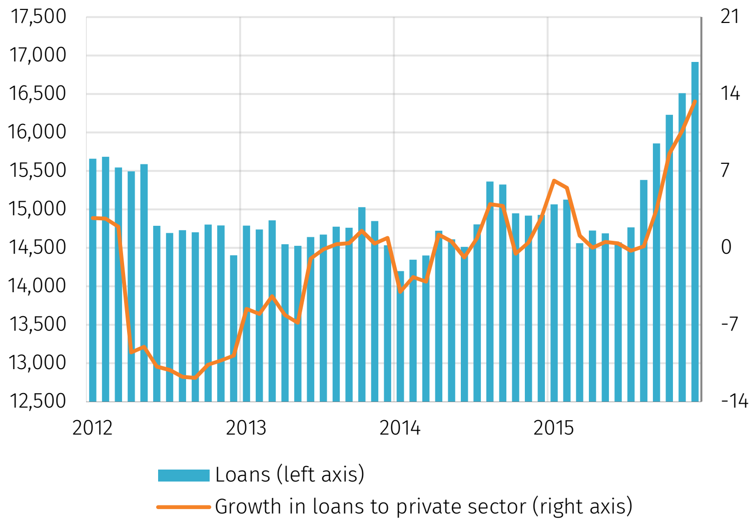
Growth in NCG of the banking system accelerated markedly from 7% at the end of December 2014 to 23% at the end of 2015, and amounted to MVR11.4 billion. This mainly stemmed from an increase in treasury bills investments by commercial banks in 2015 as indicated by the 33% growth in commercial banks' outstanding treasury bills. Following the MRR reduction, the commercial banks invested part of the released funds in treasury bills and increased their investments following the prior notice regarding revision of treasury bills rates. It is also noteworthy that government deposits at MMA declined at the end of the review year compared with 2014, partly reflecting lower government revenue from tourism-related sources, which also contributed to the increase in NCG.

Credit to the Private Sector

Growth in credit to the private sector increased significantly at the end of 2015, although its growth remained sluggish in the first three quarters of the year (Figure 27). Accordingly, credit to the private sector rose by 13% at the end of 2015 compared with a 3% growth recorded in 2014. This was mainly attributed to the increase in foreign currency loans extended to the private sector from the released dollar funds from MRR. Further, it is noteworthy that the asset quality of the banking system has improved over the past few years with large recoveries in NPLs, which also led to an improvement in credit extended to the private sector.

With regard to credit by sector, credit extended to the tourism sector, which accounted for 40% of total private sector

Figure 27: Loans and Advances to the Private Sector, 2012–2015
(millions of rufiyaa, annual percentage change)

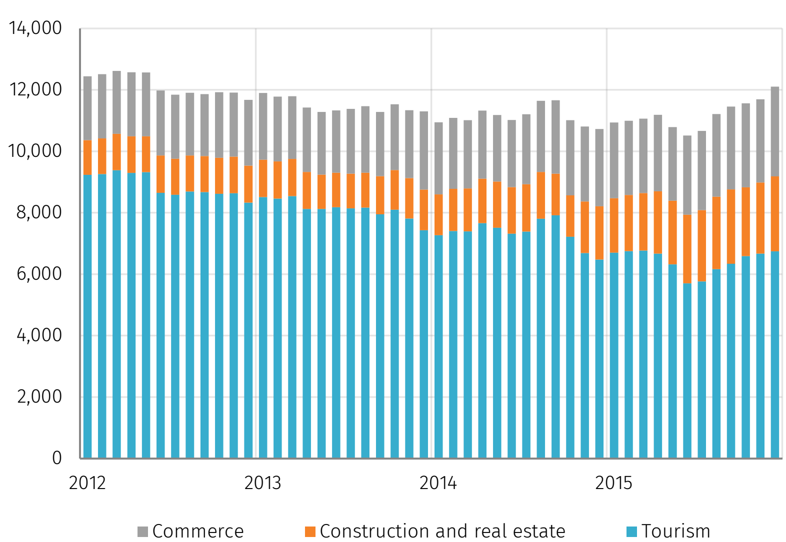


Source: Maldives Monetary Authority

13%

Credit to the private sector rose by 13% in 2015

Figure 28: Loans and Advances to the Private Sector by Major Sectors, 2012–2015
(millions of rufiyaa)



Source: Maldives Monetary Authority

4%

Credit to the tourism sector registered a 4% growth in 2015 credit, registered a 4% growth in the review year after posting a decline of 13% in the previous year (Figure 28). This was due to an increase in loans extended for working capital, which offset the decline in loans given for new resort development and renovation. Loans to the construction sector registered an increase of 41%, mainly due to an increase in loans given for residential housing. Additionally, loans to the commerce sector registered an increase of 16%, driven by the rise in loans to the wholesale and retail sector.

Interest Rates

During the year 2015, the indicative policy rate of the MMA remained unchanged at 4.00% per annum since its last revision in September 2014.

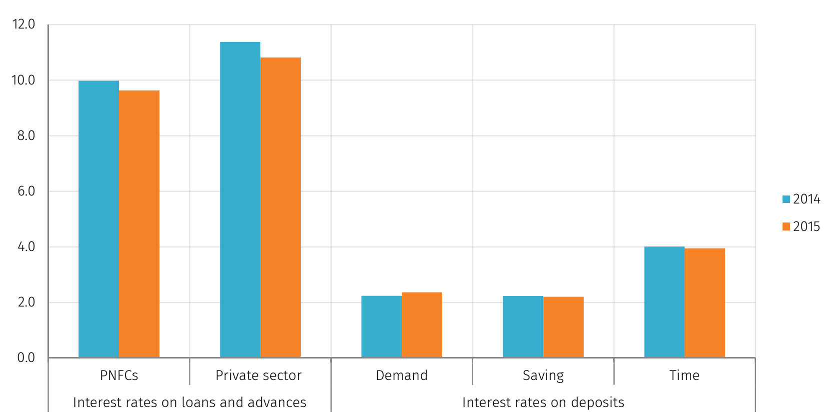
Treasury bills continued to be issued on tap since 2014 and the interest rates on treasury bills of all maturities were revised on 28th October 2015. As a result, the rates on 28-, 91-, 182- and 364-day treasury bills declined by 400, 413, 427 and 440 basis points (bps), respectively, in annual terms at the end of December 2015, and stood at 3.50%, 3.87%, 4.23% and 4.60%, respectively .

With regard to the weighted average interest rates on loans and advances, loans denominated in local currency registered declines whereas rates on foreign-currency-denominated loans increased. Accordingly, local-currency-denominated loans to public non-financial corporations (PNFC) and the private sector declined by 34bps and 56bps, respectively, while foreign currency loans to PNFC and the private sector rose by 213bps and 38bps, respectively.

Considering the weighted average interest rates on deposits, the interest rate movements varied according to the type of deposits and the currency in which it was denominated. Such rate on demand deposits rose by 13bps in annual terms for local-currency-denominated deposits, while the rates on foreign currency deposits declined

Figure 29: Interest Rates for Loans and Deposits (Local Currency), 2014-2015

(interest rates per annum)



Source: Maldives Monetary Authority

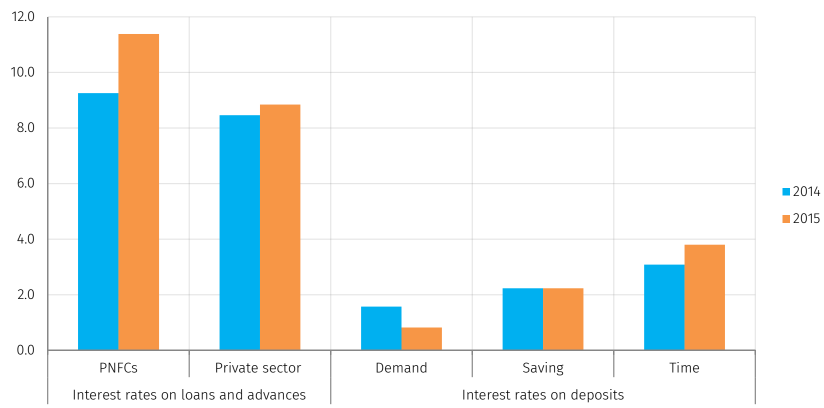
10.8%

WAIR of local-currency denominated loans to private sector declined to 10.8%

by 75bps. Meanwhile, the rate on savings deposits remained largely unchanged for foreign-currency-denominated deposits while rate on local currency deposits declined slightly, by 3bps. The rate on local-currency-denominated time deposits (with maturity between two and three years) also fell slightly, by 7bps, while the rate on foreign currency deposits registered an increase of 72bps. (Figure 29 and 30)

Figure 30: Interest Rates for Loans and Deposits (Foreign Currency), 2014-2015

(interest rates per annum)



Source: Maldives Monetary Authority

8.8%

WAIR of foreign-currency denominated loans to private sector increased to 8.8%

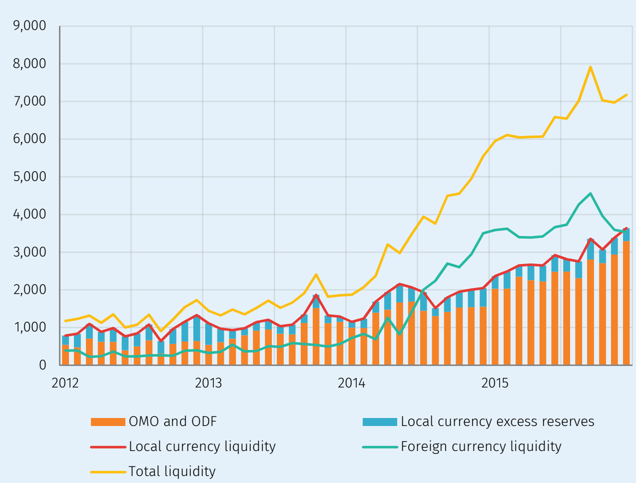
Box 4: MRR Reduction and Changes to Bank Liquidity

The minimum reserve requirement (MRR) has been one of the main policy instruments used by the Maldives Monetary Authority (MMA) to control money supply and credit expansion. Since the establishment of the MMA in 1981, the MRR has changed several times, for various reasons[1]. Likewise, in August 2015, the MRR was reduced by 1000 bps (basis points) to 10% of the average local and foreign currency deposits after a reduction of the effective MRR by 800 bps and 200 bps, on local and foreign currency deposits, respectively, in February 2014. It is noteworthy that the recent reduction in MRR, which was made in an effort to boost private sector lending and reduce the cost of funds to the commercial banks, was the largest single reduction.

If the MRR is high, banks need to attract more deposits or increase borrowings to expand their lending capacity, thus driving up their marginal cost of funding. Theory suggested that a reduction in MRR increases the money multiplier, and hence will increase broad money or money supply if the central bank keeps the monetary base unchanged. This will in turn reduce the interest

Figure 1: Average Liquidity of the Banking System, 2012-2015

(millions of rufiyaa)



Source: Maldives Monetary Authority
Note: OMO= open market operations, ODF= Overnight Deposit Facility

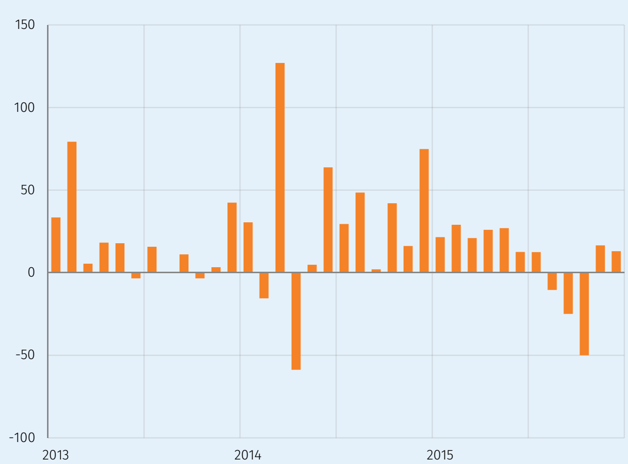
[1]For a more detailed discussion, see the box entitled 'Recent Changes to Reserve Requirement in the Maldives', Quarterly Economic Bulletin, MMA, June 2015, Volume 21, Issue 2.

rate and increase credit growth. However, the effectiveness of the reduction in MRR solely depends on how the banks use the released funds. For instance, reducing the MRR during a financial crisis, when banks do not have an appetite to lend, may not boost bank lending. In fact, this is one of the take-home lessons from the financial crisis of 2008.

Following the MRR reduction in February 2014, the average liquidity in the banking system—defined as excess reserves in local and foreign currency of the banks, plus commercial banks' investments in open market operations (OMO) and overnight deposit facility (ODF), showed significant growth when compared with the average liquidity growth in 2012 and 2013. Figure 1 summarises the movements of both local and foreign currency liquidity in the banking system over the past four years. The average foreign currency excess reserves of the commercial banks has increased dramatically, starting from mid-2014 until the last quarter of 2015, largely due to the commercial banks' net inward transfers (Figure 2) to comply with capital regulations, and the favourable growth in foreign currency deposits (Figure 3); only a small portion of the growth includes the US dollar funds released from the MRR reduction in February 2014. Meanwhile, banks maintained a stable rufiyaa excess reserve balance throughout the period, while increasing their investments in government securities and ODF. Similarly, following the large MRR reduction in August 2015, around two third of the released local currency fund was immediately invested in treasury bills, while the rest was diverted to ODF.

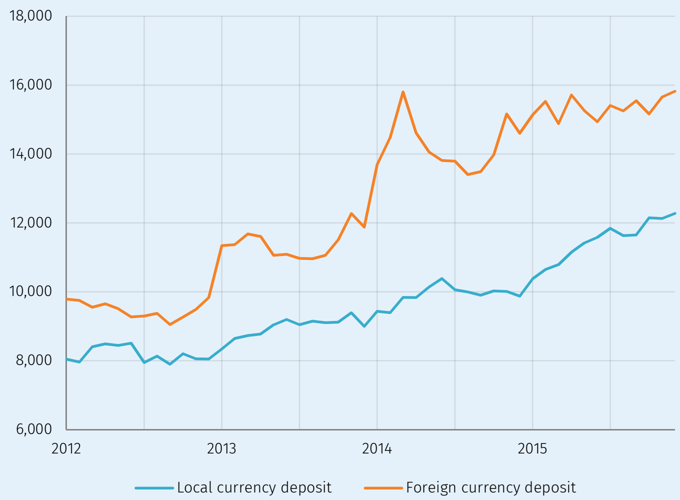
Figure 2: Transfers of Commercial Banks, 2013-2015

(millions of US dollars)



Source: Maldives Monetary Authority

Figure 3: Deposits of the Commercial Banks, 2012-2015
(millions of rufiyaa)

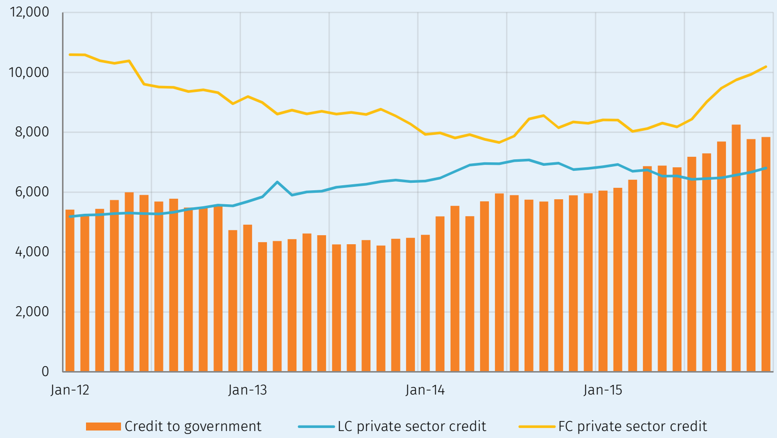


Source: Maldives Monetary Authority

Looking at private sector lending, both foreign and local currency lending remained largely muted until July 2015 (Figure 4), despite the excess liquidity in the banking system. This was mainly owing to the large number of non-performing loans (NPLs) coupled with the binding constraints on single borrower limit during the period. However, private sector credit, especially foreign currency lending, began to pick up from the latter half of 2015, due mainly to higher foreign currency loan recoveries (Figure 5) and somewhat to the relaxation in the regulations during 2015. Meanwhile, the foreign currency reserve balance or foreign currency liquidity has fallen remarkably albeit it remains high in comparison with the average foreign currency reserves in 2012 and 2013, due mainly to the slow growth in the private sector credit and partly to profit repatriation. Further, in contrast with the previous MRR reduction, issuance of new foreign currency loans showed a relatively steep growth in the last quarter of 2015, indicating further optimism in the credit sector. Although investments in government securities and ODF are still high, and the issuance of new local currency loans remained comparatively low, one of the largest commercial banks has already reduced its interest rates, providing hope that local currency lending will pick up in the near future.

Figure 4: Net Claims on Central Government and Private Sector by Commercial Banks, 2012-2015

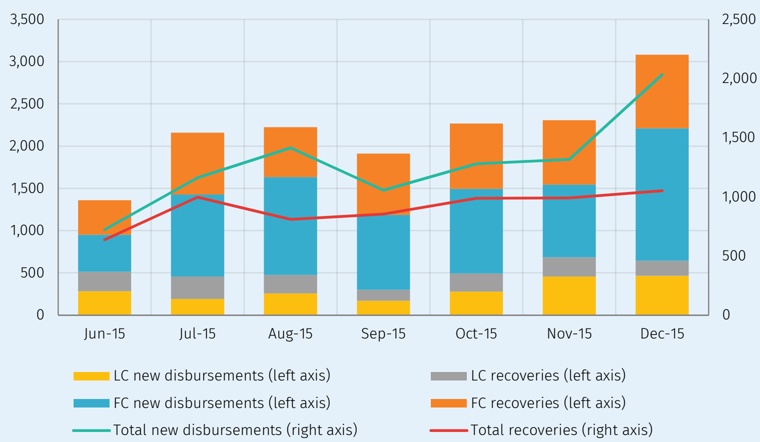
(millions of rufiyaa)



Source: Maldives Monetary Authority
Note: LC= local currency, FC= foreign currency

Figure 5: Commercial Banks' Lending to Private Sector, June 2015-December 2015

(millions of rufiyaa)



Source: Maldives Monetary Authority
Note: LC= local currency, FC= foreign currency

Financial Sector

The banking sector's assets grew by 11% over the year led by deposit growth. After relatively stagnant lending over the recent past, a significant growth in loans was registered, while investments in debt securities also increased significantly over the year, fuelled by the reduction in the MRR in August 2015. The asset quality improved, and banks continued to be well capitalised.

The financial sector of the Maldives comprises banks, non-bank financial institutions (NBFIs), securities market intermediaries and the pension fund. The banking sector consists of seven commercial banks, which includes two locally incorporated banks, 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

The overall performance of the banking sector improved in 2015 according to the key indicators of the sector. Accordingly, the net assets of the banking sector registered an annual increase of 11% in 2015, and amounted to MVR41.1 billion, which was largely fuelled by a 12% increase in total deposit base of the commercial banks (Figure 31). In terms of gross assets, lending (accounting for 43% of gross assets) rose significantly by 13%, which is the highest annual growth in gross loans recorded over the previous seven years. Meanwhile, investments in debt securities (accounting for 19% of gross assets) rose by 42% in annual terms as funds released from MRR reduction were invested in government treasury bills (Figure 32).

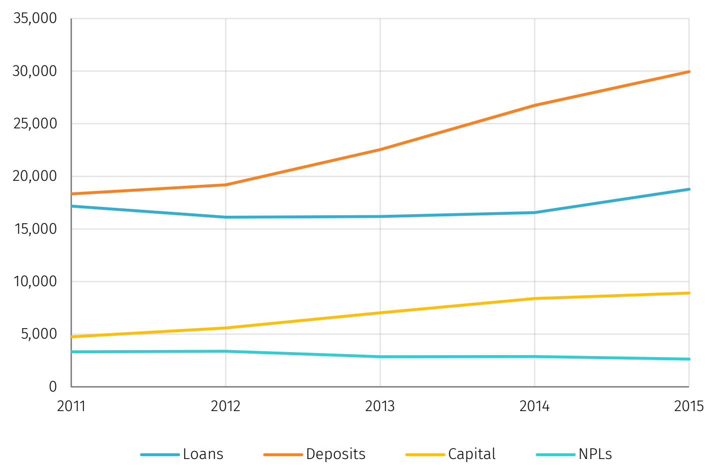
The loan portfolio of the banks remained concentrated in the tourism sector, accounting for 36% of the total loans, followed by the commerce and construction sectors. With regard to asset quality, the ratio of NPLs to total loans at the end of the quarter decreased to 14% when compared with the 17% recorded one year previously. This was due to a 9% annual decline in the absolute value of NPLs and to a significant increase in the loan portfolio. The credit risk was moderated to a large extent by the high level of loan loss provisions that fully cover the NPLs (Figure 33).

With respect to the profitability of the banking industry, pre-tax profits amounted to MVR1.9 billion, which was a 10% decline when compared with 2014, and was mainly due to an increase in loan loss provisions and lower net interest income earned, which offset the relatively high net non-interest income received during the review year. However, it is important to note that the profits were magnified in 2014 due to higher income reported from better loan recoveries made, when compared with 2015.

The banking industry remains well capitalised, with capital ratios of the banks being above the minimum requirements. The total risk-weighted capital ratio of the industry at the end of the year was high, at 37%, against a minimum requirement of 12%; owing to the large share of liquid, low-risk assets in the banks' asset portfolios.

Figure 31: Key Indicators of Banking Industry, 2011–2015

(millions of rufiyaa)

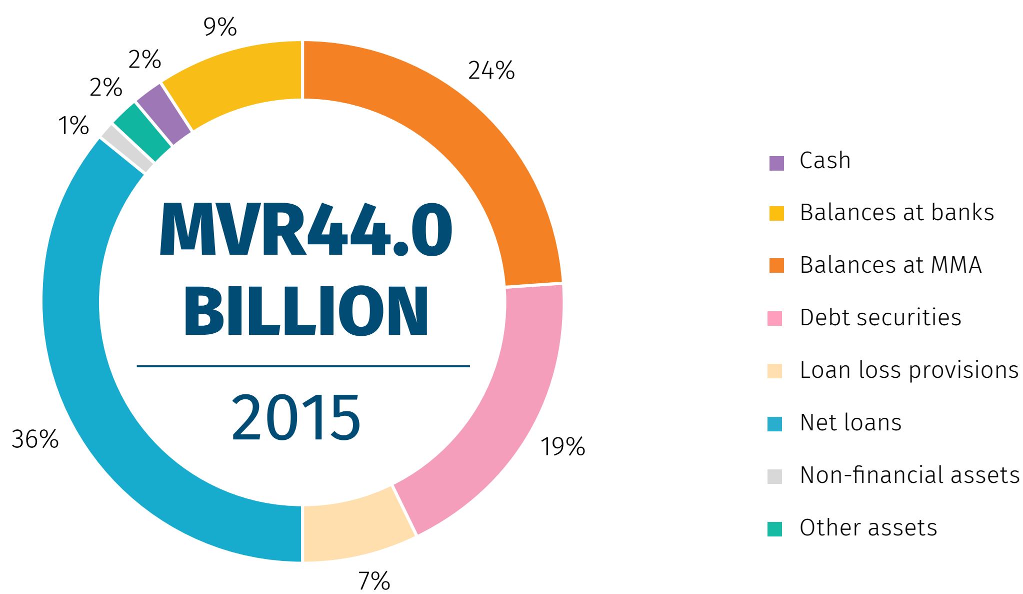


Source: Maldives Monetary Authority
Note: NPLs= Non Performing Loans

12%

Total deposit base of commercial banks increased by 12% in 2015

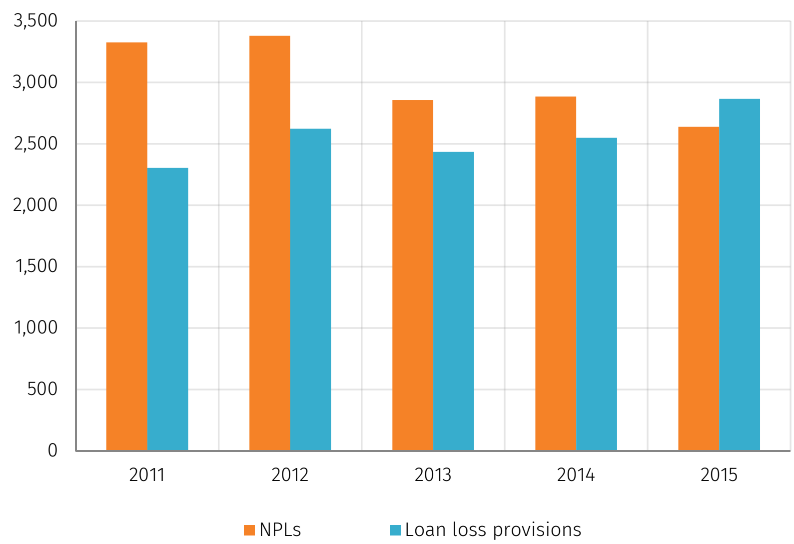
Figure 32: Asset Composition of Banking Industry



Source: Maldives Monetary Authority

Figure 33: Non Performing Loans and Loan Loss Provisions, 2011-2015

(millions of rufiyaa)



Source: Maldives Monetary Authority

-9%

Absolute value of non-performing loans declined by 9%

Other Financial Institutions

Finance Companies

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

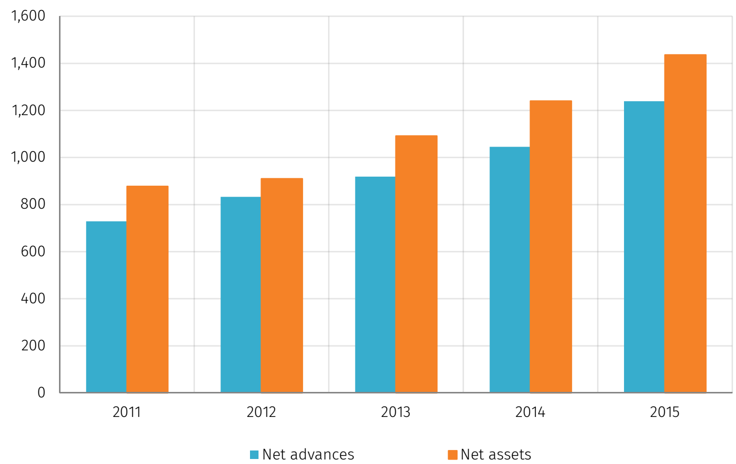
The total net assets of the finance companies showed consistent improvement during 2015 when compared with the previous year. Accordingly, net assets of the companies rose by 16% in annual terms during 2015, reaching MVR1.4 billion. This in turn led to a noteworthy growth in net advances of the companies, which rose from MVR1.0 billion in 2014 to MVR1.2 billion in 2015 (Figure 34).

The asset quality of the industry also showed improvement in 2015, with a decline in NPLs by 9% in 2015. Further, the ratio of NPLs to total loans stood at 4% at the end of 2015, when compared with the 5% recorded in the previous year.

With respect to the profitability of both companies, pre-tax profits increased by 50% in 2015 from MVR53.0 million in 2014 to MVR79.0 million in 2015.

Figure 34: Net Loans and Advances; and Total Net Assets of Finance Companies, 2011-2015

(millions of rufiyaa)



Source: Maldives Monetary Authority

16%

Total net assets of the finance companies rose by 16% in 2015

Money Transfer Companies

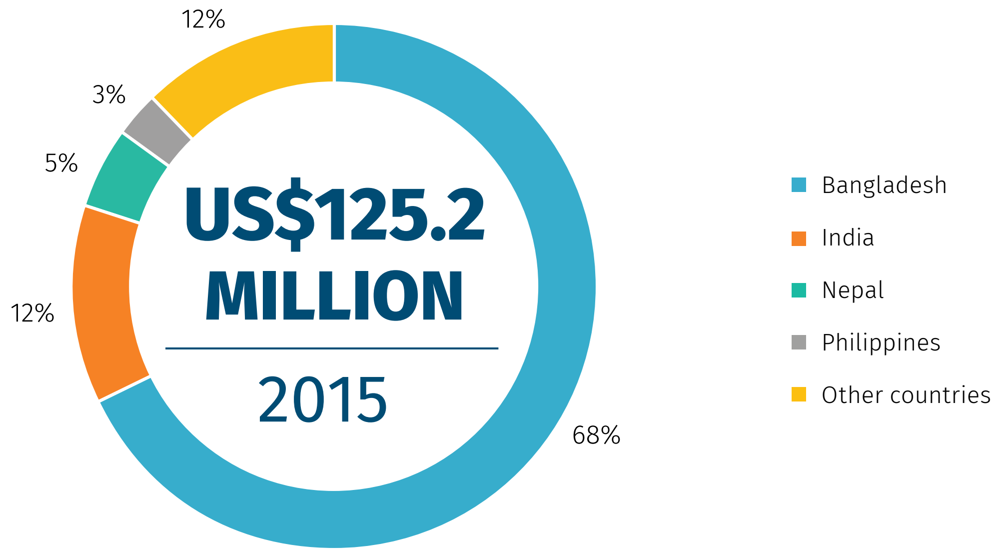
The volume of outward remittances continued to increase in 2015 despite one of the seven licensed money transfer entities ceasing their operations during the year. The remittance statistics show an annual increase of outward remittances by 12% during 2015, which amounted to US$125.2 million at the end of the year. Consistent growth in outward remittances reflects the increasing remittances by expatriate workers to their respective nations. As shown in Figure 35, more than half of the outward remittances were directed to Asian countries. Accordingly, remittances to Bangladesh accounted for 68% of the total remittances, followed by India (12%), Nepal (5%) and Philippines with (3%). On the other hand, inward remittances totalled US$5.3 million in 2015, which also rose by 3% when compared with the previous year.

