ANNUAL REPORT 2017

MALDIVES
MONETARY
AUTHORITY

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Maldives Monetary Authority

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PREFACE

In accordance with Article 35 (b) of the Maldives Monetary Authority Act 1981, this Annual Report covers polices adopted by the MMA during the year 2017 to achieve its main objectives, and the activities and developments of the MMA for the year 2017. It also covers developments in the domestic economy during 2017 and presents an overview of events in the global economy during the year. An outlook for 2018 is also included in the report. All analyses are based on information relating to the year 2017, received from relevant government authorities, financial sector agencies, public enterprises and other private sector sources. All data is as of April 2018. 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 2017 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 year 2017 was a prosperous one for the Maldivian economy, with real GDP growth gaining further momentum to reach 6.9%. While growth was broad-based across all sectors of the economy, the tourism sector showed a distinguished performance, supported by tailwinds from the favourable external environment. Tourist arrivals to the country had surpassed one million by October 2017, and the annual arrivals growth marked a four-year pinnacle in 2017. Concurrently, the construction sector continued with its strong streak of growth against a backdrop of strong credit growth, together with large-scale development projects, and the fisheries sector showed remarkable improvements.

Despite these positive improvements, the weaker reserve position at the turn of the year posed some challenges for the Maldivian economy during the year. However, the MMA's short-term liquidity arrangements were successful in preventing the economy from any adverse shock. In addition, with the proceeds from the first-ever government bond being issued in the international market, coupled with the narrowing of current account deficit, the year ended with a positive note on the external front.

Following three years of consecutively low and stable inflation, prices accelerated noticeably during 2017. The rate of inflation was elevated for most of the year, as the temporary base effects from major policy changes prevailed throughout the year. Despite these upward inflationary pressures, the rate of inflation was sustained at an ideal level towards the end of the year, resulting from the downward revision of import duties on petroleum items, which caused a drop in electricity prices, along with the waning of the base effects of policy changes.

In order to maintain the stability of the Maldivian Rufiyaa, the MMA continued its pursuit of exchange rate stability by closely monitoring the foreign exchange market and intervening regularly when required. As part of the MMA's monetary policy, the MMA facilitated the total amount of requirements of sales to state-owned enterprises for their business activities and development projects.

With the positive synergy created by the current monetary policy and cyclical upturns in the economy, the banking sector remained sound and well-capitalised during the year, showcasing strong profitability ratios. In addition, the banking sector expanded its outreach *with the opening of seven new branches across four atolls in the Maldives. Such outreach is essential for diminishing the disparity in the availability of financial services across the country and promoting financial inclusion in the country.*

Promoting financial inclusion and encouraging financial literacy has, and will always be, a key priority of the MMA in its function of fostering the development of the financial sector. As of 2017, we have reached a milestone in advancing financial inclusion within the Maldives, as both telecommunications service providers now deliver easy and secure access to mobile payment services across the country. As a result, significant improvements are now seen in the total volume and value of transactions being processed through mobile wallets because of the increase in the extent of the e-money distribution network and the availability of online cash-in facilities.

During 2017, we focused on widening the scope of the information available in both economic and financial issues and encouraging economic dialogue within the general public. As part of this goal, the MMA's 2016 Annual Report was published in the Dhivehi language for the first time in history. Additionally, as part of our efforts to engage with a wider set of stakeholders, a financial expo with the theme of Housing Finance was held in collaboration with the Housing Development Corporation. It brought together a wide audience from the public, media and industries to discuss and share information on financial matters and services concerning home financing.

A keystone of promoting financial stability and allowing financial deepening through inclusive economic growth is development and strengthening of our capital market structure. We are currently lacking a dynamic secondary market for securities, for which we require improved regulatory frameworks, greater public awareness, innovative financial products and broader consultation and collaboration among local financial institutions. As the next step following the conclusion of the Financial Sector Assessment Programme (FSAP) by the World Bank from 2015-2016, the MMA commenced a project in collaboration with the Ministry of Finance and Treasury to expand the government securities market. By the end of 2017, a blueprint of the measures that can be undertaken to develop the market had been prepared.

In 2016, the MMA introduced all denominations of the new banknote series, Ran Dhihafaheh, into circulation, except 5 Rufiyaa. The year 2017 marked the complete issuance of the Ran Dhihafaheh banknote series with the introduction of the new 5 Rufiyaa banknote into circulation on 10 August. A new 2 Rufiyaa coin was also minted and issued into circulation alongside the old 2 Rufiyaa coin on 12 July 2017.

The latter part of 2017 saw an immense amount of work being carried out in drafting a five-year strategic plan for 2018–2022. This strategic plan was designed with six strategic goals aimed at overcoming challenges in the monetary and financial sector. The strategic directions provided in the plan will help to strengthen the core functions of the MMA, which in turn will help the MMA address domestic economic challenges in the long run. Various developmental projects are planned under the strategic plan to transform the MMA into a diverse and talented institution that can effectively execute its core functions. Notable projects include implementation of a nation-wide payment system; development of the financial sector; streamlining the domestic *market for foreign exchange through implementing legislative and operational changes; and enhancements to the coverage, availability and quality of statistics in the Maldives.*

The progress we see in our financial system is a testament to the tremendous efforts of colleagues—both past and present—across the MMA. Following a three-year tenure at the helm of the MMA, former Governor Dr Azeema Adam resigned on 16 August 2017. Including her tenure as governor, Dr Azeema Adam's 17-year service to the MMA deems her an institutional treasure. I would like to thank her for all her years of service to the MMA and to the development of this country's financial bedrock.

The MMA remains committed to attracting and inspiring the best people and ensuring our workforce remains incentivised. Various training programmes are provided for the staff of the MMA to equip them with technical skills and enhance their capacity. As part of incentivising and retaining our staff, the MMA introduced a staff loan scheme that can be utilised for purposes such as obtaining higher education.

I thank all my colleagues for their hard work, commitment and professionalism. I also wish to express my gratitude to the past and present Board of Directors for their unrelenting support and counsel. Looking ahead to next year, I hope to draw on the experiences of the past year and am confident that the MMA will continue to undertake the necessary analyses and pursue appropriate policies to promote monetary and financial stability within the Maldives.

Ahmed Naseer
Governor

FUNCTIONS OF THE MALDIVES MONETARY AUTHORITY

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

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

BOARD OF DIRECTORS

Mr. Ahmed Naseer
Chairperson (Governor)

Ms. Idham Hussain
Assistant Governor

Ms. Aishath Zahira
Deputy Governor

Mr. Abdulla Ghiyas Riyaz
Private Sector

Mr. Hussain Hilmy
Private Sector

Mr. Abdul Haleem Abdul Ghafoor
Deputy Minister of Finance and Treasury

*Ms. Idham Hussain was appointed as a member of the Board on 29 August 2017.

EXECUTIVE COMMITTEE

Governor

Mr. Ahmed Naseer

Deputy Governor

Ms. Aishath Zahira

Assistant Governors

Ms. Idham Hussain - Monetary Policy, Research and Statistics

Ms. Mariyam Shifa - Financial Stability

Ms. Mariyam Hussain Didi - Banking Operations

SENIOR OFFICIALS

Counsel General

Uza. Sheeza Ahmed

Heads of Divisions

Ms. Mariyam Najeela –Banking Supervision Division

Mr. Abdul Hameed Mohamed – General Services Division

Ms. Aishath Nadhiya – Reserve Management and Market Operations Division

Ms. Fathimath Jawza - Financial Controls Division

Ms. Lubna Abdul Gadir – Human Resource Division

Ms. Muna Ibrahim –Banking and Payments Division

Uz. Hassan Fiyaz –Insurance Division

Ms. Hamida Shakeela –Other Financial Institutions Division

Mr. Moosa Ahmed Manik –Technology Service Division

Mr. Mansoor Zubair– Statistics Division

Mr. Ahmed Imad – Monetary Policy Division

Abbreviations and Acronyms

ACH	Automated Clearing House
ATMs	automated teller machines
BOP	balance of payments
bps	basis points
BPT	business profit tax
cif	cost, insurance, freight
CGS	Credit Guarantee Scheme
CIB	Credit Information Bureau
CPI	consumer price index
ECB	European Central Bank
EU	European Union
FDI	foreign direct investment
fob	free on board
G-GST	general goods and services tax
GDP	gross domestic product
GIR	gross international reserves
GWP	gross written premium
IMF	International Monetary Fund
MACL	Maldives Airports Company Limited
MIRA	Maldives Inland Revenue Authority
MMA	Maldives Monetary Authority
MRR	minimum reserve requirement
MRTGS	Maldives Real Time Gross Settlement
NDA	net domestic assets
NFA	net foreign assets
NPL	non-performing loan
ODF	overnight deposit facility
OECD	Organisation for Economic Co-operation and Development
OFC	other financial corporations
OFI	other financial institutions

OLF	overnight lombard facility
OMO	open market operations
OPEC	Organisation of Petroleum Exporting Countries
PSIP	Public Sector Investment Programme
RBI	Reserve Bank of India
SAARC	South Asian Association for Regional Cooperation
SMEs	small- and medium-sized enterprises
SOEs	state-owned enterprises
T-GST	tourism goods and services tax
UK	United Kingdom
US	United States
WAIR	weighted average interest rate

Contents

ECONOMY IN 2017

ECONOMIC HIGHLIGHTS 2017

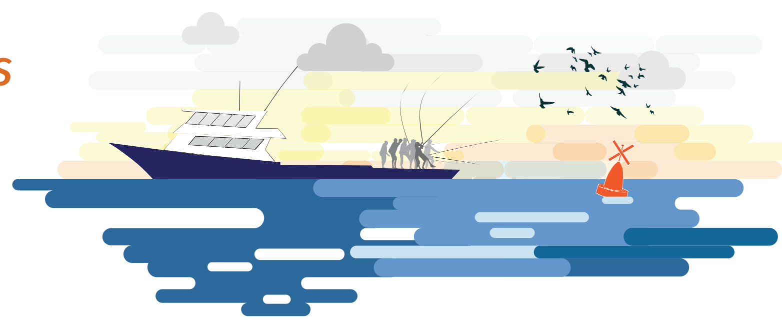
TOURISM

8%

Tourist arrivals growth

Tourist arrivals growth soared to its highest in four years, supported by the striking increase in arrivals from the European market and lower global airfares.

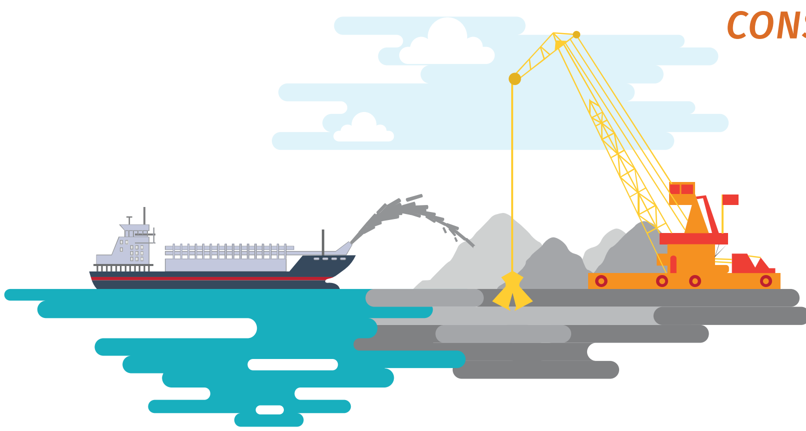
FISHERIES



42%

Fish purchases

The fisheries sector strengthened as indicated by the impressive growth of fish purchases by fish processing companies and the increase in volume of fish exports.



CONSTRUCTION

24%

Growth in construction-related imports

The construction sector continued to perform robustly, bolstered by large public sector development projects.

INFLATION

2.8%

Inflation rate

Inflation picked up considerably, primarily due to the base effect of a number of policy changes implemented in late 2016 and the first half of 2017.

PUBLIC FINANCE

2.0%

Fiscal deficit as a percentage of GDP

A solid growth in revenue, coupled with a striking decline in total expenditure facilitated curbing of the fiscal deficit during 2017.

MONETARY POLICY

15%

Private sector credit growth

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

FINANCIAL SECTOR

5%

Annual growth in aggregate net assets

Aggregate net assets of the banks recorded a healthy growth, with net loans and advances posting a significant growth.

EXTERNAL SECTOR

19%

Current account deficit as a percentage of GDP

Despite a surge in imports, current account witnessed a remarkable improvement, reflecting the positive performance of the tourism sector along with the dissipation of the base effect of a large transfer made abroad in 2016. Meanwhile, the increased inflow of FDI outpaced the current account deficit, leading to a marked positive turnaround in the overall balance of payments.

Overview

The Maldivian economy fared well during 2017, as evidenced by the robust performance of key sectors of the economy. The real gross domestic product (GDP) growth for 2017 was estimated to have gained further steam and reached 6.9% in 2017, up from 6.2% in 2016. Activity in the economy was largely supported by impressive growth in the tourism sector, along with buoyant domestic demand due to the continued strengthening of construction sector growth.

The remarkable performance of the tourism sector was exhibited by strong tourist arrival growth, which soared to its highest in four years, recording an 8% increase from the previous year. Further, tourism receipts also marked a turnaround after two consecutive years of negative growth, posting a substantial growth of 9% during the year. These positive developments can be attributed to favourable economic conditions in the source markets as well as successful promotional activities carried out in different parts of the globe. The sector also benefited from lower global airfares over recent years, coupled with increased flight movement by international carriers.

With regard to the construction sector, it continued to perform robustly, underpinned by strong credit expansion. While the sector's growth was bolstered by large public sector development projects undertaken during the year, private sector investments in real estate and the expansion in the tourism sector also boosted sector growth in 2017. Meanwhile, the notable growth in fish purchases by fish processing companies signified the brisk performance of the fisheries sector during the year.

With respect to domestic prices, the rate of inflation—as measured by the change in the Consumer Price Index (CPI) at the national level—picked up considerably in 2017, mainly due to domestic factors. This primarily includes the base effects of a number of policy changes implemented in late 2016 and the first half of 2017. As a result, food prices increased during the first three quarters of the year because of the base effects of the removal of the blanket food subsidy on staple food items in late 2016. The upward revision of import duties on cigarettes and selected drinks during the first half of the year also drove up overall inflation during the year. However, prices were dampened to some extent by the downward revision of import duties on petroleum items, which caused a drop in electricity prices.

Similar to the previous year, fiscal policy was aimed at achieving economic transformation through infrastructure development and streamlining government current expenditure in 2017. The overall fiscal situation improved markedly during the year, with solid revenue growth and a notable decline in expenditure that helped to curb the fiscal deficit. Furthermore, the robust economic performance also aided in improving the fiscal position during the year. While revenue increased against the backdrop of favourable economic conditions, it is noteworthy that most of the new revenue measures proposed for 2017 materialised during the course of the year and contributed to both tax and non-tax revenue growth. Meanwhile, current expenditure was reduced by rationalising subsidies and by reducing the spending on the national insurance scheme. Further, capital expenditure was less than the budgeted amount as some capital projects were curtailed during the year.

The MMA continued to maintain a monetary policy stance that enables credit expansion for further economic growth. Despite higher credit growth, inflation was maintained at ideal levels, as excess liquidity in the banking system continued to be absorbed through commercial banks' investments in MMA's overnight deposit facility (ODF). Additionally, the MMA continued to intervene in the foreign exchange market to ease any foreign exchange pressure and keep the exchange rate at stable levels.

With regard to monetary developments, reserve money registered an expansion during the year as a result of an increase in the net foreign assets (NFA) of the MMA, reflecting the increase in the MMA's foreign currency reserves held abroad. Similarly, broad money was boosted by an increase in the NFA of the MMA. Meanwhile, the net domestic assets (NDA) of the banking sector registered an annual decline, contributed by an increase in government deposits with the MMA and a decline in commercial banks' net claims on government, despite a growth in private sector lending.

With respect to the financial sector, the performance of the sector continued to be strong during the year. The key performance indicators of both the banking sector and non-bank financial institutions also pointed to robust growth. As such, capital adequacy, asset quality and profitability ratios of both the banks and the finance companies remained strong during the year. Further, the non-performing loans (NPLs) ratio remained steady due to the significant growth in the loan portfolio, despite a growth in the absolute value of NPLs. Meanwhile, the insurance industry has continued its growth trajectory, with increases in insurance density and penetration as well as total assets and gross written premiums (GWP).

Developments in the balance of payments (BOP) indicated an improvement in the current account deficit during the year, despite a surge in imports on the back of a robust construction sector and higher global oil prices. This stemmed from the positive performance of the tourism sector, which boosted travel receipts, together with the downside base effect of the sizable outward transfer made in 2016. Meanwhile, inflows on the financial account increased on account of higher direct investments, which reflected the robust tourism sector growth. Portfolio investments also increased as a result of the inflow of funds from the first government-issued bond in the international market during the year. With these developments, inflows on the financial account outpaced the current account deficit, which led to a surplus of US$118.9 million on the overall BOP. As a result, the gross international reserves (GIR) improved to US$586.1 million and the usable reserves component of the GIR rose to US$206.4 million at the end of 2017.

MACROECONOMIC DEVELOPMENTS

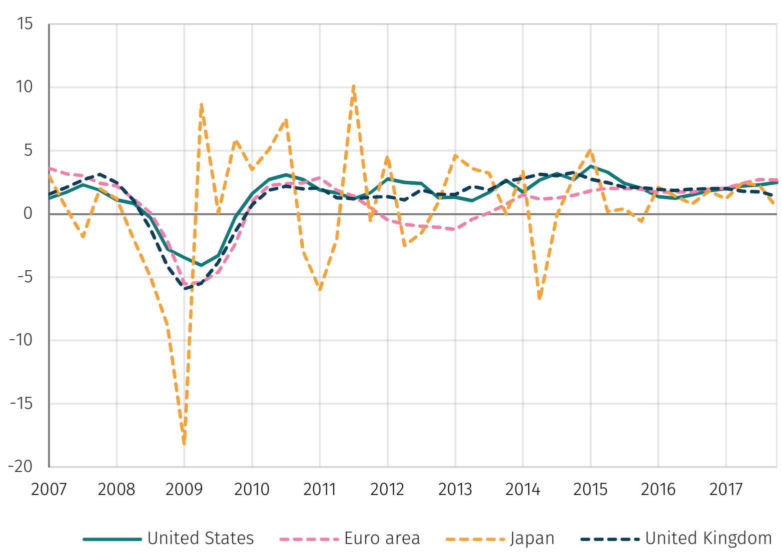
Output

Following the cyclical upswing that began in the latter half of 2016, global economic growth in 2017 recorded the fastest as well as the broadest synchronised growth since the great recession, against the background of a strong resurgence in global trade and investment. Meanwhile, headline inflation across the world picked up towards the latter part of the year owing to a strong recovery in oil prices.

The cyclical recovery in world economic activity that began in the second half of 2016 continued to firm up in 2017 against the backdrop of strong recovery in global trade and benign financial conditions. Global growth[1] was estimated at 3.7% during the year, which is half a percentage point higher than for the previous year, and represents the broadest synchronised growth expansion since the great recession. While growth upswings across all country groups contributed to the better-than-expected growth, upside growth surprises were more pronounced in the advanced economies.

Considering advanced economies, activity in the United States (US) remained resilient, with growth rate accelerating from

Figure 1: Real GDP Growth in the Advanced Economies, 2007–2017
(annual percentage change)



2.3%

Economic growth in the US accelerated to 2.3% in 2017

Sources: IMF World Economic Outlook Database, OECD Database, Japan Cabinet Office and Office for National Statistics UK

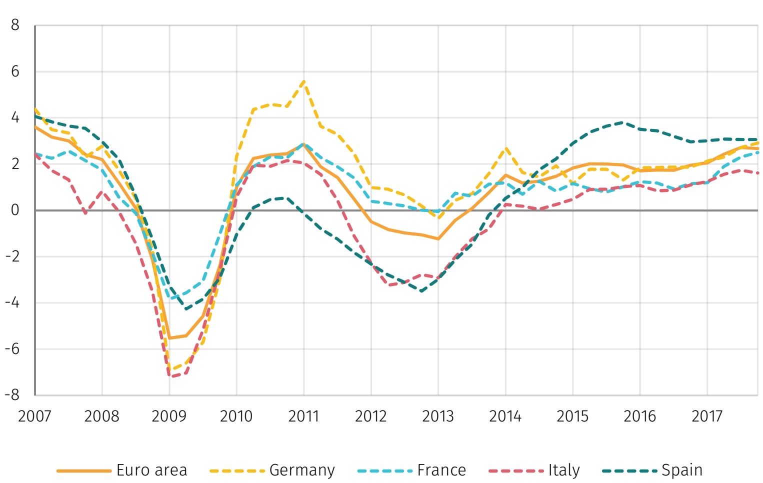
[1] International Monetary Fund (IMF), 'World Economic Outlook Update - January 2018'.

1.5% in 2016 to 2.3% in 2017 (Figure 1). Growth was largely supported by robust consumer spending and increased investments throughout the year, despite the mild disruption caused by Hurricane Harvey during the third quarter. While a further tightening in the labour market helped to lift wages and boost consumer spending, a favourable financial condition aided investment growth. An increase in exports, which benefited from a weaker exchange rate, also contributed considerably to growth. However, these positive developments were partially offset by the increase in imports, which contributed negatively.

In the euro area, economic activity showed a robust growth on the back of strong domestic and external demand. Output accelerated to 2.5% during the year, which has been the fastest pace of growth following the Global Financial Crisis (Figure 2). Private consumption remained the prominent contributor to the solid domestic demand as improved labour market conditions resulting from past reforms supported household wealth growth. Unemployment rate in the region further declined during the year and reached pre-crisis level at the end of the year. Meanwhile, increased investments amid accommodative financing conditions and increased confidence contributed substantially to domestic demand. The remarkable growth in the region was also buoyed by increased export demand, benefiting from the broad-based global upturn. Considering the main economies in the region, the German economy saw a marked expansion because of strong consumer spending and export demand. Growth in Spain was mainly boosted by domestic demand, while Italy posted a stable growth during the year, fuelled by increased household spending and exports. In France, a rise in investments helped to overturn the economy following a contraction in the earlier part of the year caused by political instability.

Figure 2: Real GDP Growth in the Euro Area, 2007–2017

(annual percentage change)



2.5%

Euro area recorded a robust growth of 2.5% in 2017

Source: OECD Database

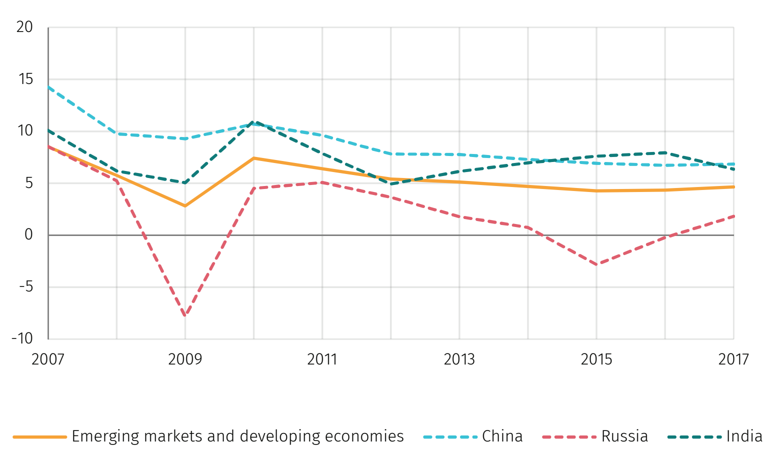
The Japanese economy recorded a solid growth of 1.6% during the year, which is its longest growth streak since the 1980s. Reflecting the steady improvement in the employment and income situation, domestic consumption—which accounts for almost 60% of the economy—remained strong during the year, despite a setback in the third quarter caused by unusual weather conditions. Meanwhile, investments continued to expand moderately, underpinned by the government's past stimulus measures and highly accommodative financing conditions. Additionally, the acceleration in exports amid the broader pickup in global trade strengthened growth further, although this was partially offset by an increase in imports due to higher global energy prices.

In the United Kingdom (UK), activity remained subdued, with growth decelerating to 1.7% during the year—the lowest growth rate since 2012. The slowdown was more pronounced during the earlier part of the year because of a weaker service sector, coupled with a decline in household spending, as a result of rising inflation and falling real wages following the pound sterling's depreciation. However, growth rebounded during the latter half of the year and remained resilient as higher global trade and depreciation in the pound sterling supported net trade, considerably. Nevertheless, uncertainties about future UK trading arrangements continued to weigh on investments; hence, investments remained weak during the year.

Turning to the emerging markets and developing economies, output continued to recover and recorded a modest growth during the year, bolstered by strengthening activity among commodity exporters, along with the upswing in global trade (Figure 3). In China, the pace of growth outperformed expectations and increased to 6.9% in 2017, which marked the first acceleration in seven years. Growth was fuelled by both domestic and external demand. Domestic

Figure 3: GDP Growth in Emerging Markets and Developing Economies, 2007–2017

(annual percentage change)



6.9%

China, the largest emerging economy grew by 6.9%

Sources: IMF World Economic Outlook Database, IMF Database, OECD Database and China National Bureau of Statistics consumption was buoyed by strengthening of the service sector, as the economy continues its transition to a consumption-based economy. Further, income growth and new jobs helped to boost consumption in the economy. Meanwhile, external demand increased against the background of improvements in global trade.

The Russian economy rebounded on the back of firming global oil prices and growing macroeconomic stability. Based on preliminary data, GDP growth entered positive territory, and recorded a robust growth of 1.8% in 2017. Growth was propelled by strengthening external demand, owing to a favourable external environment as well as strong private consumption, aided by improved labour market conditions and increased real wages in the economy. However, a slowdown was observed towards the end of the year as manufacturing output dropped because of temporary factors such as lower resource extraction.

India's economic growth was uneven throughout the year as it was hit by two major shocks. Growth slowed around the beginning of the year as economic activity was hindered by the pass-through effects of demonetisation. While the negative impact of demonetisation began to wane, the economy was hit by another setback caused by the introduction of a goods and services tax (GST) in July. This was evidenced by the contraction in the Purchasing Managers Index indicators for both the services and manufacturing sectors. Nevertheless, activity began to pick up towards the end of the year as domestic demand provided impetus to both manufacturing and service sectors.

Inflation

Following a softening of prices at the beginning of the year reflecting the waning effect of the commodity price rebound, global inflation began to pick up during the latter part of the year on the back of a strong recovery in oil prices. The overall global inflation was at 3.6% in 2017, a marginal increase from the previous year (Figure 4). During the year, price growth was more concentrated in the advanced economies, while inflation in the emerging markets and developing economies remained subdued against the backdrop of diminishing pass-through effects from earlier exchange rate depreciations along with some country-specific reasons. However, core inflation remains generally muted in most of the countries because of past labour market slacks, despite a modest growth in some advanced economies.

With respect to the inflation trends in advanced economies, inflation in the US picked up during the year, largely owing to higher global oil prices and in part because of the dollar depreciation. The headline inflation slightly surpassed the Federal Reserve's inflation target and reached 2.1% in 2017, a significant acceleration from the previous year. While higher prices for energy and food items put upward pressure on prices, growth in prices of shelter and medical care also contributed to the pickup in inflation during the year.

In the euro area, the rate of inflation, as measured by the Harmonised Index of Consumer Prices (HICP), accelerated to 1.5% in 2017—still below the European Central Bank (ECB)'s target inflation rate. Increase in prices primarily reflected developments in global oil prices, which lifted the prices of oil-related items, such as energy and transport services. Nevertheless, the price growth was somewhat contained by the euro's appreciation, which put downward pressure on import prices.

In Japan, inflation marked a turnaround after the economy recorded a protracted period of low and negative inflation in 2016. The annual rate of inflation rose to 0.5% during the year, although it still remains distant from the Bank of Japan's target rate. The increase in prices was mainly attributed to an upsurge in the prices of utility and food on the back of rising energy prices, as well as higher input prices resulting from the past depreciation of the Japanese yen. A strong recovery in consumer demand also put upward pressure on prices in the country.

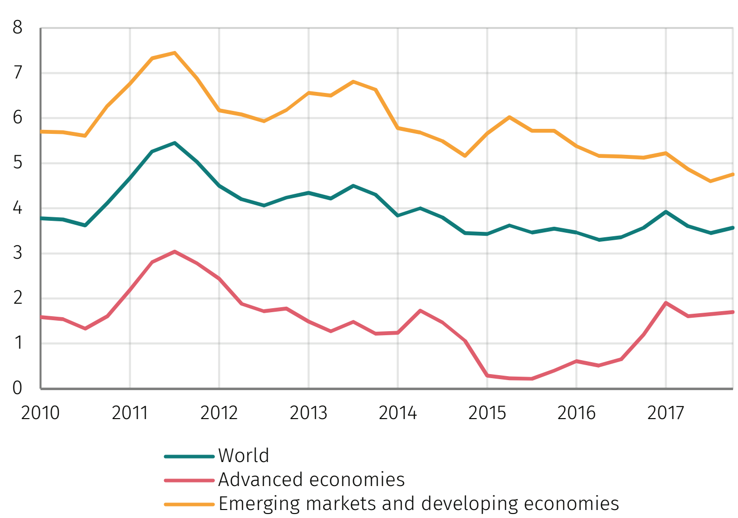
In the UK, the rate of inflation continued to increase throughout the year and reached 2.7%, exceeding the Bank of England's target rate of 2%. The growth in prices during the year almost entirely reflected higher import prices following the depreciation of the pound sterling. As a result, prices increased in all major commodity groups, with sharp rises in the prices of transport; and food and non-alcoholic beverages over the period.

Turning to price developments in emerging markets and developing economies, inflation in China remained subdued from the beginning of the year and decelerated to 1.6% in 2017, which was far from the 3% inflation target of The People's Bank of China. The easing of prices largely reflected a muted growth in food prices throughout the year, which stemmed from abundant supply. In contrast, prices of oil-related items increased against the background of the global pickup in crude oil prices. Meanwhile, health care prices also registered growth during the year.

In Russia, prices decelerated substantially and reached the targeted

Figure 4: Inflation, 2010–2017

(annual percentage change)



Source: IMF International Financial Statistics Database

3.6%

Global inflation recorded a marginal increase and stood at 3.6% in 2017 level of the Central Bank of Russia. Inflation stood at 3.7% in 2017, almost halved from the previous year. The easing of prices largely reflected a relatively tight monetary policy, together with the improved performance of the Russian rouble. Additionally, some temporary factors such as a bumper crop during the year helped to restrain the upward pressure on inflation.

In India, inflation eased to 2.5% in 2017, a considerable deceleration from the previous year. The ease in inflation was more pronounced during the first half of the year, mirroring the impact of demonetisation, as well as the lower prices of vegetables and pulses because of abundant supplies. However, general commodity prices increased during the latter part of the year due to the pass-through effect of GST. A notable increase in energy-related items, as well as a surge in housing prices due to government policy changes on housing allowances, also contributed to the price growth during the year.

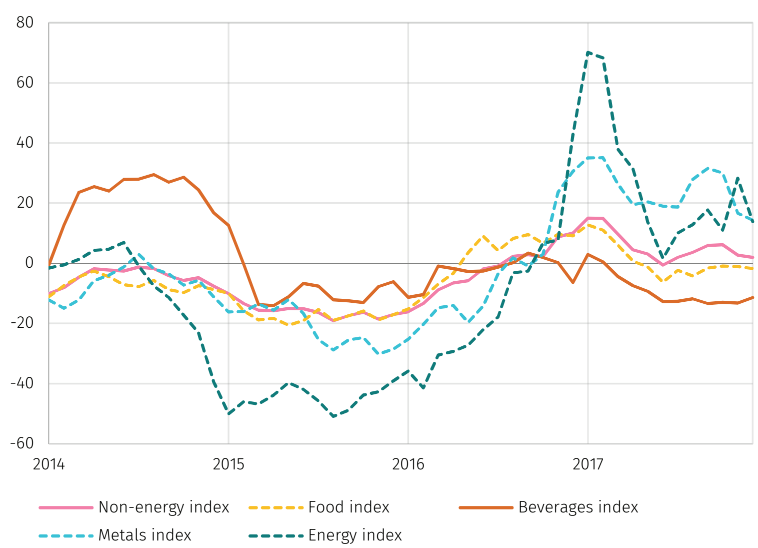
Commodity Prices

Following five consecutive years of declines, global commodity prices marked a turnaround in 2017 amid strong demand and tight supplies. According to the World Bank Commodity Price Index, global commodity prices showed a substantial increase during the year, primarily because of the resurgence in energy and metal prices. In contrast, food prices remained broadly stable, with a modest growth from the previous year (Figure 5).

The continued effort by the Organization of Petroleum Exporting Countries (OPEC) to rebalance the oil market—which had been plagued by excess supply—

Figure 5: Global Commodity Prices, 2014–2017

(annual percentage change)



Source: World Bank

24%

The World Bank Energy Price Index increased significantly by 24% in 2017 aided in the recovery of global energy prices over the past year. Accordingly, the World Bank Energy Price Index showed a notable increase of 24% in 2017, contrasting with its 15% decline in the previous year and largely reflecting the bottoming out of global crude oil prices at their lowest in a decade, in 2016. During the year, average crude oil prices[2] rose to US$52.8 per barrel, from US$42.8 per barrel recorded in 2016, reinforced by supply restrains coupled with higher global demand.

The agreement by the OPEC and some non-OPEC producers to cut production in November 2016 rallied crude oil prices at the turn of the year although they entered a downward trend towards mid-2017. Despite the OPEC production recording one of the deepest cuts in its history during this period, prices fell on the back of a robust and unexpected recovery in the US's shale oil[3] production. Nonetheless, the extension of the OPEC agreement to limit oil production until the end of 2018, combined with some supply disruptions—geopolitical tensions in the Middle East, weather events in the US and the closure of the pipeline system in the North Sea for repairs—put upward pressure on crude oil prices during the latter half of the year. On the demand side, oil prices were bolstered by better-than-expected global demand, particularly from China, on the back of buoyant economic activity.

With regard to non-energy prices, a considerable growth of 6% was observed during the year, mostly reflecting higher metal prices, which have been trending upwards since the latter part of 2016. Metal prices remained elevated throughout the year because of strong demand, particularly stemming from the expansion of real estate investment in China. Moreover, supply bottlenecks—including labour strikes in major metal exporting countries, environmental regulations introduced in China and some export restrictions—provided additional impetus to metal prices during the year.

Considering other major commodities in the non-energy category, the Global Food Price Index recorded marginal growth during the year as a steep decline in sugar caused by abundance of supply was more than offset by a surge in meat prices. Lower prices of oils also dampened food prices during the period, although prices of grains remained relatively unchanged. Similarly, prices of beverages declined markedly because of the fall in prices of cocoa and coffee.

Exchange Rates

The US dollar performed weakly throughout 2017, depreciating against some of the major currencies of the world. In this regard, the US dollar closed lower against the euro, the pound sterling, the Chinese yuan and the Japanese yen at the end of the year (Figure 6).

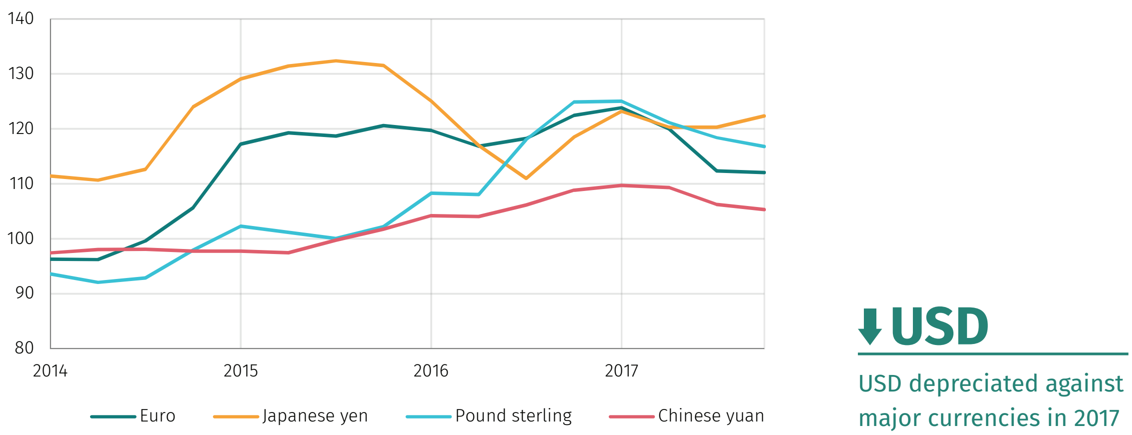
The US dollar depreciated significantly against the euro, reflecting favourable economic conditions in the euro area as well as market expectations for a tight monetary policy in the future. Although the ECB remains committed to its loose monetary policy, the *Asset Purchase Program* was recalibrated in October 2017 by reducing the pace of monthly asset purchase from 60 billion euro to 30 billion euro, effective from the beginning of 2018. As a result, the euro

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

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

Figure 6: Change in the US Dollar Exchange Rate against Major Currencies, 2014–2017

(annual percentage change)



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.

appreciated further against the US dollar because of market anticipation of higher yields.

Similarly, the US dollar closed lower against the pound sterling at the end of the year, despite the pound sterling depreciating markedly throughout the year. The bottoming out of the pound sterling mainly reflected the decision of the Bank of England to increase interest rates for the first time in a decade.

Meanwhile, the US dollar depreciated substantially against the Chinese yuan at the end of 2017 on the back of the positive growth outlook for China, coupled with the continued effort of the People's Bank of China to control capital outflows from the country. Additionally, the US dollar depreciated against the Japanese yen because of divergence in the monetary policy stances of Japan and the US. This was mainly attributed to the shift in the Bank of Japan's monetary policy implementation from targeting monetary base expansion towards targeting short- and long-term interest rates (yield curve control). The positive performance of the Japanese economy further strengthened the Japanese yen during the year.

Domestic Economic Developments

Real Economy

The Maldivian economy gained momentum during 2017, having recorded a real GDP growth of 6.9%, up from 6.2% in 2016. This growth was spearheaded by the remarkable performance of the tourism sector on the back of the favourable economic environment within the main source markets. Further, the construction sector continued its streak of strong growth during the year, buoyed by large public infrastructure projects and residential projects. In addition, activity in the fisheries sector further strengthened during the year as evidenced by the higher fish purchases by fish processing companies and strong fish export volume.

Tourism

The year 2017 was a prosperous one for the tourism sector, as evidenced by the impressive growth in tourist arrivals, which soared to its highest in four years. While the continuous promotional activities carried out in different parts of the globe proved successful in attracting a better-than-expected number of tourists into the country, tailwinds from favourable economic environments in the main source markets boosted the sector's performance during the year. The sector also benefited from the lower global airfares over recent years resulting from lower global oil prices, as well as the increased flight movement by international carriers. Against this backdrop, annual tourist arrivals grew markedly by 8%—after three years of unremarkable growth—and summed to 1.4 million in 2017 (Figure 7). The growth trend was more pronounced

Figure 7: Tourism Indicators, 2007–2017

(thousands, annual percentage change)

Source: Ministry of Tourism

8%

Tourist arrival growth increased by 8% in 2017 in the latter part of the year, with the last quarter recording a double-digit growth of 15% in annual terms.

The growth in tourist arrivals was also in line with international tourism trends. According to United Nations World Tourism Organization Statistics, international tourist arrivals reached a seven-year high of 7%, and totalled 1.3 billion in 2017—mainly driven by tourist arrivals to Europe, which recorded a remarkable growth of 8%.

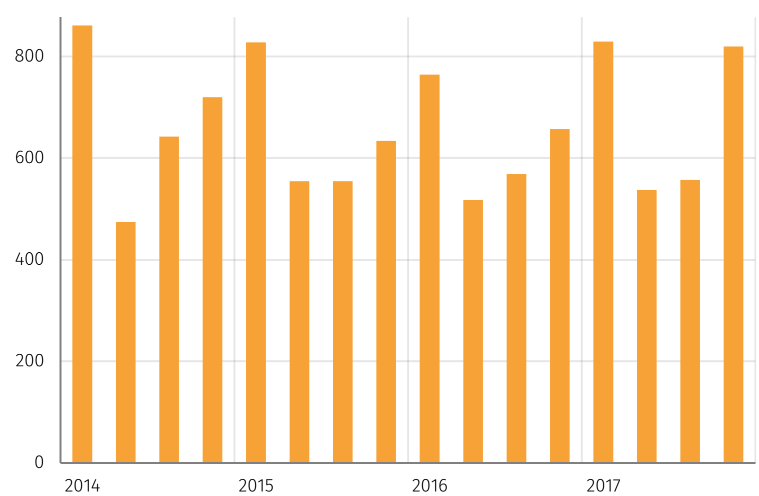
The brisk pace of growth in tourist arrivals was largely underpinned by the striking increase in arrivals from the European market, which began to pick up in 2016. Apart from the upturn in arrivals from large European source markets, arrivals from smaller source markets have also been observed to be increasing over the past few years. Further, arrivals from the Asia and the Pacific region marked a positive turnaround during the year despite a decline in arrivals from the largest source market from the region—China.

The arrivals growth was also bolstered by the flight movements by international carriers, although it edged upwards only slightly during the year. This marginal growth can be attributed to the suspension of operations of MEGA Maldives Airlines flights in May 2017. However, increased flight movements of other airlines, such as Silk Air, SpiceJet, AirAsia and China Eastern Airlines, combined with the commencement of new flights—AirAsia Thailand in August 2017 and Air France in November 2017—helped to more than offset the decline in movements by MEGA Maldives Airlines flights.

The positive performance of the sector was also signified by marked improvements in other key indicators. Accordingly, bednights gained further momentum and registered a double-digit growth of 11% during 2017, up from the 6% growth recorded in the preceding

Figure 8: Tourism Receipts, 2014–2017

(millions of US dollars)



Source: Maldives Monetary Authority

9%

Tourism receipts in 2017 totalled US$2.7 billion, an increase of 9%

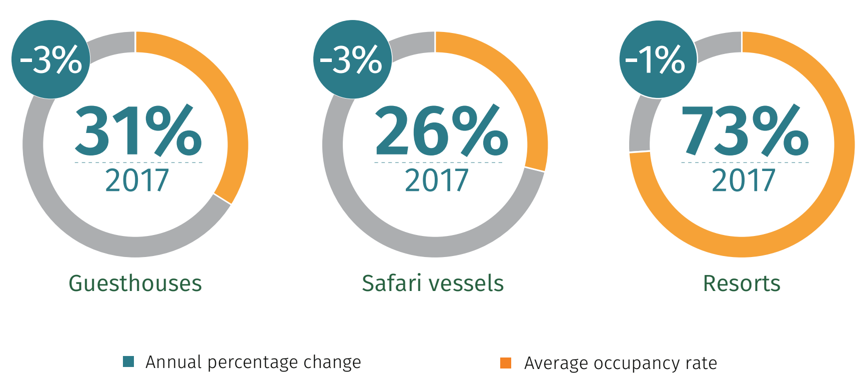
year. Meanwhile, the average duration of stay also ticked up from 6.0 days in 2016 to 6.2 days in 2017. Mirroring these developments, the trend in the estimated tourism receipts reversed after two consecutive years of negative growth. Tourism receipts totalled US$2.7 billion during the year, a growth of 9% in annual terms (Figure 8).

On the supply side, the tourism sector continued to expand in terms of tourist resorts and bed capacity. With the opening of nine new resorts, the total number of resorts increased to 135 at the end of the year. The number of registered guesthouses, hotels and safari vessels reached 458, 10 and 133, respectively. With regard to bed capacity, the average operational bed capacity[4] of the industry stood at 38,592 beds during the year, which is a significant expansion of 14% in annual terms. The increased bed capacity of 4,790 largely comprised the additional beds from the newly opened resorts. Reflecting the rise in bed capacity, the average occupancy rate of the industry fell slightly to 61%, down from 63% in 2016 (Figure 9). This resulted from the lower occupancy rates for the resort and guesthouse segments. The occupancy rate for safari vessels also registered a slight decline during 2017.

Considering the market share of tourists, Europe rebounded to its traditional position as the market leader, having surpassed the Asia and the Pacific market for the first time since 2014. Arrivals from the European market constituted 47% of the total arrivals, up from 45% in 2016. Meanwhile arrivals from the Asia and the Pacific market dipped from 46% in 2016 to 44% in 2017.

Arrivals from the European market registered a remarkable increase of 12% during 2017 (Figure 10), after recording a growth of 7% in 2016. This was largely driven by robust increase in arrivals from Italy and Russia on the back of the improving economic conditions of these countries in 2017. Further, arrivals from Germany, the largest source market from this region, showed a solid growth in contrast to the marginal growth recorded during the preceding year. This can be attributed to the improving political situation of the country. However, arrivals

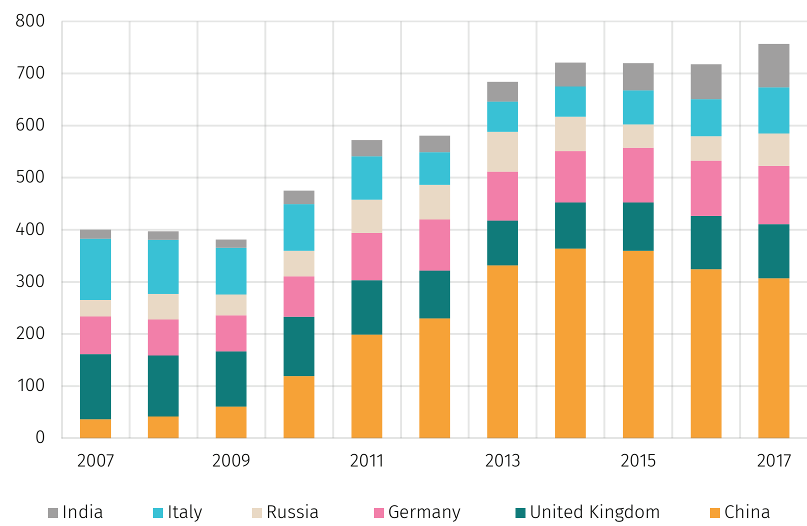
Figure 9: Occupancy Rates for the Tourism Industry



Source: Ministry of Tourism

[4] Average operational bed capacity refers to the number of beds in operation, not the registered number of beds.

Figure 10: Tourist Arrivals from Major Inbound Markets, 2007–2017
(thousands)

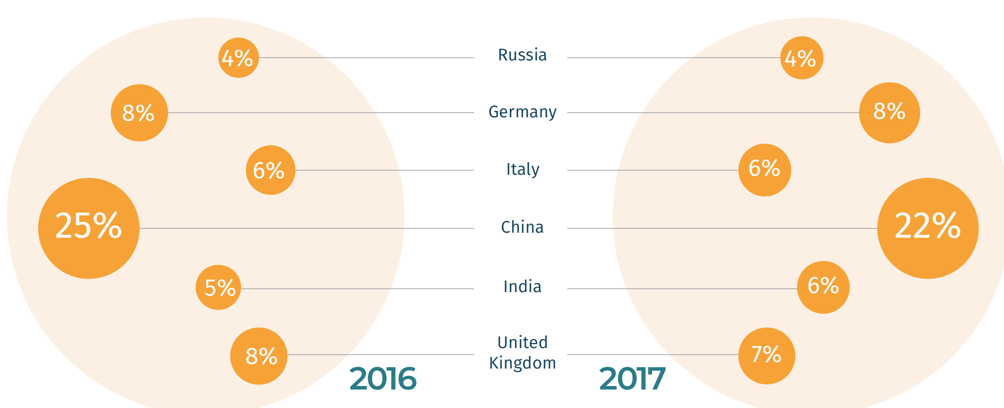


Source: Ministry of Tourism

12%

Arrivals from Europe, the biggest market, rose by 12% in 2017

Figure 11: Change in Share of Key Inbound Markets



Source: Ministry of Tourism

growth from the second largest market, the UK, slowed down noticeably, reflecting the economic slowdown in the country and the weaker pound.

