ANNUAL REPORT 2021

MALDIVES MONETARY AUTHORITY

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Preface

In accordance with Article 35 (b) of the Maldives Monetary Authority Act 1981, this Annual Report covers policies adopted by the MMA during the year 2021 to achieve its main objectives, and the activities and developments of the MMA for the year 2021. It also covers developments in the domestic economy during 2021 and presents an overview of events in the global economy during the year. An outlook for 2022 is also included in the report. All analyses are based on information relating to the year 2021, received from relevant government authorities, financial sector agencies, public enterprises and other private sector sources. All data is as of April 2022. The views expressed in this report, however, are those of the MMA and do not necessarily represent those of the source of data. This report also includes a copy of the Financial Statements for the year ended 31 December 2021 that have been examined and certified by the external auditors. We thank all those who have contributed to the publication of this report including the provision of the information contained herein.

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With the continuation of the adversities of the COVID-19 pandemic, the MMA was proactive in implementing policy measures to mitigate the financial and economic disruptions arising from the COVID-19 pandemic, while supporting economic activity and maintaining price stability.

Governor's Statement

Following the unprecedent economic fallout from the COVID-19 pandemic, the domestic economic recovery which began in the second half of 2020 gained further strength in 2021. Despite a brief setback caused by the COVID-19 Delta variant in the second quarter of the year, the Maldivian economy remained resilient during 2021 as reflected by the 37.0% growth in the real GDP, which is much higher than the 31.6% growth estimated in October 2021. This reflected the rebound in domestic economic activity supported by the strong recovery of the tourism sector—the cornerstone of the Maldivian economy—with total arrivals reaching the government's target of 1.3 million tourist arrivals for the year.

Following a year of declining prices, the rate of inflation turned positive in 2021 but remained subdued, averaging 0.5% for the year. The pickup in inflation mainly reflects the dissipation of the base effects related to measures taken in 2020 to alleviate the economic fallout from the COVID-19 pandemic and the hike in import duty on cigarettes in July 2020 as well as rising global oil and food prices.

The revival of the tourism sector resulted in the external sector performance closing on a positive note during the year. Subsequently, the current account deficit narrowed by one-fourth in 2021, reflecting the improvement in the services account due to the robust recovery of travel receipts during the year. Although, the merchandise trade deficit widened on the back of higher imports resulting from the revival of economic activity, the pickup in merchandise re-exports partly offset the worsening of the merchandise trade balance, further supporting the narrowing of the current account deficit. Meanwhile, the net inflows from financial account fell short of the deficit on the current account, resulting in a decrease of gross international reserves which was driven by the decline in short-term foreign liabilities.

Following a substantial rebound in the previous year, the growth prospects for the Maldivian economy in 2022 are surrounded by both downside and upside risks, with the former dominating the growth trajectory. Incoming high-frequency indicators signal moderation in the tourist arrivals, affected by the ongoing conflicts between Russia and Ukraine—an event that would adversely impact the tourist arrivals to the country. Other downside risks include the possible tightening of the international travel restrictions with the emergence of new COVID-19 variants of concern and the reopening of competitor destinations for tourism. However, growth is expected to be boosted by the faster-than-expected vaccination rates globally. Meanwhile, the domestic inflation rate is expected to accelerate in 2022, underpinned by the strengthening of domestic demand and sharp rise in global commodity prices, owing to the ongoing conflicts between Russia and Ukraine, and global supply chain disruptions.