Insurance Companies

The local insurance industry comprises two general insurance companies and one composite company. The industry mostly uses a direct distribution model in acquiring business, although licensed brokers and agents engage in the market.

The insurance industry remained somewhat favourable in the year 2015 as indicated by the two key variables used internationally to determine the growth of the industry: insurance penetration and density. Insurance penetration is measured as a ratio of the gross written premium (GWP) in a year to GDP. It indicates the development of the insurance sector and its contribution towards economic growth. The insurance penetration remained unchanged at 1% for the year 2015 when compared with the previous year (Figure 36). Insurance

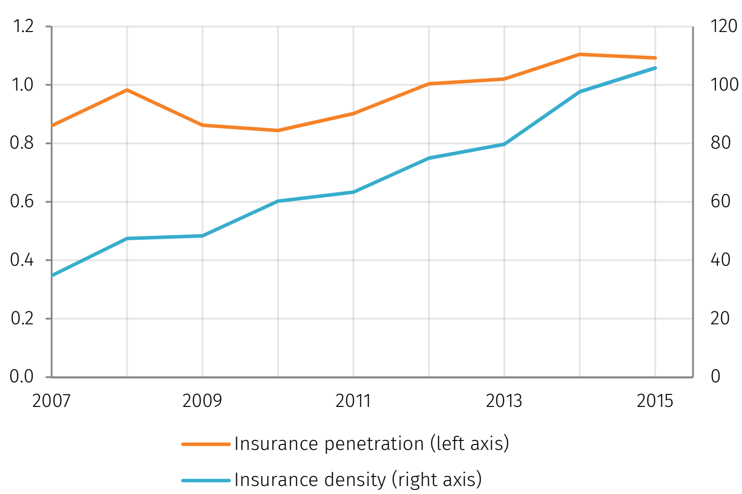
Figure 35: Composition of Outward Remittances by Country



Source: Maldives Monetary Authority

Figure 36: Insurance Penetration and Density, 2007–2015

(percent, millions of US dollars)



Source: Maldives Monetary Authority

1%

Insurance penetration remained unchanged at 1% for the year 2015 density measures the GWP per capita and it increased to US$105.8 in 2015 from US$97.7 in 2014.

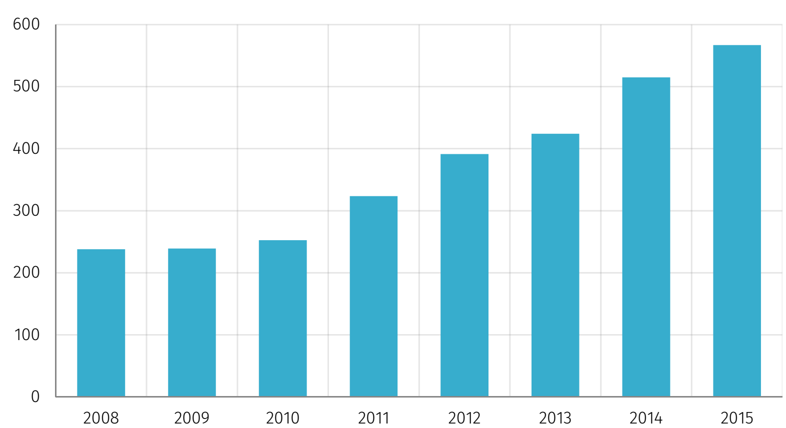
Both the insurance penetration and insurance density reflected the increased growth of GWP in 2015. Accordingly, GWP of the industry grew by 12% to MVR566.9 million in 2015 (Figure 37). The growth in GWP during 2015 reflects the significant increase in fire, marine and health insurance business. Fire insurance continues to be the single largest class of the industry, accounting for 38% of the total premium, while marine insurance and health insurance follows at 17% and 24%, respectively (Figure 38). Fire insurance includes property insurance, while marine insurance includes both the marine hull (14%) and marine cargo business (3%). Health insurance includes government and corporate health policies, and compulsory health insurance for expatriate workers.

Meanwhile, the retention ratio[6] of the industry stood at 39% in 2015, reflecting an increase of 4% when compared with the previous year (Figure 39).

Looking at the retention ratio of the different classes of insurance, fire insurance (the main class of insurance) retained 11% in 2015 when compared with 9% recorded in 2014. Meanwhile, marine insurance retained 18% of the risk with the insurer, compared with 12% in 2014. Additionally, health insurance and motor insurance—both of which have been increasing rapidly following the introduction of compulsory insurances—retained more than 90% of the risk.

Figure 37: Gross Written Premium, 2008–2015

(millions of rufiyaa)



Source: Maldives Monetary Authority

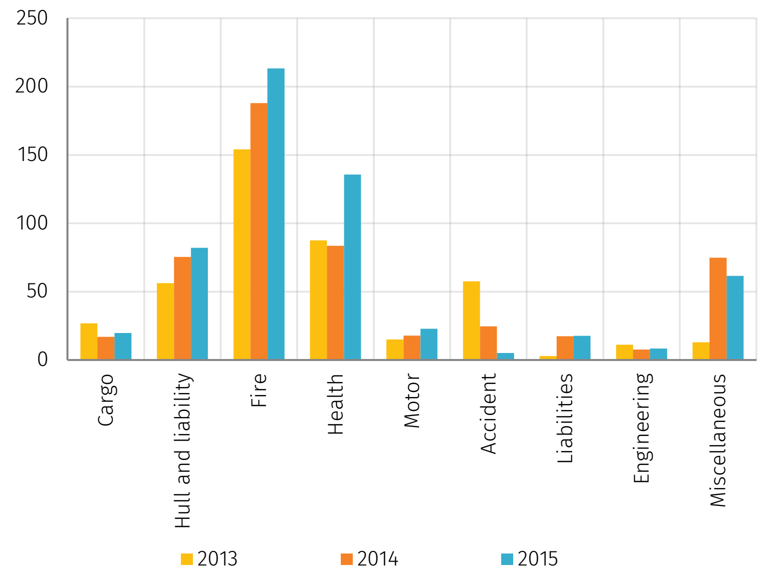
12%

Gross written premium grew by 12% in 2015

[6]Retention ratio measures the proportion of the total premium received by the insurance companies that is retained with them. A growth in retention ratio indicates that the industry is taking up a more risky position by keeping risks in their own books rather than transferring them to a reinsurer. On the other hand, this will reduce the cost of insurance for the public, since a higher retention will lower the cost of reinsurance for the companies.

Figure 38: Premium Contributions by Classes of Insurance, 2013–2015

(millions of rufiyaa)



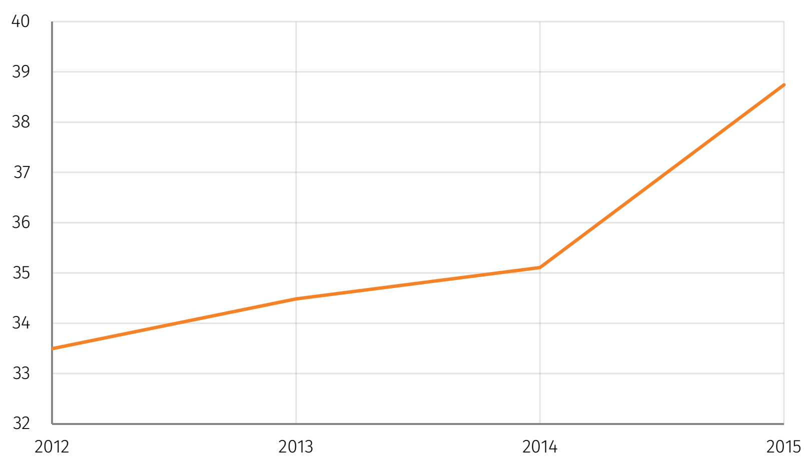
Source: Maldives Monetary Authority

38%

Fire insurance accounted for 38% of the total premium in the insurance industry in 2015

Figure 39: Retention Ratio, 2012–2015

(percent)



Source: Maldives Monetary Authority

39%

Retention ratio of the insurance industry stood at 39% in 2015

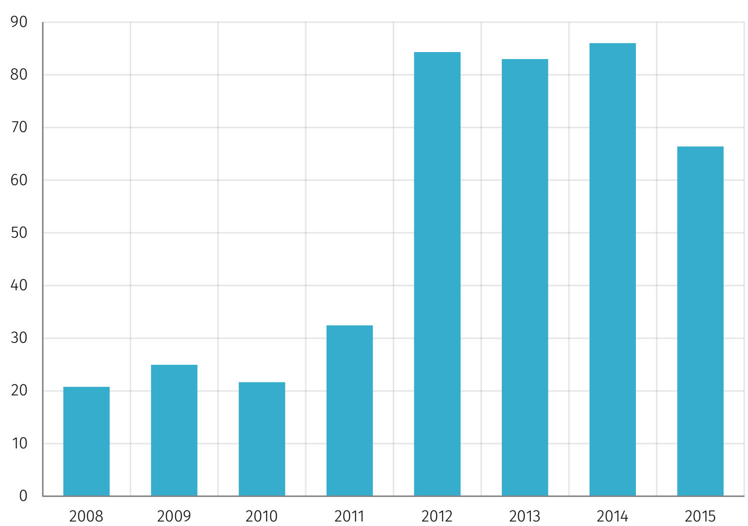
With regard to gross claims paid by insurance companies in 2015, this amounted to MVR249.5 million, which is an increase of 37% when compared with 2014. Approximately 48% (MVR121.0 million) of the gross claims paid in 2015 was for fire insurance policies, followed by health insurance policies, accounting for 30% (MVR75.5 million) of gross claims.

Net claims paid by insurance companies totalled MVR108.8 million in 2015 compared with MVR78.8 million in 2014, which reflects an increase of 38% in 2015. This growth represents a substantial increase in claims made in the fire, marine hull and health sectors during the year.

The growth in net claims led to a decline in the profitability of the industry in 2015. Accordingly, industry profits fell by 22% in the review year compared with 2014, and amounted to MVR66.4 million in 2015 (Figure 40).

Figure 40: Profitability of the Insurance Industry, 2008–2015

(millions of rufiyaa)



Source: Maldives Monetary Authority

-22%

Profitability of insurance industry fell by 22% in 2015

External Sector

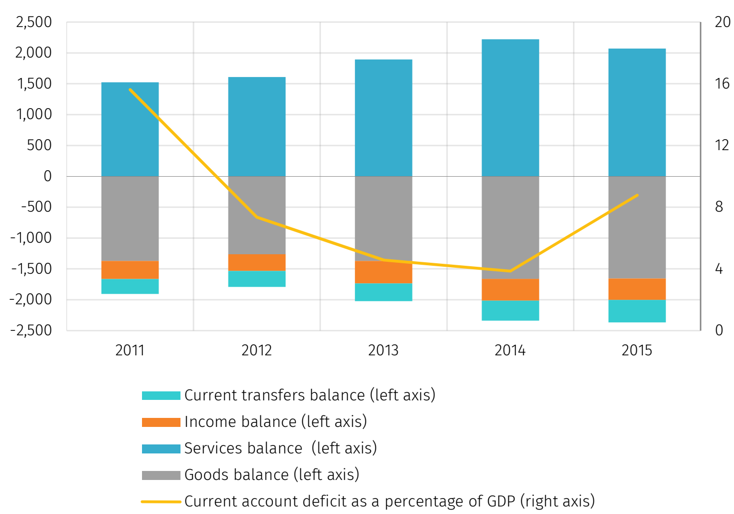
Despite the plunge in oil prices and the continued easing of global food prices, the current account deficit is estimated to have worsened in 2015. This reflects the sizeable decline in tourism receipts and the increase in outward remittances during the review year. Meanwhile, the net inflows on the financial account declined notably in 2015, as net inflows from FDIs were largely offset by marked declines in net inflows from private sector borrowing from abroad, together with the increase in commercial banks' deposits held abroad. Thus, the overall balance of payment registered a deficit of US$50.1 million which was financed with an equivalent drawdown in gross international reserves in 2015.

Current Account

Given the country's high dependency on the tourism sector, the current account is one of the most important indicators of the country's external position. According to the revised estimates made by the MMA in March 2016, the current account deficit is estimated to have widened to US$295.5 million in 2015, which is equivalent to 9% of GDP, up from 4% of GDP recorded in 2014. This compares with an increase of US$177.7 million from the preceding year, despite the slight contraction in the trade deficit during the review year. The significant deterioration reflected the sizeable decline in tourism receipts and, to a lesser extent, reduction in fish export earnings. Meanwhile, the deficit on the current transfers account also widened due to the increase in the outward worker's remittances during the year, thus contributing to the worsening of the current account deficit (Figure 41).

Figure 41: Composition of Current Account, 2011-2015

(millions of US dollars, percent)



9%

Current account deficit increased to 9% of GDP in 2015

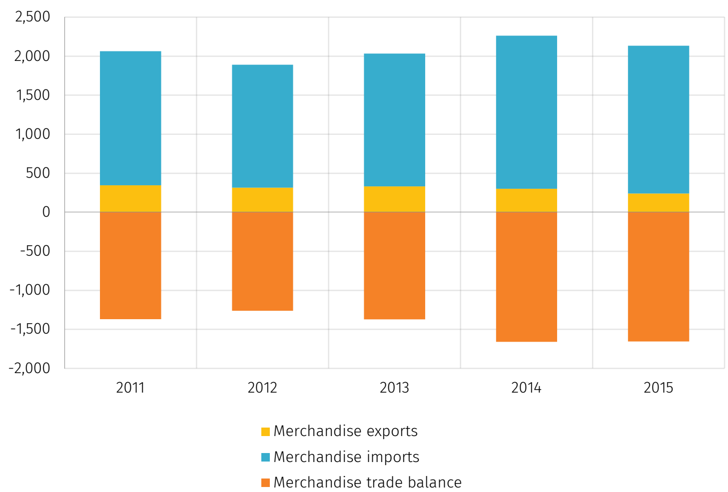
Source: Maldives Monetary Authority

Goods

In 2015, the estimated merchandise trade deficit edged down marginally, to stand at US$1.7 billion. This slight improvement was due to the decline in imports, which was broadly offset by the decline in exports during the year (Figure 42). Reflecting the decline in oil prices and global commodity prices, imports (f.o.b.)[7] recorded a decline of US$66.4 million in 2015. Meanwhile, total exports declined by US$61.2 million in 2015, almost entirely due to the decline in re-export earnings.

Figure 42: Merchandise Trade Balance, 2011-2015

(millions of US dollars)



US$1.7 BILLION

Merchandise trade deficit edged down to US$1.7 billion in 2015

Source: Maldives Monetary Authority

[7] In the compilation of balance of payments statistics, Customs statistics on merchandise trade are adjusted for coverage, classification and valuation.

Box 5: Merchandise Trade

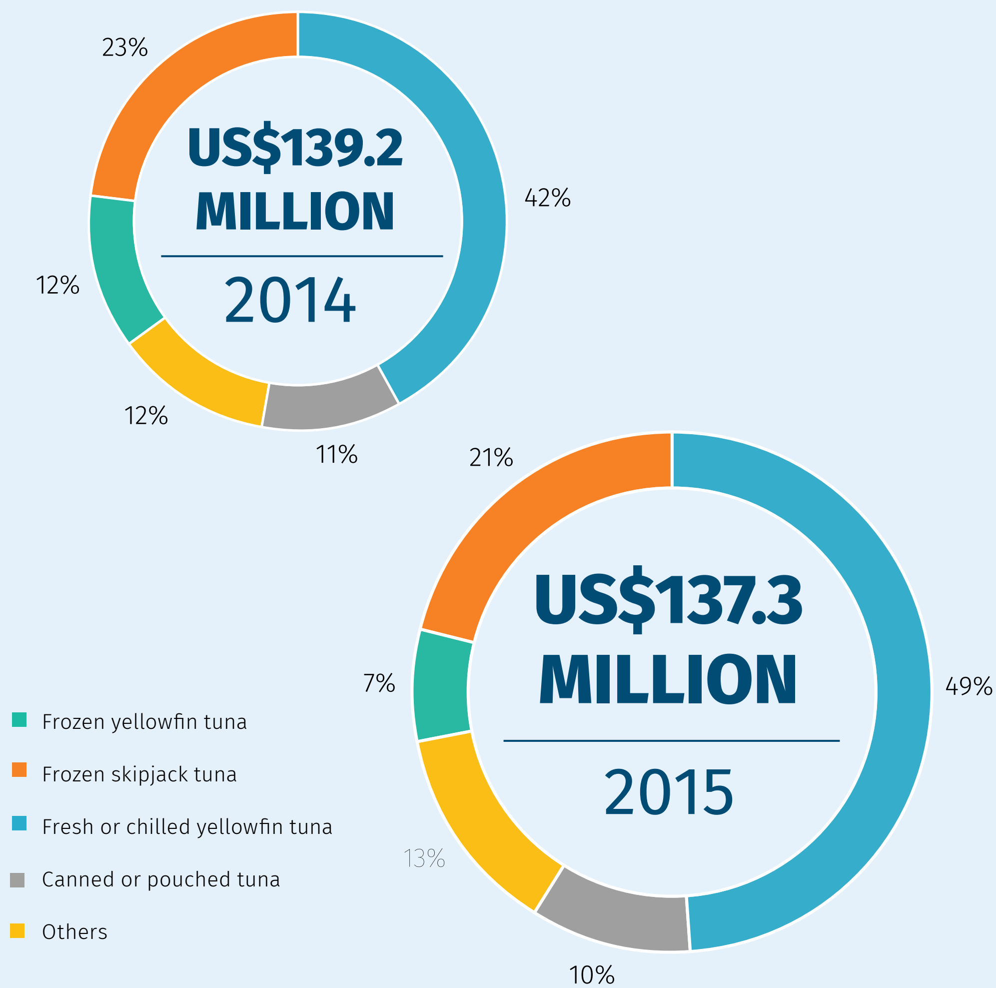
Merchandise exports

Concurrent with the steep decline in oil prices and dwindling tuna prices in the international market, merchandise exports, which comprise domestic exports and re-exports, declined by 20% (US$61.2 million) and totalled US$239.7 million in 2015. The decline was largely due to the fall in re-exports, which contributed 40% to total exports in 2015. Moreover, domestic exports—which consist almost entirely of fish exports—posted muted growth during the review year, after registering a 13% decline in 2014.

The main component of re-exports continued to be jet fuel sold to aircrafts at Ibrahim Nasir International Airport; they comprised 76% of the total re-exports earnings. The total value of re-exports declined considerably, by 39%, and totalled US$95.6 million in 2015, mainly due to the plunge in oil prices. Meanwhile, earnings from fish exports totalled US$137.3 million and declined marginally in 2015. The decline was largely a consequence of the continued decrease in international tuna prices (Box 1), although the prices of fresh or chilled yellowfin tuna remain reasonably high in the international market. Further, the volume of fish exports decreased by 10% in 2015 (to 4.7 thousand metric tonnes) following a 3% decline in 2014.

For the main categories of fish exports, fresh, chilled or frozen tuna (Figure 1)—which represents 79% of fish exports—registered a decline of 3% and totalled US$108.7 million in 2015. This was largely due to the significant fall in the earnings from both frozen yellowfin tuna and frozen skipjack tuna, which partially offset the considerable increase (14%) in earnings from fresh or chilled yellowfin tuna. The marked decline in earnings from frozen yellowfin tuna was largely due to the steep decline in the volume of such exports (Figure 2), which declined by 47% in 2015. The decline in export earnings from frozen skipjack tuna stemmed from the weaker prices in the international market, together with the decrease in volume of such exports. Canned or pouched fish, the second major sub-category of fish exports and accounted for 10% of the total fish exports, registered a decline of 13% owing to the notable fall in price and volume during the review year. In contrast to the other major categories of fish exports, exports of processed fish—which represented 7% of the total fish exports and consisted mainly of dried tuna—increased marginally.

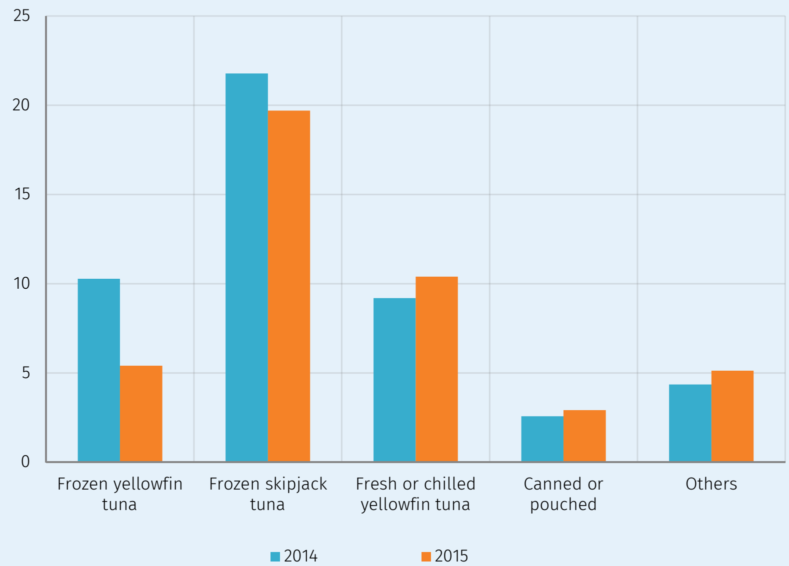
Figure 1: Composition of Fish Exports Earnings



Source: Maldives Customs Service

Figure 2: Composition of Fish Exports (Volume), 2014-2015

(thousands of metric tons)



Source: Maldives Customs Service

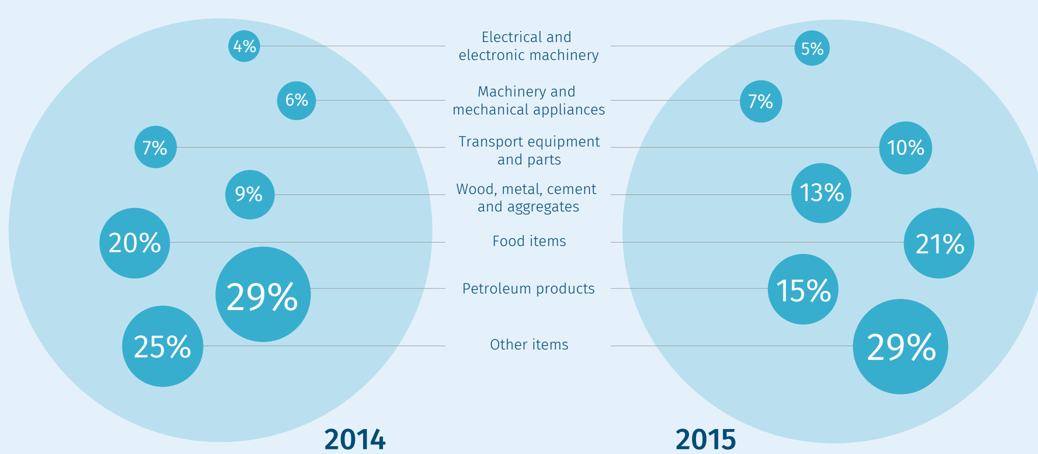
Merchandise imports

Reflecting the huge plunge in oil prices and the continued easing of global food prices, merchandise imports (c.i.f.) decreased by US$96.2 million and amounted to US$1.9 billion in 2015. Delving into the composition of imports by sector, private sector imports comprised 73% of total imports, whereas the public sector constituted 27% of total imports. Private sector imports can be further classified into imports made directly by the tourism sector (29%) and private sector imports excluding the tourism sector (71%). Likewise, public sector imports can be categorised into imports made by public enterprises (86%) and by the government (14%). During 2015, private sector imports (excluding tourism) posted a decline of 4%, while imports by the tourism sector registered a growth of 18%. Hence, the total imports made by the private sector as a whole increased marginally, by 1%. In contrast, total imports made by the public sector registered a marked decline of 18%, owing to lower oil prices. However, this was partly offset by growth in government imports resulting from new infrastructure projects.

As for the composition of imports (Figure 3), food items and petroleum products remained the two largest categories of imports in nominal terms. In 2015, food items comprised 21% of total imports (20% in 2014), whereas the contribution of petroleum products declined remarkably to 15% of the total imports, from 29% in 2014. The total import value of petroleum products registered a notable decline of US$286.4 million (50%) and totalled US$285.2 million in 2015, almost entirely reflected plummeting oil prices in the international market. The decline was particularly marked in the case of aviation gas and diesel (marine gas oil), which fell by 75% and 40%, respectively. In volume terms[1], imports of petroleum products decreased by 8%.

Expenditure on import of food items slightly decreased by US$1.8 million during the year, with major food categories registering declines, mainly due to the continued easing of global food prices. Mirroring the robust performance of the construction sector during the review year, imports of wood, metal, cement and aggregates (accounting for 13% of imports) increased by US$71.7 million in

Figure 3: Composition of Imports



Source: Maldives Customs Service

[1]With the reinstatement of duty on petroleum products in April 2015, there was a methodological change in the recording import of petroleum products. Prior to the change, petroleum products were classified under imports at the time of entry. However, with the change it is now recorded under floating bonded warehouse at the time of entry and declared as an import if sold locally. This contributed to the sharp decline in import of such products.

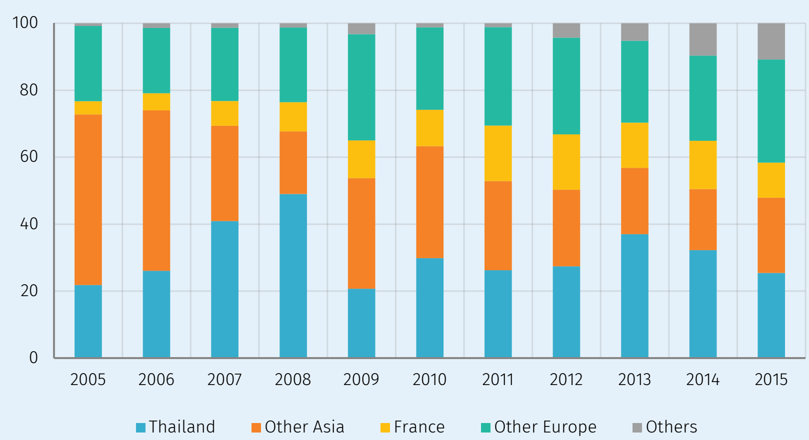
2015, following an increase of US$32.9 million in 2014. The main contribution to this boost came from the growth in construction-related imports made by the tourism sector for the development of new resorts. In addition, imports of transport equipment and parts (contributing 10% of total imports) registered a growth of US$45.0 million, owing to the increased number of aircrafts imported during the year.

Direction of trade

As in previous years, the majority of the Maldivian exports continued to be directed towards Asia and Europe. The share of total exports to Asian countries decreased marginally to 48% in 2015 from 50% in 2014, while the share for European countries slightly increased to 41% in 2015. Following the trend in 2014, the value of exports to Asia decreased in 2015 owing to weaker prices in the major export markets. Thailand, which accounted for 53% of exports to Asia, remained the major Asian market, with the bulk of exports being frozen yellowfin and skipjack. Sri Lanka constituted a further 25% of exports to Asia, and this increased remarkably during the year. The other main export market in Asia was Japan, which accounted for 7% of exports to Asia. Further, exports to Europe increased by 3% during 2015, with over 70% of exports consisting of

Figure 4: Direction of Trade of Exports, 2005-2015

(percent)



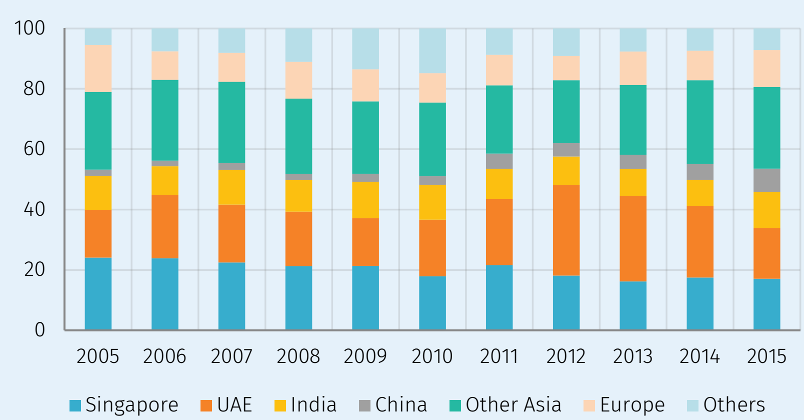
Source: Maldives Customs Service

fresh or chilled yellowfin tuna. The main export markets within Europe were France (25% of exports to Europe), Germany (17%), UK (14%), Italy (14%) and the Netherlands (9%). The value of exports to France and Germany declined in 2015, while the remaining markets posted reasonable growth during the year (Figure 4).

With regard to the direction of imports (Figure 5), Asia continued to be the largest contributor to imports, accounting for 81% of total imports. Singapore and the United Arab Emirates (UAE) were the two major suppliers of Maldivian imports, each country accounting for 17% of the total imports. The large amount of imports from the UAE mainly reflects the import of marine gas oil, aviation gas and petrol, whereas imports from Singapore include marine gas oil, machinery and mechanical appliances, and construction-related imports. In 2015, the share of exports from the UAE declined significantly, owing to the decline in oil prices during the review year. Further, imports from Singapore slightly decreased, whereas imports from other major Asian countries such as India (15% of imports from Asia) and China (10%) increased in 2015. Major categories of imports from these countries include food (17% of food imports) and construction materials (24% of all construction-related imports) from India, and furniture, fixtures and fittings (20% of furniture, fixtures and fittings imports) from China. Meanwhile, imports from Europe comprised 12% of all imports, with major categories being transport equipment and parts (mainly related to aircraft).