Total arrivals from the Asia and Pacific region increased by 3% in 2017 after recording a marginal decline in 2016. Although arrivals from China—the largest source market from the region—continued to decline during 2017, the pace of decline was observed to be slow and the arrival growth turned positive during the last quarter of the year. This can be attributed to the significant improvement in the Chinese economy during the year. However, the sizable increase in arrivals from India and Thailand helped to more than offset the decline in arrivals from China (Figure 11). Higher arrivals from India largely reflected the commencement of SpiceJet direct flights between Malé and Thiruvananthapuram, which also provided shorter routes to Bangalore and Hyderabad. Meanwhile, the increase in arrivals from Thailand can be attributed to the commencement of AirAsia direct flights from Thailand during the year.

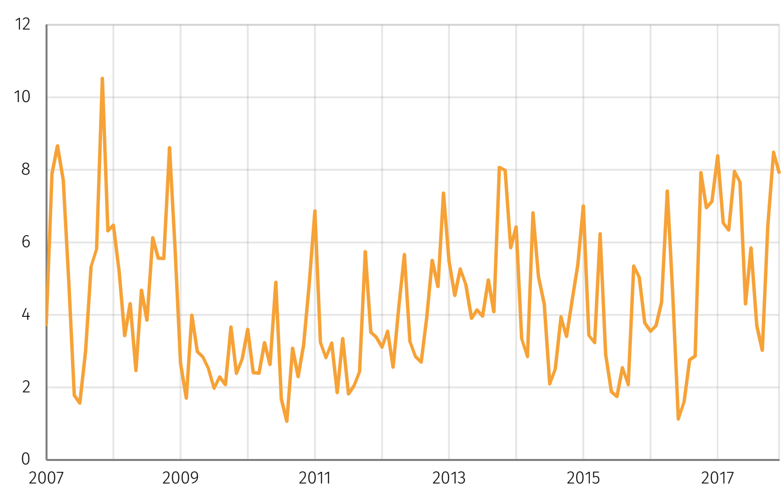
With respect to newly growing markets, arrivals from Australia also increased during the year and arrivals from the US followed suit. However, arrival growth from the Middle Eastern market was hampered by a decline in arrivals from Saudi Arabia and Qatar during 2017, which may have resulted from the political instability in the region.

Fisheries

Following a positive turnaround in 2016, the fisheries sector was observed to have further strengthened during 2017 as indicated by the impressive growth of fish purchases by fish processing companies and the increase in volume of fish exports.

Fish purchases registered a remarkable growth of 42% in annual terms and amounted to 76.6 thousand metric tons in 2017 (Figure 12). The increase was largely

Figure 12: Fish Purchases, 2007–2017
(thousand metric tons)



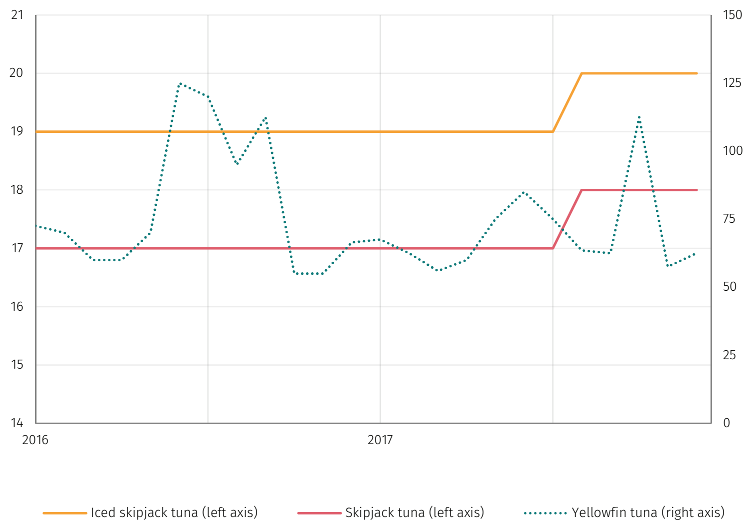
Source: Ministry of Fisheries and Agriculture

42%

Fish purchases showed a significant increase of 42%

Figure 13: Prices Paid for Fish by Local Processing Companies, 2016–2017

(rufiyaa per kilogram)



Source: Ministry of Fisheries and Agriculture

2%

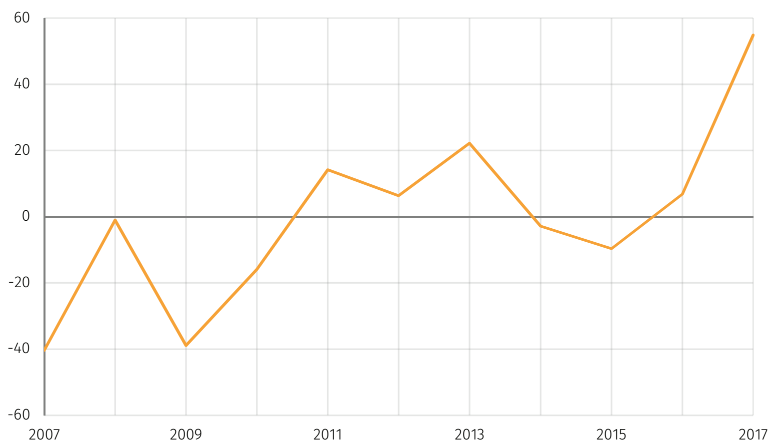
Average price of skipjack tuna increased by 2% in 2017

driven by a significant rise in skipjack tuna purchases, coupled with moderate growth in yellowfin tuna purchases. Skipjack and yellowfin tuna collectively accounted for the bulk of purchases (98% of total purchases) made by fish processing companies. It is noteworthy that the share of bigeye tuna, a high-value fish, was observed to have fallen during the past two years. The overall trend of fish purchases throughout the year was observed to follow the typical trend, with purchases declining around mid-year. This can be attributed to a decline in fishing activity because of monsoonal rains during this period.

With respect to price developments in the domestic tuna market, the local fish processing companies maintained their purchasing price for both fresh and iced skipjack tuna during the first half of the year and revised their prices upwards during the latter half (Figure 13), for the first time since July 2014. This was roughly in line with skipjack tuna prices in the international market, which followed an upward trend from the second quarter of the year until October 2017 (Box 3). Yellowfin tuna prices remained relatively volatile throughout the year, starting at MVR67.5 per kilogram in January 2017 and closing at a lower price of MVR62.5 per kilogram in December 2017.

The upsurge in the volume of fish exports during the year also pointed towards the strong performance of the fisheries sector. The volume of fish exports grew by 55% in annual terms and amounted to 72.0 thousand metric tons during 2017 (Figure 14). This growth was largely propelled by a rise in the export volumes of frozen skipjack and frozen yellowfin tuna. A significant increase in export volumes of canned or pouched tuna also contributed to higher fish export volume in 2017.

Figure 14: Volume of Fish Exports, 2007–2017
(annual percentage change)



55%

Volume of fish exports recorded a remarkable growth of 55%

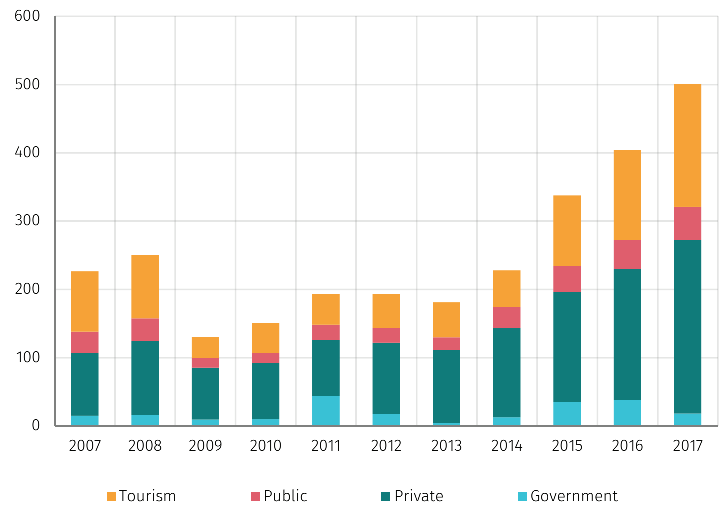
Source: Maldives Customs Service

Construction

The construction sector continued its streak of robust growth since 2014 on the back of strong credit growth. Similar to the previous year, the sector was buoyed by public sector infrastructure projects during the year. These include major infrastructure projects such as the construction of the China–Maldives Friendship Bridge, Dharumavantha Hospital, Malé redevelopment project, Malé road upgradation project and Malé industrial village project, which contributed both directly and indirectly to sector growth. The sector benefited from additional development projects such as harbour construction, land reclamation, construction of housing units and establishment of sewage systems. In addition, private sector investments in real estate and the expansion in the tourism sector boosted the sector during the year.

With regard to the key indicators used to gauge the performance of the sector, both construction sector-related imports (wood, metal, cement and aggregates) and bank credit to the sector indicated robust growth throughout the year. Construction sector-related imports increased remarkably, by 24% during 2017 (Figure 15). This was mainly due to a surge in such imports made by the private sector, mirroring the upturn in residential construction. Meanwhile construction sector-related imports by the tourism sector also increased in 2017, which reflected the construction of new resorts and guesthouses during the year. However, imports made by the government for construction activities related to Public Sector Investment Programme (PSIP) projects was observed to have declined, as the infrastructure projects initiated in the preceding year neared completion in 2017.

Figure 15: Construction-related Imports by Sector, 2007–2017
(millions of US dollars)

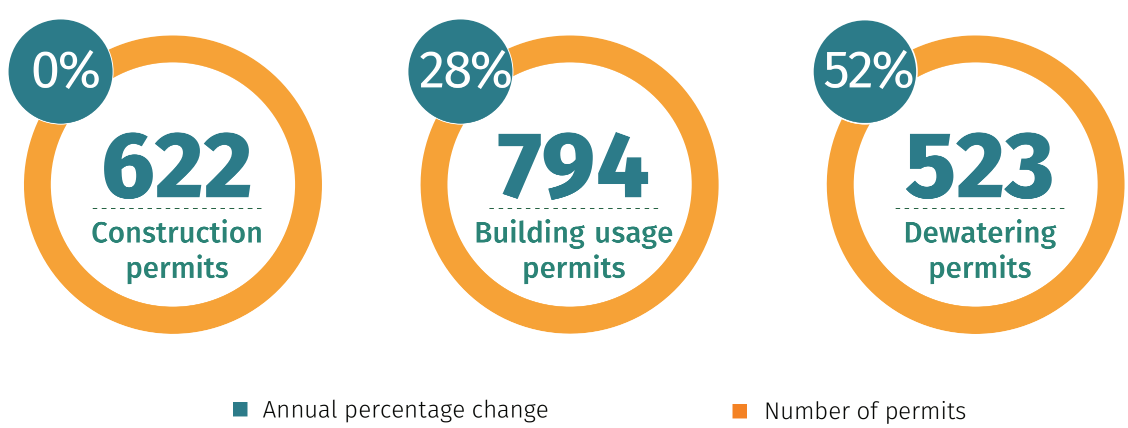


Source: Maldives Customs Service

24%

Construction-related imports recorded a significant growth of 24% in 2017

Figure 16: Housing Permits to Male' City Area, 2016–2017



Sources: Ministry of Housing and Infrastructure, Environmental Protection Agency and Housing Development Corporation

Reflecting the upward trend in the demand for real estate and ease in access to finance, commercial bank credit to the construction sector[5] showed a steady growth of 22% in 2017, primarily because of a rise in loans for residential housing, followed by construction of guesthouses and development of new resorts.

The number of dwelling and non-dwelling permits issued in 2017 also points towards healthy performance in the construction sector. The number of construction permits issued for Malé City area6 amounted to 622, largely unchanged from the number recorded for the preceding year. Meanwhile, the amount of building usage permits increased markedly by 28% in annual terms, reaching 794 during the year. Although the growth in construction permits remained largely unchanged during the year, the number of dewatering permits7 posted a sizable growth and totalled 523, signalling the continuation of construction activity initiated during the previous year (Figure 16).

Wholesale and Retail Trade

The main indicators used to gauge the performance of the wholesale and retail trade sector showed sector performance to be strong during 2017. Such indicators include private sector imports and bank credit to commerce. Private sector imports (excluding tourism) registered an annual increase of 16% during 2017, while commercial bank credit to the sector edged upwards marginally during the same period. The strong performance of the sector was further evidenced by the results of the MMA's Quarterly Business Survey, which indicated a higher number of respondents reporting an increase in both the volume of sales and volume of orders placed throughout the year.

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

[6] Issued by the Ministry of Housing and Infrastructure and the Housing Development Corporation.

[7] Issued by the Environment Protection Agency (for Malé only). Dewatering involves pumping from wells or sumps to temporarily lower groundwater levels, allowing excavations to be made in dry and stable conditions below natural groundwater level.

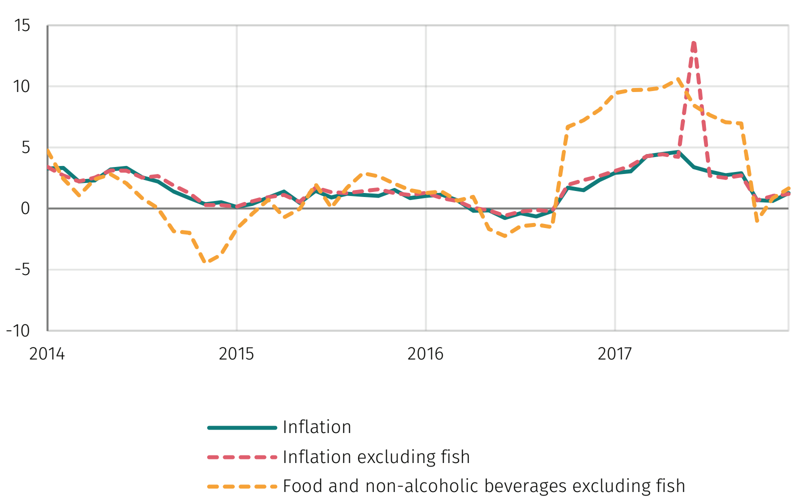
Inflation

The rate of inflation picked up markedly during the year, which largely stemmed from the base effects of a number of domestic policy changes. Following the removal of the blanket subsidy on staple food items, food price inflation remained buoyant during the major part of the year. The upward revision of import duties on cigarettes and selected drinks also contributed to the inflationary pressure. Prices, however, were dampened to some extent by the downward revision of import duties on petroleum items, which caused a drop in electricity prices.

Following three consecutive years of low and stable inflation, the rate of inflation picked up considerably in 2017, mainly because of the temporary base effects from a number of policy changes implemented in late 2016 and the first half of 2017. As such, inflation accelerated markedly during the first half of the year (Figure 17), largely reflecting the impact of the removal of the blanket subsidy on staples as well as the hike in import duties for cigarettes and selected drinks. However, inflation decelerated significantly during the latter part of the year due to the reduction in the import duty on petrol and diesel, along with the dissipation of the base effect from policy changes. On average, the rate of inflation (as measured by the annual change in CPI at the national level) stood at 2.8% in 2017, up from 0.5% recorded in 2016. During the year, inflationary pressure stemmed mainly from the prices of food and non-alcoholic beverages. This was evidenced by the lower total inflation excluding food and non-alcoholic beverages,

Figure 17: Inflation (National), 2014–2017

(annual percentage change)



Source: National Bureau of Statistics

2.8%

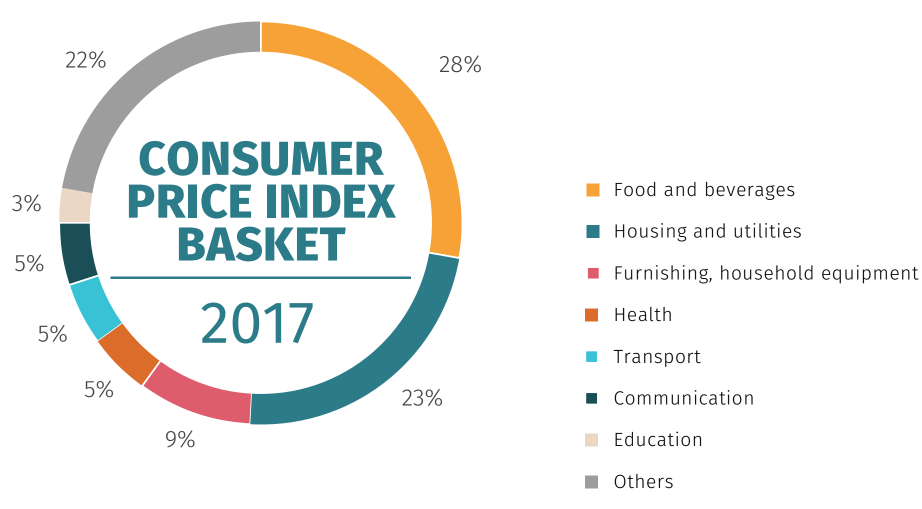
Annual CPI accelerated to 2.8% in 2017

which stood at 1.7% during 2017. Further, the continued upward movement of rental prices and higher cigarette and fish prices contributed to inflationary pressure during the year.

Prices of food and non-alcoholic beverages, which carry the largest weight of the CPI basket (28%), generally move in line with global prices, given the high content of imports in the consumption basket (Figure 18). Hence, external factors such as inflation in the source countries providing food imports and other factors that affect global food prices strongly influence the level of inflation in the domestic economy. Despite global prices remaining broadly stable during the year, domestic policy changes put upward pressure on food and non-alcoholic beverages prices (Figure 19). With the implementation of the targeted food subsidy program in October 2016, the ceiling of administered prices for staple foods items (rice, flour and sugar) increased during the latter part of 2016. The base effect of the inflationary pressure created from this policy change prevailed throughout most of 2017. This was evident from the notable positive contribution of staple food to overall inflation during the year until the base effect had dissipated by the end of the third quarter.

Further, the growth in food prices was exacerbated by a surge in fish prices—which carry the highest weight in the category—during both the second and third quarter of the year. Fish prices on average rose by 3.2%, mainly due to higher prices of fresh, chilled or frozen skipjack tuna during the year. Moreover, the hike in import duties for soft drinks and energy drinks in March 2017, as well as the growth in prices of dried fruits, exerted some degree of upward pressure on prices in this category. However, a fall in the price of meat (fresh, chilled or frozen

Figure 18: Consumer Price Index Basket



Source: National Bureau of Statistics

Figure 19: Inflation Rates of Selected Categories of the CPI (National), 2016–2017

(annual percentage change)

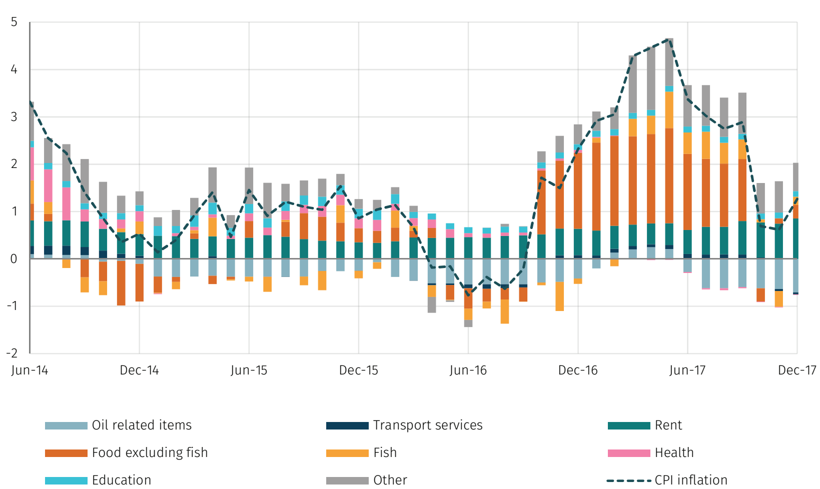
6.6%

Annual inflation of food and non-alcoholic beverages excluding fish increased to 6.6% in 2017

Source: National Bureau of Statistics

Figure 20: Contribution of Sub-Categories to CPI Inflation (National), June 2014–December 2017

(annual percentage change, percentage point contributions)



-4.5%

Prices of oil related items declined by 4.5%

Source: National Bureau of Statistics

poultry) and some vegetables—cabbage and potatoes in particular—dampened the growth of overall food prices to an extent.

As the Maldives is a net importer of petroleum products, developments in international crude oil prices have a significant impact on domestic oil prices, which in turn influences production and transportation costs in many sectors of the economy. Despite a strong recovery in global oil prices during the year, this had a minimal impact on domestic oil prices because of the reduction in the import duty on petrol and diesel in June 2017 (Figure 20), which led to removal of the fuel surcharge on electricity by the State Electric Company Limited and Fenaka Corporation Limited. The subsequent plunge in electricity prices was sizable enough to cushion inflationary pressure from the increase in administered prices of petrol and diesel in October 2017—which reflected the upsurge in international crude oil prices. With regard to the transportation category, the price of sea and road transport increased during the year, although a fall in prices of airfares dampened the overall price growth in this category.

As for the other major contributors to inflation, home rental prices (12% of the CPI basket)—the second largest contributor to inflation during the year—recorded a significant growth. Meanwhile, reflecting the surge in import duties for cigarettes in March 2017, the hike in cigarette prices contributed substantially to inflation as the base effect of this policy change continued throughout the year. In addition, the increase in cost of domestic services put upward pressure on inflation during the year.

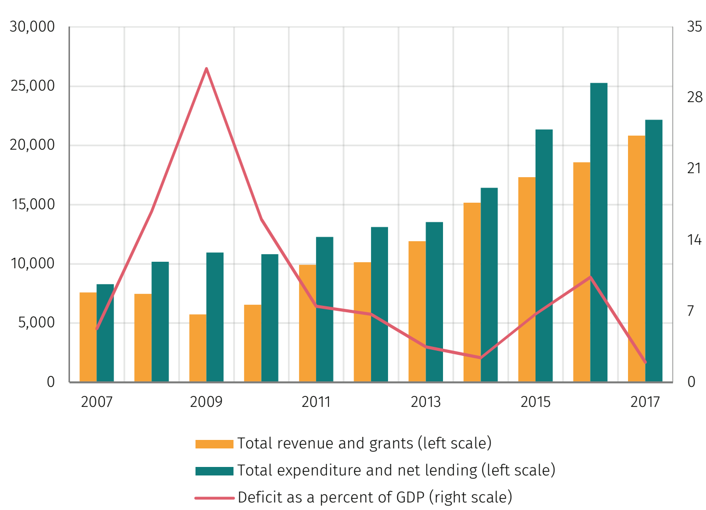
Public Finance

The fiscal policy stance continued to be geared towards economic transformation through infrastructure developments and streamlining government current expenditure. Further, government policies are aimed at reducing fiscal deficit gradually and keeping debt at a sustainable level in the medium term. Fiscal performance showed a remarkable improvement in 2017 compared with the previous year. While the new revenue measures and various other fiscal consolidation measures succeeded in reducing deficit during the year, the favourable economic condition also supported the fiscal position.

The overall fiscal deficit[8] for 2017 is estimated at 2.0% of the GDP, a significant decrease compared with the preceding year (Figure 21). Similarly, the primary deficit[9] narrowed markedly to 0.2% of the GDP in 2017 from 8.5% in 2016. Solid growth in revenue coupled with a striking decline in total expenditure facilitated curbing of the fiscal deficit during the year. The increase in total revenue occurred on the back of a prosperous economy, which steered higher tax inflows, and higher non-tax revenue reflecting the change in the government's dividend policy. On the expenditure side, the government's continued effort to streamline expenditure—most notably, lower spending on the national insurance scheme and rationalisation of subsidies—aided in

Figure 21: Government Revenue and Expenditure, 2007–2017

(millions of rufiyaa, percent)



2.0%

Fiscal deficit is estimated to be 2.0% of GDP in 2017

Source: Ministry of Finance and Treasury

[8] Latest data available from the Ministry of Finance and Treasury as of April 2018.

[9] The total budget balance excluding interest expenditure.

reducing current expenditure. Meanwhile, capital expenditure was lower than budgeted as some capital expenditure projects were curtailed during the year.

In addition, various new revenue measures were proposed in the 2017 budget, that aimed to establish sustainable revenue sources to ease the difficulties faced with managing the cash flow. Most of these—including implementation of the airport development fee, the hike in import duty for tobacco, fizzy drinks and energy drinks and amendments to the dividend policy of state-owned enterprises (SOEs)[10]—materialised during the year and supported revenue growth.

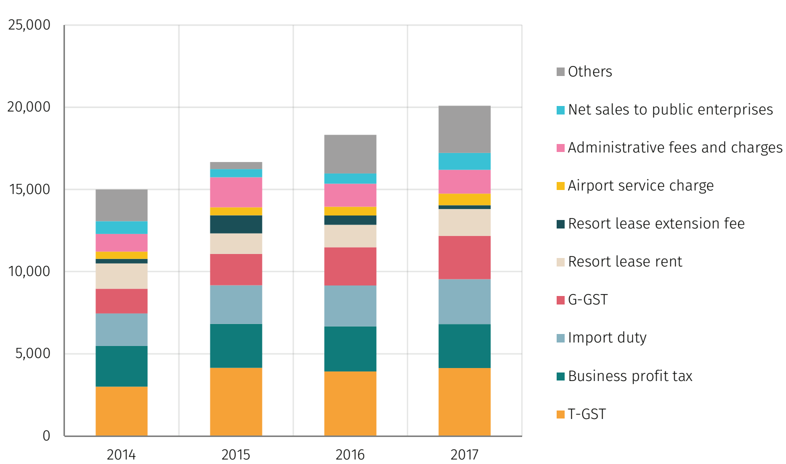
Meanwhile, the high budget deficits in recent years have led to a rapid accumulation of debt, with total public debt amounting to 61% of GDP in 2017, up from 59% in 2016. However, it is noteworthy that the pace of debt accumulation declined in 2017, attributed to the improvement in fiscal deficit and robust economic growth as GDP growth increased. Of the total debt, domestic debt and foreign debt comprised 60% and 40%, respectively. Although domestic debt remained the largest component of the total public debt, reliance on external financing increased during the year.

Revenue

Total government revenue (excluding grants) increased by MVR1.8 billion and amounted to MVR20.1 billion in 2017 (Figure 22). This, however, was a shortfall of MVR933.4 million in relation to the revenue target for the year. The increase in revenue largely reflected an upsurge in tax revenue coupled with a considerable increase in non-tax revenue, while capital receipts from asset sales (land ownership) declined during the year.

Figure 22: Breakdown of Revenue (Excluding Grants), 2014–2017

(millions of rufiyaa)



Source: Ministry of Finance and Treasury

MVR20.1 BILLION

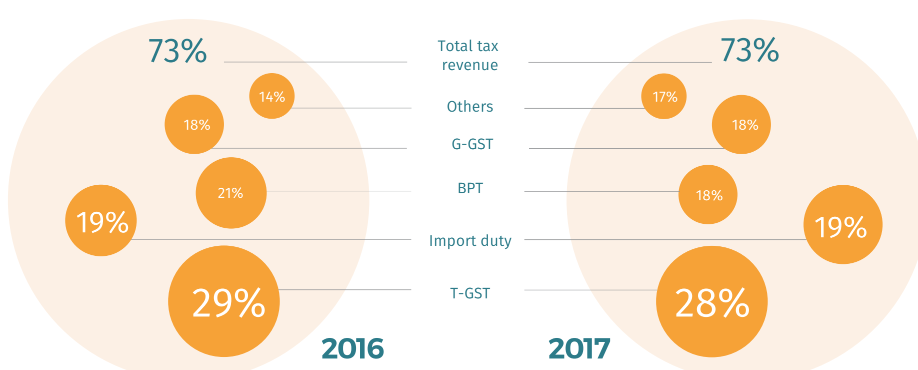
Total government revenue increased to MVR20.1 billion in 2017

[10] The amendments to the dividend policy of SOEs was approved by the Parliament along with the 2017 budget.

Tax revenue, the largest component of total revenue, grew significantly by MVR1.3 billion and totalled MVR14.6 billion during the year. This was mainly driven by a remarkable growth in general goods and services tax (G-GST) on the back of buoyant domestic demand during the year. Additionally, growth in import duties and tourism goods and services tax (T-GST) contributed to the growth in tax revenue considerably.

Considering the composition of tax revenue, T-GST continued to be the main source of revenue for the government and totalled MVR4.1 billion in 2017. Reflecting the strong performance of the tourism sector, revenue from T-GST grew by MVR217.0 million, although it was lower than the budget target. Lower-than-expected revenue can be attributed to reduction in tourism sector-related prices. The performance of the tourism sector also has direct implications for the green tax and airport service charges, which were observed to have increased during the year. Revenue from G-GST turned out to be better than expected and posted a notable growth of MVR301.9 million because of strong domestic demand during the year. Meanwhile, import duties, which is also a key revenue source for the government, increased by MVR254.3 million and surpassed the budgeted revenue. This broadly reflected the significant growth in import expenditure for the year on the back of buoyant growth of the economy, coupled with the amendments to the import duty—which raised the tariffs for tobacco, fizzy drinks and energy drinks—and, to some extent, higher global commodity prices. Additionally, bank profit tax and the full year effect of remittance tax—which was implemented in October 2016—contributed to the growth in tax revenue during the year. In contrast, revenue from business profit tax (BPT)[11] registered a decline and turned out lower than anticipated, partly reflecting the slower growth of the domestic economy in 2016[12] (Figure 23).

Figure 23: Composition of Tax Revenue



Source: Ministry of Finance and Treasury

[11] The BPT figure includes receipts from Withholding Tax.

[12] BPT revenues for 2016 were collected during 2017.

Non-tax revenue grew by MVR791.3 million and totalled MVR5.0 billion during the year. This increase predominantly reflected the growth in profit transfers from SOEs due to changes brought to the dividend policy of SOEs. However, revenue from profit transfers was lower than anticipated as SOEs were allowed to raise extra capital, while the Maldives Airports Company Limited (MACL) was offered a dividend exemption in 2017. Revenue from resort lease rent also recorded a noticeable increase with the opening of nine new resorts during 2017, although it fell short of the budget target as some payments were not made according to the agreed schedule. Moreover, despite falling short of the budgeted target, MVR317.9 million collected as airport development fee[13] contributed to the growth in non-tax revenue during the year. Despite the overall increase in non-tax revenue, this was MVR473.9 million short of target, as some budgeted new revenue measures did not materialise during the year. The 2017 budget envisaged a revenue inflow of MVR500.0 million from the acquisition cost of Special Economic Zone investments that did not materialise during the year. Meanwhile, revenue from fines and forfeits also declined during the period.

Expenditure

As per the budgeted amount for 2017, total government expenditure (excluding net lending) amounted to MVR22.2 billion in 2017 (Figure 24), an annual decrease of MVR3.1 billion. This decline in total expenditure was contributed to the decline in both current and capital expenditure during the year.

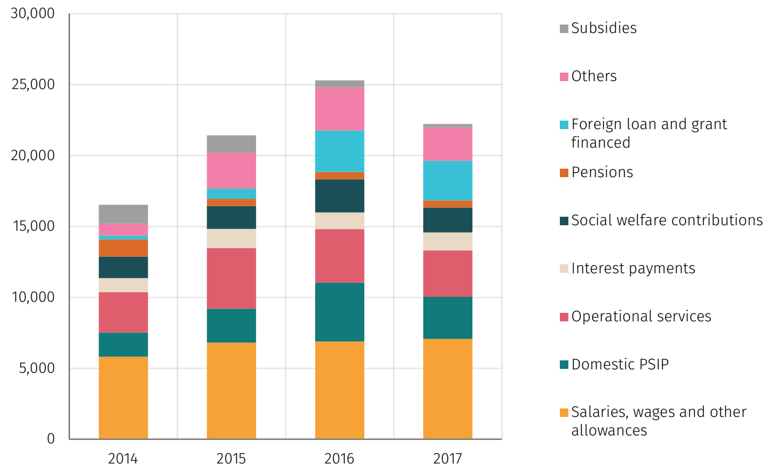
Current expenditure (which accounted for 68% of total expenditure) declined by MVR1.0 billion in annual terms and totalled MVR15.1 billion in 2017 (Figure 25). However, this was 11% in excess of the amount budgeted for current expenditure in 2017. The drop in current expenditure largely reflected the fall in expenditure on the national insurance scheme (Aasandha), which mirrored the government's effort to decrease its spending on Aasandha (Figure 25). Despite the decline, expenditure on Aasandha was higher than the budgeted amount as some planned actions to reduce spending were not implemented during the year. The fall in expenditure on subsidies also contributed to the reduction in current expenditure, following the removal of electricity subsidies and the transition from a uniform subsidy on staple food to a more targeted subsidy, coupled by the changes to fuel subsidies. Meanwhile, efforts to reduce operational expenses continued during the year as evident in the decline in recurrent expenses such as training, travel expenses and, supplies and requisites.

With regard to the major components of expenditure, salaries, wages and allowances—which account for the highest share of the total current expenditure—grew by 3% compared with 2016. This growth stemmed entirely from changes to allowances, owing to the amendments brought to the job structure of some government institutions and increased expenditure on overtime pay. Meanwhile, interest payments posted a slight growth owing to the acceleration in foreign debt. However, interest payments were lower than the budgeted amount, by MVR145.6 million.

Similarly, capital expenditure decreased by MVR2.0 billion and totalled MVR7.1 billion in 2017 compared with 2016. The decrease in capital expenditure largely

[13] Collection of airport development fee commenced in June 2017.

Figure 24: Expenditure Breakdown, 2014–2017
(millions of rufiyaa)

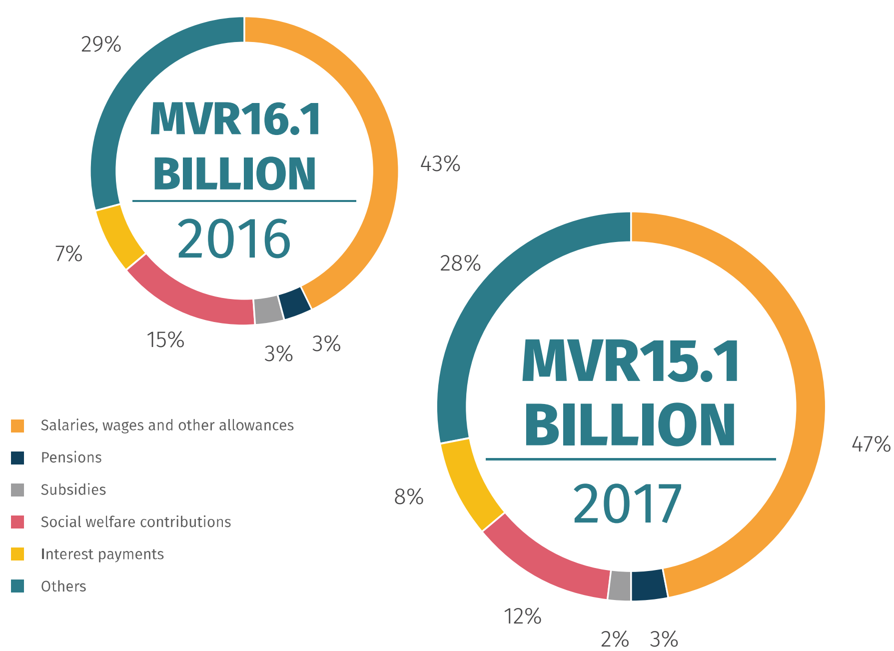


Source: Ministry of Finance and Treasury

MVR22.2 BILLION

Total expenditure decreased to MVR22.2 billion in 2017

Figure 25: Government Current Expenditure



Source: Ministry of Finance and Treasury mirrored the decline in spending on PSIP, which accounts for the largest share of capital expenditure. This was because major development projects under the PSIP were initiated in 2016 and the expenditure on these projects has declined as they reach completion. Nevertheless, other development projects such as construction of harbours, residential and other buildings; road development projects; and water supply, sanitation and waste management projects were carried out in several islands during the year. However, capital expenditure was lower than budgeted for 2017 because of the slower progress of some ongoing projects, caused by supply chain constraints as well as the initiation of fewer new projects during the year.

Financing

The fiscal deficit declined markedly from MVR6.7 billion in 2016 to MVR1.4 billion in 2017, although it turned out to be higher than the fiscal deficit target for the year. The deficit was mainly financed through foreign borrowings, while domestic financing (Box 1) also recorded a net borrowing during the year (excluding transfers to Sovereign Development Fund).

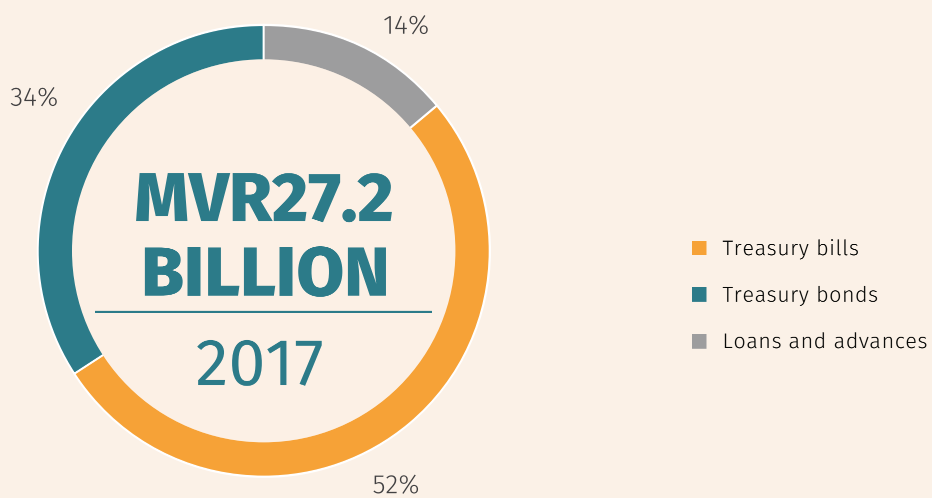
Box 1: Domestic Financing

Domestic borrowing by the government—which includes treasury bills, treasury bonds and loans and advances to the government—totalled MVR27.2 billion at the end of 2017, up from MVR26.4 billion at the end of 2016. This represented a net borrowing of MVR721.5 million during the year, a decline of 78% (MVR2.6 billion) from the previous year. The primary source of domestic borrowing has been the issuance of government securities[1] (treasury bills and treasury bonds) (Figure 1). The total outstanding stock of government securities rose to MVR23.4 billion at the end of 2017 from MVR23.2 billion at the end of 2016, reflecting a net issuance of MVR184.0 million during the period. The net issuance of government securities in the preceding year was higher, at MVR3.2 billion. Meanwhile, loans and advances to the government surged by 17% (MVR537.5 million) and reached MVR3.8 billion at the end of 2017, reflecting the increase in borrowings by the government from local commercial banks.

With respect to the composition of government securities in 2017, treasury bills accounted for the largest share (60%) and recorded an outstanding stock of MVR14.1 billion at the end of the year compared with MVR14.5 billion at the end of the previous year. This shows a net repayment of MVR362.3 million during the year in comparison with a net issuance of MVR1.9 billion in 2016. The turnaround in

[1] Government securities comprised 86% of total domestic borrowing at the end of 2017.

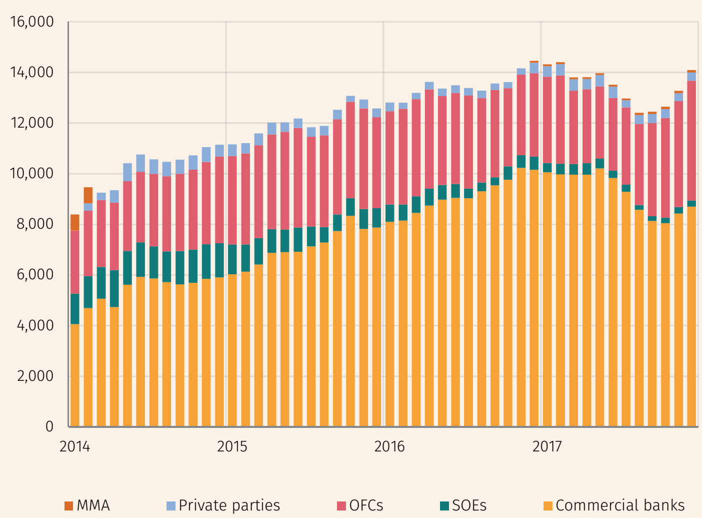
Figure 1: Composition of Domestic Claims on Government



Source: Maldives Monetary Authority

Figure 2: Outstanding Treasury Bills by Holder, 2014–2017

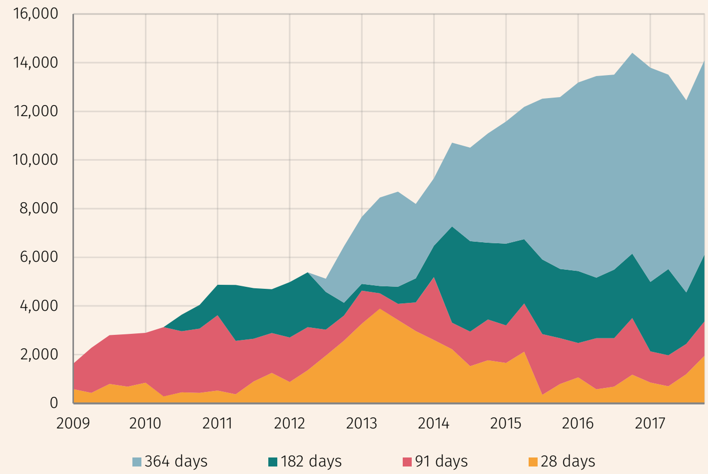
(millions of rufiyaa)



Source: Maldives Monetary Authority

Figure 3: Treasury Bills Holdings by Maturity, 2009–2017

(millions of rufiyaa)



Source: Maldives Monetary Authority

treasury bills issuance largely reflected the conversion of part of the treasury bills into treasury bonds, with the aim of minimising the refinancing and rollover risk arising from high level of outstanding treasury bills. Reflecting the conversions and an increased reliance on long-term securities, the net issuance of treasury bonds posted a marked growth of MVR546.3 million in 2017.

Turning to the outstanding stock of treasury bills by holder, commercial banks remained the main investors in terms of holdings, with a share of 62% of the total outstanding treasury bills, followed by the other financial corporations (OFCs) (34%). However, the amount of treasury bills held by commercial banks showed a notable decline of 14%, whereas the OFC's holdings grew by 44% in 2017 (Figure 2). As for maturity, the investor preference has been shifting towards long-term maturities since treasury bills issuance reverted back to a tap system in 2014 (Figure 3). Accordingly, a large portion of treasury bills (57%) was invested in 364-day treasury bills at the end of the year. The stock of 28-day, 91-day and 182-day treasury bills outstanding at the end of 2017 was 14%, 10% and 20%, respectively.

Monetary Developments

The MMA continued to adopt a monetary policy stance that enables credit expansion for further economic growth. Despite this, inflation was maintained at ideal levels, as excess liquidity in the banking system continued to be absorbed through commercial banks' investments in the MMA's ODF. In addition, the MMA continued to intervene in the foreign exchange market to ease any foreign exchange pressure and keep the exchange rate at stable levels.

Considering the developments in monetary aggregates at the end of the year, reserve money expanded in annual terms due to the growth in the NFA of the MMA. Broad money also registered an annual growth at the end of the year, mostly because of the growth in the NFA of the banking sector. This was driven entirely by the annual growth in the NFA of the MMA. The NDA of the banking sector meanwhile registered an annual decline, caused by an increase in government deposits with the MMA and a decline in commercial banks' net claims on central government despite a growth in private sector lending.

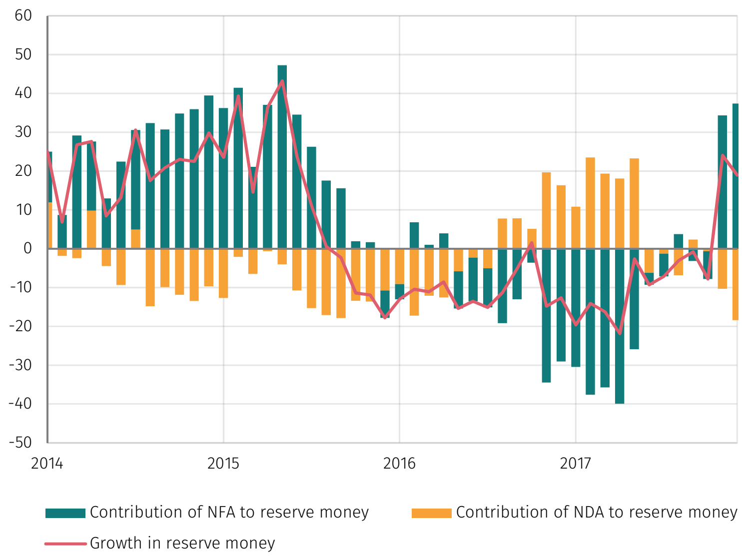
Reserve Money

Reserve money amounted to MVR10.7 billion at the end of December 2017, an increase of 19% in annual terms (Figure 26). The growth in reserve money was entirely driven by the annual increase in the NFA of the MMA. As such, the NFA registered an annual growth of 64% at the end of the year, largely because of growth in the MMA's foreign currency reserves held abroad. Meanwhile, the foreign liabilities of the MMA posted a decline of 77% at the end of the year, reflecting the maturity of the swap facility with the Reserve Bank of India (RBI).

However, the growth in the NFA at the end of the year was partially offset by a decline in the NDA of the MMA. Accordingly, the NDA recorded an annual decline of 44% at the end of the year, primarily due to significant growth in government deposits with the MMA. Increased government deposits reflected the proceeds from the government's first international bond issued in June 2017. Moreover, the monthly coupon payments received by the MMA over the course of the year from its investment in the foreign currency bond—issued by the MACL in November 2016—also contributed to the drawdown in the NDA of the MMA during the year.

Considering the trends in reserve money growth during the year, a decline was observed, in annual terms, from January to October 2017, ahead of an upward trend during the last two months of the year. The contraction in reserve money during the first half of the year was contributed primarily by significant declines in the NFA of the MMA during the period, compared with the corresponding period of 2016. The decline in the NFA mirrored the upsurge in foreign liabilities of the MMA during this period as a result of the foreign currency swap facility made between the MMA and the RBI in November 2016. Following the repayment of

Figure 26: Sources of Reserve Money, 2014–2017
(annual percentage change)



Source: Maldives Monetary Authority

19%

Reserve money grew by 19% in 2017 and stood at MVR10.7 billion

the swap facility upon its maturity in June 2017, the annual declines in the NFA of the MMA became less pronounced from July to October 2017 before registering a significant growth during the months of November and December.