With the continuation of the adversities of the COVID-19 pandemic, the MMA was proactive in implementing policy measures to mitigate the financial and economic disruptions arising from the COVID-19 pandemic, while supporting economic activity and maintaining price stability. In this regard, the MMA increased the amount of foreign exchange provided to the market in the first three quarters of 2021 to alleviate the US dollar supply shortages in the economy. Mirroring the foreign exchange shortages, minimum reserve requirements (MRR) on the foreign currency deposits was maintained at 5% in 2021. However, the MRR on local currency deposits was increased to 10% from June 2021 onwards, reversing the reduction in the MRR on such deposits announced in 2020. The MMA continued on the path of ensuring a healthy and stable financial system in the country—a necessity for maintaining public confidence in the financial system. In 2021, the financial sector remained well capitalized and resilient, with prudential indicators remaining within the minimum regulatory requirement. Following the downturn from the COVID-19 pandemic in 2020, the banking sector which represents 90% of the financial institutions' assets recorded a strong growth aided by the economic recovery in 2021. In order to ensure a stable financial system in the country, the MMA continued to formulate and issue regulations that would protect the integrity and security of the financial system of the Maldives. Furthermore, the issuance function of government securities was transferred to the Ministry of Finance on 16 August 2021—an initiative to strengthen the central government debt management, while the MMA remains as the settlement agent of the domestic government debt securities.

A sound and stable financial sector is a by-product of robust prudential indicators and regulations; and an efficient and secure payment system. The MMA's efforts to modernize the payment system of the Maldives via the Maldives Payment System Development Project continued during the year. Although the pace of the project slowed in 2020 due to the COVID-19 pandemic, markable progress has been made in 2021. Currently, the implementation of the project is set to be undertaken in two phases; with the first phase—the implementation of the Instant Payment System (IPS), and the Smart Addressing Service—expected to go-live during September 2022. The second phase of the project—the delivery of a Payment Platform with a supporting white-label mobile application is currently scheduled to go-live during early 2023. In addition, the MMA formulated the required changes to the legislative framework, and the establishment of the National Payment System Act became effective on 18 September 2021. This provides the MMA the power to regulate and oversee the Payment System and thereby ensuring the safety and the efficiency of the System.

Promoting financial inclusion has, and always will be, a key priority of the MMA in its function of fostering the development of the financial sector, as it can increase prosperity and reduce regional wealth disparities in the country. The MMA continued the work on formulating the National Financial Inclusion Strategy for the Maldives, and a consulting firm has been hired to conduct a demand-side survey to gather the necessary data for formulating the nation-wide strategy. Moreover, as the MMA believes that financial awareness is complementary for facilitating financial inclusion, educational videos on financial topics were disseminated through the social media. The MMA also celebrated the Global Money Week, a week to foster financial knowledge of the children and youth. In this regard, the MMA in collaboration with financial institutions organized webinars for secondary school students to enrich the knowledge of the students on key financial topics.

The success of any institution is a handiwork of the collective efforts of the past and present members of an institution. Similar to the past years, the MMA remained committed to attract and retain the best personnel. During the year, two staff members of the MMA were selected to pursue postgraduate studies in Econometrics and Data Science. Meanwhile, the MMA adapted to the digital mode of conducting training and developments which aided in facilitating the necessary training requirements of the staff as the impact of the COVID-19 pandemic persisted during the year. With this, the opportunities for staff to become exposed to different types of training sessions on online platforms increased, while a few face-to-face overseas trainings were also successfully carried out during the year.

Although the year ahead has been clouded by newly risen uncertainties, I wish to draw from the experiences and lessons of the past year, while building on them to ensure an inclusive and sustainable recovery from the ongoing pandemic and the inherent financial challenges. Tackling the foreseen and unforeseen challenges would be impossible without the unwavering support of the MMA's Board of Directors and my colleagues. Hence, I want to extend my sincere gratitude to all my colleagues for a year of hard work, competence and commitment as we strive to rebuild from the COVID-19 pandemic related repercussions. I am confident that the dedicated and competent team of the MMA will continue their efforts in carrying forward the Authority's initiatives to address the financial and economic issues of the country and maintain monetary and financial stability in the economy.

Ali Hashim
Governor

Objectives

The Maldives Monetary Authority (MMA) functions as the central bank of the Maldives and was established on 1 July 1981 under the Law no. 6/81 (Maldives Monetary Authority Act 1981).