Figure 5: Direction of Trade of Imports, 2005-2015

(percent)



Source: Maldives Customs Service

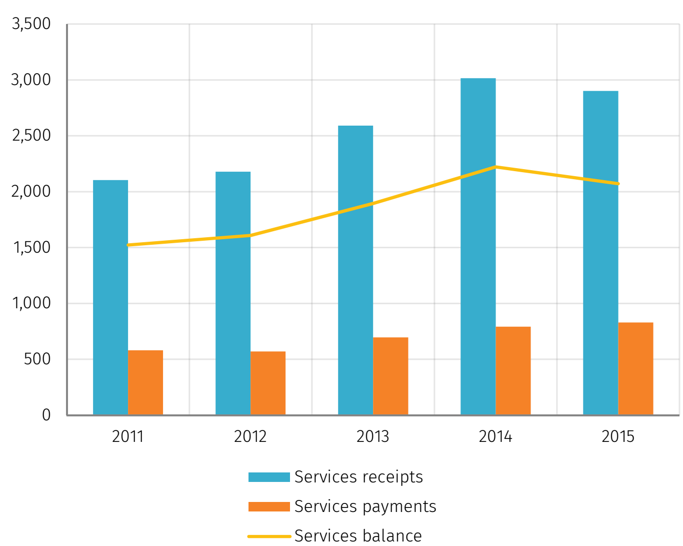
Services

A key feature of the Maldives current account is the inherited surplus on the service account balance, reflecting the substantial inflows of foreign exchange from the tourism sector. During 2015, the surplus on services account is estimated to have declined notably to US$2.1 billion, down by US$150.1 million from the preceding year. This reduction in the services account surplus was attributed to the sharp decline in travel receipts, which accounted for 88% of all services receipts in 2015, together with higher payments made for services abroad.

On the receipts side, the travel receipt was estimated to have declined by US$128.2 million, and stood at US$2.6 billion in 2015 (Figure 43), mirroring the weak performance of the tourism sector during the year. Nonetheless, receipts from transport, which accounted for 7% of all services receipts in 2015, registered a growth of US$2.0 million and reached US$215.4 million due to increased revenue from foreign airlines and vessels.

With respect to payments, transportation and travel purposes constituted 55% of all services payments made in 2015. As such, expenditure on travel by residents abroad is estimated to have risen by US$30.9 million compared to that of 2014, and amounted to US$238.4 million[8]. Similarly, payments made for international transport services increased from US$206.7 million to US$213.7 million, mostly due to the increase in freight charges on imports, owing to the increase in total volume of imports during the year.

Figure 43: Trade in Services, 2011-2015
(millions of US dollars)



Source: Maldives Monetary Authority

US$2.1 BILLION

Surplus on service account declined notably to US$2.1 billion in 2015

[8]Estimate is made by the MMA based on the Maldivians Travelling Abroad Survey held every year in December, and administrative sources.

Income

The income account is generally influenced by the outflows related to direct investments, mainly reflecting profit repatriated by foreign investors (foreign banks and foreign owned non-financial corporations). In 2015, the estimated deficit on the income account contracted slightly by US$8.0 million compared with the preceding year, and amounted to US$347.3 million. This was mainly attributable to the decline in profit made by foreign investors. Meanwhile, the contraction in the income account deficit was somewhat supported by the reduction in the government interest payments on public external debt.

Further, the net inflows in the income account increased to US$10.1 million in 2015 from US$5.6 million in 2014, mainly owing to the increase in the income generated from reserve management activities, thus contributing to contraction of the income account deficit.

Current Transfers

The estimated deficit on current transfers widened to US$365.4 million in 2015, increasing by US$40.7 million from the previous year. This reflected the increase in the estimated payments on workers' remittances, which was partly offset by grants received by the government. In 2015 outflows from workers' remittances was estimated to have increased by US$62.0 million, to US$362.9 million. Nonetheless, current inward transfers, which mainly include grants received by the government, increased by US$20.0 million and stood at US$24.1 million.

Capital Account

In 2015, the capital account recorded a net inflow of US$23.9 million compared to a net inflow of US$6.6 million recorded in 2014. The increase in inflows was largely due to grants received by the government for its public sector investment programme.

Financial Account

The financial account records transactions of financial assets and liabilities for 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 and 'other investments'. The financial account registered a net inflow of US$361.3 million in 2015, down from a net inflow of US$ 537.7 million in 2014. The net inflows on the financial account declined as inflows from direct investments were largely offset by marked decline in net inflows on 'other investment' account, reflecting the decline in private sector borrowings together with an increase in commercial banks' deposits held abroad.

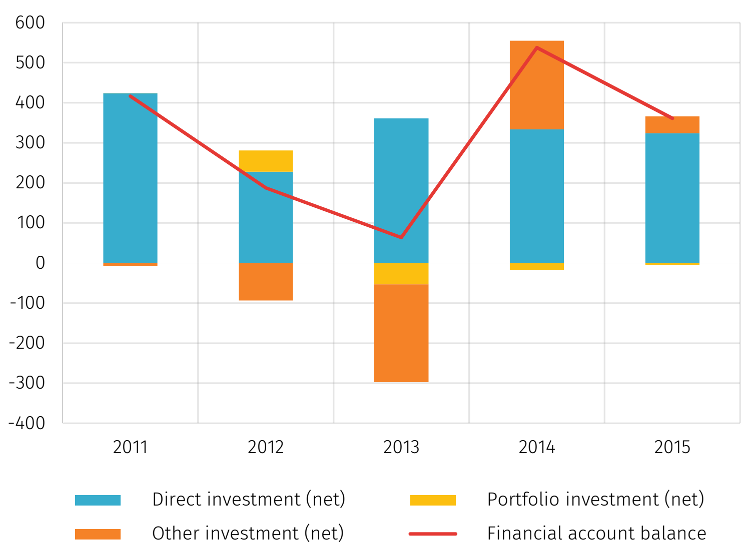
External financial inflows to the Maldives during the year were mainly in the form of FDIs. Despite the increase in new equity investments, FDI inflows[9] are estimated to have declined marginally to US$323.9 million in 2015 from US$333.4 million in 2014. The slight drop in inflows was mainly attributable to the decline in the reinvestment earning of foreign investors in the Maldives owing to a decline in their profits (Figure 44).

[9]Only the proceeds from inward foreign direct investments are included in the financial account because the MMA is in the process of estimating the outward foreign direct investment.

Portfolio investment, which consists of cross-border financial transactions involving equity and debt securities other than those included in direct investment, recorded a net outflow of US$4.9 million during 2015, after recording a net outflow of US$17.2 million in 2014. This reflects the additional investments on securities held abroad by the commercial banks.

The 'other investment' flows consist of financial transactions other than direct investment and portfolio investments. In 2015, this category recorded a net inflow of US$42.3 million, down from the net inflow of US$221.5 million recorded in 2014. This was largely due to an increase in financial assets held abroad by the commercial banks and, to some extent, increase in deposits held abroad by the private sector. Meanwhile, net borrowings of the private sector from abroad decreased considerably, contributing to the decline in inflows.

Figure 44: Financial Account, 2011-2015
(millions of US dollars)



Source: Maldives Monetary Authority

US$361.3 MILLION

Financial account registered a net inflow of US$361.3 million in 2015

Box 6: Legislative Initiatives to Boost Foreign Direct Investment Flow

A number of legislative additions and changes were made recently with the aim of creating an environment more conducive to foreign direct investment (FDI). The ultimate goal was to bolster domestic employment and growth through increased FDI inflows, while reaping additional benefits in the form of technological spillovers. This is also expected to enhance economic diversification through increased investment flows to currently underdeveloped sectors.

Second amendment to the constitution

Until recently, the Constitution of the Republic of Maldives barred foreign agents from owning land in the country and limited the period for which land can be leased to foreign agents to a maximum of 99 years. Ownership restrictions such as these often act as deterrents to potential investors seeking to make a permanent presence in the country or realise perpetual returns from their investment. To address this issue, the 2nd Amendment to the Constitution (Act No. 20/2015)[1] was proposed and ratified, which allows the government to grant 'project rights' to foreign agents subject to certain criteria. 'Project rights' include one or both of the following:

- ownership of land on a freehold basis.
- leasing of land for unrestricted periods of time as per the agreement(s) with the government.

A project is deemed to be eligible for 'project rights' if the following three conditions are met:

- authorisation for the project must be received through a project-specific Act passed by the parliament.
- the value of investment in the Maldives under the project must be at least US$1.0 billion.
- upon completion of the project, at least 70% of the area used for project activities must be land that was reclaimed for the purpose of undertaking the project.

[1]The 2nd Amendment to the Constitution was ratified on 23 July 2015.

Special Economic Zone (SEZ) Act

The Special Economic Zone Act (No. 24/2014)[2] ('the SEZ Act') was also designed to encourage FDI inflows by offering a number of incentives for investors who qualify and are approved to operate under the SEZ umbrella. Most notable among the eligibility criteria is a minimum investment value—currently set at US$150 million—required to operate in an SEZ. The types of zones classified in the Act as SEZs[3] are industrial estates, export processing zones, free-trade zones, enterprise zones, free ports, single factory export processing zones, offshore financial service centres and high-technology parks.

The SEZ Act guarantees a number of lucrative incentives to all developers for the purpose of establishing infrastructure and other essential basic facilities. These are:

- import duty exemption on capital goods to be used for the development, management and operation of the zone.
- Business Profit Tax (BPT) exemption.
- Goods and Services Tax (GST) exemption for the first 10 years.
- BPT exemption for all shareholder dividends.
- tax relief as per relevant guidelines.
- tax credits as per relevant guidelines.
- withholding tax exemption for the first 10 years.
- relaxed rules for recruiting and utilising expatriate labour.

Flexibilities such as the extension of GST and withholding tax exemptions beyond the 10-year period are also allowed, subject to negotiations between the developer and the SEZ Board. Further, the president is granted the right to offer other specified incentives depending on the offers received from the developer.

[2]The Special Economic Zone Bill was ratified on 1 September 2014.
[3]Details about the classes of SEZs can be found in the SEZ Act.

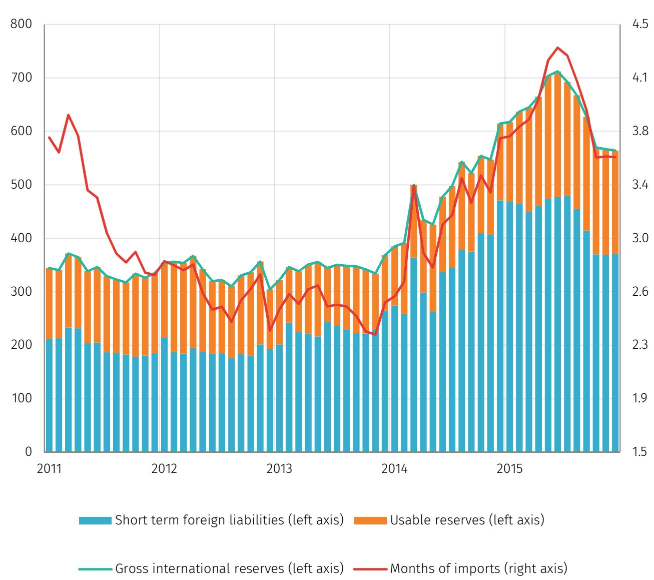
Overall Balance and International Reserves

With the decline in net inflows from the financial account coupled with the worsening of the current account deficit, the overall balance of payments fell from a surplus of US$247.2 million in 2014 to a deficit of US$50.1 million in 2015. This led to a drawdown in gross international reserves (GIR)[10] from US$614.7 million at the end of 2014 to US$564.0 million at the end of the review year. Out of this, usable reserves[11] amounted to US$193.7 million at the end of 2015, representing a growth of 35% compared with 2014.

During the first six months of 2015, GIR observed a strong rate of growth (continuing the momentum from the second half of 2014) and peaked at US$712.2 million at the end of June 2015. This increase primarily reflected the growth in usable reserves, boosted by the receipt of a budget support grant and increased foreign currency revenue receipts by the government during the period. Conversely, GIR followed a declining trend during the second half of the year, largely as a result of the decline in commercial banks' US dollar reserve balances at the MMA due to increased net outward transfers from the banking system comprising profit repatriation, together with increased foreign currency lending by the commercial banks during the period. Meanwhile, usable

Figure 45: Gross International Reserves and Months of Imports, 2011-2015

(millions of US dollars, months)



Source: Maldives Monetary Authority

US$564.0 MILLION

Gross reserves decreased to US$564.0 million in 2015

[10]Gross international reserves comprise foreign currency deposits of the MMA and the government, commercial banks' US dollar reserve accounts and the Maldives' reserve position in the IMF.
[11]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.

reserves also declined during the second half of the year, owing to an increase in dollar sales to SOEs, thus contributing the decrease in GIR during this period.

Despite the fall in imports, reserves as measured by months of imports declined marginally to 3.6 months at the end of 2015 from 3.7 months at the end of 2014, owing to the fall in GIR during the year (Figure 45).

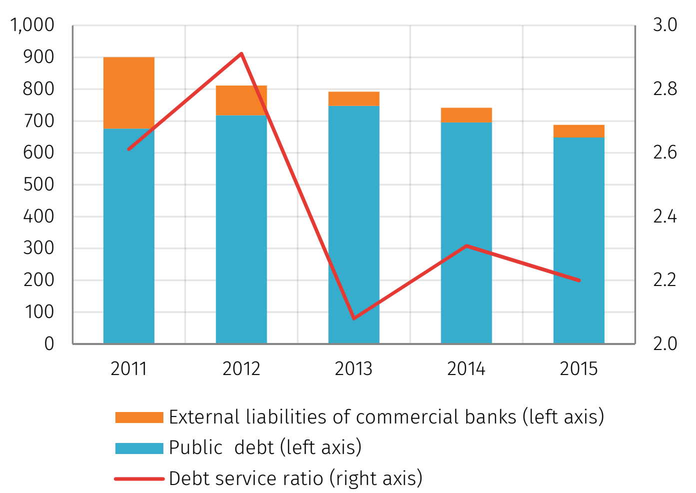
External Debt

The information on external debt statistics is limited to public external debt[12] borrowings and foreign liabilities of commercial banks. According to the latest available statistics, the officially recorded external debt stock (public and commercial banks) stood at US$688.2 million, or 20% of GDP, by the end of 2015. Compared with 2014, the external debt had decreased by 7%, or from 24% of GDP. The decrease in external debt stemmed mainly from the decline in borrowings made by the government from multilateral and bilateral sources.

Public external debt (excluding guaranteed debt) declined annually by US$47.2 million to US$648.2 million, or 19% of GDP, by the end of 2015. Meanwhile, foreign liabilities of commercial banks decreased slightly by the end of 2015, recording a decline of US$6.2 million to total US$40.0 million (Figure 46). The composition of the public external debt was constituted mainly by loans obtained from multilateral and bilateral sources as well as supplier credit. Multilateral loans amounted to US$269.0 million (39% of total external debt) at the end of 2015 and recorded a decline of 8% compared with 2014. Similarly, bilateral loans declined by 14% and amounted to US$159.9 million (23% of external debt) by

Figure 46: External Debt, 2011–2015

(millions of US dollars, percent)



Sources: Ministry of Financy and Treasury and Maldives Monetary Authority

20%

External debt stock decreased to 20% of GDP in 2015

[12] Excluding publicly guaranteed debt.

the end of 2015. On the other hand, supplier credit increased by 6% in annual terms and amounted to US$194.8 million at the end of the review year. With respect to borrowings of commercial banks, a decline from US$46.2 million to US$40.0 million was noted, with such borrowings accounting for 6% of public external debt at the end of 2015.

The cost of debt servicing (which includes both principal and interest payments) also decreased during the review year. Debt servicing by the government amounted to US$72.4 million, which was a decline of US$4.4 million compared with 2014. This was primarily due to debt service payments to bilateral debt and supplier credit during the year. Correspondingly, the debt service ratio[13] of public external debt decreased to 2.2% in 2015 from 2.3% in 2014.

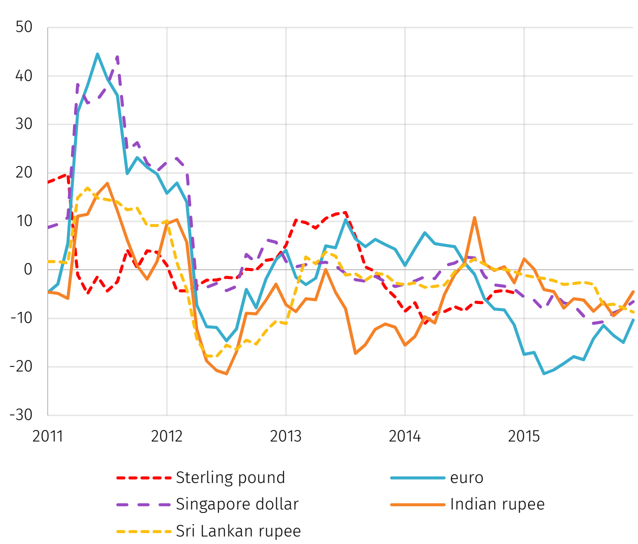
Exchange Rates

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 2015, the MMA reference rate[14] of the rufiyaa per US dollar stood at MVR15.41, remaining largely unchanged from the MVR15.40 recorded at the end of 2014.

In terms of bilateral exchange rates, the Maldivian rufiyaa appreciated against the currencies of major trading partners,

Figure 47: Changes in Exchange Rate of US Dollar against Currencies of Major Trading Partners, 2011–2015

(annual percentage change)



MVR

Maldivian rufiyaa appreciated against the currencies of major trading partners in 2015

Source: Bank of Maldives PLC

[13]Cost of debt servicing is expressed as a percentage of exports of goods and services.
[14]The MMA reference rate is the midpoint of the weighted average of buying and selling rates of all commercial banks.

reflecting the strengthening of the US dollar against these currencies during 2015. In 2015 the US dollar appreciated against all major currencies of the world, which was largely attributed to the relatively strong performance of the US economy during the year and to expectations of an increase in the federal funds rate by the Fed. Further, weak economic conditions in both the euro area and Japan prompted their respective central banks to continue pursuing aggressive quantitative easing programmes, leading to the depreciation of the euro and the yen against the US dollar. Mirroring the movement of the US dollar, the Maldivian rufiyaa appreciated against the euro and yen during 2015, by 16% and 12%, respectively.

The rufiyaa also appreciated against the sterling pound by 7% and the Indian rupee by 5%. Moreover, the rufiyaa appreciated against the Singapore dollar by 8% and the Sri Lankan rupee by 4% (Figure 47).

Outlook for 2016

According to forecasts made by the Ministry of Finance and Treasury in October 2015, the annual rate of real GDP growth is expected to pick up to 6.4% in 2016 which is to be driven by construction sector growth, stemming from the large public infrastructure projects planned for 2016. Furthermore, the tourism sector is also expected to improve over the year aided by the Visit Maldives Year 2016 promotional activities, which will boost overall economic growth. However, uncertain economic conditions abroad, including in China and Europe, pose some risks to this outlook owing to a likely slowdown in tourism sector growth.

Consumer price inflation as measured by the annual change in the (CPI) for Male' was 1.4% in the 12 months ending in December 2015, mainly reflecting steep global declines in energy prices. Excluding the volatile fish components, inflation stood at 1.5% in the 12 months ending in December 2015. Going forward, a further weakness in overall inflation in 2016 is expected due to lower global oil prices and food prices.

According to the 2016 government budget approved by the Parliament, the fiscal deficit for 2016 is projected to be MVR3.4 billion or 6% of GDP, slightly down from an estimated MVR3.6 billion or 7% of GDP in 2015. This is driven by an estimated increase in total revenue, mainly reflecting increased receipts from new revenue measures amounting MVR4.0 billion. Risks of revenue shortfalls remain stemming mainly from the proposed new revenue measures. In 2016 significant revenues are expected from the acquisition of land for Special Economic Zones and licenses for 10 new resorts. As for expenditure, although current expenditure is projected to remain contained in 2016, total expenditure for the year is projected to increase owing to significant increases in capital expenditure mainly due to increased spending on large scale PSIP projects. As a result of increased borrowing associated with the scale up of public sector infrastructure projects, public debt is projected to reach 65% of GDP at the end of 2016 from 62% in 2015 of which 41% is to be owed to domestic sources.

As for the balance of payments forecasts made in March 2016, the current account deficit is projected to widen to US$367.2 million (10% of GDP) in 2016 from US$295.5 million (9% of GDP) in 2015, reflecting the expected increase in construction-related imports. Gross international reserves is forecasted to increase to US$661.0 million by the end of 2016 from US$564.0 million at the end of 2015 due to the improvement in the tax receipt forecasts.

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 with the US dollar is used as the intermediate target to achieve price stability, and the MMA manages the excess rufiyaa liquidity in the banking system to stabilise the exchange rate. 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 backdrop of contained monetary conditions and a stabilised foreign exchange market, the MRR was lowered considerably with the objective of reducing the cost of funds for commercial banks and stimulating private sector credit, and to align the MRR level in the Maldives with international levels. With effect from 20th August 2015, the MRR was reduced by 10 percentage points to 10% for both local currency and foreign currency deposits. Banks are required to meet MRR for rufiyaa deposits in the form of rufiyaa, and MRR for foreign currency deposits in the form of US dollars.

With respect to other monetary policy instruments, no operational revisions were made to OMO and the standing facilities of the MMA during 2015. The OMO has remained suspended since May 2014; however excess liquidity was absorbed through the ODF as banks continued to place their excess funds in the ODF. Meanwhile, the OLF remained open for the banks to borrow from the MMA on an overnight basis to avoid disruptions in the payment system. However, no bank borrowed from this facility during 2015.

As for the interest rate corridor, it has remained fixed since the last revision in September 2014. Both the ODF and the OLF remained the same, at 1.50% per annum (p.a.) and 10.00% p.a. respectively. Additionally, the indicative policy rate was kept unchanged at 4.00% p.a.

Intervention in the Domestic Foreign Exchange Market

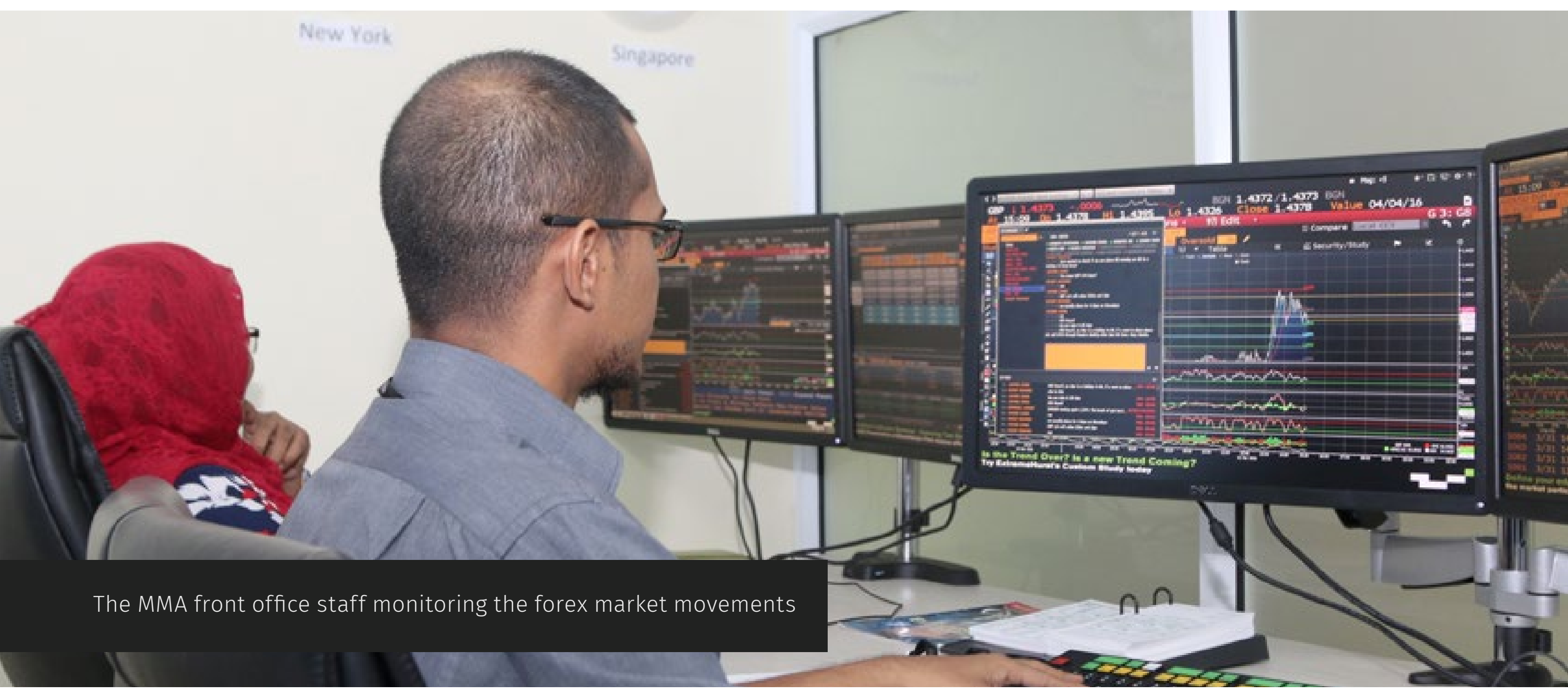
The MMA continued its foreign exchange interventions and regular monitoring of developments in foreign exchange to stabilise the exchange rate. With regard to the MMA's foreign exchange interventions, it continued selling US$4.0 million every week to commercial banks and providing part of this in the form of additional cash allocations. This additional allocation in cash, which was initiated in 2014, is carried out specifically to cater for the US dollar cash demand for travel purposes. To accommodate the seasonal travel demand of the general public during the school holidays, the MMA increased its dollar sales to the banks by 5% in 2015 compared to 2014. In addition to these efforts, the MMA also increased its US dollar sales to state-owned enterprises (SOEs) by 83% in 2015, which includes sales to additional SOEs to facilitate the US dollar requirements for their normal business activities and new infrastructure development projects.

Reserve Management

One of the core objectives of the MMA is to achieve price stability through exchange rate stability. In pursuit of this, the MMA is responsible for maintaining a level of foreign exchange reserves that is appropriate in relation to the external transactions. Hence, managing foreign exchange reserves is one of the key functions of the MMA that supports the policies for monetary and exchange rate management.

The MMA began actively managing foreign exchange reserves in 2014. Foreign currency investments were mainly held in the form of foreign currency deposits until early 2015. Further, as part of continuous efforts to diversify the foreign reserve investment, the MMA initiated foreign exchange management in April 2015, with the objective of managing foreign exchange risk within the reserve portfolio with some tactical positioning to exploit market opportunities. A substantial increase was seen from the income generated from foreign exchange management as a result of active foreign reserve management activities.

With the objective of expanding reserve management activities, the MMA continued to establish relationships with additional counterparties during the review year. The MMA is also in the process of opening a security custodian account to initiate investments in government securities as part of asset and investment portfolio diversification.



The MMA front office staff monitoring the forex market movements

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 possible sources of risk and vulnerability, and takes 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.

Commercial banks and other financial corporations form the major component of the Maldivian financial system, but 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 Bureau has been established within the MMA, providing a national credit information registry, which will aid the financial sector to make more informed credit decisions. It will also facilitate cash-flow based lending to borrowers that do not have collateral to offer, by helping them borrow against reputational collateral, thus facilitating more access to finance for individuals as well as small and medium enterprises. Moreover, to support the legal and regulatory framework of the financial system, a financial intelligence unit has 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.

An important development that took place in 2015 was the commencement of the project "Enabling a Non-bank Mobile Money Solution", with technical assistance from the World Bank. The main objective of the project was to establish an enabling environment for a mobile network operator-led mobile money solution, with the aim of enhancing access to financial and payment services in the Maldives, especially in the outer islands and atolls. During the year, the MMA also took important steps to facilitate and promote the implementation of mobile payment services in the country by issuing 'no objection' letters to the two mobile operators, Ooredoo Maldives Pvt Ltd and Dhivehi Raajjeyge Gulhun Plc, to proceed with setting up mobile payment services in the Maldives.

Developments to the Regulatory Framework of the Financial Sector

A number of measures were taken by the MMA to strengthen the supervisory and regulatory framework of the whole financial sector. This included revisions to the current financial legislations and issuing new regulations.

- The Third Amendment to the Maldives Monetary Authority Act (MMA Act) was passed by the People's Majlis and ratified by the president on 17th August 2015. The main purpose of this Amendment was to strengthen the Authority's regulatory mandate by enabling it to act as the exclusive regulator for all non-bank financial services, except for those related to the securities market. Pursuant to the enactment, the Authority has intended to license and regulate all non-bank financial businesses and services by issuing regulations under the MMA Act for each type of financial business or service separately, until such financial businesses may be regulated under a specific legislation. The amendment further enabled the Authority to regulate payment systems and to act as an operator for such payment systems.

- The First Amendment to the Maldives Banking Act was passed by the Majlis and ratified by the president on 4th January 2015. The main purpose of this amendment was to remove the single borrower and credit exposure limits from the Act such that it may instead be issued under a regulation of this Authority. Pursuant to this enactment, all of the 11 prudential regulations issued under the Maldives Banking Act in 2009 were revised and re-issued. Substantial changes were brought to only four of the following regulations whereas minor changes were brought to the remaining seven regulations, mainly to align them with the Maldives Banking Act passed by the Majlis in 2010, which was after the prudential regulations were initially issued. Key changes were brought to the regulations on single borrower and large exposure limits; limits on loans to related persons; asset classification, provisioning and suspense of interest; and foreign currency exposure limits.

- A Deposit Insurance Scheme, a key financial safety net, was introduced during 2015 with the issuance of the Deposit Insurance Scheme Regulation on 24th August 2015. Historically, the high MRR, in addition to serving as a monetary policy objective, also served as a safety net for depositors. However with the gradual reduction of the MRR, which has been reduced significantly to 10% in August 2015, a comparable framework for protecting customer deposits became crucial for the stability of the financial sector. A deposit insurance scheme serves to maintain a stable financial system and protect the rights of depositors, mainly the small depositors, in the event of a bank failure. In addition, it also helps to maximize public confidence and minimize contagion and cost to public sector of resolving failed or failing banks.