Regarding movements in the NDA of the MMA over the year, it registered a strong positive growth during the first five months of the year and partially offset the decline in reserve money that stemmed from the drawdown in NFA during the first half of the year. The strong positive growth of NDA during the first half of the year was attributable to the significant increase in domestic claims of the MMA, which resulted from investment in the foreign currency bond issued by the MACL in November 2016.

With regard to the components of reserve money, commercial banks' deposits with the MMA, which accounted for 67% of reserve money at the end of 2017, increased by 25% in annual terms. Meanwhile, currency in circulation (33% of reserve money) showed an annual growth of 8% at the end of the year.

Monetary Operations

The monetary policy instruments available to the MMA are open market operations (OMO), ODF, overnight lombard facility and foreign currency swap facilities. Throughout 2017, excess liquidity was absorbed by commercial banks' investments in the ODF. Daily investments in the ODF by commercial banks averaged around MVR3.1 billion during the year. This represents a decline of 4% compared with the average investments in the ODF during 2016.

Broad Money

With regard to the developments in broad money, the stock of broad money amounted to MVR32.0 billion at the end of 2017. The pace of broad money growth accelerated, in annual terms, and stood at 5% at the end of the year (Figure27), compared with a marginal decline of less than 1% at the end of December 2016. The acceleration in broad money growth was entirely caused by the annual growth in the NFA of the banking sector, which posted an annual growth of 31% at the end of December 2017. The expansion in broad money was partially offset by a 4% decline in the NDA of the banking sector. The decline in the NDA was largely attributable to the annual drawdown in the NDA of the MMA.

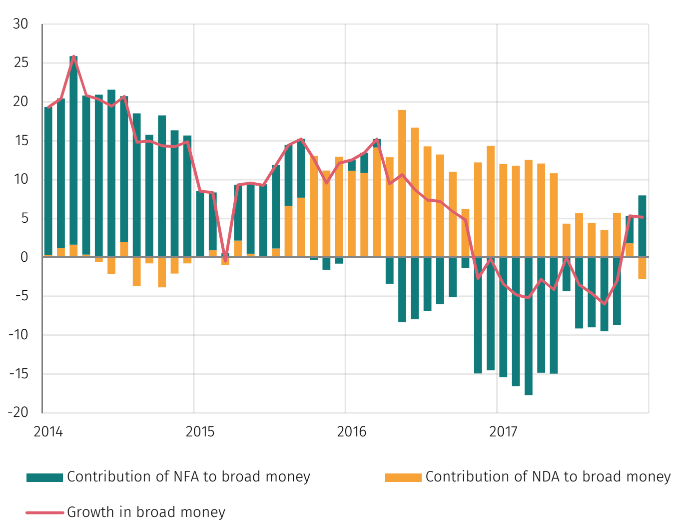
The growth of the NFA was entirely due to the substantial growth in the NFA of the banking system, which grew by 64% in annual terms. However, the increment in the NFA of the MMA was partially offset by a 36% decline in the NFA of commercial banks, which stemmed from both a drawdown in the foreign currency deposits of commercial banks in overseas and an increase in foreign currency borrowing from non-resident banks, compared with 2016.

Considering developments in the NDA of commercial banks at the end of the year, commercial banks' net claims on central government recorded an annual decline of 11% because of a significant drop in commercial banks' investments in government securities. The total outstanding stock of treasury bills held by commercial banks at the end of 2017 declined by 15% when compared with 2016. Outstanding credit extended to the private sector, however, registered a strong positive growth of 15% in annual terms.

Turning to the components of broad money, the 5% annual expansion in broad money was mostly driven by the acceleration

Figure 27: Sources of Broad Money, 2014–2017

(annual percentage change)



Source: Maldives Monetary Authority

5%

Broad money growth accelerated to 5%

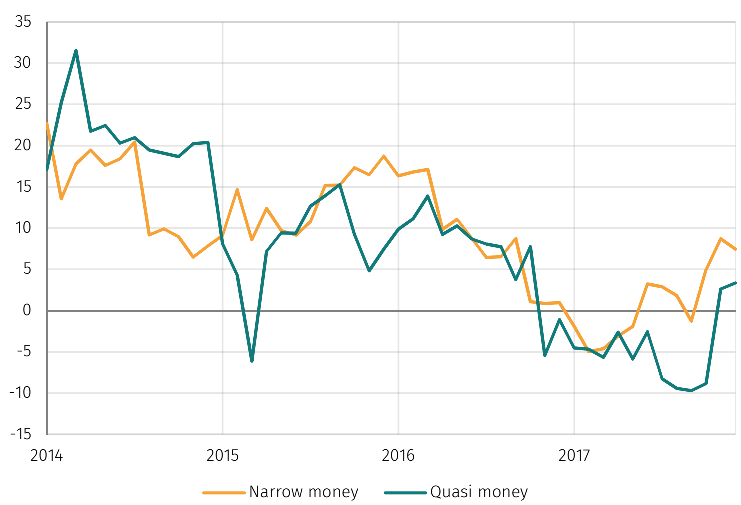
in the annual growth of narrow money (Figure 28). Narrow money growth, which accounted for 45% of broad money at the end of the year, gained further pace and stood at 7% at the end of 2017. This was largely attributable to the growth in local currency demand deposits of the banking sector. Meanwhile, quasi money growth, which accounted for 55% of broad money at the end of the year, accelerated to 3%, reflecting the annual growth in foreign currency demand deposits of the banking sector.

Net Claims on Central Government

At the end of the review year, the banking sectors net claims on central government totalled MVR11.6 billion, having registered a decline of 13% in annual terms following an 18% increase recorded in 2016. The MMA's net claims on central government amounted to MVR4.4 billion and accounted for 73% of the domestic assets of the MMA. Commercial banks' net claims on central government meanwhile amounted to MVR7.2 billion and accounted for 17% of the domestic assets of commercial banks.

The annual decline in net claims on central government was mainly attributable to the decline in the outstanding stock of commercial banks' investments in government securities. The outstanding stock of government securities held by commercial banks, which consisted entirely of treasury bills, amounted to MVR8.7 billion at the end of the year. This represented an annual decline of 15%, reflecting commercial banks' net redemption of their investments during the year.

Figure 28: Growth in Narrow Money and Quasi Money, 2014–2017
(annual percentage change)



3%

Quasi money increased by 3% in 2017

Source: Maldives Monetary Authority

Credit to the Private Sector

Credit to the private sector has been showing strong positive growth since the lowering of minimum reserve requirement (MRR) to 10% in August 2015. This trend was observed to continue in 2017, with the pace of growth accelerating to 15% at the end of December 2017, compared with an annual growth of 11% at the end of 2016 (Figure 29). During the year, the growth in private sector credit was driven primarily by increased local currency lending, which showed 25% growth at the end of the year. Meanwhile, foreign currency lending also posted a positive growth of 6% at the end of 2017.

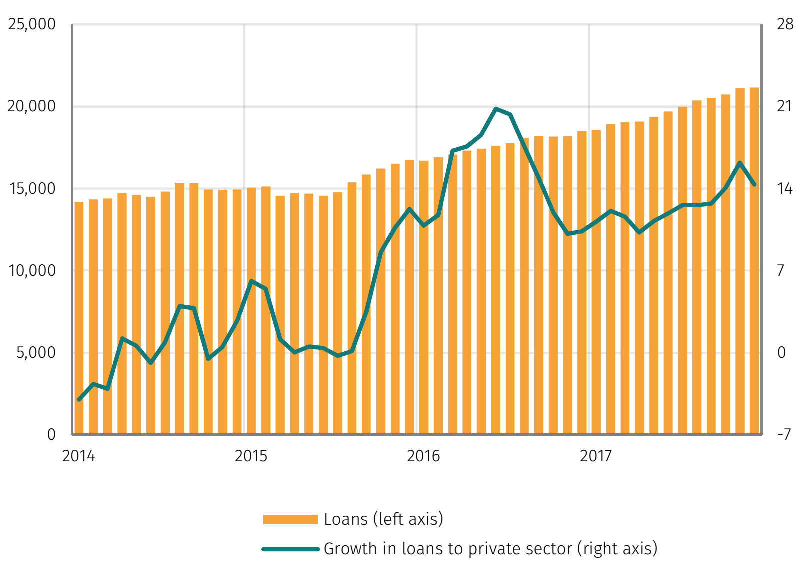
Considering the breakdown of private sector credit by economic sectors, credit extended to the tourism sector accounted for 38% of total private sector credit at the end of 2017 and recorded an annual growth of 12% (Figure 30). The annual growth in credit to the tourism sector was caused by increased foreign currency lending for the construction of guesthouses and new resort development. Increased local currency lending for working capital also contributed to the growth in credit to the sector.

Loans to the construction sector, which accounted for 18% of total private credit, registered an annual growth of 11%. Growth in credit to the sector was driven mostly by increased local currency lending for residential and housing purposes. Credit to the wholesale and retail sectors of the economy comprised 15% of total private credit at the end of 2017 and registered only a marginal increment (less than 1%) in annual terms.

Meanwhile, credit extended for real estate financing and personal loans also accounted for significant shares of total credit

Figure 29: Loans and Advances to the Private Sector, 2014–2017

(millions of rufiyaa, annual percentage change)



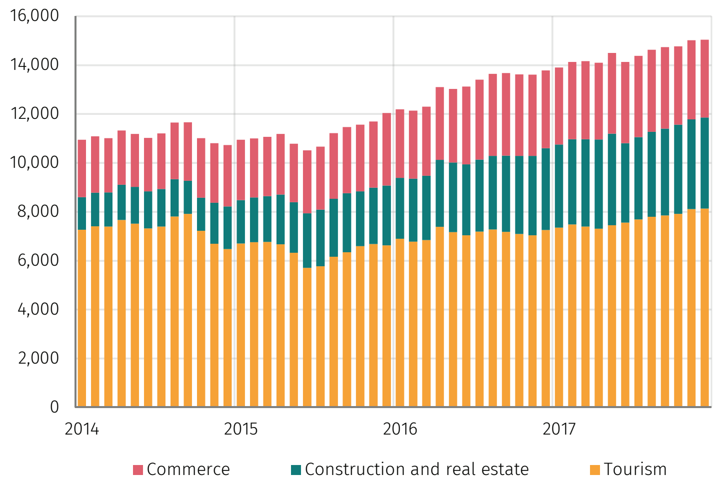
15%

Credit to the private sector rose by 15% in 2017

Source: Maldives Monetary Authority

Figure 30: Loans and Advances to the Private Sector by Major Sectors, 2014–2017

(millions of rufiyaa)



12%

Credit to the tourism sector registered a 12% growth in 2017

Source: Maldives Monetary Authority

at 8% and 7%, respectively. Credit growth for real estate financing grew significantly in annual terms, on the back of increased local currency lending for residential and housing projects. Credit growth for personal loans also registered a more than two-fold increase, driven by increased local currency lending for credit cards and consumer durables.

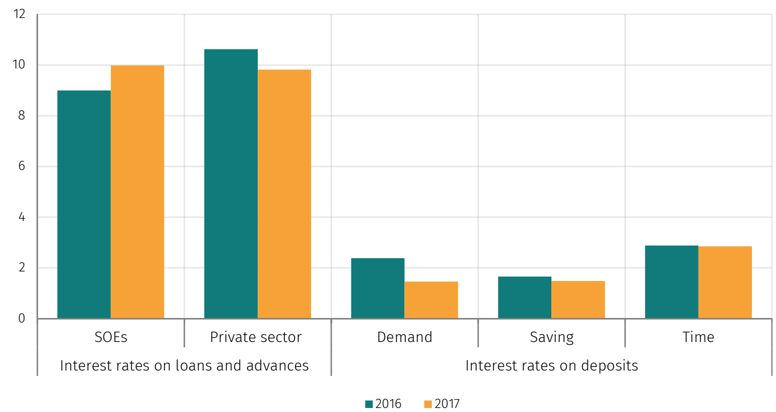
Interest Rates

The indicative policy rate of the MMA remained unchanged at 4.00% during the year. Meanwhile, interest rates on treasury bills also remained unchanged throughout the review year: the interest rates on 28-day, 91-day, 182-day and 364-day treasury bills stood at 3.50%, 3.87%, 4.23% and 4.60% per annum, respectively, throughout the year.

With regard to the weighted average interest rates (WAIR) levied by commercial banks on loans and advances, the rates on loans to the private sector denominated in local currency declined by 80 basis points (bps) in annual terms, while the rates on loans to the private sector denominated in foreign currency declined by 2 bps. For loans extended to SOEs, the WAIR on local currency loans posted an increase of 98 bps, while the WAIR on foreign currency loans registered a decline of 60 bps.

Considering the rates on deposits at the end of December 2017, the WAIR on local currency demand deposits declined by 93 bps and the WAIR on foreign currency demand deposits declined marginally, by 2 bps. Meanwhile, the rates on local currency savings deposits posted a decrease of 17 bps while the rates on foreign currency savings deposits increased by 18 bps. Finally, considering the rates on time deposits, WAIR on local currency time deposits was observed to have declined by 4 bps while WAIR on foreign currency time deposits posted a growth of 23 bps at the end of December 2017 (Figure 31 and 32).

Figure 31: Interest Rates for Loans and Deposits (Local Currency), 2016–2017
(weighted average interest rates per annum)

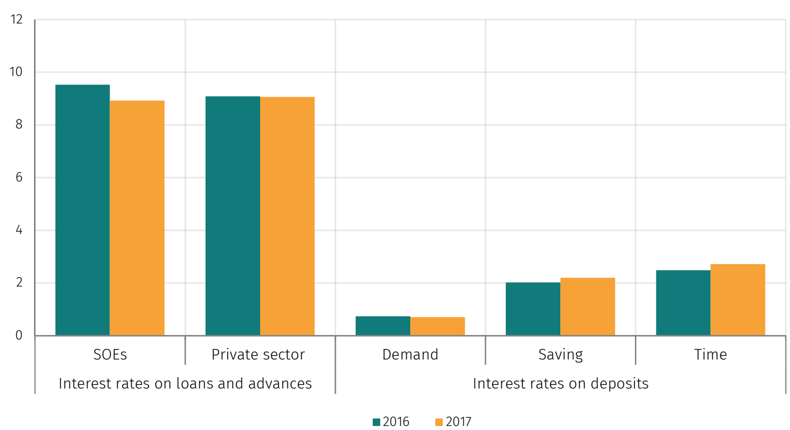


Source: Maldives Monetary Authority

-80 bps

WAIR of local-currency denominated loans to private sector decreased by 80 bps

Figure 32: Interest Rates for Loans and Deposits (Foreign Currency), 2016–2017
(weighted average interest rates per annum)



Source: Maldives Monetary Authority

-2 bps

WAIR of foreign-currency denominated loans to private sector decreased by 2 bps

Financial Sector

The performance of the financial sector continued to be robust in 2017. The key indicators of capital adequacy and asset quality of the banking sector remained at the same level as the previous year and profitability ratios remained at a strong level. Finance companies' capital adequacy was strong and asset quality remained satisfactory, while profits increased. The insurance industry has been growing with an increase in total assets and GWP.

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

Banking Sector

The performance of the banking sector continued to be strong during 2017, with key indicators of capital adequacy and asset quality standing at the same level as in the previous year (Figure 33). Although profits declined, profitability ratios remained at a strong level.

Banks remain well capitalised, and total capital grew by 7% during the year to reach MVR11.6 billion. Capital adequacy ratios remained strong and well above the regulatory minimum requirements. Total capital as a percentage of risk-weighted assets stood at 45%, due to the large share of low-risk assets in the banks' asset portfolios. Leverage capital, measured by equity to gross assets, stood at 20% against the regulatory minimum requirement of 5%.

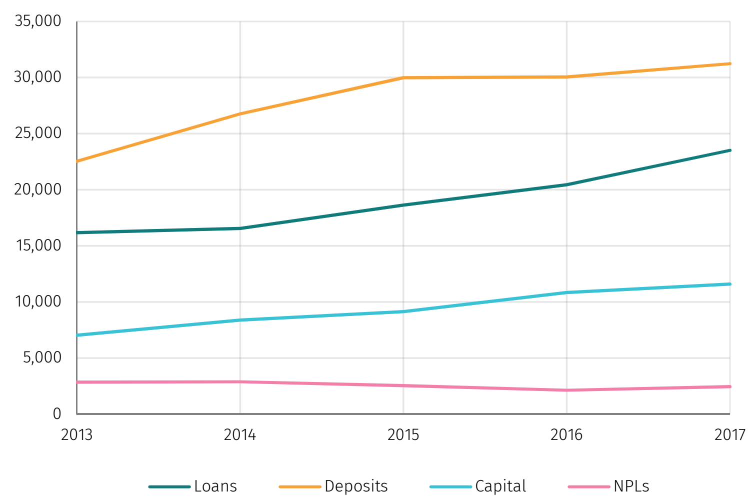
The total deposits of the banks amounted to MVR31.2 billion, of which 53% were in foreign currency. Eighty-one percent of the total deposits were demand deposits. Total deposits increased by 4% in annual terms, the majority of the increase (57%) stemming from foreign currency deposit growth.

Aggregate net assets of the banks stood at MVR46.0 billion, an annual growth of 5%. In terms of asset composition, net loans and advances made up 46% (or MVR23.5 billion) of the portfolio and recorded a significant growth of 16% (or MVR2.8 billion) (Figure 34). Investments in treasury bills made up 18% and amounted to MVR8.4 billion, while balances in the MMA's reserve account and with other banks made up 30% of the net assets.

With regard to asset quality, the absolute value of NPLs increased by 15% or MVR321.1 million in annual terms (Figure 35). Despite this increase in NPLs, the NPL ratio remained steady at 11% because of the significant growth in the total loan portfolio. The credit risk is mitigated by the high levels of specific provisioning that covered 89% of the NPL portfolio, while 102% of the portfolio

Figure 33: Key Indicators for the Banking Industry, 2013–2017

(millions of rufiyaa)

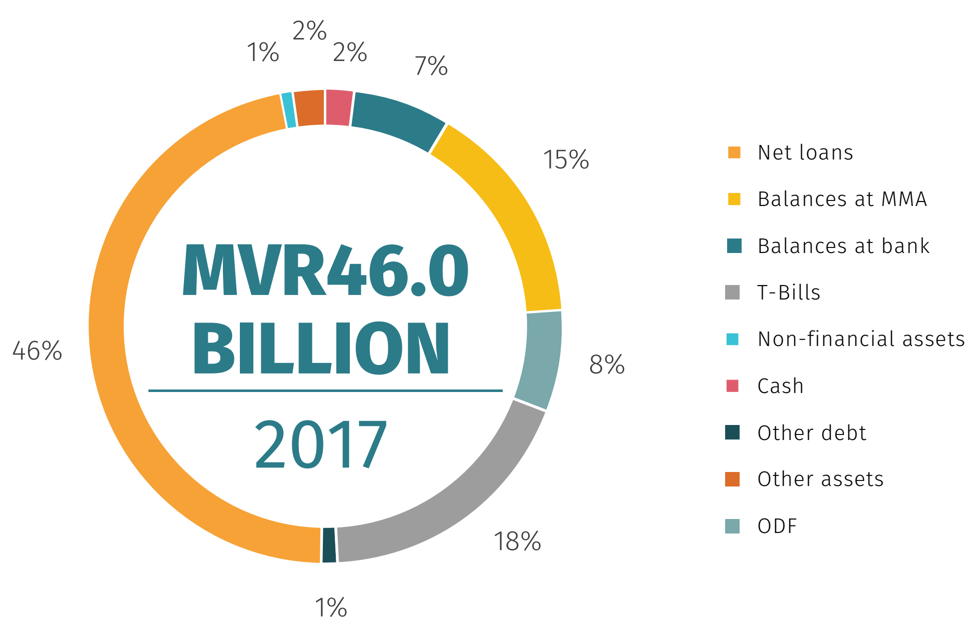


Source: Maldives Monetary Authority

7%

Total capital of commercial banks grew by 7% and stood at MVR11.6 billion

Figure 34: Net Asset Composition of the Banking Industry, 31 December 2017



Source: Maldives Monetary Authority

Figure 35: NPLs and Loan Loss Provisions, 2013–2017

(millions of rufiyaa)

Source: Maldives Monetary Authority

15%

Absolute value of non-performing loans increased by 15%

is covered when general loan loss provision is also taken into account.

In line with the significant growth in lending during the year, the net interest income increased by 6% year on year. Net non-interest income has increased by 3%, while net interest margin has remained at 7% over the past few years. However, profit before tax, amounting to MVR2.3 billion, declined by 17% compared with the previous year. The decline is mainly because of the loan loss provisions of MVR260.6 million made during the year, compared with a net reversal of loan loss provisions during the previous year on account of large loan recoveries. The profitability ratios remained high with the return on average equity at 15% and return on average assets at 4%.

Despite an increase in loans to deposit ratio from 68% to 75% over the year, liquidity remained high, with 44% of net assets being liquid assets.

The banking sector continued to increase its outreach, with seven new branches opening during the year. At the end of 2017, the total number of bank branches in the country stood at 52, and the total number of automated teller machines (ATMs) was 116. Of these, 32 branches and 50 ATMs were outside the Malé region.

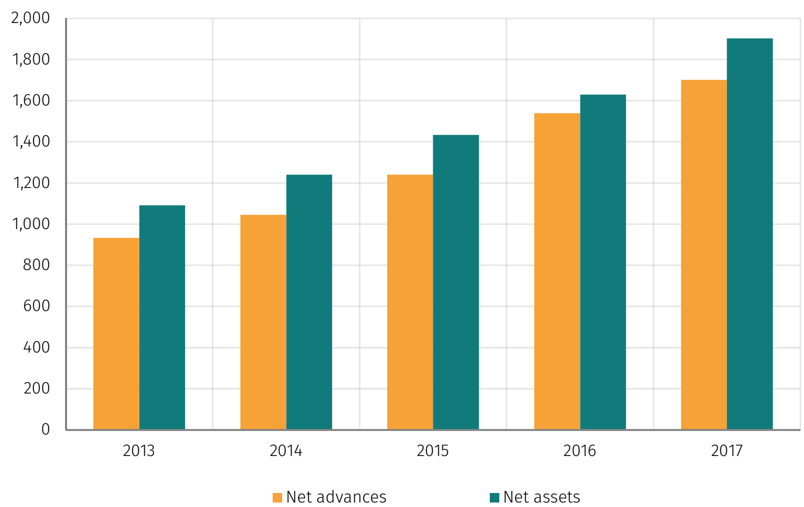
Non-Bank Financial Institutions

Finance Companies

The Maldives financial sector consists of two finance companies: the Maldives Finance Leasing Company Pvt. Ltd. and the Housing Development Finance Corporation Plc. These companies showed an annual growth in total net assets of 17% to reach MVR1.9 billion at the end of 2017 (Figure 36). The loan portfolio continued to rise, recording a 10% growth in gross loans to reach MVR1.7 billion by the end of the year.

Figure 36: Loans and Advances, and Assets of Finance Companies, 2013–2017

(millions of rufiyaa)



Source: Maldives Monetary Authority

17%

Total net assets of the finance companies rose by 17% in 2017

Capital strength of the finance companies is strong, with the total capital to risk-weighted assets at 40%, signifying a comfortable level to absorb risks in the sector. The overall performance of the sector improved, recording pre-tax profits of MVR121.0 million, an 11% increase owing to an increase in both net interest income and net non-interest income (Figure 37). Further, the asset quality of the sector remained satisfactory, with improvements in both absolute NPLs and the ratio of NPLs to total loans. Absolute NPLs decreased by 10% during the year to register an NPL ratio of 1.6% at year end.

International Money Transfer Companies

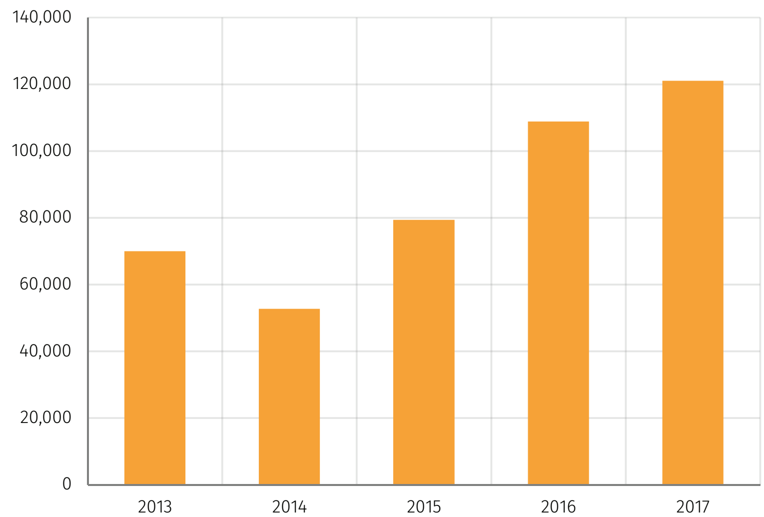
In March 2017, the *Regulation for Remittance Businesses* was issued, with the objective of ensuring that the licensing, supervision and operations of remittance businesses are conducted in a safe and sound manner while ensuring customer protection. During the year, MMA granted a license to an additional company to conduct international remittances using the network of Western Union, while two remittance companies ceased their operations.

Total outward remittances for 2017 amounted to US$66.8 million, a significant decline of 39% compared with the previous year (Figure 38). All months in 2017 reported lower figures compared with the previous year, with February, June and September showing declines of over 45% (Figure 39).

Total outward remittances by foreign nationals accounted for 71%, a decline from the 83% reported in the previous year. Monthly figures showed a declining trend for outward remittances by foreigners (Figure 40). However, remittances by Maldivians remained fairly stable throughout the year, with an increase observed towards the

Figure 37: Pre-tax Profits of Finance Companies, 2013–2017

(millions of rufiyaa)

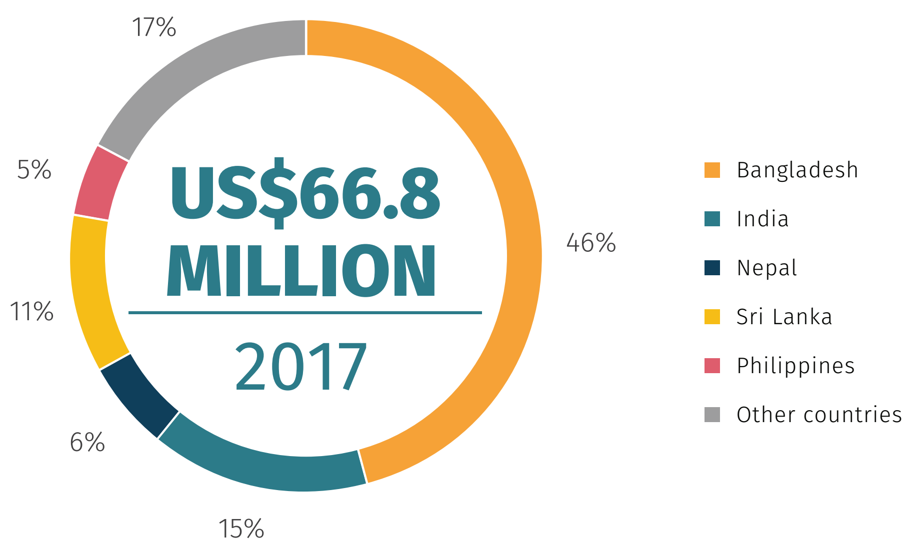


11%

Pre-tax profit of finance companies rose by 11% in 2017

Source: Maldives Monetary Authority

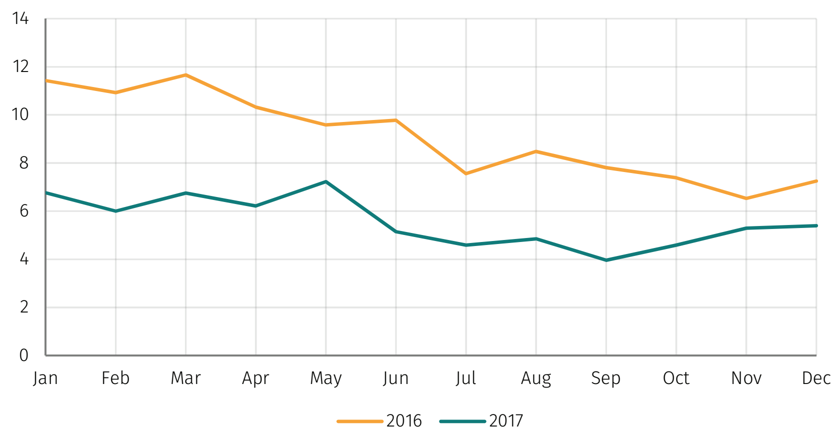
Figure 38: Composition of Outward Remittances by Country



Source: Maldives Monetary Authority

Figure 39: Outward Remittances, 2016–2017

(millions of US dollars)



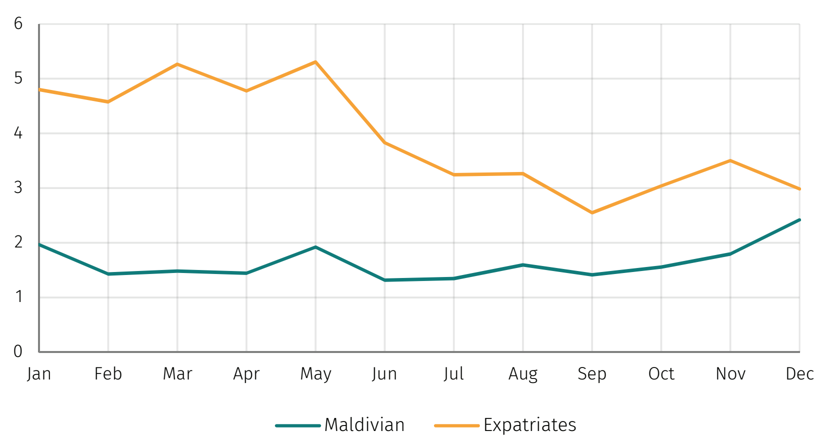
-39%

Outward remittance declined by 39% in 2017

Source: Maldives Monetary Authority

Figure 40: Outward Remittances by Locals and Foreigners, 2017

(millions of US dollars)



Source: Maldives Monetary Authority

71%

Outward remittance by expatriate workers accounted for 71% of total remittances end of the year. The continuous decline in outward remittance has been observed since the implementation of the expatriate remittance tax, which came into effect on 1 October 2016.

Bangladesh continued to be the top remittance destination, with 46% of all outward remittances going to that country; however, the value declined by 56% compared with the previous year. India remained the second most popular outward remittance destination, accounting for 15% of outward remittances, followed by Sri Lanka (11%), Nepal (6%) and the Philippines (5%). Inward remittances showed a slight increase of 1% from the previous year, amounting to US$4.7 million in 2017.

Mobile Payment Services

The MMA licensed Dhivehi Raajjeyge Gulhun Plc to provide mobile payment services in the Maldives in July 2017; the service commenced in October 2017 with more than 100 agents and merchants.

In 2017, mobile payment service providers expanded their distribution network, totalling more than 370 agents and merchants and covering 37% of the inhabited islands. Forty-three of the islands in which payment service providers have an agent/merchant presence do not have a bank branch or ATM. During the year, there has been a notable improvement in the total volume and value of transactions conducted through mobile wallets, mainly due to the increase in the e-money distribution network and online cash-in facilities offered by mobile money service providers.

Insurance Companies

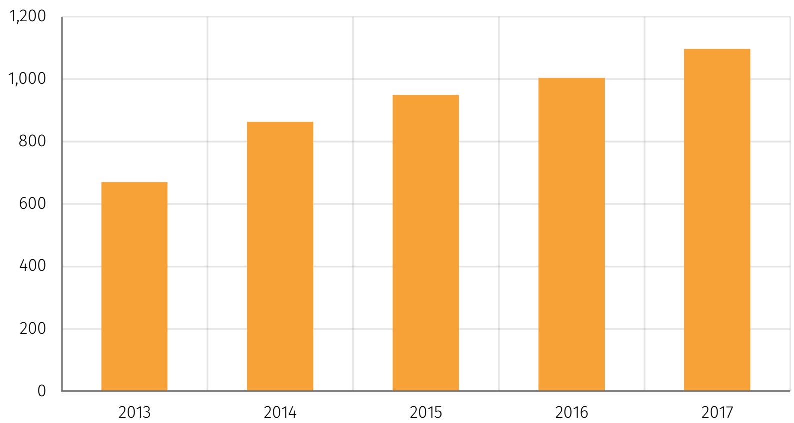
As of the end of the year, the local insurance industry consisted of four general insurance companies and one composite insurance company offering both general and life insurance. The industry mostly uses a direct distribution model in the acquiring of business, although licensed brokers and agents engage in the market.

The insurance industry has been growing steadily: its total assets recorded an increase of 9% during the year to reach to MVR1.1 billion, while GWP increased by 15% to reach MVR767.3 million (Figures 41 and 42). In terms of asset composition, investments represented 28% of the total assets, while reinsurance and premiums receivable accounted for 25% and 17% respectively.

Although the sector is small in relation to GDP, the positive growth trend continued in the insurance industry in 2017 as indicated by two key measures used internationally to determine the growth of the industry: insurance penetration and density. Insurance penetration is measured as a ratio of the GWP in a year to GDP, while insurance density measures GWP per capita. For the general insurance business, insurance penetration increased slightly to 1.2% in 2017 from 1.1% in the previous year (Figure 43), and insurance density increased to US$103.5 from US$91.5 in 2016.

Both insurance penetration and insurance density reflected the increased growth of GWP in 2017. The growth in premium underwritten during 2017 was on account of the significant increase in health, marine hull and aviation insurance business. Fire insurance, which includes property insurance, continued to be the single largest

Figure 41: Total Assets of Insurance Companies, 2013–2017
(millions of rufiyaa)

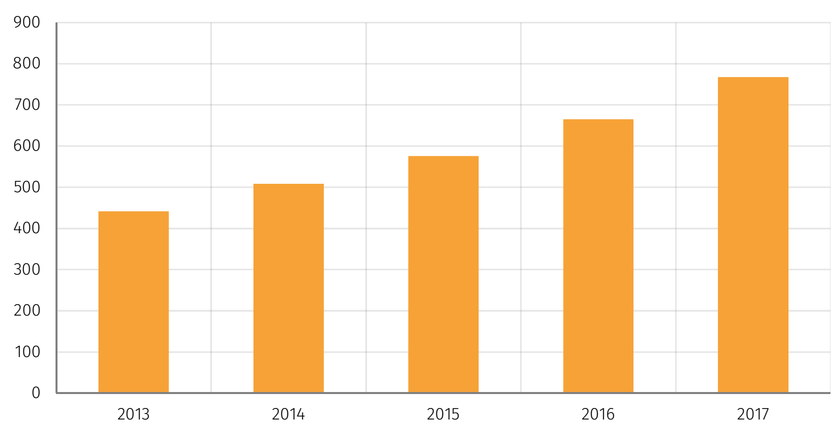


Source: Maldives Monetary Authority

9%

Total assets of insurance companies increased by 9% in 2017

Figure 42: GWP, 2013–2017
(millions of rufiyaa)



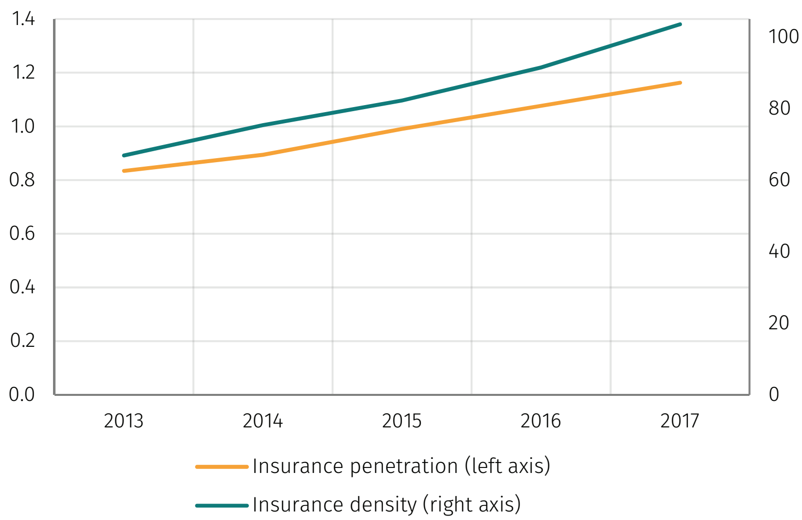
15%

GWP grew by 15% in 2017

Source: Maldives Monetary Authority

Figure 43: Insurance Penetration and Density, 2013–2017

(percent, US dollars)



Source: Maldives Monetary Authority

1.2%

Insurance penetration of general insurance increased to 1.2% in 2017

class of the industry, accounting for 32% of the total premium, while health insurance accounted for 25%. Marine insurance, which includes marine hull and marine cargo business, accounted for 19% of the total premium (Figure 44).

Reinsurance is the process of multiple insurers sharing an insurance policy to reduce the risk for each insurer. The company transferring the risk is called the 'ceding company'; the company receiving the risk is called the 'reinsurer'. The retention ratio indicates the percentage of premiums retained by the insurance companies and thus their level of market risk. The ratio remained unchanged at 37% in both 2016 and 2017 (Figure 45).

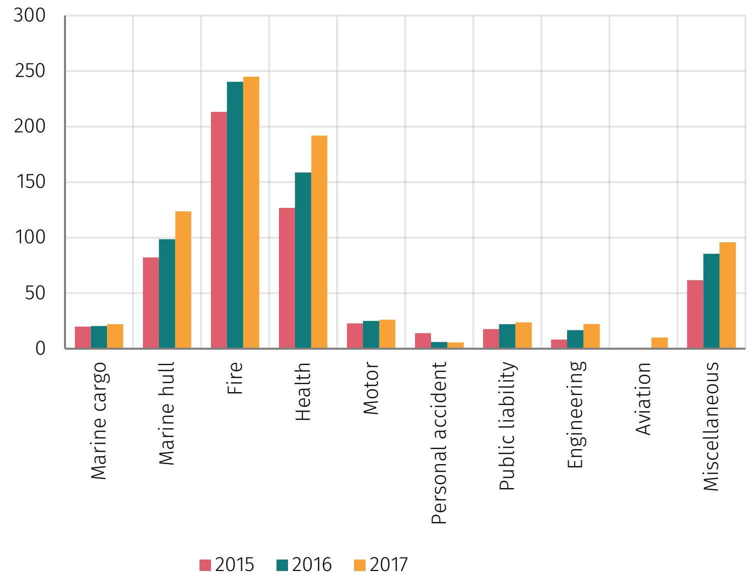
Considering the retention ratio of the different classes of insurance; the retention ratio for fire insurance (which is the largest class of insurance) remained constant at 8% in 2016 and 2017. Marine insurance, however, showed a decrease in retention, to 20% from 23% in 2016. The retention ratio for health insurance and motor insurance, both of which have been increasing rapidly following the introduction of compulsory insurances, showed an increase of 2% and a decrease of 3%, respectively. Both health and motor insurance retained a high proportion of the risk, with retention ratios exceeding 90%.

The gross claims paid by insurance companies in 2017 amounted to MVR240.4 million, which is a decrease of 7% compared with 2016 (Figure 46). Approximately 45% (MVR108.1 million) of the gross claims paid in 2017 was for health insurance policies, followed by 30% (MVR72.0 million) for marine hull insurance policies.

Despite the increase in key growth indicators, the general insurance industry has been experiencing declining profits from 2015 onwards, mainly because of increased competition and reduced rates. After-tax profits of licensed general insurers during the year was MVR47.3 million, which is a 6% decrease compared with the previous year (Figure 47).

Figure 44: GWP by Class of Insurance, 2015–2017

(millions of rufiyaa)



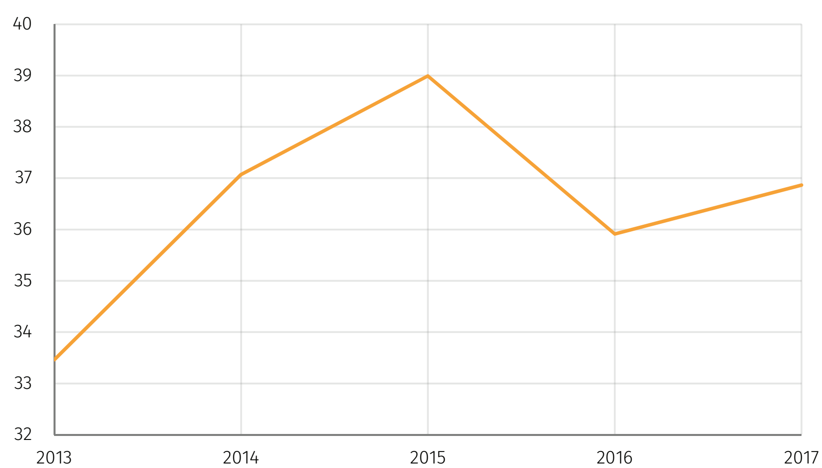
Source: Maldives Monetary Authority

32%

Fire Insurance accounted for 32% of the total premium of the insurance industry

Figure 45: Retention Ratio, 2013–2017

(percent)



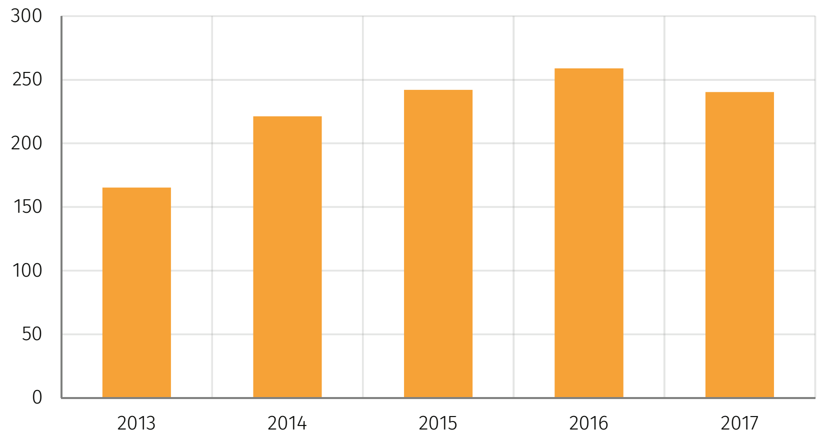
Source: Maldives Monetary Authority

37%

Retention ratio of the insurance industry remained unchanged at 37% in 2017

Figure 46: Gross Claims, 2013–2017

(millions of rufiyaa)



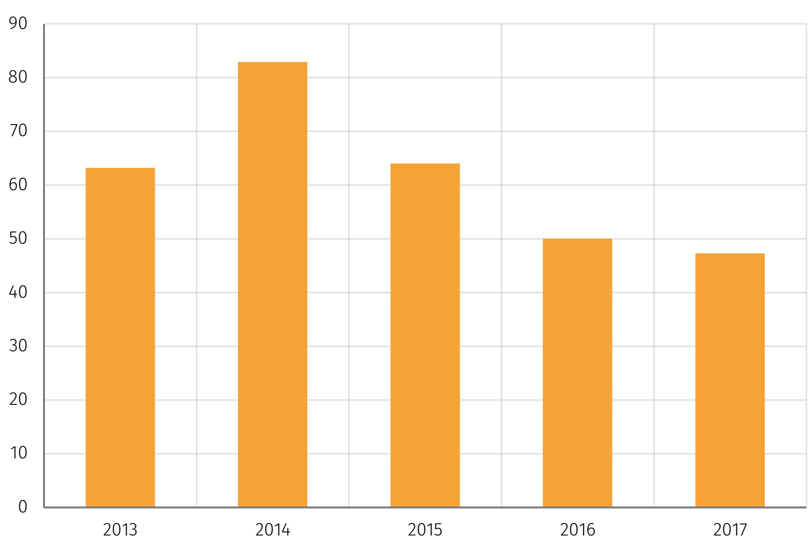
-7%

Gross claims paid by insurance companies decreased by 7% in 2017

Source: Maldives Monetary Authority

Figure 47: Net Profit after Tax of the General Insurance Industry, 2013–2017

(millions of rufiyaa)



-6%

Profitability of insurance industry fell by 6% in 2017

Source: Maldives Monetary Authority

External Sector

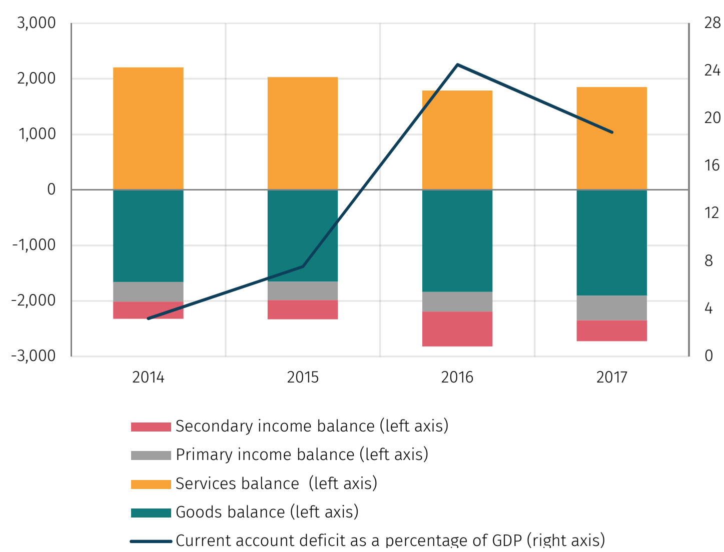
Following weak performance in 2016, prominent recovery was observed in the country's external position during 2017. Mirroring the favourable performance of the tourism sector, along with the dissipation of the base effect of a large one-off transfer made abroad in 2016, the current account deficit improved substantially during the year. Meanwhile, higher inflows of FDI, combined with the proceeds from the first government-issued international bond, contributed to the higher net inflows of the financial account. These positive developments reflected a marked turnaround in the overall balance of payments, which recorded a surplus, and the GIR of the country registered an increment during the year.

Current Account

Given the high degree of openness to trade, as well as the economy's dependency on imports and the tourism sector, the current account is an important indicator of the country's external position. Based on the revised estimates made by the MMA in April 2018, the external position is estimated to have improved markedly during the year, despite an upsurge in imports. Current account deficit narrowed to US$876.4 million in 2017 (which is equivalent to 19% of GDP) from a record high deficit of US$1.0 billion in 2016 (25% of GDP). The downtrend in the current account deficit mirrored the

Figure 48: Composition of Current Account, 2014–2017

(millions of US dollars, percent)



Source: Maldives Monetary Authority

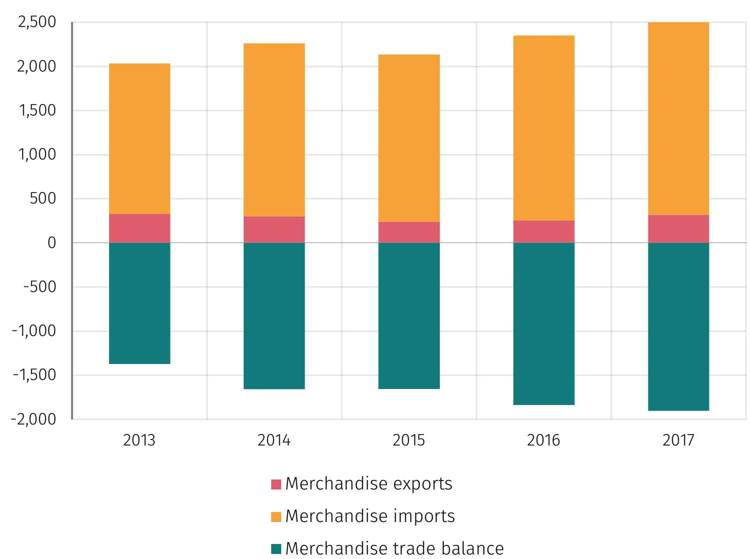
19%

Current account deficit narrowed to 19% of GDP in 2017 remarkable performance of the tourism sector amid global economic recovery. The downside base effect of a sizable outward transfer made during 2016 also contributed to the narrowing of the current account deficit during the year (Figure 48).

