



ANNUAL REPORT 2013



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Maldives Monetary Authority

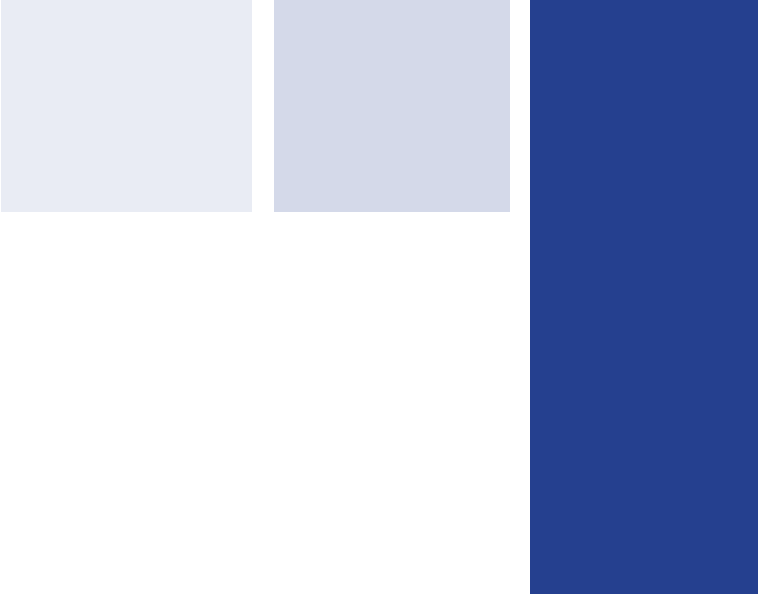
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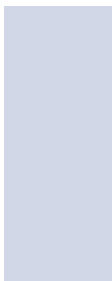
Republic of Maldives

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ANNUAL REPORT 2013



Letter of Transmittal

MALDIVES MONETARY AUTHORITY
Malé, Republic of Maldives

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

Excellency,

In accordance with Article 35(2) of Maldives Monetary Authority Act (1981), I herewith submit the Annual Report of the Maldives Monetary Authority for the year 2013 which includes a copy of the Financial Statements for the year ended 31 December 2013 audited by the external auditors, Ernst & Young.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Azeema Adam', with a stylized flourish at the end.

Azeema Adam
Governor

Preface

In accordance with section 35(2) of the MMA Act 1981, this report covers the activities and developments of the Authority for the year 2013, and includes the audited financial statements for the year. It also covers developments in the domestic economy during 2013 and presents an overview of events in the global economy. An outlook for 2014 is also included in the report. All analyses are based on information relating to the year 2013, received from relevant government authorities, financial sector agencies, public enterprises and other private sector sources. All data is as of April 2014. The views expressed in this report, however, are those of this Authority and do not necessarily represent those of the source of data. We thank all those who have contributed to the publication of this report including the provision of the information contained herein.

Functions of the Maldives Monetary Authority

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

- To issue currency, and to determine the international value of the Maldivian rufiyaa;
- To advise the government on banking and monetary matters;
- To supervise and regulate banking to promote a sound financial system; and
- To promote the stability of the Maldivian currency and facilitate sustainable economic growth.

Board of Directors

(as at the end of 2013)

Dr. Fazeel Najeeb	Governor and Chairman
Ms. Aishath Zahira	Deputy Governor
Mr. Mohamed Salih*	Private Sector
Mr. Ahmed Mujthaba*	Private sector
Dr. Azeema Adam*	Assistant Governor
Mr. Abdulla Naseer*	Economic Sector
Mr. Ismail Ali Manik*	Permanent Secretary of the Ministry of Finance and Treasury

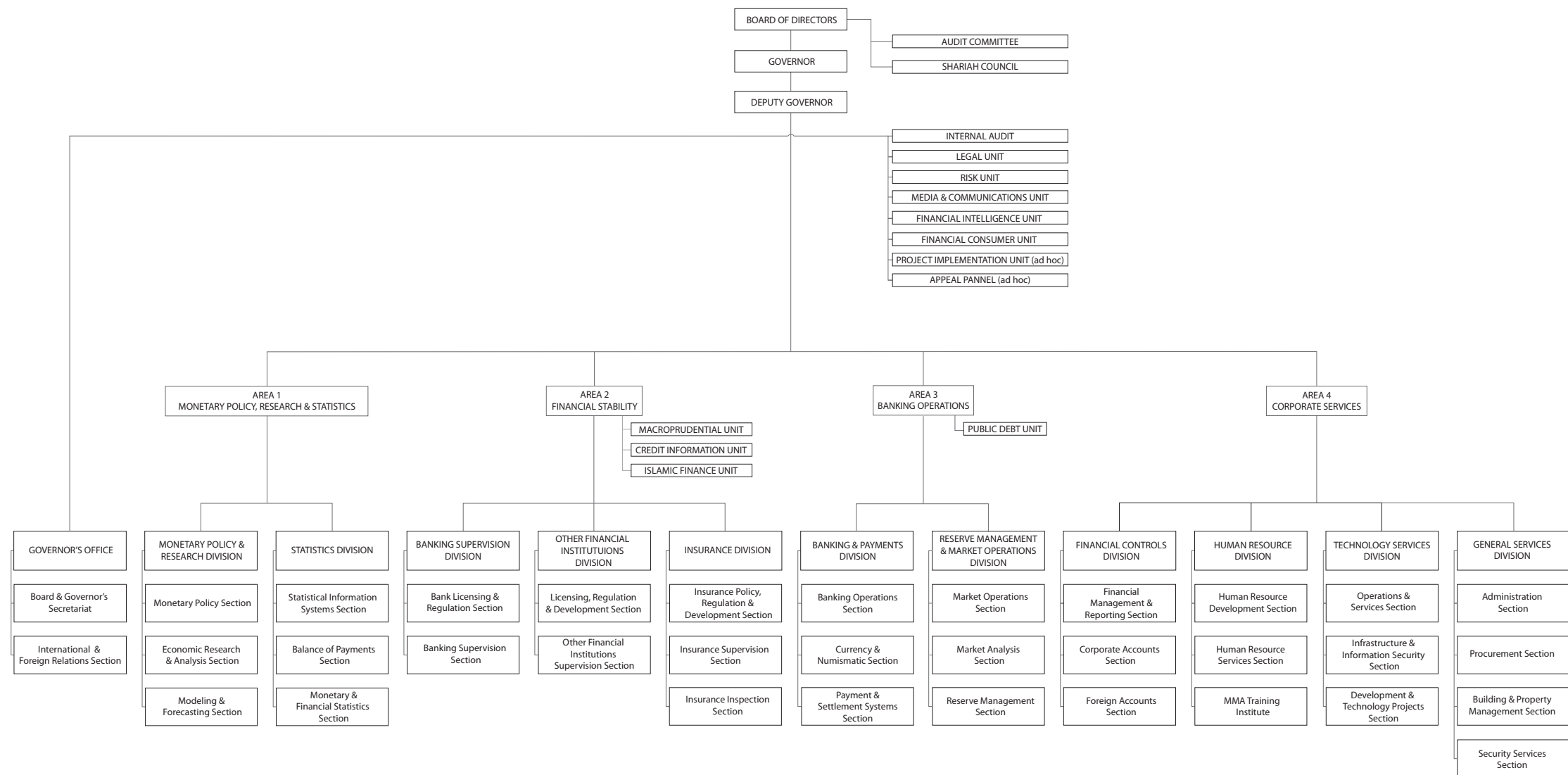
**Dr. Azeema Adam, Mr. Abdulla Naseer, Mr. Ahmed Mujthaba, Mr. Mohamed Salih and Mr. Ismail Ali Manik were appointed as members of the Board effective from 4 August 2013.*

Mr. Abdul Ghafoor Latheef, Mr. Ibrahim Shafeeq, Mr. Ahmed Naseer and Mr. Ismail Shafeeq, who served on the Board prior to this, completed their term as members in 2013.

Senior Management

Dr. Fazeel Najeeb	Governor	
Ms. Aishath Zahira	Deputy Governor	
Dr. Azeema Adam	Assistant Governor	Monetary Policy, Research and Statistics
Ms. Neeza Imad	Assistant Governor	Financial Stability
Ms. Mariyam Hussain Didi	Assistant Governor	Banking Operations
Mr. Abdul Ghafoor Abdul Latheef	Assistant Governor	Corporate Services
Mr. Abdul Hameed Mohamed	Executive Director	Governor's Office
Ms. Mariyam Najeela	Executive Director	Banking Supervision Division
Ms. Idham Hussain	Executive Director	Statistics Division
Ms. Aishath Nadhiya	Executive Director	Reserve Management and Market Operations Division
Mr. Shawn Rasheed	Executive Director	Technology Services Division
Mr. Ahmed Asif	Executive Director	General Services Division

Organisational Chart



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Abbreviations and Acronyms

ACH	Automated Clearing House
ADB	Asian Development Bank
AML	anti-money laundering
APG	Asia/Pacific Group on Money Laundering
BOP	balance of payments
BPT	business profit tax
CFT	combatting the financing of terrorism
CMDA	Capital Market Development Authority
CPI	Consumer Price Index
ESS	external sector statistics
EU	European Union
FIU	Financial Intelligence Unit
FTR	Financial Transaction Reporting
GDP	gross domestic product
GST	goods and services tax
IMF	International Monetary Fund
IPR	indicative policy rate
M0	reserve money
M2	broad money
MFS	monetary and financial statistics
MMA	Maldives Monetary Authority
MMA TI	Maldives Monetary Authority Training Insitute
MRR	minimum reserve requirement
NBFI	non-bank financial institution
NCG	net claims on central government
NDA	net domestic assets
NFA	net foreign assets
NPL	non-performing loan
ODF	Overnight Deposit Facility
OFC	other financial corporations
OFI	other financial institutions
OLF	Overnight Lombard Facility
OMO	open market operations
PBA	public bank account
PNFC	public non-financial corporation
reverse repo	reverse repurchase agreement
RTGS	Real Time Gross Settlement

SAARC	South Asian Association for Regional Co-operation
SOE	state-owned enterprise
STR	suspicious transaction report
TA	technical assistance
T-bill	treasury bill
T-bonds	treasury bond
T-GST	tourism goods and services tax
UAE	United Arab Emirates
UK	United Kingdom
US	United States
WAIR	weighted average interest rate

Overview of Economic Developments

The external environment of the Maldivian economy improved further in 2013 reflecting the continued, albeit gradual, recovery of global output. While growth remained varied across regions and countries, the main impetus to global growth during the year was provided by some major advanced economies as growth slowed down in the main emerging market economies. Hence, against the backdrop of supportive external conditions and a more stable domestic political situation, the domestic economic growth regained momentum in 2013, with real gross domestic product (GDP) growth accelerating to 3.7%, after slowing down to 1.3% in 2012. During the year, growth was driven by the strong rebound in tourist arrivals which in 2012 registered a sharp decline, owing to the international travel advisories that stemmed from the volatile and uncertain political situation of the country in early 2012. The strong rebound in tourist arrivals was contributed by the robust growth of Chinese tourists which offset the weaker performance of traditional European markets. The recent diversification of tourism base markets, as reflected by the shift from an excessive reliance on European tourists to increasing arrivals from emerging market economies, in particular China, has helped in strengthening the resilience of the domestic tourism sector to external shocks.

As for developments in other key production sectors, the performance of fisheries sector

and fishing-related manufacturing activities improved in 2013 due to the rebound in fish catch and higher exports. As such, after two consecutive years of decline, total fish catch recovered in 2013 while fish exports were boosted by elevated global tuna prices during the first half of the year. Meanwhile, the construction sector remained weak and declined further in 2013, reflecting the disruptions to the supply of construction aggregates, and a cut down in public infrastructure projects amid financing constraints faced by the government.

The rate of inflation remained subdued throughout 2013 and declined to 4.0% after registering the double digit rate of 10.9% in 2012. Apart from base effects, the decline in inflation during 2013 was contributed by weaker global oil prices and low and more stable domestic fish prices.

The fiscal performance for 2013 was weaker than anticipated owing to slippages in both revenue and expenditure. The fiscal deficit for 2013 is estimated at 4.7% of GDP, exceeding the target of 3.6% for the year. Revenue collection remained robust in 2013, driven by higher-than-expected receipts from tax revenues which offset the shortfall in non-tax revenue. However, total revenue was lower-than-expected owing to delays in the implementation of the planned new revenue measures as envisaged under the budget. Meanwhile, total expenditure was below the

target for 2013 driven by significantly lower-than-projected capital expenditure, which offset sizable overruns in current expenditure. In 2013, the financing requirement of the government was met almost entirely through domestic sources: mainly through the issuance of Treasury bills (T-bills) to the domestic market and borrowing from MMA. Meanwhile, reflecting the sustained high budget deficit experienced over the past years, the total debt of the government reached 78% of GDP by the end of 2013, with domestic debt accounting for 58% of total public and publicly-guaranteed debt.

On the monetary policy front, the MMA introduced certain changes to the monetary policy framework in April 2013, with the aim of making monetary policy more effective and facilitating the development of the interbank market in the country. These changes include the narrowing of the interest rate corridor by increasing the interest rate of the Overnight Deposit Facility (ODF) from 0.25% to 3.00% and reducing the rate on Overnight Lombard Facility from 16% to 12%. In addition, the indicative policy rate (IPR) was redefined and is now used as an indicative rate for open market operations (OMO), instead of its initial usage as a cut-off rate.

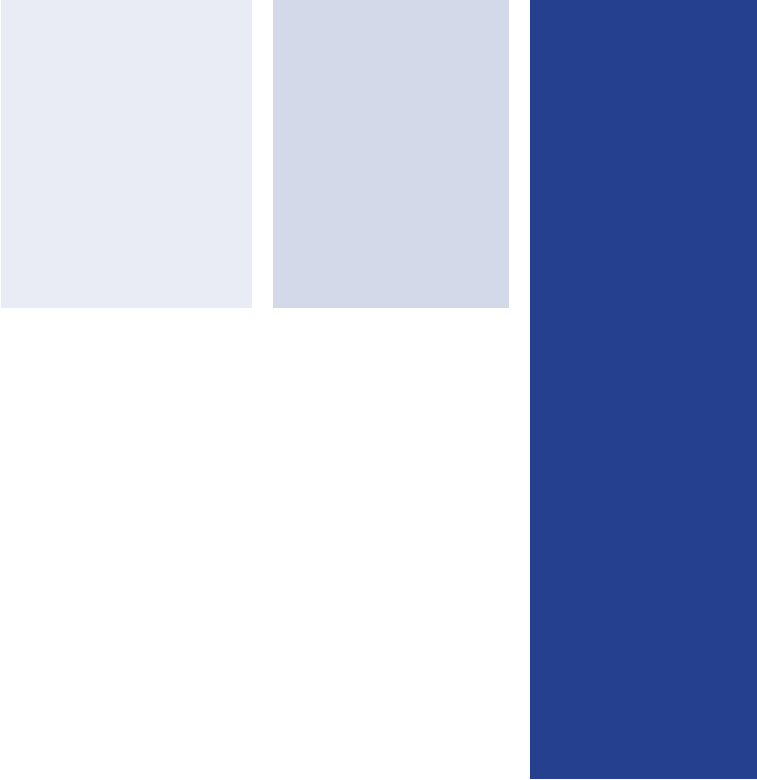
As for developments in monetary aggregates, the annual growth rate of broad money (M2) accelerated towards the end of 2013 with both narrow money and quasi money showing strong increases. The faster growth of M2 during the year was almost entirely contributed by the increase in net foreign assets (NFA) of the banking system which reflects the continued buildup of foreign assets by commercial banks. Meanwhile,

net claims on central government (NCG) witnessed a substantial growth, though its impact on broad money was largely offset by the continued sluggishness of private sector credit and increased liquidity absorption by MMA during the year. Private sector credit continues to remain weak, though it registered a turnaround in June 2013 after remaining on a downward trend since March 2012.

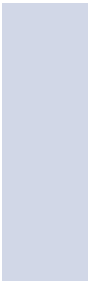
With regard to monetary operations, MMA continued to manage the excess liquidity in the banking system through OMO and ODF. In this regard, the average liquidity absorbed in 2013 was MVR927.3 million, which is much higher than the year before; largely due to the increase in investment in reverse repurchase agreements (reverse repos).

As for developments in the balance of payments, the current account deficit is estimated to have narrowed to US\$232.4 million (10% of GDP) in 2013, largely due to the strong rebound in tourism receipts and thus the accompanying increase in the services surplus. The improvement in the services surplus was however, largely, offset by the worsening of the trade deficit stemming from the continued increase in imports. Despite an improvement of 21%, gross international reserves continued to remain at low levels in 2013 and registered US\$368.3 million or equivalent of 2.5 months of imports at the end of 2013. The improvement in reserves came mainly from the accumulation of foreign currency by commercial banks, although foreign assets of MMA was severely affected by large external debt repayments of government that fell due in the early months of 2013.

In the banking sector, the main area of concern continued to be credit risk as indicated by the high level of poor quality loans. Few large recoveries earlier in 2013 led to improvements in non-performing loans (NPLs) during the past year by 17% or MVR583.4 million; however, NPLs still remain as a concern with a ratio of 17% at the end of December 2013. Meanwhile, Banks' appetite for lending has not improved much largely due to asset quality problems, resulting in placing their funds in less risky investments. The industry's asset growth was mainly seen in balances held at other banks or branches abroad and investments in T-bills. Meanwhile, the increased investment in low risk, more liquid assets has resulted in improved liquidity positions for the banking sector.



MACROECONOMIC DEVELOPMENTS



International Economic Developments

Output

Global output continues to expand at a gradual pace reflecting the changing growth patterns across regions. According to the International Monetary Fund (IMF) *World Economic Outlook, April 2014*, the global economy is estimated to have grown by 3.0% in 2013 with the advanced economies providing the major impetus to global growth. As such, growth picked up in the most advanced economies, particularly in the second half of the year, whereas the pace of growth moderated in major emerging market economies (Table 1). According to estimates, real GDP growth in the advanced economies is estimated at 1.3% in 2013 driven by accommodative policies, increased consumer demand, favourable financial market conditions and improved confidence. On the other hand, growth in the emerging and developing economies decelerated to 4.7% in 2013 owing to weaker domestic demand, tighter financial market conditions, policy and political uncertainty.

Looking at developments in major world economies, real GDP growth in the United States (US) decelerated to 1.9% reflecting the decline in government spending and a deceleration of exports and personal consumption expenditure. Meanwhile, despite the annual decline in output during

the year, the euro area as a whole witnessed positive quarterly growth rates starting from the second quarter of 2013. In Japan, growth accelerated to 1.5% in 2013, though it was slower than expected, mainly due to government stimulus policies being ineffective to boost exports and consumer spending. In the United Kingdom (UK), where activity remained strong during the last quarters of the year, growth strengthened to 1.8% in 2013, which is the fastest growth rate recorded since the onset of the global financial crisis in 2007.

Looking at the emerging and developing economies, the Chinese economy registered a growth rate of 7.7% in 2013, matching the growth rate recorded in 2012. Growth was led by an acceleration in investment, although policymakers have highlighted the need to move away from the investment-led growth model to one supported by domestic consumption. As for India, growth is estimated to have decelerated to 4.4% in 2013 from 4.7% in 2012. This represents a downward revision from the 5.0% projected initially for 2013 owing to contractions in key manufacturing and mining sectors.

Table 1: International Economic Indicators, 2009–2013

(output as measured by the annual percentage change in real GDP)

	2009	2010	2011	2012	2013
World output	-0.4	5.2	3.9	3.2	3.0
Advanced economies	-3.4	3.0	1.7	1.4	1.3
US	-2.8	2.5	1.8	2.8	1.9
Euro area	-4.4	2.0	1.6	-0.7	-0.5
Germany	-5.1	3.9	3.4	0.9	0.5
France	-3.1	1.7	2.0	0.0	0.3
Italy	-5.5	1.7	0.5	-2.4	-1.9
UK	-5.2	1.7	1.1	0.3	1.8
Japan	-5.5	4.7	-0.5	1.4	1.5
Emerging and developing economies	3.1	7.5	6.3	5.1	4.7
China	9.2	10.4	9.3	7.7	7.7
India	8.5	10.3	6.6	4.7	4.4
Global inflation	2.5	3.6	4.9	3.9	3.6
Advanced economies	0.1	1.5	2.7	2.0	1.4
Emerging and developing economies	5.4	5.9	7.3	6.0	5.8

Source: IMF World Economic Outlook Database, April 2014

Commodity Prices

Global commodity prices¹ fell by 2% during the year 2013 after a decline of 3% in 2012.

Price declines were observed in metal and crude oil prices, while prices of food increased in 2013 compared to 2012 (Figure 1). The growth in commodity prices has been held back by weaker growth recovery, especially in the euro area and subdued growth in other major economies.

Crude oil prices declined by 1% in 2013 compared to an increase of 1% in 2012. The average price of crude oil in the international market² stood at US\$104.1 per barrel in 2013 compared to US\$105.0 per barrel in 2012. However prices fluctuated throughout the year, with a continuous

increase observed from May to September, which saw prices peak to a year high of US\$108.8 per barrel. Price increases during the year, especially in Q2-2013 and Q3-2013, were mainly due to supply outages and political tensions within the Middle East and Africa.

Prices of metals declined by 4% in 2013 compared to a decline of 17% in 2012. Metal prices declined in the early part of 2013 due to the slowdown in global demand, especially due to reduced demand from the Chinese market. The price declines were also contributed by the expansion of cheaper production methods and excess supply resulting from increased production capacity.

Food prices increased slightly by 1% in 2013 after a decline of 2% in 2012. Prices increased in the first half of 2013 due to

¹ Source: IMF Commodity Price Index.

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

weather-related supply disruptions, though it declined in the third quarter of 2013 owing to improved supply from Canada and Australia, before picking up again in the last quarter due to strong seasonal demand, especially from China. In 2013, prices increased most notably in vegetable oil and protein meals, meat and sea food.

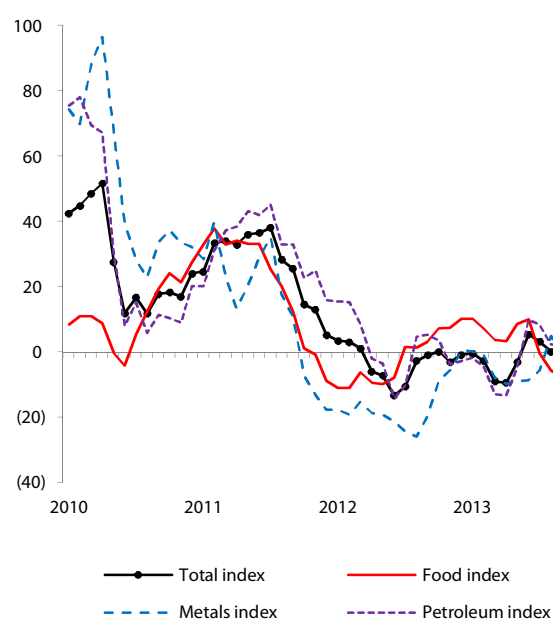
Inflation

Global inflation³ remained low in 2013 reflecting stable commodity prices and the existence of a sizable amount of spare capacity in the major economies. In 2013, global inflation decelerated to 3.6% after registering 3.9% in 2012.

In the advanced economies, price pressures remained modest with the rate of inflation moderating to 1.4% in 2013. In the US, the annual Consumer Price Index (CPI) inflation fell to 1.5% in 2013 mainly due to strong declines in the energy, food and medical care services components of the CPI. As for the euro area, price pressures remained subdued with the rate of inflation falling to 1.3% in 2013 from 2.5% in 2012. Declining energy prices was the main drag on inflation while the high level of slack in the economy also contributed to the weaker inflation. Meanwhile, the Japanese economy which has been struggling with deflation in recent years saw the inflation rate increasing to 0.4% in 2013 compared to zero inflation in 2012. In the UK, the rate of inflation moderated to 2.6% in 2013 driven by a slower increase in energy prices and lower contribution from food and education prices towards the end of the year.

Figure 1: Global Commodity Prices, 2010–2013

(annual percentage change in IMF Commodity Price Index)



Source: International Monetary Fund

³ Source: IMF World Economic Outlook Database, April 2014.

With regard to the emerging and developing economies, the rate of inflation decreased to 5.8% from 6.0% in 2012. Among which, the rate of inflation in China decelerated marginally to 2.6% in 2013 from 2.7% in 2012. Meanwhile, in India, inflation fell from 10.2% in 2012 to 9.5% in 2013 on account of moderation in food prices.

Exchange Rates

The US dollar depreciated against some of the currencies of its trading partners, including the euro, Sterling pound and the Chinese yuan in 2013. The US dollar depreciated against the euro by 4%, reflecting the recovery of the euro area economy as it comes out of the recession triggered by the debt crisis. Strong growth from the UK also led to a boost in demand for Sterling denominated assets towards the end of the year, resulting in the appreciation of the pound against the dollar. Meanwhile, the US dollar depreciated against the Chinese yuan by 3% in 2013, underlined by the relatively high interest rates, robust economic growth and trade activity. In addition to this, a buoyant housing market and favourable capital controls also contributed to the depreciation of the US dollar against the yuan.

On the other hand, the Japanese yen lost significant ground against the US dollar as Japanese authorities launched a stimulus strategy to push the economy out of years of deflation and a pro-growth strategy which encouraged a weaker yen to bolster exports.

Domestic Economic Developments

Production and Prices

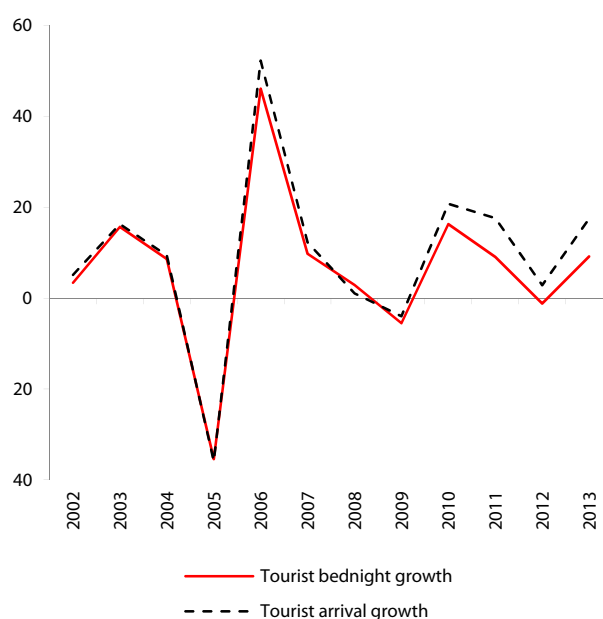
Tourism

The year 2013 was a landmark year for Maldivian tourism as the industry crossed the one million mark in tourist arrivals during the year. Tourist arrivals grew by a significant 17% on an annual basis to reach 1.1 million during 2013, driven by the robust growth of the Chinese market which offset the weaker growth of the traditional European markets. The strong growth in arrivals during 2013 largely reflects the recovery of the industry from the slowdown witnessed in 2012. Reflecting the marginal decline in average stay from 6.7 days in 2012 to 6.3 days in 2013, tourist bednights grew by 9%, lower than the arrivals growth. The downward trend in average stay that has been observed in the past five years (as shown in the deviation between tourist arrival growth and bednight growth in Figure 2) is owing to a shift in the composition of tourists coming from markets such as China. Meanwhile, total tourist receipts remained buoyant and grew by 19% to reach an estimated US\$2.2 billion during 2013.

With regard to the operational capacity of tourist accommodation facilities, the total number of resorts in operation increased from 99 resorts in 2012 to 103 in 2013, with the average operational bed capacity of resorts rising by 3% to 22,452 in 2013. The rapid growth of guest houses (which

Figure 2: Tourist Arrivals and Bednight Growth, 2002–2013

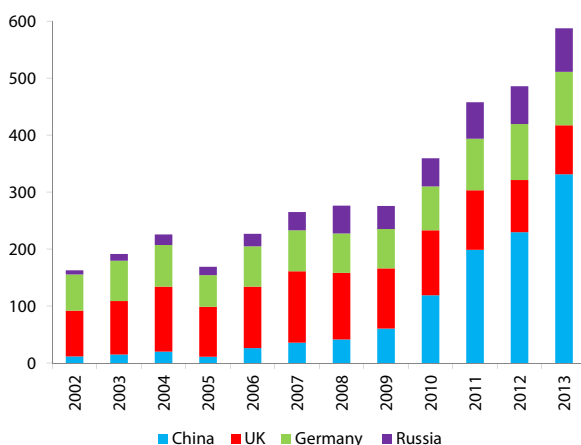
(annual percentage change)



Source: Ministry of Tourism

provides low cost accommodation to visitors coming to the country) continued in 2013 as well, with the number of guest houses in operation increasing to 80 in 2013 from 39 in the previous year. As a result, the operational bed capacity of guest houses increased by an impressive 91% to 1,115 in 2013 from 584 in 2012. Reflecting these developments, the total operational bed capacity of the tourism sector increased by 4% to 26,101 in 2013. Meanwhile, the occupancy rate of the sector rose by 4 percentage points to 74% in 2013, with the resorts observing an 81% occupancy rate, rising by 5 percentage points from the year before.

Figure 3: Tourist Arrivals by Major Markets, 2002–2013
(thousands)



Source: Ministry of Tourism

Looking at the market composition, Europe retained their position as the market leader, although there was a steep decline in their market share as it fell from 54% in 2012 to 47% in 2013. Meanwhile, the Asian market continued to expand and its share increased from 38% in 2012 to 45% in 2013, reinforced by strong arrivals from the Chinese market. Arrivals from the Americas, Middle East, Africa and Oceania altogether accounted for a market share of 8% in 2013.

Although the market share of Europe declined steeply in the review year, the number of arrivals increased marginally by 2% in 2013 compared to a decline of 4% in 2012. The sluggish growth rates have been underlined by the slow recovery of Europe as they emerge from the eurozone crisis. Arrivals from Germany, being the top source market from Europe, declined by 5% in 2013, and their share of arrivals from Europe fell by one percentage point to 18%. UK, which holds the second largest share of the European market, also saw their share decrease to 16%, while observing an annual 6% decline in tourist arrivals in 2013. The Russian market became the third largest market from Europe, with its share increasing to 15%. Arrivals from the country reflected a robust increase in tourist arrivals of 15% compared to 2012. Other major markets such as Italy and France continue to be weak, with arrivals declining by 8% and 4%, respectively, in 2013.

With regard to the Asian market, it grew strongly in 2013 registering a 38% increase up from 10% in 2012. As seen in Figure 3, this growth was boosted by the considerable increase in tourist arrivals from China which rose by a significant 45% in 2013 (an annual

increase of 16% in 2012). Tourist arrivals from China, as at the end of 2013, constituted 66% of arrivals from Asia and 29% of total arrivals. Looking at other major markets in Asia, both India and Korea posted strong growth rates in 2013 of 27% and 20%, respectively. Meanwhile, tourist arrivals from Japan grew at a modest rate of 8% in 2013.