- The MMA issued the Regulation for Offshore Banks Operating in the Special Economic Zone on 14th June 2015, to provide a licensing and regulating regime applicable to offshore banks interested in establishing themselves in the Maldives under the Special Economic Zone Act.

- The MMA issued three regulations under Law No. 10/2014 (Prevention of Money Laundering and Financing of Terrorism Act), which came into effect on 15th January 2015. These regulations were a) Regulation for Banks on Prevention of Money Laundering and Financing of Terrorism; b) Regulation for Life Insurance and Family Takaful Insurance Businesses on Prevention of Money Laundering and Financing of Terrorism; and c) Regulation on Prevention of Money Laundering and Financing of Terrorism for Money Transfer Businesses and Money Changing Businesses. These regulations provide for the customer's due diligence requirements and due procedures with which these financial institutions must comply in the prevention and detection of money laundering and terrorism financing activities.

- The MMA issued the Regulation of Cross Border Cash Declaration Amount on 22nd March 2015 to set a limit for the enforcement of cross-border cash declaration provisions under Law No. 10/2014 (Prevention of Money Laundering and Terrorism Financing Act).

- A Payment System Bill was drafted and sent to the Attorney General's Office in February 2015 for submission to the Majlis. The Bill seeks to promote the safety, soundness and efficiency of payment systems in the Maldives. As such, it provides for the licensing, regulation and supervision of payment systems, securities settlement systems, clearing houses and payment schemes in the Maldives, which is essential to strengthening the financial stability of the Maldives. The Bill also provides policies for operating these systems in a safe and prudent manner as well as policies for safeguarding them.

- A Consumer Finance Bill was drafted and sent to the Attorney General's Office in August 2015 for submission to the Majlis. Enactment of this legislation will enable the MMA to license and regulate consumer finance business in the Maldives; to set policies for the operations of such institutions in a safe and prudent manner; and to supervise such institutions and provisions for other related matters.

Licensing, Supervisory and Regulatory Activities

As required by law, the MMA conducts onsite examination of each bank at least once every two years; increasing the frequency as needed, based on risk. In addition, the MMA conducts regular onsite inspections of insurance companies and other non-bank financial institutions, and carries out ongoing offsite monitoring of these institutions as well as banks. In order to maintain regulatory reporting and compliance standards, the MMA also conducts activities on training and familiarisation on regulatory requirements for the relevant staff of financial institutions.

On-site examinations

- A full scope on-site examination of State Bank of India Male' branch was carried out, to assess the overall condition and performance of the bank and to evaluate the levels of risk and the efforts of the management and the parent bank to promptly identify and mitigate such risks. Particular emphasis was given to lending and credit administration practices; the quality of assets; the adequacy of capital, loan loss provisions and liquidity; the quality and sustainability of earnings; and to compliance with laws, regulations and prudent banking practices. The overall findings indicated that increased efforts to improve asset quality had yielded large loan recoveries in the recent past, and that capital strengthen and liquidity were strong.

- A limited scope on-site examination of Habib Bank Limited - Male' Branch was carried out to evaluate the accuracy of regulatory financial reporting. Overall, the reporting of the Financial Returns of the bank was found to be generally in accordance with the instructions issued by MMA.

- An on-site inspection of Allied Insurance Company of the Maldives Pvt Ltd was conducted to assess the overall condition and performance of the company, and to ensure that the company operates the business in accordance with the relevant regulations and guidelines including the best practice of conducting the insurance business.

Off-site monitoring and other activities

- As part of regular off-site monitoring, quarterly off-site reports of all the banks and the overall banking industry, as well as of the 2 non-bank financing companies, were prepared for review by the management. These reports cover key performance indicators—capital adequacy, asset quality, earnings; liquidity and sensitivity to market risks and compliance with key regulatory requirements, with a view to determining the areas of supervisory focus.

- Quarterly off-site reviews of the returns submitted by licensed insurance companies were carried out to monitor the financial soundness and solvency position.

- As part of efforts to maintain regulatory reporting standards by the banks, MMA conducted training sessions on the reporting forms to the relevant bank staff.

- In order to uphold regulatory compliance, briefing sessions to the bankers were conducted on the revisions as well as the key requirements in the prudential regulations.

- In order to move towards full operation and utilization of the Credit Information Bureau, a concerted effort was made to support the member banks in loading data, meeting with the member staff on-site and assisting them with input issues so as to reduce the data rejection percentage. This has resulted in the acceptance rate of bank submissions to increase to over 90%.

Licences issued and cancelled during the year

- To increase competitiveness in the banking sector and to increase financing opportunities in the country, the MMA Board granted approval to issue a license for the establishment of a new commercial bank under the name Commercial Bank of Maldives. The proposal was for a joint venture between Treetop Holdings Pvt. Ltd. and Commercial Bank of Ceylon (Sri Lanka). Although the Board approved the granting of licence, it is subject to the applicant fulfilling certain conditions; hence the actual licence is yet to be issued.

- Licences were granted to the following existing banks to open new branches:

  - To Habib Bank Limited to operate a branch in Hulhumale', the operations of which is expected to commence in 2016.

  - To Bank of Maldives to open a branch in F. Nilandhoo, the operations of which commenced in January 2015.

  - To Maldives Islamic Bank to open three new branches; in G.Dh. Thinadhoo, H.Dh. Kulhudhuffushi, and Hulhumale'. All three branches are expected to commence operations in 2016.

- New licences to 11 individual insurance agents and 16 corporate insurance agents were issued, whereas licenses of one insurance agent and corporate agent were cancelled.

- Forty new money changer licences were issued, and 14 money changer licences were cancelled.

- The money remittance license of Universal Travel Services Pvt. Ltd., which provided the services of Western Union money transfer, was cancelled at the licensee's request, due to cessation of their money remittance operations.

Currency, Banking and Payment Systems

Currency

The MMA is the sole issuer of the Maldivian currency and is responsible for ensuring that the demand for currency is met adequately. In addition, the MMA is responsible for safeguarding the integrity and quality of the Maldivian currency. Likewise, the MMA oversees the complete life cycle of bank notes, such as including new security features, issuing new banknotes, and printing and minting new banknotes and coins from time to time to ensure that the banknotes in circulation are secure against counterfeiting, and that only fit notes and coins are in circulation.

At the end of 2015, the total number of notes in circulation amounted to MVR3.2 billion, an increase of 4% from the previous year. The value of new banknotes issued by the MMA in 2015 amounted to MVR499.0 million. As for the value of coins issued by the MMA, this increased to MVR5.2 million in 2015 from MVR4.4 million a year ago.

During 2015, no new coins were minted as the MMA had adequate stock. However, 5 rufiyaa bank notes were printed to replenish the stock. Concurrently, the process of destroying unfit notes was carried out and counterfeit notes received by the MMA were removed from circulation.

Commemorative notes and coins: The MMA also issues commemorative notes and coins relating to significant events. In this regard the MMA introduced the first commemorative note, on 26th July 2015, to celebrate the 50th anniversary of independence in Maldives.

Ran Dhihafaheh Banknote Series: The new banknote series of the Maldives, 'Ran Dhihafaheh' was introduced on 1st November 2015. The new note series was printed on polymer, which is more secure and durable than paper. They are more environmentally friendly, and because they are expected to have a longer lifespan, will prove to be cheaper over time. All new designs were used with the latest advanced security features, which will make it easy for the public to identify genuine notes. For the first time, a special feature was incorporated into the notes to enable blind and partially blind people to identify their denominational value (see the special section on Ran Dhihafaheh in this report).

Payment Systems

A well-functioning payment system plays an important role in developing financial infrastructure and thereby smoothly conducting financial transactions between the economic agents. Thus, adopting a safe and efficient payment system is highly desirable to any economy.

Currently, the MMA acts as the system operator for the Maldives Real Time Gross Settlement (MRTGS) system and the Automated Clearing House (ACH), which facilitates the efficient transfer and settlement of interbank payments. The MRTGS system, which commenced its live operations in 2011, settles high-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. The ACH is a session-based clearing system for cheques, direct debits and direct credits. This system clears high volumes of low-value transactions sent in batches and submits them for settlement to the MRTGS system. The MMA is working on operationalising its cheque imaging and truncation system, which would automate the cheque clearing process and reduce the nationwide clearing cycle to 'T+1' days.

During 2015, the volume of Maldivian rufiyaa and US dollar transactions processed via the MRTGS was 28,594 and 28,915 respectively, whereas that for ACH was over 90,424 and 53,265, respectively. During the year, a total of 665,531 cheques were cleared, which included 552,520 rufiyaa and 113,011 US dollar cheques. The value of cleared cheques amounted to MVR28.7 billion and US$5.2 billion.

In 2015 as an initiative to ease the collection of tax payments and promote the electronic mode of payments, the MMA in collaboration with MIRA established a mechanism to collect tax payments through the MRTGS system.

Banking Services to the Government

The MMA as the main banker to the government, operates the government's single account, called the Public Bank Account (PBA), which receives deposits and allows payments to be made. The Fiscal Responsibility Act (FRA) that came into full effect on 6th 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. The PBA maintained a surplus balance throughout 2015 mainly by raising the necessary government budget financing from the market through government securities, which amounted to MVR2.4 billion.

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. In addition to the weekly issuance of the treasury bills, initiatives were undertaken to restructure the government securities portfolio by converting the short-term investments in rufiyaa treasury bills to medium-term rufiyaa treasury bonds. This was aimed at preventing disruptive cash flow constraints and minimising refinancing and rollover risk arising from a high level of treasury bills outstanding. In light of this, a portion of rufiyaa treasury bills held by the Maldives Pension Administration Office (MPAO) was converted to rufiyaa treasury bonds. This was carried out during two periods. The first conversion was made in June 2015, amounting to MVR472.0 million, and the second conversion was made in December 2015, amounting to MVR459.0 million.

During 2015, Islamic instruments have continued to grow as an important source of finance for the specific objectives of the government. The total outstanding increased by 17% during the year, from MVR371.2 million in 2014 to MVR435.7 million in 2015. This increase resulted from the first issuance of long-term Islamic government security 'Sukuk Murabahah' in July 2015 and also due to increase in the issuance of 'Mudharabah Certificates', which were first introduced in 2013.

Internal Management and Corporate Services

The management of the MMA is headed by the governor and deputy governor, and all 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.

Board of Directors

The Board of Directors is the highest policymaking body of the MMA. It formulates monetary policy and other key policies for maintaining financial stability of the country. The Board of Directors also set strategic directions in achieving the institution's objectives.

The governor and deputy governor of the MMA are appointed by the president with the consultation of the People's Majlis. The other directors are appointed by the president.

During the year 2015, 10 meetings of the Board of Directors were held. Following are the main resolutions adopted by the board relating to the policies of the MMA.

- Issuing of the necessary regulations required for the implementation of the Prevention of Money Laundering and Terrorism Financing Act. These regulations include those with which financial institutions must comply with the prevention and detection of money laundering and terrorism financing activities.

- Issuing of the regulation setting out the threshold limits required to declare cash transportation into or out of the Maldives.

- Reduction from 20% to 10% of the MRR applicable to the deposits of commercial banks.

- Introduction of the new rufiyaa banknote series Ran Dhihafaheh .

- Introduction of the Deposit Insurance Scheme Regulation for deposits held at the commercial banks licensed by the Authority.

- Granting of a licence for the Commercial Bank of Maldives to conduct banking business in the Maldives.

- Granting of a licence to the Maldives Post Ltd and Relax Travel & Tours Pvt Ltd to provide money transfer services in the Maldives.

- Granting of approval to the Maldives Islamic Bank to open branches in Hdh. Kulhudhuhfushi, Gdh. Thinadhoo and Hulhumale'.

- Revision of the Regulation on Compensation for Mutilated Banknotes and Coins.

- Setting of anti-fraud policies to be followed by the MMA in carrying out its functions. The main objective of the policies is to prevent corruption and fraud, and to promote transparency and good governance in the operations of the MMA.

- Issuing of the regulation for offshore banks operating in the Special Economic Zone under the Special Economic Zone Act.

- Revision of the prudential regulations applicable to commercial banks.

Audit Committee

The Audit Committee is a subcommittee of the Board of Directors of the MMA and comprises three non-executive members. The committee provides independent assessment of the effectiveness of the internal controls and financial reporting process. It also reviews the annual financial statements of the MMA, and the performance of the MMA's internal audit function and external auditors. The committee is also responsible for overseeing the compliance by the MMA with legal and regulatory requirements.

Internal Audit

The objective of the Internal Audit Unit (IAU) is to provide independent, objective assurance and consulting services designed to add value and improve the operations of the MMA. The IAU function assists the MMA in fulfilling its vision, mission, strategic initiatives and objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of organisation-wide risk management, internal control systems and governance processes.

The IAU helps to ensure:

- significant financial, managerial and operating information is accurate, reliable and timely.

- compliance with laws, regulations and the MMA's directives and controls.

- resources of the MMA are used efficiently and are sufficiently safeguarded.

- operations of the MMA are transacted in accordance with sufficient internal controls, good governance and high ethical standards.

- quality and continuous improvement are fostered in the internal control environment.

The IAU aims to conduct audits on all areas of the MMA in a three-year cycle. High-risk areas are prioritised and include Financial Controls Division and Banking Payments Division followed by; Reserve Management and Market Operations Division; Human Resource Division, Technology Services Division and General Services Division. IAU performed a number of audits during 2015, which included process audits of the Banking Operations Section, Reserve Management Section, Technology Services Division and the foreign currency trading function. In addition to the process audits, IAU attended, observed and provided assurance to the processes of destruction of old and damaged notes, and conducted the annual cash and stock audits.

Financial Consumer Protection

To protect the rights of the customers of the financial institutions in the country, the MMA works to mediate and resolve issues related to consumer complaints regarding the services provided by the financial institutions. For ease of reporting consumer complaints regarding financial institutions and financial services, the MMA launched a hotline–1444 at the Maldives Financial Expo 2015.

During the year, the MMA received 15 complaints with regard to banking, insurance and money changers. While six of the cases were related to banking, six complaints were about insurance companies. Also, three cases were filed about money changers. All the cases were closed by the end of the year.

Human Resources

The focus of the MMA's human resource division is geared towards staff retention and capacity building with a view to increase performance and efficiency. In this regard, the internal policies are aimed at providing appropriate incentives for staff retention, and providing opportunities for training from MMA's training institute as well as from local and overseas institutions.

Staff Recruitment, Training and Development

At the end of 2015, the total number of staff at the MMA remained unchanged, at 182, of which 154 were technical staff. When compared with 2014, the percentage of graduates in the technical staff increased from 67% to 69%. During the year, 17 new staff were employed and 7 staff were welcomed back upon completion of master's and bachelor's degrees in specialised fields such as Information Technology, Economics, Law and; Accounting and Finance. During the year, 24 staff left MMA for various reasons; mainly for further studies (11 staff).

To strengthen its human capital, the MMA provides its staff with specialized training in relevant fields such as finance, economics, accounting, banking and information technology. In this regard, 40 staff were provided with the opportunity of attending training and workshops abroad, while 16 staff obtained the chance to participate in 13 different training programmes organized and held by local institutions.

In 2015, the MMA received a large number of requests for internship opportunities from university students, for which the MMA provided 11 students the benefit of 3 months internship opportunities in their fields of study. This is a 27% increase compared with 2014, and the interns left the MMA with multiple accomplishments. The MMA also benefited from their innovative ideas and obtained the chance to identify potential future recruits.

By organising many social activities and events such as Mini Olympics and futsal competition, the MMA Social Club continued to play an important role in promoting staff unity and creating a fun environment that is essential for the mental well-being of the staff.

The MMA staff participating in the Mini Olympics organised by the MMA Social Club

MMA Training Institute

In 2015, various training programmes were conducted by the MMA Training Institute to address the needs of the MMA as well as those of financial institutions and relevant enforcement agencies. Over 300 participants attended these programmes. The areas of training included Financial Statement Analysis Training, Credit Risk Evaluation Training as well as orientation training programmes required for new staff MMA. In addition, several trainings related to Anti-Money Laundering and Combating the Financing of Terrorism were conducted for financial institutions and law enforcement authorities.

Further, the MMA Training Institute continued to offer professional qualifications for employees of the MMA and financial institutions in the Maldives. In collaboration with the Asian Banking School, Malaysia, the Professional Banker level of Chartered Banker qualification was commenced in 2015 with 14 staff from commercial banks and two staff from the MMA.

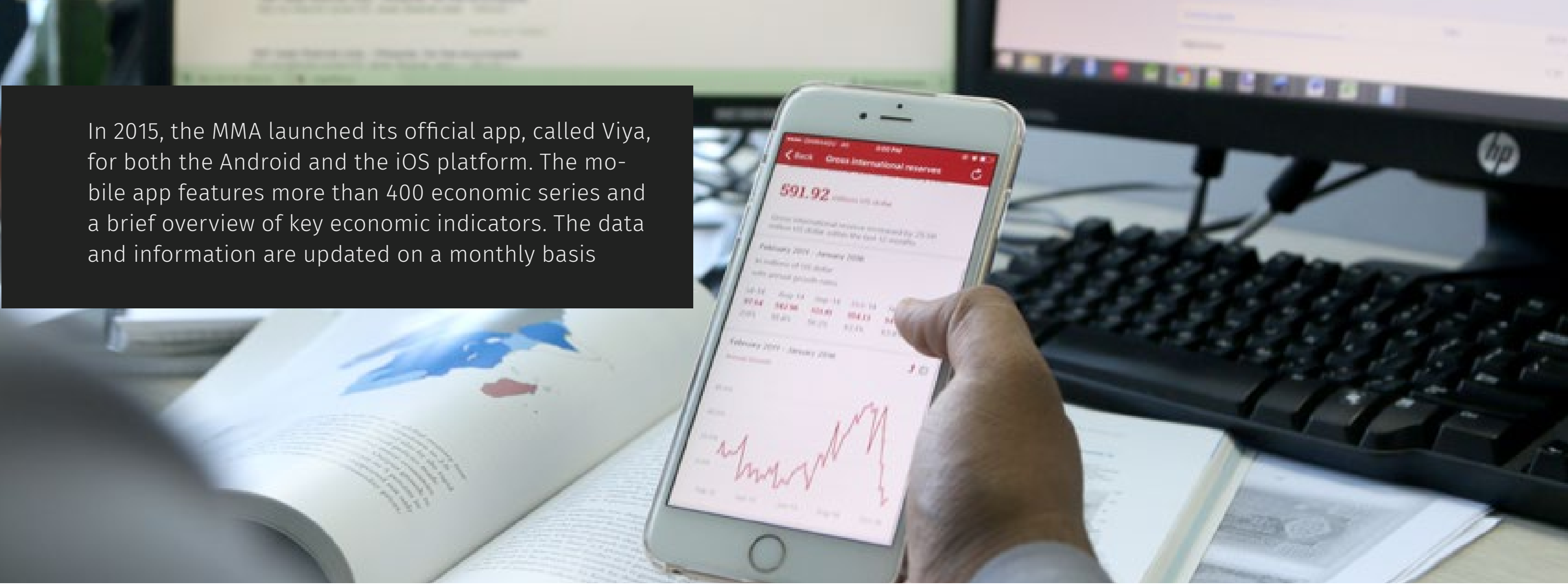
Service Recognition

To recognise the loyalty and contribution of its dedicated staff, the MMA continued to present long service awards to employees who have worked at the MMA for 20 years or more. Two staff, Hassan Shakir and Ibrahim Majid, received the award in 2015. The MMA also rewards staff who put effort into fostering a staff-friendly environment; promoting collaboration and team spirit; and showing initiation and leadership. Deserving staff were also awarded with promotions in line with the promotion policy.

Staff Policies

MMA's human resource policies are targeted at developing and retaining competent and dedicated staff and are also in line with national and international strategies for increasing women's participation and leadership. The MMA's 6 months paid maternity leave introduced in 2014 has been an important milestone in this regard, and during 2015, 4 staff resumed work after benefiting from this leave. In 2015, significant revisions were brought to the staff regulations, particularly to provisions on promotion and monetary and non-monetary incentives.

A training session organized by the MMA Training Institute for banks and MVTs on Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT)



In 2015, the MMA launched its official app, called Viya, for both the Android and the iOS platform. The mobile app features more than 400 economic series and a brief overview of key economic indicators. The data and information are updated on a monthly basis

Economic Research and Analysis

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

Work on the second issue of the MMA Research Papers was carried out in 2015. 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 as well as more general articles targeted towards a broader readership.

The MMA continued to conduct the quarterly business survey during 2015. 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 each of the four quarters.

The MMA also provided its professional opinion to the People's Majlis on the proposed government budget for 2016.

The bank credit survey, which is conducted every six months, was carried out by the MMA in January and July 2015. 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, is used to assist in the formulation of monetary policy.

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 balance of payments (BOP) statistics and monetary and financial statistics in the Maldives. These statistics are compiled as per the guidelines provided by the International Monetary Fund (IMF) and published regularly in the Monthly Statistics of the MMA. 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 of the IMF.

In 2015, the MMA launched its first official mobile app, called Viya, which is a guide to the Maldivian economy. The app features the latest information on different sectors of the economy with over 400 statistical series. It also includes an interactive guide to the Ran Dhihafaheh banknote series, describing both its basic and security features.

The MMA continued to conduct the Maldivians travelling abroad survey during 2015. The main purpose of the survey is to obtain accurate data for the compilation of travel expenditure for balance of payments statistics. Similarly, the MMA continued the foreign investment survey and the survey on foreign assets and liabilities for both foreign and local companies.

Media and Public Awareness

The MMA uses various communication tools to reach all spheres of audiences. In addition to promoting its publications on social media (Facebook, YouTube and Twitter) and publishing news about its meetings and events, the MMA conducts awareness campaigns for the general public and specific audiences. In 2015, the MMA held a number of events to enhance public awareness on economic issues and financial literacy.

Maldives Financial Expo in 2015: The MMA, in collaboration with 12 other partner institutions, organised the first Maldives Financial Expo in 2015, which was held from 2nd to 3rd November 2015 at Dharubaaruge. Along with the MMA, other institutions that participated in the expo included all commercial banks and other financial institutions operating in the Maldives, the Maldives Stock Exchange (MSE), the Capital Market Development Authority (CMDA), the MPAO and the Ministry of Economic Development. The purpose of the expo was to provide a platform for the public to learn about the opportunities in the financial sector, and promote dialogue and discussions between stakeholders on issues in the financial sector.

During the expo, participating institutions provided general information on housing finance; small and medium enterprises and consumer finance; investment opportunities in the financial sector; security concerns; carrier opportunities; and information on macroeconomic topics. At the expo the participating institutions launched new products and services as part of promotional activities, while the MMA conducted several discussion sessions on various topics related to the financial sector with input from technical experts and

Information kiosks at the Maldives Financial Expo 2015 providing information to the public about financial opportunities. The expo was organised by the MMA in collaboration with 12 other partner institutions

The MMA participated in the Maldives Investment Forum 2015 organised by the government of Maldives, held in Shanghai, China

stakeholders from the business community. The main aim of these discussions was to promote and facilitate public dialogue related to specific issues within the financial sector and the Maldivian economy.

Public Awareness Campaign on the Maldivian New Note Series – Ran Dhihafaheh: An awareness campaign was conducted throughout the Maldives to educate the public on the security features of the new banknote series. Teams from the MMA visited all the inhabited islands, resorts and industrial islands and conducted information sessions, road shows and door-to-door campaigns.

Global Money Week 2015: To mark the Global Money Week 2015 the MMA organised a photography and videography challenge; and a financial sector tour to the banks and the MMA for school children. Global Money Week is an annual international event, organized by the Child and Youth Finance International (CYFI), to promote financial awareness among children and youth.

Macroeconomic Awareness Workshop: 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 2015, under this very successful workshop series, sessions were held for two schools; over 70 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.

Maldives Investment Forum 2015: The MMA also participated in the Maldives Investment Forum 2015 organised by the government of Maldives, which was held in Shanghai, China on 19th October 2015. The main aim of the forum was to boost investor confidence and to showcase economic prospects and investment opportunities in the Maldives. During the forum the MMA provided information about the Maldivian economy and foreign direct investment opportunities in the financial sector.

International Relations

The MMA continues to work closely with other central banks and supervisory authorities to promote cross-border supervision of financial institutions; foster a safe and sound financial system in the Maldives; and 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 and the SAARCFINANCE network.

International Monetary Fund

The Maldives has been a member of the IMF since 13 January 1978. Governor Azeema Adam represents the Maldives in the Board of Governors of the IMF as the Governor of the IMF for the Republic of Maldives, and Assistant Governor Neeza Imad is the Alternate Governor. The Maldives represents its interests and takes part in the IMF decision-making in a constituency which includes 12 other countries. Mr. Hazem Beblawi is the Executive Director of this constituency. Currently the Maldives' quota in the IMF is 21.2 million SDR representing 0.004% of total IMF quota.

The Maldives cooperates with the IMF on a regular basis in the framework of the IMF surveillance known as Article IV consultations. On 11th March 2015 the IMF published the detailed report on the findings of the Article IV consultations held in November 2014. As in the previous years the Maldives continued to receive technical assistance and training from the IMF in 2015 as well.

International Monetary Fund Technical Assistance on Balance of Payment: 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 in the Asia and Pacific Region) provided technical assistance to the MMA under a three-year (2013–15) project. The purpose of the mission—conducted from 15 February to 5March and from 16th to 27th August 2015—was to evaluate and recommend improvements for the compilation and dissemination of ESS of the Maldives, mainly the BOP and the IIP.

International Monetary Fund Technical Assistance on Reserve Management: An IMF TA mission on reserve management was conducted from 30th August to 9th September 2015. The purpose of this mission was to build adequate institutional and operational foundations as well as to provide guidance for prudent reserve management practices.

World Bank

The MMA continued to receive technical assistance from the World Bank in the form of training, technical and financial assistance during 2015 as well.

Enabling a Non-bank Mobile Money Solution: The World Bank technical assistance project 'Enabling a Non-bank Mobile Money Solution' was commenced during the last quarter of 2015. The main objective of the project is to establish an enabling environment for a mobile network operator-led mobile money solution, with the aim of enhancing access to financial and payment services in the Maldives (especially in the outer islands and atolls), and to ground this in a well-designed legal and regulatory framework. This project is expected to be implemented within two years (September 2015- September 2017).

SAARCFINANCE Network

The MMA is a member of the SAARCFINANCE Network, which is a regional network of the SAARC Central Bank Governors and Finance Secretaries. The basic objective of the SAARCFINANCE network is to promote cooperation among central banks and finance ministries in SAARC member countries and learn from shared experiences among member countries on macroeconomic policy challenges facing the region.

SAARCFINANCE Database: In 2015, the MMA participated in the seminar on SAARCFINANCE Database organized by the Reserve Bank of India for the officials of SAARC member countries from 8th to 9th December 2015, at RBI Central Office in Mumbai. The purpose of this seminar was for taking forward the process of providing time series data on selected macro-economic indicators for developing the SAARCFINANCE Database.

SAARCFINANCE Collaborative Arrangements: The MMA also collaborated alongside the other SAARC member countries in the study on "Managing Capital and Remittance Flows in SAARC Region for Safeguarding Financial Stability". This research study is jointly led by the Reserve Bank of India and State Bank of Pakistan, and is being carried out under the SAARCFINANCE Collaborative Arrangements.

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 and other officials participated in the following international meetings and forums in 2015.

Frontier and Developing Asia; Supporting Rapid and Inclusive Growth: Governor Azeema Adam attended the 3rd conference, jointly held by the IMF and Japan International Cooperation Agency, which took place from 17th to 18th February 2015, in Tokyo, Japan.

United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) High-level Consultation on Financing for Development: Governor Azeema Adam and Executive Director Idham Hussain attended the UNESCAP Asia–Pacific High-level Consultation on Financing for Development, which was held from 29th to 30th April 2015, in Jakarta, Indonesia.

Islamic Finance News Forum 2015: Governor Azeema Adam delivered a keynote speech at the Islamic Finance News Forum 2015, which was held from 25th to 26th May 2015, in Kuala Lumpur, Malaysia. Assistant Governor Neeza Imad accompanied her during this forum.

The United Nations Economic and Social Council (ECOSOC) High-level Political Forum on Sustainable Development: Governor Azeema Adam delivered a keynote speech at the ECOSOC High-level Political Forum on Sustainable Development, which took place on 1st July 2015, in New York, USA. Assistant Governor Neeza Imad also participated in the forum.

UNESCAP Committee on Macroeconomic Policy, Poverty Reduction and Inclusive Development: Governor Azeema Adam delivered a speech at the 3rd session of the UNESCAP Committee on Macroeconomic Policy, Poverty Reduction and Inclusive Development, which was held from 1st to 3rd December 2015, in Bangkok, Thailand.

MALDIVIAN NEW NOTE SERIES – RAN DHIHAFAHEH

MALDIVIAN NEW NOTE SERIES

RAN DHIHAFAHEH

On 1st November 2015 the Maldives Monetary Authority (MMA) introduced a new banknote series for the Maldives, called 'Ran Dhihafaheh' a Dhivehi term loosely translating to 'Golden Fifty'.

The note series was named in commemoration of the golden jubilee of the Maldivian independence—26th July 2015. With the issuance of the first notes into circulation on 26th January 2016, the Maldives adopted a polymer substrate for all of its banknotes, incorporating heightened security features and embracing a design merging tradition and modernity.

Maldives adopted a polymer substrate for all of its banknotes

INITIATING THE PROJECT

The paper banknote series currently in use in parallel with the Ran Dhihafaheh was introduced in 1983. Since then, there have been considerable advances in the field of security printing. Thus, to stay ahead of potential threats to the national currency of the Maldives, a project was initiated to redesign and upgrade the security features of the Maldivian rufiyaa.

The New Banknote Series Steering Committee was formed on 30th September 2013 to spearhead the project, which included personnel from different areas of the organisation with diverse skills such as art and design, marketing, currency and finance, and project management.