The primary objectives of the MMA are as follows:

- Maintain price stability conducive to the sustainable growth of the economy.
- Without prejudice to maintaining price stability, maintain financial stability.
- Without prejudice to maintaining price stability and financial stability, support the government in achieving macroeconomic stability and economic growth.

Board of Directors

Mr. Ali Hashim
Chairperson (Governor)

Mr. Ahmed Imad
Deputy Governor

Ms. Idham Hussain
Assistant Governor

Ms. Neeza Imad
Ministry of Economic Development

Uz. Ashraf Rasheed
Ministry of Finance

Executive Committee

Right to left: **Ms. Mariyam Shifa**, Assistant Governor, Financial Stability; **Ms. Idham Hussain**, Assistant Governor, Monetary Policy, Research and Statistics; **Ms. Mariyam Hussain Didi**, Assistant Governor, Banking Operations; **Mr. Ali Hashim**, Governor; **Mr. Ahmed Imad**, Deputy Governor; **Ms. Fathimath Jawza**, Senior Executive Director, Corporate Services.

Management Committee

Ms. Aishath Nadhiya – Banking Operations

Ms. Mariyam Najeela – Financial Stability

Mr. Abdul Hameed Mohamed – General Services Division

Uza. Sheeza Ahmed – Legal Section

Ms. Lubna Abdul Gadir – Human Resource Division

Ms. Muna Ibrahim – Public Bank

Ms. Mariyam Rashfa – Research Division

Mr. Moosa Ahmed Manik – Technology Services Division

Uz. Hassan Fiyaz – Insurance Division

Ms. Hamida Shakeela – Banking Supervision Division

Mr. Mansoor Zubair – Statistics Division

Ms. Siya Ahmed Najeeb – Internal Audit

Mr. Ahmed Shihad Abdul Hameed – Building, Property and Security Management Division

Ms. Aishath Jabeen – Financial Controls Division

Ms. Aminath Shaheeda – Banking and Payments Division

Ms. Aishath Asha Ali – Reserve Management and Market Operations Division

Ms. Aminath Shafwath – Monetary Policy and Exchange Rate Division

Ms. Hawwa Latheef – Payment Systems and Oversight Division

Mr. Safiyyuddeen Rasheed – Strategic Planning and Development Projects Section

Ms. Aishath Shazra – Public Banking Service Division

Abbreviations and Acronyms

ACH	Automated Clearing House
ADB	Asian Development Bank
AFI	Alliance for Financial Inclusion
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
BML	Bank of Maldives
BOP	balance of payments
bps	basis points
BPT	business profit tax
CIB	Credit Information Bureau
CIR	Credit Information Reports
CPI	consumer price index
DEMPA	Debt Management Performance Assessment
DoC	Declaration of the Corporation
ECB	European Central Bank
FDI	foreign direct investment
FIU	Financial Intelligence Unit
FSM	Fuel Supply Maldives
GDP	gross domestic product
G-GST	general goods and services tax
GIR	gross international reserves
GMW	Global Money Week
GVA	gross value added
GWP	gross written premium
HDC	Housing Development Corporation Limited
HICP	Harmonised Index of Consumer Prices
ICD	The Institute for Capacity Development
IMF	International Monetary Fund
IIP	International Investment Position
IT	Information Technology
ITRS	International Transaction Reporting System

MIFCO	Maldives Industrial Fisheries Company
MMA TI	MMA Training Institute
MOF	Ministry of Finance
MPC	Monetary Policy Committee
MPSD	Maldives Payment System Development Project
MRR	minimum reserve requirement
MRTGS	Maldives Real Time Gross Settlement
NCG	net claims on central government
NDA	net domestic assets
NFA	net foreign assets
NNSS	National Net Settlement Service
NRA	National Risk Assessment
NFIS	National Financial Inclusion Strategy
NPL	non-performing loan
ODF	overnight deposit facility
OLF	overnight Lombard facility
OMO	open market operations
OPEC	Organization of the Petroleum Exporting Countries
PBA	Public Bank Account
PSIP	public sector investment programme
PSPs	payment service providers
QBS	Quarterly Business Survey
QNA	Quarterly National Accounts
RBI	Reserve Bank of India
ROA	return on assets
ROE	return on equity
SAARC	South Asian Association for Regional Cooperation
SAP	Strategic Action Plan
SARTTAC	South Asian Regional Training and Technical Assistance Center
SCoMMA	Shariah council of the MMA
SDFC	SME Development Finance Corporation
SGF	Shariah Governance Framework