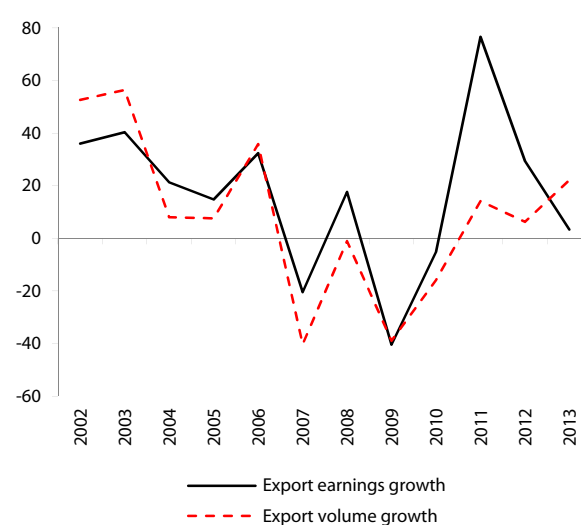
Fisheries

The performance of the fisheries sector improved in 2013 as reflected by the recovery of fish catch and higher exports. According to statistics from the Ministry of Fisheries and Agriculture, total fish catch⁴ is estimated to have increased by 17% to 104,152.1 metric tonnes in 2013 after registering an average decline of 3% in the last five years. Meanwhile, fish purchases made by collector vessels from local fishermen also increased in 2013, by 22%, and amounted to 60,229.0 metric tonnes. This is the highest quantity of fish purchases recorded since 2008.

Reflecting these developments, both the volume and earnings on fish exports increased during the year (Figure 4). As such, the volume of fish exports which totalled 49,590.2 metric tonnes in 2013 increased by 22% compared 2012 while earnings on such exports increased by 3%. The increase in the volume of exports was largely due to the 26% increase in the quantity of fresh, chilled or frozen tuna exported while the 14% increase in canned or pouched fish exports also contributed to the growth in exports during the period.

Figure 4: Growth of Volume and Earnings of Fish Exports, 2002–2013

(annual percentage change)



Source: Maldives Customs Service

⁴ Data on fish catch and purchases for 2013 is based on preliminary estimated figures.

Box 1. Trends in the International Tuna Market

Developments in the international tuna market in the early part of 2013 was characterised by moderate demand, low supplies and rising prices. The increase in prices was mainly due to the disappointing supply figures from the Pacific which pushed tuna prices up. However, improved catch from the Indian Ocean slightly eased the pressure on prices¹ in the first quarter. Prices rose in the second and third quarters as well, with the closing of the fishing season in the Atlantic and Pacific, hence hampering supplies and putting pressure on prices.

Looking at major markets, the US, which is the largest canned tuna importing nation in the world, saw its canned tuna imports fall to the lowest in seven years in 2013. From January to November 2013, total imports of canned tuna fish were at 21.9 million cartons, a decline of 7% compared to 2012. This decline has been partly attributed to the uncertain economic conditions in the US and also due to other supply side issues which include high retail costs and quality control measures.

As for Europe, in the first half of the year, the volume of canned tuna imports into the European Union (EU) posted a positive growth of 14% while earnings on such imports increased by 32% when compared to the same period of 2012. With improved demand from major markets, exports from Thailand, which is a key exporter of canned fish to Europe, maintained a positive growth trend in the first half of 2013. Looking at other major markets in Asia, prices of locally produced canned tuna in Japan increased by 9% in 2013. This has been attributed to the increased production costs and the weaker yen. Meanwhile, the value of imported canned tuna also increased by 18% in annual terms during the period January to June, despite a fall in the volume of canned fish imported during this period.

¹ Source: Data relating to international trends in the tuna markets has been taken from Globefish, a body of the Food and Agricultural Organisation, United Nations.

Construction

Although the construction sector was initially projected to grow by 5.6% during 2013, the performance of the sector was much weaker than expected. As such, the output of the construction sector is estimated to have declined by 2.9% in 2013 compared to 2012. This is the second consecutive year of contraction experienced by the sector, as it is followed by a decline of 1.2% in 2012 as well. The decline in construction activity was largely due to severe shortages in the supply of construction aggregates and also due to the scaling back of public sector infrastructure projects.

The shortage in the supply of cement and aggregates—the materials, which are largely (around 60% on average) imported from India under a special quota provided by the Indian government—caused significant disruptions to major construction projects and led to an increase in prices of these materials and cost overruns. Although this prompted importers to seek alternative markets such as Sri Lanka, United Arab Emirates (UAE) and Malaysia for these commodities, most of the major construction projects were held up during the first half of 2013. The pressure on the supply of construction materials started to ease in the third quarter of the year, which led to a gradual pick up in construction activity. However, construction-related imports (which consists of wood, metal, cement and aggregates) still declined by 3% in 2013 compared to the previous year.

Despite the overall decline in construction activity, commercial bank credit to the construction sector rose by 10% in 2013 and totalled MVR1.3 billion during the

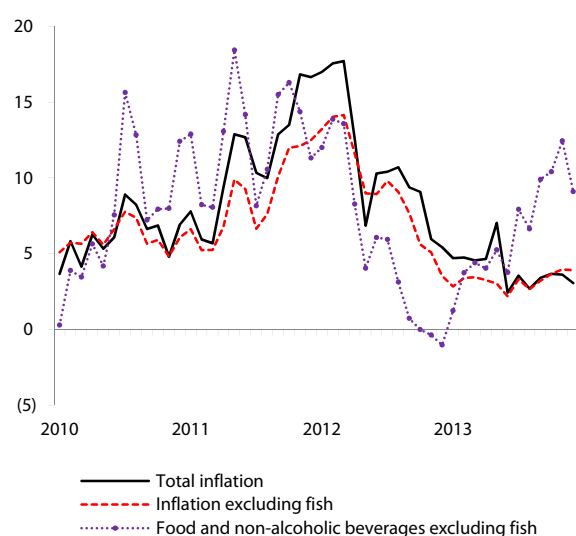
year. This increase was driven by the 12% increase in loans and advances to residential projects during the year, which reflects the introduction of new housing finance schemes by the Bank of Maldives plc and Housing Development Finance Corporation. Meanwhile, credit lent for commercial projects (7% of total credit to the construction sector) declined by 40% in 2013. In addition, with eighteen new resorts expected to open in the next three years, credit to the development of new resorts also increased by 6% during the year.

Wholesale and Retail Trade

Activity in the wholesale and retail trade sector continued to expand during 2013, although the rate of growth moderated from 6.7% in 2012 to 5.7% in 2013. The slowdown in the wholesale and retail sector can partly be attributed to the decline in construction activity during the year. Among the main indicators used to assess the performance of the sector, commercial bank credit to the wholesale and retail trade sector increased significantly by 15% in 2013 to MVR2.5 billion, compared with a growth of 1% in the previous year. Meanwhile, private sector imports (excluding tourism) increased by 6% during the year, supported by the growth in economic activity.

Inflation

The rate of inflation continued to remain relatively low and stable throughout 2013 (Figure 5). This is in contrast to that observed

Figure 5: Inflation (Male'), 2010–2013

Source: Department of National Planning

during 2011 and 2012, when inflation⁵ remained high and volatile due to surging domestic fish prices; global food, energy and commodity prices; and the pass-through effect of the depreciation of the rufiyaa in April 2011 and the introduction of goods and service tax (GST) in the same year.

Looking at developments in 2013, the rate of inflation, as measured by the annual percentage change in CPI for Male', fell significantly from 10.9% in 2012 to 4.0% in 2013.⁶ The slowdown in inflation during 2013 was influenced by both domestic and external factors. On the domestic front, a significant deceleration in the growth of fish prices (the item with the largest contribution to inflation from among food and non-alcoholic beverages) was the main drag on lowering inflation during 2013. The annual growth in fish prices remained on a downward trend for the whole of 2013 except for a one-off hike in the month of May. On the external front, the dampening of inflationary pressure was largely contributed by subdued global energy prices since mid-2012.

Most of the developments in domestic inflation during 2013 were influenced by food, and especially fish prices. The growth in the price of food and non-alcoholic beverages remained relatively high during the year, which for the first six months was due to rapidly increasing fish prices. However, the growth in fish prices moderated in the last half of 2013, though the dampening effect of this on overall food and non-alcoholic

⁵ The inflation rates discussed here, unless otherwise specified, are year-on-year inflation rates which are defined as changes in prices during a period compared to the corresponding period in the previous year for Male'.

⁶ The annual inflation rate for Maldives (including atolls) in 2013 was 3.8%.

beverages was offset by rising vegetable prices reflecting price hikes in India. Therefore, the interplay between these two factors prevented major changes in food and non-alcoholic beverage inflation. However, the low volatility of total inflation during the year can almost entirely be attributed to the relatively steady fish prices, which is usually the most volatile of all prices in the CPI basket.

Housing, water, electricity, gas and other fuels, which has the largest weight (33%) in the CPI basket, heavily influenced total inflation during 2013. Inflation for this category slightly decelerated and stood at 3.7% at the end of the year, mostly due to a slowdown in the rise of electricity prices and rentals paid by tenants. After rising slowly during the first quarter of the year, prices of furnishing, household equipment and routine maintenance went on a downward trajectory for the rest of the year. In addition, the rise of prices at hotels, cafés and restaurants slowed during the last four months of the year, again contributing to the general trend observed in total inflation.

The rate of increase in the price of transport services accelerated slowly but consistently over the year. However, the prices of communication services and that of miscellaneous goods (which mostly consists of personal care items) consistently fell, albeit marginally, throughout 2013. Finally, the prices charged by the health sector, which experienced a rapid deflation in 2012, rose at an increasingly moderate pace over the year as the effects of the introduction of Aasandha (the free universal healthcare scheme), dissipated during the year. The inflationary pressure in the health sector was almost entirely a consequence of increases in the prices charged for outpatient services.

Public Finance

Fiscal performance for 2013 was weaker than anticipated owing to slippages in both revenue and expenditure. According to the latest revised estimates made by the Ministry of Finance and Treasury in December 2013, the fiscal deficit for 2013 is estimated at 4.7% of GDP (9.2% of GDP in 2012), exceeding the budgeted target of 3.6% for the year.

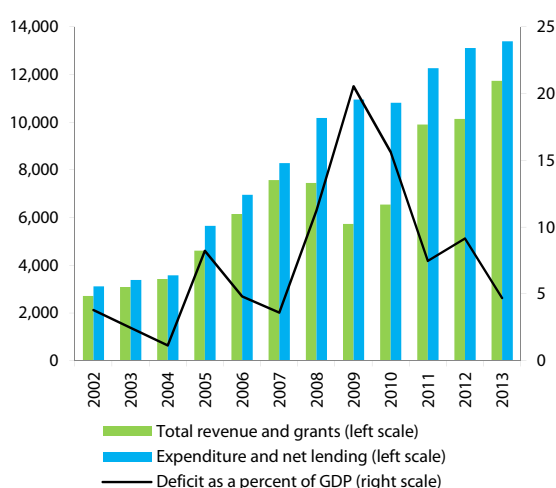
In 2013, revenue collection by the government remained robust with total revenue (excluding grants) reaching MVR11.5 billion (33% of GDP), driven by higher-than-expected receipts from tax revenues which offset the shortfall in non-tax revenue (Figure

6). Nonetheless, total revenue fell short of the target owing to delays in the implementation of the planned new revenue measures as envisaged under the budget. Meanwhile, total expenditure (excluding net lending) grew marginally, by 2%, and rose to 38% of GDP in 2013, though this was 4% below the target owing to the significant decline in capital spending.

In 2013, the financing requirement of the government was met almost entirely through domestic sources: mainly through the issuance of Treasury bills (T-bills) to the domestic market and monetisation. Meanwhile, reflecting the sustained high budget deficit experienced over the past years, the total debt of the government reached 78% of GDP by the end of 2013, with domestic debt accounting for 58% of total public and publicly-guaranteed debt.

Figure 6: Government Revenue and Expenditure, 2002–2013

(millions of rufiyaa)



Source: Ministry of Finance and Treasury

Revenue

Total revenue increased by 18% in 2013, although it registered a shortfall of MVR521.1 million (4% of the budgeted value) compared to the target. The shortfall in revenue mainly reflects delays in implementing the planned new revenue measures such as increasing the rate of the tourism goods and services tax (T-GST) from 8% to 15% and the leasing of fourteen new islands for the development of tourist resorts.

Tax revenue, the largest component of total revenue in 2013 (accounting for 75%), grew by 26% in 2013 to reach MVR8.6 billion, mostly fuelled by sizable increases in T-GST and business profit tax (BPT) receipts (Table 2). Revenue from T-GST, which made up 28% of total tax revenue, increased by 54%

Table 2: Government Revenue, 2011–2013
(millions of rufiyaa)

	Actual			Budgeted	Percent of budget realised
	2011	2012	2013	2013	
Total revenue and grants	9,904.6	10,138.1	11,735.8	12,608.9	93%
└ Total revenue	9,172.1	9,771.4	11,527.5	12,048.6	96%
└└ Current revenue	8,637.7	9,723.4	11,419.4	12,041.4	95%
└└└ Tax revenue	4,893.0	6,880.1	8,643.5	8,511.0	102%
└└└└ Business profit tax	34.9	1,401.3	1,732.7	1,593.6	109%
└└└└ GST (General)	243.0	1,005.7	1,169.7	1,029.0	114%
└└└└ GST (Tourism sector)	665.3	1,553.6	2,390.7	2,847.9	84%
└└└└ Import duty	2,586.5	1,369.0	1,620.4	1,642.3	99%
└└└└ Tourism tax	750.8	804.7	882.8	433.8	204%
└└└ Non-tax revenue	3,744.7	2,843.3	2,776.0	3,530.4	79%
└└└└ Resort lease rent	1,152.2	1,031.2	1,117.1	1,755.5	64%
└ Capital revenue (sale of assets)	534.5	48.1	108.0	7.1	1515%
└ Grants	732.4	366.7	208.3	560.4	37%

Source: Ministry of Finance and Treasury

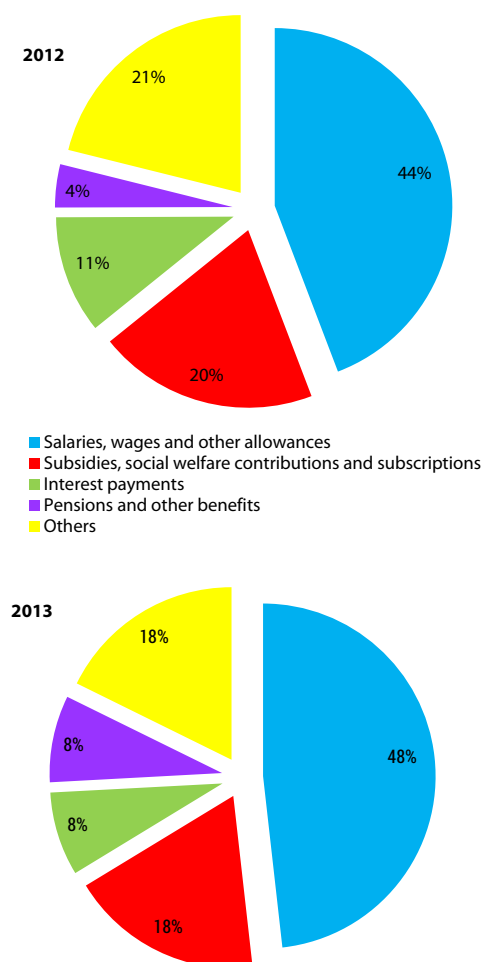
compared to 2012 largely reflecting the increase in the rate of T-GST from 6% in 2012 to 8% in 2013. Nonetheless, revenue from T-GST was lower than expected as the legislative changes that were required to increase the T-GST rate further to 15% as anticipated in the budget, was not approved by the parliament. Meanwhile, revenue from general GST, which stood at MVR1.2 billion, also rose by 16% in 2013. Although these receipts were 14% higher than the budgeted amount, MVR200.0 million expected as GST from the telecommunication sector went unrealised.⁷ This indicates that the GST receipts grew much more robustly than the

target due to the revival in economic activities in 2013, especially sectors relating to tourism. Receipts from BPT, which totalled MVR1.7 billion, saw an increase of 24% and was 9% more than the target reflecting the full year collection as opposed to six months' collection in 2012. Finally, revenue from import duty, which declined in 2012 after a number of goods were made duty-free, started edging upwards again, increasing by 18% in 2013 compared to the previous year. The increase in revenue from import duty stems from the consistent annual growth of imports.

Non-tax revenue, which accounted for 24% of total revenue, declined marginally to MVR2.8 billion in 2013 (21% less than the target), mainly due to significantly lower-than-expected receipts from resort lease rent. Resort lease rent (40% of non-tax revenue) increased by 8% to MVR1.1 billion compared to the target growth of 70% as the

⁷ GST on the telecommunication sector, which was previously not applicable as per the GST Act, was proposed as a new revenue measure for 2013. However, the required amendment to the GST Act was not passed by the parliament, and thus the revenue did not materialise as expected. This was proposed as a revenue measure in the budget for the year 2012 as well, but the same reason hindered the realisation of the tax receipts then too.

Figure 7: Composition of Current Expenditure, 2012–2013



Source: Ministry of Finance and Treasury

government was unable to lease out the new islands for resort development as planned, while difficulties were also faced in obtaining the lump-sum resort acquisition cost.⁸ Meanwhile, profit transfers from state-owned enterprises, the second major component of non-tax revenue (accounting for 26%), were greater than expected and by 14% to record MVR724.8 million. This was contributed by higher-than-expected profit transfers from Dhiraagu plc, Maldives Ports Limited and the State Trading Organisation plc.

Expenditure

Total government expenditure (excluding net lending) increased by 2% to MVR13.5 billion,⁹ though it was 4% lower than the target. The slow growth in expenditure was driven by significantly lower-than-projected capital expenditure, which offset sizable overruns in current expenditure. Meanwhile, although the government repaid some of the unpaid bills from previous years, a further build-up of arrears took place in 2013 as well, and if these were considered total expenditure for 2013 would have been much higher than the estimated amount.

Current expenditure contributed 84% to total government expenditure in 2013, and increased by 10% (over MVR1.0 billion) during the year to MVR11.4 billion. This was 11% in excess of the budgeted value for

⁸ In April 2013, the government announced a bid submission for seven of the fourteen islands proposed to be leased out as resorts. Bids were received for only five of these islands and were awarded to the highest bidder for each. In September 2013, the government revoked the lease for four of the islands, as the parties did not pay the resort acquisition cost within the required period. There were no further announcements during the year regarding the remaining seven islands that were proposed to be leased out.

⁹ Total government expenditure plus net lending in 2013 amounts to MVR13,393.7 million.

current expenditure for 2013. As usual, the largest share (48%) of current expenditure went to salaries, wages and other allowances, reflecting the bulky public sector (Figure 7). Subsidies and social welfare contributions (which include the government's contribution to the universal health insurance scheme, Aasandha) constituted 18% of current expenditure in 2013, while 13% went to administrative and operational purposes. The growth in current expenditure in 2013 stemmed mostly from a rise in salaries, wages and other allowances during the period. In particular, this segment increased by 20%, from MVR4.6 billion in 2012 to MVR5.5 billion in 2013, mainly due to the transfer of employees in the health corporations to the civil service sector. As a consequence, pensions and other benefits also increased significantly in 2013 compared to the previous year. Interest payments, which contributed 8% to current expenditure and stood at MVR893.6 million, declined by 19% in 2013 compared to the previous year. This reflects large debt repayments made between December 2012 and February 2013 which led to a decrease in the amount of interest payments that fell due in 2013. As such, interest payments were 15% less than the budgeted amount for the year.

As for capital expenditure, it declined by 26%, from MVR2.9 billion in 2012 to MVR2.1 billion in 2013. This component of expenditure includes spending on public sector infrastructure projects, investment in capital equipment and capital outlays. Nearly half of this expenditure went to spending on residential and other building projects; road and harbour projects; sewerage and water systems; electrification projects; and other infrastructure projects.

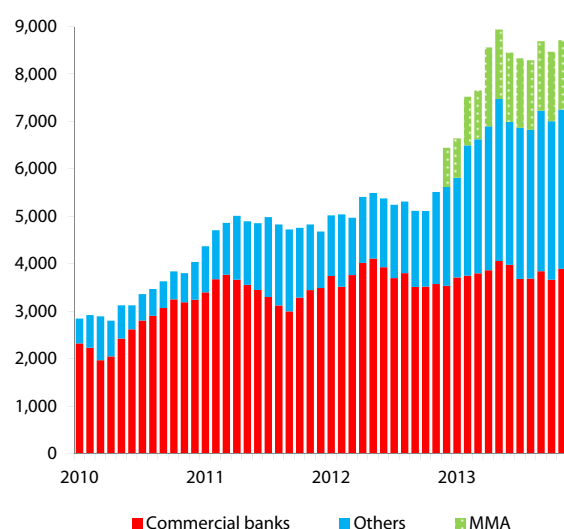
Financing

As the government was unable to obtain sufficient funds through external sources as budgeted, it had to rely almost entirely on domestic sources to meet the financing requirement for the year.

As in the past couple of years, the issuance of T-bills to the domestic market remained as an important source of financing for the government in 2013 as well. However, reflecting the tight cash flow situation of the government and due to difficulties in raising finance through the domestic market, considerable recourse was also made to monetisation during the year (Table 3). As a result, net credit to the government by the

Figure 8: T-bills by Holder, 2010–2013

(millions of rufiyaa)



Source: Maldives Monetary Authority

Table 3: Claims on Central Government, 2009–2013

(millions of rufiyaa)

	Outstanding at the end of							
	2009	2010	2011	2012	2013	2011	2012	2013
						net issue^{1/}		
Government securities	7,669.8	9,221.9	10,123.2	11,115.3	11,330.9	901.3	992.2	215.5
└ T-bonds	4,822.3	5,179.4	5,438.7	4,664.7	3,136.6	259.3	(773.9)	(1,528.2)
└ └ MMA	4,182.3	3,894.4	3,894.2	3,892.1	3,136.6	(0.2)	(2.2)	(755.5)
└ └ Commercial banks	640.0	1,285.0	1,544.4	772.7	-	259.5	(771.7)	(772.7)
└ T-bills	2,847.5	4,042.5	4,684.5	6,450.6	8,194.3	642.0	1,766.1	1,743.7
└ └ MMA	-	-	-	829.6	634.0	-	829.6	(195.6)
└ └ Commercial banks	2,531.0	3,247.0	3,492.0	3,539.2	3,952.1	245.0	47.2	412.9
└ └ Non-banks	316.5	795.5	1,192.5	2,081.8	3,608.2	397.0	889.3	1,526.4
└ └ SOEs	316.5	661.0	629.0	413.7	1,345.7	(32.0)	(215.3)	932.0
└ └ Others	-	134.5	563.5	1,668.1	2,262.5	429.0	1,104.6	594.4
						flow		
Loans and advances	230.3	2,667.9	2,659.7	3,336.9	5,575.9	(8.2)	677.2	2,239.0
└ MMA	30.7	27.1	25.9	334.2	2,498.9	(1.2)	308.3	2,164.6
└ Commercial banks	199.6	156.0	180.6	440.9	537.8	24.5	260.3	96.9
└ Other financial institutions	-	2,484.9	2,453.2	2,561.8	2,539.2	(31.6)	108.5	(22.5)

^{1/} Net issue refers to the issued amount less maturity, and is also the difference between the outstanding value between any two period.

Source: Maldives Monetary Authority

MMA increased from MVR4.7 billion at the end of 2012 to MVR6.0 billion at the end of 2013. In addition, the government also relied on a further build-up of arrears to meet its financing requirements for the year. The financing pressures faced by the government were also reflected in the weighted average interest rates (WAIR) on T-bills of all maturities, which increased significantly over the year.

With regard to developments in the T-bills, the total outstanding stock of T-bills grew by 27% (MVR1.7 billion) in 2013 to reach MVR8.2 billion at the end of 2013 (Figure 8). A large part of this increase was attributable to the increase in investments by other financial corporations and public non-financial corporations, which can be seen from the increase in their share of holdings

(as a percent of total outstanding T-bills) from 28% at the end of 2012 to 44% at the end of 2013. Meanwhile, although T-bill investment by commercial banks witnessed an annual growth of 12% to MVR4.0 billion at the end of 2013, its share as a percent of total holdings has fallen from an average of 77% in the last five years to 48% by the end of 2013.

The sustained high budget deficits experienced over the years have also led to a huge build-up of public debt. As such, total public and publicly guaranteed debt increased to MVR27.7 billion (78% of GDP) at the end of 2013 of which 58% is attributed to domestic debt.

Monetary Policy and Monetary Developments

The main objective of monetary policy is to achieve price stability and preserve a sustainable level of foreign exchange reserves. Under the present monetary policy framework, the exchange rate peg against the US dollar is used as the main anchor for price stability.

In April 2013, the MMA introduced certain changes to the monetary policy framework with the aim of increasing the effectiveness of monetary policy and developing the interbank market in the country. These changes include narrowing of the interest rate corridor by increasing the interest rate on the ODF from 0.25% to 3.00% and reducing the rate on Overnight Lombard Facility (OLF) from 16.00% to 12.00%. In addition, the indicative policy rate (IPR) was redefined and is used as an indicative rate for open market operations (OMO), instead of its initial usage as a cut-off rate.

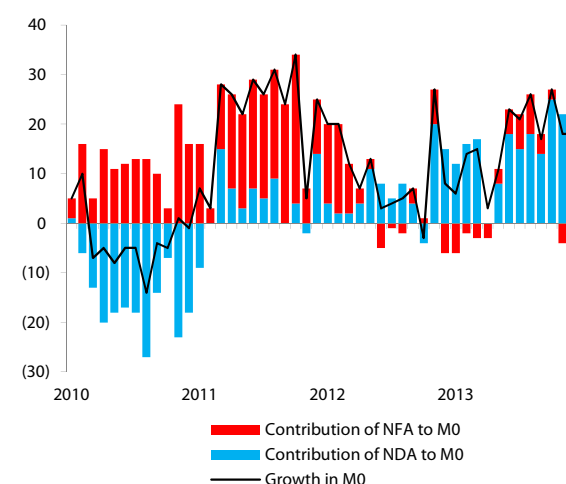
As for the monetary aggregates, the growth of both broad money (M2) and reserve money (M0) accelerated at the end of 2013 in comparison with 2012. As for M0, the most significant contributor to its increase during the review period was the growth in net foreign assets (NFA) of the MMA. Similarly the growth in M2 was almost entirely contributed by the increase in NFA of the banking system, as net domestic assets (NDA) rose slightly during the review period.

Reserve Money

By the end of 2013, M0 was recorded at MVR9.6 billion which is an increase of 18% compared to 2012. As mentioned earlier, this was due to the increase in the NFA of the MMA (Figure 9). This was fuelled by the increase in the deposit base of the commercial banks due to the robust growth in the tourism sector during 2013 compared with the preceding year. Additionally, the government foreign currency revenue was also boosted by the increase in the T-GST rate from 6% to 8% at the beginning of the year.

With regard to the components of M0, the commercial banks' deposit balances at the MMA (accounting for 66% of M0) grew by 12% during the review year. In addition, currency in circulation which accounts for

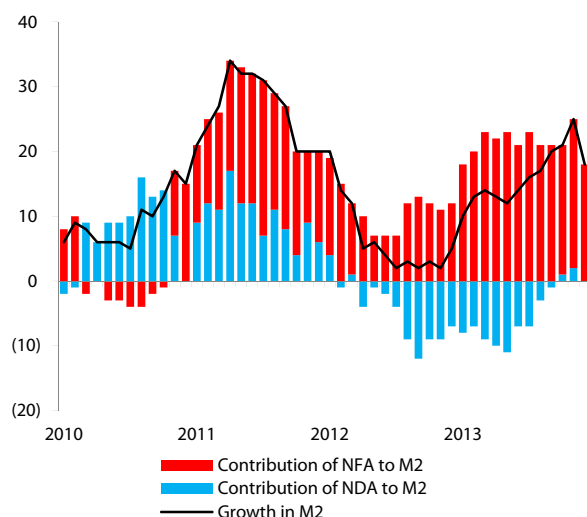
Figure 9: Sources of Reserve Money, 2010–2013
(annual percentage change)



Source: Maldives Monetary Authority

Figure 10: Sources of Broad Money, 2010–2013

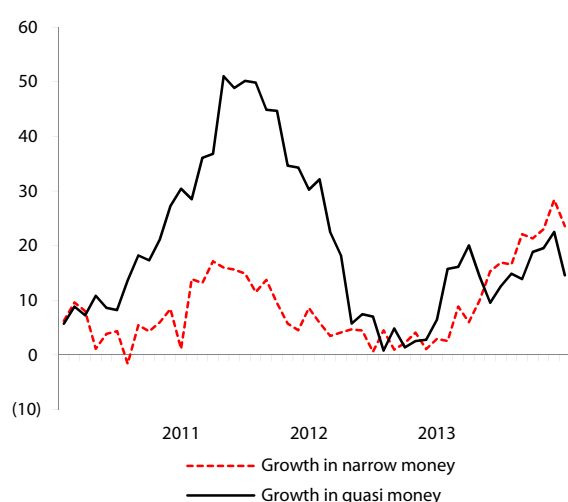
(annual percentage change)



Source: Maldives Monetary Authority

Figure 11: Narrow Money and Quasi Money, 2010–2013

(annual percentage change)



Source: Maldives Monetary Authority

34% of M0, registered a significant increase of 31% during 2013.

During the year, the MMA continued its monetary operations using the monetary instruments, OMO and ODF, to manage the liquidity in the banking system. The average liquidity absorbed in 2013 was much higher than the previous year, largely due to the increase in investment in reverse repurchase agreements (reverse repos).

Broad Money

With regard to the developments in M2, it rose by 18% and reached MVR23.7 billion at the end of 2013 compared to the previous year (Figure 10). This increase was due to the significant growth in both narrow money (which accounts for 44% of M2) and quasi money (which accounts for 56% of M2) by 24% and 15%, respectively (Figure 11). Accordingly, the increase in narrow money was due to the rise in local currency demand deposits, while growth in quasi money can be attributed to the increase in foreign currency demand deposits.

As for the counterparts of M2, the growth was almost entirely caused by the growth in NFA of the banking system, especially the NFA of the commercial banks. As such, the NFA of commercial banks rose substantially by more than two-fold and reached US\$218.7 million, resulting from the accumulation of foreign currency assets (US\$297.6 million) by the commercial banks and the repayment of their overseas borrowings.

Net Claims on Central Government

At the end of December 2013, growth in NCG accelerated to 14% from 12% in 2012 and

registered MVR8.7 billion. This growth came from increased investments in government securities and overdraft facilities by the MMA and the commercial banks, which reflects the growing financial needs of the government. This can be observed from the outstanding amount in government T-bills, which rose by 27% at the end of the year 2013, of which approximately 50% consisted of T-bills held by commercial banks. Additionally, during the same period, NCG by the MMA also rose by 27% and reached MVR6.0 billion.