It was the responsibility of the committee to review and study the current state of the Maldivian rufiyaa as well as plan and implement the design, production, awareness and issuance phases of the Ran Dhihafaheh.

RESEARCH AND ANALYSIS

In the initial stages, the steering committee conducted research on various aspects of the project that were to lay the groundwork for the project plan over the subsequent years.

One important aspect of this research was carried out on the structure of the currency, that is, denominations of notes and coins currently in existence and how this is expected to evolve over the life of the new currency. This study was based on the D-metric model used as a re-denomination guide by many countries.

The findings of the research strongly suggested that a structural change to the currency of the Maldives was overdue; the need for a high-value 1,000 rufiyaa note and transition from a 5 rufiyaa note to a same-value coin were apparent. Details of this research is available from the article “An analysis of the denomination structure of the Maldivian rufiyaa” published on the MMA website (http://goo.gl/ZTZAV4).

It was logical to introduce the structural change at the same time as the Ran Dhihafaheh on the basis of cost efficiency with respect to production and awareness.

DESIGN PHASE

Being in favour of transparency and public opinion, the management of the MMA decided to invite the public to submit concepts for the new face of the Maldivian rufiyaa. Historically the process of designing banknotes has been less transparent and open.

On 3rd September 2014, the MMA publicly announced the commencement of the project and invited all interested parties to submit designs showcasing their vision for at least one banknote. Almost 30 proposals were received, and were reviewed and appraised by a panel of independent experts comprised of the MMA staff and renowned individuals with expertise in the areas of Dhivehi literature, history and creative arts.

The proposals underwent three rounds of extensive judging by the panel before a decision was made. After careful review of all submitted proposals, six were shortlisted. This was followed by presentations and interview sessions with the applicants who made the shortlisted proposals. Three exceptional proposals from the shortlisted six were granted entry to the next round of evaluations and were requested to extend their concept and resubmit final designs for all of the notes.

Mr Abdulla Nashaath presenting his proposal to the judging panel

- 17th January 2015

SELECTED DESIGNS FROM THE SHORTLISTED PROPOSALS

"Dhivehinnaai Dhivehi Raajje" by Mr Abdulla Nashaath

This note celebrates the artistry and craftsmanship of the Maldivians. The obverse side features a man and a woman engaged in two forms of traditional artwork.

The reverse side features a large handcrafted Maldivian urn that once ornamented the royal palace, and is currently on display at the National Museum in Male'.

“The Maldivian” by
Mr Afzal Shaafiu

Screw pine is found in almost all islands of the country growing as a wild variety.
The leaves, branches and fruit are used in handicrafts and carpentry, and to produce culinary delicacies.

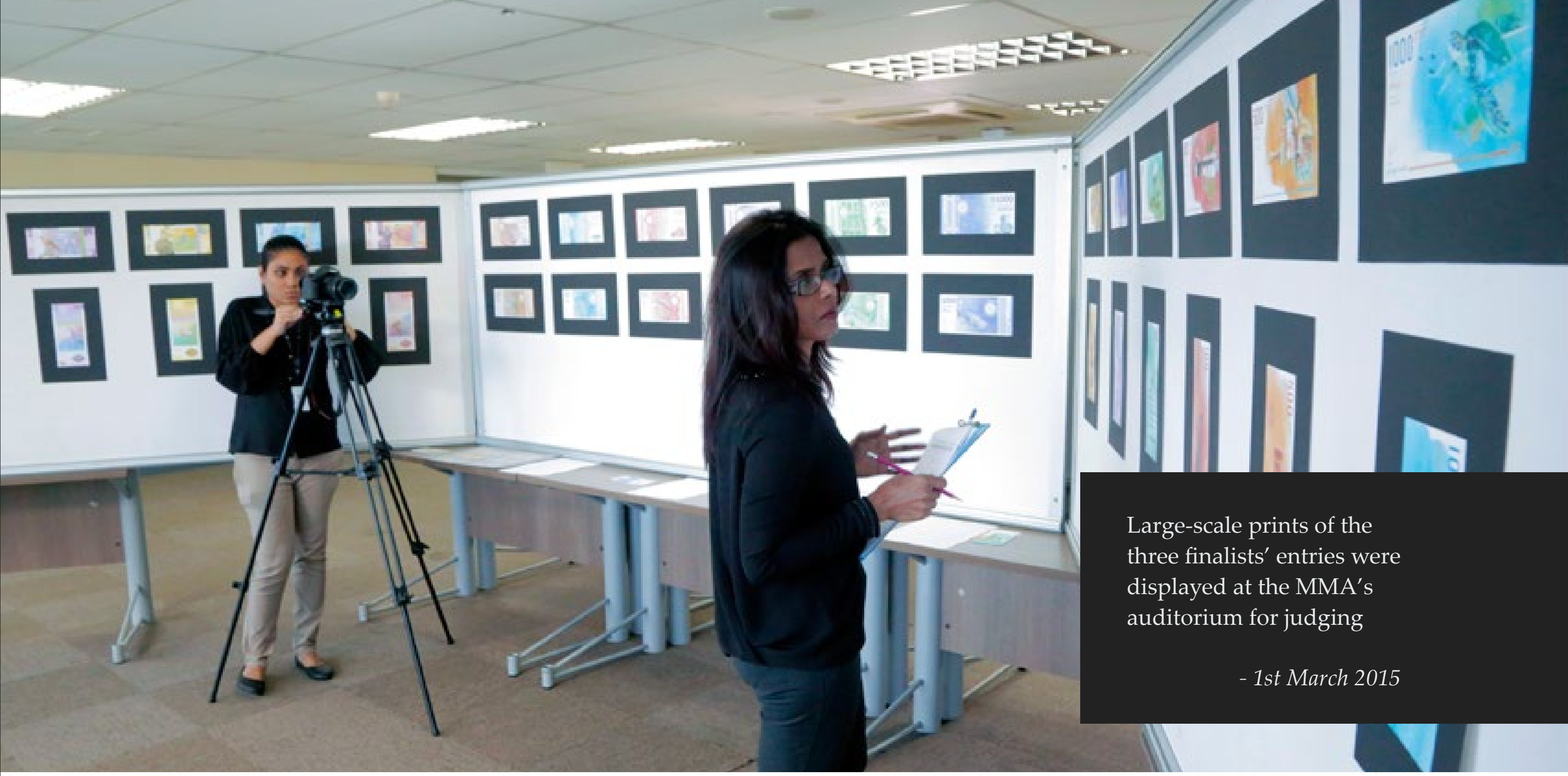
The focus on women is essential as our society appreciates their role as equal to that of men in most areas of the Maldivian life. The coconut tree depicted on the front is an important element of the Maldivian culture.

“Our Beginnings - We Thrive” by

Mr Mohamed Rassam, Mr Ibrahim Hussain Shihab & Mr Ali Nishaf Rasheed

This side features a whale shark, which is a slow-moving filter feeding shark; the largest known fish species currently known to be in existence. The security window is framed by an outline of a traditional seal, or stamp—the stamp outline having been used by royalty as well as other institutions. The framed image is that of a coral polyp, an organism that initiates the formation of a reef.

The one thousand rufiyaa note focusses on the formative elements of the island nation. The main artwork on the face features an intricate close up of a brain coral, which is common to Maldivian coral reefs. The image, representing the finer scale of a coral reef, provides context in terms of its place in the marine ecosystem and its contribution to the formation and protection of the islands.



Large-scale prints of the three finalists' entries were displayed at the MMA's auditorium for judging

- 1st March 2015

The designs were displayed in the MMA's auditorium and select members of the public were invited to view them and provide their opinion. The independent panel extensively debated the proposals and reviewed the opinion of the invited public members before reaching a conclusion. On the grounds of its novelty and uniqueness, Mr Abdulla Nashaath's concept was selected as the most suitable for the design of the Ran Dhihafaheh note series.

The concept of the selected proposal encapsulates history, culture, Islamic customs, economic development and the natural beauty of Maldives. The design stands out from the others by virtue of the exceptional execution of its concept via the use of watercolour paints and washes—a rarity in the world of currency designs.

Mr Nashaath worked with the MMA and De La Rue to incorporate technical design features and the recommendations of the MMA. During the fine-tuning process, some elements appearing in the original designs were altered within the concept provided by Mr Nashaath.

At the same time, another monumental task was being undertaken by a team of young designers: Mr Mohamed Fayaz, Mr Ibrahim Arafath, Ms Khadheeja Shaneez Bushree and Mr Hussain Fazeel had agreed to the voluntary provision of professionally designed typefaces of the native Dhivehi script that would be used with the new designs. This is one of the first occasions on which the profession of type design has been recognised on such a scale in the Maldives.

The fine-tuning and origination processes by De La Rue were carried out in parallel given the tight timeline of the project. In the origination process, the watercolour paintings and washes were completely redrawn using engraving line art without compromising the aesthetics of the watercolour style. The security features were designed and incorporated into the artwork at this stage.

LAUNCHING CEREMONY

The Ran Dhihafaheh banknote series was officially unveiled to the general public on 1st November 2015, at a ceremony held at Dharubaaruge. The chief guest was the Minister of Finance and Treasury, Mr. Abdulla Jihad. In this live telecasted ceremony, the advisory judging panel and Mr. Abdulla Nashaath were recognized for their invaluable contributions in finalizing the design.

This was the first time the design and basic security features were showcased on a mass scale to the people. Following the launching of Ran Dhihafaheh, a gallery was also opened to the public, displaying the passage of Maldivian currency from historical coinage to the new Ran Dhihafaheh banknote series.

The ceremony held at Dharubaaruge was attended by dignitaries from various fields of work

-1st November 2015


MMA

MALDIVIAN NEW NOTE SERIES

10 RUFIYAA

Our Culture and Tradition

The obverse side of the note features a toddy tapper climbing a coconut palm. In the background, men can be seen engaged in the cultural art form of 'Bodu Beru', a fusion of percussion beats and ritualistic dance practiced in the Maldives since time immemorial.

The golden yellow colour has been used to represent the importance of upholding our traditions, and to depict our golden days.

The reverse side of the note features a large drum used in 'Bodu Beru', one of the oldest on display at the National Museum in the capital Male'.

The background pattern was also inspired from the designs found on this drum.

20 RUFIYAA

Our Industrial and Economic Progress

The obverse side of the note features a fisherman and his catch with Ibrahim Nasir International Airport, gateway to the country, serving as the backdrop.

As purple is often associated with wealth, luxury and status, it is best suited for this note.

The reverse side of the note features the traditional sailboat, or Dhoni, used by the early Maldivians for transport and commerce.

The background pattern on the note is a stylized pattern derived from the map of Maldives.

50 RUFIYAA

Islamic Values and Unity

Prominent on the obverse side of the note is a child reciting the Quran. The background scene portrays a group of islanders lowering a Dhoni into the water—an important communal activity in the Maldives.

Green, being the secondary color on our national flag, has been used to symbolise peace, progress and prosperity.

The reverse side features the minaret of the Old Friday Mosque in the capital Male'.

The background pattern has been made from stone carving patterns found inside the Friday Mosque.

100 RUFIYAA

Nationalism and Our Native Language

The obverse side features a woman adorned in the traditional dress for women (Libaas) and engaged in a unique embroidery technique used to decorate the neckline and sleeves of the Libaas. The Maldivians dressed in other traditional attire can be seen in the background.

Red, being the primary colour on our national flag, is always associated with nationality and is a symbol of our individuality as a country.

The reverse side features a copper plate book, known locally as Dhambidhu Loamaafaanu and used by the early Maldivians to preserve text written in the archaic Evela Akuru, a predecessor to the contemporary Dhivehi script known as Thaana.

The background pattern found on this side of the note was made using old Dhivehi alphabet Dives akuru.

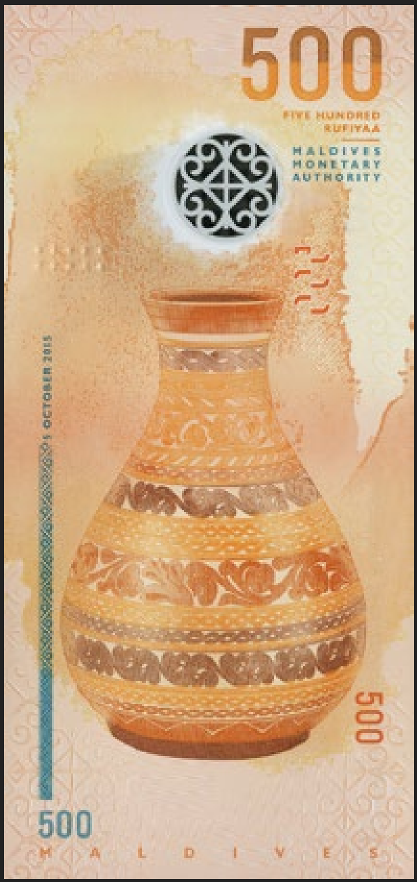
500 RUFIYAA
Our Ancestral Craftsmanship

The obverse side features a wood worker carving an intricate design, with a woman making an ekel broom in the background.

As orange is often associated with energy and creativity, the colours used in this note represents the artisan work of Maldivians.

The reverse side features a large handcrafted Maldivian urn that once ornamented the royal palace and is currently on display at the National Museum in Male'.

The background pattern used on this side of the note is a pattern called Kuribantaa found on traditional hand weaved mats.



1000 RUFIYAA
Beauty in Our Surrounding

The obverse side features a green turtle and manta rays – two of the most frequently sighted marine species in the country – and also a Maldivian resort in the background.

Blue is the colour of our oceans and has been used accordingly to portray the beauty in our surrounding.

The reverse side features a graceful whale shark, the largest species of fish in the world, which thrives in the Maldivian waters and is often sighted throughout the year.

The background pattern has also been derived from the spot and striped pattern found on these whale sharks.

PUBLIC AWARENESS

A nationwide public awareness campaign was conducted to educate the public regarding all aspects of the new note series. Roadshows and visits to shops, schools, colleges and institutions were conducted in Male' and greater Male'. Teams from the MMA visited all 187 inhabited islands and 98 resorts including industrial islands.

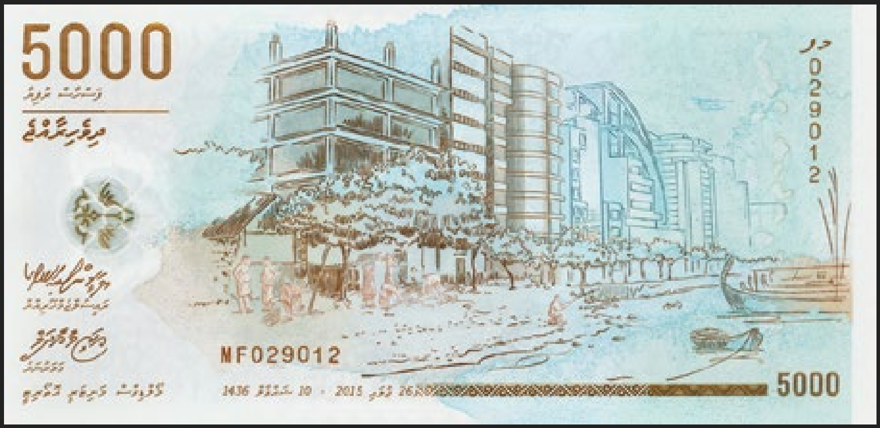
Awareness was also created through mainstream media channels and social media networks. Hotlines were established to provide information related to the Ran Dhihafaheh note series.

Briefing the public on security features of the Ran Dhihafaheh series at a roadshow held in Addu Atoll

- 30th November 2015

COMMEMORATIVE NOTE

Celebrating 50 Years of Independence



Obverse

This side of the note symbolises the growth and development of the country over 50 years, from 1965 to 2015. Images showing the northern seashore of the capital city Male' at the two time points are used to portray the transition and progress.

Reverse

This side of the note depicts the ceremony in which the Maldives officially gained independence, on 26 July 1965. It signifies the peaceful approach taken by the country in obtaining independence. The design around the illustration signifies the uniqueness, craftsmanship, heritage and Islamic customs retained by the Maldivians over the centuries.

The commemorative note being unveiled by the late Mr Abdul Sattar Moosa Didi, who will be forever remembered for the unparalleled role he played in securing independence for the country alongside former President, the late Ibrahim Nasir

- 26th July 2015

Source: President Office

On 26th July 2015, for the first time in the history of the Maldives, a commemorative note was issued to mark the 50th anniversary of the day on which Maldives gained independence. The competition to provide artwork for the commemorative note was run at the same time as that for the Ran Dhihafaheh note series. Following the judging process, the submission by Mr Nashaath was selected as the artwork that best depicted the development of the 50 years of independence. The Dhivehi typography used in the commemorative note was also developed by Mr Fayaz, Mr Arafath, Ms Bushree and Mr Fazeel.

Governor of the MMA, Dr Azeema Adam, gifted the commemorative note to President Abdulla Yameen

- 26th July 2015

Source: President Office

ANNUAL FINANCIAL STATEMENTS

Building a better working world

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KR/AHF/VR

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 2015, and the statement of comprehensive income, statement of changes 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 qualified audit opinion.

Basis for qualified opinion

As per IAS 21 The Effects of Changes in Foreign Exchange Rates, exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognised in the statements of comprehensive income in the period in which they arise. However, the Authority has transferred an exchange loss amount of MVR 138,431,651/- (2014 - MVR 187,639,505/-) from the statements of comprehensive income to the foreign asset revaluation reserve in arriving at the profit for the year in complying with section 28 of the MMA Act. The Authority's presentation of the exchange loss in the statements of comprehensive income does not comply with IAS 21 The Effects of Changes in Foreign Exchange Rates.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph above, the financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

21 April 2016
Male'

Statement of Financial Position

As at 31 December 2015

Assets	Note	2015 MVR	2014 MVR
Foreign currency financial assets			
Cash and balances with banks	4	8,502,614,579	9,254,745,885
IMF related assets	5	352,277,660	374,103,405
Subscriptions to international agencies	6	833,681	833,140
Interest and other receivables	7	226,699,135	15,688,837
Total foreign currency financial assets		**9,082,425,055**	**9,645,371,267**
Local currency financial assets			
Cash and balances with banks	4	437,500	-
Subscriptions to international agencies	6	8,264,330	8,509,716
Investment in Government bonds	8	6,372,975,607	6,440,468,919
Total local currency financial assets		**6,381,677,437**	**6,448,978,635**
Total financial assets		**15,464,102,492**	**16,094,349,902**
Local currency non-financial assets			
Gold and silver assets	9	25,711,967	28,755,643
Inventories	10	219,676,217	65,080,637
Property, plant and equipment	11	41,476,069	42,458,744
Intangible assets	12	26,719,919	35,140,817
Other assets	13	2,724,168	2,466,193
Total local currency non-financial assets		**316,308,340**	**173,902,034**
Total assets		**15,780,410,832**	**16,268,251,936**

Statement of Financial Position

As at 31 December 2015

Liabilities and equity	Note	2015 MVR	2014 MVR
Foreign currency financial liabilities			
Balances of commercial banks	14	5,136,843,911	6,865,756,984
Balances of the Government and Government institutions	15	181,046,050	105,928,645
Payable to Asian Clearing Union	16	155,559,769	103,182,962
IMF related liabilities	17	373,102,984	407,206,313
Interest bearing loans	18	90,498,247	94,325,210
Deposits of international financial institutions	21	833,681	833,140
Other liabilities	22	327,042,866	19,657,273
Total foreign currency financial liabilities		**6,264,927,508**	**7,596,890,527**
Local currency financial liabilities			
Balances of commercial banks	14	5,276,448,591	4,233,065,101
Balances of the Government and Government institutions	15	534,838,298	868,418,981
Currency in circulation	19	3,220,685,127	3,099,431,556
Balances of insurance companies	20	9,395,934	10,000,000
Deposits of international financial institutions	21	10,284,674	10,040,243
Other liabilities	22	125,746,052	264,584,834
Total local currency financial liabilities		**9,177,398,676**	**8,485,540,715**
Total financial liabilities		**15,442,326,184**	**16,082,431,242**
Other liabilities			
Deferred grants	23	3,207,292	3,206,657
Pension and other employment benefits payable	24	5,809,968	4,668,375
Total liabilities		**15,451,343,444**	**16,090,306,274**
Equity			
Capital	25	50,000,000	50,000,000
Reserve	25	279,067,388	127,945,662
Total equity		**329,067,388**	**177,945,662**
Total liabilities and equity		**15,780,410,832**	**16,268,251,936**

The Board of Directors of the Maldives Monetary Authority authorised these financial statements for issue on 21 April 2016

Signed for and on behalf of the Board by,

Azeema Adam - Governor

Hussain Hilmy - Director

The accounting policies and notes on pages 135 to 183 form an integral part of the financial statements.

Statement of Comprehensive Income

Year ended 31 December 2015

Operating income	Note	2015 MVR	2014 MVR
Foreign currency income and expenses	26		
Interest income on foreign currency financial assets		54,393,528	24,298,525
Interest expense on foreign currency financial liabilities		(382,032)	(1,184,955)
Net foreign currency income		**54,011,496**	**23,113,570**
Local currency income and expenses	27		
Interest income on local currency financial assets		153,840,853	151,025,811
Interest expenses on local currency financial liabilities		(53,843,836)	(66,466,730)
Net local currency income		**99,997,017**	**84,559,081**
Other income	28	30,952,056	15,342,114
Income from foreign exchange management		22,806,021	-
Net foreign exchange revaluation loss		(138,431,651)	(187,639,505)
		(84,673,574)	**(172,297,391)**
Total net operating income		**69,334,939**	**(64,624,740)**
Expenses			
Personnel expenses	29	46,595,885	44,624,704
Administration expenses	30	44,653,402	38,600,786
Depreciation, amortisation and impairment		15,062,994	15,472,230
Total operating expenses		**106,312,281**	**98,697,720**
Net loss for the year		**(36,977,342)**	**(163,322,460)**
Other comprehensive income		-	-
Total comprehensive loss		**(36,977,342)**	**(163,322,460)**
Transferred to foreign asset revaluation reserve	25	138,431,651	187,639,505
Profit for the year as per MMA Act		**101,454,309**	**24,317,045**

The accounting policies and notes on pages 135 to 183 form an integral part of the financial statements.

Statement of Changes in Equity

Year ended 31 December 2015

	Contributed capital MVR	General reserve MVR	Foreign asset revaluation reserve MVR	Retained earnings MVR	Total MVR
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 31)	-	-	-	(188,038,644)	(188,038,644)
Profit for the year	-	-	-	275,756,053	275,756,053
Transfers to Foreign asset revaluation reserve (Note 25.3)	-	-	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 31)	-	-	-	(266,408,122)	(266,408,122)
Loss for the year	-	-	-	(163,322,460)	(163,322,460)
Transfers to Foreign asset revaluation reserve (Note 25.3)	-	-	(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**
Profit re-appropriation to the Government (Note 31)	-	-	-	(24,317,045)	(24,317,045)
Loss for the year	-	-	-	(36,977,342)	(36,977,342)
Reversal of cumulative 1/5 of Foreign asset revaluation reserve payable to the Government (Note 25.3)	-	-	212,416,113	-	212,416,113
Transfers to Foreign asset revaluation reserve (Note 25.3)	-	-	(138,431,651)	138,431,651	-
As at 31 December 2015	**50,000,000**	**100,000,000**	**77,613,079**	**101,454,309**	**329,067,388**

The accounting policies and notes on pages 135 to 183 form an integral part of the financial statements.

Statement of Cash Flows

Year ended 31 December 2015

	Note	2015 MVR	2014 MVR
Operating activities			
Receipts:			
Interest received - foreign currency		63,539,841	7,951,408
Interest received - local currency		153,840,853	164,558,000
Fees, commission and other miscellaneous income received		53,258,405	14,590,143
		270,639,099	**187,099,551**
Disbursements:			
Interest paid - foreign currency		(399,585)	(1,391,661)
Interest paid - local currency		(53,707,068)	(66,866,663)
Payments to employees		(45,454,293)	(44,461,169)
Payments to suppliers and fees/commission paid		(104,143,331)	(31,065,296)
		(203,704,277)	**(143,784,789)**
Net cash flow from operating activities	32	66,934,822	43,314,762
Investing Activities			
Receipts:			
Net increase/ (decrease) in currency deposits		(650,602,100)	(2,716,337,615)
Net increase/ (decrease) in deposits from financial institutions		(675,259,437)	4,649,900,771
Net increase/ (decrease) in deposits from the Government		(192,012,414)	834,032,721
Net increase/ (decrease) in other liabilities		677,541	(468,695)
		(1,517,196,410)	**2,767,127,182**
Disbursements:			
Net decrease in assets held with the IMF		6,682,417	917,450
Net (increase)/ decrease in loans and advances to the Government		67,493,312	(193,906,921)
Expenditure on development projects and intangible assets		(691,718)	(816,290)
Purchase of property, plant and equipment		(4,968,668)	(8,040,923)
Profit paid to the Government		(24,317,045)	(266,408,122)
Net decrease in other assets		29,035,182	23,268,467
		73,233,480	**(444,986,339)**
Net cash flow from investing activities		**(1,443,962,930)**	**2,322,140,843**
Financing activities			
Receipts:			
Net increase/ (decrease) in currency in circulation		121,253,570	(153,000,697)
Net increase in ACU payables		52,285,703	102,995,055
Net decrease in securities issued		-	(902,000,000)
Net decrease in interest bearing loans		-	(3,669,700)
Net decrease in liabilities with the IMF		(17,592,939)	(95,568,375)
Net increase/ (decrease) in grants received		438,918	(521,429)
Net cash flow from / (used in) financing activities		**156,385,252**	**(1,051,765,146)**
Net increase/ (decrease) in cash and cash equivalents		**(1,220,642,856)**	**1,313,690,459**
Exchange rate effect on cash and cash equivalents		(12,736,700)	(8,414,787)
Cash and cash equivalents as at the beginning of the year		6,770,594,635	5,465,318,963
Closing cash and cash equivalents as at 31 December	33	**5,537,215,079**	**6,770,594,635**

The accounting policies and notes on pages 135 to 183 form an integral part of 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 2015 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 2015 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 Authority is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

2.2.4 IAS 1 Disclosure Initiative

IAS 1- Presentation of Financial Statements amendments brought to address perceived impediments to preparers exercising their judgement in presenting their financial reports by bringing changes to materiality and aggregation, line items and order of presentation of notes.

The amendment to materiality and aggregation clarifies that information should not be obscured by aggregating or by providing immaterial information. Materiality considerations apply to all the parts of the financial statements and even when a standard requires a specific disclosure, materiality considerations do apply. The amendment to line items clarifies that the list of line items to be presented in these statements can be aggregated and disaggregated as relevant and additional guidance on subtotals in these statements can be provided. Furthermore, understandability and comparability should be considered when determining the order of the notes.

The amendment to IAS 1 was issued in December 2014 and is effective prospectively for annual periods beginning on or after 1 January 2016.

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 recognised 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 Statement of Comprehensive Income. 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 Statement of Comprehensive Income. For the purposes of retranslation the following Maldivian Rufiyaa exchange rates for major currencies were used:

	31 December 2015 MVR	31 December 2014 MVR
1 Australian Dollar	11.2203	12.5122
1 Euro	16.8360	18.6893
1 Singapore Dollar	10.8912	11.6209
1 Special Drawing Rights (SDR)	21.4053	22.3100
1 Sterling Pound	22.8499	23.8871
1 United States Dollar	15.4100	15.4000

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 Available-for-Sale Financial Assets, Held-to-Maturity Investments, Loans and Receivables and Fair value through profit or loss 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 assets

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. The Authority hasn't classified any assets under available-for-sale financial investments.

b) Held-to-Maturity Financial Investments

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 Statement of Comprehensive Income.

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 Receivables

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

After initial measurement, 'Loans and Receivables' 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 Statement of Comprehensive Income. The losses arising from impairment are recognised in the Statement of Comprehensive Income in 'Impairment Charge'.

d) Fair Value Through Profit or Loss Assets

Financial assets at fair value through profit or loss include assets under two subcategories. The first subcategory is those financial assets that were initially designated as assets to be fair valued with fair value changes taken to profit or loss. The second subcategory is those assets that are held for trading. These include all derivatives except those held for hedging and financial assets held with the intention of selling in the short term or short term financial assets with a profit taking pattern.

3.3 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), 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income.

3.4 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.

3.5 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 Statement of Comprehensive Income.

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.

3.6 Currency Repurchase Transactions

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

3.7 Investment Portfolio

a) Government of Maldives Treasury Bonds

The Authority's investment portfolio consists of treasury bonds purchased from the 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 the 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 the Government represents direct provisional advances made to the 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 Statement of Comprehensive Income. 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 Statement of Comprehensive Income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

3.8 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 Statement of Comprehensive Income. Prior to appropriation of profits, the unrealised gains or losses from gold are transferred to the foreign asset revaluation reserve.

b) Inventories

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

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 life 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 became operational in 2011, the Automated Clearing House which became operational during the year 2012, Oracle E-Business Suite which became operational 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 Statement of Comprehensive Income as and when they are incurred unless this expenditure can be directly attributed to preparing the asset for use. Identified inefficiencies and initial operating losses incurred before the asset achieves planned performance are also treated the same as the above.

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

Class of asset	Useful life
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

3.9 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.

a) Loans and Advances to the Government

At each balance sheet date the Authority assesses whether there is objective evidence that a financial asset or group of assets is impaired. If there is objective evidence that an impairment loss on loans and advances has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows relating to that loan discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement comprehensive income. A loan is normally written off, either partially or in full, when there is no realistic prospect of recovery of the principal amount.

3.10 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 Statement of Comprehensive Income. Impairment losses relating to goodwill are not reversed in future periods.

3.11 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 the Maldives Pension Act of 8/2009. The Authority contributes 7% of employees' pensionable salary to the 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 Statement of Comprehensive Income over the periods necessary to match them to the expenses it is intended to compensate on a systematic basis.