SIR	Self-Inquiry Reports
SMEs	small and medium-sized enterprises
SOEs	state-owned enterprises
T-GST	tourism goods and services tax
UAE	United Arab Emirates
UNWTO	United Nations World Tourism Organization
UAT	User Acceptance Testing
UK	United Kingdom
UPG	Unified Payment Gateway
US	United States
WAIR	weighted average interest rate
WBG	World Bank Group
WEO	World Economic Outlook

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Economy in 2021

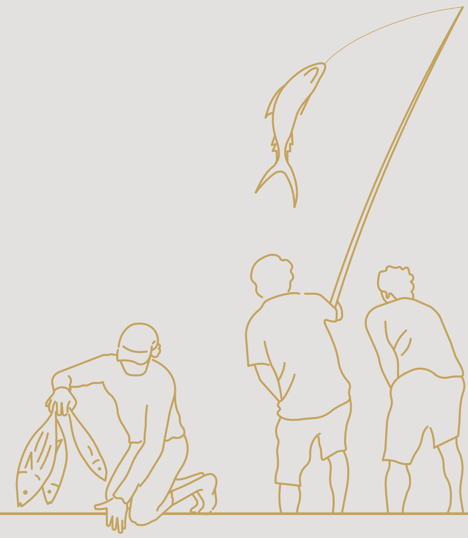
Economic Highlight 2021

TOURISM

138%

Annual increase in arrivals

Tourist arrivals registered a strong rebound driven by the easing of travel restrictions reflecting increased vaccination rates both globally and locally.



FISHERIES

13%

Volume of fish exports growth

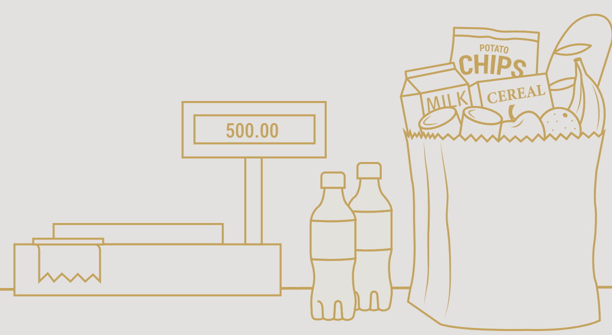
The fisheries sector accelerated as indicated by the slight rebound in fish purchases by fish processing companies and solid growth in the volume of fish exports.

PUBLIC FINANCE

15.3%

Fiscal deficit as a percentage of GDP

The fiscal deficit narrowed due to a strong rebound in total revenue, despite an increase in total expenditure.

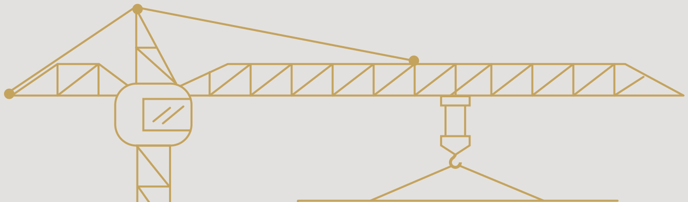


FINANCIAL SECTOR

23%

Annual growth in total assets of banks

The financial sector remained well capitalised and resilient, with key prudential indicators well above the minimum regulatory requirements.