Loans to Private Sector

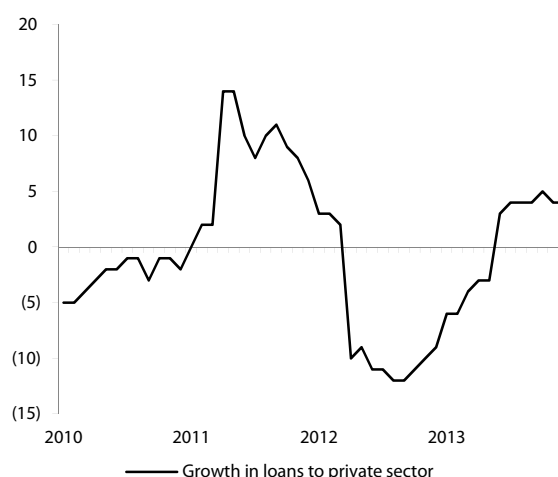
As evident from Figure 12, the annual growth in credit to the private sector by the commercial banks which had been on a declining trend since April 2012, registered a turnaround in June 2013 and increased by 5% at the end of December 2013, reflecting the improvement in the economic conditions. At the end of 2013, the outstanding amount of loans extended to the private sector stood at MVR15.1 billion compared to MVR14.4 billion at the end of 2012.

Credit to the tourism sector, which accounts for more than 50% of total private sector loans, fell by 4% during 2013 compared to 2012. However, this decline was offset by the growth in credit to construction, real estate and commerce sectors which rose by 10%, 18% and 19%, respectively (Figure 13). Meanwhile, credit to the agricultural, fisheries and manufacturing sectors registered declines during the review year.

Interest Rates

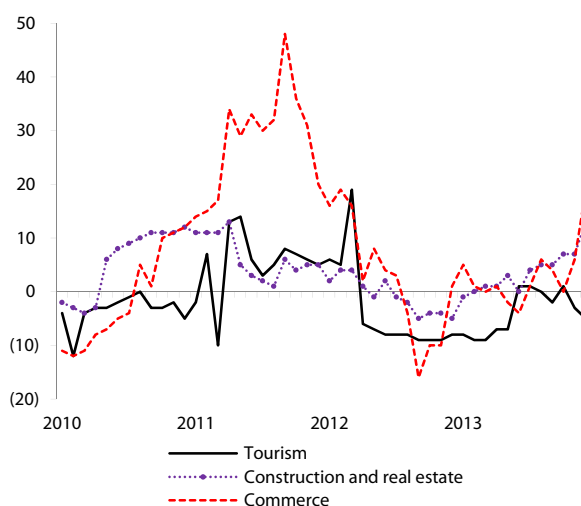
During 2013, the reverse repo rates remained at 7.00% at the end of December 2013,

Figure 12: Loans to Private Sector, 2010–2013
(annual percentage change)



Source: Maldives Monetary Authority

Figure 13: Loans and Advances to Private Sector by Industries, 2010–2013
(annual percentage change)



Source: Maldives Monetary Authority

reflecting the IPR of 7.00% which remained unchanged since 29 May 2011. As for the WAIR on T-bills, it rose for all maturities by more than 200 basis points (bps) compared to the previous year (Table 4). This largely reflects the increased demand for funds by the government in order to finance its widening budget deficit.

The average lending rates on national currency denominated loans to public non-financial corporations (PNFCs) and private sector rose by 207 bps and 92 bps respectively; these rates reached 11.02% for PNFCs and 11.43% for the private sector.

Meanwhile, foreign currency loans fell by 9 bps and 10 bps, respectively, for PNFCs and private sector companies.

As for the WAIR on deposits, the most significant changes were observed for national currency and foreign currency time deposits (with maturity between two and three years). As such, rates on national currency time deposits increased by 20 bps while the rates for the foreign currency time deposits fell by 65 bps.

Table 4: Interest rates, 2010–2013
(weighted average interest rates per annum; as a percentage; end of period)

	2010	2011	2012	2013
Interest rates on securities				
Reverse repo (1 week)	4.46	6.96	7.00	7.00
28 day T-bill	4.51	6.97	7.87	10.03
91 day T-bill	5.35	6.96	7.90	10.21
182 day T-bill	5.50	6.97	7.85	10.00
364 day T-bill ^{1/}	NA	NA	7.86	10.50
Interest rates on loans and advances				
PNFCs				
National currency	8.75	8.71	8.95	11.02
Foreign currency	10.01	9.73	9.33	9.24
Private sector				
National currency	10.45	10.17	10.51	11.43
Foreign currency	8.28	8.42	8.68	8.58
Interest rates on deposits				
Demand deposits				
National currency	2.21	2.22	2.24	2.23
Foreign currency	1.70	1.74	1.59	1.56
Saving deposits				
National currency	2.25	2.25	2.25	2.25
Foreign currency	2.36	2.22	2.22	2.28
Time deposits (2 to 3 years)				
National currency	3.75	4.10	3.80	4.00
Foreign currency	4.93	5.00	4.49	3.84

^{1/} 364 day T-bill was introduced in August 2012
Source: Maldives Monetary Authority

Financial Sector

The financial sector¹⁰ of the Maldives comprises of the banking sector and other financial institutions (OFIs). The banking sector consists of seven commercial banks which includes two locally incorporated banks and four branches of foreign banks and one subsidiary of a foreign bank. All commercial banks and OFIs are licensed and regulated by the MMA, while securities market intermediaries, including brokers, dealers, investment advisers, stock exchange, central depositories and the pension industry, are licensed and regulated by the Capital Market Development Authority.

Banking Sector

Total deposits of the banking sector grew by 17% in 2013, an increase of MVR3.3 billion compared to the year before, largely on account of corporate foreign currency demand deposits. Banks' appetite for lending has not improved much largely due to asset quality problems, resulting in placing their funds in less risky investments. The industry's asset growth is mainly seen in balances held at other banks or branches abroad and investments in T-bills. As such, bank balances and investments in T-bills and reverse repos grew by 75% and 37% respectively, amounting to a total increase of MVR3.1 billion. Lending grew slightly by 4% or MVR647.6 million during 2013.

The increased investment in low risk, more liquid assets has resulted in improved liquidity positions for the banking sector.

In the recent past, the main area of concern in the banking sector has been credit risk as indicated by the high level of poor quality loans. Few large recoveries earlier in 2013 led to improvements in (NPL) during the past year by 17% or MVR580.7 million; however, NPLs still remain as a concern with a ratio of 17% as of December 2013. This risk, however, is mitigated to a large extent by an increased level of loan loss provisions made by banks as evidenced by the specific provision to NPL ratio of 90% as of December 2013. The large recoveries have boosted profits, with pre-tax profits growing by 74%, an increase of MVR744.9 million in 2013 compared to 2012. With the growth in earnings, the capital strength of the sector has improved, increasing the capacity to absorb risk.

Other Financial Institutions

The OFIs in Maldives include a finance leasing company, a specialised housing finance institution, a pension administration office, insurance companies, insurance brokers and agents, money transfer companies and securities market intermediaries.

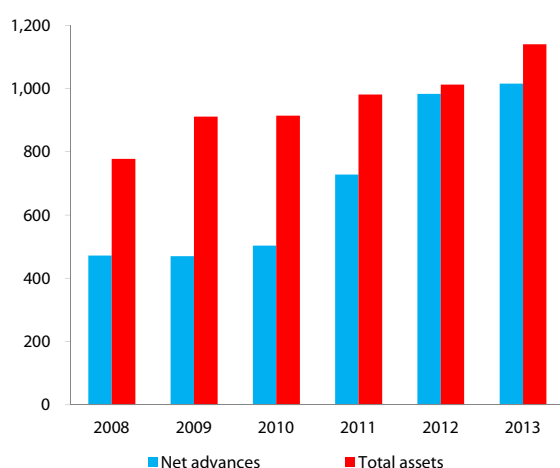
Insurance Industry

The insurance industry represents a significant financial subsector, presently consisting of three insurance companies, namely, Allied Insurance Company of the Maldives Pvt Ltd, Ceylinco Insurance Company Pvt Ltd and Amana Takaful (Maldives) Plc. The combined assets of these companies represent around 1% of the total financial sector assets in 2013. During the year, gross written premium of general

¹⁰ The figures included in this section are unaudited figures.

Figure 14: Net Advances and Total Assets of Finance Companies, 2008–2013

(millions of rufiyaa)



Source: Maldives Monetary Authority

insurance grew annually by 8% to MVR422.4 million in 2013 while gross claims for the period increased by 68% to record MVR212.1 million. Insurance penetration of the country was registered at 1%, while insurance density was around US\$63.6 for the reporting period. Meanwhile, the profitability of the industry decreased by 2% to MVR82.9 million in 2013.

Finance Companies

The total assets of finance companies have been consistently increasing for the past four years (Figure 14). In comparison with the year before, total assets increased by 13% during 2013. This is likely to have contributed to the rise in net advances, which increased by 3% from MVR983.5 million in 2012 to MVR1.0 billion in 2013. On the other hand, provisions have decreased by 25% from MVR75.4 million in 2012 to MVR56.9 million in the year 2013.

Money Transfer Companies

The growth of money transfer companies in Maldives is largely driven by the increasing population of expatriate workers. As such, the country's outward remittance has consistently been greater than inward remittance. Thus, total outward remittances amounted to US\$87.2 million while inward remittance amounted to US\$5.8 million during 2013.

External Sector

Current Account

The current account deficit, being one of the most important indicators of the country's external position, improved further in 2013, largely due to the robust growth in the services surplus. According to estimates made by the MMA in April 2014, the current account recorded US\$232.4 million in 2013, equivalent to 10% of GDP (Figure 15). The increase in the surplus of the services account was a result of the higher income generated by the tourism sector during the year. This improvement however, was largely offset by the worsening of the trade deficit stemming from the continued increase in imports (Figure 16).

Merchandise Trade Balance

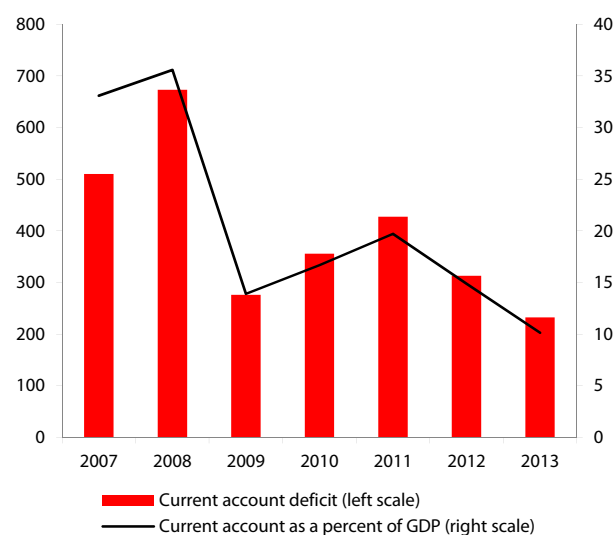
The estimated merchandise trade deficit increased by 15% in 2013, recording US\$1.4 billion. The worsening of the trade deficit reflects the faster growth in imports compared to the growth of exports during the year (Figure 17). The increase in imports by 14% can be attributed to the growth in overall economic activity in the country in 2013, particularly tourism.

Merchandise Exports

Merchandise exports, which are divided into domestic exports and re-exports, grew favourably during the year, due to the growth of both these components. Domestic exports as a share of total exports declined slightly to 45%, while re-exports accounted for 55%. Domestic exports, which almost entirely comprise of fish exports, rose by

Figure 15: Current Account Deficit, 2007–2013

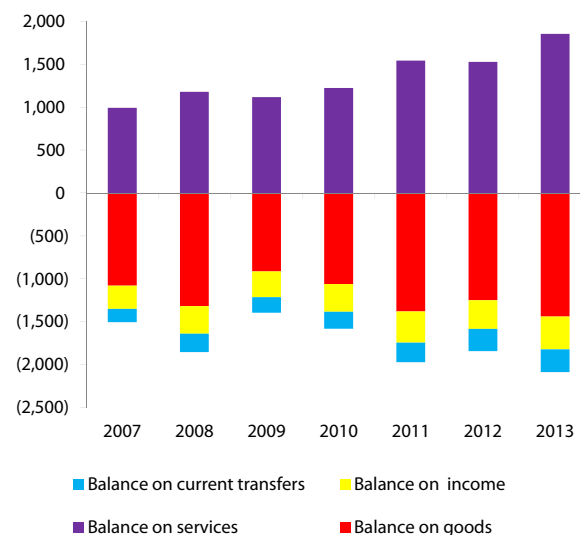
(millions of US dollars)



Source: Maldives Monetary Authority

Figure 16: Composition of Current Account, 2007–2013

(millions of US dollars)



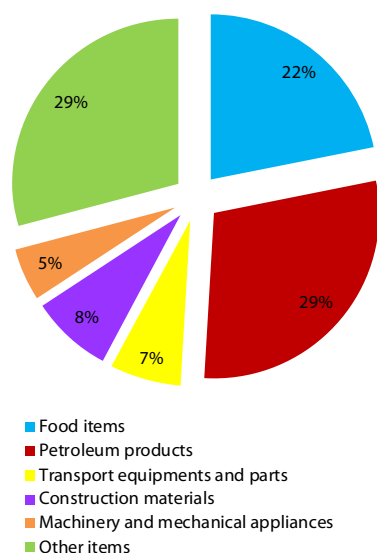
Source: Maldives Monetary Authority

Figure 17: Merchandise Trade Deficit, 2007–2013
(millions of US dollars)



Source: Maldives Monetary Authority

Figure 18: Composition of Imports, 2013



Source: Maldives Customs Service

3% following the improvement in local fish catch. Meanwhile, the growth in re-exports (by 19%) reflected the increase in tourist arrivals and partly, the higher price of oil in domestic market. Of the total re-exports, the major chunk (70%) constituted jet-fuel sold to aircrafts at Ibrahim Nasir International Airport.

Domestic exports, which totalled US\$166.5 million, registered a favourable growth in 2013. Among this, fish exports accounted for US\$161.3 million, increasing by 3%. This largely reflects the increase in the volume of exported fish (a 22% increase in 2013 compared to 2012). The composition of fish exports were largely dominated by fresh, chilled or frozen tuna, accounting for 83% of total fish exports. Canned or pouched tuna contributed 10% while processed fish (which mostly includes dried fish) accounted for a further 5%. The bulk of fish exports during the year constituted of exports of yellowfin tuna. However, the improvement in fish exports in 2013 was largely due to the increase in exports of fresh, chilled or frozen skipjack tuna, which rose by 18% compared to 2012. Meanwhile, earnings from canned or pouched tuna increased moderately whereas earnings from dried fish declined during the year.

Merchandise Imports

Concurrent to the growth of economic activity in 2013, merchandise imports¹¹ increased during the review year. Such imports grew by 12% (US\$179.1 million), amounting to US\$1.7 billion. This increase was observed across all major categories of imports, especially, food, and can be attributed to the level of

¹¹ Valued on cost, insurance and freight (c.i.f) basis.

higher demand from the domestic economy coupled with a slight increase in global food prices during the year. Delving into the composition of imports by sector, the share of the imports by the private sector increased to 70% of total imports (72% in 2012) whereas the public sector accounted for the remaining 30% (28% in 2012). Private sector imports can be further broken down into imports made directly by the tourism sector (27%) and private sector imports excluding the tourism sector (73%). Likewise, public sector imports can be categorised into imports made by public enterprises (95%) and imports by the government (5%).

Looking at the composition of imports, more than half of all imports constituted the imports of petroleum products (29%) and food items (22%) (Figure 18). The import of petroleum products increased marginally compared to the previous year while that of food items rose significantly by 19% (US\$60.0 million) during the year. This was largely due to the increase in the imports of meat products and the increase in prices of vegetables in the major trade partner countries. The share of imports of construction materials (which includes the imports of wood, metal, cement and aggregates), while accounting for 8% of total imports, noted a slight decline during the year, particularly due to lower imports of base metals. This was owing to the weakening of the construction industry during the year. Meanwhile, the imports of transport equipment (contributing 7% of total imports) increased considerably, reflecting the purchase of two aircrafts during the year.

Direction of Trade

As with previous years, the majority of Maldivian exports continued to be directed towards Asia and Europe. However, exports to Asia increased significantly while exports to Europe declined during 2013. As such, the share of exports to Asian countries increased to 57% (50% in 2012) while the share for European countries declined to 38% (45% in 2012). The increase in exports to Asia was directed towards Thailand, which accounted for more than half of the exports to Asia. Exports to Iran also increased during the year, accounting for 11% of exports to Asia. Other main export markets included France, Germany, and UK which accounted for 36%, 16% and 14% of exports to Europe.

The direction of trade of imports did not change significantly during 2013. Similar to the previous year, the bulk of goods were imported from Asia (81%). In particular, 28% and 16% of all items were imported from the United Arab Emirates (UAE) and Singapore, respectively. The large amount of imports from UAE largely reflects the import of petroleum from the nation, while imports from Singapore reflect import of petroleum as well as food, electronic and mechanical appliances. Meanwhile, imports from Europe remained low at 11%.

Services

The balance on services usually records a surplus in the Maldives due to substantial inflows of foreign currency from the tourism sector. During 2013, the estimated services surplus increased substantially from US\$1.5 billion in 2012, to US\$1.9 billion. This is an increase of 21%, reflecting the growth in

tourist bednights during the review year. As such, foreign currency inflows into the country from the tourism sector increased by 19% and amounted to US\$2.2 billion in 2013. However, the robust growth in services receipts was partly offset by the increase in Maldivians' expenditure on services abroad. Among this, expenditure on travelling abroad increased by 16% (US\$26.9 million) while transport payments increased by 14% (US\$22.7 million).

Income

The income account of the balance of payments is usually negative in Maldives. In 2013, the estimated deficit on the income account increased slightly, from US\$334.4 million in 2012 to US\$382.2 million. This was mainly due to a rise in estimated reinvested earnings and estimated profit remittances out of the country.

Current Transfers

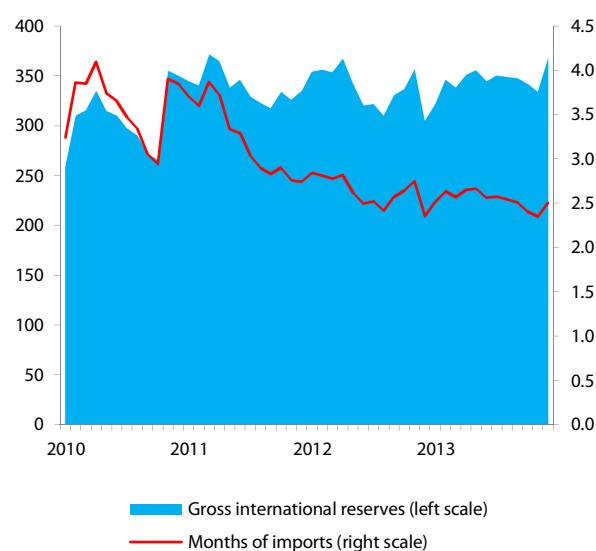
The balance on current transfers is usually negative in the case of Maldives due to a significant amount of remittances that the large expatriate labour force in the country remits to their home countries.

During 2013, the estimated deficit on current transfers widened to US\$265.2 million, increasing marginally by 3% from the previous year. This was largely on account of an increase in the estimated workers' remittances. Such remittances rose by 2% during the year to reach US\$264.9 million. As for the inflow of current transfers, it increased slightly to US\$23.5 million. This was owing to a marginal increase in official grants received by the government.

Gross International Reserves

Gross international reserves, which mainly consist of the foreign currency assets held by the MMA, amounted to US\$368.3 million at the end of 2013. This reflects an increase of 21% compared to the end of 2012, mainly due to the accumulation of foreign currency by commercial banks. The significant improvement in the level of reserves led to a marginal increase in reserves as measured by months of imports as well (Figure 19). Despite the fast growth of imports into the country, reserves in months of imports rose to 2.5 months at the end of 2013, compared to 2.4 months a year ago.

Figure 19: Gross International Reserves, 2010–2013
(millions of US dollars)

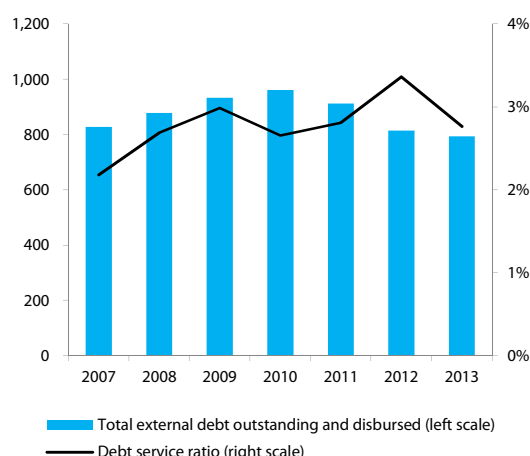


Source: Maldives Customs Service; Maldives Monetary Authority

External Debt

The information on external debt statistics is limited to public and publicly-guaranteed foreign borrowings of the government and the foreign liabilities of commercial banks. According to the latest available external debt statistics, the official external debt stood at US\$793.6 million (35% of GDP) at the end of 2013. This reflects an improvement of 3% from 2012, in which external debt stood at US\$815.4 million (39% of GDP). This improvement came about mostly due to the repayment of some foreign borrowings by commercial banks.

Figure 20: Public External Debt, 2007–2013
(millions of US dollars)



Source: Ministry of Finance and Treasury; Maldives Monetary Authority

Public and publicly-guaranteed external debt increased from US\$722.3 million to US\$748.8 million in 2013, equivalent to 33% of GDP. On the other hand, external liabilities of commercial banks continued to decline, having decreased gradually over the past few years. As such, foreign borrowings of commercial banks declined to US\$44.8 million at the end of 2013 compared to US\$93.1 million in 2012.

Looking at the composition of public and publicly-guaranteed external debt, the bulk of such debt constituted of loans obtained from multilateral and bilateral sources. Multilateral loans amounted to US\$324.6 million (43% of public external debt) whereas bilateral loans accrued to US\$216.7 million (29% of public external debt) at the end of the review year.

Following the gradual decline in public and publicly-guaranteed external debt, the cost of debt servicing also decreased during 2013 (Figure 20). The amount spent on debt servicing by the government (including principal and interest payment) stood at US\$66.8 million, a decrease of 16% from 2012. Similarly, the debt service ratio of public external debt¹² decreased to 2.4% in 2013, from 3.4% in 2012.

Exchange Rates

With effect from 11 April 2011, the Maldivian rufiyaa was allowed to fluctuate within a horizontal band of 20% on either side of a central parity of MVR12.85 per US dollar. With the introduction of the exchange rate band, the exchange rate of the rufiyaa per US

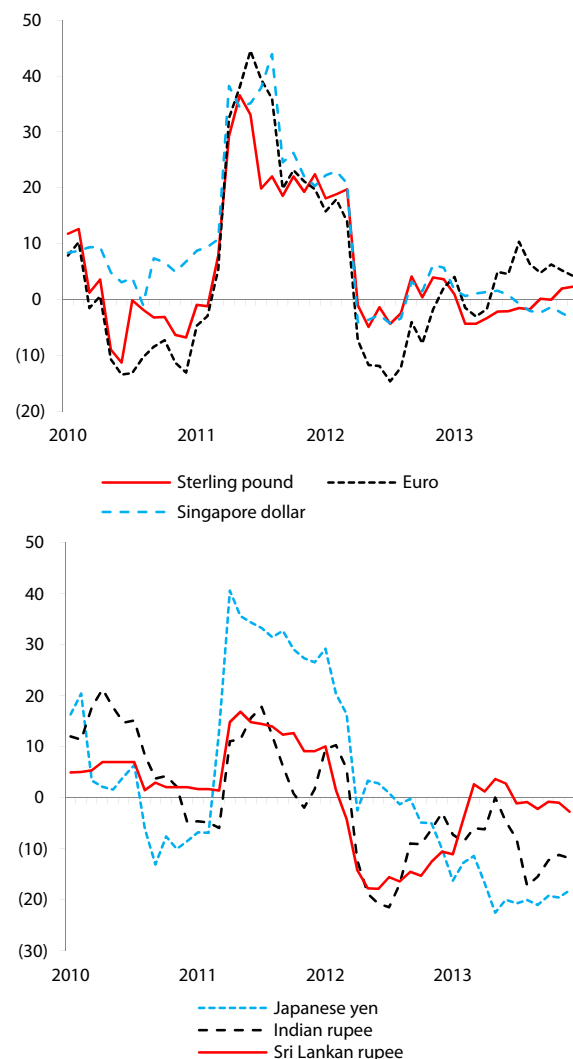
¹² This is expressed as the cost of debt servicing (including principal and interest payments) as a percentage of exports of goods and services.

dollar moved towards the upper limit of the band, owing to persistent foreign exchange pressures in the economy. At the end of 2013, the reference rate of the rufiyaa per US dollar stood at MVR15.41, remaining more or less unchanged during the year. The exchange rate of the rufiyaa at the end of 2012 stood at MVR15.37.

With regard to the bilateral exchange rates, the rufiyaa appreciated against currencies of most of the major trading partners during 2013, mirroring the strengthening of the US dollar against these currencies (Figure 21). As such, the US dollar appreciated most significantly against the Japanese yen and the Indian rupee. The weakening of the yen during the year reflects the aggressive quantitative easing program undertaken by the Bank of Japan to stimulate the Japanese economy. Meanwhile, similar to other emerging market currencies, the depreciation of the Indian rupee against the US dollar in 2013 was largely due to liquidity withdrawals by foreign investors over fears about the possible tapering of US bond purchases. On the other hand, the US dollar depreciated against the euro mainly due to concerns over the growth of the US economy, especially after the government's partial shutdown.

Reflecting the movements of the US dollar during 2013, the rufiyaa appreciated against the Japanese yen (by 18%), the Indian rupee (by 9%), and minimally against the Singapore dollar, Sri Lankan rupee and the sterling pound.

Figure 21: Exchange Rate Movements of Foreign Currencies, 2010–2013
(annual percentage change)



Source: Bank of Maldives plc

Outlook for the Maldivian Economy in 2014

According to projections made by the Department of National Planning in October 2013,¹³ domestic economic activity is expected to gain strength with growth projected to increase by 0.8 percentage points to 4.5% in 2014. Growth will be driven by the continued expansion of tourism activity which is to be mainly supported by the robust growth of Chinese tourists. In 2014, growth is also expected to benefit from the recovery of construction sector which registered declines in the past two years. Activity in the construction sector is expected to recover due to the easing of material shortages and the continued expansion of residential construction projects amid improved bank credit to the sector. Meanwhile, transport and communication sectors are expected to expand in tandem with better prospects for the tourism sector while primary fishing activity is projected to slightly decline in the year.

Inflation is expected to remain moderate in 2014 as well. This largely reflects the weaker outlook for global commodity prices, which is expected to offset the upward impact of one-off factors such as the introduction of GST on communication services and reversal of import duty for certain goods during the year.

As for the 2014 government budget, the fiscal deficit is projected to decline to 3.2% in 2014 from 4.7% in 2013. The reduction in fiscal deficit is planned to be achieved through enhanced revenue collection mainly from tourism-related tax revenues and the collection of concession fee from the extension of resort lease periods. Spending is projected to increase largely driven by increased capital expenditure partly to be offset by expenditure savings from the rationalisation of subsidies and transfers payments. Despite this positive outlook, there is a considerable amount of uncertainty surrounding the 2014 budget. Overruns in current expenditure will most likely lead to financing difficulties for the government or further crowding out of the private sector. Any setback to fiscal consolidation either due to slippages in revenue or current expenditure will undermine medium-term debt sustainability and will have adverse implications for exchange rate and prices.

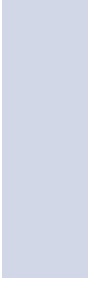
The trade deficit is projected to widen in 2014 as the increase in imports continues to outpace the increase in exports. Import growth is expected to accelerate in line with the projected increase in economic activity from tourism, construction and government sectors. Meanwhile, exports are expected to

¹³ Assumptions underlying the projections for GDP used in this outlook are based on actual data up to August 2013.

decrease owing to the projected decline in fish catch and decline in global tuna prices. Given that the improved receipts from tourism is insufficient to offset the increase in imports, interest payments and remittance outflows, the current account deficit is projected to widen by 16% to US\$269.9 million in 2014. Meanwhile, gross international reserves are projected to improve in 2014 mainly due to inflows from the planned new revenue measures stemming from the tourism sector. In line with this improvement, reserves in terms of months of imports, are also projected to increase slightly.



INTERNAL MANAGEMENT, POLICIES AND ORGANISATIONAL DEVELOPMENTS



Monetary Policy

Monetary Policy Framework

The MMA is responsible for the conduct of monetary policy in the Maldives. The main aim of monetary policy is to achieve price stability and preserve a sustainable level of foreign exchange reserves. Under the current monetary policy framework the exchange rate peg is used as the anchor for price stability. The instruments used by the MMA in the conduct of monetary policy are the MRR, OMOs and the MMA standing facilities: the ODF and OLF. All key decisions relating to monetary policy are recommended by the Monetary Policy Committee and approved by the Board of Directors of the MMA.

During 2013, the MMA introduced the following changes to the monetary policy framework with effect from April 2013. These changes were aimed to increase the effectiveness of the existing monetary policy framework as well as to adapt the instruments to the current macroeconomic situation of the country.

- **Shifting of the monetary policy operational target:** The operational target of MMA's monetary policy was shifted from attaining specific reserve money targets to managing the liquidity in the banking system.
- **Narrowing of the interest rate corridor:** The interest rate corridor between the ODF and OLF was narrowed to provide a market mechanism for banking sector

liquidity management. In this regard, the interest rate on the ODF was raised from 0.25% to 3.00% per annum and the interest rate on the OLF was reduced from 16% to 12% per annum. This change in both the upper and lower band of the corridor is also expected foster the development of the domestic interbank market.

- **Redefining the indicative policy rate:** The IPR, which had been previously used as a cut-off rate for conducting OMOs was redefined as an indicative rate for OMOs. Meanwhile, although the IPR was kept at 7% per annum, an internal band was introduced around the IPR, within which the OMOs will be undertaken.

Implementation of Monetary Policy

During the year, MMA continued its monetary operations to absorb excess funds from the banking system which was largely generated by the financing need of the government. This was also essential to address the escalating pressures in the foreign exchange market and to stabilise the external value of the rufiyaa.