Goods

The country's strong reliance on imports is fully reflected in the continued merchandise trade deficit observed in the goods account. The merchandise trade deficit worsened to US$1.9 billion during the year, up from US$1.8 billion in 2016 (Figure 49), mainly driven by a steep growth in imports that curbed a noticeable increase in exports. The increase in imports broadly reflected the continued rise in construction sector-related imports, mainly for resort construction, residential/housing purposes and public infrastructure projects. Import of petroleum products also increased during the year on the back of higher global oil prices. Meanwhile, total exports increased due to a growth in fish exports, coupled with the improvement in re-export earnings mirroring the developments in global oil prices (Box 2).

Figure 49: Merchandise Trade Balance, 2013–2017
(millions of US dollars)



US$1.9 BILLION

Merchandise trade deficit widened to US$1.9 billion in 2017

Source: Maldives Monetary Authority

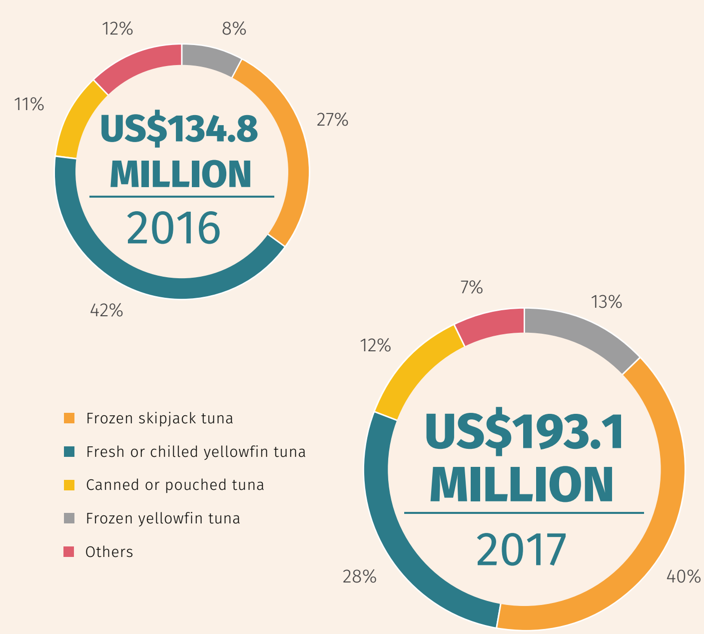
Box 2: Merchandise Trade[1]

Merchandise Exports

Reflecting the upturn in global oil prices and the marked improvement in fish exports, merchandise exports–consisting of domestic exports and re-exports—increased by US$62.1 million and totalled US$318.3 million during 2017. The major contributor to the growth in exports was the significant increase in domestic exports, coupled with a moderate growth in re-exports.

Domestic exports, which consist almost entirely of fish exports, posted a remarkable growth of 43% (US$59.8 million) during the year, a turnaround from a decline of 3% in 2016. This was attributed to the higher earnings from frozen skipjack tuna and frozen yellowfin tuna exports (Figure 1), which in annual terms registered significant increases of US$40.1 million and US$13.5 million, respectively. The growth in such exports more than offset the decline in earnings from fresh

Figure 1: Composition of Fish Exports Earnings

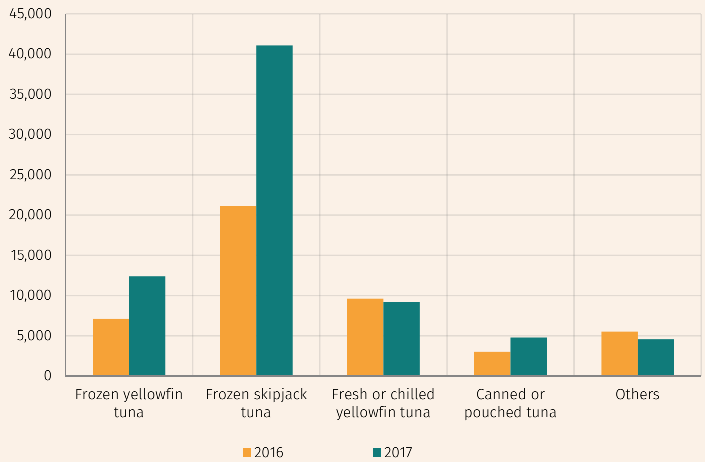


Source: Maldives Customs Service

[1] Based on trade statistics compiled and disseminated by the Maldives Customs Service; hence figures may be different from BOP statistics due to the adjustments taken in BOP.

Figure 2: Composition of Fish Exports (Volume), 2016-2017

(thousands of metric tons)



Source: Maldives Customs Service

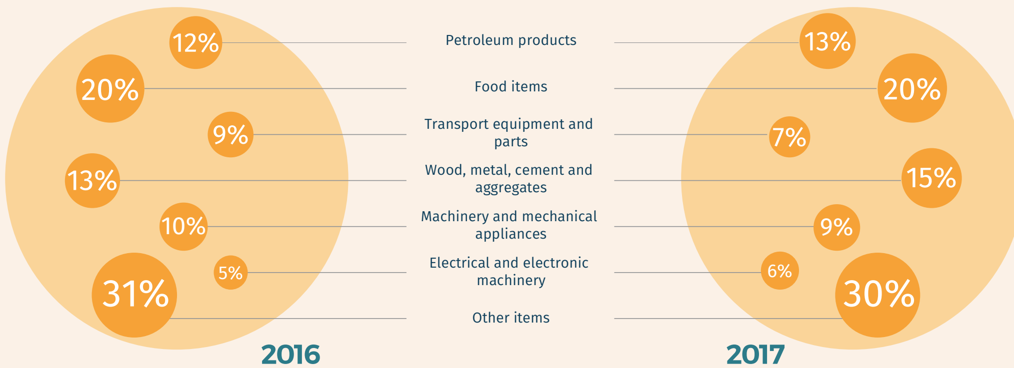
or chilled skipjack and yellowfin tuna exports. With regard to other categories of fish exports, earnings from canned or pouched tuna rose considerably, owing to the increase in volume of such exports (Figure 2), reflecting higher global demand during the year (Box 3). However, export earnings from processed fish declined, mainly because of a decline in earnings from dried skipjack tuna–the largest component of the category.

With regard to total re-exports, it registered a growth of US$2.3 million during 2017. This was entirely due to the rise in the sale of jet fuel to aircrafts at international airports. Mirroring the increase in global oil prices, earnings from re-export of jet fuel posted a significant growth of US$24.5 million during the year. However, the increase was partly offset by the decline in re-export of other items, primarily transport equipment and parts (mainly consisting of equipment imported for the construction of the China–Maldives Friendship Bridge and other infrastructure projects). This reflected the base effects of the higher re-exports of such items in 2016.

Merchandise Imports

Total merchandise imports (c.i.f.) increased by US$235.0 million and totalled US$2.4 billion during the year. Against the backdrop of the strong construction sector, import expenditure on construction-related items (wood, metal, cement and aggregates and other construction-related items) grew substantially by

Figure 3: Composition of Imports, 2016-2017
(annual percentage change)



Source: Maldives Customs Service

US$96.6 million, totalling US$500.9 million in 2017. Meanwhile, reflecting the rebound in global oil prices, expenditure on import of petroleum products (mainly diesel, petrol and aviation gas) increased markedly by US$67.0 million during the period.

As for other import components, expenditure on food items recorded a growth of US$32.8 million during the period, with the main food categories registering increases. Similarly, import expenditure on electrical and electronic machinery and equipment and parts increased by US$21.1 million. In contrast, expenditure on transport equipment decreased notably by US$20.9 million during the year, as various infrastructure projects near completion (Figure 3). Import of furniture, fixtures and fittings also decreased during the year.

Direction of Trade

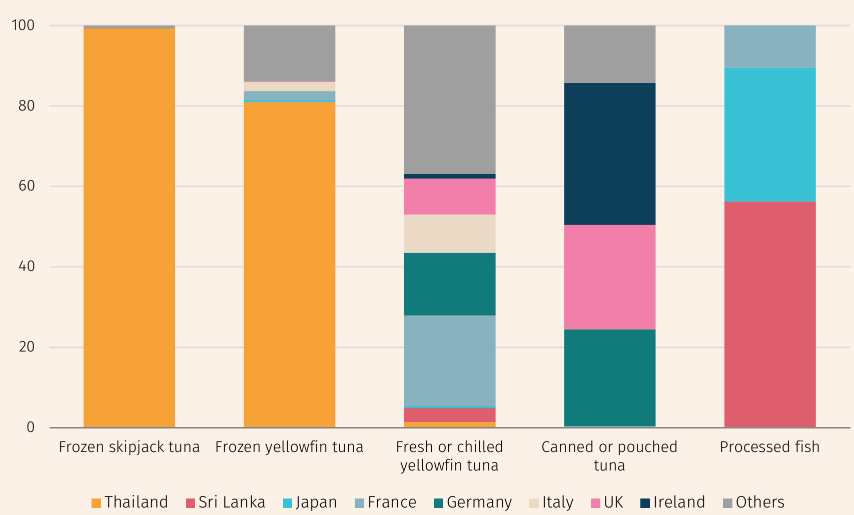
Similar to previous years, Asia remained the leading destination for Maldivian exports, with a share of 59% of domestic exports (excluding re-exports), followed by Europe with a share of 33% (Figure 4). Thailand continued to be the single largest Asian export market, with frozen skipjack tuna and frozen yellowfin tuna accounting for the bulk of exports. As a result of higher skipjack tuna prices in the Thai market, earnings from skipjack tuna exports to Thailand registered an increase, leading to a higher share of exports to Thailand. However, the value of exports to Sri Lanka registered a decline during the year because of a decline in the value of major exports to Sri Lanka during the year, which consisted of fresh or chilled yellowfin tuna and dried skipjack tuna. The share of exports to Japan–the third largest market in Asia–increased over the period, reflecting the growth in the volume of dried skipjack tuna, frozen bigeye tuna and frozen yellowfin tuna. Nonetheless, export of fresh or chilled bigeye tuna and fresh or chilled yellowfin tuna to Japan declined during the year.

Moreover, exports to Europe increased in 2017 after a decline in the previous year. The bulk of exports to Europe consisted of canned or pouched tuna, and yellowfin tuna. The main export markets within the Europe for canned or pouched tuna were Ireland, the UK and Germany, with the value of exports to these countries posting increases during the year. Meanwhile, France, Germany, Italy and the UK remained the main destination in the Europe for yellowfin tuna. Yellowfin tuna exports to France, Germany and the UK showed a notable improvement, while exports of yellowfin tuna to Italy decreased during the year.

With regard to the direction of imports (Figure 5), the bulk of imports continued to be coming from Asia, accounting for 81% of imports during the year. From this region, the UAE and Singapore were the main sources of imports to the Maldives, followed by India and China. Imports from the UAE mainly consisted of petroleum products, particularly diesel (marine gas oil), petrol and aviation gas and construction-related items. Such imports expenditure posted a significant increase during the year. Imports from Singapore mainly included construction-

Figure 4: Direction of Trade of Exports, 2017

(percent)



Source: Maldives Customs Service

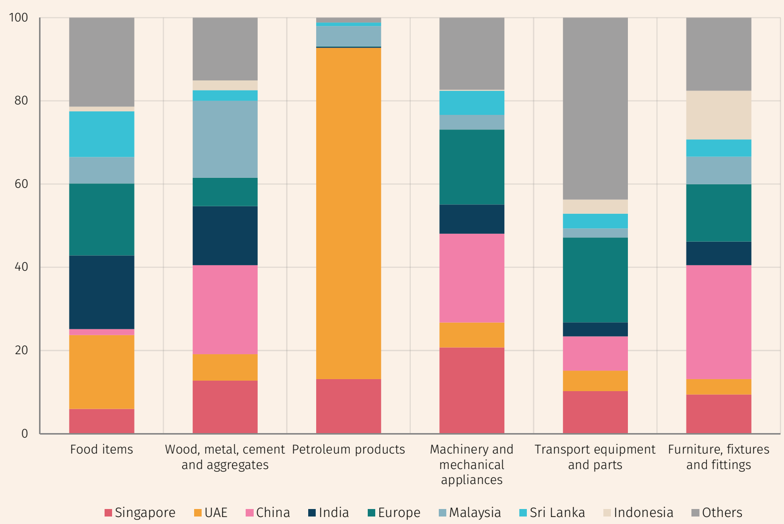
related items, machinery and mechanical appliances and petroleum items—mostly diesel and petrol. It is noteworthy that import from Singapore of medical and surgical supplies and plastic increased substantially during the period, despite recording a decline in the market share.

Meanwhile, imports from India also registered growth during the year, largely reflecting an increase in imports of electrical and electronic machinery, pharmaceuticals and food. In contrast, imports from China posted a decline during the period, as import of transport equipment and parts and petroleum products recorded a substantial decrease, reflecting a fall in the imports related to the construction of the China–Maldives Friendship Bridge as the project reaches completion. However, import of other construction-related items from China increased during the year.

In addition, imports from Europe registered a solid growth, with imports of food; machinery and mechanical appliances and parts; and transport equipment and parts showing increases during the year.

Figure 5: Direction of Trade of Imports, 2017

(percent)



Source: Maldives Customs Service

Box 3: Trends in the International Tuna Market

The modern-day tuna industry increasingly operates in a highly integrated global market. In this regard, monitoring international price developments, along with changes in main demand and supply factors across the leading tuna markets, is of major importance for key stakeholders. For the Maldives, a country where 61% of its total merchandise exports are represented by fish exports, major developments in these international tuna markets hold significance for the country's external position. Thus, the purpose of this box is to explore key trends within the most prominent tuna markets, namely Europe, Japan, the US and Thailand—which collectively represent 93% of the Maldives' total fish exports.

Global Tuna Prices

The year 2017 witnessed mixed developments within the international tuna market[1]. In this regard, the decline in tuna catches observed during the latter half of 2016 continued to the start of 2017, which resulted in an increase in prices of tuna at the turn of the year. This decline in supply was in part due to a *veda* (fishing closure)[2] in the Eastern Pacific that ended in late January 2017, coupled with the two-month closure of fish aggregating devices in the Atlantic, which began in January 2017.

Meanwhile, tuna prices increased steadily, despite a fall at the beginning of the second quarter. While the fall in prices was on the back of weaker demand, the recovery in tuna prices reflected the fall in inventories across the major markets, as well as the increased demand from Thailand—which is the price setter for the global tuna market and the whole canning sector. Further, supply plummeted as a result of another closure of fish aggregating devices in the Western and Central Pacific from July to October 2017, together with a two-month *veda* closure in the Eastern Pacific that commenced in late July 2017. Consequently, prices continued to soar during the third quarter, reaching a peak in October 2017. Prices once again began to fall in November 2017, and the year ended with a declining trend, largely due to the improvement in supply as the *veda* closure came to an end.

Fresh and Frozen Tuna Market

The US, Japan and the EU markets[3] are the biggest importers of fresh and frozen tuna. By this token, the US showcased a positive demand trend for both fresh and frozen tuna during January–October 2017. This was chiefly reflected in

[1] Data relating to international trends in the tuna markets were taken from Globefish (January, 2018), a body of the Food and Agriculture Organisation of the United Nations.

[2] A veda closure is a seasonal fishing ban in the Eastern Pacific, imposed periodically by the Inter-American Tropical Tuna Commission.

[3] Analysis not conducted for the EU market due to the unavailability of import data.

the increased imports of fresh and frozen whole/dressed tuna, fillets and steaks, combined with high-value bluefin tuna and frozen loins. Notably, in Japan—the world's largest sashimi tuna market—imports increased for frozen loin/fillet rather than fresh and frozen whole tuna, as consumer demands have been shifting based on seasonality; demand for such items tends to increase during festive periods and special occasions.

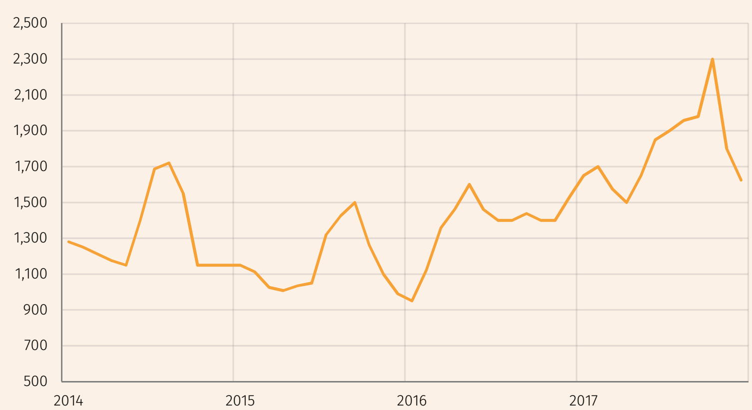
With regard to notable price trends for fresh and frozen tuna, frozen skipjack tuna prices rose significantly during the year and peaked in October, averaging US$2300.0 per metric ton (Figure 1). However, prices declined abruptly towards the end of the year. In the EU, yellowfin tuna prices recorded an uptrend throughout the year, rising from an average US$9.2 per kilogram in January 2017 to US$9.9 per kilogram by the end of December 2017, while peaking at US$10.2 in September 2017 (Figure 2).

Canned and Processed Tuna Market

Developments in the canned and processed tuna market appeared varied. Thailand—the largest exporter of such items—suffered declines, while other major exporters such as Ecuador, Spain and the Philippines fared relatively well during the first nine months of 2017. Unlike Thailand, the latter countries benefit from the Generalised System of Preferences, which provides 'zero' tariff status in the EU market. As a result, Thai exports to the European market reduced significantly during the nine months of the year. Reduction in exports was further exacerbated

Figure 1: Skipjack Tuna Prices, 2014–2017

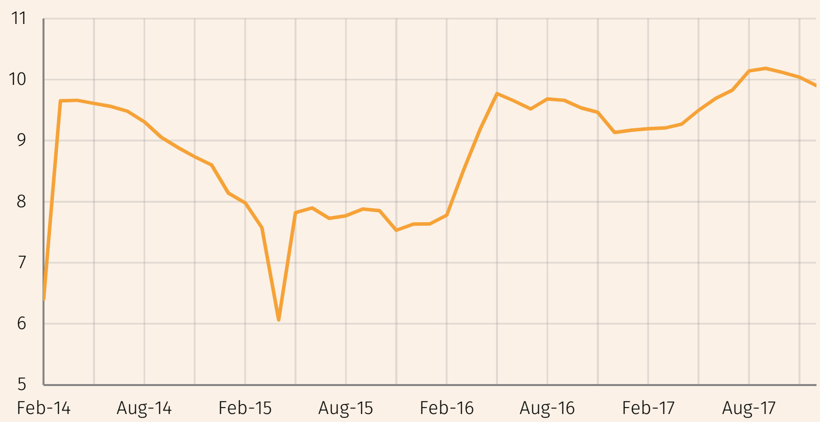
(US dollars per metric ton)



Source: Ministry of Fisheries and Agriculture
Note: Prices are based on Bangkok frozen market prices.

Figure 2: Yellowfin Tuna Prices, February 2014–December 2017

(US dollars per kilogram)



Source: Ministry of Fisheries and Agriculture

Note: Prices are based on Spain Mercamadrid fresh market prices.

by reductions in export volumes to the Middle Eastern and US markets. On the upside, exported value of canned and processed tuna from Thailand increased slightly in light of higher raw material costs.

Europe—the largest global market for canned and processed tuna—recorded an increasing trend in such imports during the period January–September 2017. The top five suppliers of canned tuna to the EU were Ecuador, Mauritius, the Philippines, the Seychelles and Papua New Guinea, all of which benefit from the duty-free status when exporting to the region. During this period, the leading markets in the EU were Spain, Italy, France, the UK, Germany and the Netherlands, with the UK being the only country to not record increases in imports.

It is worth noting that total US imports of canned and processed tuna remained stable during the first three quarters of 2017, having registered a 2% increase from the previous year. Similarly, Australia and New Zealand observed positive demands for canned tuna during this period. However, the East Asian and Middle Eastern markets stumbled amid rising prices.

In conclusion, despite certain trend shifts, the driving forces for demand and supply, as well as overall price developments, indicated that the leading tuna markets across the globe witnessed a positive year in 2017. In light of these positive developments, the Maldivian tuna processing industry also experienced a favourable year as reflected by the growth in fish exports, which aided to improve the external position of the economy.

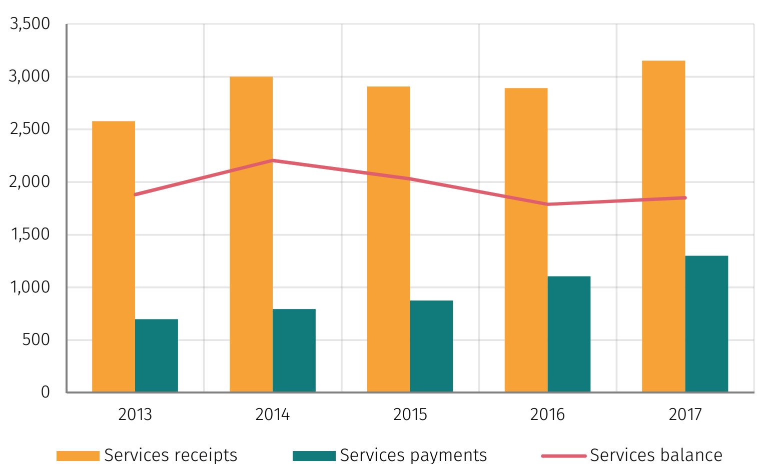
Services

As the Maldives is a tourism-driven economy, a key feature of its current account is the inherent surplus on the services account, as a substantial amount of foreign exchange inflow is received for tourism-related services. Surplus on the services account further increased from US$1.8 billion in 2016 to US$1.9 billion in 2017 (Figure 50), reflecting favourable economic environments in the main source markets.

Total service receipts posted a growth of US$258.3 million and amounted to US$3.1 billion during the period. Total travel receipts, which accounted for 87% of all services receipts, are estimated to have increased considerably by US$236.3 million, to US$2.7 billion in 2017, on the back of a buoyant tourism sector. Additionally, receipts from transport services edged upwards, largely attributable to higher inflows from freight charges on the back of increased export volumes during the year.

On the payments side, total expenditure on services are estimated to have reached US$1.3 billion in 2017, an annual increase of US$195.7 million. The growth was largely on account of the increase in payments made for international transport services during the year, which can be attributable to higher freight charges on imports as a result of higher volume of imports during the year. Meanwhile, notable growth was observed in the categories of construction-related services and other business services acquired from non-residents, owing to the expansion of the construction sector and the increase in professional and management consultancy services sought externally for various business needs. In contrast, the decreased

Figure 50: Trade in Services, 2013–2017
(millions of US dollars)



US$1.9 BILLION

Surplus on service account increased to US$1.9 billion in 2017

Source: Maldives Monetary Authority

number of residents travelling abroad led to a deceleration in travel expenditure during the year, with expenditure recording only a slight increase from the previous year.

Primary Income Account

Movements in the primary income account continued to be influenced by the outflows related to FDI, generally reflecting income on equity. The deficit on the primary income account widened further by US$93.6 million to reach US$446.6 million in 2017. With the surge in profits earned by foreign investors during the year, the repatriation of profit in terms of dividend payments and the reinvestment of earnings increased markedly to US$381.2 million. However, inflows of the primary income account increased moderately to reach US$14.2 million. The modest increase was primarily due to the increase in interest income of commercial banks.

Secondary Income Account

The secondary income account, which is comprised of private and government transfers, posted a significant improvement in 2017. The deficit on this account narrowed significantly to US$375.9 million in 2017, entirely due to the dissipation of the base effect of the compensation payment by the MACL to the Indian infrastructure company, GMR Group. In contrast, workers' remittances—a key source of private transfer outflows—continued to weigh on the secondary income deficit. These personal transfers are estimated to have increased to US$417.1 million during the year because of the increased number of expatriate workers in the country.

Financial Account

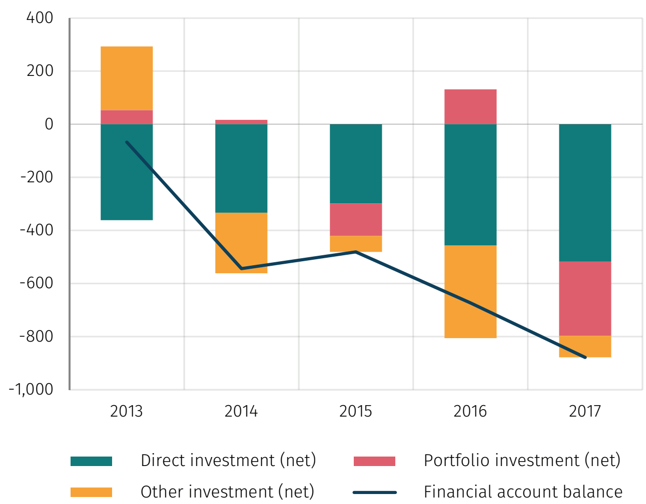
The financial account recorded a net inflow of US$878.0 million, up from US$673.2 million in 2016 (Figure 51). Direct investments continued to be the largest source of inflows in the financial account. However, with the issuance of a government bond in the international market, the share of inflows from portfolio investments—which consist of cross-border financial transactions involving equity and debt securities other than those included in direct investments—gained substantially during the year. Therefore, the upsurge in the net inflows during the year broadly reflected the transactions on financial assets and liabilities related to direct investments and portfolio investments.

In tandem with the robust tourism sector, inflows from FDI[14] in the form of new equity investments and reinvested earnings are estimated to have increased markedly during the year. Net inflows from such investments increased to US$517.5 million in 2017 from US$456.6 million in 2016. Meanwhile, portfolio investments recorded a net inflow of US$279.2 million during the year, after registering a net outflow of US$132.1 million in 2016. The positive turnaround was almost entirely due to the inflow of funds from the government bond issued in the international market during the year.

Additionally, 'other investments', which consist of financial transactions other than direct investment and portfolio investment, posted a net inflow of US$81.3 million in 2017, down from US$348.7 million recorded in 2016. While a significant increase in external borrowings by the private sector contributed to higher net inflow during the

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

Figure 51: Financial Account, 2013–2017
(millions of US dollars)



US$878.0 MILLION

Financial account registered a net inflow of US$878.0 million in 2017

Source: Maldives Monetary Authority
Note: In the financial account a positive sign indicates net lending and a negative sign indicates net borrowing.

year, this was largely offset by the outflows from repayments of the foreign currency swap agreement made between the MMA and the RBI. Inflows were also dampened by lower external borrowings in the form of loans by the government[15] during the year.

Overall Balance and International Reserves

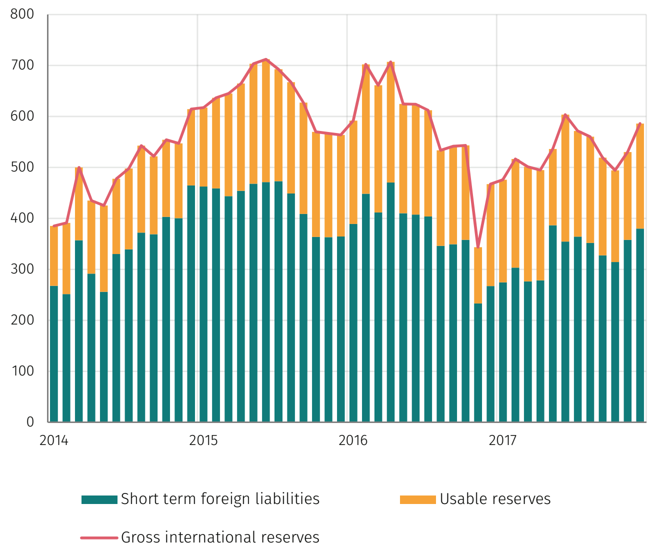
As the net inflows from the financial account outpaced the current account deficit during the year, the overall BOP marked a turnaround from a deficit of US$95.8 million in 2016 to a surplus of US$118.9 million in 2017. Reflecting this positive development, the GIR improved from US$467.1 million at the end of 2016 to US$586.1 million at the end of 2017 (Figure 52). The usable reserves component of the GIR amounted to US$206.4 million at the end of 2017, a growth of 3% compared with 2016.

After a sizable decline towards the end of 2016, GIR trended upwards during the first half of the year to peak at US$603.4 million in June 2017. As the GIR includes commercial banks' foreign currency deposits held at the MMA (MRR and excess reserves), the improvement in GIR at the beginning of the year was attributed to the increase in such deposits at the MMA. The significant increment during the month of June stemmed from the upsurge in usable reserves on account of the proceeds from the bond issued by the government in the international market.

However, GIR posted a declining trend once again from July onwards before improving towards the end of the year. The decline in GIR since July was largely caused by a fall in usable reserves on the back of higher foreign payments and increased foreign currency sales to the domestic

[15] Due to fluctuations in the exchange rate, this amount may differ from external debt statistics.

Figure 52: Gross International Reserves, 2014–2017
(millions of US dollars)



Source: Maldives Monetary Authority

US$586.1 MILLION

Gross international reserves increased to US$586.1 million in 2017

market to ease foreign exchange pressure. Nonetheless, GIR improved towards the end of year and closed at US$586.1 million at the end of December 2017, reflecting the additional proceeds from the government-issued bond, followed by the rise in the foreign currency reserves account balances of commercial banks at the MMA. Higher foreign currency receipts, mirroring the positive performance of the tourism sector, also contributed to the growth in GIR during the period.

External Debt

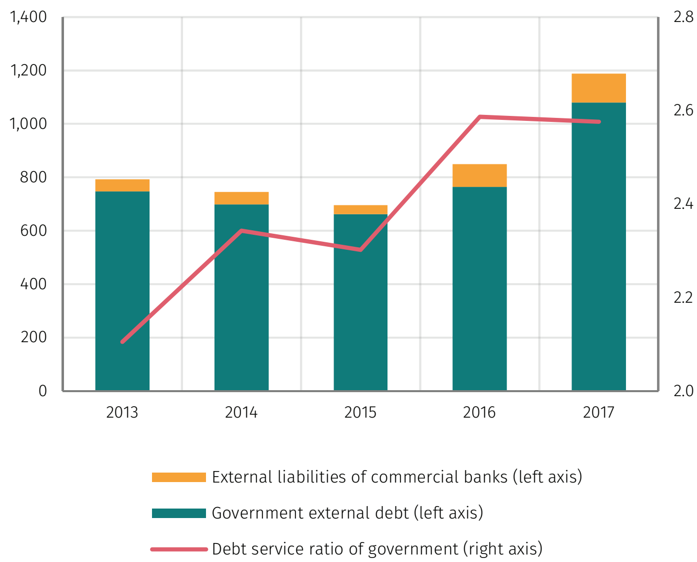
External debt statistics are limited to government external borrowings and foreign liabilities of commercial banks. As per the latest available statistics, the total external debt stock (government and commercial banks) increased by US$339.4 million and summed to US$1.2 billion at the end of the year. Meanwhile, the debt-to-GDP ratio rose to 26% of GDP during the year, up from 20% of GDP in the preceding year (Figure 53). The growth in external debt stock broadly reflected an increase in government debt securities following the issuance of a government bond in the international market during the year. In addition, the growth in buyer's credit[16], coupled with an increase in loans obtained from multilateral sources during the year, contributed to the increase in government debt.

Considering the composition of the total outstanding external debt stock, government external borrowings—which accounted for 91% of the total external debt stock—grew significantly by US$316.2 million and totalled US$1.1 billion at the end

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

Figure 53: External Debt, 2013–2017

(millions of US dollars, percent)

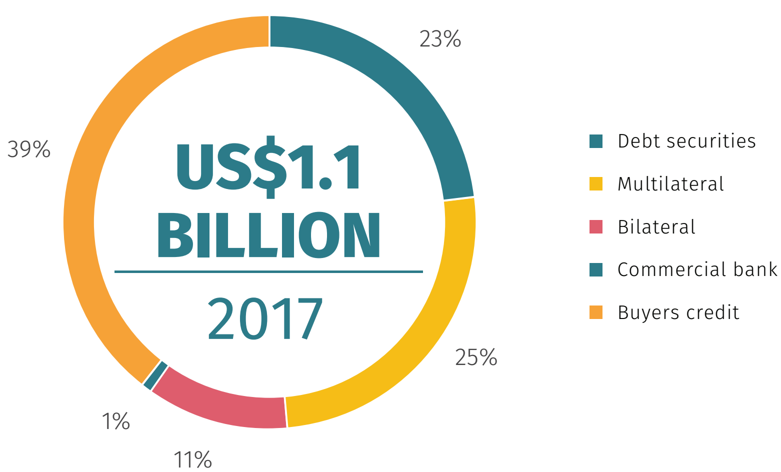


26%

External debt stock increased to 26% of GDP in 2017

Sources: Ministry of Finance and Treasury and Maldives Monetary Authority

Figure 54: Composition of Total Government External Debt Outstanding



Sources: Ministry of Finance and Treasury, Maldives Monetary Authority and National Bureau of Statistics of 2017 (Figure 54). Government external debt primarily consisted of debt securities, buyer's credit and loans obtained from bilateral and multilateral sources. Debt securities grew significantly with the newly issued government bond of US$250.0 million. Meanwhile, buyer's credit recorded a substantial growth of US$72.8 million and amounted to US$420.9 million during the year, mainly reflecting the growth in credit extended to finance various infrastructure projects. In addition, multilateral loans amounted to US$274.5 million in 2017, an increase of US$20.0 million compared with 2016. However, bilateral loans posted a decline of US$20.6 million and totalled US$122.1 million during the year. The foreign liabilities of commercial banks totalled US$108.1 million in 2017, a growth of US$23.2 million.

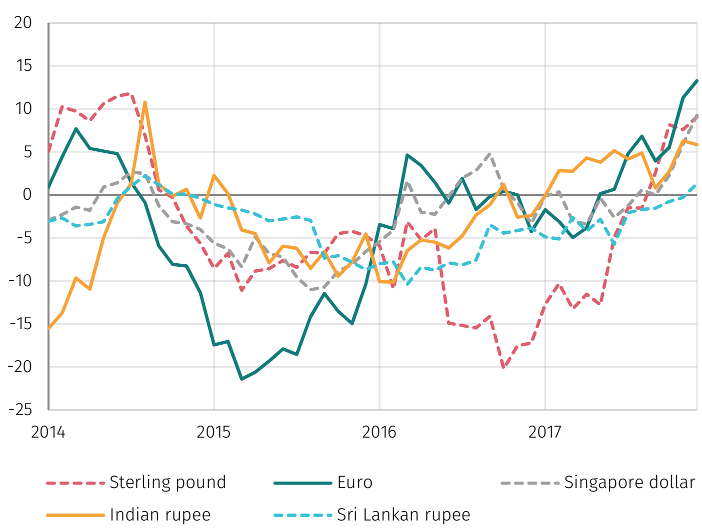
As the government external borrowings increased during 2017, the total cost of debt servicing[17] rose by US$5.5 million and amounted to US$86.9 million in 2017. Despite higher cost of debt servicing, the debt service ratio[18] remained unchanged from the previous year, at 2.6% in 2017.

Exchange Rates

Reflecting the depreciation of the US dollar against the major currencies in the international market, the bilateral exchange rates of the Maldivian rufiyaa

Figure 55: Changes in Exchange Rate of the US Dollar against Currencies of Major Trading Partners, 2014–2017

(annual percentage change)



⬇ MVR

Maldivian rufiyaa depreciated against the currencies of major trading partners in 2017

Source: Bank of Maldives PLC

17 Includes both principle and interest payments.

18 Debt service ratio is the ratio of debt service payments to export of goods and services. It measures the adequacy of a country's foreign exchange earnings to meet maturing debt obligations.

depreciated against the currencies of major trading partners. At the end of 2017, the MMA reference rate[19] for the rufiyaa per US dollar stood at MVR15.41, representing a marginal depreciation in annual terms.

The weaker performance of the US dollar against the major currencies of the world largely reflected economic performance, as well as the divergences in the monetary policy stance of these economies. The US dollar depreciated against the euro mostly on the back of a strong recovery in the euro area, while the Japanese yen reflected divergences in the monetary policy stance between the US and Japan. Further, the pound sterling strengthened against the US dollar, owing to the decision by the Bank of England to increase interest rates. Mirroring the tightened capital controls together with more discretion over fixing the official rate, the Chinese yuan appreciated against the US dollar during the year.

Mirroring these movements of the US dollar against the major currencies of the world, the bilateral exchange rates of the rufiyaa depreciated in annual terms against the euro by 13%; the Singapore dollar and the pound sterling by 9%; and the Chinese yuan and the Indian rupee by 6%. Moreover, the rufiyaa depreciated against the Sri Lankan rupee by 1% during the year (Figure 55).

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

OUTLOOK FOR 2018

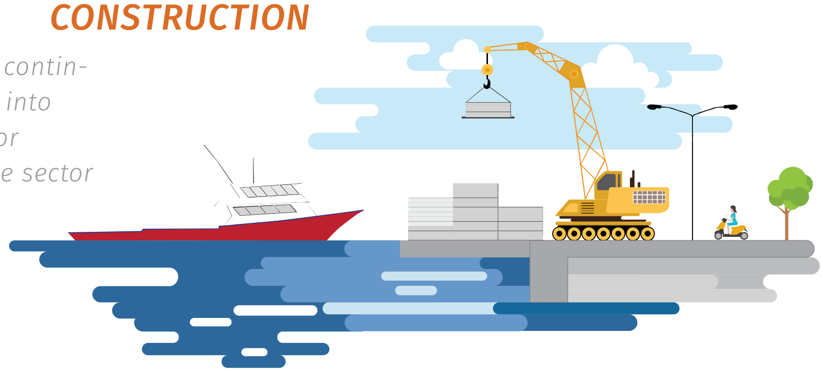
Economic Outlook for 2018

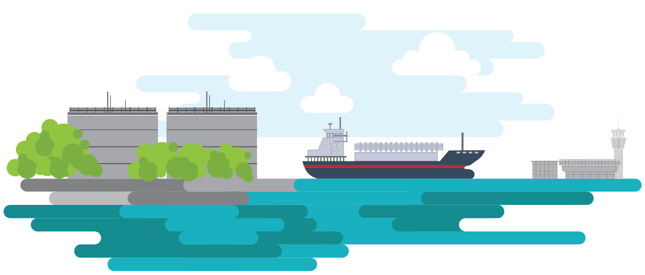
TOURISM

Reflecting the positive growth prospects from the European market, tourist arrivals growth is expected to strengthen further in 2018. Premised on this positive outlook for the sector, bednights growth is projected to firm up.

CONSTRUCTION

The construction sector is set to continue its robust growth momentum into 2018, driven by large public sector development projects and private sector investments in real estate.





INFLATION

Inflation is forecast to significantly decelerate in 2018, largely reflecting the downward pressure from various domestic policy changes brought in 2017 and the first half of 2018. However, inflation is projected to accelerate towards the end of 2018.

PUBLIC FINANCE

Prompted by a significant increase in total expenditure, due to increases in both current and capital expenditures, fiscal deficit is expected to increase to 3.2% of GDP in 2018, despite a projected growth in total revenue.

EXTERNAL SECTOR

The current account deficit is estimated to improve to 17% of GDP in 2018, underpinned by the brisk performance of the tourism sector, although import expenditure is projected to increase. Net inflows on the financial account are set to benefit from higher inflows from external financing for the government and the private sector. As a result, GIR is expected to increase to US$727.9 million by the end 2018.

Outlook for 2018

Following strong performance in 2017, the overall outlook for the Maldivian economy remains positive, with real GDP growth projected at a solid pace of around 6.0% for 2018. While growth is expected to be anchored by the strong domestic demand coming from the buoyancy in the construction sector, the favourable condition in the tourism sector is also expected to firm up during the year. The brisk performance of the tourism sector is mostly stemming from the increased number of tourists from the European market, reflecting improved growth prospects for that region. Premised on this positive outlook for the sector, bednights growth is projected to firm at 7% in 2018. Although downside risks of forward booking cancellations following the domestic political tension at the turn of the year persist, overall risks to the sector outlook are broadly balanced, as the high frequency data[20] pointed to the impact being mild. The projections may even tilt towards the upside if the healthy performance seen in the first quarter of 2018 continues throughout the year.

The average consumer price inflation is expected to hover around 0.5% in 2018, which is a significant deceleration from the 2.8% recorded in 2017. This is mainly reflecting the dissipation of the base effect from various domestic policy changes brought in 2017. Additionally, the removal of the fuel surcharge for electricity, combined with reductions in electricity and water tariffs in the atolls, is expected to exert downward pressure on inflation during the year. Although the deceleration is projected to be more pronounced during the earlier part of the year, inflation is forecast to be on an upward trajectory during the latter part of 2018, as the base effect of lower electricity prices wanes. Moreover, the firmer recovery in oil prices, together with the rise in government recurrent expenditure—salaries in particular—is expected to provide some price pressure in the economy during the year.

With regard to public finances, the fiscal deficit for 2018 is projected to be MVR2.5 billion or 3.2% of GDP, up from 2.0% of GDP in 2017. This projected widening of the fiscal deficit is based on the substantial increase in total expenditure, despite a sizable growth in total revenue. Higher expenditure is expected to outweigh revenue inflows, as a result of increases in both current and capital expenditure. As such, increments in the salaries of civil servants and the upward revisions in food and electricity subsidies are estimated to raise current expenditure significantly, which is expected to more than offset the planned reduction in expenditure on Aasandha. The increase in capital expenditure is expected to be driven by continued spending on large-scale PSIP projects. Taking into account the high levels of financing required for these development projects, public debt is expected to escalate further, reaching 63% of GDP at the end of the year.

On the external front, the current account deficit[21] is forecast to further improve to US$860.1 million in 2018 (17% of GDP), supported by the positive prospects for the tourism sector, although import expenditure is projected to increase on

[20] Based on the MMA Quarterly Business Survey conducted from 4–15 April 2018, more than 50% of the respondents reported that booking cancellations after February 2018 were low or moderate.

[21] Forecast made in April 2018.

the back of further strengthening of the construction sector. Meanwhile, the net inflows on the financial account are set to benefit from higher inflows that are foreseen to come from the external financing for the government and the private sector. Mirroring these positive developments, GIR is forecast to increase to US$727.9 million by the end of 2018, from US$586.1 million in 2017.

INTERNAL MANAGEMENT, POLICIES AND ORGANISATIONAL DEVELOPMENTS

Monetary Policy Framework

The formulation and implementation of the monetary policy in the Maldives is one of the foremost responsibilities of the MMA. The key objective of the MMA's monetary policy is to achieve price stability in the economy. To achieve this objective, the MMA regularly intervenes in the foreign exchange market through sales of foreign exchange to banks and state-owned enterprises (SOEs), while maintaining an adequate level of foreign exchange reserves to keep the exchange rate within the stipulated band. In addition, the MMA manages excess liquidity in the banking system, keeping it in line with inflation.

The monetary policy instruments of the MMA are the minimum reserve requirement (MRR), open market operations (OMO), foreign currency swaps and standing facilities, which comprise the overnight deposit facility (ODF) and the overnight lombard facility (OLF).

Minimum Reserve Requirement: Commercial banks are required to maintain a percentage of their foreign currency and local currency deposits with the MMA as the MRR. No revisions were made to the MRR during 2017 since it was revised down to 10% in August 2015.

Standing Facilities: The two standing facilities utilised by the MMA are the ODF and the OLF. After meeting the MRR, commercial banks can invest any excess local currency liquidity in the ODF on an overnight basis. The OLF allows commercial banks to borrow funds in local currency for overnight, from the MMA, to meet any short-term liquidity shortages. The most recent revisions to the interest rates of the ODF and the OLF were made in 2014, when the rates were changed to 1.5% per annum for the ODF and 10% per annum for the OLF.

Open Market Operations: OMO comprise repurchase and reverse repurchase agreements, which are used by the MMA to inject excess liquidity into, or absorb excess liquidity from the banking system. Operations are conducted with commercial banks on an auction basis. Since May 2014, the MMA has not conducted OMO.

Foreign Currency Swap Facilities: A foreign currency swap is an agreement between two parties to exchange two currencies. It involves the exchange of one currency, which includes principal and interest, for its equal value in another currency for an agreed term. In 2017, the MMA used the foreign currency swap facility to address short-term foreign currency liquidity constraints of commercial banks and for reserve management purposes.

All monetary policy decisions, including any changes to the monetary policy framework, are made by the Board of Directors of the MMA after careful consideration of the recommendations made by the Monetary Policy Committee.

Implementation of Monetary Policy

The MMA continued to adopt a monetary policy stance that enables credit expansion for further economic growth in 2017. Although excessive credit growth can create excess liquidity in the banking system, which in turn may induce inflationary pressure, the growth in credit extension to the private sector did not contribute to higher inflation during 2017.

Prices in the domestic market are mainly influenced by changes in prices in the international market and movements in the exchange rate. Despite a short-term rise in inflation caused by changes to government policies, the inflation rate was sustained at an ideal level in 2017. To lessen any inflationary pressure in the domestic market that could have arisen from exchange rate instability, the MMA continued to monitor developments in the foreign exchange market, and intervened regularly. These interventions were aimed to ease foreign exchange pressure in the market and maintain public confidence in the foreign exchange system.

Meanwhile, since the banking sector's excess liquidity continued to be absorbed through commercial banks' investments in the MMA's ODF, no inflationary pressure was created during 2017. As a result, a tightening of monetary policy was not required to manage excess liquidity in the banking system.

Exchange Rate Stability

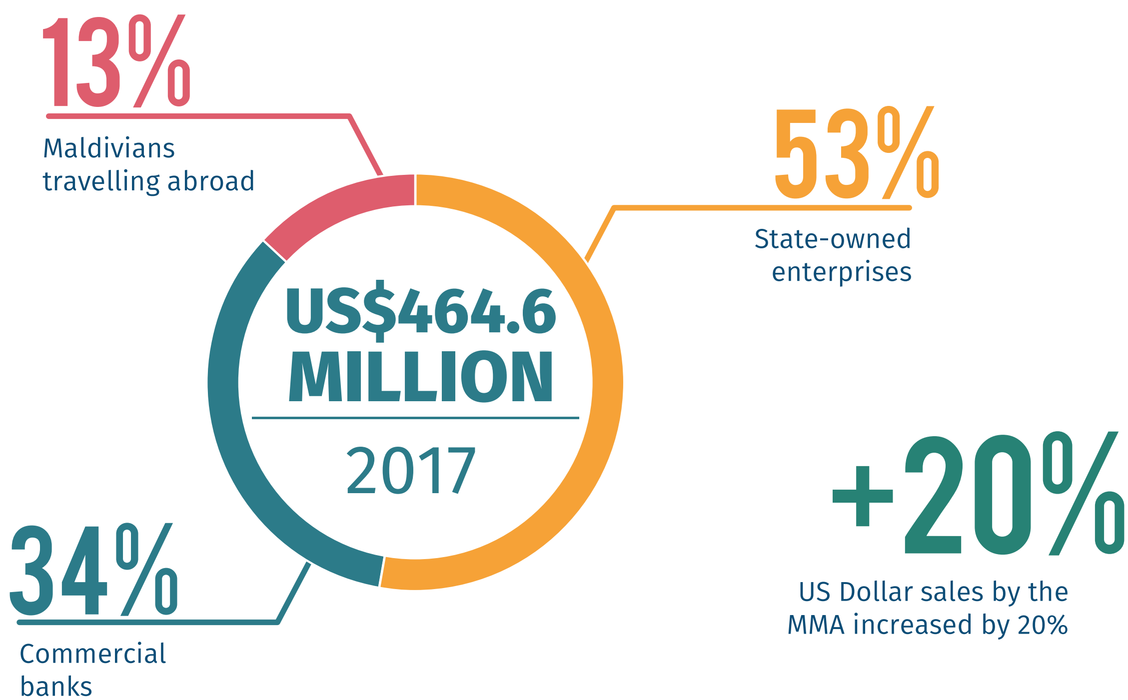
With the objective of maintaining exchange rate stability, the MMA continued to monitor developments in the foreign exchange market, and carried out foreign exchange interventions. The total US dollar sales by the MMA through the banking sector increased by 20% in 2017 compared with 2016, and amounted to US$464.6 million. This consisted of US$243.6 million sold to SOEs and US$221.0 million sold to commercial banks.