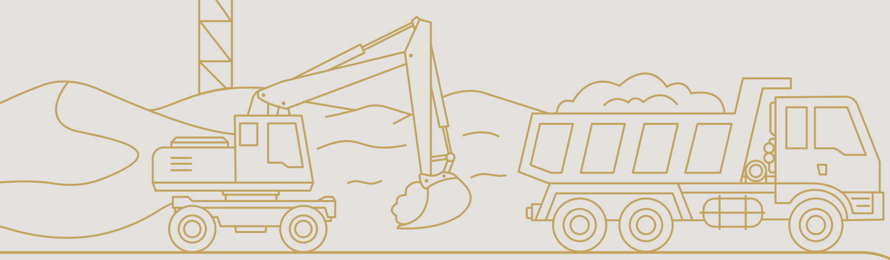


CONSTRUCTION

6%

Increase in construction-related imports

The recovery of the construction sector remained sluggish as output of the sector was severely affected by labour shortages and supply disruptions.



PRIVATE SECTOR CREDIT

5%

Private sector credit growth

Annual growth of credit to the private sector stood at 5%, as the MMA continued to maintain a monetary policy stance that fosters economic growth and alleviates economic and financial disruptions.

INFLATION

0.5%

Inflation rate

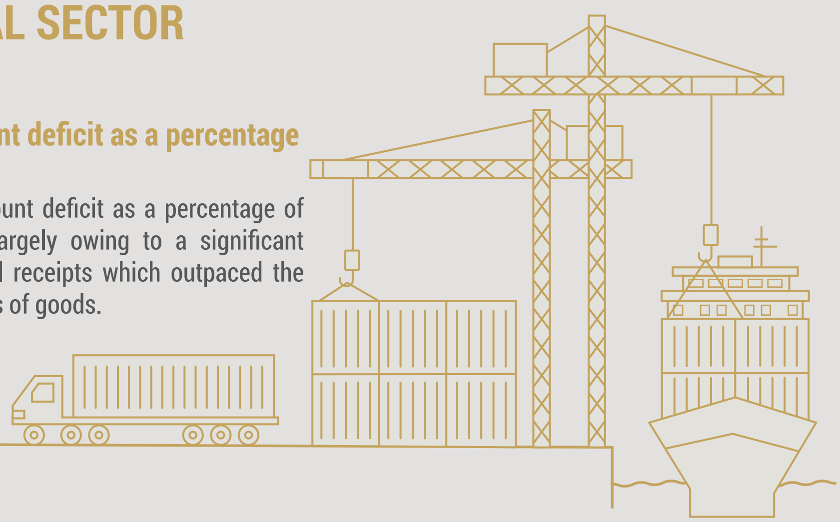
Average inflation edged up largely reflecting favourable base effects and rising global oil and food prices.

EXTERNAL SECTOR

9%

Current account deficit as a percentage of GDP

The current account deficit as a percentage of GDP narrowed largely owing to a significant rebound in travel receipts which outpaced the growth in imports of goods.



Overview

The domestic economic recovery remained robust in 2021 reflecting less stringent COVID-19 pandemic containment measures and increased vaccination rates both in the Maldives and abroad. According to preliminary estimates based on the Quarterly National Accounts (QNA) released in early April 2022, after a contraction of 33.5% in 2020, the Maldivian economy is estimated to have expanded by 37.0% in 2021. This is higher than the most likely scenario for real GDP growth projected in October 2021, although the real GDP remains below the pre-pandemic levels. The rebound in growth during 2021 was driven by the robust recovery of the tourism sector owing to the easing of travel restrictions, while activity in sectors closely related to tourism such as transportation and communication; and wholesale and retail trade also strengthened during the year. Despite the ongoing supply chain disruptions and weak demand for tuna by major export markets, the growth rate of the fisheries sector accelerated, supporting the growth of the manufacturing sector, while the recovery of the construction sector remained sluggish as the sector continue to be severely affected by global supply disruptions and foreign labour shortages.

The average rate of inflation edged up to 0.5% in 2021, from -1.4% in 2020, largely driven by favourable base effects and higher global food and oil prices amid the pick-up in domestic demand. During the year most major categories of the CPI, such as housing and utilities, food and transport, registered growth rates and contributed to upward pressure on inflation. In contrast, the rate of inflation was significantly brought down by the information and communication services category, owing to reduced prices for internet services reflecting the government's pledge to make broadband and mobile internet more affordable to the public.