Open Market Operations and Standing Facilities

The MMA continued to conduct OMOs in order to achieve its monetary policy

Table 5: Average Liquidity Absorbed via Monetary Operations, 2011–2013

(millions of rufiyaa)

	2011	2012	2013	Percentage change 2012 - 2013
Average investment in reverse repos	272.1	286.1	579.6	103
Average investment in ODF	335.7	274.9	344.7	25
Average liquidity absorbed	607.7	560.9	924.4	65

Source: Maldives Monetary Authority

objectives during 2013. However, the MMA suspended its weekly reverse repo operations three times during the year. This was due to public holidays overlapping with normal auction days and also to allow the central government to raise funds via T-bills to meet its high cash flow requirements.

Compared to 2012, the average liquidity absorbed via OMO and ODF rose by 65% in 2013 (Table 5). The main contributor to this increase was the average investments in reverse repos, which more than doubled during the review year. Meanwhile, investments in ODF by commercial banks also rose by 25% in the same year, mainly due to the rise in the ODF rate.

Minimum Reserve Requirement

The MRR continues to be a key monetary instruments used by the MMA to absorb excess liquidity from the banking system and it remained unchanged at 25% since June 2006. All banks are obliged to meet the local currency MRR in rufiyaa deposits and the foreign currency MRR in US dollar deposit. However, to relieve the pressure on the exchange rate, banks are required to maintain 3% out of 25% of the foreign currency MRR in rufiyaa deposits effective from 19 May 2011.

Reserve Management

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

During 2013, the MMA established an investment committee to commence active reserve management of the bank's foreign currency reserves. The main aim of this is to diversify the currency and reserves portfolio while maximising the return obtained on these reserves.

Financial Stability

Financial Stability Framework

Maintaining financial stability is an important objective of the MMA. To ensure financial stability, the MMA regulates and supervises all commercial banks and other financial institutions in order to identify the possible sources of risk and vulnerability and to take necessary measures to safeguard the health and efficient functioning of these institutions. These institutions form the major part of the Maldivian financial system. The other important components in the financial system, the securities market and the pension fund, is regulated by the Capital Markets Development Authority (CMDA).

The banking sector is governed by the provisions of the Banking Act (24/2010) and eleven prudential regulations formulated under this Act. The main objectives of the Banking Act and the regulations are to set out banking policies and to ensure that the banking system operates in accordance with such policies in order to achieve the following:

- Maintain stability and public confidence in the system
- Protect depositors' and creditors' rights
- Manage systemic risk
- Prevent financial crime
- Foster competition in the Maldivian banking system and to ensure that the

system is responsive to the public's needs for banking services and able to contribute to the country's economic growth.

In addition, the Islamic Banking Regulation (2011) sets out specific requirements governing the licensing, financial, prudential and supervisory matters relating to Islamic banking in the Maldives.

As for the OFIs, "Regulations for Finance Leasing Companies and Finance Leasing Transaction (2001)" provides for the licensing and regulation of companies engaged in finance leasing in the Maldives and sets out the rights and duties of parties to finance lease agreements and other related matters.

A guideline on consumer protection regarding electronic fund transfer establishes rights, liabilities and responsibilities of customers and financial institutions relating to electronic fund transfers.

Further, the Insurance Industry Regulation assigns supervisory responsibility for the regulating and supervising of the sector to the MMA. In addition to the regulation, there are various guidelines for insurance undertakings, agents and brokers.

In addition, the MMA also draws up guidelines to protect the right of customers in financial transactions. In this respect, the Credit Information Unit of the MMA, which is governed by a Credit Information

Regulation (2010), aims to develop and strengthen its credit information registry to pave the way for more confident and informed credit decision making. This is designed to contribute towards the financial stability of the country.

As per the provisions of Maldives Banking Act and the Financial Transaction Reporting (FTR) Regulation issued under this Act, banks and financial institutions supervised by the MMA are required to report suspicious transactions as well as cash transactions above a certain threshold. As such, the Financial Intelligence Unit (FIU) of the MMA works on establishing an effective anti-money laundering (AML) and combatting the financing of terrorism (CFT) framework which involves coordinating with other key authorities. This includes investigative and law enforcement authorities; relevant government ministries and departments; and other regulatory and supervisory authorities.

Developments to Strengthen Framework

In order to strengthen the guidelines for the insurance sector, MMA with the assistance of an external consultant is currently working on three main guidelines which include guidelines for insurance surveyors, guidelines on prudential requirements for insurance undertakings and guidelines for return. These are expected to come into force in 2014.

In addition to this, the “Customer Charter” which was formulated in 2012, was implemented on 14 January 2013. The charter sets key standards of banking practices that can be expected by customers when conducting transactions with banks, and provides guidance to banks for adopting a

“Code of Conduct” for customer service and protection. The charter also defines a set of customer obligations towards banks.

Supervisory and Regulatory Activities

The relevant supervision divisions issued and cancelled several licenses issued to agents and brokers during 2013.

- A license was issued to Associated Business Agents Maldives Pvt. Ltd. to operate as an insurance broker in the Maldives on 17 February 2013. With this change, the license issued to the Associated Business Agents Maldives Pvt. Ltd. to operate as an insurance agent of Allied Insurance Company of the Maldives Pvt. Ltd. was cancelled.
- A license was issued to Bank of Maldives Plc. to operate as a corporate agent of Allied Insurance Company of the Maldives on 2 April 2013.
- A license was issued to Optimo LLP Pvt. Ltd. to operate as a corporate agent of Amana Takaful (Maldives) Plc. on 30 April 2013.
- 87 new money changer licenses were issued.
- 43 money changer licenses were cancelled (19 licenses cancelled for violation of reporting requirements and 24 licenses cancelled upon request).

There were also several regulatory activities carried out.

- The Banking Supervision Division conducted on-site examinations of five commercial banks during 2013.
- The Insurance Division carried out on-site examinations of all operating insurance intermediaries in the Maldives. The major areas reviewed during the on-site examinations include: company operations; marketing and sales; management of financial records; and functions of the responsible officer.
- The FIU conducted on-site examinations of two banks and seven money remittance institutions, to check their compliance with the Maldives FTR Regulations, which is designed to monitor any AML/CFT activities in the financial sector.

Currency, Banking and Payments System

Currency, Notes and Coins

The MMA is the sole issuer of the Maldivian currency and is responsible for ensuring that the demands for currency are met adequately. In addition, the MMA safeguards the integrity and the quality of the currency used in the country, and ensures that only genuine and fit notes and coins are in circulation. At the end of 2013, the total amount of currency in circulation was MVR3.3 billion, which is an increase of 31% compared to MVR2.5 billion

at the end of 2012. In 2013, MVR100, MVR20 and MVR10 banknotes were printed as stock was low. In addition, to replenish the stock of coins, rufiyaa 1, 50 laari, 25 laari, 10 laari, 5 laari and 1 laari coins were minted. Among the newly printed banknotes, MVR100 note was printed with enhanced security features which include a colour changing security thread and a watermark highlight. These new security features were incorporated to ensure that the banknotes remain secure against counterfeiting.

Table 6: Amount and Value of New Banknotes and Coins Issued, 2011–2013

New banknotes issued	2011		2012		2013	
	Pieces	MVR	Pieces	MVR	Pieces	MVR
Rufiyaa 500	741,000	370,500,000	350,000	175,000,000	1,552,000	776,000,000
Rufiyaa 100	100,000	10,000,000	850,000	85,000,000	541,000	54,100,000
Rufiyaa 50	210,000	10,500,000	160,000	8,000,000	280,000	14,000,000
Rufiyaa 20	450,000	9,000,000	50,000	1,000,000	400,000	8,000,000
Rufiyaa 10	450,000	4,500,000	100,000	1,000,000	550,000	5,500,000
Rufiyaa 5	401,000	2,005,000	500,000	2,500,000	600,000	3,000,000
Total	2,352,000	406,505,000	2,010,000	272,500,000	3,923,000	860,600,000

New coins issued	2011		2012		2013	
	Pieces	MVR	Pieces	MVR	Pieces	MVR
Rufiyaa 2	1,536,000	3,072,000	1,384,000	2,768,000	746,000	1,492,000
Rufiyaa 1	2,100,000	2,100,000	1,708,000	1,708,000	4,033,000	4,033,000
Laari 50	1,080,000	540,000	1,296,000	648,000	1,733,000	866,500
Laari 25	720,000	180,000	1,536,000	384,000	1,922,000	480,500
Laari 10	104,000	10,400	407,000	40,700	675,000	67,500
Laari 5	735,000	36,750	645,000	32,250	1,030,000	51,500
Laari 1	650,000	6,500	640,000	6,400	1,371,000	13,710
Total	6,925,000	5,945,650	7,616,000	5,587,350	11,510,000	7,004,710

Source: Maldives Monetary Authority

The value of banknotes issued by the MMA during 2013 amounted to MVR860.6 million, increasing by twofold from the previous year (Table 6). The value of coins issued by MMA during the year was MVR7.0 million which is an increase of 25% compared to a year ago. This was largely due to the increase in demand for coins as prices were adjusted to include the goods and services tax.

While newly printed banknotes and newly minted coins were issued into circulation, the work of destroying worn out and damaged currency notes was also carried out during the year. Concurrently, counterfeit notes received by the MMA were removed from circulation.

Furthermore, under the automation plan for handling banknotes, the MMA purchased and installed a second note sorting machine in 2013. This was to increase the efficiency in counting and sorting of banknotes.

Payment Systems

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

In the Maldives, the Real Time Gross Settlement (RTGS) system and Automated Clearing House (ACH), enable the efficient transfer and settlement of interbank payments. RTGS system which commenced its live operations on 10 April 2011 settles large value and urgent interbank transactions in real time on a gross basis, thus reducing

risk in payment systems and allowing banks to manage their liquidity effectively.

ACH is a session based clearing system for cheques, direct debits and direct credits. This system clears low value high volume of transactions sent in batches and submits it for settlement in RTGS system. MMA took a phased approach in implementing ACH, by introducing direct credits first; this was implemented in 2012.

With a view to achieve full automation of the payments and settlement process, MMA plans to implement the remaining components of ACH: cheque truncation and direct debits in 2014. As a stepping stone towards the implementation of cheque truncation, MMA issued a deadline to terminate issuing non-magnetic ink character recognition cheques, effective 1 December 2013.

During 2013, the volume of transactions processed via RTGS was over thirty-five thousand whereas that for ACH was over eighty-one thousand. This reflects a value of MVR385.0 billion for RTGS and MVR1.1 billion for ACH.

In addition, as an initiative to promote the electronic payments in the country, MMA also decided to limit usage of cheques in payments and settlements as much as possible. Due to this, most of government payments would be made through the electronic payment systems. This would ensure faster and safer means of delivery of remittances to the beneficiaries.

In 2013 the total number of cheques cleared by the MMA was 99,029; the total value of these cheques amounted to MVR21.4 billion.

Banking Services to the Government

The MMA manages a single government account at MMA which is called the Public Bank Account (PBA). The PBA receives deposits on it and allows payments to be made.

According to the Agency Agreement signed between the government of Maldives and the MMA on 30 September 2009, any overdrawn balance on the PBA should be repaid before the end of each financial year. However, at the end of the year 2012, the PBA was overdrawn and was not repaid fully.

The PBA balance continued to deteriorate further during the year 2013. The main factors which contributed to the deterioration were for the repayment of T-bills due to shortfalls from weekly T-bill auctions and the increase in government expenditure.

To minimize further overdraw on PBA balance, a control measure was implemented as of 1 December 2013 under MMA Board direction. The direction allows the Government to use 90 or 95 percent of the previous day's revenue for the execution of Government payments on the current day and to retain 5 to 10 percent to reduce the overdrawn balance on PBA. In addition, exception was allowed to further overdraw PBA only to the extent of debt repayments in instances where the revenue limit is insufficient.

Management of Government Securities

MMA also acts as an agent of the government to issue and manage government securities efficiently and to offer advice to the government on all aspects related to the issuance of government securities.

During the year, the first government Islamic investment "Mudarabah Certificate" of MVR150 million was issued on 7 November 2013. The Mudarabah certificate was issued with a maturity of three months, whereby the profit or loss earned from the funds invested will be shared based on an agreed ratio.

Moreover, the MVR Treasury bonds (T-bonds) held with MMA was restructured in August 2013 to set off the debt over time with periodic payments. As such, an amortisation schedule was structured and the coupon and principle amount is being paid accordingly on a regular basis.

Internal Management and Corporate Services

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

Board of Directors

The Board of Directors is the highest policymaking body of the MMA. The Board approves key policies concerning monetary and corporate policies and sets strategic direction to the organisation in maintaining price stability in the country. The Governor and Deputy Governor of the MMA are appointed by the President with the consultation of the People's Majlis. The rest of the directors are appointed by the President with the recommendation of the Governor.

During 2013, twenty-two meetings of the Board of Directors were held. Following are the main resolutions passed by the board relating to the policies of the MMA:

- Granting approval to the Bank of Maldives Plc. to offer Islamic banking services.
- Granting approval to the Maldives

Islamic Bank to establish a branch in Addu City.

- In March 2013, the Board issued the Guideline on Approval of Products by the Shari'ah Council of MMA. The guidelines set out the procedures that the Shari'ah Council would follow in the process of approving Islamic products submitted by the financial institutions offering Islamic financial services. The guidelines came into effect on 28 March 2013.
- Revising the monetary policy framework by narrowing the interest rate corridor. (Please refer to the section on Monetary Policy Framework for further details).
- Strengthening the anti-money laundering framework by issuing an internal policy on prevention of money laundering and financing of terrorism. The policy defines a set of procedures and policies to be adopted by the MMA in carrying out its business to prevent and detect money laundering and financing of terrorism. The policy details minimum requirements on know your customer and customer due diligence measures.
- Enhancing governance standard and efficiency within the MMA by laying down guidelines for appointment and

promotion of officers and employees of MMA, appointment of experts and consultants, and determination of salary scales.

- Issuing guidelines on fit and proper criteria for insurance undertakings. (Please refer to the section on Legal Services for further details).
- Issuing a policy on granting overdraft facility to the government through the PBA held at MMA. Under the policy, the board has decided not to grant credit to the government, except credit for the repayment of government debt, with effect from 1 December 2013.

Internal Audit

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

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

Shari'ah Council

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

During 2013, the Shari'ah Council of the MMA held three meetings and deliberated on multiple issues including new product structures and proposals to open Islamic windows by conventional financial institutions. These deliberations led to the endorsement of five additional product structures that can be offered to the public. Furthermore, two conventional financial institutions were given the go-ahead to establish windows to offer Islamic financial products and services. At the same time, the Council also endorsed and put into practice a guideline aimed at streamlining and standardising its approval process.

Audit Committee

The Audit Committee is a subcommittee of the Board of Directors and comprises of three non-executive members. The purpose of the Committee is to assist the Board in monitoring and assessing the effectiveness and integrity of: the financial statements of the MMA; the MMA's external auditor's qualifications and independence; and the performance of the MMA's internal

audit function and external auditors. The Committee is also responsible for overseeing internal controls over financial reporting and the compliance by the MMA with legal and regulatory requirements.

Human Resources

The MMA remains committed to empower, inspire and develop its employees in order to make them leaders and technical experts, capable of bringing development to the financial sector and the economy.

Staff Recruitment, Training and Development

At the end of 2013, the total number of staff at MMA was 174 with a gender ratio of 1:1. In addition to having the privilege of being the central bank, the ethical and fair standards maintained for its employees have helped the MMA to preserve an auspicious employer image among competent graduates. This has helped MMA to maintain the percentage of undergraduate degree holders among its professional and technical jobs at 70%.

MMA believes in its need to continue to be strong in its human capital in order to compete and cater to the ever growing and changing financial industry of the country. To ensure this, MMA provides its staff with specialised trainings in the field of finance, economics, banking and information technology. In this regard, fifty-five staff were provided with opportunities to participate in forty-nine different short-term trainings (including seminars and workshops), organised and held overseas. Twenty-four staff were provided with the opportunity

to participate in nine different trainings organised and held by local institutes in the country.

Furthermore, to provide staff with more exposure in certain technical fields, fourteen staff were provided short-term internship opportunities and study visits to other central banks and various financial institutions including Central Bank of Sri Lanka, Reserve Bank of India and Jersey Financial Services Commission.

Under MMA's human resource development programme, a scholarship was awarded to one staff in 2013 to pursue postgraduate studies in banking and finance, overseas. In addition, two staff were sponsored under the Employee Assistance Program to pursue tertiary education in Male' while continuing to work. Furthermore, MMA introduced a Scholarship Top-up Scheme, during the year, to top-up funds secured by staff to pursue further studies. Under this scheme one staff was provided with the required funding to pursue their postgraduate degree overseas.

While MMA spent a significant amount of resources for staff management and development, MMA ensures that it receives the best return by retaining the trained and competent staff in the bank. Staff who proved the best performance in the past year were rewarded with the deserving promotions in line with the new promotion policy adopted in 2013.

Service Recognition

In recognition of the dedicated and much valued service to the MMA, the MMA continued to award Long Service Awards to

employees who have worked twenty years or more with the MMA. They were:

1. Ms. Neeza Imad
2. Ms. Aishath Nadhiya
3. Mr. Abdul Rasheed Abdulla

An additional twelve staff were also awarded with a new award introduced in year 2013 in recognition to their continuous service to MMA for more than fifteen years. MMA has continued to reward those staff who put effort to foster a staff friendly environment and promote collaboration and team spirit and shows initiation and leadership.

MMA Training Institute

In 2013, the MMA Training Institute (MMA TI) organised a number of different training programmes to address the various needs of financial institutions, and to enhance knowledge and skills of staff. These training programmes were attended by over seven hundred participants and were mostly targeted to officials from MMA, commercial banks and other financial institutions. Trainers and facilitators of the training programmes held by the MMA TI include experts from well-known international organisations and central banks.

During the year, MMA TI continued to offer professional qualifications for the employees of MMA and financial institutions in the Maldives. In collaboration with the Malaysian Insurance Institute, the MMA TI conducted certificate and diploma level programs in insurance. As such, the first batch of Certificate of the Malaysian Insurance Institute was completed in 2013 while the

Diploma of the Malaysian Insurance Institute commenced during the year. Additionally, in collaboration with the Institute of Bankers Malaysia, the Chartered Banker qualification commenced in 2013 as well.

Following are the list of professional qualification programmes organised and held by the MMA TI during the year:

- Certificate of the Malaysian Insurance Institute
- Diploma of the Malaysian Insurance Institute
- Chartered Banker

The MMA TI also organised several trainings:

- Dhivehi language course
- Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT)
- Training on AML/CFT policy of the MMA
- Training on Microsoft Excel
- Introduction to Islamic finance
- Customer service training
- AML preventive measures for regulators and industry

In addition, orientation programmes for new employees, and a basic awareness in fire safety course was also held for the MMA staff throughout the year.

Financial Controls

The project to implement an Enterprise Resource Planning system at MMA which started in 2012 was completed in 2013. Hence, Oracle E-Business suite was implemented and is in use starting from June 2013.

The foremost objective in implementing the Oracle E-Business Suite was to centralise and automate the accounting system, systemise the maintenance of human resource records and procurement process. This facilitated efficient recording of MMA's financial transaction in order to generate timely financial management information reports. Also, the system enabled efficient maintenance of staff records and automated the payroll function.

Furthermore, to activate the straight through processing of all financial transactions, MMA is currently working towards integrating the Oracle financials with the payment systems.

Legal Services

The Legal Unit provides legal support and advice to the Governor and the management. The unit also deals with the legal aspects of the MMA's operations to develop and implement the policies of the MMA. Following are the main legislative activities carried out during 2013:

- *Bill on Third Amendment to the Maldives Monetary Authority Act*
A bill on amendments to the Maldives Monetary Authority Act (6/81) was drafted during the year and submitted to the Attorney General's Office in May 2013 to submit to the People's Majlis. The main objective of the bill is to grant powers to the MMA to regulate and supervise the non-banking financial institutions.
- *Prohibition and Prevention of Money Laundering and Financing of Terrorism Bill*

A bill on prohibition and prevention of money laundering and financing of terrorism was submitted to and tabled in the People's Majlis in August 2013. This bill provides for the prohibition and prevention of money laundering and financing of terrorism, procedures related thereto and establishment of a FIU in the Maldives.

- *Bill on Amendments to the Maldives Banking Act*

The Maldives Banking Act (24/2010) was reviewed during the year and the MMA proposed to amend Section 29 of the Act by removing the specific limits on credits to related persons of banks (previously specified as not to exceed 15% of bank's capital base to a related person, and aggregate of credit outstanding to all related persons as not to exceed 50% of bank's capital base), and granting powers to prescribe limits on credits to related persons by a regulation.

- *Guidelines on Fit and Proper Criteria for Insurance Undertakings*

A guideline on fit and proper criteria for insurance undertakings was formulated and came into effect on 1 October 2013. The guideline is intended to ensure that all key persons (major shareholders, director, chief executive officer, actuary, or any person who participates in policy making functions or is responsible for any material portion of the business) are "fit and proper" persons. As such, the guideline set outs the fit and proper criteria applicable to all key persons in relation to carrying out insurance business by an insurance undertaking.

- *Extension of Validity of the Regulations for Insurance Industry and Finance Leasing Companies*

The validity period for the Insurance Industry Regulations and Regulations for Finance Leasing Companies and Finance Leasing Transactions, issued under the Law no. 6/2008, was extended until 30 April 2014.

- *Memorandum of Understanding on Insurance Sector Regulation*

The MMA signed an MOU with Insurance Board of Sri Lanka (IBSL) with regard to cooperation in the field of supervision and regulation of insurance companies, insurance intermediaries, including companies seeking registration as insurers and insurance intermediaries.

Economic Research and Analysis

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

During the year, the MMA also re-launched the Quarterly Business Survey with major enhancements to sample design and survey questionnaire. The main objective of this survey is to obtain a quick assessment of current business trends and expected future economic activity in the country.

During 2013, a series of one-hour seminars titled “Lunchtime Seminar Series” were held on a monthly basis to provide a platform for MMA staff to present papers related to economics and central banking. The aim of these seminars is to help widen the knowledge base, improve skills and stimulate discussion on topical issues.

Statistics

The MMA compiles and disseminates statistics relevant to its core objectives of monetary policy and price stability. The MMA is primarily responsible for the compilation of the balance of payments (BOP) and monetary and financial statistics (MFS) in the Maldives. In addition, a wide range of other macroeconomic statistics is collected for advisory, analytical and research purposes from a variety of sources. The statistics are compiled as per the guidelines provided by the International Monetary Fund (IMF) and published regularly on the Monthly Statistics. The MMA also continues to participate in the General Data Dissemination System¹ of the IMF.

During the year, in order to improve the MFS, the coverage of the MFS was expanded to include other financial corporations (OFC) which include the finance companies, insurance companies and Maldives Pension Administration Office. During the year seminars were conducted to train the staff of OFCs to gather data according to the new format. The new data obtained will

1 General Data Dissemination System is a structured process through which IMF member countries commit voluntarily to improving the quality of the data produced and disseminated by their statistical systems over the long run to meet the needs of high-quality macroeconomic analysis.

be published every month in the Monthly Statistics in 2014.

As part of ongoing efforts to improve the coverage of the BOP statistics, the MMA continued to conduct a survey on Maldivians Travelling Abroad, in the arrival hall of the Ibrahim Nasir International Airport. Additionally, the MMA launched two new surveys during 2013—namely Foreign Investments Survey and a Survey on Assets and Liabilities with Non-residents. The aim of these surveys is to obtain detailed information on the asset and liability positions and transactions of foreign companies investing in the Maldives.

Media, Public Awareness and Public Relations

The MMA uses various communication tools to reach a wide audience. In addition to providing general information or promoting MMA's publications on social media (Facebook, YouTube and Twitter), the MMA also places great emphasis in conducting different events to enhance its relations with other institutions.

MMA, in collaboration with the major financial institutions in the country, organised "Maalee Rey 2013", which was held in March. This was the first event held to celebrate the developments and achievements of the financial sector of the Maldives. Service recognition awards were presented to the commercial banks and other financial institutions operating in the country, to value their contribution in the development in the financial sector of the country.

During 2013, a series of macroeconomic workshops were held for secondary and higher secondary students, to increase awareness among school students about the Maldivian economy and to encourage them to think critically about current economic issues. Under this very successful workshop series, sessions were held for ten schools in which over three hundred students took part. The staff of the MMA provided them with information on various sectors of the Maldivian economy and carried out interactive activities and quizzes.

A similar workshop was carried out for media personnel in May 2013. The purpose of this workshop was to increase awareness about the Maldivian economy among journalists and to assist them in writing more factually accurate and sound articles in the media. Journalists from several prominent TV, radio and news stations participated in this week-long workshop which covered current economic issues in the Maldives and MMA's publications.

MMA also hosted a Financial Sector Quiz during the year, aimed at all the financial institutions in the Maldives. The purpose of such a quiz was to provide a platform for disseminating financial education by creating awareness about the functions and history of the MMA, banking and finance, general knowledge, economics, current affairs and also to strengthen the connection between staff of MMA and financial institutions. In this regard, the quiz which tested the knowledge of the participants on a variety of topics was a great success and turned out to be a hugely enjoyable social event. Teams from nine financial institutions participated

in the three-day quiz and awards were presented to the winning team.

Building and Premises

During February 2013, the treasury of the Maldives was transferred from the premises of the Maldives National Defence Force to the MMA building.

International Relations

The MMA continues to work closely with other central banks and supervisory authorities to promote cross-border supervision of financial institutions, to foster a safe and sound financial system in the Maldives, and to share expertise and best practices. Further, the MMA maintains close collaborations with international financial institutions and development agencies such as the International Monetary Fund (IMF), the World Bank, the Asian Development Bank (ADB) and the South Asian Association for Regional Cooperation (SAARC) Finance.

International Monetary Fund

- *IMF Technical Assistance on Balance of Payments*

A technical assistance mission as part of a three-year project by the Japan Administered Account for Select IMF Activities' Project on the Improvement of External Sector Statistics (ESS) in the Asia and Pacific Region, visited the Maldives from 3–7 March 2013. The purpose of this mission was to evaluate and recommend improvements for the compilation and dissemination of ESS of the Maldives, mainly the Balance of Payments (BOP) and the International Investment Position. The main focus of the mission was to improve coverage of the financial account of the BOP through conducting a Foreign Investments Survey in the country. In parallel with the Foreign Investments Survey, it was also recommended that

the MMA begin to collect information on foreign assets and liabilities of the private sector through the Survey on Assets and Liabilities with Non-Residents. This survey was launched only for foreign investors and not the local companies. Both the surveys were launched by the MMA in June 2013.

- *IMF Technical Assistance on Banking Supervision*

An IMF consultant for banking supervision conducted a Technical Assistance (TA) mission from 20–31 October 2013. The purpose of this mission was to evaluate the status of previous TA recommendations for banking supervision and develop proposals for future TA.

- *IMF Technical Assistance on Central Bank Accounting*

An IMF consultant conducted a TA mission from 7–18 April 2013. During his visit he reviewed the new chart of accounts, and advised on how the accounting entries processed in different business areas could be centralised and completed from one point. He provided guidance on compilation of the balances in three different systems into a single set of balances for the new chart of accounts which is to be uploaded into the system. He also discussed on the structure of an accounting policies and procedure manual to reflect the new ERP environment. As the new system would affect MMA's financial statements, he

provided his assistance to ensure the integrity and compliance of the data reporting.

Asian Development Bank

The MMA continued to receive technical assistance from ADB in the form of training and expert advice during 2013 as well. In this regard, a Financial Stability mission consisting of four members conducted a TA mission from 11–15 August 2013. The purpose of the mission was to conduct an assessment on financial stability in the Maldives.

SAARC Finance

As the Chair of SAARC Finance, the MMA was in charge of the SAARC Finance Secretariat during the last two years.

In collaboration with Nepal Rastra Bank and SAARC Secretariat in Kathmandu, the MMA organised the 17th SAARC Finance Coordinators' meeting held in Kathmandu, Nepal on 24 April 2013 on the sidelines of the 6th Intergovernmental Expert Group on Financial Issues Meeting.

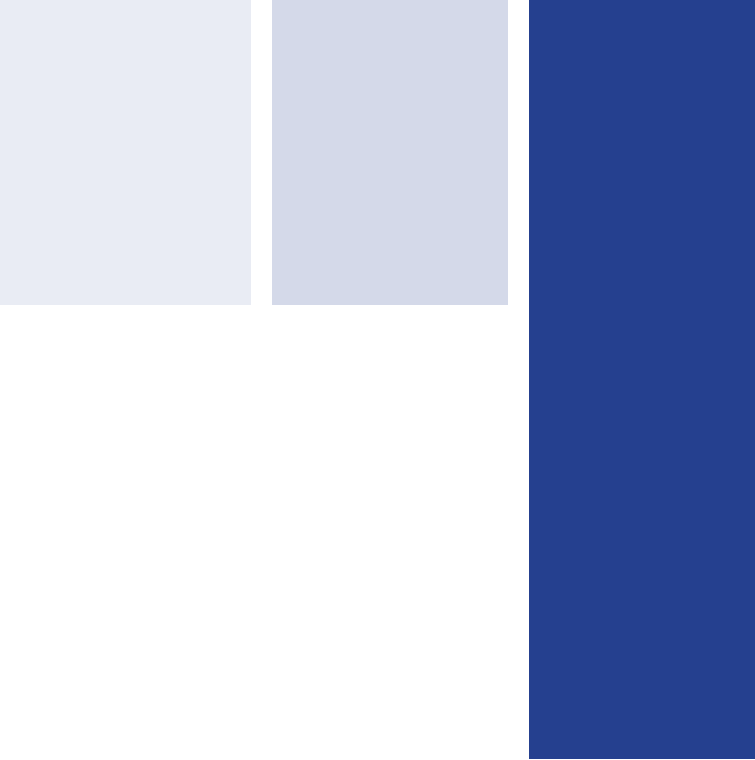
The Governor of MMA Dr. Fazeel Najeeb, chaired several meetings of SAARC Finance during the year. This includes the SAARC Finance Governor's Symposium 2013 and the 26th SAARC Finance Group Meeting held in Islamabad, Pakistan from 18–19 June 2013. The Governor chaired the 27th SAARC Finance Governor's Meeting held in Washington DC, USA, on 9 October 2013 concurrent with the IMF/World Bank Annual Meeting 2013.

The Governor, Dr. Fazeel Najeeb, also inaugurated the 18th SAARC Finance Coordinators meeting held in Male', Maldives from 25–26 August 2013. The meeting was chaired by the Deputy Governor of MMA, Aishath Zahira.

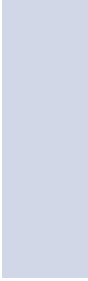
Other Institutions

MMA is a member of the Shariah Council, Islamic Financial Services Board and the Asian Clearing Union.

Maldives is also a member of the Steering Group of the Asia/Pacific Group on Money Laundering (APG), which is an advisory and governance group of the APG with cross-regional representation of the five major sub-regions within the Asia/Pacific. Maldives is represented by the Financial Intelligence Unit of the MMA in this group. The Steering Group meets to share information and to discuss various membership issues and issues faced by the member countries in the region on money laundering and financing of terrorism. In August 2013, Maldives was selected to represent the Asia Pacific sub-region in the APG Steering Group.