In 2017, MMA's US dollar sales to SOEs comprised the largest portion of total foreign exchange intervention. The amount sold to SOEs during the year was 61% higher than in 2016. Although only a certain proportion of foreign currency requirements of SOEs were provided by the MMA in previous years, MMA's foreign exchange intervention policy was revised in early 2017 to facilitate the total amount of foreign currency requirements of SOEs for their business activities and development projects.

The MMA's foreign exchange intervention policy was revised in early 2017 to facilitate the total amount of foreign currency requirements of SOEs.

A meeting of the Monetary Policy Committee

US Dollar Injected to the Domestic Market



The MMA's US dollar sales to commercial banks included normal weekly allocations and US dollar sales through banks to provide foreign currency for Maldivians travelling abroad for medical and educational purposes as well as for Hajj and Umrah groups. Accordingly, normal weekly allocations summed to US$159.0 million in 2017. In addition, US$7.3 million was sold through the banks to Maldivians travelling abroad for medical and educational purposes, while US$2.4 million was provided through banks to cater for the foreign currency requirements of Hajj and Umrah groups.

To accommodate the demand for foreign currency cash from Maldivians travelling abroad, temporary arrangements were made to sell US dollars directly from the MMA to travellers, from 20 November 2016 to 9 January 2017. As a permanent solution, from 8 January 2017 onwards, the MMA sells US dollars in cash to travellers, up to a limit of US$500 per traveller, through the Bank of Maldives Plc. at Velana International Airport. Such US dollar cash sales amounted to US$52.3 million in 2017.

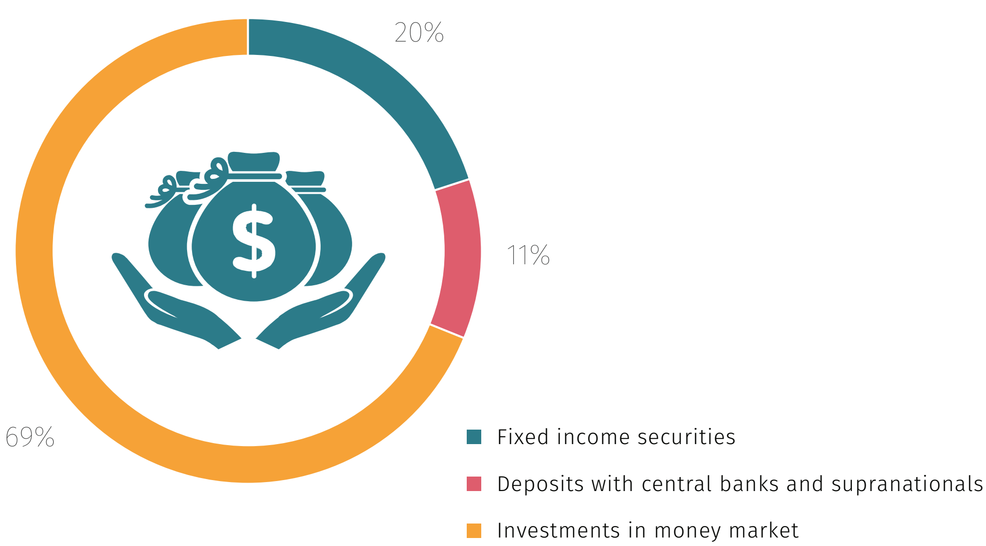
Reserve Management

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

The reserve management policies are set out by the Board of Directors of the MMA, and the investment guidelines are formulated by the MMA's Investment Committee in accordance with these policies.

Accordingly, during 2017, investments were made across various asset classes to ensure safety of the reserve assets and to generate sufficient returns. At the end of 2017, reserves were mainly invested in money market instruments and fixed income securities. The MMA also began investing funds from the Sovereign Development Fund, formed by the government in 2017 after it was appointed the custodian of this fund.

Reserve Investments by Main Asset Classes, 2017



Maintaining financial stability is vital for ensuring the public's confidence in the financial system, as well as developing the overall financial sector to facilitate economic growth. Therefore, maintaining a safe and efficient financial system in the Maldives is one of the key objectives of the MMA. To achieve this objective, the MMA licenses and formulates laws and regulations with regard to financial institutions, regulates these institutions to ensure their compliance with the regulations and supervises them to identify risks associated with the operation of these institutions. In addition, the MMA undertakes several measures to safeguard consumer rights and protect integrity in the system, and to promote financial inclusion in the Maldives.

Commercial banks and non-bank financial institutions form the Maldivian financial system. The financial institutions that are regulated and supervised by the MMA consist of commercial banks, insurance companies, finance companies, money remittance companies and mobile payment service providers.

Developments to the Regulatory Framework

In 2017, measures were taken to develop the existing regulatory framework with the aim of strengthening the supervisory and regulatory activities of the financial sector, and to prevent financial crimes. To that end, revisions were made to the existing financial legislations, and some of these regulations were ratified and implemented during the year. The following are the legislations and regulations issued in 2017.

- Pursuant to Regulation no. 2016/R-80 (*Regulation on Fees and Charges Payable by Financial Institutions*), the MMA issued the *First Amendment to the Regulation on Fees and Charges Payable by Financial Institutions*, which came into effect on 12 March 2017. According to the amendment, the application fee for a Consumer Finance Business License, including leasing and housing financing, was increased from MVR30,000 to MVR50,000. Moreover, the application fee for a Money Remittance Business License was increased from MVR5,000 to MVR30,000.
- Pursuant to Law no. 6/81 (*Maldives Monetary Authority Act*), the MMA issued the *Regulation for Remittance Business*, which came into effect on 14 March 2017. The purpose of the regulation is to regulate and supervise money remittance businesses in the Maldives. It covers the licensing and prudential standards with which service providers must comply to ensure safety and soundness in conducting such business.
- Pursuant to Law no. 24/2010 (*Maldives Banking Act*), the MMA issued amendments during 2017 to Regulation no. 2015/R-151 (*Regulation on Limits on Loans to Related Persons*) and Regulation no. 2015/R-173 (*Regulation on Transactions with Related Persons*).

Pursuant to Law no. 6/81 (*Maldives Monetary Authority Act*), the MMA issued the '*Regulation for Remittance Business*', which came into effect on 14 March 2017.

MMA staff reviewing financial reports

Licensing, Supervision and Other Regulatory Activities

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

On-site Examinations

On-site examinations of financial institutions are conducted by the MMA at least every two years by visiting these institutions. The examinations check for compliance with relevant regulatory requirements and identify areas of risk in their operations. The following on-site examinations were conducted in 2017:

- A limited-scope on-site[22] examination of Habib Bank Limited Male' Branch was conducted to assess its compliance with the relevant regulatory requirements and to examine whether the issues highlighted in the 2015 on-site examination report had been resolved.
- A full-scope on-site[23] examination of State Bank of India Male' Branch was carried out to evaluate its operations and the adequacy of its internal controls.
- A full-scope on-site examination of The Mauritius Commercial Bank (Maldives) Pvt. Ltd. was conducted to evaluate its operations and overall compliance with banking laws and regulations.
- On-site examinations of Dhivehi Insurance Company Pvt. Ltd, Solarelle Insurance Pvt. Ltd and Amana Takaful Maldives PLC were conducted to assess the overall situation of the companies and to ensure that they were operating in accordance with insurance regulations and guidelines.
- A limited-scope examination of Housing Development Finance Corporation Plc Ltd was conducted to assess the company's financial situation, capital adequacy, debt-related risks and the adequacy of its internal controls. In

[22] Limited-scope examinations consider specific issues.

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

addition, the company's compliance with the requirements for preparing financial reports and the adequacy of its policies were assessed during the examination.

- On-site examinations of three money remittance companies—namely, Glo Inc Pvt. Ltd., Relax Travels and Tours Pvt. Ltd. and Villa Travels and Tours Pvt. Ltd.—were conducted during the year.

Off-site Examinations and Other Activities

Off-site monitoring of financial institutions involves reviewing and analysing financial reports and other information submitted to the MMA by these institutions to evaluate their condition and areas of risk. The following off-site monitoring activities were conducted in 2017:

- Financial statements and information submitted by commercial banks, insurance companies and finance companies were reviewed regularly, and quarterly off-site reports were prepared. These reports covered key performance indicators and compliance with regulatory requirements.
- Regular reviews of reports submitted by money remittance companies were conducted, and their regulatory compliance with regard to obtaining the sender's information was assessed.
- Monthly reviews of reports submitted by mobile payment service providers and assessments of their compliance with the relevant regulatory requirements were carried out.

A mobile payment service license was granted to Dhivehi Raajjeyge Gulhun Plc. in July 2017 and this service was launched by the company to the general public during the year.

- In January 2017, the MMA began collecting statistical data from payment services providers—banks, card payment and mobile payment service providers—to further evaluate the payment system in the Maldives.

Licenses Issued and Cancelled during the Year

- Licenses were granted to the following pre-existing banks to open new branches or service centres during the year. All three branches, and the Bank of Maldives Plc. service centre, commenced operations in 2017.
    - Maldives Islamic Bank Pvt. Ltd. in February, to operate a branch in Fuvahmulah.
    - The Mauritius Commercial Bank (Maldives) Pvt. Ltd. in April, to operate a branch in Hulhumale'.
    - Bank of Maldives Plc. in May, to operate a service centre in Male'.
    - The Commercial Bank of Maldives Pvt. Ltd. in September, to operate a new branch.
- An insurance broker license was issued to one company and an insurance agent license was issued to one individual.
- A mobile payment service license was granted to Dhivehi Raajjeyge Gulhun Plc. in July 2017 and this service was launched by the company to the general public during the year.
- A money remittance license was issued to Bandaha Financials Pvt. Ltd, which provides the transfer service through the Western Union.

- The license of Relax Travels and Tours Pvt. Ltd, —which had been providing a money remittance service as a representative of Xpress Money Services Ltd.—was cancelled during the year as per the licensee's request.
- Licenses were issued to 31 new money changers and 69 money changer licenses were cancelled during the year, either at the licensee's request or as a result of their failure to submit the required reports to the MMA.

Financial Consumer Protection

To protect the rights of the customers of financial institutions in the country, the MMA works to mediate and resolve issues between consumers and financial institutions. For ease of obtaining information and reporting consumer complaints regarding financial institutions and services, the MMA continued its service of the hotline '1444' during the year. In addition, the MMA has assigned a focal point to each financial institution operating in the Maldives to speed up the process of collecting information needed from these financial institutions, to process and resolve consumer complaints.

The MMA received 11 written complaints in 2017. Five of these complaints were related to banking services, two were related to services provided by insurance companies and four were associated with other financial institutions (OFIs). By the end of the year, all reported cases had been attended to by the MMA.

During 2017, the MMA also assessed the bank's compliance with the charter for banks—the Customer Charter of Licensed Banks in the Maldives—which sets key standards of fair banking practices and provides guidance on adopting procedures for consumer protection. Further, areas for improvements were advised and banks implemented the necessary actions for compliance.

Measures Taken to Prevent Financial Crimes

The MMA works continuously to ensure that the financial system is not used for financial crimes, especially those related to money laundering and financing of terrorism. As such, the Prevention of Money Laundering and Financing of Terrorism Act (Law no. 10/2014) was ratified in 2014 and several regulations have been issued by the

Opening ceremony of the new Commercial Bank of Maldives branch in Hulhumale'

MMA under this Act. During 2017, the MMA published Guidance Documents to assist in reporting financial crimes, and frequently asked questions with regard to financial crimes, on the website.

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

In addition, the Financial Intelligence Unit of the MMA investigated reported suspicious cases and other information from various sources, which was then shared with relevant authorities.

To provide accessible financing for the purchase of property for those who lack adequate housing, the MMA introduced its *Affordable Housing Loan Scheme* during 2017.

Development of the Financial Sector

Initiatives to ease access to finance and the provision of low-cost finance facilitate the development of small and medium-sized enterprises (SMEs), which in turn fosters economic growth. The MMA continuously works on strengthening the financial infrastructure to provide access to financial services to every citizen living in any island of the country. As part of these efforts to increase financial inclusion, development of the Credit Guarantee Scheme (CGS), the Credit Information Bureau (CIB) and mobile payment services were carried out during the year.

Additionally, to provide accessible financing for the purchase of property for those who lack adequate housing, the MMA introduced its *Affordable Housing Loan Scheme* during 2017.

Credit Guarantee Scheme

To provide easy access to finance and to mitigate financing difficulties faced by SMEs, the CGS initiated by the Ministry of Economic Development was launched in August 2016. The scheme guarantees 90% of a loan granted by a participating bank to a commercially viable SME. During the year, the MMA continued to provide guarantees under this scheme. By the end of 2017, all commercial banks operating in the Maldives had participated in the scheme.

By the end of 2017, the MMA received 80 loan applications under the scheme through participating banks. Of the applicants, 57 were eligible for a loan under the scheme and a total of MVR32.0 million was guaranteed by the MMA. Additionally, 35 loan applications were being processed by banks by the end of the year. Thirty-five percent of successful applicants were prospective enterprises or enterprises already operating in the Male' City area; the remainder (65%) were prospective enterprises and enterprises already operating in other atolls of the country.

With regard to major sectors of the economy to which a credit guarantee was granted, 49% of successful applicants were enterprises in the retail sector, while 12% and 9% were enterprises in the construction and tourism sectors, respectively. It is also notable that 10% of successful applicants were enterprises owned by women.

Both mobile network providers now deliver mobile payment services across the country

Credit Information Bureau

The CIB housed within the MMA provides a credit information database, which includes the credit history of individuals and businesses. Members of the bureau can easily generate a credit history report of their customers using this database, which can be used to assess creditworthiness prior to extending loans or goods and services on credit. Making credit decisions based on credit history speeds up the credit analysis process, which enables easier access to credit and the ability to obtain goods and services on credit by individuals and businesses.

During the year, work was carried out by the MMA to extend and develop the scope of the CIB. This included upgrading the existing system used by the bureau, and amendments to the *Credit Information Regulation 2011* to introduce a self-inquiry service for individuals and businesses.

Further, work was carried out during the year to introduce a secured transaction registry as a subcomponent of the CIB. The purpose of the registry is to give easier access of information to banks and OFIs regarding moveable collateral goods, and to facilitate SMEs to use moveable goods as collateral to gain easier access to credit.

Mobile Payment

With the aim of providing easy and secure access to banking services, the MMA granted a license to Dhivehi Raajjeyge Gulhun Plc to provide mobile payment services in the country. Mobile payment services are thus now provided by the two mobile network providers in the country. This was a major step towards financial inclusion across the country as the Maldives is a geographically dispersed nation with high mobile phone penetration.

The '*Credit Information Regulation 2011*' was amended to introduce a self-inquiry service for individuals and businesses.

Currency, Banking and Payments Systems

Currency

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

New 5 Rufiyaa Banknote for the Ran Dhihafaheh Banknote Series

All denominations of the Ran Dhihafaheh banknote series (printed on polymer substrate, which is more durable and secure than paper) were issued into circulation on 26 January 2016, with the exception of the 5 rufiyaa banknote—the lowest-value banknote. This is because research conducted to determine the denominations to be included in the Ran Dhihafaheh banknote series had concluded that the 5 rufiyaa banknote had become an exchange denomination and that it would prove more economical to replace the 5 rufiyaa banknote with the same-value coin. However, this raised concern among the business community and the general public. In a subsequent survey assessing the opinion of the public with regard to the replacement of the 5 rufiyaa banknote with a same-value coin, the majority supported retention of the 5 rufiyaa denomination as a banknote. This is because coins are used only rarely in financial transactions within the Maldives and the introduction of a 5 rufiyaa coin could cause difficulties for businesses, notably small businesses. Further, the introduction of a 5 rufiyaa coin may require small businesses to revise the price of goods.

The new 5 rufiyaa banknote of Ran Dhihafaheh, with polymer substrate featuring a new design, was introduced on 10 May 2017 and issued into circulation on 10 August 2017.

During 2016, it was decided to include 5 rufiyaa as a denomination in the Ran Dhihafaheh banknote series instead of a same-value coin. Thus, a new 5 rufiyaa

The new 5 rufiyaa banknote of the Ran Dhihafaheh banknote series

5 Rufiyaa Paper Banknotes Exchanged to Ran Dhihafaheh Banknotes

26%

Banknotes exchanged to Ran Dhihafaheh notes, as a percentage of value of paper banknotes in circulation as at 9 August 2017

74%

Banknotes not exchanged to Ran Dhihafaheh notes, as a percentage of value of paper banknotes in circulation as at 9 August 2017

banknote, with polymer substrate featuring a new design, was introduced on 10 May 2017 and issued into circulation on 10 August 2017. The 5 rufiyaa paper banknotes circulated alongside the 5 rufiyaa banknote of the Ran Dhihafaheh series until 31 December 2017.

Under *Presidential Decree No. 2017/7*, the President of the Republic revoked the legal tender status in the Maldives of 5 rufiyaa banknotes issued prior to 10 May 2017, effective 1 January 2018. The total value of 5 rufiyaa paper banknotes exchanged for polymer banknotes by 31 December 2017 amounted to MVR6.5 million. This corresponds to 26% of the value of paper banknotes in circulation as at 9 August 2017. The MMA will continue to exchange all denominations of paper banknotes for polymer banknotes until 31 July 2021.

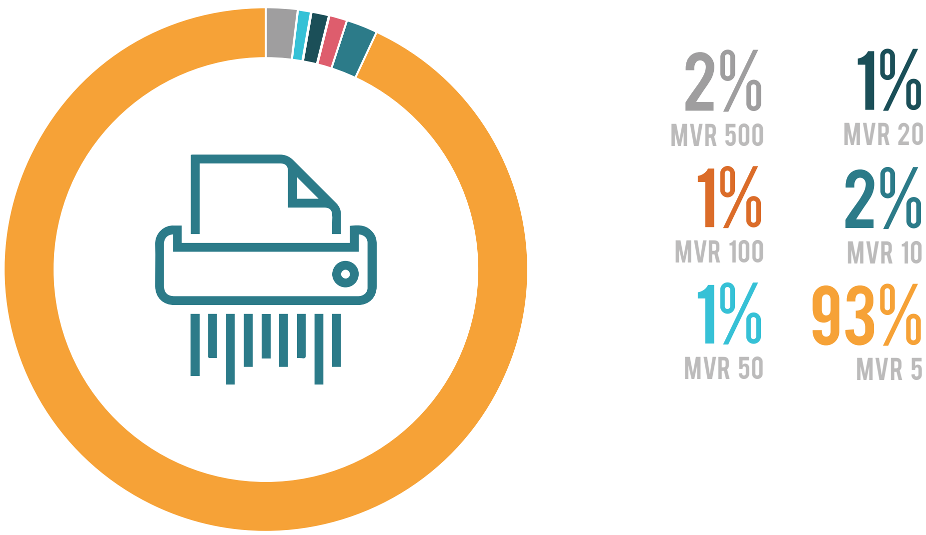
New 2 Rufiyaa Coin

To make the use of coins easier and more feasible, a new 2 rufiyaa coin was minted and issued into circulation on 12 July 2017. The new coin is lighter than the old 2 rufiyaa coin and is minted by using two alloys. The inner segment comprises nickel-plated steel and the outer segment comprises nickel brass. The new 2 rufiyaa coin is set to circulate alongside the old 2 rufiyaa coin.

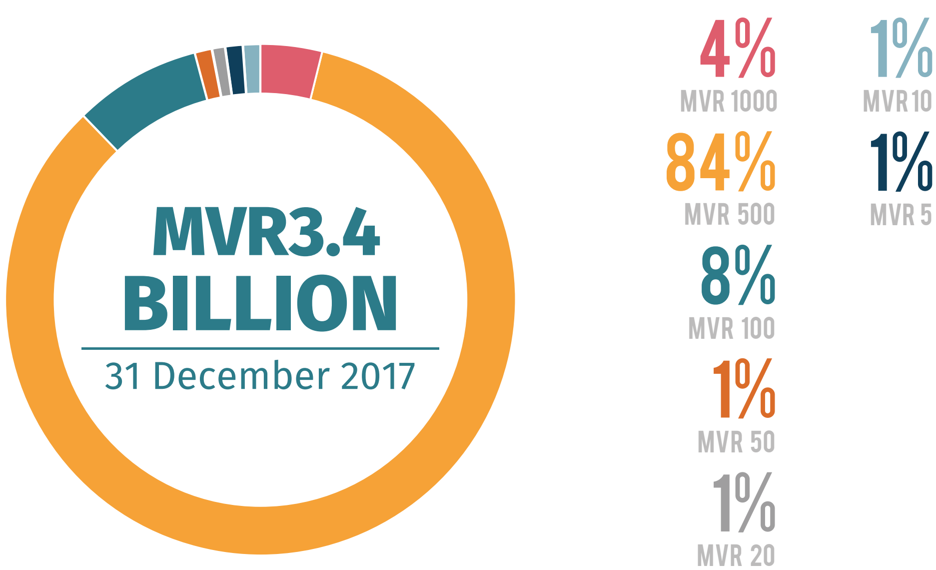
Destruction of Banknotes

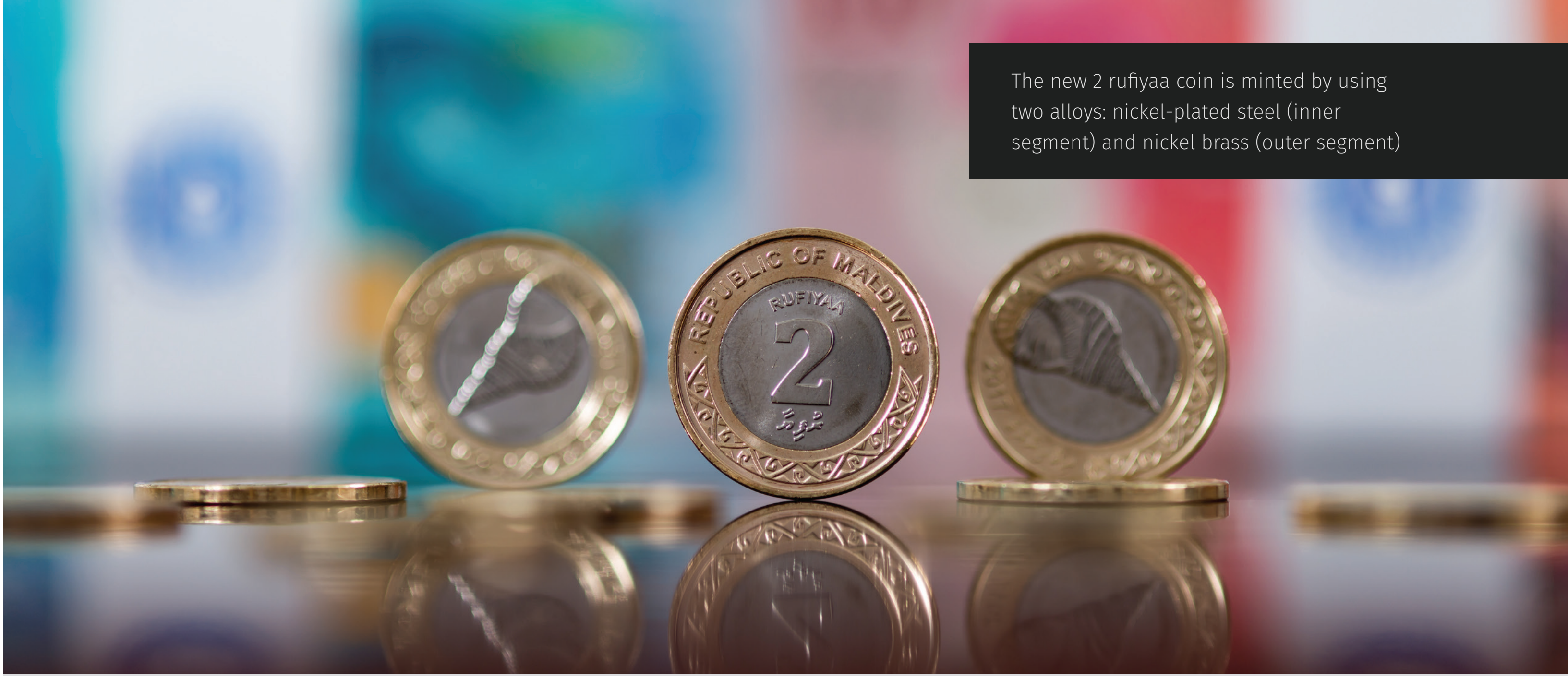
The MMA regularly destroys banknotes that are unfit for circulation. Such notes are destroyed as per the banknote destruction policy when their volume reaches a prescribed amount, and in the presence of officials from the MMA and an official

Quantity of Paper Banknotes Destroyed, 2017



Value of Banknotes in Circulation





The new 2 rufiyaa coin is minted by using two alloys: nickel-plated steel (inner segment) and nickel brass (outer segment)

from the Auditor General's office, who are assigned to observe the destruction process of the notes.

During 2017, a total of 1,726,000 paper banknotes were destroyed. This included paper banknotes of denominations 2, 10, 20, 50, 100 and 500 rufiyaa that were revoked in 2016 and exchanged for polymer banknotes in 2017. In addition, 5 rufiyaa paper banknotes that were exchanged for the new 5 rufiyaa banknotes of the Ran Dhihafaheh banknote series were destroyed in 2017. Given the short time since the issuance of the Ran Dhihafaheh banknote series, the MMA had not yet received enough such banknotes to reach the prescribed amount that warrants destruction. Thus, destruction of Ran Dhihafaheh banknotes was not carried out during the year.

Currency in Circulation

The total value of banknotes in circulation stood at MVR3.4 billion at the end of the year, an annual increase of 8%. The value of coins in circulation increased by 3% from the previous year and was recorded as MVR68.3 million at the end of 2017.

Payment Systems

A well-functioning payment system enables financial transactions to be carried out in a swift and secure manner, which is important for promoting financial stability and strengthening the financial infrastructure of the economy. Thus, developing and establishing an efficient payment system in the Maldives is one of the key goals of the MMA. The payment systems currently operated by the MMA are the Maldives Real Time Gross Settlement (MRTGS) system and the Automated Clearing House (ACH) system. The MRTGS system settles high-value and urgent interbank transactions in real time on a gross basis. The ACH system clears high volumes of low-value transactions in batches.

Since the introduction of the MRTGS and the ACH system, both the volume and value of transactions settled through these payment systems have been increasing annually. During 2017, transactions settled through the MRTGS system totalled MVR1.8 trillion, an annual increase of 4%. Meanwhile, the value of direct credit transactions settled through the ACH system increased by 30% from the previous year and stood at

Value of Transactions Settled through Payment Systems, 2017

MVR72.0 BILLION

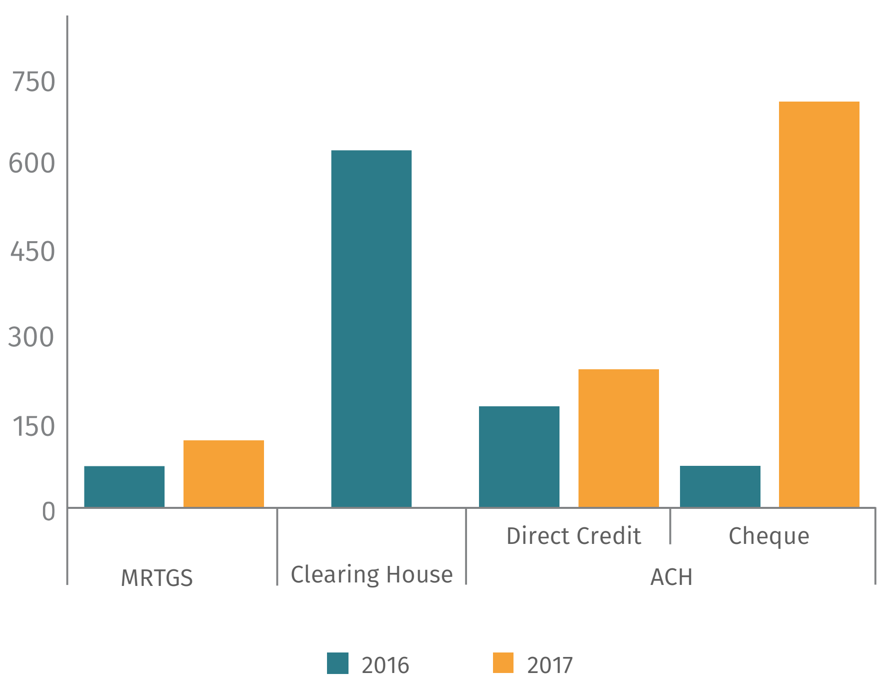
Transactions settled through ACH

MVR1.8 TRILLION

Transactions settled through MRTGS

Volume of Transactions Settled through Payment Systems, 2016-2017

(in thousands)



MVR72.0 billion at the end of 2017. In addition, the amount of cheques cleared through the clearing house of the MMA decreased by 8% compared with the previous year.

Banking Services to the Government

The MMA, as the main banker of the government, continued its operation of the government's single account, called the Public Bank Account. In addition, the MMA is the fiscal agent of the government in the issuance and effective management of government securities. The MMA continued its advisory role to the government in all aspects related to the issuance of government securities in 2017. Further, restructuring of the government securities portfolio, which was initiated in 2015, was continued during the year. A portion of treasury bills was converted to long-term treasury bonds in 2017.

With the aim of expanding the government securities market, the MMA commenced its *Government Securities Market Development Project* in collaboration with the Ministry of Finance and Treasury in 2017. Under this project, a consultancy team visited the Maldives during the year and prepared a needs assessment. A blueprint of the measures that can be undertaken to develop the market was also prepared.

Cobra banknote sorting machine inside the MMA

Economic Research and Statistics

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

Economic Research

The MMA continued to conduct analysis and research on topics related to monetary policy, real sector issues, fiscal issue and financial sector issues pertaining to the overall economy during the year. Its analyses were presented in various publications—including the *Monthly Economic Review,* the *Iqthisaadhee Review,* the *Quarterly Economic Bulletin* and *the MMA Annual Report*—and are published on the MMA's website. During 2017, the MMA also initiated publication of an *Inflation Report*, which presents analyses of recent developments in inflation and prospects for the future. It is published quarterly, with the objective of providing guidelines for inflation forecasts for the general public. Additionally, the MMA continued its in-depth research into more specific areas of the broader economy, spanning monetary policy and other key economic and financial issues.

The *Annual Report* of 2016 was published in Dhivehi language for the first time in the history of the MMA, during 2017. The main purpose of this was to improve public outreach by providing economic and financial analyses in the local language. This is to encourage and facilitate economic discussions and debates within local spheres, and entails familiarising the general public with economic and financial terminology. This move will thus increase the economic and financial literacy of the general public.

The MMA Annual Report of 2016 was published in Dhivehi language for the first time in the history of the MMA during 2017.

The MMA develops econometric models and forecasts key macroeconomic indicators that will provide analytical input for effective policy decision making. Accordingly, forecasts of gross international reserves and inflation were conducted during the year. Moreover, the MMA initiated its forecast of key indicators in the tourism sector, and in collaboration with the Ministry of Finance and Treasury, GDP forecasts were also carried out during the year.

The MMA also provided its professional opinion to the People's Majlis regarding the proposed government budget for 2018. Opinion was provided on the overall budget policy, forecasted government revenue, expenditure and budget financing.

Economic Surveys

Every year the MMA conducts sample surveys to complement existing monetary and financial data and on areas where statistics are not available. The MMA continued to conduct the Quarterly Business Survey in 2017, and the survey report was published as per the scheduled timeline. This survey aims to obtain a quick assessment of current business trends and expected future economic activity. In addition, the Bank

The first Annual Report of the MMA that was published in the Dhivehi language

Credit Survey, conducted biannually, was carried out by the MMA. The main purpose of this survey is to capture banks' perceptions about past and expected developments in the demand and supply conditions of bank credit lent to the domestic market.

In addition, preparatory work to conduct a Payment System Survey was commenced at the end of 2017. The purpose of the survey is to identify issues in the existing payment system and conduct a diagnostic analysis that will facilitate the implementation of a sound and efficient national payment system. Given the high costs associated with the implementation of a payment system, it is essential to determine the most suitable system for a small island nation such as the Maldives. Hence, the results of this survey can be utilised to resolve current issues arising in the existing payment system and to develop it further.

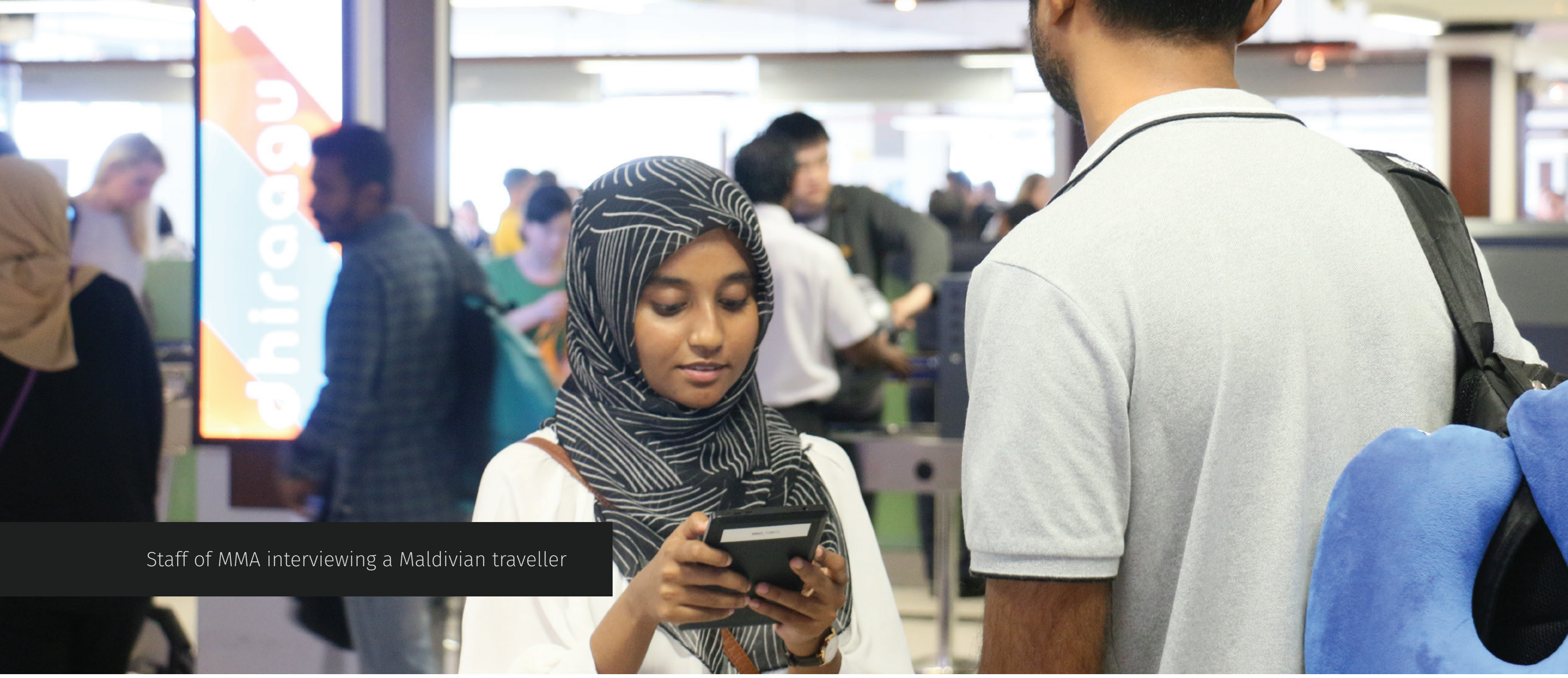
As in previous years, the MMA conducted the Maldivians Travelling Abroad Survey in 2017. The purpose of this survey is to obtain data for the compilation of travel expenditure for the balance of payments (BOP) statistics. The survey was conducted using a web-based questionnaire on computer tablets connected via Wi-Fi, replacing the paper forms that had been used for this survey since 2009.

The Maldivians Travelling Abroad Survey was conducted using a web-based questionnaire on computer tablets connected via Wi-Fi, replacing the paper forms that had been used for this survey since 2009.

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

Statistics

The MMA is primarily responsible for the compilation of BOP statistics and monetary and financial statistics in the Maldives. In addition, the MMA collects a wide range of macroeconomic statistics. As in previous years, these statistics were published regularly in the *Monthly Statistics* of the MMA during 2017. Other macroeconomic



Staff of MMA interviewing a Maldivian traveller

statistics were also collected for advisory, analytical and research purposes.

Pursuant to Law no. 6/81 (*Maldives Monetary Authority Act*), the MMA issued the *Regulation on Collection of Statistics by the Maldives Monetary Authority*, which came into effect on 31 July 2017. The regulation sets out the procedures for the collection of statistics, the persons required to submit information and their responsibilities, as well as the publication of statistics to achieve the objectives of the MMA.

The MMA's first official mobile app, called Viya, continued to operate during the year with regular updates and developments. The app features the latest information on different sectors of the economy with access to enhanced statistical features. It also includes a publications feature, which allows access to MMA publications, surveys and research papers.

The Board of Directors is the main decision-making body of the MMA, pursuant to Law no. 6/81 (*Maldives Monetary Authority Act*). As such, the board formulates monetary policy and other key policies for maintaining an efficient financial system in the country. The board is chaired by the Governor of the MMA, who is responsible for implementing the policies and carrying out the day-to-day management and operations of the MMA. The MMA maintains leading standards of corporate governance and management; and follows best practice used by similar institutions and central banks. Accordingly, separate units have been instituted for internal audits and risk management.

Governor

With the approval of the People's Majlis, the President appointed Mr Ahmed Naseer as the Governor of the MMA on 24 August 2017. This followed the resignation of the former Governor, Dr Azeema Adam, on 16 August 2017 after a three-year tenure. Dr Azeema Adam served the MMA for over 17 years, including her three years of governorship.

Board of Directors

The MMA Board of Directors comprises seven members, including the Governor and Deputy Governor. However, following the removal of the member representing the government's economic sector—the Minister of Economic Development, Mr Mohamed Saeed—a new member was not appointed during 2017. Hence, the Board of Directors comprised six members at the end of 2017. Following the resignation of the former Assistant Governor, Ms Neeza Imad, Assistant Governor Ms Idham Hussain, was newly appointed as a member of the Board of Directors during the year. Ten meetings of the Board of Directors were held during the year, and important policy decisions were made at these meetings.

With the approval of the People's Majlis, the President appointed Mr Ahmed Naseer as the Governor of the MMA on 24 August 2017.

Audit Committee

The Audit Committee is a subcommittee of the Board of Directors of the MMA and consists of three non-executive members. At the end of 2017, these members were Mr Hussain Hilmy, Mr Abdhulla Ghiyas Riyaz and Mr Abdul Haleem Abdul Ghafoor.

The Audit Committee reviews the financial statements of the MMA. The committee also assesses the effectiveness of the internal controls and financial reporting process, monitors the performance of the MMA's Internal Audit function and external audits, and oversees the MMA's compliance with legal and regulatory requirements.

Internal Audit

The objective of the MMA's Internal Audit is to provide independent assessments of the MMA's compliance with legal and regulatory requirements. As such, in 2017, the Internal Audit team conducted important audits that included process audits of the integration of the MRTGS system, upgrading of the accounting system (enterprise resource planning [ERP]), the MMA stock process, ERP access controls, the *Affordable Housing Loan Scheme*, and the process of purchasing goods and services from the MMA's budget. Internal Audit representatives also observed the process of destruction of paper banknotes that were removed from circulation during the year, and conducted the annual cash audit.

During 2017, Internal Audit adopted the *International Professional Practices Framework* (IPPF) for internal auditors, in accordance with the recommendation of the IMF consultation, to increase the proficiency of audit practices.

The MMA became a member of the International Operational Risk Working Group. This working group consists of delegates appointed by the central banks of different countries.

Shari'ah Council

The objective of the MMA's Shari'ah Council is to ensure that the services delivered by financial institutions permitted to offer Islamic banking and Islamic financing services in the Maldives are compatible with Shari'ah principles. The council also provides technical advice to the MMA to strengthen the regulatory and supervisory function of the provision of Islamic finance. Accordingly, one meeting of the Shari'ah Council was held during 2017, at which extensive discussions were conducted with regard to challenges associated with Islamic banking and Islamic financing in the Maldives and means of developing this sector further.

The Shari'ah Council initially consisted of eight members. However, this number was reduced to five members during 2017, given that the product structure of Islamic finance has been finalised and the approved products of Islamic finance are now being used by financial institutions. Current members of the council include the deputy governor of the MMA and four Islamic scholars from the private sector.

Risk Management

Risks for the MMA are defined as any risks that may arise from internal or external factors that affect the MMA's ability to achieve its objectives. During 2017, the work of compiling a risk register for all sections and units of the MMA was completed. In addition, the MMA became a member of the International Operational Risk Working Group. This working group consists of delegates appointed by central banks of different countries.

Human Resources

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

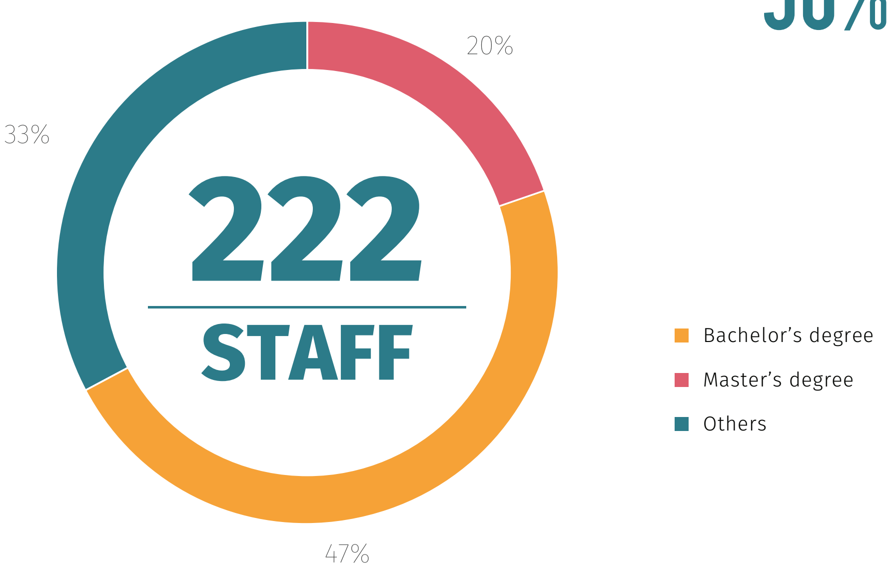
Staff Recruitment

At the end of 2017, a total of 222 staff were employed at the MMA, of which 42 were new staff and three welcomed back upon completion of a master's degree. It is noteworthy that four staff resumed work after benefiting from 6-months of paid maternity leave during the year. Further, 27 staff left the MMA for various reasons: 17 left to undertake further studies abroad, one left because of the expiry of their contract and one staff member announced their retirement upon the age of 65.

Service Recognition

To acknowledge 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. Ms Idham Hussain received this award at the MMA anniversary ceremony in 2017. As in previous years, the MMA also rewarded staff who put effort into fostering a staff-friendly environment, promoting collaboration and team spirit.

Composition of Staff by Qualification, 2017



Staff Loan Scheme

The MMA took an important step during 2017 towards attracting qualified candidates and incentivising and retaining competent staff. In line with the practices followed by other central banks, the MMA introduced a staff loan scheme under the *Regulation on Issuing Loans to Employees of the Maldives Monetary Authority*, which came into effect on 6 July 2017. This regulation specifies the purposes for which the loan can be given, as well as the terms and conditions of the loan scheme. The MMA began providing loans to its staff in accordance with these terms and conditions during 2017.

The MMA introduced a staff loan scheme on 6 July 2017. The objective of this scheme is to attract qualified candidates and, incentivising and retaining competent staff.

Staff Training and Development

The resources allocated for the strengthening of human capital is one of the biggest investments made by the MMA to develop the organisation as a whole. Training is provided to staff in areas such as banking and finance, economics and statistics, and information technology. Accordingly, 83 staff were provided with the opportunity to participate in 63 training programmes held both domestically and internationally in 2017, while 29 staff attended 30 meetings and forums related to the MMA. In terms of skills development, staff of the MMA participated in professional courses including the International Financial Reporting Standards (IFRS) certificate.

The MMA is open to providing internship opportunities for university students to build a career and gain experience in the financial sector. In 2017, the MMA provided this opportunity to seven students in fields relevant to the MMA.

Social Activities for Staff

The MMA continued to organise social activities and events to promote staff unity. In addition, the MMA participates in activities and events organised by other institutions. For example, MMA staff took part in the Futsal Championship organised by *Aaroa* (a joint social programme of government offices and independent institutions) and participated

2017 Aaroa Cup MMA men's futsal team

The MMA conducting a macroeconomic awareness workshop for V. Keyodhoo School students

in a children's festival organised by the Anti-Corruption Commission and the MIRA.

MMA Training Institute

The MMA training institute continued to conduct various economic and financial sector-related training and awareness programmes. These programmes are aimed at enhancing technical skills and building capacity within the MMA as well as OFIs and relevant enforcement agencies. A total of 540 participants, including MMA staff and participants from other financial and economic institutions, attended the following programmes conducted by the MMA training institute in 2017:

- Chartered Banker Program—the highest attainable level of the Chartered Banker Qualification of the Asian Banking School of Malaysia—conducted for staff working in the banking supervision area of the MMA and commercial bank staff.
- Credit Analysis Training for staff working in the MMA and commercial banks.
- Treasury Management Training for the MMA and commercial bank staff to familiarise them with treasury management.
- Technical Analysis for Dealers programme conducted for MMA and commercial bank staff to further familiarise them with the trading platforms used by the MMA for reserve management.
- Customised Business Writing Skills programme for MMA staff.
- Dhivehi language course to promote effective usage of Dhivehi by MMA staff.
- Employee Orientation Training for new staff in 2017 to familiarise them with work in different sections.
- Macroeconomic awareness workshop targeted to school students.
- Training and workshops targeted to financial sector staff on countering money laundering and terrorism financing.