On the fiscal front, the fiscal deficit narrowed to 15.3% of GDP in 2021, due to a significant increase in total revenue, which also surpassed the budgeted target, mirroring sizeable increases in tax revenue as well as in non-tax revenue, owing to the rebound in domestic economic activity reflecting the robust recovery of the tourism sector. Further, revenue was also boosted by the full year realisation of new revenue measures that were implemented with a delay in 2020. Meanwhile, total expenditure depicted a significant increase stemming from the sizeable increase in recurrent expenditure, while capital expenditure also observed an increase during the year. The largest increase in recurrent expenditure stemmed from administrative and operational expenses, while the growth in capital expenditure stemmed from higher spending on infrastructure assets. However, capital expenditure was significantly lower than the amount budgeted for the year, largely due to slow progress in the commencement of major urban development projects. In 2021, the fiscal deficit was financed through both domestic and external sources. With regard to public debt, the total stock of debt (including publicly guaranteed debt) rose to MVR94.1 billion, although total public and publicly guaranteed debt as a percentage of GDP fell to 122% of GDP in 2021 from 150% in 2020.

With regard to monetary developments, the MMA continued to maintain a monetary policy stance that fosters economic growth as well as minimise the economic and financial disruptions in the country. However, following the pickup in economic activity in 2021, some of the measures implemented as part of the COVID-19 response were reverted. During the year, broad money growth accelerated largely due to the annual growth in net foreign assets (NFA) of the banking system. This reflected an increase in foreign assets, owing to the rise in foreign currency deposits held abroad, as well as a significant decline in foreign liabilities, due to the repayment of the swap with the Reserve Bank of India (RBI). Meanwhile, net domestic assets (NDA) of the banking system also posted an increase, primarily reflecting the annual expansion of investments in government securities, together with an increase in commercial banks' credit to the private sector and public non-financial corporations.

The performance of the financial sector remained well capitalised and resilient. As such, the banking sector remained robust, with strong capital and liquidity buffers, while non-performing loans (NPLs) and loan-loss provisions remained at prudent levels. Further, annual profitability improved as banks performed better due to the economic recovery during the year. As for the insurance industry, the profitability of the general insurance companies decreased due to high claims in 2021, although the profit margins remained strong, and gross written premiums increased during the year. Moreover, growths were observed in assets and loans of the non-bank financial institutions. However, the profitability of the non-bank financial institutions declined, with the increase in non-performing loans during the year.

With regard to the balance of payments (BOP), the current account deficit narrowed to 9% of GDP in 2021, from 36% in 2020, largely due to the recovery of travel receipts which outpaced the growth in merchandise imports as well as services. Although the current account deficit narrowed, the secondary income account was not a contributing factor as worker's remittances increased in 2021. In 2021, the current account deficit was largely financed by government borrowings. Further, with the current account deficit exceeding the overall financial account position, the overall balance of payments recorded a deficit of US$178.8 million, while the gross international reserves (GIR or official reserve assets) stood at US$805.8 million at the end of 2021.

Macroeconomic Developments

International Economic Developments

Global Output

After experiencing one of the worst economic collapses in 2020, the global economy remained resilient on its recovery path underpinned by less stringent COVID-19 related measures and better-than-expected vaccination efforts across the economies. Owing to lower comparison bases and temporary idiosyncratic factors, headline inflation witnessed a positive turnaround in most cases which also reflected the rebound in global commodity prices amid demand and supply imbalances.