ANNUAL FINANCIAL STATEMENTS



KR/AHF/RHH

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

Report on the financial statements

We have audited the accompanying financial statements of Maldives Monetary Authority (the "Authority"), which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of movements in equity and statement cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

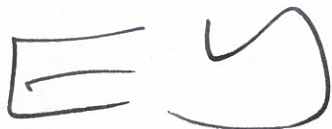
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



30 April 2014
Malé

Statement of Financial Position

As at 31 December 2013

		2013	Restated
	Note	MVR	2012
			MVR
Assets			
Foreign currency financial assets			
Cash and cash equivalents	4	5,466,198,832	4,470,229,741
IMF related assets	5	400,463,098	399,467,849
Subscriptions to international agencies	6	833,681	831,517
Other receivables	7	211,930	7,406
Total foreign currency financial assets		5,867,707,541	4,870,536,513
Local currency financial assets			
Subscriptions to international agencies	6	8,509,557	8,509,716
Interest and other receivables	7	23,761,138	2,593,119
Loans to the government institutions	8	2,475,985,941	331,391,576
Investment in government treasury bills	9	623,771,051	779,603,355
Investment in government bonds	10	3,136,576,058	3,892,069,446
Total local currency financial assets		6,268,603,745	5,014,167,212
Total financial assets		12,136,311,286	9,884,703,725
Local currency non-financial assets			
Gold and silver assets	11	29,203,357	40,061,282
Inventories	12	73,044,020	71,367,444
Property, plant and equipment	13	40,961,441	57,402,713
Intangible assets	14	43,255,010	45,379,159
Other assets	15	3,547,727	3,330,608
Total local currency non-financial assets		190,011,555	217,541,206
Total assets		12,326,322,841	10,102,244,931

Statement of Financial Position

As at 31 December 2013

		2013 MVR	Restated 2012 MVR
	Note		
Liabilities and equity			
Foreign currency financial liabilities			
Balances of commercial banks	16	3,660,826,421	2,455,909,127
Balances of government and government institutions	17	124,683,825	116,604,159
Payable to Asian Clearing Union	18	63	12,562,384
IMF related liabilities	19	532,453,471	613,864,968
Interest bearing loans	20	104,331,222	126,820,558
Deposits of international financial institutions	23	833,681	831,517
Other liabilities	24	19,307,373	20,413,979
Total foreign currency financial liabilities		4,442,436,056	3,347,006,692
Local currency financial liabilities			
Balances of commercial banks	16	2,804,908,993	3,441,763,735
Balances of government and government institutions	17	22,004,181	20,929,778
Securities sold under agreement to repurchase	21	902,000,000	-
Balances of insurance companies	22	10,000,000	10,000,000
Deposits of international financial institutions	23	9,991,252	10,901,775
Other liabilities	24	216,971,693	217,702,767
Total local currency financial liabilities		3,965,876,119	3,701,298,055
Total financial liabilities		8,408,312,175	7,048,304,747
Other liabilities			
Currency in circulation	25	3,252,432,252	2,475,540,004
Deferred grants	26	4,551,608	4,441,733
Pension and other employment benefits payable	27	4,399,589	5,048,639
Total liabilities		11,669,695,624	9,533,335,123
Equity			
Capital		50,000,000	50,000,000
Reserve	28	606,627,217	518,909,808
Total equity		656,627,217	568,909,808
Total liabilities and equity		12,326,322,841	10,102,244,931

The Board of Directors of the Maldives Monetary Authority authorised these financial statements for issue on 30 April 2014. Signed for and on behalf of the Board by,



Azeema Adam - Governor



Hussain Hilmy - Director

The accounting policies and notes on pages 61 to 73 form an integral part of the financial statements.

Statement of Comprehensive Income

Year ended 31 December 2013

	Note	2013 MVR	Restated 2012 MVR
Operating income			
Foreign currency income and expenses	29		
Interest income on foreign currency financial assets		4,703,161	7,609,723
Interest expense on foreign currency financial liabilities		(2,125,065)	(4,570,766)
Net foreign currency income		2,578,096	3,038,957
Local currency income and expenses	30		
Interest income on local currency financial assets		434,404,034	308,975,626
Interest expenses on local currency financial liabilities		(65,904,025)	(35,585,406)
Net local currency income		368,500,009	273,390,220
Other income	31	13,370,986	19,638,892
Net foreign exchange revaluation gain		8,649,650	17,723,142
		22,020,636	37,362,034
Total net operating income		393,098,741	313,791,211
Operating expenses			
Personnel expenses	32	38,665,370	36,592,311
Administration expenses	33	47,580,235	38,601,572
Depreciation, amortisation and impairment		31,097,083	33,533,823
Total operating expenses		117,342,688	108,727,706
Net profit		275,756,053	205,063,505
Other comprehensive income		-	-
Total comprehensive income		275,756,053	205,063,505

The accounting policies and notes on pages 61 to 73 form an integral part of the financial statements.

Statement of Movements in Equity

Year ended 31 December 2013

	Contributed capital MVR	General reserve MVR	Foreign asset revaluation reserve MVR	Retained earnings MVR	Total MVR
As at 1 January 2011	50,000,000	8,000,000	47,072,237	232,045,148	337,117,385
Transfers to General Reserve Account	-	92,000,000	-	(92,000,000)	-
Profit re-appropriation to the Government	-	-	-	(132,578,640)	(132,578,640)
IMF quota related adjustments for 2009 and 2010 corrected in 2011	-	-	-	12,650,472	12,650,472
Profit for the year	-	-	-	477,795,106	477,795,106
Transfers to FARR	-	-	292,601,961	(292,601,961)	-
1/5th of FARR payable to the Government	-	-	(67,934,840)	-	(67,934,840)
As at 31 December 2011	50,000,000	100,000,000	271,739,358	205,310,125	627,049,483
As at 1 January 2012	50,000,000	100,000,000	271,739,358	205,310,125	627,049,483
Profit re-appropriation to the Government	-	-	-	(205,310,125)	(205,310,125)
Profit for the year	-	-	-	205,063,505	205,063,505
Transfers to FARR	-	-	17,725,915	(17,725,915)	-
1/5th of FARR payable to the Government	-	-	(57,893,055)	-	(57,893,055)
Transfers to FARR due to restatement	-	-	(2,773)	2,773	-
1/5th of FARR payable to the Government due to restatement	-	-	-	-	-
As at 31 December 2012	50,000,000	100,000,000	231,569,445	187,340,363	568,909,808
As at 1 January 2013	50,000,000	100,000,000	231,569,445	187,340,363	568,909,808
Profit re-appropriation to the Government (Note 34)	-	-	-	(188,038,644)	(188,038,644)
Profit for the year	-	-	-	275,756,053	275,756,053
Transfers to FARR (Note 28)	-	-	8,649,650	(8,649,650)	-
1/5th of FARR payable to the Government	-	-	-	-	-
As at 31 December 2013	50,000,000	100,000,000	240,219,095	266,408,122	656,627,217

The accounting policies and notes on pages 61 to 73 form an integral part of the financial statements.

Statement of Cash Flows

Year ended 31 December 2013

	Note	2013 MVR	2012 MVR
Cash flows from operating activities			
Sources:			
Interest received- foreign currency		4,486,061	7,611,520
Interest received - local currency		459,537,766	358,550,906
Fees, commission and other miscellaneous income received		12,210,321	13,533,838
		476,234,148	379,696,263
Disbursements:			
Interest paid - foreign currency		(2,221,842)	(2,899,170)
Interest paid - local currency		(65,413,953)	(35,585,406)
Payments to employees		(39,522,742)	(37,711,506)
Payments to suppliers and fees/commission paid		(48,000,780)	(79,733,393)
		(155,159,317)	(155,929,474)
Net cash flow from operating activities	35	321,074,831	223,766,789
Cash flows from investing activities			
Sources:			
Net increase / (decrease) in currency deposits		(13,103)	(12,555)
Net increase / (decrease) in deposits from financial institutions		1,479,782,660	523,479,715
Net increase / (decrease) in deposits from the Government		11,384,018	(169,209,495)
Net increase / (decrease) in other liabilities		1,850,773	1,251,455
		1,493,004,349	355,509,120
Disbursements:			
Net (increase)/ decrease in assets held with IMF		1,660,640	2,022,387
Net (increase) / decrease in loans and advances to the Government		(1,279,570,423)	(1,134,550,330)
Expenditure on development projects		(7,501,083)	(15,155,356)
Purchase of property plant & equipment		(6,012,063)	(4,869,508)
Profit paid to the the Government		(188,038,644)	(205,310,123)
Net Increase / (Decrease) in Other Assets		33,973	-
		(1,479,427,601)	(1,357,862,929)
Net cash flow from investing activities		13,576,748	(1,002,353,809)

Statement of Cash Flows

Year ended 31 December 2013

	Note	2013 MVR	2012 MVR
Cash flows from financing activities			
Sources:			
Issue of currency in circulation		776,892,250	278,865,976
Net increase / (decrease) in ACU payables		(12,535,827)	4,876,377
Net increase / (decrease) in securities issued		-	-
Net increase / (decrease) in interest bearing loans		(22,273,583)	18,856,999
Net increase / (decrease) in liabilities with IMF		(83,741,966)	7,392
Net cash flow from financing activities		658,340,874	302,606,745
Net increase / (decrease) in cash and cash equivalents		992,992,452	(475,980,275)
Exchange rate effect on cash and cash equivalents		2,961,243	(2,489,632)
Cash and cash equivalents as at the beginning of the year		4,469,365,267	4,947,835,174
Closing cash and cash equivalents as at 31 December 2013	36	5,465,318,963	4,469,365,267

The accounting policies and notes on pages 61 to 73 form an integral part of the financial statements.

Notes to the Financial Statements

1. Reporting Entity and Statutory Base

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

The Authority was established in 1981 and is responsible:-

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

These financial statements for the year ended 31 December 2013 were authorised for issue by the Board of Directors of the Authority in accordance with the article 35 of MMA Act.

2. Accounting Policies

Basis of preparation

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

Reporting format

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

Currency of presentation

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

Statement of compliance

These financial statements of the Authority for the year ended 31 December 2013 have been prepared in accordance with International Financial Reporting Standard (IFRS).

2.1 Changes in Accounting Policy and Disclosures

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

2.2 Standards, Interpretations and Amendments to Published Standards that are not yet Effective

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

IFRS 9 Financial instruments

IFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued exposure draft on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but amendments to IFRS 9 mandatory effective date of IFRS 9 and transition disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address impairment and hedge accounting.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

IAS 32 - Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

2.3 Significant Accounting Judgments and Estimates

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

Fair value of financial instruments

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

Impairment losses on loans and advances

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

Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with

similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident.

Pensions and other post employment benefit plans

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

3. Summary of Significant Accounting Policies

Foreign currency translation

The Authority's functional and presentation currency is Maldivian Rufiyaa. Transactions in foreign currencies are initially recorded in the functional currency ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the income statement. For the purposes of retranslation the following Maldivian Rufiyaa exchange rates for major currencies were used:

	2013 December	2012 December
	MVR	MVR
1 Australian Dollar	13.6335	15.9423
1 Euro	21.1850	20.3119
1 Singapore Dollar	12.1511	12.5675
1 Special Drawing Rights (SDR)	23.8117	23.6532
1 Sterling Pound	25.3830	24.8504
1 United States Dollar	15.4100	15.3700

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

3.1 Financial instruments

Initial Recognition and Subsequent measurement

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

Date of recognition

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

Initial measurement of financial instruments

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

a) Available-for-sale financial investments

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

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

b) Held to Maturity Financial Assets

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

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

c) Loans and Advances to the Government

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

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

d) International Monetary Fund (IMF) related balances

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

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

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

3.2 Cash and cash equivalents

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

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

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

The Authority through the cash/pay order process disburses cash in the form of notes and coins or cheques drawn on the Authority, to various drawers including suppliers and employees for goods and services obtained, which is either added to the currency in circulation liability or deposits

by banks and financial institutions. Such forms of utilisation of currency for the purposes of the Authority's payments form part of cash outflows of the Authority.

3.3 Repurchase and reverse-repurchase transactions

Securities sold under agreements to repurchase continue to be recorded as assets in the Statement of Financial Position. The obligation to repurchase (Securities Sold under agreements to repurchase) is disclosed as a liability. The difference between the sale and repurchase price in repurchase transactions and the purchase price and sale price in reverse-repurchase transactions represents an expense and income respectively and recognised in the Income Statement.

Securities held under reverse-repurchase agreements are recorded as an asset in the Statement of Financial Position (Securities Purchased under Agreements to Re-sell). Both repurchase and reverse-repurchase transactions are reported at the transaction value inclusive of any accrued income or expense.

3.4 Investment portfolio

a) *Government treasury bonds*

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

b) *Government treasury bills*

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

c) *Advances to government*

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

d) *Loans to other institutions*

Loans granted to other institutions are recognised and carried at the original granted amount less an allowance for any uncollectible amounts. An allowance for doubtful debts (for loan impairment) is established if there is objective evidence that the Authority will not be able to collect all amounts due. The amount of the allowance is the difference between the carrying amount and the estimated recoverable amount. Bad debts are written off when identified.

e) *Securities lending*

Transfer of securities to counter parties under lending transactions is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred.

f) Assets carried at amortised cost

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

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

3.5 Other assets

a) Gold

Section 21 (2) of the MMA Act which specifies the composition of external reserve indicates that gold may be held by the Authority as part of this reserves. Hence, Authority holds gold as part of its external reserves. As this gold is part of the external reserve and not used as a commodity which is traded during the normal course of business, (hence, not a financial instrument as per the definition in IAS) gold is fair valued and the gains or losses are transferred to the income statement. Prior to appropriation of profits, the unrealised gains or losses from gold are transferred to the foreign asset revaluation reserve.

b) Inventories

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

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

c) Property, plant and equipment

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

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

Class of asset	Useful life
Buildings on freehold land	30 years
Machinery and equipment	5 years
Furniture and fittings	5 years
Motor vehicles	5 years
Computer equipment	3 years
RTGS Software	7 years
Credit Information Bureau Software	5 years
Automated Clearing House	7 years
Oracle E-Business Suite (ERP)	8 years
Other Software	3 years

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

d) Intangible assets

The Authority's intangible assets include the Maldives Credit Information Bureau and the Maldives Real Time Gross Settlement System which went live in 2011, the Automated Clearing House which went live during the year 2012, Oracle E-Business Suite which went live during the year 2013 and other software. Costs of these intangible assets are recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Authority.

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

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

3.6 Impairment of financial assets

The Authority assesses at each reporting date, whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result

of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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

a) Provisions

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

b) Defined contribution plans

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

c) Currency in circulation

Currency issued by the Authority represents a claim on the Authority in favour of the holder. The liability for currency in circulation is recorded at face value in the statement of financial position.

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

d) Grants

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

government grant account and is released to the income statement over the expected useful life of the relevant asset on a systematic basis consistent with the depreciation policy of the related asset.

3.9 Current Tax

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

3.10 Revenue and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured. Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income in arriving at the result for the year.

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

Interest income and expenses

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

Miscellaneous

Miscellaneous income and expenses are recognised on an accrual basis.

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

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

3.11 Contingent liabilities and commitments including off balance sheet items

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

3.12 Statement of cash flow

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

3.13 Nature and extent of activities

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

- i. Open accounts and accept deposits from, the Government its agencies and public entities, banks and other financial institutions in Maldives.
- ii. Act as correspondent, banker, agent or depository for any monetary authority, central bank or international financial institution;
- iii. Open and maintain accounts with such banks or other depositories and appoint them as correspondents or agents of the Authority in or outside Maldives as may be necessary;
- iv. Buy, sell or deal in gold coins, bullion or foreign exchange;
- v. Buy, sell, invest, or deal in treasury bills and other securities issued or guaranteed by foreign governments or international financial institutions;
- vi. Buy, sell, invest, or deal in treasury bills and other securities issued or guaranteed by the Government;
- vii. Make loans, advances and rediscounts to banks and other financial institutions in Maldives for periods not exceeding ninety days on terms and conditions which the Board may prescribe;
- viii. Make temporary advances to the Government as may be agreed;
- ix. Make advances to the Government on terms and conditions to be agreed upon in respect of subscriptions and other payments relating to the membership of the Maldives in any international financial institution, the participation of the Maldives in any account thereof, and any transactions and operations undertaken in connection therewith;
- x. Act as fiscal agency of the Government in its dealings with international financial institutions and undertake other financial agency work for the Government;
- xi. Borrow money for the purpose of the business of the Authority, and may give securities for monies so borrowed as provided by law with the approval of the President of the Republic and,

- xii. Guarantee the repayment of government loans and the service charge thereof.
- xiii. In conjunction with the banks, organize and manage a Clearing House.

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

a) Foreign currency activities

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

b) Local currency activities

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

Notes to the Financial Statements

Year ended 31 December 2013

	2013 MVR	2012 MVR
4 CASH AND CASH EQUIVALENTS		
Foreign currency cash in hand	20,414,097	15,937,376
Balances with other central banks	151,904,554	5,117,556
Balances with other foreign banks	17,539,902	25,790,549
Money at overnight placements		
with other central banks (Note 4.1)	5,239,400,000	4,386,598,000
with other foreign banks (Note 4.2)	33,902,000	33,814,000
Investment in fixed deposits with foreign banks (4.3)	3,038,279	2,972,260
	5,466,198,832	4,470,229,741

4.1 Federal Reserve Bank of New York

The Authority invested USD 340,000,000/- (2012: USD 285,400,000/-) in an overnight repurchase agreement with the Federal Reserve Bank of New York at an interest rate of 0.06% per annum (2012: 0.17%).

4.2 JPMorgan Chase New York

The Authority invested USD 2,200,000/- (2012: USD 2,200,000/-) in an overnight repurchase agreement with the JPMorgan Chase New York at an interest rate of 0.05% per annum (2012: 0.05%).

4.3 Investment in fixed deposits with foreign banks

Details of the fixed deposit investments are as follows;

Bank	Amounts in MVR	Maturity date	Interest rate
a) Bank of India: Singapore	879,869	11 June 2014	1.20%
b) Bank of India: Singapore	26,890	31 January 2014	0.00%
c) Habib Bank Limited: London	2,131,520	31 January 2014	0.35%

	2013 MVR	2012 MVR
5 IMF RELATED ASSETS		
Holding of Special Drawing Rights (Note 5.1)	162,310,286	162,912,456
IMF Quota (Note 5.2)	238,117,000	236,532,000
Interest receivables	35,812	23,393
	400,463,098	399,467,849

5.1 Holding of Special Drawing Rights (SDR)

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

Notes to the Financial Statements

Year ended 31 December 2013

5 IMF RELATED ASSETS (Continued)

5.1 Holding of Special Drawing Rights (SDR) (Continued)

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

5.2 IMF Quota

The International Monetary Fund (IMF) is an international organization of 187 member countries. It was established to promote international monetary cooperation, exchange stability, and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease balance of payments adjustment. Quotas (capital subscriptions) are the primary source of IMF resources. The IMF receives its resources from its member countries. Each country's subscription, or quota, is determined broadly on the basis of the economic size of the country, and taking into account quotas of similar countries.

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

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

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

The subscription is granted mainly by the issue of promissory notes in favour of the IMF and partly by foreign currency payments by the Government of the Maldives. As at 31 December 2013 the IMF Quota of Maldives is SDR 10 million.

Notes to the Financial Statements

Year ended 31 December 2013

6	SUBSCRIPTIONS TO INTERNATIONAL AGENCIES	2013 MVR	2012 MVR
	<i>MOFT promissory notes issued</i>		
	<i>Foreign currency</i>		
	Multilateral Investment Guarantee Agency	833,681	831,517
	<i>Local currency</i>		
	International Bank for Reconstruction and Development	8,264,330	8,264,330
	Asian Development Bank securities	245,227	245,386
		8,509,557	8,509,716
		9,343,238	9,341,233
6.1	The Authority is designated as the depository of the 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 promissory notes issued by The MOFT (MOFT) to the said institutions for membership subscriptions and related purposes. These promissory notes are non-negotiable and non-interest bearing notes payable to the above institutions on demand.		
7	INTEREST AND OTHER RECEIVABLES	2013 MVR	2012 MVR
	<i>Foreign currency</i>		
	Interest receivable	211,930	7,406
	<i>Local currency</i>		
	Other receivables (Note 7.1)	27,814,150	6,646,131
	Less: Allowance for doubtful receivables	(4,053,012)	(4,053,012)
		23,761,138	2,593,119
		23,973,068	2,600,525
7.1	Other receivables		
	Interest on loans to government institutions	23,761,138	2,593,119
	Prepayments and advances	4,053,012	4,053,012
		27,814,150	6,646,131
8	LOANS TO GOVERNMENT INSTITUTIONS		
	Ministry of Finance and Treasury	2,475,985,941	331,391,576

Overdraw of Public Bank Account

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

Notes to the Financial Statements

Year ended 31 December 2013

9 INVESTMENT IN GOVERNMENT TREASURY BILLS

Balance as at 1 January	829,600,000	-
Purchased during the year	832,400,000	829,600,000
Settled during the year	(1,028,000,000)	-
Balance as at 31 December	634,000,000	829,600,000
Deferred discount	(10,228,949)	(49,996,645)
	623,771,051	779,603,355

9.1 Purchase of Government T-Bills

Under article 22 (h) of the MMA Act, the Authority has purchased MVR Treasury Bills of Government of Maldives on 6 December 2012 at an interest rate of 7% and these Treasury bills were settled by the Government upon the maturity on 2 December 2013.

On 25th February 2013, the Authority purchased Treasury bills with a face value of MVR 198.4 million at a discount rate of 7% and these were settled upon the maturity on 27 May 2013.

On 1 April 2013, the Authority purchased Treasury bill with a face value of MVR 634 million at a discount rate of 7%. Maturity date of the Treasury bill is 31 March 2014.

	2013 MVR	2012 MVR
10 INVESTMENT IN GOVERNMENT BONDS		
Balance as at 1 January	3,806,000,000	3,806,000,000
Purchased during the year	3,172,000,000	-
Settled during the year	(3,841,423,942)	(634,000,000)
Amount rolled over during the year	-	634,000,000
Balance as at 31 December	3,136,576,058	3,806,000,000
Interest receivable on government bonds (Note 10.3)	-	86,069,446
	3,136,576,058	3,892,069,446

10.1 Investment in government bonds

Under article 22 (h) of the MMA Act, the Authority has granted loans and advances in the form of Ways and Means account advances and other loans and advances to meet the budget deficit financing of the Government of Maldives. On 16 August 2009 and 30 September 2009, both the Authority and the Government of Maldives agreed to convert the outstanding principal amounts of the loans and advances, which amounted to MVR 4,089,000,000/- in total, into Government bonds. On 24 April 2012, the Authority agreed with the Government to rollover two bonds of MVR 317 million each for a period of 1 year. These two bonds were redeemed in April 2013, and the remaining bonds were redeemed on 12 August 2013.

On 12 August 2013, the remaining bonds of MVR 3,172,000,000 was restructured into a single bond with a maturity of 20 years and 1 month, at the interest rate of 7.73%. The coupon interest and principle repayment is being made on a monthly basis.

Notes to the Financial Statements

Year ended 31 December 2013

10 INVESTMENT IN GOVERNMENT BONDS (CONTINUED)

10.2 Remaining term to maturity	2013 MVR	2012 MVR
Within one year	71,078,689	1,037,069,446
Two to five years	345,207,187	1,268,000,000
Six to ten years	611,982,326	1,270,000,000
More than ten years	2,108,307,856	317,000,000
	3,136,576,058	3,892,069,446

10.3 Interest receivable on government bonds

Balance as at 1 January	86,069,446	88,241,200
Interest accrued during the year	138,058,644	162,449,076
Interest settlements made during the year	(224,128,090)	(164,620,830)
Balance as at 31 December	-	86,069,446

11 GOLD AND SILVER ASSETS	2013 MVR	2012 MVR
Gold at fair value (Note 11.1)	29,132,185	39,990,110
Silver at cost	71,172	71,172
	29,203,357	40,061,282

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

12 INVENTORIES	2013 MVR	2012 MVR
Notes for circulation	31,365,429	22,510,734
Coins for circulation	14,960,786	11,194,737
Commemorative coins	1,006,428	1,019,770
Coins held abroad in storage (Note 12.1)	25,711,377	36,642,203
Total inventories at cost	73,044,020	71,367,444

12.1 MVR 25,711,377/- is the cost incurred to mint the coins currently held abroad at the warehouses of the Minting Company. These coins were minted during 2012 and would be brought in due course. In 2013, coins costing MVR 10,930,826/- were brought to the Authority's premises from the Minting Company.

Notes to the Financial Statements

Year ended 31 December 2013

13 PROPERTY, PLANT AND EQUIPMENT	Freehold land	Buildings on freehold land	Machinery and equipment	Furniture and fittings	Motor vehicles	Computer equipment	2013 Total	2012 Total
13.1 Gross carrying amounts at cost	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
Balance as at 1 January	1,000,000	34,867,369	66,032,439	18,508,686	1,019,236	15,014,775	136,442,505	132,059,188
Additions during the year	-	12,350	4,669,267	453,911	636,000	628,882	6,400,410	4,383,316
Disposal / transfers during the year	-	-	-	(513,024)	-	-	(513,024)	-
Value of depreciable assets	1,000,000	34,879,719	70,701,706	18,449,573	1,655,236	15,643,657	142,329,891	136,442,504
13.2 Depreciation								
Balance as at 1 January	-	4,637,486	50,362,809	14,450,508	451,426	9,137,563	79,039,792	57,452,074
Charge for the year	-	1,158,751	13,625,194	3,560,749	301,055	4,189,452	22,835,201	21,587,717
Disposal / transfers during the year	-	-	-	(506,543)	-	-	(506,543)	-
Accumulated depreciation	-	5,796,237	63,988,003	17,504,714	752,481	13,327,015	101,368,450	79,039,791
13.3 Net book value	1,000,000	29,083,482	6,713,703	944,859	902,755	2,316,642	40,961,441	57,402,713

13.4 As at 31 December 2013, property, plant and equipment includes fully depreciated assets having a gross carrying amounts of MVR 78,327,208/- (2012 : MVR 4,444,094/-).

13.5 During the financial year, the Authority acquired property, plant and equipment to the aggregate value of MVR 6,400,410/- (2012: MVR 4,383,316/-).

14 INTANGIBLE ASSETS	Maldives Credit Information Bureau	Maldives Real Time Gross Settlement System	Automated Clearing House	Mobile Payment System & EFT Switch	Oracle E-Business Suite	Software - Others	2013 Total	2012 Total
14.1 Gross carrying amounts at cost	MVR	MVR	MVR	MVR	MVR	MVR	MVR	MVR
Balance as at 1 January	8,935,357	18,885,062	22,288,946	38,825,787	-	-	88,935,152	88,935,152
Cost incurred during the year	-	-	-	(154,100)	-	50,640	(103,460)	-
Transfers from development projects	-	-	-	-	11,216,288	-	11,216,288	-
Balance as at 31 December	8,935,357	18,885,062	22,288,946	38,671,687	11,216,288	50,640	100,047,980	88,935,152
14.2 Accumulated amortisation/impairment								
Balance as at 1 January	3,424,522	4,241,043	2,735,673	38,825,787	-	-	49,227,025	37,280,920
Charge for the year	1,773,918	2,722,456	3,185,593	(154,100)	726,982	7,033	8,261,882	11,946,105
Balance as at 31 December	5,198,440	6,963,499	5,921,266	38,671,687	726,982	7,033	57,488,907	49,227,025
14.3 Net book value	3,736,917	11,921,563	16,367,680	-	10,489,306	43,607	42,559,073	39,708,127

Notes to the Financial Statements

Year ended 31 December 2013

14 INTANGIBLE ASSETS (Continued)

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

14.5 The Authority implemented Maldives Interoperable Payment System (MIPS) which includes Maldives Real Time Gross Settlement System (MRTGS), Automated Clearing House (ACH), Mobile Payment Systems (MPS) and EFT Switch at a total cost of MVR 88,781,052. Maldives Real Time Gross Settlement System (MRTGS) became operational on 10 April 2011 and Automated Clearing House (ACH) became operational on 2 February 2012. The above balances represent the cost incurred and the amortisation charges as at the respective reporting dates.

14.6 Projects under work in progress

14.6.1 Oracle E-Business Suite

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

The balance as at 31 December 2013 relates to expenses that incurred for "Time & Labour" component of Oracle E-Business suite which was not implemented as at 31 December 2013.

	2013 MVR	2012 MVR
Balance as at 1 January	5,132,382	-
Cost incurred during the year	6,241,193	5,132,382
Transfers to Intangible Assets	(11,216,288)	-
Balance as at 31 December	157,287	5,132,382

14.6.2 Central Movable Asset Registry (CMAR)

The Authority has been working on the development of a Central Movable Asset Registry as the second phase under the Credit Information Bureau of MMA. During the year 2012, a feasibility study and a legal analysis was conducted by two individual international consultants. They also drafted the necessary STR legislations namely, the Movable and Immovable Property Secured Transactions Bill, which have been now incorporated in the mortgage bill and is in the parliament. The project is partially funded from loan taken from Asian Development Bank.

	2013 MVR	Restated 2012 MVR
Balance as at 1 January	538,650	-
Cost incurred during the year	-	538,650
Balance as at 31 December	538,650	538,650

15 OTHER ASSETS

Prepayments and receivables	3,449,883	2,844,417
Advance paid	97,844	486,191
	3,547,727	3,330,608

Notes to the Financial Statements

Year ended 31 December 2013

		2013	2012
		MVR	MVR
16	BALANCES OF COMMERCIAL BANKS		
Foreign currency balances:			
	Related parties	946,223,146	617,526,149
	Others	2,714,603,275	1,838,382,978
		3,660,826,421	2,455,909,127
Local currency balances:			
	Related parties	1,393,193,806	1,497,580,825
	Others	1,320,715,187	1,752,182,910
		2,713,908,993	3,249,763,735
	Overnight placement deposits	91,000,000	192,000,000
		2,804,908,993	3,441,763,735
	Total balances of commercial banks	6,465,735,414	5,897,672,862
16.1	As per the section 4 (c) of the MMA Act, the Authority is acting as the regulator of the commercial banks operating in the Maldives. In carrying out this duty, the Authority opens accounts and accepts deposits to facilitate interbank transfers and monitor minimum reserve requirements imposed on the commercial banks.		
16.2	MMA introduced the overnight deposit Facility to the commercial banks on 23 March 2010, whereby banks can place their excess funds at MMA overnight. As at 31 December 2013 the interest rate on overnight deposits of commercial banks at MMA was 3% per annum and the interest as at 31 December 2012 was 0.25%.		
17	BALANCES OF GOVERNMENT AND GOVERNMENT INSTITUTIONS		
Related parties		2013	2012
		MVR	MVR
Foreign currency deposits:			
	MOFT and government institutions	124,683,825	116,604,159
	Public enterprises	-	-
		124,683,825	116,604,159
Local currency deposits:			
	MOFT and government institutions	20,449,983	20,285,266
	Public enterprises	1,554,198	644,512
		22,004,181	20,929,778
	Total balances of government and government institutions	146,688,006	137,533,937
18	PAYABLE TO ASIAN CLEARING UNION		
	Balance as at 1 January	12,562,384	12,558,827
	Settlements during the year	(12,562,384)	-
	Accrued interest	63	3,557
	Balance as at 31 December	63	12,562,384

Notes to the Financial Statements

Year ended 31 December 2013

18 PAYABLE TO ASIAN CLEARING UNION (CONTINUED)

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

The rate of interest applicable for a settlement period will be the closing rate on the first working day of the last week of the previous calendar month offered by the Bank for International Settlements (BIS) for one month US dollar and Euro deposits. Interest on ACU Dollar transactions were between 0.05% to 0.17% in 2013. Above balance represents the amounts due to ACU as at the reporting date.