Public Awareness

The MMA uses various communication tools to reach audiences of all spheres to enhance public awareness on the work of the MMA and to improve financial literacy. The MMA promotes such information through its website and through social media platforms, which include Facebook, Instagram, YouTube and Twitter:

- A financial expo was held in collaboration with the Housing Development Corporation to increase public awareness of economic and financial matters and provide information on services available through financial institutions in the Maldives. The theme of the 2017 expo was Housing Finance. Hence, information regarding real estate activities, home purchasing and home financing was provided. Additionally, seminars were conducted to provide information on the economic and financial sectors to increase public awareness. Moreover, stalls were set up to provide information on the work carried out by the MMA and to enhance public awareness of financial services available within the sector.
- The MMA participated in the Regional SME Financial Forum 2017 organised by the Ministry of Economic Development, which was held with the aim of providing information on services available for SMEs within the financial sector. In this regard, the MMA presented information sessions on the CGS, CIB and Consumer Protection in Hdh Kulhudhuffushi, M Muli and Addu City.
- The MMA in collaboration with the Ministry of Finance and Treasury held an investor forum in November to broaden the government's securities market. This forum was targeted at participants in the tourism sector. In addition to providing information on government securities and new instruments, the forum outlined opportunities for potential investors to invest in the government securities market.

A Financial Expo, themed under Housing Finance, was held in collaboration with the Housing Development Corporation to increase public awareness on economic and financial matters.

Former Governor, Dr Azeema Adam delivering a speech during the opening ceremony of the Financial Expo held in 2017

Operating Infrastructure

The MMA places great importance on improving the quality of its operations through modern technological advances. In 2017, the MMA upgraded its domain controller and email server to strengthen the information technology infrastructure of the institution. A secondary domain controller and email server were also established under this project, to ensure service continuity. In addition, a Microsoft System Center was installed for easier deployment of computer systems and software. An Arcserve Backup System was also established to pave the way for easier and quicker recovery and backup of data. Moreover, the MMA has redesigned its internal network in accordance with international standards. Further, during the year, the MMA started using Elastic Stack, which is a software designed to monitor network traffic and network hardware.

The MMA continuously ensures that its property is secure and places importance on strengthening the security of its infrastructure. In this regard, discussions were carried out with parties who have implemented similar systems on their premises, to obtain expert opinion as well as information and background research to upgrade the Electronic Security Management System of the MMA. Additionally, an X-ray screening machine was purchased to strengthen the security of entry to and exit from the premises, and training on usage of the machine was provided to security staff.

In 2017, changes were also brought to the floor plan area to ensure efficient allocation of work spaces for all staff and to manage congestion issues caused by the increasing number of employees. Moreover, maintenance and refurbishments were carried out throughout the year to ensure a safe and sound working environment for MMA staff.

An MMA security staff member being trained on using the new X-ray screening machine at the entrance to the premises

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

International Monetary Fund

As a member of the IMF, the Maldives holds a place on the IMF Board of Governors. The former Governor of the MMA, Dr Azeema Adam, represented the Maldives on this board until her resignation on 24 August 2017. Following his appointment as Governor of the MMA, Mr Ahmed Naseer now represents the Maldives on the IMF Board of Governors while the assistant governor of the MMA, Ms Mariyam Hussain Didi, was appointed as the alternate governor.

The Maldives represents its interest and partakes in IMF decision making in a constituency including 12 other countries. Mr Hazem Beblawi is the executive director of this constituency. Currently, the Maldives' quota in the IMF is 21.2 million SDRs[23], representing 0.004% of the total IMF quota.

IMF Article IV Consultation

The Maldives cooperates with the IMF on an annual basis under a framework of IMF surveillance known as Article IV consultations. The main aim of these consultations is to assess economic and financial developments and discuss policy requirements for addressing challenges in the economy. The IMF team visited the Maldives for Article IV consultations from 5 to 18 July 2017 and discussed economic and financial issues with officials from the government and the private sector. On 1 December 2017, the IMF Executive Board published a detailed report on the findings of the Article IV consultations. Similar to previous years, the Maldives continued to receive technical assistance and training from the IMF in 2017.

IMF Technical Assistance on BOP

As part of ongoing efforts to improve the BOP and international investment position (IIP), a mission from the IMF visited the Maldives from 5 to 16 February 2017 to provide technical assistance to the MMA. The purpose of the mission was to evaluate and recommend improvements for the compilation and dissemination of the BOP and the IIP of the Maldives.

IMF Technical Assistance on Corporate Accounting

A senior financial sector expert of the IMF, Mr Rudy Wittenberg, visited the MMA from 12 April to 2 May 2017 to provide technical expertise and guidance on maintaining and reporting financial statements. During this visit, technical assistance was provided to standardise financial statements in accordance with the IFRS 9 from 1 January 2018 onwards. In addition, a project plan was formulated and followed to ensure a smooth transition to IFRS 9. Accordingly, the first draft of financial

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

instruments, business models and expected credit was finalised. Moreover, in line with assistance provided by the IMF to overcome the challenges and difficulties arising from specific kinds of financial transactions, the method for recording the difference between realised and unrealised exchange of currency was changed during the year.

IMF Technical Assistance on Internal Auditing

IMF consultancy was provided from 12 April to 2 May 2017, to enhance and improve the internal audit work of the MMA. The consultants assisted in the restructuring of Internal Audit in accordance with the IPPF for internal auditors.

South Asia Regional Training and Technical Assistance Center (SARTTAC)

SARTTAC is the training and technical assistance center established on 13 February 2017 by the IMF and South Asian countries to increase the technical capacity of staff working in the financial sector within the region. During 2017, SARTTAC provided various training opportunities to the MMA.

SAARCFINANCE Network

The MMA is a member of the SAARCFINANCE Network, which is a regional network of the South Asian Association for Regional Cooperation (SAARC), comprising central bank governors and finance secretaries from the region. The main objectives of the SAARCFINANCE Network are to promote cooperation among central banks and finance ministries in SAARC member countries; and to learn from shared experiences among member countries on macroeconomic policy challenges facing the region.

SAARCFINANCE Group Meeting

The MMA participated in the 35th SAARCFINANCE Group Meeting held in Washington DC, USA on 12 October 2017. Governor Mr Ahmed Naseer and Assistant Governor Ms Mariyam Hussain Didi attended the meeting, where discussions were held mainly to review macroeconomic vulnerability indicators and to update the SAARCFINANCE roadmap.

Other Institutions

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

Participation in International Meetings and Forums

The MMA participated in the following international meetings and forums in 2017:

- **IMF–JICA Joint Conference on Regional Development, Fiscal Risk, Fiscal Space, SDG:** The former Governor, Dr Azeema Adam, was a panellist at round-table discussions at the conference, held 1–2 February 2017 in Tokyo, Japan.
- **IMF–SARTTAC:** Assistant Governor Ms Idham Hussain attended the inaugural ceremony and the first Steering Committee meeting of SARTTAC, held

17 February 2017 in New Delhi, India.

- **Islamic Finance New Asia Forum: The former Governor, Dr Azeema Adam, was a panellist at a session on 'Key Note Interview:** Advancing National Ambition and Shaping the Tomorrow of Islamic Finance'. The former Assistant Governor, Ms Neeza Imad, accompanied the former Governor to the forum, which took place 10–11 April 2017 in Kuala Lumpur, Malaysia.
- **China Banking Regulatory Commission:** The former Governor, Dr Azeema Adam, and former Assistant Governor, Ms Neeza Imad, participated in an official meeting held in Beijing, China on 12–14 April 2017.
- **4th High-Level Dialogue on Financing for Development in Asia and the Pacific:** The former Governor, Dr Azeema Adam, attended the forum as a guest speaker, along with Senior Research Analyst Ms Aishath Sajny. It was held 28–29 April 2017 in Bangkok, Thailand.
- **FT Climate Finance Summit—Scaling up Finance for Climate Action:** The former Governor, Dr Azeema Adam, attended the summit as a guest speaker. It was held on 23 May 2017 in London, United Kingdom.
- **SEACEN (South East Asian Central Banks) High-Level Seminar and Meeting for Deputy Governors and SEACEN Policy Summit:** Deputy Governor Ms Aishath Zahira attended the summit, which took place on 6–8 September 2017 in Kuala Lampur, Malaysia.
- **IMF Annual Meeting:** Governor Mr Ahmed Naseer and Assistant Governor Ms Mariyam Hussain Didi attended the IMF Annual Meeting, which was held on 9–15 October 2017 in Washington DC, USA.
- **IFSB Summit:** Deputy Governor Ms Aishath Zahira attended the summit, which was held on 22–24 October 2017 in Abu Dhabi, United Arab Emirates.

ANNUAL FINANCIAL STATEMENTS

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Independent auditor's report

To the Board of Directors of Maldives Monetary Authority

Our opinion

In our opinion, Maldives Monetary Authority's financial statements give true and fair view of the financial position of the Authority as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

Maldives Monetary Authority's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

Independence

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

Other information

Management is responsible for the other information. The other information comprises the Annual Report for the year ended 31 December 2017 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

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

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Resident Partner Jatindra Bhattray FCA

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

MALE`

29 April 2018

For PRICEWATERHOUSECOOPERS
Registration No: F0005

Jatindra Bhattray
Partner

Statement of Financial Position

As at 31 December 2017

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	2017	2016
ASSETS			
Foreign currency financial assets			
Cash and balances with banks	7	8,183,606,383	6,850,331,279
IMF related assets	8	525,383,294	502,763,363
Investments in securities	9	2,144,397,711	2,280,422,171
Subscriptions to international agencies	10	833,681	830,435
Receivable from Asian Clearing Union	11	-	119,346
Interest and other receivables	12	7,441,340	22,866,909
Total foreign currency financial assets		**10,861,662,409**	**9,657,333,503**
Local currency financial assets			
Cash and balances with banks	7	52,717,665	40,973,351
Subscriptions to international agencies	10	8,264,330	8,264,330
Investment in Government treasury bills	13	47,156,362	38,944,980
Investment in Government treasury bonds	14	6,233,473,467	6,304,271,706
Derivative financial instruments	15	-	935,263
Short term loans	16	666,962	-
Interest and other receivables	12	16,263,996	1,535,000,000
Total local currency financial assets		**6,358,542,782**	**7,928,389,630**
Total financial assets		**17,220,205,191**	**17,585,723,133**
Local currency non-financial assets			
Gold and silver assets	17	31,302,292	27,411,035
Inventories	18	117,524,000	112,605,701
Property, plant and equipment	19	40,124,706	38,921,938
Intangible assets	20	24,968,128	25,242,401
Other assets	21	64,673,765	68,547,910
Total local currency non-financial assets		**278,592,891**	**272,728,985**
Total assets		**17,498,798,082**	**17,858,452,118**

The accounting policies and notes on pages 116 to 166 form an integral part of the financial statements.

Statement of Financial Position

As at 31 December 2017

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	2017	2016
LIABILITIES			
Foreign currency financial liabilities			
Balances of commercial banks	22	5,047,794,076	3,717,797,413
Balances of the Government and Government institutions	23	544,883,683	151,700,135
Payable to Asian Clearing Union	11	175,114,651	123,620,696
IMF related liabilities	24	546,666,647	522,778,449
Interest bearing loans	25	91,748,327	86,741,890
Deposits of international financial institutions	29	833,681	830,435
Other liabilities	31	183,756,639	1,714,690,889
Total foreign currency financial liabilities		**6,590,797,704**	**6,318,159,907**
Local currency financial liabilities			
Balances of commercial banks	22	5,563,079,610	5,462,363,786
Balances of the Government and Government institutions	23	1,111,156,954	680,834,798
Currency in circulation	26	3,496,299,289	3,243,533,609
Balances of other central banks	27	-	1,535,000,000
Balances of insurance and remittance companies	28	13,793,676	13,348,619
Deposits of international financial institutions	29	10,236,503	10,462,503
Derivative financial instruments	15	-	1,137,371
Deposit insurance fund	30	270,459	41,052
Other liabilities	31	272,359,961	293,213,178
Total local currency financial liabilities		**10,467,196,452**	**11,239,934,916**
Total financial liabilities		**17,057,994,156**	**17,558,094,823**
Other liabilities			
Deferred grants	32	7,346,523	5,050,653
Pension and other employment benefits payable	33	24,691,971	5,579,496
Total other liabilities		**32,038,494**	**10,630,149**
Total liabilities		**17,090,032,650**	**17,568,724,972**
EQUITY			
Capital	34	50,000,000	50,000,000
Reserve	34	358,765,432	239,727,146
Total equity		**408,765,432**	**289,727,146**
Total liabilities and equity		**17,498,798,082**	**17,858,452,118**

The Board of Directors of the Maldives Monetary Authority authorised these financial statements for issue on 29 April 2018

Signed for and on behalf of the Board by,

....

Ahmed Naseer - Governor

....

Mohamed Ali Janah- Director

Statement of Comprehensive Income
Year ended 31 December 2017

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	2017	2016
OPERATING INCOME			
Foreign currency income and expenses	35		
Interest income on foreign currency financial assets		187,194,704	78,035,278
Interest expense on foreign currency financial liabilities		(24,111,454)	(812,535)
Net foreign currency income		**163,083,250**	**77,222,743**
Local currency income and expenses	36		
Interest income on local currency financial assets		157,032,058	153,594,549
Interest expense on local currency financial liabilities		(71,186,535)	(61,510,947)
Net local currency income		**85,845,523**	**92,083,602**
Other income	37	24,908,359	22,815,085
Income from foreign exchange management		40,929,067	46,902,795
Net foreign exchange revaluation gain / (loss)		33,855,212	(33,664,911)
		99,692,638	**36,052,969**
Total net operating income		**348,621,411**	**205,359,314**
OPERATING EXPENSES			
Personnel expenses	38	79,028,631	52,734,935
Administration expenses	39	72,089,027	97,555,208
Depreciation, amortisation and impairment		14,853,779	14,078,603
Total operating expenses		**165,971,437**	**164,368,746**
Net profit for the year		**182,649,974**	**40,990,568**
OTHER COMPREHENSIVE INCOME			
Change in value of available-for-sale securities		(313,014)	-
Gain on gold revaluation		3,891,257	1,699,068
Total other comprehensive income		**3,578,243**	**1,699,068**
Total comprehensive income		**186,228,217**	**42,689,636**
Transferred to available-for-sale reserve	34	313,014	-
Transferred to FARR-gold revaluation gain	34	(3,891,257)	(1,699,068)
Transferred to FARR-foreign exchange revaluation (gain)/loss	34	(33,855,212)	33,664,911
Profit for the year per MMA Act		**148,794,762**	**74,655,479**

The accounting policies and notes on pages 116 to 166 form an integral part of the financial statements.

Statement of Changes in Equity

Year ended 31 December 2017

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Contributed capital	General reserve	Foreign asset revaluation reserve	Retained earnings	Available-for-sale reserve	Total
As at 1 January 2016	**50,000,000**	**100,000,000**	**77,613,079**	**101,454,309**	**-**	**329,067,388**
Profit re-appropriation to the Government (Note 40)	-	-	-	(82,029,878)	-	(82,029,878)
Transfer to general reserve	-	19,424,431	-	(19,424,431)	-	-
Profit for the year	-	-	-	40,990,568	-	40,990,568
Transfer of foreign currency revaluation loss (Note 34.3)	-	-	(33,664,911)	33,664,911	-	-
Other comprehensive income from gold revaluation	-	-	1,699,068	-	-	1,699,068
As at 31 December 2016	**50,000,000**	**119,424,431**	**45,647,236**	**74,655,479**	**-**	**289,727,146**
As at 1 January 2017	50,000,000	119,424,431	45,647,236	74,655,479	-	289,727,146
Profit re-appropriation to the Government (Note 40)	-	-	-	(67,189,931)	-	(67,189,931)
Transfer to general reserve	-	7,465,548	-	(7,465,548)	-	-
Profit for the year	-	-	-	182,649,974	-	182,649,974
Transfer of foreign currency revaluation gain (Note 34.3)	-	-	33,855,212	(33,855,212)	-	-
Other comprehensive income from gold revaluation	-	-	3,891,257	-	-	3,891,257
Other comprehensive loss arising from change in value of available-for-sale securities	-	-	-	-	(313,014)	(313,014)
As at 31 December 2017	**50,000,000**	**126,889,979**	**83,393,705**	**148,794,762**	**(313,014)**	**408,765,432**

The accounting policies and notes on pages 116 to 166 form an integral part of the financial statements.

Statement of Cash Flows

Year ended 31 December 2017

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	2017	2016
Cash flows from operating activities			
Receipts			
Interest received - foreign currency		184,478,357	75,918,720
Interest received - local currency		139,822,796	152,609,874
Cash receipts from swap contract		1,535,000,000	-
Fees, commission and other miscellaneous income received		48,254,255	69,084,229
		1,907,555,408	**297,612,823**
Disbursements			
Interest paid - foreign currency		(27,302,609)	(237,559)
Cash payment for swap contract		(1,535,000,000)	-
Interest paid - local currency		(72,327,524)	(60,083,356)
Payments to employees		(59,966,820)	(53,425,080)
Payments to suppliers		(91,807,236)	(62,354,661)
Fees/commission paid		(1,468,706)	(2,001,590)
		(1,787,872,895)	**(178,102,246)**
Net cash flow from operating activities	**41**	**119,682,513**	**119,510,577**
Cash flows from investing activities			
Receipts			
Net increase in currency deposits		38,767,200	883,767,300
Net (decrease) / increase in deposits from financial institutions		(94,863,645)	358,365,740
Net increase in deposits from the Government and Government institutions		976,337,241	135,307,670
Net decrease in other liabilities		(19,648,854)	(8,199,225)
		900,591,942	**1,369,241,485**
Disbursements			
Net decrease in assets held with the IMF		8,785,121	8,801,869
Net increase in investments in short term securities		(538,493,850)	(154,520,337)
Net decrease / (increase) in loans and advances to the Government and Government institutions		745,692,870	(2,099,496,251)
Expenditure on development projects and intangible assets		(8,452,378)	(6,002,460)
Purchase of property, plant and equipment		(8,492,674)	(4,056,083)
Profit paid to the Government		(67,189,931)	(82,029,878)
Net decrease in other assets		27,386,102	81,777,416
		159,235,260	**(2,255,525,724)**
Net cash flow generated from / (used in) investing activities		**1,059,827,202**	**(886,284,239)**
Cash flows from financing activities			
Receipts			
Net increase in currency in circulation		233,468,042	181,424,999
Net increase / (decrease) in ACU payables		50,332,624	(32,114,858)
Net decrease in interest bearing loans		(411,441)	(202,621)
Net decrease in liabilities with IMF		(8,779,740)	(8,797,626)
Net increase in grants received		3,611,548	17,447,527
Net cash flow from financing activities		**278,221,033**	**157,757,421**
Net increase / (decrease) in cash and cash equivalents		**1,457,730,748**	**(609,016,241)**
Exchange rate effect on cash and cash equivalents		48,938,670	(47,744,208)
Cash and cash equivalents as at the beginning of the year		4,880,454,630	5,537,215,079
Cash and cash equivalents as at the end of the year	**42**	**6,387,124,048**	**4,880,454,630**

The accounting policies and notes on pages 116 to 166 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 has the following responsibilities:-

(a) To issue currency and regulate the availability, and international value of the Maldivian Rufiyaa;

(b) To provide advisory services to the Government on banking and monetary matters;

(c) To supervise and regulate banking so as to promote a sound financial structure; and

(d) To promote in the country and outside the country the stability of Maldivian currency and foster financial conditions conducive to the orderly and balanced economic development of Maldives.

These financial statements for the year ended 31 December 2017 were authorised for issue by the Board of Directors of the Authority in accordance with the Article 35 of MMA Act.

1.1 NATURE AND EXTENT OF ACTIVITIES

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

i. Open accounts and accept deposits from the Government, its agencies and public entities, banks and other financial institutions in Maldives.

ii. Act as correspondent, banker, agent or depository for any monetary authority, central bank or international financial institution;

iii. Open and maintain accounts with such banks or other depositories and appoint them as correspondents or agents of the Authority in or outside Maldives as may be necessary;

iv. Buy, sell or deal in gold coins, bullion or foreign exchange;

v. Buy, sell, invest, or deal in treasury bills and other securities issued or guaranteed by foreign Governments or international financial institutions;

vi. Buy, sell, invest, or deal in treasury bills and other securities issued or guaranteed by the Government;

vii. Make loans, advances and rediscounts to banks and other financial institutions in Maldives for periods not exceeding ninety days on terms and conditions which the Board may prescribe;

viii. Make temporary advances to the Government as may be agreed;

ix. Make advances to the Government on terms and conditions to be agreed upon in respect of subscriptions and other payments relating to the membership of the Maldives in any international financial institution, the participation of the Maldives in any account thereof, and any transactions and operations undertaken in connection therewith;

x. Act as fiscal agency of the Government in its dealings with international financial institutions and undertake other financial agency work for the Government;

xi. Borrow money for the purpose of the business of the Authority, and may give securities for monies so borrowed as provided by law with the approval of the President of the Republic and;

xii. Guarantee the repayment of government loans and the service charge thereof;

xiii. In conjunction with the banks, organize and manage a Clearing House;

xiv. Collect, compile, analyse and publish statistics and information for the purpose achieving its objectives;

xv. Carry out development projects for the purposes of developing and strengthening the financial sector of the Maldives and increasing and strengthening financial inclusion within the Maldives, and levy fee or charges for services provided under such projects;

xvi. Acquire, purchase, sell, take, and hold movable or immovable property like land and building, and may assign, transfer, lease, dispose of or mortgage, any movable or immovable property or any interest vested in the Authority;

xvii. Organize and operate payment and securities settlement systems, and participate in such systems and

xviii. Carry out any responsibilities or duties assigned to the Authority by another law.

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

a Foreign currency activities

Foreign currency activities result mainly from the Authority's holdings of foreign currency assets under its foreign reserves management function. The foreign reserves portfolio comprises foreign currency assets held for investment and settlement purposes. The majority of foreign currency assets are denominated in United States Dollars, Euros, Pound Sterling and Australian Dollars.

b Local currency activities

Local currency activities largely involve the Authority offsetting the daily net flows to or from Government or market by advancing funds to or withdrawing funds from the banking system. In addition to this, the majority of the Authority's operating expenses are also in local currency.

2 BASES OF ACCOUNTING

Basis of preparation

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

Statement of compliance

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

Reporting format

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

Currency of presentation

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

Foreign currency translation

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

	31 December 2017	31 December 2016
	MVR	MVR
1 Australian Dollar	11.9932	11.0487
1 Euro	18.3496	16.0632
1 Japanese Yen	0.1362	-
1 Singapore Dollar	11.5043	10.5942
1 Special Drawing Rights (SDR)	21.8501	20.5636
1 Pound Sterling	20.6762	18.8552
1 United States Dollar	15.4100	15.3500

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 FINANCIAL ASSETS

3.1.1 Cash and balances with banks

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

3.1.2 International Monetary Fund (IMF) related balances

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

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

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

3.1.3 Financial instruments

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 value date, i.e., the date on which the Authority exchanges cash flows and ownership rights under 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 classification and 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 financial assets 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 assets are subsequently measured at quoted market prices. Unrealized gains and losses arising from changes in the market value of available-for-sale investments are recognised directly in equity (other comprehensive income) shown under available-for-sale reserve.

The unrealized gain or loss remains in available-for-sale reserve until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported as equity is included in the income statement under realized gain / (loss) arising from available-for-sale securities.

Investment in US treasury note included under investment in securities are classified as available-for-sale asset.

b) Held-to-maturity financial assets

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

Investment in FIXBIS of Bank for International Settlement included under investment in securities are classified as held-to-maturity financial assets.

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 as impairment charge.

Investment in securities with foreign banks, treasury bills, corporate bond and government treasury bond are in the nature of loans and receivables.

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.

e) Derivative financial instruments

The derivative financial instruments include currency swaps which are recorded as either assets or liabilities at fair value. Derivatives are financial instruments whose values are determined by the underlying asset. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

3.1.4 Currency repurchase transactions

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

3.1.5 Impairment of financial assets

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

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

3.1.6 Short term staff loans

The Authority has granted interest free loans to its employees with repayment periods of 6 to 24 months. The interest charge based on such loans in the market rate is treated as employee benefit expense in the statement of comprehensive income.

3.2 NON-FINANCIAL ASSETS

3.2.1 Gold

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

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

3.2.2 Inventories

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

3.2.3 Property, plant and equipment

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

Except for the freehold land, depreciation is calculated on a straight-line method over the following estimated useful life. During 2017, the useful life of some categories of property, plant and equipment have been revised. This change in estimate affects the depreciation charge prospectively.

Class of asset	Revised Useful Life (Years)	As estimated earlier Useful Life (Years)
Buildings on freehold land	30	30
Machinery and equipment	5-15	5
Furniture and fittings	5-15	5
Motor vehicles	10	5
Computer equipment	5	3

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

3.2.4 Intangible assets

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

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

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

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

3.2.5 Impairment of non-financial assets

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

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

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

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

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

3.2.6 Deferred replacement cost

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

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

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

3.2.7 Other receivables

Other receivables are stated at amortised cost.

3.3 FINANCIAL LIABILITIES

Balances of commercial banks, balances of the government and government institutions, interest bearing loans received from Ministry of Finance and Treasury (MOFT) and balance of insurance and remittance companies are measured at amortised cost.

Currency in circulation

MMA is the sole statutory authority to issue currency to the public and is carried out in line with the

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

3.4 NON-FINANCIAL LIABILITIES

3.4.1 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.

3.4.2 Employee benefits

a) Defined contribution plans

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

b) Retirement gratuity

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

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

3.4.3 Grants

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

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

3.4.4 Other liabilities

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

3.5 CURRENT TAX

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

3.6 REVENUE AND EXPENSES

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured. Expenses are recognised in the statement of comprehensive income on the basis of direct association between the cost incurred and the earning of specific items of income.

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

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

a) Interest income and expenses

Interest income and expense are recognised in the statement of comprehensive income on an accrual basis using the effective 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 collection of loans become doubtful. Such income is excluded from interest income until received.

b) Miscellaneous

Miscellaneous income and expenses are recognised on an accrual basis.

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

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

3.7 CONTINGENT LIABILITIES AND COMMITMENTS INCLUDING OFF BALANCE SHEET ITEMS

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

3.8 CASH FLOW STATEMENT

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

3.9 COMPARATIVES

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

4 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, gratuity and other post-employment benefit plans

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

5 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED IN 2017

The following amendments to the International Accounting Standards that are relevant for the preparation of the financial statements have been adopted by the Authority for the first time with effect from financial year beginning on 1 January 2017.

Amendments to IAS 7, 'Disclosure initiative'

On January 29, 2016, the IASB published amendments to IAS 7, Statement of Cash Flows. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements with regard to changes in liabilities arising from financing activities. They are effective for annual periods beginning on or after January 1, 2017, with earlier application being permitted.

The Authority has reflected the changes to its notes to financial statements as per the amendment to IAS 7, 'Disclosure initiative'.

6 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.

i. IFRS 9 Financial instruments

On 24 July 2014, the IASB issued IFRS 9 Financial Instruments. This is the final version of the Standard and supersedes all previous versions and replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 will be 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. The adoption of IFRS 9 will have an effect on the classification and measurement of the Authority's financial assets and financial liabilities. The Authority is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

ii. 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 2018 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.

iii. IFRS 16 Leases

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

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

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

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

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

IFRIC 22 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Authority is currently assessing the impact of IFRIC 22 and plans to adopt the new interpretation on the required effective date.

Notes to the Financial Statements
Year ended 31 December 2017
(all amounts in Maldivian Rufiyaa unless otherwise stated)

7 CASH AND BALANCES WITH BANKS

		2017	2016
7.1	**Foreign currency balances**		
	Foreign currency cash in hand	42,182,733	90,019,685
	Balances with other central banks	256,902,881	303,687,758
	Balances with other foreign banks	33,187,013	2,815,167
	Balances with external asset manager	153,287	-
	Balances with local banks - related party	51,469	51,269
	Money at overnight placements with other central banks (Note 7.3)	827,517,000	793,595,000
	Investment in fixed deposits with foreign banks (Note 7.4)	7,023,612,000	5,660,162,400
		8,183,606,383	**6,850,331,279**
7.2	**Local currency balances**		
	Balances with local banks - related parties	52,717,665	40,973,351
		8,236,324,048	**6,891,304,630**

7.3 Money at overnight placements with other central banks

The Authority invested USD 53,700,000 (2016: USD 51,700,000) in an overnight repurchase agreement with the Federal Reserve Bank of New York at an interest rate of 1.46% per annum (2016: 0.46%).

7.4 Investment in fixed deposits with foreign banks

	2017	2016
Fixed deposits with maturity of 3 months or less	5,174,412,000	3,649,312,400
Fixed deposits with maturity more than 3 months	1,849,200,000	2,010,850,000
	7,023,612,000	**5,660,162,400**

8 IMF RELATED ASSETS

	2017	2016
Holding of special drawing rights (Note 8.1)	61,964,283	66,751,440
IMF quota (Note 8.2)	463,222,120	435,948,320
Interest receivables	196,891	63,603
	525,383,294	**502,763,363**

8.1 Holding of special drawing rights (SDR)

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

8 IMF RELATED ASSETS (CONTINUED)

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

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

8.2 IMF Quota

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

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

The quota defines a member's voting power in IMF decisions. Each IMF member has IMF basic votes plus one additional vote for each SDR 0.1 millions of quota. IMF basic votes are fixed at 5.502% of the total votes. As at 31 December 2017, The Republic of Maldives has 1,676 votes representing 0.03% of total votes. The amount of financing a member can obtain from the IMF (access limits) is also based on its quota. Under Stand-By and Extended Arrangements, for instance, a member can currently borrow up to 145% of its quota annually and 435% cumulatively. Access may be higher in exceptional circumstances and to meet specific problems.

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

As at 31 December 2017, the IMF Quota of Maldives is SDR 21.2 million (2016: SDR 21.2 million).

9 INVESTMENT IN SECURITIES

	2017	2016
Short term investment securities (Note 9.1)	419,377,949	182,546,073
Investment in corporate bond (Note 9.2)	1,417,566,182	2,097,876,098
Investment in available-for-sale-securities (Note 9.3)	307,453,580	-
Balance as at 31 December	**2,144,397,711**	**2,280,422,171**

9.1 Short term investment securities

9.1.1 Investment in securities with foreign banks

	2017	2016
Purchased during the year	384,897,303	153,420,692
Discount receivable	147,166	28,142
Balance as at 31 December	**385,044,469**	**153,448,834**

On 20 December 2017 the Authority invested in a 4 week discounted FIXBIS of Bank for International Settlement with a face value of USD 15 million at a purchase price of USD 14,980,613 maturing on 22 January 2018, and on 27 December 2017 the Authority invested in a 1 week discounted FIXBIS of Bank for International Settlement with a face value of USD 10 million at a purchase price of USD 9,996,500 maturing on 3 January 2018.

9.1.2 Investment in Government treasury bills

	2017	2016
Purchased during the year	34,333,480	29,097,239
Balance as at 31 December	**34,333,480**	**29,097,239**

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

During 2017 the Authority invested in 364 days and 28 days USD Government treasury bills with face values of USD 2.3 million at purchase price of USD 2,228,000 maturing in 2018.

9.2 Investment in corporate bond

	2017	2016
Balance as at 1 January	2,093,464,066	-
Purchased during the year	-	2,156,000,000
Realised during the year	(686,321,856)	(55,716,832)
Effects of exchange rates	7,442,696	(6,819,102)
	1,414,584,906	**2,093,464,066**
Interest receivable on corporate bond	2,981,276	4,412,032
Balance as at 31 December	**1,417,566,182**	**2,097,876,098**

9 INVESTMENT IN SECURITIES (CONTINUED)

9.2 Investment in corporate bond (continued)

Remaining term to maturity

	2017	2016
Within one year	721,494,594	684,386,954
Two to three years	693,090,312	1,409,077,112
	1,414,584,906	**2,093,464,066**

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

Interest receivable on corporate bond

	2017	2016
Balance as at 1 January	4,412,032	-
Interest accrued during the year	86,170,567	13,215,698
Interest realised during the year	(87,588,962)	(8,803,666)
Effects of exchange rates	(12,361)	-
Balance as at 31 December	**2,981,276**	**4,412,032**

9.3 Available-for-sale investments

	2017	2016
Purchased during the year	307,453,580	-
Balance as at 31 December	**307,453,580**	**-**

These are investments held as available for sale under funds managed by the Authority's external asset manager.

On behalf of the Authority, the external asset manager has invested in a US treasury note of USD 20 million with a purchase price of USD 19.97 million on 30 November 2017 scheduled to be matured on 30 November 2019. It carries an interest rate of 1.75% per annum.

9.4 Presentation of financial instruments by measurement category

Derivatives are held at fair value through profit or loss. Investment in US treasury note and FIXBIS of Bank for International Settlement included under investment in securities are classified as available for sale financial assets and held to maturity financial assets respectively. All other financial assets of the Authority fall in the loans and receivables category and financial liabilities were carried at amortised cost.

10 SUBSCRIPTIONS TO INTERNATIONAL AGENCIES

	2017	2016
MOFT promissory notes issued		
Foreign currency		
Multilateral Investment Guarantee Agency	833,681	830,435
Local currency		
International Bank for Reconstruction and Development	8,264,330	8,264,330
	9,098,011	**9,094,765**

10 SUBSCRIPTIONS TO INTERNATIONAL AGENCIES (CONTINUED)

10.1 The Authority is designated as the depository of the International Bank for Reconstruction and Development (IBRD), Asian Development Bank (ADB) and Multilateral Investment Guarantee Agency (MIGA) for the Republic of Maldives. The above balances represent the promissory notes issued by 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.

11 ASIAN CLEARING UNION

11.1 Receivable from Asian Clearing Union

	2017	2016
ACU Dollar balances	-	119,346
	-	**119,346**

11.2 Payable to Asian Clearing Union

	2017	2016
ACU Dollar balances	174,903,500	123,567,500
Accrued interest	211,151	53,196
	175,114,651	**123,620,696**

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

The rate of interest applicable for a settlement period will be the closing rate on the first working day of the last week of the previous calendar month offered by the Bank for International Settlements (BIS) for one month US Dollar and Euro deposits. Interest on ACU Dollar transactions were between 0.63% to 1.28% in 2017. Above balance represents the amounts due to and from ACU as at the reporting date.

12 INTEREST AND OTHER RECEIVABLES

	2017	2016
Foreign currency		
Interest receivable	7,441,340	3,592,566
Currency repurchase receivable - related party (Note 12.1)	-	19,187,500
Other receivables	-	86,843
	7,441,340	**22,866,909**

12 INTEREST AND OTHER RECEIVABLES (CONTINUED)

	2017	2016
Local currency		
Other receivables	20,317,008	4,053,012
Less: Allowance for doubtful receivables	(4,053,012)	(4,053,012)
Receivables from swap transactions (Note 12.2)	-	1,535,000,000
	16,263,996	**1,535,000,000**

12.1 These are receivables recorded under currency swap agreement with Island Aviation Services Limited (IAS) for USD 5.5 million disbursed on 15 October 2015 with the arrangement to repurchase it in agreed instalments. The outstanding USD balance was repurchased during the year.

12.2 This receivable is recorded under currency swap agreement entered between the Authority and a foreign central bank for USD 100 million during the year 2016, which was fully repaid during the year.

13 INVESTMENT IN GOVERNMENT TREASURY BILLS

	2017	2016
Purchased during the year (Note 13.1)	45,222,111	38,895,568
Interest receivable on Government treasury bills	1,934,251	49,412
Balance as at 31 December	**47,156,362**	**38,944,980**

13.1 Investment in Government treasury bills

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

The Authority has invested in treasury bills amounting to MVR 45,222,111 as at the reporting date.

14 INVESTMENT IN GOVERNMENT TREASURY BONDS

	2017	2016
Balance as at 1 January	6,304,271,706	6,372,975,607
Settled during the year	(70,798,239)	(68,703,901)
Balance as at 31 December (Note 14.1)	**6,233,473,467**	**6,304,271,706**

On 30 December 2014 the existing balance of government bond and overdraft balance of the Public Bank Account due from Government of Maldives amounting to MVR 6,440,640,354 was re-structured into a long term bond with a maturity of 50 years, carrying an interest of 2.4% per annum. The coupon interest and principal repayment is agreed to be made on a monthly basis.

14.1 Remaining term to maturity

	2017	2016
Within one year	72,516,212	70,798,240
Two to five years	307,665,670	300,376,802
Six to ten years	428,614,847	418,460,587
More than ten years	5,424,676,738	5,514,636,077
	6,233,473,467	**6,304,271,706**

(all amounts in Maldivian Rufiyaa unless otherwise stated)

15 DERIVATIVE FINANCIAL INSTRUMENTS

	2017	2016
Derivative assets	-	935,263
Derivative liabilities	-	(1,137,371)

As at 31 December 2017, there is no outstanding balance under derivative assets and liabilities due to maturity of the swap agreements.

16 SHORT TERM LOANS

	2017	2016
Balance as at 1 January	-	-
Fair value of loan disbursed during the year	696,001	-
Settlements during the year	(29,039)	-
Balance as at 31 December	**666,962**	**-**

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

17 GOLD AND SILVER ASSETS

	2017	2016
Gold at fair value (Note 17.1)	31,231,120	27,339,863
Silver at cost	71,172	71,172
	31,302,292	**27,411,035**

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

18 INVENTORIES

	2017	2016
Notes for circulation	64,410,968	51,738,587
Coins for circulation	14,378,849	15,520,151
Coins held abroad in storage (Note 18.1)	15,312,927	15,312,927
Commemorative notes and coins	6,049,933	6,122,312
1983 Series Banknote Sets	9,229,570	9,229,656
Circulating coin sets	112,904	129,390
Printing and minting in progress (Note 18.2)	12,643,634	14,552,678
	122,138,785	**112,605,701**
Less: Provision for 1983 Series Banknote Sets	(4,614,785)	-
Total inventories at cost	**117,524,000**	**112,605,701**

18.1 MVR 15,312,927 (2016: MVR 15,312,927) is the cost incurred to mint the coins held abroad at the warehouses of the minting company.

18.2 Printing and minting in progress represents advanced payments made to the banknote printing company and coin minting company regarding orders placed for printing and minting banknotes and coins respectively.

Notes to the Financial Statements

Year ended 31 December 2017

(all amounts in Maldivian Rufiyaa unless otherwise stated)

19 PROPERTY, PLANT AND EQUIPMENT

19.1 Gross carrying amounts at cost

	Freehold land	Buildings on freehold land	Machinery and equipment	Machinery and equipment WIP	Furniture and fittings	Motor vehicles	Computer equipment	2017 Total	2016 Total
Balance as at 1 January	1,000,000	35,013,721	78,240,331	-	19,859,108	1,655,236	18,345,863	154,114,259	152,078,394
Additions during the year	-	-	2,363,240	128,832	332,309	-	5,668,293	8,492,674	4,056,083
Disposals/ transfers during the year	-	-	(1,123,335)	-	(483,959)	-	(627,948)	(2,235,242)	(2,020,218)
Value of depreciable assets	**1,000,000**	**35,013,721**	**79,480,236**	**128,832**	**19,707,458**	**1,655,236**	**23,386,208**	**160,371,691**	**154,114,259**

19.2 Accumulated Depreciation

	Freehold land	Buildings on freehold land	Machinery and equipment	Machinery and equipment WIP	Furniture and fittings	Motor vehicles	Computer equipment	2017 Total	2016 Total
Balance as at 1 January	-	9,321,467	70,136,298	-	17,843,833	1,495,074	16,395,649	115,192,321	110,602,325
Charge for the year	-	1,167,261	3,353,807	-	465,958	26,060	1,114,042	6,127,128	6,598,624
Disposals/ transfers during the year	-		(416,792)	-	(480,963)	-	(174,709)	(1,072,464)	(2,008,628)
Accumulated depreciation	**-**	**10,488,728**	**73,073,313**	**-**	**17,828,828**	**1,521,134**	**17,334,982**	**120,246,985**	**115,192,321**
19.3 Net book value	**1,000,000**	**24,524,993**	**6,406,923**	**128,832**	**1,878,630**	**134,102**	**6,051,226**	**40,124,706**	**38,921,938**

19.4 As at 31 December 2017, property, plant and equipment includes fully depreciated assets having a gross carrying amounts of MVR 103,559,439 (2016 : MVR 101,825,594).

19.5 The balance under Machinery and Equipment - work in progress (WIP) relates to expenses that were incurred for cash sorting machine and cash depositing machine which has not been installed as at 31 December 2017.

20 INTANGIBLE ASSETS

20.1 Gross carrying amounts at cost

	Maldives Credit Information Bureau	Maldives Real Time Gross Settlement System	Automated Clearing House System	Mobile Payment System & EFT Switch	Oracle E-Business Suite	Software - Others	2017 Total	2016 Total
Balance as at 1 January	11,372,975	19,057,862	23,358,196	38,671,687	11,267,524	283,238	104,011,482	100,456,548
Cost incurred during the year	5,757,720	-	230,850	-	2,233,254	1,426,558	9,648,382	3,554,934
Balance as at 31 December	**17,130,695**	**19,057,862**	**23,589,046**	**38,671,687**	**13,500,778**	**1,709,796**	**113,659,864**	**104,011,482**

20.2 Accumulated amortisation/impairment

	Maldives Credit Information Bureau	Maldives Real Time Gross Settlement System	Automated Clearing House System	Mobile Payment System & EFT Switch	Oracle E-Business Suite	Software - Others	2017 Total	2016 Total
Balance as at 1 January	8,975,984	15,216,592	15,489,151	38,671,687	4,486,144	172,426	83,011,984	75,532,005
Charge for the year	1,063,296	2,722,552	3,372,612	-	1,355,339	212,852	8,726,651	7,479,979
Balance as at 31 December	**10,039,280**	**17,939,144**	**18,861,763**	**38,671,687**	**5,841,483**	**385,278**	**91,738,635**	**83,011,984**
20.3 Net book value	**7,091,415**	**1,118,718**	**4,727,283**	**-**	**7,659,295**	**1,324,518**	**21,921,229**	**20,999,498**

20 INTANGIBLE ASSETS (CONTINUED)

20.4 Projects under work in progress

	Maldives Credit Information Bureau System	Oracle E-Business Suite	Software - Others	2017 Total	2016 Total
Balance as at 1 January	4,085,616	157,287	-	4,242,903	1,795,376
Cost incurred during the year	3,331,316	-	1,230,400	4,561,716	2,447,527
Cost capitalized during the year	(5,757,720)	-	-	(5,757,720)	-
Balance as at 31 December	**1,659,212**	**157,287**	**1,230,400**	**3,046,899**	**4,242,903**
Grand Total				**24,968,128**	**25,242,401**

Maldives Credit Information Bureau (MCIB)

The Authority has been working on the development of a Secured Transaction Registry (STR) as a supplementary work under the Maldives Credit Information Bureau of the Authority. The project is partially funded from a loan and a grant taken from ADB for the development of STR and enhancement of MCIB.

Oracle E-Business Suite

The Enterprise Resource Planning System (ERP) of the Authority (The Oracle E-Business Suite) became operational with effect from 2 June 2013. The project is fully funded from the Authority's budget. The Authority completed the development of the ERP system in order to centralise and automate the accounting system, systemize the maintenance of human resource records and procurement process.

The balance as at 31 December 2017 relates to expenses that were incurred for "Time & Labour" component of Oracle E-Business suite which was not implemented as at 31 December 2017.

Software - Others

The Authority has undertaken "Government Securities Market Development Project" in order to develop and broaden the securities market and improve the infrastructure of the issuing process of securities. In this regard, the consultants have conducted a "need assessment study" of the Government Securities Market in 2017. In addition, based on the study and research of the market, the consultants has prepared a blueprint with a detailed plan on how to improve the market and solutions to broaden the market.

21 OTHER ASSETS

	2017	2016
Prepayments and receivables	5,521,250	2,100,143
Deferred employee benefits	115,559	-
Deferred replacement cost	59,036,956	66,447,767
	64,673,765	**68,547,910**

22 BALANCES OF COMMERCIAL BANKS

	2017	2016
Foreign currency balances		
Related parties	987,417,943	736,171,020
Others	4,060,376,133	2,981,626,393
	5,047,794,076	**3,717,797,413**
Local currency balances		
Related parties	1,624,886,671	968,681,964
Others	514,192,939	1,047,681,822
	2,139,079,610	**2,016,363,786**
Overnight placement deposits		
Related parties	1,750,000,000	850,000,000
Others	1,674,000,000	2,596,000,000
	3,424,000,000	**3,446,000,000**
Total balances of commercial banks	**10,610,873,686**	**9,180,161,199**

22.1 In accordance with Section 4 (c) of the MMA Act, the Authority is acting as the regulator of the commercial banks operating in the Maldives. In carrying out this duty, the Authority opens accounts and accepts deposits to facilitate interbank transfers and, monitors minimum reserve requirements imposed on the commercial banks.

22.2 The Authority offers overnight deposit facility to the commercial banks, whereby banks can place their excess funds at MMA overnight. As at 31 December 2017 and 31 December 2016, the interest rate on overnight deposits of commercial banks at MMA was 1.5% per annum.

23 BALANCES OF GOVERNMENT AND GOVERNMENT INSTITUTIONS

Related parties

	2017	2016
Foreign currency deposits		
MOFT and Government institutions	544,883,683	151,700,135
	544,883,683	**151,700,135**
Local currency deposits		
MOFT and Government institutions	1,046,552,662	680,834,798
Public enterprises	64,604,292	-
	1,111,156,954	**680,834,798**
Total balances of Government and Government institutions	**1,656,040,637**	**832,534,933**

24 IMF RELATED LIABILITIES

	2017	2016
IMF Securities Account (Note 24.1)	353,092,306	332,302,779
IMF No. 1 Account (Note 24.2)	5,158,765	4,855,025
IMF No. 2 Account (Note 24.3)	6,446	6,066
Allocation of SDR (Note 24.4)	168,051,479	158,156,868
Charges payable on SDR allocation (Note 24.5)	200,934	56,714
Exogenous shock facility (Note 24.6)	20,156,717	27,400,997
	546,666,647	**522,778,449**

24.1 IMF Securities Account

The Authority maintains the IMF securities account which represent non-negotiable, non-interest bearing securities issued by the MOFT in favour of the IMF, which are payable on demand. These securities are issued for 75% of the quota liability payable in Maldivian Rufiyaa, for use of IMF credit facilities such as Emergency Assistance Facility and Stand-By Agreement etc., and for the revaluations of the accounts. Even though the revaluation is made on a monthly basis, the balances in the Authority's books are revalued as at the last working day of each week. The IMF accounts were last revalued on 31 December 2017 by IMF.

	2017	2016
Balance as at 1 January	332,302,779	166,099,927
Promissory notes issued under 14th General Quota Review	-	178,015,131
Exchange rate effect on IMF Securities account	20,789,527	(11,812,279)
Balance as at 31 December	**353,092,306**	**332,302,779**

24.2 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.

24.3 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.

24.4 Allocation of SDR

The SDR is an international reserve asset, created by the IMF to supplement its member countries' official reserves. Its value is based on a basket of five key international currencies and SDRs can be exchanged for freely usable currencies of IMF members. The amount shown above represents the total allocation of SDRs to the Authority as at the respective reporting dates.