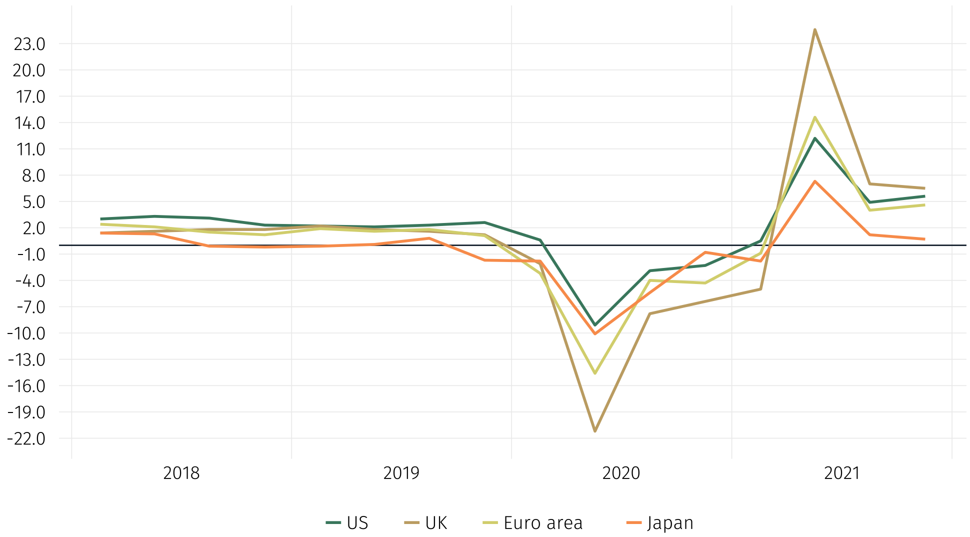
Following a significant downturn in 2020, the global economy advanced on the recovery path in 2021, mainly due to the less severe impact from the spread of the COVID-19 pandemic amid high vaccination efforts globally. In addition, the economies also remained more resilient to the pandemic-led repercussions during the year. Hence, global growth[1] was estimated at 5.9% for 2021, a reversal from the economic fallout of 3.1% estimated for 2020. This followed divergent and varied recovery paths across both the advanced and the emerging market and developing economies, with the latter group expected to have performed better during the year.

Looking at the advanced economies, after a decline of 3.4% in 2020, activity in the United States (US) improved by 5.7% in 2021, recording the highest growth rate since 1984 (Figure 1). The economy was aided by increased vaccination rates and strong policy support to aid income of individuals and businesses. In this regard, the economic growth represented increases in all major categories, mainly led by the personal consumption expenditure—the main driver of the economy—due to increases in both goods (mainly nondurables) and services (mainly restaurants and hotels). Meanwhile, reflecting the improvements in business and consumer confidence, the unemployment rate recorded a gradual decline during the year.

The economic performance in the euro area remained resilient to the re-emergence of COVID-19 variants and the subsequent containment measures. In 2021, the region recorded a growth of 5.3%, after registering -6.4% in 2020—the sharpest fall since the inception of the euro (Figure 2). The growth largely reflects the rebound in economic activity after the deep slump of 2020, and despite the headwinds from disrupted supply chains and resurging COVID-19 cases. In addition, the labour market witnessed favourable changes in 2021 as reflected by the growth in employment levels when compared to a year ago. However, economic performance within the region was disproportionate and unequal due to idiosyncratic factors.