	2013 MVR	2012 MVR
19 IMF RELATED LIABILITIES		
IMF Securities Account (Note 19.1)	294,604,472	377,499,115
IMF No. 1 Account (Note 19.2)	5,621,895	5,584,482
IMF No. 2 Account (Note 19.3)	7,024	6,962
Allocation of SDR (Note 19.4)	183,138,356	181,919,316
Exogenous shock facility (Note 19.5)	48,813,985	48,489,060
Charges payable on SDR allocation (Note 19.6)	31,717	20,744
Charges payable on IMF SBAL (Note 19.6)	236,022	345,289
	532,453,471	613,864,968

19.1 IMF Securities Account

The Authority maintains the IMF securities account on the statement of financial position and includes non-negotiable, non-interest bearing securities issued by the MOFT in favor of the IMF, which are payable on demand. These securities are issued for 75% of the quota liability payable in Maldivian Rufiyaa, for use of IMF credit facilities such as Emergency Assistance Facility and Stand-By Agreement etc., and for the revaluations of the accounts. Even though the revaluations is made by the IMF every year as of 30 April the balances in MMA books are revalued as at the last working day of the year. The IMF accounts were last revalued in 30 April 2013 by IMF.

During March 2013, MMA started the repayments for the total disbursement of SDR8.2m received under the IMF standby arrangement. During the year 2013, 7 repayments of SDR 512,500.00 each were made with a total repayment of SDR 3,587,500. Repayments under IMF standby arrangement are expected to be completed by 31 March 2015.

	2013 MVR	2012 MVR
Balance as at 1 January	377,499,115	379,339,484
Promissory notes redeemed during the year	(83,720,006)	-
Exchange rate effect on IMF Securities account	825,363	(1,840,369)
Balance as at 31 December	294,604,472	377,499,115

Notes to the Financial Statements

Year ended 31 December 2013

19 IMF RELATED LIABILITIES (Continued)

19.2 IMF No.1 Account

The No. 1 Account is used for IMF transactions and operations, including subscription payments, purchases, repurchases, repayment of borrowing, and sales in Maldivian Rufiyaa.

19.3 IMF No.1 Account

The No. 2 Account is used for the IMF's administrative expenditures and receipts (for example, receipts from sales of IMF publications) in the member's currency and within its territory. Small out-of-pocket expenses, such as telecommunication charges, may be debited to this account on a quarterly basis.

19.4 Allocation of Special Drawing Rights

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

19.5 Exogenous Shock Facility

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

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

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

First disbursement amounting to SDR 1.025 million under the ESF was received on 4 December 2009 and on 25 March 2010 the Authority received the second disbursement amounting to SDR 1.025 million upon completion of IMF review.

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

Non-current	Interest rate	Maturity date	2013 MVR	2012 MVR
Exogenous Shock Facility	0.50%	1 April 2020	48,813,985	48,489,060

19.6 Charges payable on SDR allocation and SBAL

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

Notes to the Financial Statements

Year ended 31 December 2013

20 INTEREST BEARING LOANS

The MOFT

	MIPS MVR	MCIB MVR	Total 2013 MVR	Restated Total 2012 MVR
Balance as at 1 January	115,900,680	10,919,878	126,820,558	107,756,674
Received during the year	-	-	-	19,676,739
Refunded during the year	(23,070,000)	-	(23,070,000)	-
Effects of exchange rates	507,490	73,174	580,664	(612,855)
Balance as at 31 December	93,338,170	10,993,052	104,331,222	126,820,558

- 20.1** The MOFT provided a loan to the Authority for an amount equal to SDR 4,900,000/- to undertake the Maldives Interoperable Payment System (MIPS) project on 3 August 2008. During the year 2013, the unutilised amount of SDR 980,155 (USD 1.5 millions) from the total disbarments were refunded. As at the reporting date, the loan amount was SDR 3,919,845/-.

Total loan amount	SDR 3,919,845	
Interest rate	0.75%	
Repayment	From 15/09/2018 to 15/03/2028	SDR 63,946/-
	From 15/09/2028 to 15/03/2048	SDR 127,891/-

- 20.2** On 23 July 2009 the MOFT and the Authority have entered into a subsidiary loan agreement to fund the Maldives Credit Information Bureau (MCIB) project for total loan amounting to SDR 439,000/-.

The loan has to be repaid in 48 equal semi annual instalments. The first instalment being payable on 15 November 2016 and the last instalment fall due on 15 May 2040. The Authority has to pay interest charge at the rate of 1% per annum during the grace period and 1.5% per annum thereafter on the amount withdrawn. As at the reporting date the Authority has withdrawn SDR 461,666/- from this loan.

21 SECURITIES SOLD UNDER AGREEMENT TO REPURCHASE

	2013 MVR	2012 MVR
Related parties	800,000,000	-
Others	102,000,000	-
	902,000,000	-

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

Notes to the Financial Statements

Year ended 31 December 2013

22	BALANCES OF INSURANCE COMPANIES	2013 MVR	2012 MVR
	Related parties	4,000,000	4,000,000
	Others	6,000,000	6,000,000
		10,000,000	10,000,000

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

23	DEPOSITS OF INTERNATIONAL FINANCIAL INSTITUTIONS	2013 MVR	2012 MVR
	Foreign currency deposits:		
	Multilateral Investment Guarantee Agency	833,681	831,517
		833,681	831,517
	Local currency deposits:		
	International Development Association	303,574	303,574
	International Bank for Reconstruction and Development	8,570,689	9,726,439
	Asian Development Bank	944,545	699,318
	Multilateral Investment Guarantee Agency	172,444	172,444
		9,991,252	10,901,775

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

24	OTHER LIABILITIES	2013 MVR	2012 MVR
24.1	Foreign currency other liabilities		
	Accrued charges and other payables	3,111,221	4,259,867
	Bank of Credit and Commerce International (BCCI)	15,097,671	15,058,482
	Commercial banks human resource development deposits	798,933	796,859
	Other deposits	299,548	298,771
		19,307,373	20,413,979
24.2	Local currency other liabilities		
	Government Contribution to IMF Quota (Note 24.3)	33,381,644	33,381,644
	1/5th of FARR payable to Government	163,465,140	163,465,140
	Sundry creditors	10,310,000	10,310,000
	Commercial banks human resource development deposits	3,924,719	4,551,357
	Bank of Credit and Commerce International (BCCI)	2,528,341	2,528,341
	Accrued charges and other payables	3,361,849	3,466,285
		216,971,693	217,702,767

Notes to the Financial Statements

Year ended 31 December 2013

24.3 Government's contribution to IMF quota

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

25 CURRENCY IN CIRCULATION

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;

		2013 MVR	2012 MVR
25.1	Net currency in circulation		
	Coins:		
1	Laari	55,558	46,771
2	Laari	49,682	49,682
5	Laari	385,431	353,047
10	Laari	555,148	488,480
25	Laari	2,440,996	1,985,057
50	Laari	5,491,267	4,684,471
1	Rufiyaa	21,991,347	18,294,961
2	Rufiyaa	22,694,228	21,077,376
	Damaged coins	(2,455)	(2,455)
		53,661,202	46,977,390
	Notes:		
2	Rufiyaa	1,628,340	1,628,544
5	Rufiyaa	20,211,400	17,747,830
10	Rufiyaa	28,681,320	25,667,200
20	Rufiyaa	30,735,740	26,914,040
50	Rufiyaa	42,725,750	36,330,800
100	Rufiyaa	207,587,500	189,487,200
500	Rufiyaa	2,867,201,000	2,130,787,000
		3,198,771,050	2,428,562,614
		3,252,432,252	2,475,540,004

25.2 Currency in circulation is increased by the Authority's holding of Rufiyaa coins and notes outstanding amounting to MVR 157,586,531/- and MVR 140,114,519/- as at 31 December 2013 and 2012, respectively. These amounts are deducted from the total currency in circulation to arrive the above amounts.

26 DEFERRED GRANTS

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

Notes to the Financial Statements

Year ended 31 December 2013

26 DEFERRED GRANTS (CONTINUED)

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

26.3 The movement of deferred grants

	2013 MVR	2012 MVR
Balance as at 1 January	4,441,733	10,459,728
Grants received during the year	1,181,950	-
Recognised in the statement of comprehensive income	(1,072,075)	(6,017,995)
Balance as at 31 December	4,551,608	4,441,733

27 PENSION AND OTHER EMPLOYMENT BENEFITS PAYABLE

	2013 MVR	2012 MVR
Pre- Maldives Pension Act 8/2009 Pensions (Note 27.1)		
Opening balances	4,874,507	5,343,545
Less: Payments during the year	(531,550)	(531,550)
Add: Rewinding of interest	(331,862)	62,512
Present value of pension obligation	4,011,095	4,874,507
Employee and employer pension contribution payable	388,494	174,132
Balance as at 31 December	4,399,589	5,048,639

27.1 Pre- Maldives Pension Act 8/2009 Pensions

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

- a) An employee who became eligible (by working in public sector for 20 years) to pension arrangement in between 5 April 2007 and 10 October 2007 receive a "Pre-New Pension Act Pension" calculated at 1/2 month's salary at the eligibility point until they reach age of 65.
- b) All employees who became eligible after 10 October 2007 up until 31 July 2010 will receive a pension calculated at 1/3 of monthly salary at the eligibility point until they reach age of 65.
- c) The principal assumptions used in determining employee benefit obligations for Pre- Maldives Pension Act 8/2009 Pensions plan are shown below:

Notes to the Financial Statements

Year ended 31 December 2013

27 PENSION AND OTHER EMPLOYMENT BENEFITS PAYABLE(CONTINUED)

27.1 Pre- Maldives Pension Act 8/2009 Pensions

	2013 MVR	2012 MVR
Nominal value of the benefit obligation	8,634,353	9,165,903
Present value of the benefit obligation	4,011,095	4,874,507
Unrecognised interest component	4,623,258	4,291,396
Discount rate: 364 day Treasury bill rates	10.50%	7.86%
Number of employees in the scheme	11	11
Average remaining years of service	15.55	16.11
Retirement age	65	65

28 EQUITY AND RESERVES

28.1 Capital

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

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

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

28.2 General reserve

The general reserve is established in accordance with Chapter V, Section 27 of the MMA Act. As per the provisions of the Act, the Authority could allocate 50% of the net profit of the Authority, to General Reserve account until the General Reserve is equal to the authorised capital of the Authority, after which the Authority could allocate 25% of its net profit to the General Reserve account until the General Reserve is equal to twice of the authorised capital.

28.3 Foreign asset revaluation reserve

The Authority established Foreign Asset Revaluation Reserve (FARR) in accordance with Chapter V, section 28 of the MMA Act. According to the Act the gains and losses arising from any change in the valuation of the Authority's assets or liabilities in gold, foreign currencies or other units of account, as a result of alterations of the external value of the Rufiyaa, or of any change in the values, parities, or exchange rates in respect of such assets in relation to the Rufiyaa shall be credited to FARR. As per the provisions of the MMA Act neither the gains nor the losses from change in valuation of foreign currency assets and liabilities of the Authority should be included in the computation of profit or loss.

Notes to the Financial Statements

Year ended 31 December 2013

29	FOREIGN CURRENCY INCOME AND EXPENSES	2013 MVR	2012 MVR
29.1	Interest income on foreign currency financial assets		
	Interest on overnight placements	4,367,775	7,318,670
	Receipts on SDR holdings	335,386	286,613
	Interest on reserve deposits	-	4,440
		4,703,161	7,609,723
29.2	Interest expense on foreign currency financial liabilities		
	Charges on Stand-By Agreement	1,740,625	4,176,053
	Interest on reserve deposits	239,251	202,138
	Charges on SDR allocations	145,189	192,575
		2,125,065	4,570,766
30	LOCAL CURRENCY INCOME AND EXPENSES		
30.1	Interest income on local currency financial assets		
	Interest on Government Bonds	259,982,094	295,072,106
	Interest on ways and means advances	-	4,315,678
	Interest on loans to government	-	140,290
	Interest on loans to government institutions	89,866,910	5,727,564
	Interest on reserve deposits	13,824	-
	Discounts on treasury bills	84,541,206	3,719,988
		434,404,034	308,975,626
30.2	Interest expenses on local currency financial liabilities		
	Interest on reserve deposits	20,514,783	19,839,266
	Interest on open market operations	36,814,795	14,965,474
	Interest on overnight deposit facility	8,474,452	680,671
	Interest on security deposits of insurance companies	99,995	99,995
		65,904,025	35,585,406
31	OTHER INCOME		
	Commissions received	9,223,844	9,635,305
	Bank charges received	725,989	745,388
	Annual license fees from financial institutions	649,200	640,400
	Miscellaneous earnings	2,771,953	8,617,799
		13,370,986	19,638,892

Notes to the Financial Statements

Year ended 31 December 2013

32 PERSONNEL EXPENSES	2013 MVR	2012 MVR
Salaries and wages	35,705,723	33,898,647
Defined contribution costs	2,190,694	1,871,170
Remuneration to the board members	768,953	822,494
	38,665,370	36,592,311

33 ADMINISTRATION EXPENSES	2013 MVR	2012 MVR
Board and Shariah council other expenses	208,322	198,848
Staff expenses	918,290	650,157
Staff development expenses	4,620,362	6,682,624
Meetings and hospitality expenses	540,661	571,655
Expert expenses	1,069,220	1,638,537
Audit fees	638,827	566,685
Memberships, subscriptions and reference materials	1,771,312	1,535,874
Software license renewal and maintenance	5,823,341	283,110
Development activities and project expenses	1,434,411	4,461,286
Other administrative expenses	1,577,744	1,146,191
Transportation	48,522	72,039
Utility charges	4,865,791	4,234,799
Communication	2,051,428	2,546,897
Insurance	318,272	324,858
Maintenance	3,354,040	4,560,244
Payment charges	527,474	456,005
Issuing notes and coins	17,812,218	8,671,763
	47,580,235	38,601,572

34 PROFIT RE-APPROPRIATION TO THE GOVERNMENT

Under section 27(2) of the MMA Act, as amended, the Authority's net profit, as determined in accordance with the Act, is paid to the government after making necessary appropriations to provision and reserves under sections 26 and 27(1) respectively. During the year the Authority transferred MVR. 188,038,644 to the Government in respect of profit for the year ended 31 December 2012.

Retained earnings for the year ended 31 December 2012, before making retrospective restatement of errors which amounted to MVR188,038,644 are fully paid to the MOFT as profit re-appropriation to the Government, where as, retained earnings at after retrospective restatement of errors were MVR187,340,363. Accordingly, the difference of MVR 698,281 has been adjusted through the retained earnings as at 31 December 2013.

Notes to the Financial Statements

Year ended 31 December 2013

35 RECONCILIATION OF NET PROFIT WITH OPERATING CASH FLOWS

	2013 MVR	2012 MVR
Reported profit	275,756,053	205,063,505
Add / (subtract) non-cash items		
Depreciation, amortisation and impairment	31,251,183	33,533,822
Unrealised losses/ (gains) on gold	10,857,925	(442,695)
Unrealised losses / (gains) on foreign exchange	(19,507,574)	(17,283,219)
Add / (subtract) movements in other working capital items		
(Increase) / decrease in interest receivable	24,916,632	49,577,076
(Increase) / decrease in other income	(1,160,668)	(6,105,053)
Increase / (decrease) in interest payable	393,297	1,671,597
Increase / (decrease) in other payable	(1,432,016)	(42,248,245)
Net Cash Flow from Operating Activities	321,074,831	223,766,789

36 CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS

	2013 MVR	2012 MVR
Foreign currency cash in hand	20,414,097	15,937,376
Balances with foreign banks	169,444,456	30,908,105
Money at overnight placements	5,273,302,000	4,420,412,000
Investment in fixed deposits -		
- with maturities of 3 months or less	2,158,410	2,107,786
	5,465,318,963	4,469,365,267

37 CAPITAL MANAGEMENT

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

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

Capital adequacy and the use of statutory capital are monitored by the Authority's management in accordance with the guidelines established by the MMA Act. As at 31 December 2012 the Authority's authorised and paid up capital was MVR 50 million. Authorised capital may be increased from time to time by such amounts as may be proposed by the Board and approved by the President of the Maldives.

Notes to the Financial Statements

Year ended 31 December 2013

38 CONCENTRATIONS OF FUNDING

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

As at 31 December 2013	2013 Total MVR	Government of Maldives MVR	Commercial banks MVR	Supranational financial institutions MVR	Others MVR
Foreign currency financial liabilities					
Balances of commercial banks	3,660,826,421	-	3,660,826,421	-	-
Balances of government and government institutions	124,683,825	124,683,825	-	-	-
Payable to Asian Clearing Union	63	-	-	63	-
IMF related liabilities	532,453,471	-	-	532,453,471	-
Interest bearing loans	104,331,222	104,331,222	-	-	-
Deposits of international financial institutions	833,681	-	-	833,681	-
Other liabilities	19,307,373	2,080,786	848,661	-	16,377,926
Total foreign currency financial liabilities	4,442,436,056	231,095,833	3,661,675,082	533,287,215	16,377,926
Local currency financial liabilities					
Balances of commercial banks	2,804,908,993	-	2,804,908,993	-	-
Balances of government and government institutions	22,004,181	22,004,181	-	-	-
Securities sold under agreement to repurchase	902,000,000	-	902,000,000	-	-
Pension and other employment benefit payables	4,399,589	-	-	-	4,399,589
Balances of insurance companies	10,000,000	-	-	-	10,000,000
Deposits of international financial institutions	9,991,252	-	-	9,991,252	-
Other liabilities	216,971,693	207,417,307	4,459,560	-	5,094,826
Total local currency financial liabilities	3,970,275,708	229,421,488	3,711,368,553	9,991,252	19,494,415
Total financial liabilities	8,412,711,764	460,517,321	7,373,043,635	543,278,467	35,872,341
Other liabilities					
Currency in circulation	3,252,432,252	-	-	-	3,252,432,252
Deferred grant	4,551,608	-	-	-	4,551,608
	3,256,983,860	-	-	-	3,256,983,860
Total Liabilities	11,669,695,624	460,517,321	7,373,043,635	543,278,467	3,292,856,201

Notes to the Financial Statements

Year ended 31 December 2013

38 CONCENTRATIONS OF FUNDING (Continued)

Comparative figures as at 31 December 2012 are as follows;

As at 31 December 2012	2012 Total MVR	Government of Maldives MVR	Commercial banks MVR	Supranational financial institutions MVR	Others MVR
Foreign currency financial liabilities					
Balances of commercial banks	2,455,909,127	-	2,455,909,127	-	-
Balances of government and government institutions	116,604,159	116,604,159	-	-	-
Payable to Asian Clearing Union	12,562,384	-	-	12,562,384	-
IMF related liabilities	613,864,968	-	-	613,864,968	-
Interest bearing loans	126,820,558	126,820,558	-	-	-
Deposits of international financial institutions	831,517	-	-	831,517	-
Other liabilities	20,413,979	717,640	841,471	-	18,854,868
Total foreign currency financial liabilities	3,347,006,692	244,142,357	2,456,750,598	627,258,869	18,854,868
Local currency financial liabilities					
Balances of commercial banks	3,441,763,735	-	3,441,763,735	-	-
Balances of government and government institutions	20,929,778	20,929,778	-	-	-
Securities sold under agreement to repurchase	-	-	-	-	-
Pension and other employment benefit payables	5,048,639	-	-	-	5,048,639
Balances of insurance companies	10,000,000	-	-	-	10,000,000
Deposits of international financial institutions	10,901,775	-	-	10,901,775	-
Other liabilities	217,702,767	207,682,612	4,807,287	-	5,212,868
Total local currency financial liabilities	3,706,346,694	228,612,390	3,446,571,022	10,901,775	20,261,507
Total financial liabilities	7,053,353,386	472,754,747	5,903,321,620	638,160,644	39,116,375
Other liabilities					
Currency in circulation	2,475,540,004	-	-	-	2,475,540,004
Deferred grant	4,441,733	-	-	-	4,441,733
	2,479,981,737	-	-	-	2,479,981,737
Total Liabilities	9,533,335,123	472,754,747	5,903,321,620	638,160,644	2,519,098,112

Notes to the Financial Statements

Year ended 31 December 2013

39 RISK MANAGEMENT

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

The Authority's principal financial liabilities comprise of amounts payable to commercial banks, government, public entities and international financial institutions while foreign currency cash and cash equivalents, loan to government, treasury bonds and IMF related assets are its main financial assets. The Authority does not enter into derivative transactions. However the Authority is exposed to a variety of financial and non-financial risks when performing its functions such as;

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

Financial risk is normally any risk associated with any form of financing. Risk is probability of unfavourable condition if actual returns are less than expected return.

39.1 Country risk

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

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

	2013 MVR	2012 MVR
United States of America	5,285,961,664	4,433,072,678
Maldives	6,260,094,189	5,005,657,496
Supranational financial institutions	409,806,336	408,809,082
Germany	18,497,156	17,560,146
Great Britain	2,357,347	2,303,490
Australia	137,847,982	19,160
Singapore	1,332,516	1,344,297
Total financial assets (except foreign cash in hand)	12,115,897,190	9,868,766,349

Notes to the Financial Statements

Year ended 31 December 2013

39 RISK MANAGEMENT (Continued)

39.2 Operational risk

Operational risk is the result of inadequate controls or failed processes such as human fraud and system errors and as a result of external events. The Authority has in place a number of operational controls to minimise the financial and reputational damage against such risks. These include;

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

39.3 Liquidity risk

Liquidity risk is the risk arising from the inability to sell a financial asset at close to its fair value at short notice due to inadequate market depth or market disruptions. To manage liquidity risk the majority of foreign reserves are invested in overnight repurchase agreements of the Federal Reserve Bank of New York.

39.4 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and includes currency and interest rate risks.

1. Currency risk is the risk of loss on foreign assets and liabilities arising from changes in foreign exchange rates.
2. Interest rate risk is the risk of loss arising from changes in market interest rates.

Market risks are mitigated through investing the majority of foreign reserves in US Dollar denominated assets, in highly accredited financial institutions.

39.5 Interest rate risk

Interest rate risk is the risk of loss arising from the changes in market interest rates.

a) Interest rate sensitivity

The interest rate sensitivity analysis measures the potential loss due to a drop in interest rate by 10 basis points for interest bearing assets and increase in interest by 10 basis points for interest bearing liabilities. Impact to the income statement is given below.

	2013 MVR	2012 MVR
Potential loss of interest income	6,869,403	4,633,945

Notes to the Financial Statements

Year ended 31 December 2013

39.5 Interest rate risk (Continued)

b) Assets and liabilities will mature or re-price within the following periods.

Foreign currency interest rate sensitivity gap:	Weighted Ave. Int. Rate %	2013 Total MVR	Less than 6 Months MVR	Less than 12 Months MVR	Less than 2 Years MVR	Less than 5 Years MVR	More than 5 Years MVR	No fixed maturity MVR
Interest sensitive foreign currency financial assets								
Cash and balances with banks	0.06%	5,430,087,661	5,430,087,661	-	-	-	-	-
IMF related assets	0.08%	162,310,286	162,310,286	-	-	-	-	-
Total interest sensitive foreign currency financial assets		5,592,397,947	5,592,397,947	-	-	-	-	-
Non-interest sensitive foreign currency financial assets								
Cash and cash equivalents		36,111,171	36,111,171	-	-	-	-	-
IMF related assets		238,152,812	35,812	-	-	-	-	238,117,000
Subscriptions to international agencies		833,681	-	-	-	-	-	833,681
Interest and other receivables		211,930	211,930	-	-	-	-	-
Total non-interest sensitive foreign currency financial assets		275,309,594	36,358,913	-	-	-	-	238,950,681
Total foreign currency financial assets		5,867,707,541	5,628,756,860	-	-	-	-	238,950,681
Interest sensitive foreign currency financial liabilities								
IMF related liabilities	0.08%	292,969,822	48,813,985	48,813,985	12,203,496	-	-	183,138,356
Payables to Asian Clearing Union	0.09%	63	63	-	-	-	-	-
Total interest sensitive foreign currency financial liabilities		292,969,885	48,814,048	48,813,985	12,203,496	-	-	183,138,356
Non-interest sensitive foreign currency financial liabilities								
Balances of commercial banks	0.01%	3,660,826,421	3,660,826,421	-	-	-	-	-
Interest bearing loans	1.67%	104,331,222	-	-	-	1,522,663	102,808,559	-
IMF related liabilities		239,483,649	5,896,658	-	7,322,098	29,288,391	12,203,496	184,773,006
Balances of government and government institutions		124,683,825	124,683,825	-	-	-	-	-
Other liabilities		19,307,436	3,111,284	-	-	-	-	16,196,152
Deposits by international financial institutions		833,681	-	-	-	-	-	833,681
Total non-interest sensitive foreign currency financial liabilities		4,149,466,234	3,794,518,188	-	7,322,098	30,811,054	115,012,055	201,802,839
Total foreign currency financial liabilities		4,442,436,119	3,843,332,236	48,813,985	19,525,594	30,811,054	115,012,055	384,941,195
Foreign currency interest rate sensitivity gap		5,299,428,062	5,543,583,899	(48,813,985)	(12,203,496)	-	-	(183,138,356)

Notes to the Financial Statements

Year ended 31 December 2013

39.5 Interest rate risk (Continued)

Local currency interest rate sensitivity gap:

	Weighted Ave. Int. Rate %	2013 Total MVR	Less than 6 Months MVR	Less than 12 Months MVR	Less than 2 Years MVR	Less than 5 Years MVR	More than 5 Years MVR	No fixed maturity MVR
Interest sensitive Local currency financial assets								
Loans to government institutions	9.84%	2,475,985,941	2,475,985,941	-	-	-	-	-
Total interest sensitive local currency financial assets		2,475,985,941	2,475,985,941	-	-	-	-	-
Non-interest sensitive local currency financial assets								
Subscriptions to international agencies		8,509,557	-	-	-	-	-	8,509,557
Interest and other receivables		23,761,138	23,761,138	-	-	-	-	-
Investment in government bonds	7.73%	3,136,576,058	-	71,078,689	-	345,207,187	2,720,290,182	-
Interest receivable on government bonds		-	-	-	-	-	-	-
Investment in government treasury bills	7.00%	623,771,051	-	623,771,051	-	-	-	-
Total non-interest sensitive local currency financial assets		3,792,617,804	23,761,138	694,849,740	-	345,207,187	2,720,290,182	8,509,557
Total local currency financial assets		6,268,603,745	2,499,747,079	694,849,740	-	345,207,187	2,720,290,182	8,509,557
Interest sensitive local currency financial liabilities								
Securities sold under agreement to repurchase	7.00%	902,000,000	902,000,000	-	-	-	-	-
Pension and other employment benefit payables	10.50%	4,011,095	-	481,041	435,331	1,073,144	2,021,579	-
Total interest sensitive local currency financial liabilities		906,011,095	902,000,000	481,041	435,331	1,073,144	2,021,579	-
Non-interest sensitive local currency financial liabilities								
Balances of commercial banks	1.00%	2,804,908,993	2,804,908,993	-	-	-	-	-
Balances of government and government institutions		22,004,181	22,004,181	-	-	-	-	-
Pension and other employment benefit payables		388,494	388,494	-	-	-	-	-
Balances of insurance companies		10,000,000	10,000,000	-	-	-	-	-
Deposits by international financial institutions		9,991,252	-	-	-	-	-	9,991,252
Other liabilities		216,971,693	173,280,049	-	-	-	-	43,691,644
Total non-interest sensitive local currency financial liabilities		3,064,264,613	3,010,581,717	-	-	-	-	53,682,896
Total local currency financial liabilities		3,970,275,708	3,912,581,717	481,041	435,331	1,073,144	2,021,579	53,682,896
Local currency interest rate sensitivity gap		1,569,974,846	1,573,985,941	(481,041)	(435,331)	(1,073,144)	(2,021,579)	-

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Year ended 31 December 2013

39.5 Interest rate risk (Continued)

Comparative figures as at 31 December 2012 were as follows.