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

3.12 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 the Maldives Monetary Authority.

3.13 Goods and Services Tax

As per the Goods and Services Tax Act (Law number 10/2011) Chapter 10 section 51, if the total value of sale of taxable goods and services is estimated to exceed MVR 1 million, the entity has to register for Goods and Services Tax (GST) with Maldives Inland Revenue Authority (MIRA) and as per Chapter 3, section 16 of the Act it states that the rate of GST payable is 6%. From 23 July 2015, the Authority has been registered for GST and has paid GST to MIRA on a monthly basis.

3.14 Revenue and Expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured. Expenses are recognised in the Statement of Comprehensive Income on the basis of 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 Statement of Comprehensive Income in arriving at the result for the year. The following specific recognition criteria must also be met before revenue and expenses are recognised:

Interest Income and Expenses

Interest income and expense are recognised in the Statement of Comprehensive Income 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.

Income on Foreign Exchange Management

Authority commenced active foreign exchange management activities from April 2015. Foreign exchange trades are accounted in the books of accounts based on value date of trades. However, at the end of the month, if there were open trades that has a future value date, a receivable and payable are recognised in the books for the amounts payable and receivable under the foreign exchange trade.

Miscellaneous

Miscellaneous income and expenses are recognised on an accrual basis.

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

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

3.15 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.

3.16 Cash Flow Statement

The Statement of Cash Flows has been prepared by using the ‘Direct Method’ in accordance with IAS 7 on Statement of Cash Flows, whereby gross cash receipts and gross cash payments of operating activities, financing activities and investing activities have been recognised. Cash and cash equivalents comprise mainly cash balances, money at overnight placements and highly liquid investments that has original maturity of 3 months or less.

3.17 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 Statement of Comprehensive Income.

a) Foreign Currency Activities

Foreign currency activities result mainly from the Authority's holdings of foreign currency assets under its foreign reserves management function. The foreign reserves portfolio comprises foreign currency assets held for investment and settlement purposes. The 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.

4	CASH AND BALANCES WITH BANKS	2015 MVR	2014 MVR
	Foreign currency balances		
	Foreign currency cash in hand	32,990,514	46,564,803
	Balances with other central banks	335,466,187	8,296,933
	Balances with other foreign banks	39,419,869	2,846,642
	Balances with local banks - Related parties	22,009	-
	Money at overnight placements		
	With other central banks (Note 4.1)	1,633,460,000	3,136,980,000
	Investment in fixed deposits with foreign banks (Note 4.2)	6,461,256,000	6,060,057,507
		8,502,614,579	**9,254,745,885**
	Local currency balances		
	Balances with local banks - Related parties	437,500	-
		8,503,052,079	**9,254,745,885**

4.1 Federal Reserve Bank of New York

The Authority invested USD 106,000,000/- (2014: USD 203,700,000/-) in an overnight repurchase agreement with the Federal Reserve Bank of New York at an interest rate of 0.36% per annum (2014: 0.09%).

4.2	Investment in fixed deposits with foreign banks	2015 MVR	2014 MVR
	Fixed deposits with maturity of 3 months or less	3,495,419,000	3,575,906,257
	Fixed deposits with maturity more than 3 months	2,965,837,000	2,484,151,250
		6,461,256,000	**6,060,057,507**

5	IMF RELATED ASSETS	2015 MVR	2014 MVR
	Holding of special drawing rights (Note 5.1)	138,198,610	150,976,187
	IMF quota (Note 5.2)	214,053,000	223,100,000
	Interest receivables	26,050	27,218
		352,277,660	**374,103,405**

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.

5 IMF RELATED ASSETS (CONTINUED)

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

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.

5.2 IMF quota

The International Monetary Fund (IMF) is an international organization of 188 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 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 Maldives. As at 31 December 2015, the IMF Quota of Maldives is SDR 10 million.

6	SUBSCRIPTIONS TO INTERNATIONAL AGENCIES	2015 MVR	2014 MVR
	MOFT promissory notes issued		
	Foreign currency		
	Multilateral Investment Guarantee Agency	833,681	833,140
	Local currency		
	International Bank for Reconstruction and Development	8,264,330	8,264,330
	Asian Development Bank securities	-	245,386
		8,264,330	**8,509,716**
		9,098,011	**9,342,856**

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	2015 MVR	2014 MVR
	Foreign currency		
	Interest receivable	6,036,849	15,688,837
	Receivable from Trading and Investments (Note 7.1)	135,907,286	-
	Currency Repurchase Receivable - Related party (Note 7.2)	84,755,000	-
		226,699,135	**15,688,837**
	Local currency		
	Other receivables	4,053,012	4,053,012
	Less: Allowance for doubtful receivables	(4,053,012)	(4,053,012)
		-	**-**
		226,699,135	**15,688,837**

7.1 These are receivables recorded for foreign exchange management activities with trade date 30 December 2015 and value date in 2016.

7.2 These are receivables recorded under currency swap agreement with Island Aviation Services Limited for USD 5.5 million disbursed on 15 October 2015 with the arrangement to repurchase it in agreed installments.

8	INVESTMENT IN GOVERNMENT BONDS	2015 MVR	2014 MVR
	Balance as at 1 January	6,440,468,919	3,136,576,058
	Purchased during the year (Note 8.1)	-	3,328,248,614
	Settled during the year	(67,493,312)	(24,355,753)
	Balance as at 31 December (Note 8.2)	**6,372,975,607**	**6,440,468,919**
	Interest receivable on Government bonds (Note 8.3)	-	-
		6,372,975,607	**6,440,468,919**

8.1 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 12 August 2013, remaining bonds as at that date 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%. 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 bond 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% per annum. The coupon interest and principle repayment is agreed to be made on a monthly basis.

8.2	Remaining term to maturity	2015 MVR	2014 MVR
	Within one year	68,703,901	67,493,312
	Two to five years	293,260,614	286,294,224
	Six to ten years	408,546,891	398,469,783
	More than ten years	5,602,464,201	5,688,211,600
		6,372,975,607	**6,440,468,919**

8.3 Interest receivable on Government bonds

		2015	2014
Balance as at 1 January		-	-
Interest accrued during the year		153,820,395	79,905,843
Interest settlements made during the year		(153,820,395)	(79,905,843)
Balance as at 31 December		-	-

9	GOLD AND SILVER ASSETS	2015 MVR	2014 MVR
	Gold at fair value (Note 9.1)	25,640,795	28,684,471
	Silver at cost	71,172	71,172
		25,711,967	**28,755,643**

9.1 The Authority holds gold as part of its reserves. Gold is fair valued and the gains or losses are recognised in the Statement of Comprehensive Income.

10	INVENTORIES	2015 MVR	2014 MVR
	Notes for circulation	167,140,396	26,470,275
	Coins for circulation	11,920,658	16,286,008
	Coins held abroad in storage (Note 10.1)	22,679,298	20,509,682
	Commemorative notes and coins	6,169,407	992,931
	Circulating coin sets	133,222	133,667
	Printing in Progress	11,633,236	688,074
	Total inventories at cost	**219,676,217**	**65,080,637**

10.1 MVR 22,679,298/- (2014 - MVR 20,509,682/-) is the cost incurred to mint the coins held abroad at the warehouses of the Minting Company. These coins were minted during 2012 and 2015 and would be brought in due course. No coins were brought to the Authority's premises during the year (Coins with a cost of MVR 5,201,695/- were brought to MMA in 2014).

Notes to the Financial Statements
Year ended 31 December 2015

	11 PROPERTY, PLANT AND EQUIPMENT 11.1 Gross carrying amounts at cost	Freehold land MVR	Buildings on freehold land MVR	Machinery and equipment MVR	Furniture and fittings MVR	Motor vehicles MVR	Computer equipment MVR	2015 Total MVR	2014 Total MVR
	Balance as at 1 January	1,000,000	35,013,721	75,061,978	20,000,833	1,655,236	16,534,678	149,266,446	142,329,891
	Additions during the year	-	-	4,357,886	114,181	-	496,601	4,968,668	8,040,923
	Disposals/ transfers during the year	-	-	(1,904,528)	(166,713)	-	(85,479)	(2,156,720)	(1,104,368)
	Value of depreciable assets	**1,000,000**	**35,013,721**	**77,515,336**	**19,948,301**	**1,655,236**	**16,945,800**	**152,078,394**	**149,266,446**
11.2	**Depreciation**								
	Balance as at 1 January	-	6,988,738	66,662,720	17,158,507	1,056,309	14,941,428	106,807,702	101,368,450
	Charge for the year	-	1,165,467	2,791,221	724,101	249,487	1,020,102	5,950,378	6,541,748
	Disposals/ transfers during the year	-	-	(1,903,563)	(166,713)	-	(85,479)	(2,155,755)	(1,102,496)
	Accumulated depreciation	**-**	**8,154,205**	**67,550,378**	**17,715,895**	**1,305,796**	**15,876,051**	**110,602,325**	**106,807,702**
11.3	**Net book value**	**1,000,000**	**26,859,516**	**9,964,958**	**2,232,406**	**349,440**	**1,069,749**	**41,476,069**	**42,458,744**

11.4 As at 31 December 2015, property, plant and equipment includes fully depreciated assets having a gross carrying amounts of MVR 92,533,138/- (2014 : MVR 92,522,217/-).

11.5 During the financial year, the Authority acquired property, plant and equipment to the aggregate value of MVR 4,968,668/- (2014: MVR 8,040,923/-).

	12 INTANGIBLE ASSETS 12.1 Gross carrying amounts at cost	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	2015 Total MVR	2014 Total MVR
	Balance as at 1 January	8,935,357	18,885,062	22,288,946	38,671,687	11,267,524	155,172	100,203,748	100,047,980
	Cost incurred during the year	-	172,800	-	-	-	80,000	252,800	155,768
	Balance as at 31 December	**8,935,357**	**19,057,862**	**22,288,946**	**38,671,687**	**11,267,524**	**235,172**	**100,456,548**	**100,203,748**
12.2	**Accumulated amortisation/impairment**								
	Balance as at 1 January	6,975,503	9,632,050	9,115,480	38,671,687	1,982,250	42,419	66,419,389	57,488,907
	Charge for the year	1,774,305	2,861,990	3,176,807	-	1,251,947	47,567	9,112,616	8,930,482
	Balance as at 31 December	**8,749,808**	**12,494,040**	**12,292,287**	**38,671,687**	**3,234,197**	**89,986**	**75,532,005**	**66,419,389**
12.3	**Net book value**	**185,549**	**6,563,822**	**9,996,659**	**-**	**8,033,327**	**145,186**	**24,924,543**	**33,784,359**

12 INTANGIBLE ASSETS (CONTINUED)

12.4 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.

12.5 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.

12.6 Projects under work in progress

12.6.1 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 centralise 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 were incurred for "Time & Labour" component of Oracle E-Business suite which was not implemented as at 31 December 2015.

	2015 MVR	2014 MVR
Balance as at 1 January	**157,287**	**157,287**
Cost incurred during the year	-	-
Balance as at 31 December	**157,287**	**157,287**

12.6.2 Secured Transaction Registry (STR)

The Authority has been working on the development of a Secured Transaction 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.

	2015 MVR	2014 MVR
Balance as at 1 January	**1,199,171**	**538,650**
Cost incurred during the year	438,918	660,521
Balance as at 31 December	**1,638,089**	**1,199,171**

13 OTHER ASSETS

	2015 MVR	2014 MVR
Prepayments and receivables	2,724,168	2,466,193
	2,724,168	**2,466,193**

14 BALANCES OF COMMERCIAL BANKS

Foreign currency balances		
Related parties	620,022,326	1,235,794,874
Others	4,516,821,585	5,629,962,110
	5,136,843,911	**6,865,756,984**
Local currency balances		
Related parties	1,052,416,588	1,260,946,978
Others	863,032,003	1,275,118,123
	1,915,448,591	**2,536,065,101**
Overnight placement deposits		
Related parties	2,400,000,000	1,400,000,000
Others	961,000,000	297,000,000
	3,361,000,000	**1,697,000,000**
Total balances of commercial banks	**10,413,292,502**	**11,098,822,085**

14.1 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.

14.2 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 2015 and 31 December 2014, the interest rate on overnight deposits of commercial banks at MMA was 1.5% per annum.

15 BALANCES OF GOVERNMENT AND GOVERNMENT INSTITUTIONS

Related parties	2015 MVR	2014 MVR
Foreign currency deposits:		
MOFT and Government institutions	181,046,050	105,928,645
Local currency deposits:		
MOFT and Government institutions	533,747,141	867,364,783
Public enterprises	1,091,157	1,054,198
	534,838,298	**868,418,981**
Total balances of Government and Government institutions	**715,884,348**	**974,347,626**

16 PAYABLE TO ASIAN CLEARING UNION

ACU dollar balances	151,326,200	103,180,000
ACU euro balances	4,209,000	-
Accrued interest	24,569	2,962
	155,559,769	**103,182,962**

16 PAYABLE TO ASIAN CLEARING UNION (CONTINUED)

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 0.02% to 0.23% in 2015. Above balance represents the amounts due to ACU as at the reporting date.

17 IMF RELATED LIABILITIES

	2015 MVR	2014 MVR
IMF Securities Account (Note 17.1)	166,099,927	184,554,054
IMF No. 1 Account (Note 17.2)	5,053,749	5,267,346
IMF No. 2 Account (Note 17.3)	6,315	6,581
Allocation of SDR (Note 17.4)	164,630,474	171,588,619
Exogenous shock facility (Note 17.5)	37,298,735	45,735,500
Charges payable on SDR allocation (Note 17.6)	13,784	14,412
Charges payable on IMF SBAL (Note 17.6)	-	39,801
	373,102,984	**407,206,313**

17.1 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 31 December 2015 by IMF.

During March 2013, MMA started the repayments for the total disbursement of SDR 8.2m received under the IMF standby arrangement. Repayments under IMF standby arrangement were completed on 31 March 2015.

17 IMF RELATED LIABILITIES (CONTINUED)

17.1 IMF Securities Account (Continued)

	2015 MVR	2014 MVR
Balance as at 1 January	184,554,054	294,604,472
Promissory notes redeemed during the year	(11,125,197)	(95,481,011)
Exchange rate effect on IMF Securities account	(7,328,930)	(14,569,407)
Balance as at 31 December	**166,099,927**	**184,554,054**

17.2 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.

17.3 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.

17.4 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.

17.5 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.

17 IMF RELATED LIABILITIES (CONTINUED)

17.5 Exogenous Shock Facility (Continued)

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

Non-current	Interest rate	Maturity date	2015 MVR	2014 MVR
Exogenous Shock Facility	0.25%	1 April 2020	37,298,735	45,735,500

17.6 Charges payable on SDR allocation and IMF Standby Arrangement

The Fund levies a service charge of 0.5 percent (50 basis points) on each purchase, except for reserve tranche purchases, payable in SDR's 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 SDR's 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 IMF financial year as the SDR interest rate plus a fixed margin expressed in basis points.

18 INTEREST BEARING LOANS

The MOFT	MIPS MVR	MCIB MVR	Total 2015 MVR	Total 2014 MVR
Balance as at 1 January	**84,025,442**	**10,299,768**	**94,325,210**	**104,331,222**
Received during the year	-	-	-	-
Refunded during the year	-	-	-	(3,669,700)
Effects of exchange rates	(3,409,294)	(417,669)	(3,826,963)	(6,336,312)
Balance as at 31 December	**80,616,148**	**9,882,099**	**90,498,247**	**94,325,210**

18.1 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 153,668 (USD 238,138) was refunded. As at the reporting date, the loan amount outstanding is SDR 3,766,177/-.

Total loan amount	SDR 3,766,177	
Interest rate	0.75%	
Repayment Dates	15 March and 15 September each year	
Annual Repayment	From 15/09/2018 to 15/03/2028	SDR 75,324/-
	From 15/09/2028 to 15/03/2048	SDR 150,647/-

18.2 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.

19 CURRENCY IN CIRCULATION

19.1 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		**2015 MVR**	**2014 MVR**
Coins:			
1	Laari	60,231	58,389
2	Laari	49,682	49,682
5	Laari	408,075	399,394
10	Laari	601,064	584,088
25	Laari	2,949,558	2,717,131
50	Laari	6,561,756	6,018,736
1	Rufiyaa	28,362,528	25,090,227
2	Rufiyaa	24,507,858	23,409,564
Damaged coins		(2,455)	(2,455)
		63,498,297	**58,324,756**
Notes:			
2	Rufiyaa	1,628,340	1,628,340
5	Rufiyaa	23,029,720	21,177,100
10	Rufiyaa	28,643,860	29,773,470
20	Rufiyaa	36,474,460	33,619,040
50	Rufiyaa	47,063,750	44,200,450
100	Rufiyaa	238,503,700	217,079,400
500	Rufiyaa	2,781,843,000	2,693,629,000
		3,157,186,830	**3,041,106,800**
		3,220,685,127	**3,099,431,556**

19.2 Currency in circulation is increased by the Authority's holding of Rufiyaa coins and notes outstanding amounting to MVR 226,686,251/- and MVR 371,454,597/- as at 31 December 2015 and 2014, respectively. These amounts are deducted from the total currency in circulation to arrive the above amounts.

20 BALANCES OF INSURANCE COMPANIES	**2015 MVR**	**2014 MVR**
Related parties	4,000,000	4,000,000
Others	5,395,934	6,000,000
	9,395,934	**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.

21	DEPOSITS OF INTERNATIONAL FINANCIAL INSTITUTIONS	2015 MVR	2014 MVR
	Foreign currency deposits:		
	Multilateral Investment Guarantee Agency	833,681	833,140
		833,681	**833,140**
	Local currency deposits:		
	International Development Association	338,179	338,179
	International Bank		
	for Reconstruction and Development	8,339,689	8,339,689
	Asian Development Bank	1,434,362	1,189,931
	Multilateral Investment Guarantee Agency	172,444	172,444
		10,284,674	**10,040,243**

21.1 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.

22 OTHER LIABILITIES

22.1	Foreign currency other liabilities	2015 MVR	2014 MVR
	Accrued charges and other payables	71,691,040	3,471,632
	Payable for banknotes	103,287,732	-
	Payable from Trading and Investments	135,867,942	-
	Bank of Credit and Commerce International (BCCI)	15,097,671	15,087,873
	Commercial banks human resource development deposits	798,933	798,414
	Other deposits	299,548	299,354
		327,042,866	**19,657,273**

22.2	Local currency other liabilities	2015 MVR	2014 MVR
	Accrued charges and other payables	2,360,006	2,464,811
	Government Contribution to IMF Quota (Note 21.3)	33,381,644	33,381,644
	1/5 of foreign asset revaluation reserve -		
	payable to the Government	-	212,416,113
	Sundry creditors	-	10,310,000
	Commercial banks human resource development deposits	2,666,061	3,483,925
	Bank of Credit and Commerce International (BCCI)	2,528,341	2,528,341
	Currency Repurchase Payable - Related party	84,810,000	-
		125,746,052	**264,584,834**

22 OTHER LIABILITIES (CONTINUED)

22.3 Government's contribution to IMF quota

As at 31 December 2015, 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.

23 DEFERRED GRANTS

23.1 The Authority has undertaken the Maldives Interoperable Payment System project. Consultative Group to Assist the Poor (CGAP) has granted USD 698,708/- for the project and the Authority recognised the assets acquired for the project with the corresponding credit recognised as deferred revenue. During the year 2011 unutilised grant amount of USD 33,944/- was returned to CGAP. The remaining balance has been converted to Rufiyaa and is apportioned to the cost of the 4 components of MIPS. As SWITCH and MPS are impaired fully, the grant value apportioned to these two components are fully charged to the Statement of comprehensive income. Grant value apportioned to ACH and RTGS are deferred over the useful life of each component and charged to the Statement of comprehensive income on a monthly basis.

23.2 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.

23.3 The Authority has received a grant for the development of the Secured Transaction Registry (STR) 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 2015, USD 114,376/- has been disbursed in the form of payments to a legal consultant and an operational consultant. Up to 31 December 2015, the grant disbursed for the operational consultant of the Credit Bureau, amounts to USD 42,891/- which has been recognised in the Statement of comprehensive income as an income grant.

23.4 The Authority has received special number notes of Randhihafaheh notes free of charge from De La Rue during the year amounting MVR 247,530/-. The special number notes received under this grant has been recognised as inventory in the books and the corresponding deferred revenue grant will be transferred to the Statement of comprehensive income when the notes are issued.

23.5 The movement of deferred grants	**2015 MVR**	**2014 MVR**
Balance as at 1 January	**3,206,657**	**3,369,659**
Grants received during the year	906,050	1,099,581
Recognised in the statement of comprehensive income	(905,415)	(1,262,583)
Balance as at 31 December	**3,207,292**	**3,206,657**

24 PENSION AND OTHER EMPLOYMENT BENEFITS PAYABLE

	2015 MVR	2014 MVR
Pre- Maldives Pension Act 8/2009 Pensions (Note 24.1)		
Opening balances	4,257,815	4,011,095
Less: Payments during the year	(531,550)	(531,550)
Add: Winding of interest	1,676,577	778,270
Present value of pension obligation	**5,402,842**	**4,257,815**
Employee and employer pension contribution payable	407,126	410,560
Balance as at 31 December	**5,809,968**	**4,668,375**

24.1 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:

	2015 MVR	2014 MVR
Nominal value of the benefit obligation	7,571,253	8,102,803
Present value of the benefit obligation	5,402,842	4,257,815
Unrecognised interest component	2,168,411	3,844,988
Discount rate: 364 day Treasury bill rates	4.60%	9.00%
Number of employees in the scheme	11	11
Average remaining years of service	13.55	14.55
Retirement age	65	65

25 EQUITY AND RESERVES

25.1 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;

25.2 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.

After the third amendment to the MMA Act 1981 which became effective from 17 August 2015, the Act now states that once the General Reserve is equal to twice the amount to the authorised capital, the Authority shall credit to the General Reserve such amount determined by the Board of Directors of MMA.

25.3 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.

Prior to the third amendment to MMA Act which became effective from 17 August 2015, an amount of MVR 212,416,113/- was accumulated as a payable to Government which consists of 1/5th of FARR balance for the years 2008 to 2014. With the third amendment to MMA Act, the 1/5th of FARR which was previously accrued as a payable to the Government was reversed into FARR during September 2015.

26 FOREIGN CURRENCY INCOME AND EXPENSES

26.1 Interest income on foreign currency financial assets

	2015 MVR	2014 MVR
Interest on overnight placements	3,733,765	2,741,528
Receipts on SDR holdings	90,501	183,041
Interest on short term deposits	-	9,853
Interest on fixed deposit	50,569,262	21,364,103
	54,393,528	**24,298,525**

26.2 Interest expense on foreign currency financial liabilities

Charges on Stand-By Agreement	40,067	746,319
Interest on reserve deposits	256,144	283,307
Charges on SDR allocations	85,821	155,329
	382,032	**1,184,955**

27 LOCAL CURRENCY INCOME AND EXPENSES

27.1 Interest income on local currency financial assets

	2015 MVR	2014 MVR
Interest on Government bonds	153,820,395	79,905,843
Interest on loans to Government institutions	-	60,790,066
Interest on reserve deposits	20,458	25,008
Discounts on treasury bills	-	10,228,949
Interest on lombard facility	-	75,945
	153,840,853	**151,025,811**

27.2 Interest expenses on local currency financial liabilities

	2015 MVR	2014 MVR
Interest on reserve deposits	16,285,574	18,628,667
Interest on open market operations	-	21,384,137
Interest on overnight deposit facility	37,461,000	26,353,931
Interest on security deposits of insurance companies	97,262	99,995
	53,843,836	**66,466,730**

28 OTHER INCOME

	2015 MVR	2014 MVR
Commissions received	12,715,903	11,002,256
Bank charges received	906,891	718,028
Annual license fees from financial institutions	896,500	745,000
Miscellaneous earnings	12,597,811	2,876,830
Profit on sale of commemorative note	3,834,951	-
	30,952,056	**15,342,114**

29	PERSONNEL EXPENSES	2015 MVR	2014 MVR
	Salaries and wages	43,741,892	41,390,219
	Defined contribution costs	2,409,993	2,413,417
	Remuneration to the board members	444,000	821,068
		46,595,885	44,624,704

30	ADMINISTRATION EXPENSES	2015 MVR	2014 MVR
	Board and Shariah council other expenses	-	105,253
	Staff expenses	2,734,998	1,719,238
	Staff development expenses	2,169,758	3,494,793
	Meetings and hospitality expenses	363,855	154,868
	Expert expenses	68,141	743,132
	Audit fees	690,765	930,790
	Memberships, subscriptions and reference materials	572,852	1,398,391
	Software license renewal and maintenance	7,897,676	5,576,331
	Development activities and project expenses	969,548	1,682,266
	Other administrative expenses	5,390,348	1,474,939
	Transportation	32,795	24,480
	Utility charges	4,370,268	5,531,042
	Communication	1,634,864	1,919,238
	Insurance	403,295	518,551
	Maintenance	1,826,353	3,145,149
	Payment charges	770,550	370,317
	Charges on import of banknotes	1,399,624	653,903
	Rebate expenses on USD withdrawals	881,000	370,500
	Issuing notes and coins	12,476,712	8,787,605
		44,653,402	38,600,786

31 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 24,317,045/- to the Government in respect of profit for the year ended 31 December 2014.

32 RECONCILIATION OF NET PROFIT WITH OPERATING CASH FLOWS

	2015 MVR	2014 MVR
Total comprehensive loss	**(36,977,342)**	**(163,322,460)**
Add / (subtract) non-cash items		
Depreciation, amortisation and impairment	15,062,994	15,472,230
Revaluation loss on gold	3,043,676	447,714
Revaluation loss on foreign exchange	135,387,975	187,191,791
Add / (subtract) movements in other working capital items		
(Increase) / decrease in interest receivable	9,146,312	(2,814,927)
(Increase) / decrease in other receivables	(499,673)	(751,970)
Increase / (decrease) in interest payable	119,214	(606,639)
Increase / (decrease) in other payables	(58,348,334)	7,699,023
Net Cash Flow from Operating Activities	**66,934,822**	**43,314,762**

33 CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS

	2015 MVR	2014 MVR
Foreign currency cash in hand	32,990,514	46,564,803
Balances with foreign banks	374,886,056	11,143,575
Balances with local banks	459,509	-
Money at overnight placements	1,633,460,000	3,136,980,000
Investment in fixed deposits -		
- with maturities of 3 months or less	3,495,419,000	3,575,906,257
	5,537,215,079	**6,770,594,635**

34 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 2015 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.

35 CONCENTRATIONS OF FUNDING

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

As at 31 December 2015	2015 Total MVR	Government of Maldives MVR	Commercial banks MVR	Supranational financial institutions MVR	Others MVR
Foreign currency financial liabilities					
Balances of commercial banks	5,136,843,911	-	5,136,843,911	-	-
Balances of Government and Government institutions	181,046,050	181,046,050	-	-	-
Payable to Asian Clearing Union	155,559,769	-	-	155,559,769	-
IMF related liabilities	373,102,984	-	-	373,102,984	-
Interest bearing loans	90,498,247	90,498,247	-	-	-
Deposits of international financial institutions	833,681	-	-	833,681	-
Other liabilities	327,042,866	70,464,502	136,668,271	-	119,910,093
Total foreign currency financial liabilities	**6,264,927,508**	**342,008,799**	**5,273,512,182**	**529,496,434**	**119,910,093**
Local currency financial liabilities					
Balances of commercial banks	5,276,448,591	-	5,276,448,591	-	-
Balances of Government and Government institutions	534,838,298	534,838,298	-	-	-
Balances of insurance companies	9,395,934	-	-	-	9,395,934
Deposits of international financial institutions	10,284,674	-	-	10,284,674	-
Other liabilities	125,746,052	33,558,814	2,944,467	-	89,242,771
Currency in circulation	3,220,685,127	-	-	-	3,220,685,127
Total local currency financial liabilities	**9,177,398,676**	**568,397,112**	**5,279,393,058**	**10,284,674**	**3,319,323,832**
Total financial liabilities	**15,442,326,184**	**910,405,911**	**10,552,905,240**	**539,781,108**	**3,439,233,925**
Other liabilities					
Deferred grant	3,207,292	-	-	-	3,207,292
Pension and other employment benefit payables	5,809,968	-	-	-	5,809,968
	9,017,260	-	-	-	**9,017,260**
Total Liabilities	**15,451,343,444**	**910,405,911**	**10,552,905,240**	**539,781,108**	**3,448,251,185**

35 **CONCENTRATIONS OF FUNDING (CONTINUED)**

Comparative figures as at 31 December 2014 are 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	-	-	-
Currency in circulation	3,099,431,556	-	-	-	3,099,431,556
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	3,623,404	-	4,634,339
Total local currency financial liabilities	**8,485,540,715**	**1,124,746,072**	**4,236,688,505**	**10,040,243**	**3,114,065,895**
Total financial liabilities	**16,082,431,242**	**1,328,709,690**	**11,103,246,067**	**521,262,658**	**3,129,212,827**
Other liabilities					
Deferred grant	3,206,657	-	-	-	3,206,657
Pension and other employment benefit payables	4,668,375	-	-	-	4,668,375
	7,875,032	**-**	**-**	**-**	**7,875,032**
Total Liabilities	**16,090,306,274**	**1,328,709,690**	**11,103,246,067**	**521,262,658**	**3,137,087,859**

36 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 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.

36.1 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.

	2015 MVR	2014 MVR
Maldives	6,458,190,116	6,440,468,919
United Arab Emirates	2,633,913,619	1,871,666,503
United States of America	1,637,487,890	3,141,177,427
Qatar	1,634,630,749	714,924,651
Germany	1,248,958,355	521,258,016
Japan	633,246,273	916,377,804
France	491,862,882	710,950,277
Supranational financial institutions	361,375,671	383,446,261
Australia	328,834,733	2,167,587
Great Britain	1,414,574	1,143,322
Singapore	1,197,116	409,396,730
Netherlands	-	934,807,602
Total financial assets (except foreign cash in hand)	**15,431,111,978**	**16,047,785,099**

36 RISK MANAGEMENT (CONTINUED)

36.2 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.