24 IMF RELATED LIABILITIES (CONTINUED)

24.5 Charges payable on SDR allocation

SDR allocations are subject to interest charges on each participant's net cumulative allocation. SDR interest rate is determined on each Friday, based on the weighted average interest rate on 3 month debt in the money markets of the five currencies in the SDR basket (i.e. US dollar, Pound Sterling, Euro, Japanese Yen and Chinese Yuan). Charges on SDR allocations are paid quarterly.

24.6 Exogenous Shock Facility

The IMF provides Exogenous Shock Facility (ESF) to its member countries which are affected by an event that has a significant negative impact on the economy and that is beyond the control of the Government.

First disbursement amounting to SDR 1.025 million under the ESF was received on 4 December 2009 and on 25 March 2010. The Authority received the second disbursement amounting to SDR 1.025 million upon completion of IMF review. No interest was charged on ESF loan during the year 2016 and 2017.

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

Non-current	Interest rate per annum	Maturity date	2017	2016
Exogenous Shock Facility	0.25%	1 April 2020		
Balance as at 1 January			**27,400,997**	**37,298,735**
Repayments during the year			(8,779,740)	(8,797,626)
Effects of exchange rates			1,535,460	(1,100,112)
Balance as at 31 December			**20,156,717**	**27,400,997**

25 INTEREST BEARING LOANS - THE MOFT

	MCIB	MIPS	Total 2017	Total 2016
Balance as at 1 January	**9,295,733**	**77,446,157**	**86,741,890**	**90,498,247**
Repayments during the year	(411,441)	-	(411,441)	(202,357)
Effects of exchange rates	572,691	4,845,187	5,417,878	(3,554,000)
Balance as at 31 December	**9,456,983**	**82,291,344**	**91,748,327**	**86,741,890**

25.1 On 23 July 2009, the MOFT and the Authority have entered into a subsidiary loan agreement to fund the MCIB project for total loan amounting to SDR 439,000.

The loan has to be repaid in 48 equal semi annual instalments. The first instalment has been paid on 15 November 2016 and the last instalment fall due on 15 May 2040. The Authority has to pay interest charge at the rate of 1% per annum during the grace period and 1.5% per annum thereafter on the amount withdrawn. As at the reporting date the Authority has repaid SDR 28,854.

25 INTEREST BEARING LOANS (CONTINUED)

25.2 The MOFT provided a loan to the Authority for an amount equal to SDR 3,766,177 to undertake the Maldives Interoperable Payment System (MIPS) project. As at the reporting date, the loan amount outstanding is SDR 3,766,177.

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

26 CURRENCY IN CIRCULATION

26.1 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

		2017	2016
Coins			
1	Laari	94,343	88,041
2	Laari	49,656	49,656
5	Laari	501,707	435,608
10	Laari	662,967	637,199
25	Laari	3,250,811	3,125,775
50	Laari	7,256,238	6,948,563
1	Rufiyaa	31,793,466	29,947,008
2	Rufiyaa	24,725,946	24,857,024
		68,335,134	**66,088,874**
Notes			
5	Rufiyaa	28,136,605	23,016,675
10	Rufiyaa	22,887,880	19,700,150
20	Rufiyaa	33,433,620	30,373,260
50	Rufiyaa	51,233,950	49,774,650
100	Rufiyaa	257,280,100	237,235,500
500	Rufiyaa	2,885,454,000	2,699,571,500
1000	Rufiyaa	149,538,000	117,773,000
		3,427,964,155	**3,177,444,735**
Total net currency in circulation		**3,496,299,289**	**3,243,533,609**

26.2 Currency in circulation shown above are after deducting the Authority's holding of Rufiyaa notes and coins amounting to MVR 248,887,008 and MVR 402,600,703 as at 31 December 2017 and 2016 respectively.

27 BALANCES OF OTHER CENTRAL BANKS

	2017	2016
Other central bank	-	1,535,000,000
	-	**1,535,000,000**

On 20 December 2016, the Authority entered into a currency swap agreement with a foreign central bank to withdraw USD 100 million at an interest rate of 2.99817% per annum in accordance with Revised Framework on currency swap arrangement for SAARC Countries. Under the currency swap agreement an account was opened to deposit the amount payable to the central bank. As at the reporting date, there is no outstanding balance under this account due to maturity of the stated swap transaction.

28 BALANCES OF INSURANCE AND REMITTANCE COMPANIES

28.1 Balances of insurance companies

	2017	2016
Related parties	4,000,000	4,000,000
Others	9,293,676	9,348,619
	13,293,676	**13,348,619**

28.2 Balances of remittance companies

	2017	2016
Related parties	-	-
Others	500,000	-
	500,000	**-**
Grant Total	**13,793,676**	**13,348,619**

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

29 DEPOSITS OF INTERNATIONAL FINANCIAL INSTITUTIONS

	2017	2016
Foreign currency deposits		
Multilateral Investment Guarantee Agency	833,681	830,435
	833,681	**830,435**
Local currency deposits		
International Development Association	348,008	348,008
International Bank for Reconstruction and Development	8,281,689	8,507,689
Asian Development Bank	1,434,362	1,434,362
Multilateral Investment Guarantee Agency	172,444	172,444
	10,236,503	**10,462,503**

29.1 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.

30 DEPOSIT INSURANCE FUND

	2017	2016
Balance as at 1 January	**41,052**	**-**
Contributions received (Note 30.1)	4,949,356	5,969,108
Discount received on Government treasury bills (Note 30.2)	271,944	-
Investments in Government treasury bills (Note 30.2)	(4,971,919)	(5,928,056)
Payment of audit fee	(8,557)	-
Accrual of audit fee	(11,417)	-
Balance as at 31 December	**270,459**	**41,052**

30.1 In order to maintain a stable financial system and to protect the rights of depositors a Deposit Insurance Scheme regulation came into effect on 24 August 2015. Under this regulation the Authority established a "Deposit Insurance Fund" and all the banks in Maldives are members. Member banks are required to pay an initial contribution that is payable over five years and an annual premium to the fund. The fund covers deposits up to MVR 30,000 or its equivalent in foreign currency deposits per depositor per member bank.

During the year MVR 2,293,032 was received as initial contribution and MVR 2,656,324 as annual premium for the fund from member banks.

30.2 On behalf of the fund, the Authority has invested MVR 10,899,975 in Government treasury bills during 2017. The proceeds from the 364 day treasury bill invested in 2016 of MVR 5,928,056 has been re-invested upon maturity during 2017. Discount received on Government treasury bill upon maturity of the investment is added to the balance of the fund.

31 OTHER LIABILITIES

31.1 Foreign currency other liabilities

	2017	2016
Accrued charges and other payables	104,627,813	84,977,715
Payable for banknotes	62,932,674	78,075,733
Payables for swap transactions (Note 31.3)	-	1,535,504,350
Bank of Credit and Commerce International (BCCI)	15,097,671	15,038,887
Commercial banks human resource development deposits	798,933	795,822
Other deposits	299,548	298,382
	183,756,639	**1,714,690,889**

31.2 Local currency other liabilities

	2017	2016 RECLASSIFIED
Accrued charges and other payables	20,952,701	2,873,388
Government contribution to IMF Quota (Note 31.4)	92,720,021	92,720,021
Commercial banks human resource development deposits	1,579,332	2,239,912
Bank of Credit and Commerce International (BCCI)	2,528,341	2,528,341
Currency repurchase payable - related party	-	19,275,000
Paper Note 1983 Series payable (Note 31.5)	139,278,878	158,576,516
Payable under Sovereign Development Fund (31.6)	-	-
Credit Guarantee Scheme (31.7)	15,300,688	15,000,000
	272,359,961	**293,213,178**

31 OTHER LIABILITIES (CONTINUED)

31.3 Payables for swap transactions

These are payables recorded under swap agreement entered between the Authority and a foreign central bank for USD 100 million during 2016, which was settled during the year.

31.4 Government's contribution to IMF quota

As at 31 December 2017, The MOFT has made four payments towards the IMF Quota. This balance represents the foreign currency portion of quota payments made by the MOFT for the 1992, 1999, 2011 and 2016 quota increments. There were no payments made during 2017.

31.5 Paper Note 1983 Series payable

These are the banknotes of 1983 series yet to be received as at 31 December 2017. These notes were declared as non-legal tender with effect from 1 August 2016. However, these notes can still be presented to the Authority for replacement to RDF series until 31 July 2021.

31.6 Payable under Sovereign Development Fund

	2017	2016
Investment in General Investment Account Plus	121,818,000	-
Profit receivable on General Investment Account Plus	843,359	-
Payable under Sovereign Development Fund Custodian Account	(121,818,000)	-
Profit payable under Sovereign Development Fund Custodian Account	(843,359)	-
	-	-

On behalf of the Sovereign Development Fund Custodian Account under MOFT, the Authority has invested MVR 121,818,000 (equivalent of USD 7.9 million) in a General Investment Account held at a commercial bank for a period of 3 years from value date 12 November 2017 and maturing on 12 November 2020. The proceeds and returns of the total investment is payable to the fund upon maturity of the investment.

31.7 Credit Guarantee Scheme (CGS)

The Authority received initial capital of MVR 15 million from MOFT for provision for default of guaranteed loans and operational expenses of CGS. The Authority launched CGS on 7 August 2016, with the aim of facilitating access to finance for the Small and Medium Enterprises (SME) sector. All retail banks (7 banks) in Maldives are currently participating in the scheme

The scheme guarantees 90% of the loan amount of commercially viable loans between MVR 100,000 and MVR 1 million, issued to Maldivian owned SMEs with no collateral. The loans are offered at 9% interest rate with a maximum repayment period of 5 years.

32 DEFERRED GRANTS

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

32.2 The Authority has received a grant for the development of the Secured Transaction Registry (STR) of MCIB from the MOFT. An amount equivalent to USD 770,000 is expected to be disbursed under the grant. As at 31 December 2017, USD 744,295 has been disbursed to the Authority in the form of payments to the legal and operational consultants and for the purchase of software for the MCIB enhancement project. The grant disbursed for the operational consultant of the MCIB and for the software support and license amounting to USD 105,301 is considered as an income grant and has been recognised in the statement of comprehensive income during the year.

32.3 The movement of deferred grants

	2017	2016 RECLASSIFIED
Balance as at 1 January	**5,050,653**	**3,207,292**
Grants received during the year	4,692,465	5,544,439
Recognised in the statement of comprehensive income	(2,396,595)	(3,701,078)
Balance as at 31 December	**7,346,523**	**5,050,653**

33 PENSION AND OTHER EMPLOYMENT BENEFITS PAYABLE

33.1 Pre- Maldives Pension Act 8/2009 Pensions

	2017	2016
Opening balances	5,119,824	5,402,842
Less: payments during the year	(531,550)	(531,550)
Add: winding of interest	235,512	248,532
Present value of pension obligation	**4,823,786**	**5,119,824**
Employee and employer pension contribution payable	510,335	459,672
Balance as at 31 December	**5,334,121**	**5,579,496**

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

a) An employee who became eligible (by working in public sector for 20 years) to pension arrangement between 5 April 2007 and 10 October 2007 receive a "Pre-New Pension Act Pension" calculated at 1/2 month's salary at the eligibility point until they reach age of 65.

33 PENSION AND OTHER EMPLOYMENT BENEFITS PAYABLE (CONTINUED)

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

b) All employees who became eligible after 10 October 2007 up until 31 July 2010 will receive a pension calculated at 1/3 of monthly salary at the eligibility point until they reach age of 65.

c) The principal assumptions used in determining employee benefit obligations for Pre- Maldives Pension Act 8/2009 Pensions plan are shown below:

	2017	2016
Nominal value of the benefit obligation	6,508,154	7,039,704
Present value of the benefit obligation	4,823,786	5,119,824
Unrecognised interest component	1,684,368	1,919,880
Discount rate: 364 day treasury bill rate	4.60%	4.60%
Number of employees in the scheme	11	11
Average remaining years of service	11.55	12.55
Retirement age	65	65

33.2 Retirement gratuity obligation

	2017	2016
Balance as at 1 January	-	-
Current service cost	2,092,690	-
Past service cost	17,265,160	-
Present value of gratuity obligation	**19,357,850**	**-**
Balance as at 31 December	**19,357,850**	**-**

During the year, the Authority started providing retirement gratuity for all eligible employees under its staff regulation. This benefit plan is non-contributory whereby the cost of benefits is wholly borne by the Authority.

a) In accordance with the staff regulation, employees who have served the authority for a period of 10 years are entitled for this benefit upon retirement at the age of 65 years. These benefits are recognised in other liabilities in respect of employees services and are measured at the present value of future payments expected to be made based on services provided by employees upto the reporting date.

b) The present value of the benefit obligation is based on a series of key valuation assumptions comprising of discount rate, staff turnover and salary increment rates.

The following assumptions and data were used in valuing the defined benefit obligation:

Discount rate	2.40%
Staff turnover rate	12.00%
Expected salary increment	3.37%
Retiring age	65 years

34 EQUITY AND RESERVES

34.1 Capital

The Authority's authorised and contributed capital is MVR 50 million.

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

34.2 General Reserve

The General Reserve is established in accordance with Chapter V, section 27 of the MMA Act. In accordance with provisions of the Act, the Authority shall allocate 50% of the net profit of the Authority, to General Reserve account until the General Reserve is equal to the authorised capital of the Authority, after which the Authority shall allocate 25% of its net profit to the General Reserve account until the General Reserve is equal to twice of the authorised capital.

After the third amendment to the MMA Act which became effective from 17 August 2015, the Act now states that once the General Reserve is equal to twice the amount of the authorised capital, the Authority shall credit to the General Reserve such amount determined by the Board of Directors of the Authority. During the year MVR 7,465,548 was transferred to General Reserve from the Authority's net profit for the year 2016.

34.3 Foreign Asset Revaluation Reserve

The Authority established Foreign Asset Revaluation Reserve (FARR) in accordance with Chapter V, Section 28 of the MMA Act. In accordance with the provision of the Act, gains and losses arising from any change in the valuation of the Authority's assets or liabilities in gold, foreign currencies or other units of account, as a result of alterations of the external value of the Rufiyaa, or of any change in the values, parities, or exchange rates in respect of such assets in relation to the Rufiyaa shall be credited to FARR. In addition, the revaluation gains from gold is also credited to FARR.

These gains or the losses from change in valuation of foreign currency assets, liabilities and gold should not be included in the computation of profit or loss.

34.4 Available-for-sale Reserve

Available for sale reserve comprises of unrealized gains and losses arising from the valuation of available for sale securities to fair value which will be reclassified to profit and loss account in subsequent periods, when the associated assets are sold or impaired.

35 FOREIGN CURRENCY INCOME AND EXPENSES

35.1 Interest income on foreign currency financial assets

	2017	2016
Interest on overnight placements	7,984,943	6,426,068
Receipts on SDR holdings	857,429	132,699
Interest on fixed deposit	90,367,850	58,084,564
Discount received on treasury bills	1,634,698	176,249
Interest on corporate bond	86,170,567	13,215,698
Interest from external asset management	179,217	-
	187,194,704	**78,035,278**

35 FOREIGN CURRENCY INCOME AND EXPENSES (CONTINUED)

35.2 Interest expense on foreign currency financial liabilities

	2017	2016
Interest on reserve deposits	155,380	166,039
Charges on SDR allocations	873,533	142,146
Currency swap charges	23,082,541	504,350
	24,111,454	**812,535**

36 LOCAL CURRENCY INCOME AND EXPENSES

36.1 Interest income on local currency financial assets

	2017	2016
Interest on Government treasury bonds	150,515,468	152,609,807
Discounts on Government treasury bills	2,951,004	49,412
Currency swap income	3,425,617	935,263
Other interest income	139,969	67
	157,032,058	**153,594,549**

36.2 Interest expenses on local currency financial liabilities

	2017	2016
Interest on reserve deposits	11,712,936	11,683,789
Interest on overnight deposit facility	46,458,493	48,573,329
Interest on security deposits of insurance and remittance companies	134,402	116,458
Currency swap charges	12,880,704	1,137,371
	71,186,535	**61,510,947**

37 OTHER INCOME

	2017	2016
Commissions received	15,694,471	13,786,429
Bank charges received	885,686	726,076
Annual fees from financial institutions	3,991,750	823,200
Profit on sale of commemorative note	223,071	509,188
Profit on sale of currency notes and coins	1,017,055	1,782,359
Miscellaneous income	3,096,326	5,187,833
	24,908,359	**22,815,085**

38 PERSONNEL EXPENSES

	2017	2016
Salaries and wages	56,224,076	49,734,181
Defined contribution costs	2,984,511	2,584,822
Defined benefit plan	19,357,850	-
Remuneration to the board members	462,194	415,932
	79,028,631	**52,734,935**

Notes to the Financial Statements

Year ended 31 December 2017

(all amounts in Maldivian Rufiyaa unless otherwise stated)

39 ADMINISTRATION EXPENSES

	2017	2016
Staff expenses	2,166,591	1,670,493
Staff development expenses	3,894,867	4,522,917
Expert expenses	1,663,405	19,945
Audit fees	728,882	716,285
Memberships, subscriptions and reference materials	1,021,258	1,386,768
Software license renewal and maintenance	8,207,912	7,775,986
Development activities and project expenses	1,734,980	3,059,607
Other administrative expenses	2,566,029	3,241,061
Supervisory expenses	445,744	323,417
Utility charges	5,417,894	4,705,286
Communication	1,660,813	1,697,640
Insurance	506,966	861,142
Maintenance expenses	2,159,444	1,929,637
Payment charges	2,003,211	1,545,372
Charges on import of banknotes	1,423,790	1,963,440
Notes and coins related expenses	36,487,241	62,136,212
	72,089,027	**97,555,208**

40 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 67,189,931 to the Government in respect of profit for the year ended 31 December 2016.

41 RECONCILIATION OF NET PROFIT WITH OPERATING CASH FLOWS

	2017	2016
Total comprehensive profit	**186,228,217**	**42,689,636**
Add / (subtract) non-cash items		
Depreciation, amortisation and impairment	14,853,779	14,078,603
Revaluation gains on gold	(3,891,257)	(1,699,068)
Revaluation (gain)/loss on foreign exchange	(33,855,212)	33,664,911
Unrealized loss from available for sale securities	313,014	-
Add / (subtract) movements in other working capital items		
Decrease / (increase) in interest receivable	1,515,074,390	(3,101,232)
Increase in other receivables	(17,583,170)	(633,654)
(Decrease) / increase in interest payable	(1,539,332,144)	2,002,566
(Decrease) / increase in other payables	(2,125,104)	32,508,815
Net cash flow from operating activities	**119,682,513**	**119,510,577**

42 CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS

	2017	2016
Foreign currency cash in hand	42,182,733	90,019,685
Balances with foreign banks	290,243,181	306,502,926
Balances with local banks	52,769,134	41,024,619
Money at overnight placements	827,517,000	793,595,000
Investment in fixed deposits - 3 months or less	5,174,412,000	3,649,312,400
Cash and cash equivalent as at the end of the year	**6,387,124,048**	**4,880,454,630**

43 CONCENTRATIONS OF FUNDING

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

As at 31 December 2017	2017 Total	Government of Maldives	Commercial banks	Supranational financial institutions	Others
Foreign currency financial liabilities					
Balances of commercial banks	5,047,794,076	-	5,047,794,076	-	-
Balances of Government and Government institutions	544,883,683	544,883,683	-	-	-
Payable to Asian Clearing Union	175,114,651	-	-	175,114,651	-
IMF related liabilities	546,666,647	-	-	546,666,647	-
Interest bearing loans	91,748,327	91,748,327	-	-	-
Deposits of international financial institutions	833,681	-	-	833,681	-
Other liabilities	183,756,639	104,787,621	798,933	-	78,170,085
Total foreign currency financial liabilities	**6,590,797,704**	**741,419,631**	**5,048,593,009**	**722,614,979**	**78,170,085**
Local currency financial liabilities					
Balances of commercial banks	5,563,079,610	-	5,563,079,610	-	-
Balances of Government and Government institutions	1,111,156,954	1,111,156,954	-	-	-
Currency in circulation	3,496,299,289	-	-	-	3,496,299,289
Balances of insurance and remittance companies	13,793,676	-	-	-	13,793,676
Deposits of international financial institutions	10,236,503	-	-	10,236,503	-
Deposit insurance fund	270,459	-	270,459	-	-
Other liabilities	272,359,961	110,151,476	2,152,774	-	160,055,711
Total local currency financial liabilities	**10,467,196,452**	**1,221,308,430**	**5,565,502,843**	**10,236,503**	**3,670,148,676**
Total financial liabilities	**17,057,994,156**	**1,962,728,061**	**10,614,095,852**	**732,851,482**	**3,748,318,761**
Other liabilities					
Deferred grants	7,346,523	-	-	-	7,346,523
Pension and other employment benefit payable	24,691,971	-	-	-	24,691,971
	32,038,494	**-**	**-**	**-**	**32,038,494**
Total Liabilities	**17,090,032,650**	**1,962,728,061**	**10,614,095,852**	**732,851,482**	**3,780,357,255**

43 CONCENTRATIONS OF FUNDING (CONTINUED)

Comparative figures as at 31 December 2016 are as follows;

As at 31 December 2016	2016 Total	Government of Maldives	Commercial banks	Supranational financial institutions	Others
Foreign currency financial liabilities					
Balances of commercial banks	3,717,797,413	-	3,717,797,413	-	-
Balances of Government and Government institutions	151,700,135	151,700,135	-	-	-
Payable to Asian Clearing Union	123,620,696	-	-	123,620,696	-
IMF related liabilities	522,778,449	-	-	522,778,449	-
Interest bearing loans	86,741,890	86,741,890	-	-	-
Deposits of international financial institutions	830,435	-	-	830,435	-
Other liabilities	1,714,690,889	85,264,892	795,822	-	1,628,630,175
Total foreign currency financial liabilities	**6,318,159,907**	**323,706,917**	**3,718,593,235**	**647,229,580**	**1,628,630,175**
Local currency financial liabilities					
Balances of commercial banks	5,462,363,786	-	5,462,363,786	-	-
Balances of Government and Government institutions	680,834,798	680,834,798	-	-	-
Currency in circulation	3,243,533,609	-	-	-	3,243,533,609
Balances of other central banks	1,535,000,000	-	-	-	1,535,000,000
Balances of insurance companies	13,348,619	-	-	-	13,348,619
Deposits of international financial institutions	10,462,503	-	-	10,462,503	-
Derivative financial instruments	1,137,371	-	1,137,371	-	-
Deposit insurance fund	41,052	-	41,052	-	-
Other liabilities	293,213,178	93,205,860	2,863,241	-	197,144,077
Total local currency financial liabilities	**11,239,934,916**	**774,040,658**	**5,466,405,450**	**10,462,503**	**4,989,026,305**
Total financial liabilities	**17,558,094,823**	**1,097,747,575**	**9,184,998,685**	**657,692,083**	**6,617,656,480**
Other liabilities					
Deferred grants	5,050,653	-	-	-	5,050,653
Pension and other employment benefit payable	5,579,496	-	-	-	5,579,496
	10,630,149	**-**	**-**	**-**	**10,630,149**
Total Liabilities	**17,568,724,972**	**1,097,747,575**	**9,184,998,685**	**657,692,083**	**6,628,286,629**

44 RISK MANAGEMENT

Maldives Monetary Authority as the Banker of the Government ensures that its reserves are safeguarded. To this effect, the Authority issues currency, regulates the availability of the Maldivian Rufiyaa and promotes its stability, licenses, supervises and regulates institutions in the financial sector, formulates and implements monetary policy, and advises the Government on issues relating to the economy and financial system in order to foster an environment conducive to the orderly and balanced economic development of the Maldives.

The Authority's principal financial liabilities comprise of amounts payable to commercial banks, Government, public entities, international financial institutions and currency in circulation while foreign currency cash and cash equivalents, investment in securities, government bond and IMF related assets are its main financial assets.

The Authority is exposed to a variety of financial and non-financial risks when performing its functions such as;

- 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.

44.1 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:

	2017	2016
Maldives	7,802,229,583	10,066,337,406
United Arab Emirates	-	1,474,986,937
United States of America	1,139,593,545	798,601,896
Qatar	2,315,531,855	2,641,277,227
Germany	93,857,931	163,336,693
Japan	1,603,433,864	307,069,075
France	-	226,266,491
Supranational financial institutions	919,525,774	511,977,474
Australia	102,471,452	133,000,597
United Kingdom	56,752,994	2,476,603
Singapore	91,434,352	156,300,081
Hong Kong	-	1,014,072,968
Switzerland	739,809,855	-
China	2,313,381,253	-
Total financial assets (except foreign cash in hand)	**17,178,022,458**	**17,495,703,448**

44 RISK MANAGEMENT (CONTINUED)

44.2 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 and proper authorisation and approval procedures, which assist in better control by avoiding potential outright fraud or collusion among staff.
2. Preparation of monthly reconciliations of accounts.
3. Maintaining processes relating to data integrity and backup systems.
4. Protecting the physical assets against theft and fire by the surveillance of security and fire alarm systems.

44.3 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 44.5) for the undiscounted maturity period for financial assets and financial liabilities since the assets and liabilities do not have earlier repricing than their respective maturity.

44.4 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.

44.5 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.

	2017	2016
Potential loss of interest income	8,472,620	7,125,899

44.5 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 %	2017 Total	Less than 6 Months	6 to 12 Months	1 to 2 Years	2 to 5 Years	More than 5 Years	No fixed maturity
Interest sensitive foreign currency financial assets								
Cash and balances with banks	1.64%	8,047,543,584	6,506,543,584	1,541,000,000	-	-	-	-
IMF related assets	0.74%	61,964,283	61,964,283	-	-	-	-	-
Total interest sensitive foreign currency financial assets		**8,109,507,867**	**6,568,507,867**	**1,541,000,000**	**-**	**-**	**-**	**-**
Non-interest sensitive foreign currency financial assets								
Cash and balances with banks		136,062,799	136,062,799	-	-	-	-	-
IMF related assets		463,419,011	196,891	-	-	-	-	463,222,120
Investments in securities		2,144,397,711	1,084,676,757	366,630,643	693,090,311	-	-	-
Subscriptions to international agencies		833,681	-	-	-	-	-	833,681
Receivable from Asian Clearing Union		-	-	-	-	-	-	-
Interest and other receivables		7,441,340	7,441,340	-	-	-	-	-
Total non-interest sensitive foreign currency financial assets		**2,752,154,542**	**1,228,377,787**	**366,630,643**	**693,090,311**	**-**	**-**	**464,055,801**
Total foreign currency financial assets		**10,861,662,409**	**7,796,885,654**	**1,907,630,643**	**693,090,311**	**-**	**-**	**464,055,801**
Interest sensitive foreign currency financial liabilities								
IMF related liabilities	0.69%	188,208,196	4,479,271	4,479,271	8,958,541	2,239,634	-	168,051,479
Payables to Asian Clearing Union	1.28%	174,903,500	174,903,500	-	-	-	-	-
Total interest sensitive foreign currency financial liabilities		**363,111,696**	**179,382,771**	**4,479,271**	**8,958,541**	**2,239,634**	**-**	**168,051,479**
Non-interest sensitive foreign currency financial liabilities								
Balances of commercial banks	0.01%	5,047,794,076	5,047,794,076	-	-	-	-	-
Balances of Government and Government institutions		544,883,683	544,883,683	-	-	-	-	-
Payable to Asian Clearing Union		211,151	211,151	-	-	-	-	-
IMF related liabilities		358,458,451	5,366,145	-	-	-	-	353,092,306
Interest bearing loans	0.83%	91,748,327	210,155	1,033,068	2,066,137	6,198,412	82,240,555	-
Deposits by international financial institutions		833,681	-	-	-	-	-	833,681
Other liabilities		183,756,639	105,695,479	24,749,774	24,749,774	13,433,126	-	15,128,486
Total non-interest sensitive foreign currency financial liabilities		**6,227,686,008**	**5,704,160,689**	**25,782,842**	**26,815,911**	**19,631,538**	**82,240,555**	**369,054,473**
Total foreign currency financial liabilities		**6,590,797,704**	**5,883,543,460**	**30,262,113**	**35,774,452**	**21,871,172**	**82,240,555**	**537,105,952**
Foreign currency interest rate sensitivity gap		**7,746,396,171**	**6,389,125,096**	**1,536,520,729**	**(8,958,541)**	**(2,239,634)**	**-**	**(168,051,479)**

44.5 Interest rate risk (Continued)

Local currency interest rate sensitivity gap	Weighted Ave. Int. Rate %	2017 Total	Less than 6 Months	6 to 12 Months	1 to 2 Years	2 to 5 Years	More than 5 Years	No fixed maturity
Non-interest sensitive local currency financial assets								
Cash and balances with banks		52,717,665	52,717,665	-	-	-	-	-
Subscriptions to international agencies		8,264,330	-	-	-	-	-	8,264,330
Investment in Government treasury bills		47,156,362	25,837,705	21,318,657	-	-	-	-
Investment in Government treasury bonds	2.4%	6,233,473,467	36,653,228	35,862,984	74,275,872	233,389,798	5,853,291,585	-
Short term loans		666,962	183,614	191,855	291,493	-	-	-
Interest and other receivables		16,263,996	16,263,996	-	-	-	-	-
Total non-interest sensitive local currency financial assets		**6,358,542,782**	**131,656,208**	**57,373,496**	**74,567,365**	**233,389,798**	**5,853,291,585**	**8,264,330**
Total local currency financial assets		**6,358,542,782**	**131,656,208**	**57,373,496**	**74,567,365**	**233,389,798**	**5,853,291,585**	**8,264,330**
Non-interest sensitive local currency financial liabilities								
Balances of commercial banks	1.31%	5,563,079,610	5,563,079,610	-	-	-	-	-
Balances of Government and Government institutions		1,111,156,954	1,111,156,954	-	-	-	-	-
Currency in circulation		3,496,299,289	-	-	-	-	-	3,496,299,289
Balances of insurance and remittance companies	1.00%	13,793,676	-	-	-	-	-	13,793,676
Deposits by international financial institutions		10,236,503						10,236,503
Deposit insurance fund		270,459	270,459	-	-	-	-	-
Other liabilities		272,359,961	159,754,958	-	-	-	-	112,605,003
Total non-interest sensitive local currency financial liabilities		**10,467,196,452**	**6,834,261,981**	**-**	**-**	**-**	**-**	**3,632,934,471**
Total local currency financial liabilities		**10,467,196,452**	**6,834,261,981**	**-**	**-**	**-**	**-**	**3,632,934,471**
Local currency interest rate sensitivity gap		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net liquidity gap		**162,211,035**	**(4,789,263,579)**	**1,934,742,026**	**731,883,224**	**211,518,626**	**5,771,051,030**	**(3,697,720,292)**

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

44.5 Interest rate risk (Continued)

Comparative figures as at 31 December 2016 were as follows:

Foreign currency interest rate sensitivity gap	Weighted Ave. Int. Rate %	2016 Total	Less than 6 Months	6 to 12 Months	1 to 2 Years	2 to 5 Years	More than 5 Years	No fixed maturity
Interest sensitive foreign currency financial assets								
Cash and balances with banks	1.07%	6,750,022,562	6,750,022,562	-	-	-	-	-
IMF related assets	0.24%	66,751,440	66,751,440	-	-	-	-	-
Total interest sensitive foreign currency financial assets		**6,816,774,002**	**6,816,774,002**	**-**	**-**	**-**	**-**	**-**
Non-interest sensitive foreign currency financial assets								
Cash and balances with banks		100,308,717	100,308,717	-	-	-	-	-
IMF related assets		436,011,923	63,603	-	-	-	-	435,948,320
Investments in securities		2,280,422,171	524,968,455	346,376,603	718,685,400	690,391,713		
Subscriptions to international agencies		830,435	-	-	-	-	-	830,435
Receivable from Asian Clearing Union		119,346	119,346					
Interest and other receivables		22,866,909	22,866,909	-	-	-	-	-
Total non-interest sensitive foreign currency financial assets		**2,840,559,501**	**648,327,030**	**346,376,603**	**718,685,400**	**690,391,713**	**-**	**436,778,755**
Total foreign currency financial assets		**9,657,333,503**	**7,465,101,032**	**346,376,603**	**718,685,400**	**690,391,713**	**-**	**436,778,755**
Interest sensitive foreign currency financial liabilities								
IMF related liabilities	0.24%	185,557,865	4,215,538	4,215,538	8,431,076	10,538,845	-	158,156,868
Payables to Asian Clearing Union	0.51%	123,567,500	123,567,500	-	-	-	-	-
Total interest sensitive foreign currency financial liabilities		**309,125,365**	**127,783,038**	**4,215,538**	**8,431,076**	**10,538,845**	**-**	**158,156,868**
Non-interest sensitive foreign currency financial liabilities								
Balances of commercial banks	0.01%	3,717,797,413	3,717,797,413	-	-	-	-	-
Balances of Government and Government institutions		151,700,135	151,700,135	-	-	-	-	-
Payable to Asian Clearing Union		53,196	53,196	-	-	-	-	-
IMF related liabilities		337,220,584	4,917,805	-	-	-	-	332,302,779
Interest bearing loans	0.83%	86,741,890	197,782	197,782	1,170,025	5,833,458	79,342,843	-
Deposits by international financial institutions		830,435	-	-	-	-	-	830,435
Other liabilities	2.68%	1,714,690,889	1,621,576,269	22,570,005	22,570,005	32,935,723	-	15,038,887
Total non-interest sensitive foreign currency financial liabilities		**6,009,034,542**	**5,496,242,600**	**22,767,787**	**23,740,030**	**38,769,181**	**79,342,843**	**348,172,101**
Total foreign currency financial liabilities		**6,318,159,907**	**5,624,025,638**	**26,983,325**	**32,171,106**	**49,308,026**	**79,342,843**	**506,328,969**
Foreign currency interest rate sensitivity gap		**6,507,648,637**	**6,688,990,964**	**(4,215,538)**	**(8,431,076)**	**(10,538,845)**	**-**	**(158,156,868)**

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44.5 Interest rate risk (Continued)

Local currency interest rate sensitivity gap	Weighted Ave. Int. Rate %	2016 Total	Less than 6 Months	6 to 12 Months	1 to 2 Years	2 to 5 Years	More than 5 Years	No fixed maturity
Non-interest sensitive local currency financial assets								
Cash and balances with banks		40,973,351	40,973,351	-	-	-	-	-
Subscriptions to international agencies		8,264,330	-	-	-	-	-	8,264,330
Investment in Government treasury bills		38,944,980	38,944,980					-
Investment in Government treasury bonds	2.4%	6,304,271,706	35,806,444	34,991,796	72,516,212	227,860,590	5,933,096,664	-
Derivative financial instruments		935,263	935,263	-	-	-	-	-
Interest and other receivables		1,535,000,000	1,535,000,000	-	-	-	-	-
Total non-interest sensitive local currency financial assets		**7,928,389,630**	**1,651,660,038**	**34,991,796**	**72,516,212**	**227,860,590**	**5,933,096,664**	**8,264,330**
Total local currency financial assets		**7,928,389,630**	**1,651,660,038**	**34,991,796**	**72,516,212**	**227,860,590**	**5,933,096,664**	**8,264,330**
Non-interest sensitive local currency financial liabilities								
Balances of commercial banks	1.32%	5,462,363,786	5,462,363,786	-	-	-	-	-
Balances of Government and Government institutions		680,834,798	680,834,798	-	-	-	-	-
Currency in circulation		3,243,533,609	-	-	-	-	-	3,243,533,609
Balances of other central banks		1,535,000,000	1,535,000,000	-	-	-	-	-
Balances of insurance companies	1.00%	13,348,619	-	-	-	-	-	13,348,619
Deposits by international financial institutions		10,462,503	-	-	-	-	-	10,462,503
Derivative financial instruments		1,137,371	1,137,371	-	-	-	-	-
Deposit insurance fund		41,052	41,052	-	-	-	-	-
Other liabilities		293,213,178	180,248,283	-	-	-	-	112,964,895
Total non-interest sensitive local currency financial liabilities		**11,239,934,916**	**7,859,625,290**	**-**	**-**	**-**	**-**	**3,380,309,626**
Total local currency financial liabilities		**11,239,934,916**	**7,859,625,290**	**-**	**-**	**-**	**-**	**3,380,309,626**
Local currency interest rate sensitivity gap		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net liquidity gap		**27,628,310**	**(4,366,889,858)**	**354,385,074**	**759,030,506**	**868,944,277**	**5,853,753,821**	**(3,441,595,510)**

44.6 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.

a) **Net exposure to foreign currencies**

As at 31 December 2017, the Authority's net exposure to major currencies was as follows:

	Currency of denomination							
	US Dollar	Euro	Singapore Dollar	Pound Sterling	Special Drawing Rights	Australian Dollar	Japanese Yen	Total
As at 31 December 2017								
Foreign currency financial assets								
Cash and balances with banks	7,796,538,629	93,857,931	13,037,075	56,140,371	-	222,335,366	1,697,011	8,183,606,383
IMF related assets	-	-	-	-	525,383,294	-	-	525,383,294
Investments in Securities	2,144,397,711	-	-	-	-	-	-	2,144,397,711
Subscriptions to international agencies	833,681	-	-	-	-	-	-	833,681
Other receivables	7,328,363	-	-		-	112,977	-	7,441,340
Total foreign currency financial assets	**9,949,098,384**	**93,857,931**	**13,037,075**	**56,140,371**	**525,383,294**	**222,448,343**	**1,697,011**	**10,861,662,409**
Proportion	**91.60%**	**0.86%**	**0.12%**	**0.52%**	**4.84%**	**2.05%**	**0.02%**	**100.00%**
Foreign currency financial liabilities								
Balances of commercial banks	5,047,794,076	-	-	-	-	-	-	5,047,794,076
Balances of Government and Government institutions	544,883,683	-	-	-	-	-	-	544,883,683
Payable to Asian Clearing Union	175,114,651	-	-	-	-	-	-	175,114,651
IMF related liabilities	-	-	-	-	546,666,647	-	-	546,666,647
Interest bearing loans	-	-	-	-	91,748,327	-	-	91,748,327
Deposits of international financial institutions	833,681	-	-	-	-	-	-	833,681
Other liabilities	99,583,510	-	-	84,169,879	-	3,250	-	183,756,639
Total foreign currency financial liabilities	**5,868,209,601**	**-**	**-**	**84,169,879**	**638,414,974**	**3,250**	**-**	**6,590,797,704**
Proportion	**89.04%**	**0.00%**	**0.00%**	**1.28%**	**9.69%**	**0.00%**	**0.00%**	**100.00%**
Net foreign currency exposure	**4,080,888,783**	**93,857,931**	**13,037,075**	**(28,029,508)**	**(113,031,680)**	**222,445,093**	**1,697,011**	**4,270,864,705**

Notes to the Financial Statements

Year ended 31 December 2017

(all amounts in Maldivian Rufiyaa unless otherwise stated)

44.6 Foreign currency risk (Continued)

As at 31 December 2016, the Authority's net exposure to major currencies was as follows:

	Currency of Denomination						
As at 31 December 2016	US Dollar	Euro	Singapore Dollar	Pound Sterling	Special Drawing Rights	Australian Dollar	Total
Foreign currency financial assets							
Cash and balances with banks	6,324,498,309	163,336,693	828,805	228,739,003	-	132,928,469	6,850,331,279
IMF related assets	-	-	-	-	502,763,363	-	502,763,363
Investments in Securities	2,280,422,171						2,280,422,171
Subscriptions to international agencies	830,435	-	-	-	-	-	830,435
Receivable from Asian Clearing Union	119,346						119,346
Other receivables	22,790,690	-	-	4,091	-	72,128	22,866,909
Total foreign currency financial assets	**8,628,660,951**	**163,336,693**	**828,805**	**228,743,094**	**502,763,363**	**133,000,597**	**9,657,333,503**
Proportion	**89.35%**	**1.69%**	**0.01%**	**2.37%**	**5.21%**	**1.38%**	**100%**
Foreign currency financial liabilities							
Balances of commercial banks	3,717,797,413	-	-	-	-	-	3,717,797,413
Balances of Government and Government institutions	151,700,135	-	-	-	-	-	151,700,135
Payable to Asian Clearing Union	123,620,696	-	-	-	-	-	123,620,696
IMF related liabilities	-	-	-	-	522,778,449	-	522,778,449
Interest bearing loans	-	-	-	-	86,741,890	-	86,741,890
Deposits of international financial institutions	830,435	-	-	-	-	-	830,435
Other liabilities	1,631,050,847	5,533,210	-	78,104,169	-	2,663	1,714,690,889
Total foreign currency financial liabilities	**5,624,999,526**	**5,533,210**	**-**	**78,104,169**	**609,520,339**	**2,663**	**6,318,159,907**
Proportion	**89.03%**	**0.09%**	**0.00%**	**1.24%**	**9.65%**	**0.00%**	**100%**
Net foreign currency exposure	**3,003,661,425**	**157,803,483**	**828,805**	**150,638,925**	**(106,756,976)**	**132,997,934**	**3,339,173,596**

44.6 Foreign currency risk (Continued)

b) The following represents sensitivities of profit or loss and equity to reasonably possible appreciation and depreciation of foreign currencies by 10% at the end of the reporting period relative to the Rufiyaa, with all other variables held constant except for depreciation of US dollar. For depreciation of US dollar, the upper band of US dollar against Rufiyaa, 15.42 is used.

	2017	2016
Changes in profit/equity due appreciation in the value of the rufiyaa	(427,086,471)	(333,905,425)
Changes in profit/equity due to depreciation in the value of the rufiyaa	21,640,682	47,248,152

44.7 Credit risk

Credit risk is the possibility that the counter party will not fulfill 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.

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, Fitch and Moody's ratings.

	Credit rating	2017	%	2016	%
Foreign currency financial assets					
Cash and balances with banks					
Foreign central banks*	A-1+	1,084,419,881	10.02%	1,097,282,758	11.47%
	A-1	1,697,011	0.02%		0.00%
Foreign banks and financial institutions	A-1+	831,081,371	7.68%	2,259,214,404	23.61%
	A-1	6,223,966,000	57.53%	3,403,712,400	35.58%
	F2	54,631	0.00%	50,763	0.00%
Local banks	NR	51,469	0.00%	51,269	0.00%
Other foreign currency financial assets					
Foreign central banks*	A-1+	135,207	0.00%	82,268	0.00%
Foreign banks and financial institutions	A-1+	162,836	0.00%	169,030	0.00%
	A-1	6,683,961	0.06%	3,428,111	0.04%
	AA+u	307,453,580	2.84%	-	0.00%
	NR	759,790	0.01%	153,448,834	1.60%
Supranational financial institutions	NR	910,280,596	8.41%	502,882,709	5.26%
State owned entities	NR	-	0.00%	19,187,500	0.20%
Government of Maldives and Government institutions	B2	1,452,733,343	13.43%	2,127,803,772	22.24%
Total foreign currency financial assets		**10,819,479,676**	**100%**	**9,567,313,818**	**100%**

44.7 Credit risk (Continued)

	Credit rating	2017	%	2016	%
Local currency financial assets					
Local banks	NR	52,717,665	0.83%	41,908,614	0.53%
Foreign Central Banks*	F3	-	0.00%	1,535,000,000	19.36%
Government of Maldives and Government institutions	B2	6,305,158,155	99.16%	6,351,481,016	80.11%
Individuals	NR	666,962	0.01%	-	0.00%
Total local currency financial assets		**6,358,542,782**	**100%**	**7,928,389,630**	**100%**
Total financial assets (except foreign cash in hand)		**17,178,022,458**		**17,495,703,448**	

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

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 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.

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, F2 indicating good capacity to meet financial commitments and F3 indicating adequate capacity to meet financial commitments.

In 2017, Fitch ratings has assigned a first time B+ issuer rating to the Government of Maldives and noted that the outlook is stable.

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.

	2017	2016
Government of Maldives and Government institutions	7,757,891,498	8,479,284,788
Foreign central banks	1,086,252,099	2,632,365,026
Supranational financial institutions	910,280,596	502,882,709
Foreign banks and financial institutions	7,370,162,169	5,820,023,542
State owned entities	-	19,187,500
Local banks	52,769,134	41,959,883
Individuals	666,962	-
Total financial assets	**17,178,022,458**	**17,495,703,448**

45 Fair value of financial instruments

Fair value measurements are analyzed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, unobservable inputs). Management applies judgment in categorizing financial instruments using the fair value hierarchy. If a fair value measurement requires observable inputs that require significant adjustment, that measurement is level 3 measurement. The significance of valuation inputs is assessed against the fair value measurement in its entirety.

Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorized are as follows:

	2017				2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Foreign currency financial assets								
Available for sale investments	307,453,580	-	-	307,453,580	-	-	-	-
Local currency financial assets								
Derivative asset	-	-	-	-	-	935,263	-	935,263
Liabilities at fair value								
Local currency financial liabilities								
Derivative liabilities	-	-	-	-	-	1,137,371	-	1,137,371

The description of valuation technique and description of inputs used in the fair value measurement for level 2 measurements at 31 December 2017 are as follows:

Assets and Liabilities at fair value	Valuation technique	Inputs used
Derivative asset	Market value approach	Current market exchange rates
Derivative liabilities	Market value approach	Current market exchange rates

There were no changes in valuation technique for level 2 recurring fair value measurements during the year ended 31 December 2017.

46 RELATED PARTIES TRANSACTION DISCLOSURES

46.1 Transactions with the Government and Government related entities

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

	2017	2016
Profit re-appropriation to the Government (Note 40)	67,189,931	82,029,878
Gross foreign exchange transactions during the year		
- Sales	10,000,693,721	8,856,931,656
- Purchases	14,236,052,525	9,442,744,545

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

	2017	2016
Interest income earned from related parties (Note c)	236,686,035	166,347,340
Goods and Services Tax paid (Note d)	62,720	74,253
Finance charges paid	819,063	724,074
Charges and commissions earned from related parties	15,976,780	14,172,410
Gross value of goods and services obtained	8,493,917	7,265,516

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

	2017	2016
Investment in Government treasury bonds (Note 14)	6,233,473,467	6,304,271,706
Currency repurchase receivable (Note 12.1)	-	86,843
Investment in Government treasury bills (Note 9.1.2 & 13)	81,489,842	68,042,219
Investment in corporate bond (Note 9.2)	1,417,566,182	2,097,876,098
	7,732,529,491	**8,470,276,866**
Government deposits with the Authority (Note 23)	1,591,436,345	832,534,933
State Owned Enterprises deposits with the Authority (Note 23)	64,604,292	-
Security deposits held by insurance companies (Note 28)	4,000,000	4,000,000
Currency repurchase payable (Note 31.2)	-	19,275,000
Interest bearing loans (Note 25)	91,748,327	86,741,890
	1,751,788,964	**942,551,823**

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

46 RELATED PARTIES TRANSACTION DISCLOSURES (CONTINUED)

46.1 Transactions with the Government and Government related entities (continued)

e) The Authority performs the functions of implementing its monetary policy mainly through the monetary tools which are minimum reserve requirement, open market operations, foreign currency swap facility and standing facilities which are overnight deposit facility and overnight lombard facility. Further, the Authority acts as the banker to both commercial banks and Government institutions. The Government of Maldives as a related party has shareholding in Bank of Maldives Plc and Maldives Islamic Bank. Please refer to Notes 7 and 22 for the gross outstanding balances as at 31 December 2017.

f) Empowered by the Article 4 (c) of the MMA Act, the Authority carries out the regulatory and supervisory functions of the banks licensed by the Authority. Bank of Maldives Plc and Maldives Islamic Bank in which the Government has a significant influence, falls under the supervision of the Authority.

g) The Authority carries out its regulatory and supervisory functions in respect of Insurance Companies in Maldives. Accordingly, Allied Insurance Company of the Maldives is a related entity under the supervision of the Authority (Refer Note 28).

h) In accordance with Article 22 (f) of MMA Act, the Authority may buy, sell, invest, or deal in treasury bills and other securities issued or guaranteed by the Government. In this regard, the Authority has invested in Government treasury bills.

i) The Authority, in carrying out the normal operations, enters into transactions to obtain various goods and services with Government entities or entities in which the Government has significant influence or control (Refer Note 46.1 (b)).

j) The Authority did not provide any guarantee over any of the borrowings of a related party during the year ending 31 December 2017.