Foreign currency interest rate sensitivity gap:	Weighted Ave. Int. Rate %	2012 Total MVR	Less than 6 Months MVR	Less than 12 Months MVR	Less than 2 Years MVR	Less than 5 Years MVR	More than 5 Years MVR	No fixed maturity MVR
Interest sensitive foreign currency financial assets								
Cash and balances with banks	0.17%	4,453,595,870	4,453,595,870	-	-	-	-	-
IMF related assets	0.03%	162,912,456	162,912,456	-	-	-	-	-
Total interest sensitive foreign currency financial assets		4,616,508,325	4,616,508,325	-	-	-	-	-
Non-interest sensitive foreign currency financial assets								
Cash and cash equivalents		16,633,872	16,633,872	-	-	-	-	-
IMF related assets		236,555,393	236,555,393	-	-	-	-	-
Subscriptions to international agencies		831,517	-	-	-	-	-	831,517
Interest and other receivables		7,406	7,406	-	-	-	-	-
Total non-interest sensitive foreign currency financial assets		254,028,188	253,196,671	-	-	-	-	831,517
Total foreign currency financial assets		4,870,536,513	4,869,704,996	-	-	-	-	831,517
Interest sensitive foreign currency financial liabilities								
Payables to Asian Clearing Union	0.17%	12,562,384	12,562,384	-	-	-	-	-
Total interest sensitive foreign currency financial liabilities		12,562,384	12,562,384	-	-	-	-	-
Non-interest sensitive foreign currency financial liabilities								
Balances of commercial banks	0.01%	2,455,909,127	2,455,909,127	-	-	-	-	-
Interest bearing loans	1.67%	126,820,558	-	-	-	-	126,820,558	-
IMF related liabilities		613,498,935	5,957,477	-	-	-	-	607,541,458
Balances of government and government institutions		119,568,295	119,568,295	-	-	-	-	-
Other liabilities		17,815,876	1,619,724	-	-	-	-	16,196,152
Deposits by international financial institutions		831,517	-	-	-	-	-	831,517
Total non-interest sensitive foreign currency financial liabilities		3,334,444,308	2,583,054,623	-	-	-	126,820,558	624,569,127
Total foreign currency financial liabilities		3,347,006,692	2,595,617,007	-	-	-	126,820,558	624,569,127
Foreign currency interest rate sensitivity gap		4,603,945,942	4,603,945,942	-	-	-	-	-

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Year ended 31 December 2013

39.5 Interest rate risk (Continued)

Local currency interest rate sensitivity gap:

	Weighted Ave. Int. Rate %	2012 Total MVR	Less than 6 Months MVR	Less than 12 Months MVR	Less than 2 Years MVR	Less than 5 Years MVR	More than 5 Years MVR	No fixed maturity MVR
Total interest sensitive local currency financial assets		-	-	-	-	-	-	-
Non-interest sensitive local currency financial assets								
Subscriptions to international agencies		8,509,716	-	-	-	-	-	8,509,716
Interest and other receivables		2,593,119	-	-	-	-	-	-
Loans to government institutions	8.87%	331,391,576	331,391,576	-	-	-	-	-
Investment in Government bonds	7.72%	3,806,000,000	-	634,000,000	-	1,268,000,000	1,904,000,000	-
Interest Receivable on Government bonds		86,069,446	-	86,069,446	-	-	-	-
Investment in Government Treasury Bills	7.00%	779,603,355	-	779,603,355	-	-	-	-
Total non-interest sensitive local currency financial assets		5,014,167,212	331,391,576	1,499,672,801	-	1,268,000,000	1,904,000,000	8,509,716
Total local currency financial assets		5,014,167,212	331,391,576	1,499,672,801	-	1,268,000,000	1,904,000,000	8,509,716
Interest sensitive local currency financial liabilities								
Pension and other employment benefit payables	7.86%	4,874,507	-	492,815	880,509	756,855	2,744,328	-
Total interest sensitive local currency financial liabilities		4,874,507	-	492,815	880,509	756,855	2,744,328	-
Non-interest sensitive local currency financial liabilities								
Balances of commercial banks	1.00%	3,441,763,735	3,441,763,735	-	-	-	-	-
Balances of government and government institutions		20,929,778	20,929,778	-	-	-	-	-
Pension and other employment benefit payables		174,132	-	-	-	-	-	-
Balances of insurance companies		10,000,000	10,000,000	-	-	-	-	-
Deposits by international financial institutions		10,901,775	10,901,775	-	-	-	-	-
Other liabilities		217,702,767	217,702,767	-	-	-	-	-
Total non-interest sensitive local currency financial liabilities		3,701,472,187	3,701,298,055	-	-	-	-	-
Total local currency financial liabilities		3,706,346,694	3,701,298,055	492,815	880,509	756,855	2,744,328	-
Local currency interest rate sensitivity gap		(4,874,507)	-	(492,815)	(880,509)	(756,855)	(2,744,328)	-

Notes to the Financial Statements

Year ended 31 December 2013

39.6 Foreign currency risk

Effective management of foreign exchange risk is vital to maintain the Authority's credibility. If foreign reserve risk is managed properly and effectively it will strengthen public confidence in the monetary policy. Foreign exchange reserves risk management concerns balancing many objectives and issues, from broad macro-economic policy objectives, such as monetary policy and foreign exchange management. Foreign currency activities result mainly from the Authority's holding of foreign currency assets which are managed by the Reserve Management and Market Operations Division of the Authority. Volatility of the foreign exchange markets may expose the Authority to exchange rate risk.

Net exposure to foreign currencies

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

As at 31 December 2013	Currency of denomination							Total MVR
	US Dollars MVR	Euro MVR	Singapore Dollars MVR	Sterling Pound MVR	SDR MVR	Australian Dollars MVR	Other Currencies MVR	
Foreign currency financial assets								
Cash and balances with banks	5,307,281,651	18,496,610	419,804	2,357,347	-	137,643,420	-	5,466,198,832
IMF related assets	-	-	-	-	400,463,098	-	-	400,463,098
Subscriptions to international agencies	833,681	-	-	-	-	-	-	833,681
Other receivables	6,822	546	-	-	-	204,562	-	211,930
Total foreign currency financial assets	5,308,122,154	18,497,156	419,804	2,357,347	400,463,098	137,847,982	-	5,867,707,541
Proportion	90.46%	0.32%	0.01%	0.04%	6.82%	2.35%	0.00%	100.0%
Foreign currency financial liabilities								
Balances of commercial banks	3,660,826,421	-	-	-	-	-	-	3,660,826,421
Balances of government and government institutions	124,683,825	-	-	-	-	-	-	124,683,825
Payable to Asian Clearing Union	63	-	-	-	-	-	-	63
IMF related liabilities	-	-	-	-	532,453,471	-	-	532,453,471
Interest bearing loans	-	-	-	-	104,331,222	-	-	104,331,222
Deposits of international financial institutions	833,681	-	-	-	-	-	-	833,681
Other liabilities	18,871,061	-	-	434,049	-	2,263	-	19,307,373
Total foreign currency financial liabilities	3,805,215,051	-	-	434,049	636,784,693	2,263	-	4,442,436,056
Proportion	85.66%	0.00%	0.00%	0.01%	14.33%	0.00%	0.00%	100.0%
Net foreign currency exposure	1,502,907,103	18,497,156	419,804	1,923,298	(236,321,595)	137,845,719	-	1,425,271,485

Notes to the Financial Statements

Year ended 31 December 2013

39.6 Foreign currency risk (Continued)

As at 31 December 2012 the Authority's net exposure to major currencies was as follows.

As at 31 December 2012	Currency of Denomination							Total MVR
	US Dollars MVR	Euro MVR	Singapore Dollars MVR	Sterling Pound MVR	SDR MVR	Australian Dollars MVR	Other Currencies MVR	
Foreign currency financial assets								
Cash and balances with banks	4,449,902,715	17,560,146	444,230	2,303,490	-	19,160	-	4,470,229,741
IMF related assets	-	-	-	-	399,467,849	-	-	399,467,849
Subscriptions to international agencies	831,517	-	-	-	-	-	-	831,517
Other receivables	7,406	-	-	-	-	-	-	7,406
Total foreign currency financial assets	4,450,741,638	17,560,146	444,230	2,303,490	399,467,849	19,160	-	4,870,536,513
Proportion	91.38%	0.36%	0.01%	0.05%	8.20%	0.00%	-	83.0%
Foreign currency financial liabilities								
Balances of commercial banks	2,455,909,127	-	-	-	-	-	-	2,455,909,127
Balances of government and government institutions	116,604,159	-	-	-	-	-	-	116,604,159
Payable to Asian Clearing Union	12,562,384	-	-	-	-	-	-	12,562,384
IMF related liabilities	-	-	-	-	613,864,968	-	-	613,864,968
Interest bearing loans	-	-	-	-	126,820,558	-	-	126,820,558
Deposits of international financial institutions	831,517	-	-	-	-	-	-	831,517
Other liabilities	20,413,979	-	-	-	-	-	-	20,413,979
Total foreign currency financial liabilities	2,606,321,166	-	-	-	740,685,526	-	-	3,347,006,692
Proportion	77.87%	0.00%	0.00%	0.00%	22.13%	0.00%	0.00%	75.3%
Net foreign currency exposure	1,844,420,472	17,560,146	444,230	2,303,490	(341,217,677)	19,160	-	1,523,529,821

39.7 Credit risk

Credit risk is the possibility that the counter party will not fulfil its contractual obligation, resulting in a financial loss. To manage the credit risk the Authority determines and evaluate the credit limits to banks and to the government. Loans and advances granted to the Government of Maldives until August 2009 were converted into government bonds and are used as collateral for conducting open market operations. Furthermore, advances provided to commercial banks are backed by government securities.

Notes to the Financial Statements

Year ended 31 December 2013

39.7 Credit risk (Continued)

a) Credit exposure by credit rating

The following table presents the credit ratings of respective financial assets or issuers (except foreign cash in hand), based on the ratings of Standard and Poor's, Fitch Ratings and Moody's ratings. Under Standard & Poor's ratings and Fitch Ratings, AAA 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. AA is high quality grade, indicating very low expectation of credit risk, and A is an upper medium grade, indicating a low expectation of credit risk; BBB is the lower medium investment grade rating, indicating that there is currently a low expectation of credit risk and exhibits adequate protection parameters and CCC indicates current vulnerability to meet financial commitments. Ratings lower than AAA can be modified by + or - signs to indicate relative standing within the major categories. NR indicates the financial instruments have no ratings.

	Credit rating	2013 MVR	%	2012 MVR	%
Cash and balances with banks					
Reserve Bank of Australia	AAA	137,545,066	2.35%	-	0.00%
Deutsche Bundesbank- Germany	AAA	9,157,250	0.16%	-	0.00%
Federal Reserve Bank - USA	AA+	5,244,602,238	89.69%	4,391,715,556	90.46%
Balances with other banks	A+	41,876,715	0.72%	41,820,418	0.86%
Commerzbank AG - Germany	A-	9,339,360	0.16%	17,560,146	0.36%
Crown Agents - London	BBB+	68,337	0.00%	66,903	0.00%
Bank of India - Singapore	BBB-	906,759	0.02%	892,755	0.02%
Habib Bank - London	CCC	2,289,010	0.04%	2,236,587	0.05%
		<u>5,445,784,735</u>		<u>4,454,292,365</u>	
Other foreign currency financial assets					
Foreign Central Banks	AAA	204,972	0.00%	-	0.00%
	AA+	728	0.00%	-	0.00%
Foreign Banks and financial institutions	A+	277	0.00%	94	0.00%
	BBB-	5,953	0.00%	7,312	0.00%
Supranational financial institutions	NR	400,463,098	6.85%	399,467,849	8.23%
Government of Maldives	NR	833,681	0.01%	831,517	0.02%
Total foreign currency financial assets		<u>5,847,293,444</u>	<u>100%</u>	<u>4,854,599,137</u>	<u>100%</u>
Local currency financial assets					
Government of Maldives	NR	6,268,603,745	100%	5,014,167,212	100%
Total financial assets		<u>12,115,897,189</u>		<u>9,868,766,349</u>	

* Reserve Bank of Australia and Deutsche Bundesbank do not have credit ratings, and therefore the country ratings of Government of Australia and Government of Germany as per Standard and Poor is applied.

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.

	2013 MVR	2012 MVR
Government of Maldives and government institutions	6,269,437,426	5,014,998,729
Foreign Central Banks	5,391,510,254	4,391,715,556
Supranational financial institutions	400,463,098	399,467,849
Foreign banks and financial institutions	54,486,411	62,584,215
Total financial assets	<u>12,115,897,189</u>	<u>9,868,766,349</u>

Notes to the Financial Statements

Year ended 31 December 2013

40 RELATED PARTIES TRANSACTION DISCLOSURES

40.1 Transactions with state and state controlled entities

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

	2013 MVR	2012 MVR
Profit re-appropriation to the Government	188,038,644	205,310,125
Surplus payable to government	-	57,893,055
Temporary advances made to the Government (Note b)	2,475,985,941	331,391,576
Gross foreign exchange transactions during the year		
- Sales	6,176,522,575	4,596,831,495
- Purchases	7,893,447,557	5,903,955,185

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

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

	2013 MVR	2012 MVR
Interest income earned from related parties	434,390,210	308,975,626
Loans received from the MOFT	-	19,676,739
Finance charges paid	730,006	373,050
Charges and commissions earned from related parties	9,404,850	10,054,925
Gross value of goods and services obtained	11,554,719	7,681,281

- d) The aggregate balances outstanding on deposits and amounts due from government and governmental entities, as at 31 December are given below.

	2013 MVR	2012 MVR
Advances to Government as at 31 December (Note 8)	2,475,985,941	331,391,576
Investment in Government Treasury bills (Note 9)	623,771,051	779,603,355
Investment in Government bonds (Note 10)	3,136,576,058	3,892,069,446
	6,236,333,050	5,003,064,377
Government deposits with the Authority	145,133,808	136,889,425
State Owned Enterprises deposits with the Authority	1,554,198	644,512
Security deposits held by insurance companies (Note 22)	4,000,000	4,000,000
	150,688,006	141,533,937

Notes to the Financial Statements

Year ended 31 December 2013

40 RELATED PARTIES TRANSACTION DISCLOSURES (CONTINUED)

40.1 Transactions with state and state controlled entities (Continued)

- e) The Authority performs the functions of implementing its monetary policy mainly through open market operations and enforcing Statutory Reserve Requirement under article 31 of MMA Act. Further, the Authority act as the banker to both commercial banks and government institutions. Government of Maldives as a related party has a significant shareholding in Bank of Maldives Plc. Please refer Note 16 for the gross outstanding balances as at 31 December.
- f) Empowered by the article 4 (c) of the MMA Act, the Financial Sector Division of the Authority carries out the regulatory and supervisory functions of the banks licensed by the Authority. The Bank of Maldives Plc which had been funded by the government and having a significant influence, falls under the supervision of this division.
- g) The Insurance Division of the Authority carries out its regulatory and supervisory functions in respect of Insurance Companies in Maldives. Accordingly, the following related entities are under the supervision of the Authority.
- Allied Insurance Company of the Maldives (Refer Note 22)
- h) As per article 22(f) of MMA Act, the Authority is vested with the function of public debt management. Accordingly, as the agent of the government, the Public Debt Unit (PDU) of the Authority issues securities to the domestic market to meet the budgetary requirements and to ensure that financing needs of the government and its payment obligations are met.
- i) The Authority, in carrying out the normal operations, enters into transactions to obtain various goods and services with government entities or entities in which government has significant influence or control (Refer Note 40.1 (c)).
- j) The Authority did not provide any guarantee over any of the borrowings of a related parties during the year ending 31 December 2013.

40.2 Transactions with key managerial personnel (present and former)

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

	2013 MVR	2012 MVR
Compensation to the key management personnel	5,921,101	2,880,382

Notes to the Financial Statements

Year ended 31 December 2013

41 FINANCIAL INSTRUMENTS

Investment in fixed deposits

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

Reverse-Repurchase Agreements

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

42 RETROSPECTIVE RESTATEMENT OF ERRORS

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

42.1 INTEREST BEARING LOANS

Loan disbursements amounting to SDR 51,370 (equivalent to MVR 1,215,063) received from ADB subsidiary loan have not been correctly accounted as a receipt during the year 2012 due to oversight. The Authority has received the relevant statements from the MOFT subsequent to the reporting date of the year 2012 and has been corrected in these financial statements as a retrospective restatement of errors. The Authority has utilised these fund in development of the Central Movable Assets Registry (CMAR).

43.1.1 The MOFT

	As reported now	As reported previously
	2012	2012
	MVR	MVR
Balance as at 1 January	9,752,122	9,752,122
Received during the year	1,215,063	-
Effects of exchange rates	(47,307)	(47,307)
Balance as at 31 December	10,919,878	9,704,815

42.2 INTANGIBLE ASSETS

The payments totaling to MVR 538,650/- made by the MOFT on behalf of the Authority in 2012 on account of CMAR project has not been properly recognised as an intangible asset in the financial statements for the year ended 31 December 2012 due to delays in the receipt of statements from the MOFT and this has been corrected in these financial statements as a retrospective restatement of errors.

43.2.1 Development projects under work in progress Central Movable Asset Registry (CMAR)

	As reported now	As reported previously
	2012	2012
	MVR	MVR
Balance as at 1 January	-	-
Cost incurred during the year	538,650	-
Balance as at 31 December	538,650	-

Notes to the Financial Statements

Year ended 31 December 2013

42 RETROSPECTIVE RESTATEMENT OF ERRORS (Continued)

42.3 Retained earnings

a) Expenses totaling to MVR 676,413/- and its related FARR adjustment of MVR 2,773/- incurred by the MOFT on behalf of the Authority in 2012 on account of CMAR project has not been properly recognised as an expense in the financial statements for the year ended 31 December 2012 due to delays in the receipt of statements from the MOFT and this has been corrected in these financial statements as a retrospective restatement of errors.

b) Cost incurred amounting to MVR 24,641 by the Authority on Oracle E-Business Suite which had been erroneously recognised as an asset during the prior year has been identified and corrected in these financial statements as a retrospective restatements of errors.

	As reported now	As reported previously
	2012 MVR	2012 MVR
Profit for the year	205,063,505	205,764,559
Transfers to FARR	(17,723,142)	(17,725,915)
	187,340,363	188,038,644

43 COMPARATIVE INFORMATION

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

- 43.1** Fixed assets in transit were transferred from "Property, plant and equipment" to "Other assets" and the comparative information have been adjusted accordingly.

	As reported now	As reported previously
	2012 MVR	2012 MVR
PROPERTY, PLANT AND EQUIPMENT		
Fixed assets in transit	-	486,191
OTHER ASSETS		
Advance paid	486,191	-

- 43.2** a) Cheques issued and outstanding for foreign exchange purchase/sales totaling to MVR 3,477,220/- (classified under Balances of government and government institutions during the year 2012) have been identified and reclassified in these financial statements under Other liabilities in Note 17.

b) Charges payable on IMF balances totaling to MVR 366,033/- (classified under local currency other liabilities during the year 2012) have been identified and reclassified under IMF related liabilities in these financial statements in Note 19.

c) Employee pension contributions payable totaling to MVR 174,132/- (classified under other liabilities during the year 2012) have been identified and reclassified under Pension and other employment benefits payable in these financial statements in Note 27.

Notes to the Financial Statements

Year ended 31 December 2013

43 COMPARATIVE INFORMATION (Continued)

	As reported now	As reported previously
	2012 MVR	2012 MVR
BALANCES OF GOVERNMENT AND GOVERNMENT INSTITUTIONS;		
<i>Foreign currency deposits:</i>		
MOFT and government institutions	116,604,159	119,568,295
<i>Local currency deposits:</i>		
MOFT and government institutions	20,285,266	20,798,350
OTHER LIABILITIES;		
<i>Foreign currency other liabilities</i>		
Accrued charges	-	1,243,470
Accounts payable	-	418,295
Accrued charges and other payables	4,259,867	-
<i>Local currency other liabilities</i>		
Accrued charges	-	1,534,167
Accounts payable	-	1,593,165
Accrued charges and other payables	3,466,285	-
IMF RELATED LIABILITIES;		
Charges payable on SDR Allocation	20,744	-
Charges payable on IMF SBAL	345,289	-
PENSION AND OTHER EMPLOYMENT BENEFITS PAYABLE;		
Employee and employer pension contribution payable	174,132	
	8,266,317	4,789,097

Notes to the Financial Statements

Year ended 31 December 2013

42 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

42.1 Guarantees

The Bank acting as an agent of the Government or its agencies and institutions, provides guarantees to various parties on the strength of counter guarantees issued to MMA by the MOFT. There were no such outstanding guarantees as at 31st December 2013.

42.2 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.

42.3 Legal claims

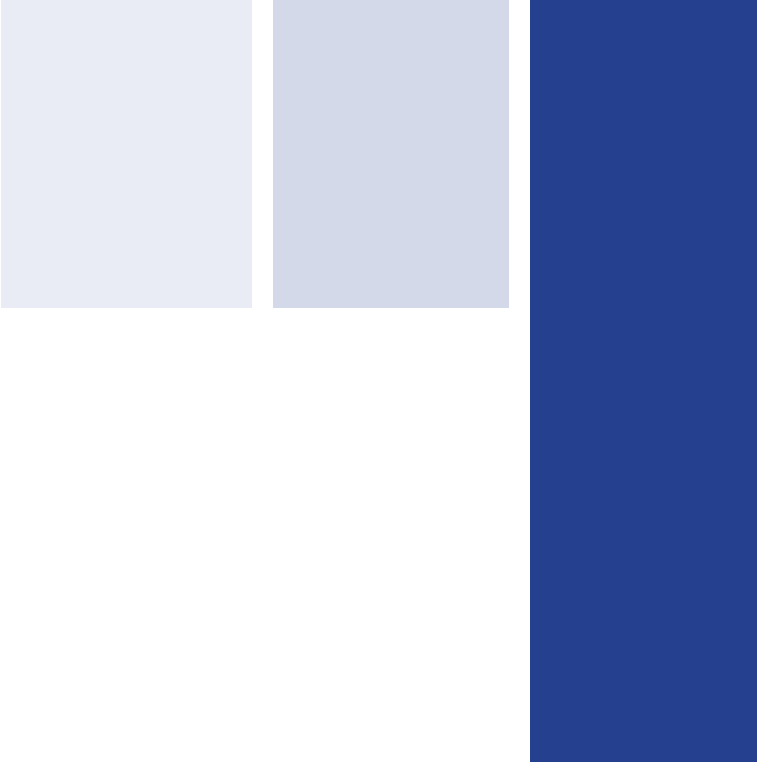
There are no ongoing legal proceedings against the Authority as of 31 December 2013.

42.4 Commitments

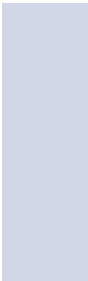
On the request made by the MOFT, with reference to the loan agreements signed between the Government and the Islamic Development Bank, the Authority undertakes to provide the foreign exchange required to repay the loans inclusive of service fees when repayment instalments and service fees fall due. In consideration, the MOFT on behalf of the Government has counter guaranteed to repay the Authority, the equivalent Rufiyaa for the aforesaid payments.

43 EVENTS AFTER THE REPORTING PERIOD

On 5 February 2014, the board of directors of MMA has decided to reduce the minimum reserve requirement of the commercial bank deposits maintained at the authority from 25% to 20% with effect from 20 February 2014.



STATISTICAL APPENDIX



Statistical Appendix

Real Sector

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Table 1: Gross Domestic Product, 2009–2013

(millions of rufiyaa; 2003 constant prices)

	2009	2010	2011	2012	2013 ^{1/}
Gross domestic product	17,853.0	19,113.2	20,351.0	20,621.8	21,387.6
Agriculture and mining	336.9	350.6	361.2	363.2	368.4
Fisheries	344.3	324.6	321.0	318.8	325.4
Construction	1,302.8	1,423.9	1,694.3	1,673.6	1,625.3
Wholesale and retail trade	765.4	770.0	850.1	907.0	958.5
Tourism	4,608.1	5,335.4	5,824.6	5,820.2	6,139.3
Transport	1,539.8	1,800.9	1,926.9	1,893.9	1,990.0
Communication	1,769.9	1,803.1	1,954.2	2,045.3	2,200.0
Real estate	1,517.0	1,568.3	1,596.9	1,617.8	1,676.4
Government administration	2,251.8	2,290.0	2,279.0	2,345.1	2,413.9
<i>(annual percentage change)</i>					
Gross domestic product	(3.6)	7.1	6.5	1.3	3.7
Agriculture and mining	(2.3)	4.1	3.0	0.5	1.4
Fisheries	(2.6)	(5.7)	(1.1)	(0.7)	2.1
Construction	(37.3)	9.3	19.0	(1.2)	(2.9)
Wholesale and retail trade	(11.3)	0.6	10.4	6.7	5.7
Tourism	(5.4)	15.8	9.2	(0.1)	5.5
Transport	1.2	17.0	7.0	(1.7)	5.1
Communication	22.3	1.9	8.4	4.7	7.6
Real estate	(0.1)	3.4	1.8	1.3	3.6
Government administration	10.0	1.7	(0.5)	2.9	2.9
<i>Memorandum items:</i>					
Real GDP (2003 constant basic prices, in millions of US dollars)	1,394.8	1,493.2	1,589.9	1,611.1	1,670.9
Nominal GDP (current market prices, in millions of rufiyaa)	25,403.4	27,316.5	31,583.7	32,469.4	35,341.0
Nominal GDP (current market prices, in millions of US dollars)	1,984.6	2,134.1	2,167.7	2,105.7	2,291.9
Real GDP per capita (2003 constant basic prices, in rufiyaa)	46,395.3	48,562.7	50,081.4	49,099.7	49,222.9
Real GDP per capita (2003 constant basic prices, in US dollars)	3,624.6	3,794.0	3,912.6	3,835.9	3,845.5
Total mid-year population ^{2/}	384,801	393,578	406,359	419,998	434,505

^{1/} GDP series was revised in October 2013. Figures for 2012 are estimates and 2013 are revised projections.^{2/} Mid-year population figures includes local and expatriate population. Expatriate population is projected for the subsequent years using the past five year growth rate of foreign population.

Source: Department of National Planning

Table 2: Tourism Indicators, 2009–2013

	2009	2010	2011	2012	2013
Tourist arrivals	655,852	791,917	931,333	958,027	1,125,202
Europe	462,192	505,421	537,757	517,809	527,274
Germany	69,085	77,108	90,517	98,351	93,598
United Kingdom	105,950	114,158	104,508	91,776	85,869
Russia	40,014	49,111	63,936	66,378	76,479
Asia	155,538	239,882	334,692	367,680	505,753
China	60,666	118,961	198,655	229,551	331,719
India	15,850	25,756	30,978	31,721	38,014
Japan	36,641	38,791	35,782	36,438	39,463
Korea	16,135	24,808	25,285	23,933	30,306
Tourist bednights ^{1/} ('000)	5,147.0	5,986.3	6,529.1	6,450.9	7,041.3
Average stay (days)	7.9	7.6	7.0	6.7	6.3
Operational capacity (beds in operation)	20,136.8	23,648.8	24,493.3	25,062.0	26,101.1
Bednight capacity ('000)	7,351.7	8,631.8	8,393.3	9,173.2	9,527.7
Occupancy rate	70.2	69.5	73.1	70.4	74.0
GST on tourism ^{2/} (millions of rufiyaa)	na	na	665.3	1,553.6	2,390.7
Number of resorts by lease holders (year-end)	97	97	101	105	-
Local	73	73	74	73	-
Foreign	8	10	12	13	-
Joint Venture	16	14	15	19	-
Number of resorts by operators (year-end)	97	97	101	105	-
Local	42	43	47	50	-
Foreign	35	36	37	35	-
Joint Venture	20	18	17	20	-

^{1/} Data for 2009 refers to only resorts and hotels. Data from 2010 onwards include guesthouses and safaris.

^{2/} Data obtained from Ministry of Finance and Treasury.

Source: Ministry of Tourism; Maldives Monetary Authority; Ministry of Finance and Treasury; Statistical Yearbook of Maldives 2011, 2012

Table 3: Fish Production and Volume of Fish Exports, 2009–2013

(quantity in thousands of metric tonnes)

	2009	2010	2011	2012	2013
Fish catch ^{1/}	116.7	122.2	120.8	120.0	140.2
Fish purchases ^{1/}	31.8	35.3	40.3	49.5	60.2
Volume of fish exports	39.8	33.5	38.2	40.6	49.6
Fresh, chilled or frozen tuna	30.7	25.2	31.9	35.4	44.7
o/w Skipjack tuna	19.1	16.4	18.5	17.9	23.3
Yellowfin tuna	11.2	8.7	13.2	17.4	21.1
Fresh, chilled or frozen fish (excluding tuna)	0.5	0.6	0.8	0.9	0.7
Canned or pouched	1.8	1.4	1.5	2.1	2.4
Processed fish, nes	6.8	6.3	4.1	2.2	1.9

^{1/} Figures for 2013 are estimates.

Source: Ministry of Fisheries and Agriculture; Maldives Customs Service

Table 4: Consumer Price Index (Male'), 2009–2013

(June 2012 = 100)

	weight	2009	2010	2011	2012	2013
Food and non-alcoholic beverages	23.8	64.7	69.6	83.4	98.2	105.5
<i>Food</i> ^{1/}	21.6	-	-	-	58.9	105.9
<i>Fish</i>	7.6	33.4	36.0	57.4	94.4	103.8
Tobacco and arecanut	1.3	50.7	50.5	64.3	101.1	98.2
Clothing and footwear	3.3	70.4	72.5	81.9	98.2	99.7
Housing, water, electricity, gas and other fuel	33.3	87.1	93.8	96.5	100.0	104.0
Furnishing, household equipment & maintenance	7.4	75.9	80.4	83.8	98.5	96.5
Health	3.3	117.6	123.1	136.1	102.8	110.6
Transport	5.0	78.0	80.6	91.6	99.9	102.4
Communication	4.9	100.2	100.4	100.6	99.9	98.0
Recreation and culture	3.9	94.6	100.0	97.9	99.1	99.2
Education	3.1	66.2	72.5	85.8	100.0	102.1
Restaurants and hotels	4.1	68.0	70.2	81.1	103.9	117.3
Miscellaneous goods and services	6.6	76.9	80.7	86.7	100.7	98.8
Total index (Male')	100.0	75.9	80.6	89.7	99.4	103.4
<i>Total index, excluding fish</i>	-	79.5	84.3	91.7	100.1	103.4
<i>Food and non-alcoholic beverages excluding fish</i>	-	78.4	84.2	94.8	99.8	106.3
<i>Inflation (year-on-year percentage change of the CPI)</i>						
Food and non-alcoholic beverages	23.8	0.5	7.5	19.9	17.7	7.5
<i>Food</i>	21.6	-	-	-	-	79.6
<i>Fish</i>	7.6	(10.7)	7.7	59.3	64.6	10.0
Tobacco and arecanut	1.3	(1.8)	(0.3)	27.2	57.3	(2.9)
Clothing and footwear	3.3	3.2	3.0	12.9	20.0	1.5
Housing, water, electricity, gas and other fuel	33.3	7.8	7.6	2.9	3.6	3.9
Furnishing, household equipment & maintenance	7.4	10.9	6.0	4.2	17.6	(2.0)
Health	3.3	2.3	4.7	10.6	(24.5)	7.6
Transport	5.0	1.0	3.3	13.7	9.0	2.5
Communication	4.9	(0.7)	0.2	0.2	(0.7)	(1.9)
Recreation and culture	3.9	5.0	5.7	(2.1)	1.3	0.1
Education	3.1	35.1	9.4	18.3	16.6	2.2
Restaurants and hotels	4.1	2.6	3.2	15.6	28.1	12.9
Miscellaneous goods and services	6.6	7.1	4.9	7.4	16.1	(1.9)
Total index (Male')	100.0	4.5	6.1	11.3	10.9	4.0
<i>Total index, excluding fish</i>	-	5.5	6.1	8.7	9.2	3.2
<i>Food and non-alcoholic beverages excluding fish</i>	-	2.9	7.4	12.6	5.3	6.6

^{1/} The CPI for "Food" is only available from June 2012 onwards.

Note: Annual data refers to the twelve-month moving average.