36.3 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. Refer to interest rate risk (Note 36.5) for the undiscounted maturity period for financial assets and financial liabilities.

36.4 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.

36.5 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.

	2015 MVR	2014 MVR
Potential loss of interest income	**2,455,362**	**3,622,929**

36.5 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 %	2015 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	No fixed maturity MVR
Interest sensitive foreign currency financial assets								
Cash and balances with banks	0.51%	1,963,907,668	1,963,907,668	-	-	-	-	-
IMF related assets	0.05%	138,198,610	138,198,610	-	-	-	-	-
Total interest sensitive foreign currency financial assets		**2,102,106,278**	**2,102,106,278**	-	-	-	-	-
Non-interest sensitive foreign currency financial assets								
Cash and balances with banks	0.86%	6,538,706,911	6,538,706,911	-	-	-	-	-
IMF related assets		214,079,050	26,050	-	-	-	-	214,053,000
Subscriptions to international agencies		833,681	-	-	-	-	-	833,681
Interest and other receivables		226,699,135	226,699,135	-	-	-	-	-
Total non-interest sensitive foreign currency financial assets		**6,980,318,777**	**6,765,432,096**	-	-	-	-	**214,886,681**
Total foreign currency financial assets		**9,082,425,055**	**8,867,538,374**	-	-	-	-	**214,886,681**
Interest sensitive foreign currency financial liabilities								
IMF related liabilities	0.09%	201,929,209	4,388,087	4,388,087	8,776,173	19,746,388	-	164,630,474
Payables to Asian Clearing Union	0.23%	151,326,200	151,326,200	-	-	-	-	-
Total interest sensitive foreign currency financial liabilities		**353,255,409**	**155,714,287**	**4,388,087**	**8,776,173**	**19,746,388**	-	**164,630,474**
Non-interest sensitive foreign currency financial liabilities								
Balances of commercial banks	0.01%	5,136,843,911	5,136,843,911	-	-	-	-	-
Balances of Government and Government institutions		181,046,050	181,046,050	-	-	-	-	-
Payable to Asian Clearing Union		4,233,569	4,233,569	-	-	-	-	-
IMF related liabilities		171,173,775	5,073,848	-	-	-	-	166,099,927
Interest bearing loans	0.8%	90,498,247	-	205,877	411,754	5,266,069	84,614,547	-
Deposits by international financial institutions		833,681	-	-	-	-	-	833,681
Other liabilities		327,042,866	208,657,463	27,351,731	27,351,731	48,584,270	-	15,097,671
Total non-interest sensitive foreign currency financial liabilities		**5,911,672,099**	**5,535,854,841**	**27,557,608**	**27,763,485**	**53,850,339**	**84,614,547**	**182,031,279**
Total foreign currency financial liabilities		**6,264,927,508**	**5,691,569,128**	**31,945,695**	**36,539,658**	**73,596,727**	**84,614,547**	**346,661,753**
Foreign currency interest rate sensitivity gap		**1,748,850,869**	**1,946,391,991**	**(4,388,087)**	**(8,776,173)**	**(19,746,388)**	-	**(164,630,474)**

36.5 Interest rate risk (Continued)

Local currency interest rate sensitivity gap:	Weighted Ave. Int. Rate %	2015 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	No fixed maturity MVR
Non-interest sensitive local currency financial assets								
Cash and balances with banks		437,500	437,500	-	-	-	-	-
Subscriptions to international agencies		8,264,330	-	-	-	-	-	8,264,330
Interest and other receivables		-						
Investment in Government bonds	2.40%	6,372,975,607	40,085,519	28,618,382	70,798,240	222,462,374	6,011,011,092	-
Investment in Government treasury bills								
Total non-interest sensitive local currency financial assets		**6,381,677,437**	**40,523,019**	**28,618,382**	**70,798,240**	**222,462,374**	**6,011,011,092**	**8,264,330**
Total local currency financial assets		**6,381,677,437**	**40,523,019**	**28,618,382**	**70,798,240**	**222,462,374**	**6,011,011,092**	**8,264,330**
Interest sensitive local currency financial liabilities								
Securities sold under agreement to repurchase								
Total interest sensitive local currency financial liabilities		-	-	-	-	-	-	-
Non-interest sensitive local currency financial liabilities								
Balances of commercial banks	1.3%	5,276,448,591	5,276,448,591	-	-	-	-	-
Balances of Government and Government institutions		534,838,298	534,838,298	-	-	-	-	-
Currency in circulation		3,220,685,127	-	-	-	-	-	3,220,685,127
Balances of insurance companies	1.0%	9,395,934	-	-	-	-	-	9,395,934
Deposits by international financial institutions		10,284,674	-	-	-	-	-	10,284,674
Other liabilities		125,746,052	44,288,385	42,405,000	-	-	-	39,052,667
Total non-interest sensitive local currency financial liabilities		**9,177,398,676**	**5,855,575,274**	**42,405,000**	**-**	**-**	**-**	**3,279,418,402**
Total local currency financial liabilities		**9,177,398,676**	**5,855,575,274**	**42,405,000**	**-**	**-**	**-**	**3,279,418,402**
Local currency interest rate sensitivity gap		**-**	**-**	**-**	**-**	**-**	**-**	**-**

36.5 **Interest rate risk (Continued)**

Comparative figures as at 31 December 2014 were as follows.

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	No fixed maturity 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	-	-	-	-	223,100,000
Subscriptions to international agencies		833,140	-	-	-	-	-	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**	**-**	**-**	**-**	**-**	**223,933,140**
Total foreign currency financial assets		**9,645,371,267**	**9,421,438,127**	**-**	**-**	**-**	**-**	**223,933,140**
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	-	171,588,619
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**	**-**	**171,588,619**
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	-	-	-	-	173,120,179
Interest bearing loans	0.78%	94,325,210	-	-	214,578	3,808,234	90,302,398	-
Deposits by international financial institutions		833,140	-	-	-	-	-	833,140
Other liabilities		19,657,273	4,569,400	-	-	-	-	15,087,873
Total non-interest sensitive foreign currency financial liabilities		**7,264,952,533**	**6,981,586,131**	**-**	**214,578**	**3,808,234**	**90,302,398**	**189,041,192**
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**	**360,629,811**
Foreign currency interest rate sensitivity gap		**2,959,052,629**	**3,174,089,973**	**(4,573,550)**	**(18,294,200)**	**(20,580,975)**	**-**	**(171,588,619)**

36.5 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	No fixed maturity 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	-	-	-	-	-	8,509,716
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	-
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**	**8,509,716**
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**	**8,509,716**
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	1.2%	4,233,065,101	4,233,065,101	-	-	-	-	-
Balances of Government and Government institutions		868,418,981	868,418,981	-	-	-	-	-
Currency in circulation		3,099,431,556	-	-	-	-	-	3,099,431,556
Balances of insurance companies	1.0%	10,000,000	-	-	-	-	-	10,000,000
Deposits by international financial institutions		10,040,243	-	-	-	-	-	10,040,243
Other liabilities		264,584,834	1,988,190	-	-	-	-	262,596,644
Total non-interest sensitive local currency financial liabilities		**8,485,540,715**	**5,103,472,272**	-	-	-	-	**3,382,068,443**
Total local currency financial liabilities		**8,485,540,715**	**5,103,472,272**	-	-	-	-	**3,382,068,443**
Local currency interest rate sensitivity gap		-	-	-	-	-	-	-

36.6 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 monetary policy. Foreign exchange reserves risk management concerns balancing many objectives and issues, from broad macro-economic policy objectives, such as monetary policy and foreign exchange management. Foreign currency activities result mainly from the Authority's holding of foreign currency assets which are managed by the Reserve Management and Market Operations Division of the Authority. Volatility of the foreign exchange markets may expose the Authority to exchange rate risk.

Net exposure to foreign currencies
As at 31 December 2015, the Authority's net exposure to major currencies was as follows.

	Currency of denomination						
As at 31 December 2015	US Dollars MVR	Euro MVR	Singapore Dollars MVR	Sterling Pound MVR	SDR MVR	Australian Dollars MVR	Total MVR
Foreign currency financial assets							
Cash and balances with banks	6,886,419,433	39,774,171	5,761	686,565,481	-	889,849,733	8,502,614,579
IMF related assets	-	-	-	-	352,277,660	-	352,277,660
Subscriptions to international agencies	833,681	-	-	-	-	-	833,681
Other receivables	168,581,971	33,672,000	-	24,011,802	-	433,362	226,699,135
Total foreign currency financial assets	**7,055,835,085**	**73,446,171**	**5,761**	**710,577,283**	**352,277,660**	**890,283,095**	**9,082,425,055**
Proportion	**77.69%**	**0.81%**	**0.00%**	**7.82%**	**3.88%**	**9.80%**	**100.0%**
Foreign currency financial liabilities							
Balances of commercial banks	5,136,843,911	-	-	-	-	-	5,136,843,911
Balances of Government and Government institutions	181,046,050	-	-	-	-	-	181,046,050
Payable to Asian Clearing Union	151,350,769	4,209,000	-	-	-	-	155,559,769
IMF related liabilities	-	-	-	-	373,102,984	-	373,102,984
Interest bearing loans	-	-	-	-	90,498,247	-	90,498,247
Deposits of international financial institutions	833,681	-	-	-	-	-	833,681
Other liabilities	144,343,283	33,675,224	-	149,021,992	-	2,367	327,042,866
Total foreign currency financial liabilities	**5,614,417,694**	**37,884,224**	**-**	**149,021,992**	**463,601,231**	**2,367**	**6,264,927,508**
Proportion	**89.62%**	**0.60%**	**0.00%**	**2.38%**	**7.40%**	**0.00%**	**100.0%**
Net foreign currency exposure	**1,441,417,391**	**35,561,947**	**5,761**	**561,555,291**	**(111,323,571)**	**890,280,728**	**2,817,497,547**

36.6 Foreign currency risk (Continued)

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

	Currency of Denomination						
	US Dollars	**Euro**	**Singapore Dollars**	**Sterling Pound**	**SDR**	**Australian Dollars**	**Total**
As at 31 December 2014	**MVR**	**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	9,254,745,885
IMF related assets	-	-	-	-	374,103,405	-	374,103,405
Subscriptions to international agencies	833,140	-	-	-	-	-	833,140
Other receivables	975,645	6,594	-	1,429,465	-	13,277,133	15,688,837
Total foreign currency financial assets	**7,243,327,916**	**12,104,410**	**414,418**	**623,637,387**	**374,103,405**	**1,391,783,731**	**9,645,371,267**
Proportion	**75.09%**	**0.13%**	**0.00%**	**6.47%**	**3.88%**	**14.43%**	**100.0%**
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	19,650,991	1,063	-	2,767	-	2,452	19,657,273
Total foreign currency financial liabilities	**7,095,352,722**	**1,063**	**-**	**2,767**	**501,531,523**	**2,452**	**7,596,890,527**
Proportion	**93.40%**	**0.00%**	**0.00%**	**0.00%**	**6.60%**	**0.00%**	**100.0%**
Net foreign currency exposure	**147,975,194**	**12,103,347**	**414,418**	**623,634,620**	**(127,428,118)**	**1,391,781,279**	**2,048,480,740**

36.7 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 to banks and to the Government. Furthermore, advances provided to commercial banks are backed by Government securities.

36.7 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 & 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	2015 MVR	%	2014 MVR	%
Cash and balances with banks					
Foreign Central Banks*	A-1+	1,968,926,187	21.76%	3,145,276,933	32.77%
Foreign banks and financial institutions	A-1+	953,966,116	10.54%	1,342,239,004	13.98%
	A-1	4,300,343,000	47.52%	4,204,044,000	43.80%
	A-2	1,246,305,236	13.77%	516,530,578	5.38%
	A-3	-	0.00%	26,257	0.00%
	F2	61,517	0.00%	64,310	0.00%
Local banks	NR	22,009	0.00%	-	0.00%
Other foreign currency financial assets					
Foreign Central Banks*	A-1+	362,428	0.00%	16,931	0.00%
Foreign Banks and financial institutions	A-1+	85,777,214	0.95%	465,298	0.00%
	A-1	54,764,309	0.61%	11,349,008	0.12%
	A-2	1,040,184	0.01%	3,857,600	0.04%
Supranational financial institutions	NR	352,277,660	3.89%	374,103,405	3.90%
State owned entities	NR	84,755,000	0.94%	-	0.00%
Government of Maldives and Government Institutions	NR	833,681	0.01%	833,140	0.01%
Total foreign currency financial assets		**9,049,434,541**	**100%**	**9,598,806,464**	**100%**
Local currency financial assets					
Local banks	NR	437,500	0.01%	-	0.00%
Government of Maldives and Government Institutions	NR	6,381,239,937	99.99%	6,448,978,635	100.00%
Total local currency financial assets		**6,381,677,437**	**100%**	**6,448,978,635**	**100%**
Total financial assets (except foreign cash in hand)		**15,431,111,978**		**16,047,785,099**	

* As the central banks do not have credit ratings, the sovereign credit ratings were applied for the respective countries.
* NR - No Rating.

36.7 Credit risk (Continued)

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.

	2015 MVR	2014 MVR
Government of Maldives and Government institutions	6,382,073,618	6,449,811,775
Foreign Central Banks	1,969,288,615	3,145,293,864
Supranational financial institutions	352,277,660	374,103,405
Foreign banks and financial institutions	6,642,257,576	6,078,576,055
State owned entities	84,755,000	-
Local banks	459,509	-
Total financial assets	**15,431,111,978**	**16,047,785,099**

37 RELATED PARTIES TRANSACTION DISCLOSURES

37.1 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:

	2015 MVR	2014 MVR
Profit re-appropriation to the Government (Note 31)	24,317,045	266,408,122
1/5 of foreign asset revaluation reserve payable to the Government	-	907,154
Gross foreign exchange transactions during the year		
- Sales	6,762,914,672	7,108,547,045
- Purchases	9,965,009,336	9,253,902,685

b) 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 Authority's income and thus paid out as dividend to the Government.

	2015 MVR	2014 MVR
Interest income earned from related parties (Note c)	153,820,395	150,924,858
Goods and Services Tax paid (Note d)	232,899	-
Finance charges paid	768,722	1,040,569
Charges and commissions earned from related parties	13,377,729	10,971,787
Gross value of goods and services obtained	6,349,118	6,965,620

37 RELATED PARTIES TRANSACTION DISCLOSURES (CONTINUED)

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

	2015 MVR	2014 MVR
Investment in Government bonds (Note 8)	6,372,975,607	6,440,468,919
Currency Repurchase Receivable (Note 7)	84,755,000	-
	6,457,730,607	**6,440,468,919**
Government deposits with the Authority (Note 15)	714,793,191	973,293,428
State Owned Enterprises deposits with the Authority (Note 15)	1,091,157	1,054,198
Security deposits held by insurance companies (Note 19)	4,000,000	4,000,000
Currency Repurchase Payable (Note 21)	84,810,000	-
	804,694,348	**978,347,626**

d) The Authority registered to pay Goods and Services Tax (GST) to Maldives Inland Revenue Authority (MIRA) on 23 July 2015 and the Authority paid 6% Goods and Services Tax to MIRA on the revenue earned from GST payable activities.

e) 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. The Government of Maldives as a related party has a significant shareholding in Bank of Maldives Plc. Please refer to Note 4 and Note 15 for the gross outstanding balances as at 31 December.

f) Empowered by the article 4 (c) of the MMA Act, the Banking Supervision 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.

g) 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 19)

h) 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.

i) The Authority, in carrying out the normal operations, enters into transactions to obtain various goods and services with Government entities or entities in which the Government has significant influence or control (Refer Note 37.1 (b)).

j) The Authority did not provide any guarantee over any of the borrowings of a related party during the year ending 31 December 2015.

37 RELATED PARTIES TRANSACTION DISCLOSURES (CONTINUED)

37.2 Transactions with key managerial personnel (present and former)

Key Managerial Personnel of the Authority are the members of the Executive Committee and Board of Directors that includes Governor, Deputy Governor and other members of the Board. Particulars of transactions with key managerial personnel were as follows:

	2015 MVR	2014 MVR
Compensation to the key management personnel	3,726,427	2,998,354

38 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.

39 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

39.1 Guarantees

The Authority 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 31 December 2015.

39.2 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.

39.3 Legal claims

There are no ongoing legal proceedings against the Authority as of 31 December 2015.

39.4 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.

40 EVENTS OCCURRING SUBSEQUENT TO REPORTING DATE

40.1 Quota of the Maldives to the International Monetary Fund (IMF) was increased from SDR 10 million to SDR 21.2 million on 22 February 2016 as per the IMF Resolution No: 66-2 under the 14th General Review. The increase in quota of SDR 11.2 million has been fully paid on 22 February 2016 by Ministry of Finance and Treasury.

There have been no material events, other than that discussed in note 40.1 above, occurring after the reporting date that require adjustments to or disclosure in the financial statements.

STATISTICAL APPENDIX

Table 1: Gross Domestic Product, 2011–2015 1/

(millions of rufiyaa at constant prices)

	2011	2012	2013	2014	2015
Gross domestic product (at market prices)	**22,791.9**	**23,361.4**	**24,458.9**	**26,043.7**	**26,438.3**
Gross domestic product (at basic prices)	**20,351.0**	**20,622.3**	**21,490.2**	**22,748.1**	**23,416.7**
o/w Agriculture and mining	361.2	363.2	372.0	376.2	375.9
Fisheries	321.0	318.8	345.0	341.9	320.6
Manufacturing	780.1	802.5	750.2	757.1	792.0
Electricity and water supply	633.5	657.2	691.1	745.8	870.3
Construction	1,694.3	1,673.6	1,454.8	1,765.7	2,470.0
Wholesale and retail trade	850.1	909.7	1,013.4	1,095.6	1,111.3
Tourism	5,824.6	5,820.6	6,346.1	6,601.0	6,254.4
Transport	1,926.9	1,902.6	1,981.9	2,124.5	2,242.3
Communication	1,954.2	2,045.3	2,254.4	2,447.3	2,405.8
Real estate	1,596.9	1,617.3	1,678.6	1,749.5	1,805.7
Government administration	2,279.0	2,345.1	2,441.5	2,546.3	2,516.6
			(annual percentage change)		
Gross domestic product (at market prices)	**8.7**	**2.5**	**4.7**	**6.5**	**1.5**
o/w Agriculture and mining	3.0	0.5	2.4	1.2	(0.1)
Fisheries	(1.1)	(0.7)	8.2	(0.9)	(6.2)
Manufacturing	2.8	2.9	(6.5)	0.9	4.6
Electricity and water supply	7.6	3.7	5.2	7.9	16.7
Construction	19.0	(1.2)	(13.1)	21.4	39.9
Wholesale and retail trade	10.4	7.0	11.4	8.1	1.4
Tourism	9.2	(0.1)	9.0	4.0	(5.3)
Transport	7.0	(1.3)	4.2	7.2	5.5
Communication	8.4	4.7	10.2	8.6	(1.7)
Real estate	1.8	1.3	3.8	4.2	3.2
Government administration	(0.5)	2.9	4.1	4.3	(1.2)
Memorandum items:					
Real GDP (in millions of US dollars)	1,780.6	1,825.1	1,910.9	2,034.7	2,065.5
Nominal GDP (market prices, in millions of rufiyaa)	35,768.3	38,693.0	42,952.2	47,122.2	51,899.3
Nominal GDP (market prices, in millions of US dollars)	2,454.9	2,509.3	2,785.5	3,055.9	3,365.7
Real GDP per capita (in rufiyaa)	56,088.2	55,622.7	56,291.4	57,880.3	56,677.1
Real GDP per capita (in US dollars)	4,381.9	4,345.5	4,397.8	4,521.9	4,427.9
Total mid-year population 2/	406,359.0	419,998.4	434,505.0	449,957.1	466,472.1

Source: National Bureau of Statistics

1/ Figures for 2011 to 2014 are actuals and quarterly figures for 2015 are preliminary as at 31st March 2016

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

Table 2: Tourism Indicators, 2011 - 2015

	2011	2012	2013	2014	2015
Tourist arrivals	**931,333**	**958,027**	**1,125,202**	**1,204,857**	**1,234,248**
o/w Europe	537,769	517,809	527,274	529,291	535,937
o/w Germany	90,517	98,351	93,598	98,328	105,132
United Kingdom	104,508	91,776	85,869	88,704	92,775
Russia	63,936	66,378	76,479	66,308	44,323
Asia	334,692	367,680	505,753	568,031	578,322
o/w China	198,655	229,551	331,719	363,626	359,514
India	30,978	31,721	38,014	45,587	52,368
Japan	35,782	36,438	39,463	38,817	39,244
Korea	25,285	23,933	30,306	34,896	33,001
Tourist bednights ('000)	6,529	6,451	7,058	7,290	6,976
Average stay (days)	7.0	6.7	6.3	6.0	5.7
Operational capacity (beds in operation)	24,493	25,062	26,161	26,984	27,748
Bednight capacity ('000)	8,939	9,173	9,550	9,848	10,127
Occupancy rate (percentage)	73.1	70.4	74.0	74.1	69.0
Tourism revenue [1/] (millions of US dollars)	1,940.2	1,958.0	2,335.2	2,695.7	2,567.5
Number of resorts by lease holders (year-end)	101	105	110	111	na
Local	74	73	77	75	na
Foreign	12	13	15	17	na
Joint Venture	15	19	18	19	na
Number of resorts by operators (year-end)	101	105	110	111	na
Local	47	50	50	48	na
Foreign	37	35	41	43	na
Joint Venture	17	20	19	20	na

Source: Ministry of Tourism, Maldives Monetary Authority

[1/]Estimates made by the Maldives Monetary Authority for tourist expenditure in the Maldives, for the travel component of the balance of payments statistics

Table 3: Fish Production and Volume of Fish Exports, 2011 - 2015

(quantity in thousands of metric tonnes)

	2011	2012	2013	2014	2015
Fish catch	**120.8**	**120.0**	**129.8**	**128.7**	**na**
Fish purchases [1/]	**40.3**	**49.5**	**60.2**	**50.5**	**40.6**
Voume of fish exports	**38.2**	**40.6**	**49.6**	**48.2**	**43.5**
Fresh, chilled or frozen tuna	31.9	35.4	44.7	42.7	36.5
o/w Skipjack tuna	18.5	17.9	23.3	21.8	19.7
Yellowfin tuna	13.2	17.4	21.1	19.5	15.8
Fresh, chilled or frozen fish (excluding tuna)	0.8	0.9	0.7	1.0	1.4
Canned or pouched	1.5	2.1	2.4	2.6	2.9
Processed fish, nes	4.1	2.2	1.9	1.8	2.7

Source: Ministry of Fisheries and Agriculture, Maldives Customs Service

[1/] Fish purchases for 2015 is for the period January to November

Table 4: Consumer Price Index - Male', 2011 - 2015

(June 2012 = 100)

	Weight	2011	2012	2013	2014	2015
Food and non-alcoholic beverages	23.8	83.4	98.2	105.5	106.6	107.4
o/w Food [1/]	21.6	na	101.0	105.9	106.8	107.6
o/w Fish	7.6	57.4	94.4	103.8	106.6	106.3
Tobacco and arecanut	1.3	64.3	101.1	98.2	101.2	116.2
Clothing and footwear	3.3	81.9	98.2	99.7	100.0	99.0
Housing, water, electricity, gas and other fuel	33.3	96.5	100.0	104.0	107.0	109.6
Furnishing, household equipment and maintenance	7.4	83.8	98.5	96.5	93.8	94.6
Health	3.3	136.1	102.8	110.6	124.7	127.4
Transport	5.0	91.6	99.9	102.4	107.7	107.3
Communication	4.9	100.6	99.9	98.0	97.1	96.2
Recreation and culture	3.9	97.9	99.1	99.2	102.0	101.1
Education	3.1	85.8	100.0	102.1	111.6	117.3
Restaurants and hotels	4.1	81.1	103.9	117.3	125.5	125.8
Miscellaneous goods and services	6.6	86.7	100.7	98.8	98.6	98.3
Total index (Male')	**100.0**	**89.7**	**99.4**	**103.4**	**105.9**	**107.4**
Total index, excluding fish	-	*91.7*	*100.1*	*103.4*	*105.9*	*107.5*
Food and non-alcoholic beverages excluding fish	-	*94.8*	*99.8*	*106.3*	*106.6*	*108.0*
		Inflation (annual percentage change of the CPI)				
Food and non-alcoholic beverages	23.8	19.9	17.7	7.5	1.0	0.8
Food	21.6	na	na	4.8	0.9	0.8
Fish	7.6	59.3	64.6	10.0	2.6	(0.3)
Tobacco and arecanut	1.3	27.2	57.3	(2.9)	3.1	14.8
Clothing and footwear	3.3	12.9	20.0	1.5	0.3	(1.0)
Housing, water, electricity, gas and other fuel	33.3	2.9	3.6	3.9	2.9	2.4
Furnishing, household equipment and maintenance	7.4	4.2	17.6	(2.0)	(2.8)	0.9
Health	3.3	10.6	(24.5)	7.6	12.7	2.2
Transport	5.0	13.7	9.0	2.5	5.1	(0.3)
Communication	4.9	0.2	(0.7)	(1.9)	(0.9)	(0.9)
Recreation and culture	3.9	(2.1)	1.3	0.1	2.8	(0.9)
Education	3.1	18.3	16.6	2.2	9.2	5.2
Restaurants and hotels	4.1	15.6	28.1	12.9	6.9	0.3
Miscellaneous goods and services	6.6	7.4	16.1	(1.9)	(0.2)	(0.3)
Total index (Male')	**100.0**	**11.3**	**10.9**	**4.0**	**2.4**	**1.4**
Total index, excluding fish	-	*8.7*	*9.2*	*3.2*	*2.4*	*1.5*
Food and non-alcoholic beverages excluding fish	-	*12.6*	*5.3*	*6.6*	*0.3*	*1.3*

Source: National Bureau of Statistics

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

Note: Data refers to the twelve-month moving average

Table 5: Summary of Central Government Finance, 2011 - 2015 [1/]

(millions of rufiyaa)

	2011	2012	2013	2014	2015 [2/]
Total revenue and grants	**9,904.6**	**10,138.1**	**11,900.7**	**15,164.2**	**17,700.6**
Total revenue	9,172.1	9,771.4	11,783.1	14,999.0	16,618.1
Current revenue	8,637.7	9,723.4	11,515.0	14,874.8	16,476.7
Capital revenue	534.5	48.1	268.1	124.1	141.4
Grants	732.4	366.7	117.7	165.3	1,082.4
Expenditure and net lending	**12,264.7**	**13,110.0**	**13,530.8**	**16,417.2**	**21,286.1**
Total expenditure	12,663.7	13,200.2	13,666.3	16,539.4	21,299.7
Current expenditure	9,075.7	10,316.5	11,573.2	13,960.0	16,234.9
Capital expenditure	3,588.0	2,883.7	2,093.0	2,579.4	5,064.8
Net lending	(399.0)	(90.2)	(135.5)	(122.2)	(13.6)
Primary balance	**(1,634.4)**	**(1,864.8)**	**(808.8)**	**(396.8)**	**(2,283.2)**
Overall balance	**(2,360.2)**	**(2,971.9)**	**(1,765.5)**	**(1,375.1)**	**(3,599.1)**
Overall balance excluding grants	(3,092.6)	(3,338.6)	(1,883.2)	(1,540.4)	(4,681.5)
Current balance	(438.1)	(593.1)	(58.2)	914.9	241.8
Financing	**2,360.2**	**2,971.9**	**1,765.5**	**1,375.1**	**3,599.1**
Foreign financing	968.0	772.2	472.6	(370.6)	(438.9)
Domestic financing	1,392.1	2,199.7	1,293.0	1,745.8	4,038.0
			(as a percentage of GDP)		
Total revenue	26	25	27	32	32
Current revenue	24	25	27	32	32
Capital revenue	1	0	1	0	0
Grants	2	1	0	0	2
Total expenditure	35	34	32	35	41
Current expenditure	25	27	27	30	31
Capital expenditure	10	7	5	5	10
Overall balance	(7)	(8)	(4)	(3)	(7)
Memorandum items:					
Nominal GDP [3/]	35,768.3	38,693.0	42,952.2	47,122.2	51,899.3

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 2015 are revised estimates

[3/]GDP for 2015 is based on GDP forcasted by Ministry of Finance and Treasury

Table 6: Central Government Revenue and Grants, 2011 - 2015[1/]

(millions of rufiyaa)