46.2 Transactions with key managerial personnel (present and former)

Key managerial personnel of the Authority are the members of the Executive Committee and Board of Directors that includes Governor, Deputy Governor and other members of the Board. The Authority's Board of Directors has been reconstituted during January 2018. Particulars of transactions with key managerial personnel were as follows:

	2017	2016
Compensation to the key management personnel	3,518,924	3,491,130

47 CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND OFF BALANCE SHEET ITEMS

47.1 Guarantees

In accordance with Section 22 (l) of MMA Act, the Authority could guarantee the repayment of government loans and service charges. As at 31 December 2017, there were no such outstanding guarantees.

Other than the above, under the Credit Guarantee Scheme introduced by the Authority on 7 August 2016, a total value of MVR 32,034,277 was guaranteed as at 31 December 2017.

47 CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND OFF BALANCE SHEET ITEMS (CONTINUED)

47.1 Guarantees (continued)

Additionally, under the Affordable Housing Loan Scheme (AHLS) introduced by the Authority on 20 August 2017, a fund of MVR 30 million was set up to guarantee the down payment or equity component of the loans under the scheme. As at 31 December 2017, guarantee in lieu of equity/down payment was issued by the Authority to the amount of MVR 24,465,000 for loans approved under the phase one of AHLS.

47.2 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.

47.3 Legal claims

There are no on-going legal proceedings against the Authority as of 31 December 2017.

47.4 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.

47.5 Off balance sheet items

As at the reporting date, there are no outstanding amounts payable and receivable under swap arrangements due to maturity of the transactions during the year. (Refer to note 12).

48 EVENTS OCCURRING SUBSEQUENT TO REPORTING DATE

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

STATISTICAL APPENDIX

Table 1: Gross Domestic Product, 2013–2017 [1/]

(millions of rufiyaa at constant prices)

	2013	2014	2015	2016	2017
Gross domestic product (at market prices)	**52,983.3**	**56,866.7**	**58,143.9**	**61,727.4**	**66,008.0**
Gross domestic product (at basic prices)	**47,236.0**	**50,683.2**	**52,077.5**	**55,210.3**	**na**
o/w Agriculture	778.2	783.4	794.0	807.7	na
Fisheries	2,249.1	2,234.6	2,209.7	2,239.0	na
Manufacturing	1,140.9	1,128.8	1,140.2	1,237.6	na
Electricity and water	818.7	880.3	912.9	1,053.0	na
Construction	2,159.4	2,775.6	3,519.8	4,123.3	na
Wholesale and retail trade	4,491.6	5,353.7	5,247.6	5,654.4	na
Tourism	13,977.4	14,343.1	13,708.7	14,022.5	na
Transportation	3,471.7	3,722.8	3,887.7	3,991.4	na
Postal and telecommunication	1,658.5	1,687.9	2,120.1	2,364.4	na
Real estate	3,873.9	4,166.3	4,315.3	4,473.5	na
Public administration	3,914.1	4,372.0	4,494.3	4,722.9	na
			Annual percentage change		
Gross domestic product (at market prices)	**7.3**	**7.3**	**2.2**	**6.2**	**6.9**
o/w Agriculture	3.1	0.7	1.4	1.7	na
Fisheries	8.3	(0.6)	(1.1)	1.3	na
Manufacturing	7.4	(1.1)	1.0	8.5	na
Electricity and water	(1.8)	7.5	3.7	15.3	na
Construction	(13.1)	28.5	26.8	17.1	na
Wholesale and retail trade	8.4	19.2	(2.0)	7.8	na
Tourism	10.1	2.6	(4.4)	2.3	na
Transportation	10.9	7.2	4.4	2.7	na
Postal and telecommunication	2.8	1.8	25.6	11.5	na
Real estate	6.9	7.5	3.6	3.7	na
Public administration	7.9	11.7	2.8	5.1	na
Memorandum items:					
Real GDP (in millions of US dollars)	3,436.0	3,687.9	3,770.7	4,003.1	4,280.7
Nominal GDP (market prices, in millions of rufiyaa)	50,633.5	56,866.7	61,565.6	64,919.3	71,676.8
Nominal GDP (market prices, in millions of US dollars)	3,283.6	3,687.9	3,992.6	4,210.1	4,648.3
Real GDP per capita (in rufiyaa)	123,599.0	129,970.7	127,948.0	130,971.3	137,336.5
Real GDP per capita (in US dollars)	8,015.5	8,428.7	8,297.5	8,493.6	8,906.4
Nominal GDP per capita (in US dollars)	7,660.0	8,428.7	8,785.8	8,932.8	9,671.3
Total mid-year population [2/]	428,671	437,535	454,434	471,305	480,630

Sources: National Bureau of Statistics and Ministry of Finance and Treasury

[1/] GDP series has been rebased from base year 2003 to 2014 in November 2017 and broadly complies with the guidelines of System of National Accounts 2008. Figures for 2017 are projections available as at November 2017 forecasted by Ministry of Finance & Treasury.

[2/] Mid-year population figures includes local and expatriate population.

Table 2: Tourism Indicators, 2013–2017

	2013	2014	2015	2016	2017
Tourist arrivals	**1,125,202**	**1,204,857**	**1,234,248**	**1,286,135**	**1,389,542**
o/w Europe	527,274	529,291	535,962	575,176	646,363
o/w Germany	93,598	98,328	105,132	106,381	112,109
United Kingdom	85,869	88,704	92,775	101,843	103,977
Russia	76,479	66,308	44,323	46,522	61,931
Asia	505,753	568,031	578,322	572,336	586,791
o/w China	331,719	363,626	359,514	324,326	306,530
India	38,014	45,587	52,368	66,955	83,019
Japan	39,463	38,817	39,244	39,894	41,133
South Korea	30,306	34,896	33,001	29,580	34,808
Tourist bednights ('000)	7,239	7,506	7,323	7,771	8,596
Average stay (days)	6.4	6.2	5.9	6.0	6.2
Operational capacity (beds in operation)	27,998	29,515	31,424	33,802	38,592
Bednight capacity ('000)	10,220	10,774	11,471	12,373	14,089
Occupancy rate (percentage)	71	70	64	63	61
Travel receipts [1/] (millions of US dollars)	2,335.2	2,695.7	2,569.1	2,505.6	2,741.8
Number of resorts by lease holders (year-end)	**110**	**111**	**115**	**na**	**na**
Local	77	75	77	na	na
Foreign	15	17	18	na	na
Joint venture	18	19	20	na	na
Number of resorts by operators (year-end)	**110**	**111**	**115**	**na**	**na**
Local	50	48	49	na	na
Foreign	41	43	45	na	na
Joint venture	19	20	21	na	na

Sources: Ministry of Tourism and Maldives Monetary Authority

[1/] Estimates made by Maldives Monetary Authority for the travel component of the balance of payments statistics.

Note: Figures from 2013 to 2017 has been revised.

Table 3: Fish Production and Volume of Fish Exports, 2013–2017

(quantity in thousands of metric tons)

	2013	2014	2015	2016	2017
Fish catch	**129.8**	**128.7**	**127.4**	**129.2**	**na**
Fish purchases	**63.1**	**50.5**	**45.2**	**53.9**	**76.6**
Volume of fish exports	**49.6**	**48.2**	**43.5**	**46.5**	**72.0**
Fresh, chilled or frozen tuna	44.7	42.7	36.5	39.3	63.3
o/w Skipjack tuna	23.3	21.8	19.7	21.8	41.1
Yellowfin tuna	21.1	19.5	15.8	16.8	21.6
Fresh, chilled or frozen fish (excluding tuna)	0.7	1.0	1.4	1.5	1.9
Canned or pouched	2.4	2.6	2.9	3.0	4.8
Other processed fish	1.9	1.8	2.7	2.7	2.0

Source: Ministry of Fisheries and Agriculture, Maldives Customs Service

Table 4: Consumer Price Index - Male', 2013–2017

(June 2012 = 100)

	Weight	2013	2014	2015	2016	2017
Total index	**100.0**	**103.2**	**105.4**	**106.4**	**106.9**	**109.9**
Food and non-alcoholic beverages	28.4	105.2	105.9	106.4	107.0	113.0
o/w Food	26.1	105.4	106.1	106.5	107.2	113.5
o/w Fish	8.6	104.4	106.2	105.7	104.1	107.4
Tobacco and narcotics	2.3	98.0	100.2	117.5	122.2	154.4
Clothing and footwear	3.9	101.5	102.5	101.5	101.0	100.3
Housing, water, electricity, gas and other fuel	23.3	103.5	106.7	107.8	108.1	109.5
Furnishing, household equipment and routine maintenance of the house	8.7	97.0	96.0	96.6	97.5	98.6
Health	5.4	110.8	121.0	123.6	125.8	125.5
Transport	5.4	102.2	105.4	102.9	101.3	101.8
Communication	4.8	99.1	100.3	100.6	99.8	99.7
Recreation and culture	5.1	98.8	102.2	102.0	100.7	100.6
Education	2.5	105.8	110.6	119.0	124.8	130.1
Restaurants and hotels	3.0	115.9	121.3	121.1	123.1	125.6
Miscellaneous goods and services	7.2	99.0	98.9	98.7	98.5	98.3
Total excluding fish	-	103.1	105.3	106.4	107.2	111.1
Total excluding Food and non-alcoholic beverages	-	102.4	105.2	106.4	106.9	108.7
		Inflation (annual percentage change of the CPI)				
Total rate	**100.0**	**3.8**	**2.1**	**1.0**	**0.5**	**2.8**
Food and non-alcoholic beverages	28.4	7.2	0.7	0.5	0.6	5.6
o/w Food [1/]	26.1	na	0.6	0.4	0.7	5.9
o/w Fish	8.6	11.4	1.7	(0.5)	(1.6)	3.2
Tobacco and narcotics	2.3	(3.2)	2.2	17.2	4.0	26.4
Clothing and footwear	3.9	3.2	0.9	(0.9)	(0.5)	(0.7)
Housing, water, electricity, gas and other fuel	23.3	3.6	3.1	1.0	0.3	1.3
Furnishing, household equipment and routine maintenance of the house	8.7	(1.6)	(1.0)	0.6	0.9	1.1
Health	5.4	7.4	9.2	2.1	1.8	(0.2)
Transport	5.4	2.2	3.1	(2.3)	(1.5)	0.5
Communication	4.8	(1.0)	1.2	0.3	(0.8)	(0.1)
Recreation and culture	5.1	(0.7)	3.4	(0.2)	(1.2)	(0.1)
Education	2.5	5.5	4.6	7.6	4.9	4.2
Restaurants and hotels	3.0	11.9	4.7	(0.2)	1.7	2.0
Miscellaneous goods and services	7.2	(1.6)	(0.1)	(0.2)	(0.3)	(0.2)
Total excluding fish	-	2.9	2.2	1.1	0.7	3.7
Total excluding Food and non-alcoholic beverages	-	na	2.7	1.1	0.5	1.7

Source: National Bureau of Statistics

[1/] The Consumer Price Index for 'Food' is only available from June 2012. Hence, the annual percentage change of the Consumer Price Index for this category can only be calculated from 2014.

Note: Data refers to the twelve-month average.

Table 5: Summary of Central Government Finance, 2013–2017 [1/]

(millions of rufiyaa)

	2013	2014	2015	2016 [2/]	2017 [2/]
Total revenue and grants	**11,900.7**	**15,164.2**	**17,306.2**	**18,578.1**	**20,814.9**
Total revenue	11,783.1	14,999.0	16,669.3	18,325.0	20,096.7
Current revenue	11,515.0	14,874.8	16,549.0	17,455.6	19,549.2
Capital revenue	268.1	124.1	120.3	869.4	547.5
Grants	117.7	165.3	636.9	253.1	718.2
Total expenditure	**13,666.3**	**16,539.4**	**21,440.9**	**25,306.5**	**22,228.4**
Current expenditure	11,573.2	13,960.0	16,733.7	16,141.0	15,105.9
Capital expenditure	2,093.0	2,579.4	4,707.2	9,165.5	7,122.6
Net lending	**(135.5)**	**(122.2)**	**(104.0)**	**(43.5)**	**(62.2)**
Primary balance	**(808.8)**	**(396.8)**	**(2,787.0)**	**(5,546.1)**	**(147.7)**
Overall balance	**(1,765.5)**	**(1,375.1)**	**(4,134.7)**	**(6,728.4)**	**(1,413.5)**
Overall balance excluding grants	(1,883.2)	(1,540.4)	(4,771.6)	(6,981.5)	(2,131.7)
Current balance	(58.2)	914.9	(184.8)	1,314.6	4,443.3
Financing	**1,765.5**	**1,375.1**	**4,134.7**	**6,728.4**	**1,413.5**
Foreign financing	472.6	(370.6)	(297.8)	1,931.9	1,449.6
Domestic financing	1,293.0	1,745.8	4,432.5	4,796.5	(36.1)
			As a percentage of GDP		
Total revenue	23	26	27	28	28
Current revenue	23	26	27	27	27
Capital revenue	1	0	0	1	1
Grants	0	0	1	0	1
Total expenditure	27	29	35	39	31
Current expenditure	23	25	27	25	21
Capital expenditure	4	5	8	14	10
Overall balance	(3)	(2)	(7)	(10)	(2)
Memorandum items:					
Nominal GDP [3/]	50,633.5	56,866.7	61,565.6	64,919.3	71,676.8

Sources: Ministry of Finance and Treasury and National Bureau of Statistics

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

[2/] Figures for 2016 are actuals and figures for 2017 are revised estimates.

[3/] Figures for 2017 is based on GDP forecasted by Ministry of Finance and Treasury.

Table 6: Central Government Revenue and Grants, 2013–2017 [1/]

(millions of rufiyaa)

	2013	2014	2015	2016 [2/]	2017 [2/]
Total revenue and grants	**11,900.7**	**15,164.2**	**17,306.2**	**18,578.1**	**20,814.9**
Total revenue	11,783.1	14,999.0	16,669.3	18,325.0	20,096.7
Current revenue	11,515.0	14,874.8	16,549.0	17,455.6	19,549.2
Tax revenue	8,872.8	10,837.9	12,270.6	13,293.0	14,595.3
o/w Import duty	1,575.9	1,975.2	2,346.4	2,487.4	2,741.6
Tourism tax	861.6	804.8	0.6	0.2	-
Bank profit tax	355.0	482.4	512.7	491.7	649.9
General goods and services tax	1,538.4	1,512.9	1,904.2	2,328.1	2,630.0
Tourism goods and services tax	2,154.7	3,001.8	4,150.3	3,920.7	4,137.7
Business profit tax	1,881.0	2,471.4	2,673.6	2,748.0	2,666.1
Airport service charge	350.3	432.0	496.7	537.5	704.0
Green tax	-	-	36.7	623.1	683.0
Nontax revenue	2,642.1	4,037.0	4,278.3	4,162.6	4,953.9
o/w Entrepreneurial and property income	1,712.2	2,432.7	1,859.7	2,133.0	2,904.5
o/w Net sales to public enterprises	475.9	781.9	488.7	627.9	1,030.3
Land and resort rent	1,185.4	1,617.6	1,336.9	1,469.1	1,763.3
o/w Resort lease rent	1,106.3	1,534.5	1,247.0	1,357.4	1,629.4
Administrative fees and charges	583.5	1,084.4	1,831.1	1,401.5	1,456.2
o/w Permit fee	278.1	716.3	1,419.4	959.1	999.4
o/w Other government permit fees [3/]	158.0	567.1	1,260.7	759.9	816.6
Capital revenue (sale of assets)	268.1	124.1	120.3	869.4	547.5
Grants	117.7	165.3	636.9	253.1	718.2
			As a percentage of GDP		
Tax revenue	18	19	20	20	20
o/w Import duty	3	3	4	4	4
General goods and services tax	3	3	3	4	4
Tourism goods and services tax	4	5	7	6	6
Business profit tax	4	4	4	4	4
Nontax revenue	5	7	7	6	7
o/w Net sales to public enterprises	1	1	1	1	1
Resort lease rent	2	3	2	2	2

Source: Ministry of Finance and Treasury

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

[2/] Figures for 2016 are actuals and figures for 2017 are revised estimates.

[3/] This includes airport development fee (from June 2017) and concession fee for resort lease extension (for 50 years).

Table 7: Government Expenditure and Net Lending, 2013–2017 [1/]

(millions of rufiyaa)

	2013	2014	2015	2016 [2/]	2017 [2/]
Total expenditure and net lending	**13,530.8**	**16,417.2**	**21,336.9**	**25,263.0**	**22,166.3**
Total expenditure	13,666.3	16,539.4	21,440.9	25,306.5	22,228.4
Current expenditure	11,573.2	13,960.0	16,733.7	16,141.0	15,105.9
Expenditure on goods and services	8,842.3	10,437.0	13,631.3	13,953.8	13,085.5
Salaries and wages	3,283.7	3,392.9	3,929.2	4,029.6	4,002.1
Other allowances	2,322.0	2,435.7	2,891.5	2,868.9	3,085.7
Transportation, communication and utilities	1,038.3	1,366.0	2,050.3	1,633.9	1,614.2
Social welfare contributions	823.3	1,539.3	1,609.8	2,327.4	1,745.9
Others	1,375.0	1,703.2	3,150.6	3,093.9	2,637.6
Interest payments	956.7	978.3	1,347.6	1,182.3	1,265.8
Subsidies and transfers	1,774.2	2,544.6	1,754.8	1,004.9	754.6
Food, medicine and other	1,308.5	1,338.1	1,236.9	492.6	242.2
Pensions	465.7	1,206.5	517.9	512.3	512.4
Capital expenditure and net lending	1,957.6	2,457.2	4,603.1	9,122.0	7,060.4
Development expenditure	2,093.0	2,579.4	4,707.2	9,165.5	7,122.6
Foreign loan-financed	1,176.9	188.4	635.1	2,801.4	2,401.5
Others [3/]	916.1	2,391.0	4,072.1	6,364.1	4,721.1
o/w Domestic Public Sector Investment Program	645.2	1,702.5	2,402.7	4,149.5	2,961.1
Net lending	(135.5)	(122.2)	(104.0)	(43.5)	(62.2)
			As a percentage of GDP		
Current expenditure	23	25	27	25	21
o/w Salaries and wages	6	6	6	6	6
Social welfare contributions	2	3	3	4	2
Subsidies and transfers	4	4	3	2	1
Development expenditure	4	5	8	14	10

Source: Ministry of Finance and Treasury

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

[2/] Figures for 2016 are actuals and figures for 2017 are revised estimates.

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

Table 8: Claims on Central Government, 2013–2017

(millions of rufiyaa)

	2013	2014	2015	2016	2017
			Outstanding stock		
Total domestic claims on central government	**16,907.6**	**20,644.3**	**23,109.3**	**26,446.6**	**27,168.2**
Government securities	11,330.9	17,586.9	20,001.6	23,230.2	23,414.2
Treasury bonds	3,136.6	6,440.5	7,419.6	8,774.6	9,320.9
MMA	3,136.6	6,440.5	6,373.0	6,304.3	6,233.5
Commercial banks	-	-	115.7	57.8	-
Other financial corporations	-	-	931.0	2,412.5	3,087.4
Treasury bills and Islamic instruments	8,194.3	11,146.4	12,582.0	14,455.7	14,093.4
MMA	634.0	-	-	74.4	93.8
Commercial banks	3,952.1	5,908.5	7,875.9	10,154.9	8,694.4
State owned enterprises	2,368.5	3,426.5	3,590.8	3,295.7	4,733.2
Other financial corporations	1,239.7	1,343.3	771.3	521.9	250.2
Others	-	468.1	344.0	408.8	321.7
Loans and advances	5,576.7	3,057.5	3,107.7	3,216.4	3,753.9
MMA	2,499.7	-	-	-	0.0
Commercial banks	537.8	126.1	73.6	34.9	431.3
Other financial corporations [1/]	2,539.2	2,931.4	3,034.0	3,181.5	3,322.7
			Change		
Total domestic claims on central government	**2,455.4**	**3,736.7**	**2,465.0**	**3,337.3**	**721.5**
Government securities [2/]	215.5	6,256.0	2,414.8	3,228.6	184.0
Treasury bonds	(1,528.2)	3,303.9	979.2	1,354.9	546.3
MMA	(755.5)	3,303.9	(67.5)	(68.7)	(70.8)
Commercial banks	(772.7)	-	115.7	(57.8)	(57.8)
Other financial corporations	-	-	931.0	1,481.5	674.9
Treasury bills and Islamic instruments	1,743.7	2,952.1	1,435.6	1,873.7	(362.3)
MMA	(195.6)	(634.0)	-	74.4	19.5
Commercial banks	412.9	1,956.4	1,967.4	2,279.0	(1,460.5)
State owned enterprises	930.0	1,058.0	164.3	(295.1)	1,437.5
Other financial corporations	877.0	103.6	(572.0)	(249.4)	(271.7)
Others	(280.6)	468.1	(124.1)	64.8	(87.1)
Loans and advances [3/]	2,239.9	(2,519.3)	50.2	108.7	537.5
MMA	2,165.5	(2,499.7)	-	-	0.0
Commercial banks	96.9	(411.7)	(52.4)	(38.7)	396.3
Other financial corporations	(22.6)	392.2	102.7	147.4	141.2
Memorandum items:					
Exchange rate	15.41	15.40	15.41	15.35	15.41

Source: Maldives Monetary Authority

[1/] This includes recognition bond.

[2/] This refers to net issue (which is issued amount less maturity).

[3/] This refers to flow for the period.

Table 9: Financial Corporations Survey, 2013–2017

(millions of rufiyaa)

	2013	2014	2015	2016	2017
Net foreign assets	**8,687.3**	**12,414.0**	**12,197.0**	**7,796.0**	**10,274.0**
Central bank	5,308.0	9,110.0	8,227.2	5,247.5	8,603.3
Other depository corporations	3,505.4	3,410.0	4,070.1	2,621.3	1,688.6
Other financial corporations	(126.1)	(105.9)	(100.4)	(72.8)	(17.8)
Net domestic assets	**20,444.1**	**21,718.8**	**26,344.3**	**32,337.3**	**32,772.7**
Domestic claims	30,708.2	33,134.3	38,679.1	46,243.1	48,406.8
Net claims on central government	13,268.0	15,226.8	18,640.9	22,039.3	21,577.9
Claims on other sectors	17,440.2	17,907.4	20,038.2	24,203.8	26,828.8
Other items (net)	(10,264.1)	(11,415.5)	(12,334.8)	(13,905.8)	(15,634.1)
Currency outside financial corporations	2,800.9	2,681.5	2,755.1	2,694.1	2,912.3
Deposits	21,015.9	24,634.5	27,622.8	27,894.3	29,092.6
Insurance technical reserves	5,314.7	6,816.7	8,163.3	9,544.9	11,041.7

Source: Maldives Monetary Authority

Table 10: Depository Corporations Survey, 2013–2017

(millions of rufiyaa)

	2013	2014	2015	2016	2017
Net foreign assets	**8,813.4**	**12,519.9**	**12,297.4**	**7,868.8**	**10,291.9**
Central bank	5,308.0	9,110.0	8,227.2	5,247.5	8,603.3
Other depository corporations	3,505.4	3,410.0	4,070.1	2,621.3	1,688.6
Net domestic assets	**14,863.3**	**14,677.1**	**18,194.5**	**22,567.5**	**21,715.3**
Domestic claims	24,963.6	25,817.8	29,993.8	35,958.6	36,535.1
Net claims on central government	8,642.0	9,145.5	11,380.0	13,394.4	11,630.6
Claims on other sectors	16,321.6	16,672.2	18,613.9	22,564.1	24,904.5
o/w Claims on private sector	14,637.9	15,050.1	16,817.0	18,583.0	21,294.9
Other items (net)	(10,100.3)	(11,140.6)	(11,799.3)	(13,391.1)	(14,819.8)
Broad money	**23,676.7**	**27,197.1**	**30,491.9**	**30,436.3**	**32,007.2**
Narrow money	10,415.8	11,232.4	13,337.9	13,468.5	14,471.3
Quasi money	13,260.9	15,964.6	17,154.0	16,967.8	17,535.9
			Annual percentage change		
Net foreign assets	68	42	(2)	(36)	31
Central bank	25	72	(10)	(36)	64
Other depository corporations	245	(3)	19	(36)	(36)
Domestic claims	4	3	16	20	2
Net claims on central government	13	6	24	18	(13)
Claims on other sectors	0	2	12	21	10
Broad money	18	15	12	(0)	5
Narrow money	24	8	19	1	7
Quasi money	15	20	7	(1)	3
Memorandum items:					
Dollarization ratio	50.2	53.7	50.6	48.5	48.7

Source: Maldives Monetary Authority

Table 11: Central Bank Survey, 2013–2017

(millions of rufiyaa)

	2013	2014	2015	2016	2017
Net foreign assets	**5,308.0**	**9,110.0**	**8,227.2**	**5,247.5**	**8,603.3**
Claims on non-residents	5,685.1	9,475.7	8,700.9	7,181.3	9,041.0
Liabilities to non-residents	(377.1)	(365.8)	(473.6)	(1,933.9)	(437.7)
Net domestic assets	**4,321.1**	**3,392.4**	**2,046.8**	**3,730.2**	**2,079.9**
Domestic claims	5,969.1	5,330.8	5,547.3	7,444.6	6,003.1
Net claims on central government	5,961.6	5,324.2	5,455.3	5,279.3	4,400.5
o/w Claims on central government	6,260.1	6,440.5	6,373.0	6,372.4	6,314.4
Claims on other sectors	7.5	6.5	92.0	2,165.3	1,602.6
Other items (net)	(1,648.0)	(1,938.4)	(3,500.4)	(3,714.4)	(3,923.3)
Monetary base	**9,629.1**	**12,502.3**	**10,274.1**	**8,977.7**	**10,683.2**
Currency in circulation	3,252.4	3,099.4	3,220.7	3,243.5	3,496.3
Liabilities to other depository corporations	6,375.1	9,401.8	7,052.3	5,734.2	7,186.9
Liabilities to other sectors	1.6	1.1	1.1	-	-
			Annual percentage change		
Net foreign assets	25	72	(10)	(36)	64
Claims on non-residents	21	67	(8)	(17)	26
Liabilities to non-residents	(16)	(3)	29	308	(77)
Net claims on central government	27	(11)	2	(3)	(17)
Monetary base	18	30	(18)	(13)	19
o/w Currency in circulation	31	(5)	4	1	8
Liabilities to other depository corporations	12	47	(25)	(19)	25

Source: Maldives Monetary Authority

Table 12: Other Depository Corporations Survey, 2013–2017

(millions of rufiyaa)

	2013	2014	2015	2016	2017
Net foreign assets	**3,505.4**	**3,410.0**	**4,070.1**	**2,621.3**	**1,688.6**
Claims on non-residents	4,727.8	4,600.5	5,112.8	4,519.4	3,906.5
Liabilities to non-residents	(1,222.4)	(1,190.6)	(1,042.6)	(1,898.1)	(2,218.0)
Net domestic assets	**17,367.9**	**21,103.3**	**23,664.6**	**25,119.9**	**27,405.0**
Domestic claims	26,805.1	31,983.6	35,257.1	38,237.7	41,797.9
Claims on central bank	7,810.5	11,496.6	10,810.1	9,681.6	11,091.0
Net claims on central government	2,680.5	3,821.3	5,924.7	8,115.1	7,230.1
o/w Claims on central government	4,475.0	5,914.3	7,858.1	10,109.1	9,003.1
Claims on other sectors	16,314.1	16,665.7	18,522.3	20,440.9	23,476.7
Claims on other financial corporations	109.2	288.3	303.9	429.7	572.3
Claims on public non-financial corporations	1,574.4	1,333.8	1,408.2	1,434.3	1,619.7
Claims on private sector	14,630.4	15,043.6	16,810.3	18,576.9	21,284.7
Other items (net)	(9,437.2)	(10,880.2)	(11,592.5)	(13,117.7)	(14,392.9)
Transferable, other deposits and securities other than shares included in broad money	**20,873.3**	**24,513.3**	**27,734.7**	**27,741.3**	**29,093.5**
			Annual percentage change		
Net foreign assets	245	(3)	19	(36)	(36)
Claims on non-residents	76	(3)	11	(12)	(14)
Liabilities to non-residents	(27)	(3)	(12)	82	17
Net claims on central government	(10)	43	55	37	(11)
Claims on other sectors	0	2	11	10	15
Claims on other financial corporations	(32)	164	5	41	33
Claims on public non-financial corporations	(0)	(15)	6	2	13
Claims on private sector	1	3	12	11	15

Source: Maldives Monetary Authority

Table 13: Assets and Liabilities of the Maldives Monetary Authority, 2013–2017

(millions of rufiyaa)

	2013	2014	2015	2016	2017
Assets	**12,450.6**	**16,406.9**	**15,796.2**	**16,484.9**	**17,765.8**
Foreign assets	5,685.1	9,475.7	8,700.9	7,181.3	9,041.0
Claims on central government	6,260.1	6,440.5	6,373.0	6,372.4	6,314.4
Claims on other sectors	7.5	6.5	92.0	2,165.3	1,602.6
Other assets	191.1	178.2	169.4	337.5	358.1
Non-financial assets	306.7	306.0	461.0	428.4	449.7
Liabilities	**12,450.6**	**16,406.9**	**15,796.2**	**16,484.9**	**17,765.8**
Currency in circulation	3,252.4	3,099.4	3,220.7	3,243.5	3,496.3
Claims to central government	298.5	1,116.2	917.7	1,093.0	1,913.9
Claims to other depository corporations	6,375.1	9,401.8	7,052.3	5,734.2	7,186.9
Claims to other sectors	11.6	11.1	10.5	13.3	143.0
Other liabilities to other depository corporations	997.9	1,701.4	3,364.7	3,450.9	3,427.2
Foreign liabilities	377.1	365.8	473.6	1,933.9	437.7
Other liabilities	529.4	533.2	437.3	734.6	723.5
Shares and other equity	608.6	177.9	319.4	281.3	437.4
			Annual percentage change		
Foreign assets	21	67	(8)	(17)	26
Claims on central government	25	3	(1)	(0)	(1)
Currency in circulation	31	(5)	4	1	8
Claims to central government	(7)	274	(18)	19	75

Source: Maldives Monetary Authority

Table 14: Assets and Liabilities of Other Depository Corporations, 2013–2017

(millions of rufiyaa)

	2013	2014	2015	2016	2017
Assets	**34,985.0**	**40,354.8**	**44,142.4**	**46,379.4**	**48,871.9**
Foreign assets	4,727.8	4,600.5	5,112.8	4,519.4	3,906.5
Cash	450.5	416.7	464.6	548.5	582.7
Deposits with central bank	6,457.8	11,079.8	10,345.5	9,133.1	10,508.3
Securities other than shares	3,937.2	5,788.2	8,324.1	10,612.6	9,092.6
Loans and advances	17,741.6	16,778.4	18,041.7	19,922.9	23,316.5
Shares and other equity	12.4	13.4	14.6	14.5	70.7
Other assets	566.0	570.7	1,104.8	839.2	498.9
Non-financial assets	1,091.5	1,107.1	734.3	789.1	895.6
Liabilities	**34,985.0**	**40,354.8**	**44,142.4**	**46,379.4**	**48,871.9**
Foreign liabilities	1,222.4	1,190.6	1,042.6	1,898.1	2,218.0
Deposits	20,873.3	24,513.3	27,734.7	27,741.3	29,093.5
Central government liabilities	1,794.5	2,093.0	1,933.4	1,994.0	1,773.0
Other liabilities	3,924.6	3,837.1	4,017.1	3,636.8	3,888.2
Shares and other equity	7,170.2	8,720.9	9,414.5	11,109.2	11,899.2

Source: Maldives Monetary Authority

Table 15: Other Depository Corporations Private Sector Loans and Advances by Economic Group, 2013–2017

(millions of rufiyaa)

	2013	2014	2015	2016	2017
Total loans and advances	**14,533.5**	**14,927.8**	**16,759.4**	**18,495.6**	**21,150.3**
Agriculture	10.3	7.9	4.2	1.9	2.7
Fishing	546.6	399.8	450.9	520.0	501.7
Manufacturing	316.5	199.2	170.8	171.9	167.9
Construction	1,320.7	1,735.5	2,441.7	3,345.0	3,719.6
Real estate	713.0	619.5	669.9	633.0	1,666.9
Tourism	7,430.1	6,476.0	6,628.0	7,257.0	8,128.2
Commerce	2,551.7	2,515.5	2,964.3	3,178.1	3,182.8
Transport and communication	520.0	613.1	894.3	1,069.8	982.5
Electricity, gas, water and sanitary services	11.4	54.0	22.0	13.9	2.3
Other	1,113.3	2,307.3	2,513.4	2,305.0	2,795.7
			As a percentage of total		
Fishing	4	3	3	3	2
Construction	9	12	15	18	18
Tourism	51	43	40	39	38
Commerce	18	17	18	17	15
Transport and communication	4	4	5	6	5
			Annual percentage change		
Total loans and advances	1	3	12	10	14
o/w Fishing	(1)	(27)	13	15	(4)
Construction	10	31	41	37	11
Tourism	(11)	(13)	2	9	12
Commerce	19	(1)	18	7	0
Transport and communication	8	18	46	20	(8)

Source: Maldives Monetary Authority

Table 16: Interest Rates, 2013–2017

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

	2013	2014	2015	2016	2017
Maldives Monetary Authority					
Monetary Operations					
Standing Facilities					
Overnight Deposit Facility	3.00	1.50	1.50	1.50	1.50
Overnight Lombard Facility	12.00	10.00	10.00	10.00	10.00
Government					
Treasury bills [1/]					
28 days	10.03	7.50	3.50	3.50	3.50
91 days	10.21	8.00	3.87	3.87	3.87
182 days	10.00	8.50	4.23	4.23	4.23
364 days	10.50	9.00	4.60	4.60	4.60
Commercial banks					
Deposits					
Transferable deposits					
Local currency	2.23	2.24	2.37	2.38	1.45
Foreign currency	1.56	1.57	0.82	0.73	0.71
Savings deposits					
Local currency	2.25	2.23	2.20	1.65	1.48
Foreign currency	2.28	2.23	2.23	2.01	2.19
Time deposits (2 to 3 years)					
Local currency	4.00	4.01	3.94	2.50	2.66
Foreign currency	3.84	3.08	3.80	1.88	1.75
Loans and advances					
Public non-financial corporations					
Local currency	11.02	9.98	9.64	9.00	9.98
Foreign currency	9.24	9.25	11.39	9.52	8.92
Private sector					
Local currency	11.42	11.38	10.82	10.62	9.82
Foreign currency	8.58	8.46	8.85	9.08	9.06
Other financial institutions					
Share prices					
MASIX index (period average)	129.81	133.38	156.45	156.79	175.11
MASIX index (end of period)	114.60	134.13	156.48	155.05	174.97

Source: Maldives Monetary Authority, Maldives Stock Exchange

[1/] Treasury bills reverted to a TAP system from an auction system in 2014. The rates were revised in 2015 due to a change in government policy.

Note: Open market operations has been temporarily suspended from May 2014 onwards.

Table 17: Balance of Payments, 2013–2017 [1/]

(millions of US dollars)

	2013	2014	2015	2016	2017 [2/]
Current account balance	**(127.4)**	**(117.8)**	**(301.7)**	**(1,032.4)**	**(876.4)**
Balance on goods	(1,372.0)	(1,660.0)	(1,654.7)	(1,838.7)	(1,904.6)
Export	331.0	300.9	239.8	256.2	318.3
Import	1,703.0	1,960.9	1,894.5	2,094.9	2,222.9
Balance on services	1,880.4	2,205.0	2,030.6	1,788.0	1,850.6
Export	2,576.9	2,998.3	2,905.3	2,891.4	3,149.6
o/w Travel	2,335.2	2,695.7	2,569.1	2,505.6	2,741.8
Import	696.6	793.3	874.7	1,103.4	1,299.0
Balance on primary income	(363.7)	(355.1)	(332.5)	(352.9)	(446.6)
Balance on secondary income	(272.0)	(307.8)	(345.2)	(628.8)	(375.9)
o/w Debit: Workers remittance	265.0	300.8	347.8	375.6	417.1
Capital account balance [3/]	**7.9**	**6.6**	**9.5**	**-**	**-**
Financial Account [4/] (excludes reserves and related items)	**(67.4)**	**(543.9)**	**(481.3)**	**(673.2)**	**(878.0)**
Direct investment	(360.8)	(333.4)	(298.0)	(456.6)	(517.5)
Portfolio investment	53.3	17.2	(122.9)	132.1	(279.2)
Other investment	240.1	(227.7)	(60.4)	(348.7)	(81.3)
Net errors and omissions	**119.8**	**(179.2)**	**(236.7)**	**263.3**	**117.3**
Overall balance	**67.7**	**253.4**	**(47.7)**	**(95.8)**	**118.9**
Reserve and related items	**67.7**	**253.4**	**(47.7)**	**(95.8)**	**118.9**
Memorandum items:					
Exports of goods and services	2,907.9	3,299.2	3,145.1	3,147.6	3,468.0
Current account as a percent of GDP [5/]	(4)	(3)	(8)	(25)	(19)
Gross International Reserves	368.3	614.7	564.0	467.1	586.1

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

[1/] This table is compiled based on information available as at April 2018 in accordance with IMF “Balance of Payments and International Investment Position Manual, 6th Edition” (BPM6) methodologies.

[2/] Figures for 2017 are revised estimates.

[3/] Capital grants are included in secondary income account from 2016 onwards since it could not be segregated from total grants.

[4/] Positive sign indicates net lending and negative sign indicates net borrowing.

[5/] Current account as a percentage of GDP for 2017 is based on GDP forecasted by Ministry of Finance and Treasury.

Table 18: Import and Export by Sector, 2013–2017

(millions of US dollars)

	2013	2014	2015	2016	2017
Total imports (cif)	**1,733.4**	**1,992.5**	**1,896.3**	**2,125.4**	**2,360.4**
Private imports	1,210.6	1,366.6	1,384.2	1,570.3	1,819.7
Tourism	323.8	340.7	402.2	485.7	560.9
Private (excluding tourism)	886.8	1,026.0	982.0	1,084.6	1,258.8
Public imports	522.8	625.9	512.2	555.1	540.7
Public enterprises	495.9	587.0	441.1	408.9	465.4
Government	26.9	38.9	71.1	146.1	75.3
Total exports (fob)	**331.0**	**300.9**	**239.7**	**256.2**	**318.3**
Domestic exports	166.5	144.8	144.1	139.6	199.4
Private exports	101.9	96.6	107.2	96.4	116.1
Public exports	64.6	48.3	37.0	43.2	83.3
Re-exports	164.4	156.0	95.7	116.6	118.9
Jet fuel	145.4	133.0	73.0	58.5	83.0

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

Table 19: Composition of Imports (cif), 2013–2017

(millions of US dollars)

	2013	2014	2015	2016	2017
Total imports	**1,733.4**	**1,992.5**	**1,896.3**	**2,125.4**	**2,360.4**
Food items	378.9	407.6	405.9	429.6	462.4
Furniture, fixtures and fittings	64.9	64.8	66.8	99.7	89.4
Electronic and electrical appliances	45.6	52.5	53.8	61.2	67.2
Petroleum products	503.2	571.6	285.2	247.3	314.3
o/w Petrol	44.8	56.6	26.0	26.3	37.4
Diesel (marine gas oil)	297.0	346.3	208.0	193.1	234.4
Transport equipments and parts	120.5	143.7	188.7	188.7	167.8
Wood, metal, cement and aggregates	136.4	169.2	241.0	286.4	355.8
Machinery and mechanical appliances and parts	89.8	120.9	121.9	203.7	205.2
Electrical, electronic machinery and equipments and parts	72.7	88.3	99.5	114.6	135.8
Other items	321.5	373.9	433.6	494.2	562.5

Source: Maldives Customs Service

Table 20: Composition of Exports (fob), 2013–2017

(millions of US dollars)

	2013	2014	2015	2016	2017
Merchandise exports	**331.0**	**300.9**	**239.7**	**256.2**	**318.3**
Domestic exports	166.5	144.8	144.1	139.6	199.4
Fish exports	161.3	139.1	137.3	134.8	193.1
Fresh, chilled or frozen tuna	133.3	112.0	108.7	106.6	158.2
o/w Skipjack	46.3	31.8	28.0	37.4	76.4
Yellowfin tuna	85.6	75.5	77.2	67.0	79.3
Fresh, chilled or frozen fish (excluding tuna)	3.2	4.4	4.9	4.4	4.5
Canned or pouched	16.5	15.8	13.8	15.4	23.8
Other processed fish	8.3	6.9	9.9	8.4	6.6
Fish products, sea food, other marine products and live fish	1.8	1.9	2.6	2.2	1.4
Garments and other exports	3.4	3.7	4.2	2.6	4.8
Re-exports	164.4	156.0	95.7	116.6	118.9

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

Table 21: Direction of Trade - Import of Goods, 2013–2017

(millions of US dollars)

	2013	2014	2015	2016	2017
Total imports	**1,733.4**	**1,992.5**	**1,896.3**	**2,125.4**	**2,360.4**
Asia	1,408.5	1,651.4	1,528.6	1,738.7	1,915.2
o/w China	81.5	105.1	147.3	285.6	280.6
India	154.0	170.6	226.5	275.5	287.6
Malaysia	85.2	145.1	141.9	120.9	174.0
Singapore	281.0	349.5	325.1	305.4	318.3
Thailand	86.0	87.6	91.0	99.3	110.1
United Arab Emirates	491.4	472.8	317.0	333.4	434.3
Europe	192.9	194.4	231.9	242.5	270.5
o/w France	34.2	17.6	18.1	17.5	23.4
Germany	30.0	34.8	35.7	51.7	55.9
Italy	24.4	29.6	23.5	33.8	34.8
North America	57.3	62.0	53.5	58.0	71.8
o/w USA	30.2	33.5	37.4	42.2	43.6
Oceania	45.2	56.9	53.9	48.1	65.2
o/w Australia	32.4	36.7	32.1	34.5	40.5
South America	20.3	17.4	16.2	18.0	20.2
Africa	9.2	10.5	12.2	20.0	17.5

Source: Maldives Customs Service

Table 22: Direction of Trade - Export of Goods, 2013–2017

(millions of US dollars)

	2013	2014	2015	2016	2017
Domestic exports	**166.5**	**144.8**	**144.1**	**139.6**	**199.4**
Asia	94.6	73.1	69.0	72.6	118.1
o/w Japan	5.1	7.7	4.7	3.0	3.2
Sri Lanka	9.5	8.7	17.3	14.2	7.5
Thailand	61.7	46.7	36.6	48.0	97.0
Europe	63.2	57.8	59.5	53.7	65.9
o/w France	22.5	20.9	15.1	12.3	13.9
Germany	10.0	9.7	10.0	12.2	14.3
Italy	8.2	5.1	8.1	6.9	5.8
UK	9.1	6.8	8.3	5.8	11.4
North America	8.1	13.6	15.2	12.6	14.6
o/w USA	7.2	13.1	14.7	12.4	13.9
Oceania	0.6	0.4	0.2	0.6	0.7
South America	0.0	-	-	-	0.2
Africa	0.0	0.0	0.2	0.0	0.0

Source: Maldives Customs Service

Table 23: External Debt, 2013–2017

(millions of US dollars)

	2013	2014	2015	2016	2017
			Outstanding stock		
Total external debt outstanding	**792.2**	**744.2**	**696.2**	**848.8**	**1,188.2**
Central government	747.4	698.0	662.2	763.9	1,080.2
Debt securities [1/]	-	-	-	-	250.0
Loans	747.4	698.0	662.2	763.9	830.2
Multilateral	323.7	292.8	268.7	254.5	274.5
Bilateral	216.6	189.9	169.3	142.7	122.1
Commercial banks	7.5	31.9	24.5	18.6	12.7
Buyers credit	199.6	183.4	199.7	348.1	420.9
Other depository corporations [2/]	44.8	46.2	34.0	84.9	108.1
Head offices or branches	43.0	25.9	34.0	75.6	61.9
Non resident ODC	1.8	20.3	-	9.3	46.2
			Flow		
Central government debt disbursed and debt service					
Disbursements [3/]	77.1	49.0	55.5	190.2	348.2
Debt service	61.2	77.3	72.4	81.4	86.9
Principal repayment	52.5	64.7	62.3	70.3	65.1
Interest payments	8.7	12.6	10.1	11.1	21.8
Debt service ratio (central government)	**2.1**	**2.3**	**2.3**	**2.6**	**2.6**
			As a percentage of GDP		
Total external debt outstanding	24	20	17	20	26
Central government	23	19	17	18	23
Other depository corporations	1	1	1	2	2
			Annual percentage change		
Total external debt outstanding	(3)	(6)	(6)	22	40
Central government	4	(7)	(5)	15	41
Other depository corporations	(52)	3	(26)	150	27
Memorandum items:					
Nominal GDP (millions of US dollars) [4/]	3,283.6	3,687.9	3,992.6	4,210.1	4,648.3
Exchange rate [5/]	15.41	15.40	15.41	15.35	15.41
Exports of goods and services (millions of US dollars)	2,907.9	3,299.2	3,145.1	3,147.6	3,468.0

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

[1/] This refers to government sovereign bond issued to international market.

[2/] This refers to resident commercial banks foreign borrowings.

[3/] This refers to debt securities and loans disbursements.

[4/] GDP has been rebased to base year 2014 in November 2017.

[5/] External debt statistics is converted from rufiyaa to US dollars using rates provided by Ministry of Finance and Treasury.

Table 24: Exchange Rates, 2013–2017 [1/]

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

	2013	2014	2015	2016	2017
US dollar	15.4100	15.4000	15.4100	15.3500	15.4100
Japanese yen	0.1462	0.1278	0.1288	0.1313	0.1358
Singapore dollar	12.0466	11.5661	10.8079	10.4518	11.4203
Indian rupee	0.2491	0.2425	0.2315	0.2260	0.2392
Sri Lankan rupee	0.1176	0.1172	0.1070	0.1029	0.1043
Pound sterling	25.2298	23.8169	22.6893	18.7847	20.4903
Euro	21.0160	18.6308	16.7015	15.9899	18.1140

Sources: Maldives Monetary Authority and Bank of Maldives plc

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

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