Source: Department of National Planning

Table 5: Summary of Government Finance, 2009–2013 ^{1/}

(millions of rufiyaa)

	2009	2010	2011	2012	2013 ^{2/}
Total revenue and grants	5,734.8	6,546.9	9,904.6	10,138.1	11,735.8
Total revenue	5,313.3	6,392.4	9,172.1	9,771.4	11,527.5
Current revenue	5,299.4	6,343.0	8,637.7	9,723.4	11,419.4
Capital revenue	13.9	49.4	534.5	48.1	108.0
Grants	421.5	154.5	732.4	366.7	208.3
Expenditure and net lending	10,953.4	10,815.1	12,264.7	13,110.0	13,393.7
Total expenditure	11,104.3	10,996.4	12,663.7	13,200.2	13,512.0
Current expenditure	8,764.9	8,428.1	9,075.7	10,316.5	11,379.8
Capital expenditure	2,339.3	2,568.3	3,588.0	2,883.7	2,132.2
Net lending	(150.8)	(181.3)	(399.0)	(90.2)	(118.2)
Overall balance	(5,218.6)	(4,268.1)	(2,360.2)	(2,971.9)	(1,658.0)
Overall balance excluding grants	(5,640.1)	(4,422.7)	(3,092.6)	(3,338.6)	(1,866.2)
Current balance	(3,465.5)	(2,085.0)	(438.1)	(593.1)	39.7
Financing	5,218.6	4,268.1	2,360.2	2,971.9	1,658.0
Foreign financing	1,006.2	1,228.3	968.0	772.2	1,424.6
Domestic financing	4,212.4	3,039.8	1,392.1	2,199.7	233.3
<i>(as a percentage of GDP)</i>					
Total revenue	21	23	29	30	33
Current revenue	21	23	27	30	32
Capital revenue	0	0	2	0	0
Grants	2	1	2	1	1
Total expenditure	44	40	40	41	38
Current expenditure	35	31	29	32	32
Capital expenditure	9	9	11	9	6
Net lending	(1)	(1)	(1)	(0)	(0)
Overall balance	(21)	(16)	(7)	(9)	(5)
<i>Memorandum items:</i>					
Nominal GDP	25,403.4	27,316.5	31,583.7	32,469.4	35,341.0

^{1/} Format is based on the IMF Government Finance Statistics Manual (GFSM 1986).^{2/} Figures for 2013 are revised estimates.

Source: Ministry of Finance and Treasury

Table 6: Government Revenue and Grants, 2009–2013 ^{1/}
(millions of rufiyaa)

	2009	2010	2011	2012	2013 ^{2/}
Total revenue and grants	5,734.8	6,546.9	9,904.6	10,138.1	11,735.8
Total revenue	5,313.3	6,392.4	9,172.1	9,771.4	11,527.5
Current revenue	5,299.4	6,343.0	8,637.7	9,723.4	11,419.4
Tax revenue	2,732.0	2,931.0	4,893.0	6,880.1	8,643.5
o/w Import duty	1,848.8	2,055.8	2,586.5	1,369.0	1,620.4
Tourism tax	531.4	597.3	750.8	804.7	882.8
Bank profit tax	245.7	203.3	229.9	313.2	349.4
Goods and Services Tax	-	-	243.0	1,005.7	1,169.7
Tourism Goods and Services Tax	-	-	665.3	1,553.6	2,390.7
Business Profit Tax	-	-	34.9	1,401.3	1,732.7
Nontax revenue	2,567.4	3,412.0	3,744.7	2,843.3	2,776.0
o/w Net sales to public enterprises	676.8	1,080.3	973.7	633.3	724.8
o/w State Trading Organisation plc	137.9	106.9	-	-	55.2
Dhivehi Rajjееge Gulhun plc	192.0	505.7	487.1	254.5	295.1
Maldives Monetary Authority	146.7	304.9	132.6	205.3	155.0
Maldives Industrial Fisheries Corporation	-	-	-	-	10.4
Island Aviation Services Limited	8.8	3.4	2.7	9.0	12.0
Maldives Ports Limited	60.0	36.2	40.0	39.4	60.0
Bank of Maldives plc	24.7	-	-	-	25.4
Maldives Airports Company Ltd	65.5	62.8	244.3	-	-
Housing Development Corporation	-	-	-	11.1	22.0
Maldives Water & Sewerage Company	16.3	41.8	52.8	95.2	61.9
Housing Development Finance Corporation plc	-	-	14.3	18.9	7.8
Thilafushi Corporation Limited	-	-	-	-	10.0
Kooddoo Fisheries Pvt Ltd	-	-	-	-	10.0
Royalties, land & resort rent	1,041.2	1,264.1	1,311.9	1,110.0	1,197.4
o/w Resort lease rent	898.4	1,106.3	1,152.2	1,031.2	1,117.1
Capital revenue (sale of assets)	13.9	49.4	534.5	48.1	108.0
Grants	421.5	154.5	732.4	366.7	208.3
<i>(as a percentage of GDP)</i>					
Tax revenue	11	11	15	21	24
Import duty	7	8	8	4	5
Tourism Goods and Services Tax	-	-	2	5	7
Business Profit Tax	-	-	0	4	5
Goods and Services Tax	-	-	1	3	3
Nontax revenue	10	12	12	9	8
Net sales to public enterprises	3	4	3	2	2
Resort lease rent	4	4	4	3	3

^{1/} Format is based on the IMF Government Finance Statistics Manual (GFSM 1986).

^{2/} Figures for 2013 are revised estimates.

Source: Ministry of Finance and Treasury

Table 7: Government Expenditure and Net Lending, 2009–2013 ^{1/}

(millions of rufiyaa)

	2009	2010	2011	2012	2013 ^{2/}
Total expenditure and net lending	10,953.4	10,815.1	12,264.7	13,110.0	13,393.7
Total expenditure	11,104.3	10,996.4	12,663.7	13,200.2	13,512.0
Current expenditure	8,764.9	8,428.1	9,075.7	10,316.5	11,379.8
Expenditure on goods and services	7,725.4	7,113.5	7,352.3	8,519.2	8,810.3
Salaries and wages	2,944.8	2,486.5	2,596.3	2,722.7	3,159.2
Other allowances	1,797.9	1,691.9	1,684.7	1,836.5	2,326.8
Transportation, communication and utilities	883.9	864.9	990.8	1,035.3	1,011.2
Social welfare contributions	1,178.8	1,360.7	1,005.6	1,595.3	1,092.4
Others	920.0	709.5	1,075.0	1,329.4	1,220.8
Interest payments	617.9	675.8	725.8	1,107.1	893.6
Subsidies and transfers	421.6	638.8	997.7	690.2	1,675.8
Food, medicine and other	326.7	389.5	748.9	442.1	942.5
Pensions	94.9	249.3	248.8	248.1	733.3
Capital expenditure and net lending	2,188.5	2,387.0	3,189.0	2,793.5	2,014.0
Development expenditure	2,339.3	2,568.3	3,588.0	2,883.7	2,132.2
Foreign loan-financed	738.4	1,256.3	1,327.6	1,131.6	1,258.0
Others ^{3/}	1,600.9	1,311.9	2,260.4	1,752.1	874.2
Net lending	(150.8)	(181.3)	(399.0)	(90.2)	(118.2)

(as a percentage of GDP)

Current expenditure	35	31	29	32	32
Salaries and wages	12	9	8	8	9
Social welfare contributions	5	5	3	5	3
Subsidies and transfers	2	2	3	2	5
Development expenditure	9	9	11	9	6

^{1/} Format is based on the IMF Government Finance Statistics Manual (GFSM 1986).^{2/} Figures for 2013 are revised estimates.^{3/} This includes development expenditure financed from domestic sources and foreign grants.

Source: Ministry of Finance and Treasury

Table 8: Claims on Government by Ownership, 2009–2013

(millions of rufiyaa)

	2009	2010	2011	2012	2013
Claims on central government	7,900.2	11,889.8	12,782.9	14,452.2	16,906.7
Treasury bills	2,847.5	4,042.5	4,684.5	6,450.6	8,194.3
MMA	-	-	-	829.6	634.0
Commercial banks	2,531.0	3,247.0	3,492.0	3,539.2	3,952.1
Others ^{1/}	316.5	795.5	1,192.5	2,081.8	3,608.2
Treasury bonds	4,822.3	5,179.4	5,438.7	4,664.7	3,136.6
Loans and advances	230.3	2,667.9	2,659.7	3,336.9	5,575.9

^{1/} Includes other financial corporations, public non-financial corporations and private sector parties.

Source: Maldives Monetary Authority

Table 9: Financial Corporations Survey, 2009–2013

(millions of rufiyaa)

	2009	2010	2011	2012	2013
Net foreign assets	(1,437.9)	510.5	2,627.7	5,085.7	8,572.1
Central bank	3,071.7	4,067.6	4,725.5	4,241.0	5,308.2
Other depository corporations	(4,410.4)	(3,382.0)	(1,852.5)	1,017.3	3,370.7
Other financial corporations	(99.2)	(175.2)	(245.3)	(172.6)	(106.8)
Net domestic assets	15,372.7	18,364.5	20,252.4	19,414.7	20,563.3
Domestic claims	21,511.1	25,468.7	28,646.8	28,639.8	31,329.4
Net claims on central government	3,961.6	8,164.0	9,734.5	11,429.3	13,316.9
Claims on other sectors	17,549.4	17,304.7	18,912.3	17,210.5	18,012.6
Other items (net)	(6,138.3)	(7,104.1)	(8,394.4)	(9,225.1)	(10,766.2)
Currency outside financial corporations	1,539.0	1,570.0	1,857.5	2,115.8	2,800.8
Deposit	12,177.6	14,479.9	17,451.3	18,004.2	21,017.6
Insurance technical reserves	218.3	2,825.1	3,571.4	4,380.4	5,317.1

Source: Maldives Monetary Authority

Table 10: Depository Corporations Survey, 2009–2013

(millions of rufiyaa)

	2009	2010	2011	2012	2013
Net foreign assets	(1,338.7)	685.6	2,873.0	5,258.3	8,678.9
Central bank	3,071.7	4,067.6	4,725.5	4,241.0	5,308.2
Other depository corporations	(4,410.4)	(3,382.0)	(1,852.5)	1,017.3	3,370.7
Net domestic assets	15,193.9	15,198.4	16,189.2	14,743.3	14,996.9
Domestic claims	21,187.4	22,181.2	24,688.4	23,893.6	25,594.9
Net claims on central government	4,062.7	5,380.7	6,830.9	7,649.6	8,698.3
Claims on other sectors	17,124.7	16,800.5	17,857.5	16,244.0	16,901.5
o/w Claims on private sector	15,553.8	15,191.0	16,090.5	14,505.4	15,216.0
Other items (net)	(5,993.5)	(6,982.8)	(8,499.2)	(9,150.2)	(10,598.0)
Broad money	13,855.3	15,884.0	19,062.2	20,001.6	23,675.8
Narrow money	7,456.6	7,538.7	8,192.4	8,428.3	10,415.4
Quasi money	6,398.7	8,345.2	10,869.9	11,573.3	13,260.4

(annual percentage change)

Net foreign assets	(23)	(151)	319	83	65
Central bank	2	32	16	(10)	25
Other depository corporations	(7)	(23)	(45)	(155)	231
Domestic claims	14	5	11	(3)	7
Net claims on central government	353	32	27	12	14
Claims on other sectors	(3)	(2)	6	(9)	4
Broad money	14	15	20	5	18
Narrow money	22	1	9	3	24
Quasi money	6	30	30	6	15
<i>Memorandum items:</i>					
Dollarisation ratio	41.3	47.1	49.5	49.2	50.2

Source: Maldives Monetary Authority

Table 11: Central Bank Survey, 2009–2013

(millions of rufiyaa)

	2009	2010	2011	2012	2013
Net foreign assets	3,071.7	4,067.6	4,725.5	4,241.0	5,308.2
Claims on non-residents	3,349.5	4,491.2	5,169.6	4,689.6	5,684.9
Liabilities to non-residents	(277.8)	(423.6)	(444.1)	(448.6)	(376.7)
Net domestic assets	3,072.2	1,996.7	2,825.8	3,940.9	4,320.5
Domestic claims	3,424.1	2,730.9	3,532.0	4,692.4	5,969.1
Net claims on central government	3,419.2	2,725.0	3,527.4	4,685.5	5,962.1
o/w Claims on central government	4,213.0	3,921.5	3,920.2	5,005.9	6,259.2
Claims on other sectors	4.8	5.9	4.7	6.9	7.1
Other items (net)	(351.8)	(734.3)	(706.2)	(751.6)	(1,648.6)
Monetary base	6,143.9	6,064.3	7,551.3	8,181.9	9,628.7
Currency in circulation	1,799.7	1,871.1	2,196.7	2,475.5	3,252.4
Liabilities to other depository corporations	4,308.5	4,182.6	5,294.2	5,705.7	6,374.7
Liabilities to other sectors	35.7	10.5	60.4	0.6	1.6
<i>(annual percentage change)</i>					
Net foreign assets	2	32	16	(10)	25
Claims on non-residents	8	34	15	(9)	21
Liabilities to non-residents	313	52	5	1	(16)
Net claims on central government	29	(20)	29	33	27
Monetary base	14	(1)	25	8	18
Currency in circulation	2	4	17	13	31
Liabilities to other depository corporations	19	(3)	27	8	12

Source: Maldives Monetary Authority

Table 12: Other Depository Corporations Survey, 2009–2013

(millions of rufiyaa)

	2009	2010	2011	2012	2013
Net foreign assets	(4,410.4)	(3,382.0)	(1,852.5)	1,017.3	3,370.7
Claims on non-residents	888.4	1,034.1	1,755.6	2,684.8	4,585.4
Liabilities to non-residents	(5,298.8)	(4,416.2)	(3,608.1)	(1,667.6)	(1,214.7)
Net domestic assets	16,688.6	17,684.4	18,996.7	16,866.9	37,370.9
Domestic claims	22,402.0	24,429.9	26,852.8	25,452.6	27,436.3
Claims on central bank	4,638.6	4,979.6	5,696.4	6,251.4	7,810.5
Net claims on central government	643.5	2,655.7	3,303.5	2,964.0	2,731.2
o/w Claims on central government	3,351.7	4,665.4	5,192.3	4,735.5	4,475.0
Claims on other sectors	17,119.9	16,794.5	17,852.8	16,237.2	16,894.5
Claims on other financial corporations	172.0	144.5	98.8	161.0	109.2
Claims on public non-financial corporations	1,398.9	1,465.0	1,668.1	1,577.6	1,576.3
Claims on private sector	15,549.0	15,185.0	16,085.9	14,498.6	15,208.9
Other items (net)	(5,713.4)	(6,745.5)	(7,856.0)	(8,585.6)	9,934.6
Transferable, other deposits and securities other than shares included in broad money	12,278.2	14,302.4	17,144.2	17,884.2	20,872.4
<i>(annual percentage change)</i>					
Net foreign assets	(7)	(23)	(45)	(155)	231
Claims on non-residents	19	16	70	53	71
Liabilities to non-residents	(4)	(17)	(18)	(54)	(27)
Net claims on central government	137	313	24	(10)	(8)
Claims to other sectors	(3)	(2)	6	(9)	4
Claims on other financial corporations	76	(16)	(32)	63	(32)
Claims on public non-financial corporations	2	5	14	(5)	(0)
Claims on private sector	(4)	(2)	6	(10)	5

Source: Maldives Monetary Authority

Table 13: Assets and Liabilities of MMA, 2009–2013

(millions of rufiyaa)

	2009	2010	2011	2012	2013
Assets	7,987.4	8,962.5	9,551.2	10,199.9	12,448.5
Foreign assets	3,349.5	4,491.3	5,169.6	4,689.6	5,684.9
Claims on central government	4,213.0	3,921.5	3,920.2	5,005.9	6,259.2
Claims on other sectors	4.8	5.9	4.7	6.9	7.1
Other assets	205.5	275.6	158.3	189.4	191.1
Non-financial assets	214.4	268.2	298.4	308.1	306.2
Liabilities	7,987.4	8,962.5	9,551.2	10,199.9	12,448.5
Currency in circulation	1,799.7	1,871.1	2,196.7	2,475.5	3,252.4
Claims to central government	793.8	1,196.5	392.8	320.4	297.1
Claims to other depository corporations	4,308.5	4,182.6	5,294.2	5,705.7	6,374.7
Claims to other sectors	35.7	20.6	70.5	10.6	11.6
Other liabilities to other depository corporations	15.7	496.7	85.3	197.4	997.9
Foreign liabilities	277.8	423.6	444.1	448.6	376.7
Other liabilities	323.4	421.6	315.5	413.1	478.7
Shares and other equity	432.7	349.8	752.1	628.6	659.4
<i>(annual percentage change)</i>					
Foreign assets	8.4	34.1	15.1	(9.3)	21.2
Claims on central government	25.2	(6.9)	(0.0)	27.7	25.0
Currency in circulation	2.1	4.0	17.4	12.7	31.4
Claims to central government	9.6	50.7	(67.2)	(18.4)	(7.3)

Source: Maldives Monetary Authority

Table 14: Assets and Liabilities of Other Depository Corporations, 2009–2013

(millions of rufiyaa)

	2009	2010	2011	2012	2013
Assets	26,388.4	27,885.2	31,318.0	30,947.4	35,169.5
Foreign assets	888.4	1,034.1	1,755.6	2,684.8	4,585.4
Cash	258.3	300.1	339.1	358.7	450.5
Deposits with central bank	4,370.2	4,587.5	5,357.3	5,892.6	6,457.8
Securities other than shares	3,152.1	4,509.4	5,011.8	4,294.6	3,937.2
Loans and advances	17,323.1	17,036.2	18,027.0	16,663.7	18,320.1
Shares and other equity	6.4	6.4	6.4	14.3	14.3
Other assets	101.8	59.3	420.7	534.3	843.9
Non-financial assets	288.0	352.3	400.1	504.3	560.3
Liabilities	26,388.4	27,885.2	31,318.0	30,947.4	35,169.5
Foreign liabilities	5,298.8	4,416.2	3,608.1	1,667.6	1,214.7
Deposits	12,278.2	14,302.4	17,144.2	17,884.2	20,872.4
Central government liabilities	2,708.2	2,009.7	1,888.8	1,771.5	1,738.8
Other liabilities	1,853.4	2,395.5	3,768.1	3,890.6	4,129.9
Shares and other equity	4,249.8	4,761.5	4,908.8	5,733.6	7,208.8

Source: Maldives Monetary Authority

Table 15: Private Sector Loans and Advances by Other Depository Corporations, 2009–2013

(millions of rufiyaa)

	2009	2010	2011	2012	2013
Total loans and advances	15,403.6	15,094.2	15,970.3	14,403.2	15,111.7
Agriculture	31.3	28.7	25.0	15.9	10.3
Fishing	960.5	896.0	772.3	551.9	546.6
Manufacturing	532.0	493.1	492.0	324.1	316.5
Construction	1,264.0	1,119.7	1,187.4	1,205.8	1,327.2
Real estate	357.8	691.2	721.1	605.2	713.0
Tourism	9,148.9	8,698.3	9,170.3	8,326.8	8,007.6
Commerce	1,587.9	1,774.3	2,131.1	2,144.3	2,545.2
Transport and communication	814.5	677.7	614.0	480.0	520.0
Electricity, gas, water and sanitary services	3.8	7.7	241.0	0.7	11.4
Other loans and advances, nes	702.9	707.5	616.0	748.4	1,113.9
<i>(as a percentage of total; end of period)</i>					
Fishing	6.2	5.9	4.8	3.8	3.6
Construction	8.2	7.4	7.4	8.4	8.8
Tourism	59.4	57.6	57.4	57.8	53.0
Commerce	10.3	11.8	13.3	14.9	16.8
Transport and communication	5.3	4.5	3.8	3.3	3.4
<i>(annual percentage change)</i>					
Total loans and advances	(4.5)	(2.0)	5.8	(9.8)	4.9
Fishing	(11.8)	(6.7)	(13.8)	(28.5)	(1.0)
Construction	(7.7)	(11.4)	6.0	1.6	10.1
Tourism	(1.8)	(4.9)	5.4	(9.2)	(3.8)
Commerce	(13.6)	11.7	20.1	0.6	18.7
Transport and communication	3.5	(16.8)	(9.4)	(21.8)	8.3

Source: Maldives Monetary Authority

Table 16: Interest Rates, 2009–2013

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

	2009	2010	2011	2012	2013
Maldives Monetary Authority					
Open Market Operations					
Reverse Repo ^{1/}	4.68	4.46	6.96	7.00	7.00
MMA Standing Facilities					
Overnight Deposit Facility ^{2/}	-	1.50	0.25	0.25	3.00
Overnight Lombard Facility ^{3/}	-	16.00	16.00	16.00	12.00
Government					
Treasury bills ^{4/}					
28 days	5.97	4.51	6.97	7.87	10.03
91 days	6.13	5.35	6.96	7.90	10.21
182 days	-	5.50	6.97	7.85	10.00
364 days	-	-	-	7.86	10.50
Commercial banks					
<i>Deposits</i>					
Transferable deposits					
National currency	-	2.21	2.22	2.24	2.23
Foreign currency	-	1.70	1.74	1.59	1.56
Savings deposits					
National currency	-	2.25	2.25	2.25	2.25
Foreign currency	-	2.36	2.22	2.22	2.28
Time deposits (2 to 3 year)					
National currency	-	3.75	4.10	3.80	4.00
Foreign currency	-	4.93	5.00	4.49	3.84
<i>Loans and advances</i>					
Public non-financial corporations					
National currency	-	8.75	8.71	8.95	11.02
Foreign currency	-	10.01	9.73	9.33	9.24
Private sector					
National currency	-	10.45	10.17	10.51	11.43
Foreign currency	-	8.28	8.42	8.68	8.58
Other financial institutions					
Share prices					
MASIX index (period average)	232.67	197.46	157.44	150.70	129.81
MASIX index (end of month)	229.57	211.17	157.44	149.74	114.60

^{1/} Reverse repo (7 days) was introduced on 27 August 2009.^{2/} Overnight Deposit Facility was introduced on 23 March 2010.^{3/} Overnight Lombard Facility was reinstated on 9 May 2010.^{4/} Treasury bills were issued on 11 September 2006. Since 27 December 2009, treasury bills were issued on auction and the rate represents the weighted average interest rates accepted by the government.

Source: Maldives Monetary Authority

Table 17: Balance of Payments (Extract), 2009–2013 ^{1/}
(millions of US dollars)

	2009	2010	2011	2012	2013
Current Account	(276.0)	(355.9)	(427.4)	(313.1)	(232.4)
Balance on goods	(912.7)	(1,059.4)	(1,378.8)	(1,247.7)	(1,438.6)
Goods: credit	169.0	197.5	346.4	335.4	373.3
Goods: debit	(1,081.7)	(1,256.9)	(1,725.1)	(1,583.1)	(1,811.9)
Balance on services	1,117.3	1,224.1	1,542.0	1,527.4	1,853.6
Services: credit	1,511.1	1,666.7	2,035.1	2,029.2	2,392.9
o/w Travel	1,442.2	1,569.7	1,867.9	1,877.2	2,233.7
Services: debit	(393.8)	(442.5)	(493.0)	(501.8)	(539.3)
Balance on income	(300.4)	(323.3)	(363.9)	(334.4)	(382.2)
Balance on current transfers	(180.3)	(197.3)	(226.8)	(258.4)	(265.2)
<i>Memorandum items:</i>					
Exports of goods and services	1,680.1	1,864.2	2,381.4	2,364.5	2,766.2
Current account as a percent of GDP	(13.9)	(16.7)	(19.7)	(14.9)	(10.1)
Reserves (millions of US dollars)	261.0	350.2	334.9	304.5	368.3

^{1/} The financial account of the balance of payments will be published by the MMA in October 2014, with a new methodology.

Source: Maldives Monetary Authority

Table 18: Composition of Imports (c.i.f), 2009–2013
(millions of US dollars)

	2009	2010	2011	2012	2013
Total imports	962.5	1,090.9	1,465.3	1,554.3	1,733.4
Private imports	687.6	779.8	1,010.9	1,113.2	1,210.6
Private (excluding tourism)	504.7	568.1	739.2	835.4	886.8
Tourism	182.9	211.6	271.7	277.8	323.8
Total public imports	274.9	311.1	454.4	441.1	522.8
Public enterprises	246.7	263.9	347.0	403.0	495.9
Government	28.3	47.2	107.4	38.2	26.9
Total imports	962.5	1,090.9	1,465.3	1,554.3	1,733.4
Food items	206.3	236.0	296.9	318.9	378.9
Furniture, fixtures and fittings	37.6	36.3	50.8	47.6	64.9
Electronic and electrical appliances	33.8	37.3	39.3	36.2	45.6
Petroleum products	198.6	250.6	366.4	488.3	503.2
o/w Diesel (marine gas oil)	153.2	198.9	289.3	330.7	297.0
Transport equipments and parts	65.7	68.7	110.5	74.5	120.5
Wood, metal, cement and aggregates	96.9	111.2	140.6	140.1	136.4
Machinery and mechanical appliances and parts	61.2	64.3	81.4	80.3	89.8
Electrical and electronic machinery and equipments and parts	59.8	66.3	96.8	55.0	72.7
Other items	202.7	220.2	282.6	313.4	321.5

Source: Maldives Customs Service

Table 19: Composition of Exports (f.o.b), 2009–2013
(millions of US dollars)

	2009	2010	2011	2012	2013
Merchandise exports	169.0	197.5	346.4	314.4	329.7
Domestic exports	76.4	73.9	127.4	161.6	166.5
Fish exports	72.0	68.3	120.6	156.1	161.3
Fresh, chilled or frozen tuna	50.7	46.9	96.3	128.3	133.3
o/w Skipjack	17.5	18.4	31.5	39.4	46.3
Yellowfin tuna	32.8	28.2	64.5	88.2	85.6
Fresh, chilled or frozen fish (excluding tuna)	2.2	2.5	4.0	4.4	3.2
Canned or pouched	6.5	5.8	9.2	13.8	16.5
Processed fish, nes	12.6	13.1	11.1	9.6	8.3
Fish products, sea food, marine product nes and live fish	1.7	2.0	2.4	1.9	1.8
Garments and other exports	2.7	3.6	4.4	3.6	3.4
Re-exports	92.7	123.6	219.0	173.8	206.8

Source: Maldives Customs Service; Maldives Airports Company Limited

Table 20: Direction of Trade of Imports, 2009–2013
(millions of US dollars)

	2009	2010	2011	2012	2013
Total imports	962.5	1,090.9	1,465.3	1,554.3	1,733.4
Asia	730.1	822.9	1,189.3	1,287.8	1,408.5
o/w China	25.5	31.5	74.0	68.5	81.5
Malaysia	63.1	77.8	79.7	85.4	85.2
Singapore	206.1	195.5	316.3	282.1	281.0
Thailand	48.3	57.3	61.7	74.4	86.0
Europe	102.1	106.5	148.2	124.3	192.9
o/w France	15.3	11.4	11.6	15.9	34.2
Germany	18.9	20.1	25.7	28.6	30.0
Italy	10.8	14.5	24.0	15.6	24.4
North America	88.5	97.0	68.7	83.8	57.3
o/w USA	24.2	27.8	30.5	45.6	30.2
Oceania	32.9	42.7	40.3	39.0	45.2
o/w Australia	26.5	30.3	32.2	31.3	32.4
South America	3.5	6.4	10.5	12.0	20.3
Africa	5.5	15.4	8.4	7.4	9.2

Source: Maldives Customs Service

Table 21: Direction of Trade of Exports, 2009–2013
(millions of US dollars)

	2009	2010	2011	2012	2013
Domestic exports	76.4	73.9	127.4	161.6	166.5
Asia	41.0	46.8	67.3	81.3	94.6
o/w Japan	3.0	1.3	3.8	3.3	5.1
Thailand	15.8	22.1	33.5	44.3	61.7
Europe	32.8	26.2	58.6	73.4	63.2
o/w France	8.6	8.0	21.1	26.7	22.5
Germany	2.6	2.1	3.3	5.5	10.0
Italy	9.8	6.9	12.7	12.4	8.2
UK	7.6	7.0	9.3	12.0	9.1
North America	0.6	0.5	1.2	6.1	8.1
Oceania	-	0.0	0.1	0.9	0.6
South America	-	-	-	-	0.0
Africa	1.9	0.4	0.2	0.0	0.0

Source: Maldives Customs Service

Table 22: External Debt, 2009–2013

(millions of US dollars)

	2009	2010	2011	2012	2013
Total external debt outstanding and disbursed	933.7	961.7	913.4	815.4	793.6
Public and publicly-guaranteed (medium and long term)	533.3	625.7	689.3	722.3	748.8
Multilateral	290.5	315.3	316.6	331.4	324.6
Bilateral	146.2	179.3	218.4	231.7	216.7
Financial markets	38.8	-	-	-	-
Commercial	-	52.8	61.4	83.0	134.8
Suppliers credit	57.8	71.0	88.2	76.1	72.8
Pipeline	-	-	-	-	-
Guaranteed debt	-	7.4	4.5	-	-
Depository institutions ^{1/}	400.4	336.0	224.1	93.1	44.8
Head offices or branches	353.6	316.1	219.0	90.5	43.0
Other depository institutions	46.8	19.8	5.1	2.6	1.8
Public and publicly-guaranteed (medium and long term)					
Disbursements	110.7	141.8	137.1	111.1	76.3
Debt service	50.2	49.5	66.9	79.5	66.8
Amortisation	39.7	41.5	57.9	69.5	57.5
Interest payments	10.5	8.0	9.0	10.0	9.3
<i>(as a percentage of GDP)</i>					
Total external debt outstanding and disbursed	47	45	42	39	35
Public and publicly-guaranteed debt	27	29	32	34	33
Commercial banks' debt	20	16	10	4	2
Debt service ratio ^{2/} (public and publicly-guaranteed)	3.0	2.7	2.8	3.4	2.4
<i>Memorandum items:</i>					
Nominal GDP (millions of US dollars)	1,984.6	2,134.1	2,167.7	2,105.7	2,291.9
Exchange rate ^{3/}	12.80	12.80	15.41	15.42	15.42
Exports of goods and services (millions of US dollars)	1,680.1	1,864.2	2,381.4	2,364.5	2,766.2

^{1/} Foreign borrowings.^{2/} This is calculated as debt service as a percentage of exports of goods and services.^{3/} Exchange rate applied as per the Ministry of Finance and Treasury.

Source: Ministry of Finance and Treasury; Maldives Monetary Authority

Table 23: Exchange Rates, 2009–2013

(rufiyaa per foreign currency, end of period mid-rate)

	2009	2010	2011	2012	2013
US dollar ^{1/}	12.8000	12.8000	15.4100	15.3700	15.4100
Japanese yen	0.1713	0.1568	0.1985	0.1785	0.1462
Singapore dollar	9.1807	9.8057	11.8028	12.4758	12.0466
Indian rupee	0.3005	0.2861	0.2910	0.2825	0.2491
Sri Lankan rupee	0.1213	0.1239	0.1352	0.1209	0.1176
Sterling pound	20.8479	19.4329	23.7940	24.6595	25.2298
Euro	18.9506	16.4776	19.7321	20.1550	21.0160

^{1/} The US dollar rate refers to the reference rate of the MMA whereas all other currency rates refer to the mid-rate of the buying and selling rates of the Bank of Maldives.

Source: Maldives Monetary Authority; Bank of Maldives plc

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