	2011	2012	2013	2014	2015 [2/]
Total revenue and grants	**9,904.6**	**10,138.1**	**11,900.7**	**15,164.2**	**17,700.6**
Total revenue	9,172.1	9,771.4	11,783.1	14,999.0	16,618.1
Current revenue	8,637.7	9,723.4	11,515.0	14,874.8	16,476.7
Tax revenue	4,893.0	6,880.1	8,872.8	10,837.9	12,145.0
o/w Import duty	2,586.5	1,369.0	1,575.9	1,975.2	2,235.7
Tourism tax	750.8	804.7	861.6	804.8	0.5
Bank profit tax	229.9	313.2	355.0	482.4	512.7
Goods and Services Tax	243.0	1,005.7	1,538.4	1,512.9	1,823.2
Tourism Goods and Services Tax	665.3	1,553.6	2,154.7	3,001.8	4,266.9
Business Profit Tax	34.9	1,401.3	1,881.0	2,471.4	2,603.9
Nontax revenue	3,744.7	2,843.3	2,642.1	4,037.0	4,331.8
o/w Entrpreneurial & property income	2,357.4	1,814.9	1,712.2	2,432.7	2,056.1
Net sales to public enterprises	973.7	633.3	475.9	781.9	638.6
o/w State Trading Organisation plc	-	-	-	-	70.0
Dhivehi Rajjeyge Gulhun plc	487.1	254.5	156.9	325.0	303.7
Maldives Monetary Authority	132.6	205.3	188.0	266.4	24.3
Island Aviation Services Limited	2.7	9.0	-	-	1.0
Maldives Ports Limited	40.0	39.4	76.2	33.8	60.0
Bank of Maldives plc	-	-	3.8	17.9	50.1
Maldives Airports Company Limited	244.3	-	-	120.0	-
Housing Development Corporation	-	11.1	-	11.1	13.0
Maldives Water and Sewerage Company	52.8	95.2	43.0	-	91.0
Housing Development Finance Corporation	14.3	18.9	7.8	7.8	19.5
Thilafushi Corperation Limited	-	-	-	-	-
Royalties, land and resort rent	1,311.9	1,110.0	1,185.4	1,617.6	1,390.7
o/w Resort lease rent	1,152.2	1,031.2	1,106.3	1,534.5	1,304.9
Administrative fees & charges	1,058.7	727.6	583.5	1,084.4	1,805.8
o/w Permit fee	762.8	420.2	278.1	716.3	1,416.2
o/w Other government permit fees [3/]	643.1	292.9	158.0	567.1	1,257.9
Capital revenue (sale of assets)	534.5	48.1	268.1	124.1	141.4
Grants	732.4	366.7	117.7	165.3	1,082.4
			(as a percentage of GDP)		
Tax revenue	14	18	21	23	23
o/w Import duty	7	4	4	4	4
Tourism Goods and Services Tax	2	4	5	6	8
Business Profit Tax	0	4	4	5	5
Goods and Services Tax	1	3	4	3	4
Nontax revenue	10	7	6	9	8
o/w Net sales to public enterprises	3	2	1	2	1
Resort lease rent	3	3	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 2015 are revised estimates and figures for 2016 represent the budget approved by the parliament during November 2015

[3/]Concession fee for resort lease extension included (for 50 years)

Table 7: Government Expenditure and Net Lending, 2011 - 2015 [1/]

(millions of rufiyaa)

	2011	2012	2013	2014	2015 [2/]
Total expenditure and net lending	**12,264.7**	**13,110.0**	**13,530.8**	**16,417.2**	**21,286.1**
Total expenditure	12,663.7	13,200.2	13,666.3	16,539.4	21,299.7
Current expenditure	9,075.7	10,316.5	11,573.2	13,960.0	16,234.9
Expenditure on goods and services	7,352.3	8,519.2	8,842.3	10,437.0	13,176.7
Salaries and wages	2,596.3	2,722.7	3,283.7	3,392.9	3,737.9
Other allowances	1,684.7	1,836.5	2,322.0	2,435.7	2,858.4
Transportation, communication and utilities	990.8	1,035.3	1,038.3	1,366.0	1,835.6
Social welfare contributions	1,005.6	1,595.3	823.3	1,539.3	1,719.9
Others	1,075.0	1,329.4	1,375.0	1,703.2	3,024.9
Interest payments	725.8	1,107.1	956.7	978.3	1,315.9
Subsidies and transfers	997.7	690.2	1,774.2	2,544.6	1,742.2
Food, medicine and other	748.9	442.1	1,308.5	1,338.1	1,161.0
Pensions	248.8	248.1	465.7	1,206.5	581.2
Capital expenditure and net lending	3,189.0	2,793.5	1,957.6	2,457.2	5,051.2
Development expenditure	3,588.0	2,883.7	2,093.0	2,579.4	5,064.8
Foreign loan-financed	1,327.6	1,131.6	1,176.9	188.4	568.3
Others [3/]	2,260.4	1,752.1	916.1	2,391.0	4,496.5
Net lending	(399.0)	(90.2)	(135.5)	(122.2)	(13.6)
			(as a percentage of GDP)		
Current expenditure	25	27	27	30	31
o/w Salaries and wages	7	7	8	7	7
Social welfare contributions	3	4	2	3	3
Subsidies and transfers	3	2	4	5	3
Development expenditure	10	7	5	5	10

Source: Ministry of Finance and Treasury

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

[2/]Figure for 2015 are revised estimates

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

Table 8: Claims on Central Government, 201 - 2015

(millions of rufiyaa)

	2014	2015	2013	2014	2015
	Net Issue [1/]		*Outstanding Stock*		
Government securities	12,782.9	14,452.2	16,907.6	20,644.3	23,098.8
Treasury bonds	6,256.0	2,414.8	11,330.9	17,586.9	20,001.6
MMA	3,303.9	979.2	3,136.6	6,440.5	7,419.6
Commercial banks	3,303.9	(67.5)	3,136.6	6,440.5	6,373.0
Other financial corporations	-	115.7	-	-	115.7
Treasury bills and islamic instruments	-	931.0	-	-	931.0
MMA	2,952.1	1,435.6	8,194.3	11,146.4	12,582.0
Commercial banks	(634.0)	-	634.0	-	-
Non-banks	1,956.4	1,967.4	3,952.1	5,908.5	7,875.9
State owned enterprises	1,629.7	(531.8)	3,608.2	5,237.9	4,706.1
Other financial corporations	103.6	(572.0)	1,239.7	1,343.3	771.3
Others	1,058.0	164.3	2,368.5	3,426.5	3,590.8
	Flow				
Loans and advances	(2,519.3)	39.7	5,576.7	3,057.5	3,097.2
MMA	(2,499.7)	-	2,499.7	-	-
Commercial banks	(411.7)	(63.0)	537.8	126.1	63.1
Other financial corporations	392.2	102.7	2,539.2	2,931.4	3,034.0
	Change				
Total domestic claims on government	**3,736.7**	**2,454.5**	**16,907.6**	**20,644.3**	**23,098.8**

Source: Maldives Monetary Authority

[1/]Net issue refers to the issued amount less maturity

Table 9: Financial Corporations Survey, 2011 - 2015

(millions of rufiyaa)

	2011	2012	2013	2014	2015
Net foreign assets	**2,627.7**	**5,085.7**	**8,687.3**	**12,435.1**	**12,120.0**
Central bank	4,725.5	4,241.0	5,308.0	9,110.0	8,227.3
Other depository corporations	(1,852.5)	1,017.3	3,505.4	3,431.1	3,993.2
Other financial corporations	(245.3)	(172.6)	(126.1)	(105.9)	(100.4)
Net domestic assets	**20,252.4**	**19,414.7**	**20,444.1**	**21,661.8**	**26,783.1**
Domestic claims	28,646.8	28,639.8	30,708.2	33,300.9	38,856.1
Net claims on central government	9,734.5	11,429.3	13,268.0	15,346.7	18,633.6
Claims on other sectors	18,912.3	17,210.5	17,440.2	17,954.2	20,222.6
Other items (net)	(8,394.4)	(9,225.1)	(10,264.1)	(11,639.1)	(12,073.1)
Currency outside financial corporations	1,857.5	2,115.8	2,800.9	2,681.5	2,755.3
Deposit	17,451.3	18,004.2	21,015.9	24,598.6	27,984.5
Insurance technical reserves	3,571.4	4,380.4	5,314.7	6,816.7	8,163.3

Source: Maldives Monetary Authority

Table 10: Depository Corporations Survey, 2011 - 2015

(millions of rufiyaa)

	2011	2012	2013	2014	2015
Net foreign assets	**2,873.0**	**5,258.3**	**8,813.4**	**12,541.0**	**12,220.5**
Central bank	4,725.5	4,241.0	5,308.0	9,110.0	8,227.3
Other depository corporations	(1,852.5)	1,017.3	3,505.4	3,431.1	3,993.2
Net domestic assets	**16,189.2**	**14,743.4**	**14,863.3**	**14,620.2**	**18,632.4**
Domestic claims	24,688.4	23,893.6	24,963.6	25,984.4	30,170.0
Net claims on central government	6,830.9	7,649.6	8,642.0	9,265.4	11,372.7
Claims on other sectors	17,857.5	16,244.0	16,321.6	16,719.1	18,797.3
o/w Claims on private sector	16,090.5	14,505.4	14,637.9	15,096.8	17,000.9
Other items (net)	(8,499.2)	(9,150.2)	(10,100.3)	(11,364.2)	(11,537.6)
Broad money	**19,062.2**	**20,001.6**	**23,676.7**	**27,161.2**	**30,852.9**
Narrow money	8,192.4	8,428.3	10,415.8	11,196.7	13,317.1
Quasi money	10,869.9	11,573.3	13,260.9	15,964.5	17,535.7

(annual percentage change)

	2011	2012	2013	2014	2015
Net foreign assets	319	83	68	42	(3)
Central bank	16	(10)	25	72	(10)
Other depository corporations	45	155	245	(2)	16
Domestic claims	11	(3)	4	4	16
Net claims on central government	27	12	13	7	23
Claims on other sectors	6	(9)	0	2	12
Broad money	20	5	18	15	14
Narrow money	9	3	24	7	19
Quasi money	30	6	15	20	10
Memorandum items:					
Dollarisation ratio	49.5	49.2	50.2	53.8	51.3

Source: Maldives Monetary Authority

Table 11: Central Bank Survey, 2011 - 2015

(millions of rufiyaa)

	2011	2012	2013	2014	2015
Net foreign assets	**4,725.5**	**4,241.0**	**5,308.0**	**9,110.0**	**8,227.3**
Claims on non-residents	5,169.6	4,689.6	5,685.1	9,475.7	8,700.9
Liabilities to non-residents	(444.1)	(448.6)	(377.1)	(365.8)	(473.6)
Net domestic assets	**2,825.8**	**3,940.9**	**4,321.1**	**3,392.4**	**2,046.8**
Domestic claims	3,532.0	4,692.4	5,969.1	5,330.8	5,547.3
Net claims on central government	3,527.4	4,685.5	5,961.6	5,324.2	5,455.3
o/w Claims on central government	3,920.2	5,005.9	6,260.1	6,440.5	6,373.0
Claims on other sectors	4.7	6.9	7.5	6.5	92.0
Other items (net)	(706.2)	(751.6)	(1,648.0)	(1,938.4)	(3,500.4)
Monetary base	**7,551.3**	**8,181.9**	**9,629.1**	**12,502.3**	**10,274.1**
Currency in circulation	2,196.7	2,475.5	3,252.4	3,099.4	3,220.7
Liabilities to other depository corporations	5,294.2	5,705.7	6,375.1	9,401.8	7,052.3
Liabilities to other sectors	60.4	0.6	1.6	1.1	1.1
			(annual percentage change)		
Net foreign assets	16	(10)	25	72	(10)
Claims on non-residents	15	(9)	21	67	(8)
Liabilities to non-residents	5	1	(16)	(3)	29
Net claims on central government	29	33	27	(11)	2
Monetary base	25	8	18	30	(18)
o/w Currency in circulation	17	13	31	(5)	4
Liabilities to other depository corporations	27	8	12	47	(25)

Source: Maldives Monetary Authority

Table 12: Other Depository Corporations Survey, 2011 - 2015

(millions of rufiyaa)

	2011	2012	2013	2014	2015
Net foreign assets	**(1,852.5)**	**1,017.3**	**3,505.4**	**3,431.1**	**3,993.2**
Claims on non-residents	1,755.6	2,684.8	4,727.8	4,608.0	5,127.7
Liabilities to non-residents	(3,608.1)	(1,667.6)	(1,222.4)	(1,176.9)	(1,134.5)
Net domestic assets	**18,996.7**	**16,866.9**	**17,367.9**	**21,046.4**	**24,102.2**
Domestic claims	26,852.8	25,452.6	26,805.1	32,687.6	35,433.0
Claims on central bank	5,696.4	6,251.4	7,810.5	12,033.9	10,809.9
Net claims on central government	3,303.5	2,964.0	2,680.5	3,941.2	5,917.4
o/w Claims on central government	5,192.3	4,735.5	4,475.0	5,965.2	7,843.1
Claims on other sectors	17,852.8	16,237.2	16,314.1	16,712.5	18,705.8
Claims on other financial corporations	98.8	161.0	109.2	288.3	303.0
Claims on public non-financial corporations	1,668.1	1,577.6	1,574.4	1,333.9	1,408.6
Claims on private sector	16,085.9	14,498.6	14,630.4	15,090.3	16,994.1
Other items (net)	(7,856.0)	(8,585.6)	(9,437.2)	(11,641.2)	(11,330.8)
Transferable, other deposits and securities other than shares included in broad money	**17,144.2**	**17,884.2**	**20,873.3**	**24,477.5**	**28,095.4**
			(annual percentage change)		
Net foreign assets	45	155	245	(2)	16
Claims on non-residents	70	53	76	(3)	11
Liabilities to non-residents	(18)	(54)	(27)	(4)	(4)
Net claims on central government	24	(10)	(10)	47	50
Claims to other sectors	6	(9)	0	2	12
Claims on other financial corporations	(32)	63	(32)	164	5
Claims on public non-financial corporations	14	(5)	(0)	(15)	6
Claims on private sector	6	(10)	1	3	13

Source: Maldives Monetary Authority

Table 13: Assets and Liabilities of the Maldives Monetary Authority, 2011 - 2015

(millions of rufiyaa)

	2011	2012	2013	2014	2015
Assets	**9,551.2**	**10,199.9**	**12,450.6**	**16,406.9**	**15,796.2**
Foreign assets	5,169.6	4,689.6	5,685.1	9,475.7	8,700.9
Claims on central government	3,920.2	5,005.9	6,260.1	6,440.5	6,373.0
Claims on other sectors	4.7	6.9	7.5	6.5	92.0
Other assets	158.3	189.4	191.1	178.2	169.4
Non-financial assets	298.4	308.1	306.7	306.0	461.0
Liabilities	**9,551.2**	**10,199.9**	**12,450.6**	**16,406.9**	**15,796.2**
Currency in circulation	2,196.7	2,475.5	3,252.4	3,099.4	3,220.7
Claims to central government	392.8	320.4	298.5	1,116.2	917.7
Claims to other depository corporations	5,294.2	5,705.7	6,375.1	9,401.8	7,052.3
Claims to other sectors	70.5	10.6	11.6	11.1	10.5
Other liabilities to other depository corporations	85.3	197.4	997.9	1,701.4	3,364.7
Foreign liabilities	444.1	448.6	377.1	365.8	473.6
Other liabilities	315.5	413.1	529.4	533.2	437.3
Shares and other equity	752.1	628.6	608.6	177.9	319.4
			(annual percentage change)		
Foregin assets	15	(9)	21	67	(8)
Claims on central government	(0)	28	25	3	(1)
Currency in circulation	17	13	31	(5)	4
Claims to central government	(67)	(18)	(7)	274	(18)

Source: Maldives Monetary Authority

Table 14: Assets and Liabilities of Other Depository Corporations, 2011 - 2015

(millions of rufiyaa)

	2011	2012	2013	2014	2015
Assets	**31,318.0**	**30,947.4**	**34,985.0**	**41,193.5**	**44,329.6**
Foreign assets	1,755.6	2,684.8	4,727.8	4,608.0	5,127.7
Cash	339.1	358.7	450.5	416.7	464.4
Deposits with central bank	5,357.3	5,892.6	6,457.8	11,617.2	10,345.5
Securities other than shares	5,011.8	4,294.6	3,937.2	5,839.1	8,321.3
Loans and advances	18,027.0	16,663.7	17,741.6	16,825.2	18,214.2
Shares and other equity	6.4	14.3	12.4	13.4	13.4
Other assets	420.7	534.3	566.0	661.3	1,080.2
Non-financial assets	400.1	504.3	1,091.5	1,212.7	762.9
Liabilities	**31,318.0**	**30,947.4**	**34,985.0**	**41,193.5**	**44,329.6**
Foreign liabilities	3,608.1	1,667.6	1,222.4	1,176.9	1,134.5
Deposits	17,144.2	17,884.2	20,873.3	24,477.5	28,095.4
Central government liabilities	1,888.8	1,771.5	1,794.5	2,024.0	1,925.8
Other liabilities	3,768.1	3,890.6	3,924.6	4,965.5	3,803.4
Shares and other equity	4,908.8	5,733.6	7,170.2	8,549.6	9,370.6

Source: Maldives Monetary Authority

Table 15: Other Depository Corporations Private Sector Loans and Advances by Economic Group, 2011 - 2015

(millions of rufiyaa)

	2011	2012	2013	2014	2015
Total loans and advances	**15,970.3**	**14,403.2**	**14,533.5**	**14,927.8**	**16,916.4**
Agriculture	25.0	15.9	10.3	7.9	4.5
Fishing	772.3	551.9	546.6	399.8	454.8
Manufacturing	492.0	324.1	316.5	199.2	176.7
Construction	1,187.4	1,205.8	1,320.7	1,735.5	2,441.4
Real estate	721.1	605.2	713.0	619.5	675.9
Tourism	9,170.3	8,326.8	7,430.1	6,476.0	6,743.7
Commerce	2,131.1	2,144.3	2,551.7	2,515.5	2,917.7
Transport and communication	614.0	480.0	520.0	613.1	889.6
Electricity, gas, water and sanitary services	241.0	0.7	11.4	54.0	22.1
Other loans and advances, nes	616.0	748.4	1,113.3	2,307.3	2,590.0
	(as a percentage of total; end of period)				
Fishing	5	4	4	3	3
Construction	7	8	9	12	14
Tourism	57	58	51	43	40
Commerce	13	15	18	17	17
Transport and communication	4	3	4	4	5
	(annual percentage change)				
Total loans and advances	6	(10)	1	3	13
o/w Fishing	(14)	(29)	(1)	(27)	14
Construction	6	2	10	31	41
Tourism	5	(9)	(11)	(13)	4
Commerce	20	1	19	(1)	16
Transport and communication	(9)	(22)	8	18	45

Source: Maldives Monetary Authority

Table 16: Interest Rates, 2011 - 2015

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

	2011	2012	2013	2014	2015
Maldives Monetary Authority					
Open Market Operations					
Reverse repurchase [1/]	6.96	7.00	7.00	7.00	7.00
MMA Standing Facilities					
Overnight Deposit Facility [2/]	0.25	0.25	3.00	1.50	1.50
Overnight Lombard Facility [3/]	16.00	16.00	12.00	10.00	10.00
Government					
Treasury bills [4/]					
28 days	6.97	7.87	10.03	7.50	3.50
91 days	6.96	7.90	10.21	8.00	3.87
182 days	6.97	7.85	10.00	8.50	4.23
364 days [5/]	-	7.86	10.50	9.00	4.60
Commercial banks					
Deposits					
Transferable deposits					
Local currency	2.22	2.24	2.23	2.24	2.36
Foreign currency	1.74	1.59	1.56	1.57	0.82
Savings deposits					
Local currency	2.25	2.25	2.25	2.23	2.20
Foreign currency	2.22	2.22	2.28	2.23	2.23
Time deposits (2 to 3 year)					
Local currency	4.10	3.80	4.00	4.01	3.94
Foreign currency	5.00	4.49	3.84	3.08	3.80
Loans and advances					
Public non-financial corporations					
Local currency	8.71	8.95	11.02	9.98	9.64
Foreign currency	9.73	9.33	9.24	9.25	11.39
Private sector					
Local currency	10.17	10.51	11.42	11.38	10.82
Foreign currency	8.42	8.68	8.58	8.46	8.85
Other financial institutions					
Share prices					
MASIX index (period average)	157.44	150.70	129.81	133.38	156.45
MASIX index (end of period)	157.44	149.74	114.60	134.13	156.48

Source: Maldives Monetary Authority, Maldives Stock Exchange

[1/] Open market operations has been temporarily suspended from May 2014 onwards

[2/] Rates were changed from 0.25 to 3.00 from 14 April 2013 and again from 3.00 to 1.50 from 1 September 2014.

[3/] Rates were changed twice from 16.00 to 12.00 from 14 April 2013 and again from 12.00 to 10.00 from 1 September 2014

[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. T-bill rates were lowered from 1 November 2015 due to change in government policy regarding short-term securities and borrowings

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

Table 17: Balance of Payments, 2011 - 2015 [1/]

(millions of US dollars)

	2011	2012	2013	2014	2015 [2/]
Current account	**(383.4)**	**(184.5)**	**(127.4)**	**(117.8)**	**(295.5)**
Balance on goods	(1,370.5)	(1,261.4)	(1,372.0)	(1,660.0)	(1,654.8)
Goods: credit	346.4	314.4	331.0	300.9	239.7
Goods: debit	(1,716.8)	(1,575.8)	(1,703.0)	(1,960.9)	(1,894.5)
Balance on services	1,523.5	1,608.2	1,895.6	2,222.1	2,072.0
Services: credit	2,104.5	2,178.9	2,592.1	3,015.2	2,901.3
o/w Travel	1,940.2	1,958.0	2,335.2	2,695.7	2,567.5
Services: debit	(581.0)	(570.6)	(696.6)	(793.1)	(829.3)
Balance on income	(294.7)	(272.1)	(363.7)	(355.3)	(347.3)
Balance on current transfers	(241.8)	(259.2)	(287.2)	(324.7)	(365.4)
Capital Account	**28.5**	**17.4**	**7.9**	**6.6**	**23.9**
Financial Account	**416.4**	**187.7**	**63.5**	**537.7**	**361.3**
Direct investment (net)	423.5	228.0	360.8	333.4	323.9
Portfolio investment (net)	0.1	53.1	(53.3)	(17.2)	(4.9)
Other investment (net)	(7.2)	(93.4)	(244.0)	221.5	42.3
Net errors and omissions	**(76.7)**	**(51.0)**	**119.8**	**(179.2)**	**(139.8)**
Overall balance	**(15.2)**	**(30.4)**	**63.8**	**247.2**	**(50.1)**
Memorandum items:					
Exports of goods and services	2,450.9	2,493.3	2,923.1	3,316.1	3,141.0
Current account as a percent of GDP [3/]	(15.6)	(7.4)	(4.6)	(3.9)	(8.8)
Reserves (millions of US dollars)	334.9	304.5	368.3	614.7	564.0

Source: Maldives Monetary Authority, Ministry of Finance and Treasury

[1/]Based on information available as at 31st March 2016.

[2/]Figures for 2015 is revised estimates

[3/]Current account as a percentage of GDP for 2015 is based on GDP forcasted by Ministry of Finance and Treasury

Table 18: Composition of Imports (c.i.f.), 2011 - 2015

(millions of US dollars)

	2011	2012	2013	2014	2015
Total imports	**1,465.3**	**1,554.3**	**1,733.4**	**1,992.5**	**1,896.3**
Private imports	1,010.9	1,113.2	1,210.6	1,366.6	1,384.2
Private (excluding tourism)	739.2	835.4	886.8	1,026.0	982.0
Tourism	271.7	277.8	323.8	340.7	402.2
Total public imports	454.4	441.1	522.8	625.9	512.2
Public enterprises	347.0	403.0	495.9	587.0	441.1
Government	107.4	38.2	26.9	38.9	71.1
Total imports	**1,465.3**	**1,554.3**	**1,733.4**	**1,992.5**	**1,896.3**
Food items	296.9	318.9	378.9	407.6	405.9
Furniture, fixtures and fittings	50.8	47.6	64.9	64.8	66.8
Electronic and electrical appliances	39.3	36.2	45.6	52.5	53.8
Petroleum products	366.4	488.3	503.2	571.6	285.2
Petrol	33.4	39.0	44.8	56.6	18.4
o/w Diesel (marine gas oil)	289.3	330.7	297.0	346.3	208.0
Transport equipments and parts	110.5	74.5	120.5	143.7	188.7
Wood, metal, cement and aggregates	140.6	140.1	136.4	169.2	241.0
Machinery and mechanical appliances and parts	81.4	80.3	89.8	120.9	121.9
Electrical and electronic machinery and equipments and parts	96.8	55.0	72.7	88.3	99.5
Other items	282.6	313.4	321.5	373.9	433.6

Source: Maldives Customs Service

Table 19: Composition of Exports (f.o.b.), 2011 - 2015

(millions of US dollars)

	2011	2012	2013	2014	2015
Merchandise exports	**346.4**	**314.4**	**331.0**	**300.9**	**239.7**
Domestic exports	127.4	161.6	166.5	144.8	144.1
Fish exports	120.6	156.1	161.3	139.1	137.3
Fresh, chilled or frozen tuna	96.3	128.3	133.3	112.0	108.7
o/w Skipjack	31.5	39.4	46.3	31.8	28.0
Yellowfin tuna	64.5	88.2	85.6	75.5	77.2
Fresh, chilled or frozen fish (excluding tuna)	4.0	4.4	3.2	4.4	4.9
Canned or pouched	9.2	13.8	16.5	15.8	13.8
Processed fish, nes	11.1	9.6	8.3	6.9	9.9
Fish products, sea food, marine product nes and live fish	2.4	1.9	1.8	1.9	2.6
Garments and other exports	4.4	3.6	3.4	3.7	4.2
Re-exports	219.0	152.8	164.4	156.0	95.6

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

Table 20: Direction of Trade Imports 2011 - 2015

(millions of US dollars)

	2011	2012	2013	2014	2015
Total imports	**1,465.3**	**1,554.3**	**1,733.4**	**1,992.5**	**1,896.3**
Asia	1,189.3	1,287.8	1,408.5	1,651.4	1,528.6
o/w China	74.0	68.5	81.5	105.1	147.3
Malaysia	79.7	85.4	85.2	145.1	141.9
Singapore	316.3	282.1	281.0	349.5	325.1
Thailand	61.7	74.4	86.0	87.6	91.0
Europe	148.2	124.3	192.9	194.4	231.9
o/w France	11.6	15.9	34.2	17.6	18.1
Germany	25.7	28.6	30.0	34.8	35.7
Italy	24.0	15.6	24.4	29.6	23.5
North America	68.7	83.8	57.3	62.0	53.5
o/w USA	30.5	45.6	30.2	33.5	37.4
Oceania	40.3	39.0	45.2	56.9	53.9
o/w Australia	32.2	31.3	32.4	36.7	32.1
South America	10.5	12.0	20.3	17.4	16.2
Africa	8.4	7.4	9.2	10.5	12.2

Source: Maldives Customs Service

Table 21: Direction of Trade Exports 2011 - 2015

(millions of US dollars)

	2011	2012	2013	2014	2015
Domestic exports	**127.4**	**161.6**	**166.5**	**144.8**	**144.1**
Asia	67.3	81.3	94.6	73.1	69.0
o/w Japan	3.8	3.3	5.1	7.7	4.7
Thailand	33.5	44.3	61.7	46.7	36.6
Europe	58.6	73.4	63.2	57.8	59.5
o/w France	21.1	26.7	22.5	20.9	15.1
Germany	3.3	5.5	10.0	9.7	10.0
Italy	12.7	12.4	8.2	5.1	8.1
UK	9.3	12.0	9.1	6.8	8.3
North America	1.2	6.1	8.1	13.6	15.2
Oceania	0.1	0.9	0.6	0.4	0.2
South America	-	-	0.0	-	-
Africa	0.2	0.0	0.0	0.0	0.2

Source: Maldives Customs Service

Table 22: External Debt, 2011 - 2015

(millions of US dollars)

	2011	2012	2013	2014	2015
Total external debt outstanding and disbursed	**900.4**	**811.1**	**792.2**	**741.6**	**688.2**
Public and publicly-guaranteed (medium and long term)	676.2	717.9	747.5	695.4	648.2
Multilateral	313.3	327.1	323.7	293.0	269.0
Bilateral	214.3	231.6	216.1	186.8	159.9
Financial markets	-	-	-	-	-
Commercial	21.7	12.9	7.5	31.9	24.5
Suppliers credit	126.9	146.3	200.2	183.8	194.8
Pipeline	-	-	-	-	-
Guaranteed debt	-	-	-	-	-
Depository corporations [1/]	224.1	93.2	44.8	46.2	40.0
Head offices or branches	219.0	90.6	43.0	25.9	40.0
Other depository institutions	5.1	2.6	1.8	20.3	-
Public and publicly-guaranteed (medium and long term)					
Disbursements	130.5	109.8	77.7	45.3	44.0
Debt service	64.0	72.6	60.8	76.8	72.4
Amortisation	55.2	63.2	52.5	64.6	62.4
Interest payments	8.8	9.4	8.3	12.2	10.0
	(annual percentage change)				
Total external debt outstanding and disbursed	**37**	**32**	**28**	**24**	**20**
Public and publicly-guaranteed debt	28	29	27	23	19
Commercial banks' debt	9	4	2	2	1
Debt service ratio (public and publicly-guaranteed) [2/]	**2.6**	**2.9**	**2.1**	**2.3**	**2.2**
Memorandum items:					
Nominal GDP (millions of US dollars) [3/]	2,454.9	2,509.3	2,785.5	3,055.9	3,365.7
Exchange rate [4/]	15.41	15.41	15.41	15.41	15.41
Exports of goods and services (millions of US dollars)	2,450.9	2,493.3	2,923.1	3,316.1	3,141.0

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

[3/]GDP for 2015 is forecasts made by the Ministry of Finance and Treasury

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

Table 23: Exchange Rates, 2011 - 2015

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

	2011	2012	2013	2014	2015
US dollar [1/]	15.4100	15.3700	15.4100	15.4000	15.4100
Japanese yen	0.1985	0.1785	0.1462	0.1278	0.1288
Singapore dollar	11.8028	12.4758	12.0466	11.5661	10.8079
Indian rupee	0.2910	0.2825	0.2491	0.2425	0.2315
Sri Lankan rupee	0.1352	0.1209	0.1176	0.1172	0.1070
Sterling pound	23.7940	24.6595	25.2298	23.8169	22.6893
Euro	19.7321	20.1550	21.0160	18.6308	16.7015

Source: Ministry of Finance and Treasury, Maldives Monetary Authority

[1/] The US dollar rate refers to the reference rate of the Maldives Monetary Authority whereas all other currency rates refer to the mid-rate of the buying and selling rates of the Bank of Maldives

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