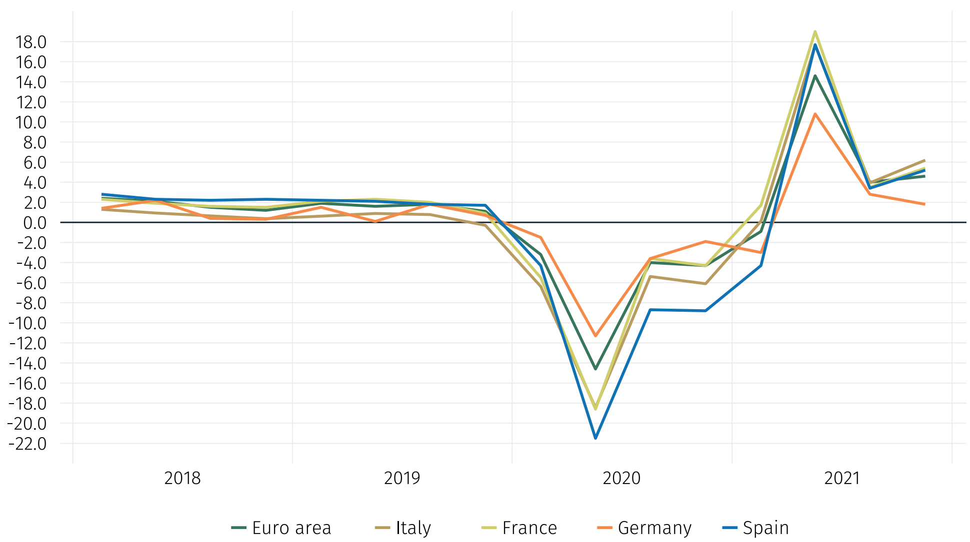
[1] International Monetary Fund, 'World Economic Outlook Update', January 2022.

Figure 1: Real GDP Growth in the Advanced Economies, 2018 - 2021
(annual percentage change)



Source: Bloomberg Database

Figure 2: Real GDP Growth in the Euro Area, 2018 - 2021
(annual percentage change)



Source: Bloomberg Database

Looking at the growth estimates of the main economies in the region, the German economy rebounded, however, at a pace slower-than-expected, mainly due to supply chain bottlenecks weighing on industrial activity (mainly car industry). Meanwhile, aided by the relaxed COVID-19 related restrictions and the subsequent increase in productive activities, economic recovery in France remained solid and registered the highest growth among the main economies in the region. Meanwhile, the Italian economy also bounced back, mainly driven by the rebound in domestic demand during the year. However, growth of the Spanish economy–one of the hardest hit economies by the COVID-19 pandemic in 2020–was less strong, reflecting the huge dependence on the tourism sector.

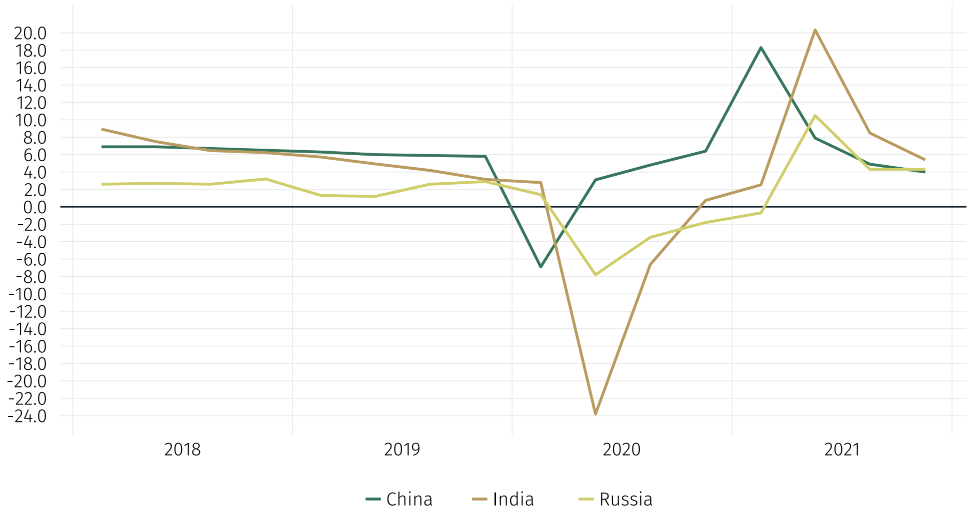
The Japanese economy—world's third largest economy—registered a muted growth of 1.6% in 2021, marking an expansion after two years of declines. This mainly reflected base effects due to the decline of 4.5% in 2020 and the revival in exports during the year. Meanwhile, domestic demand also increased as evidenced by the positive contributions from private consumption, which accounts for more than half of the gross domestic product (GDP). However, these increases were partly offset by the negative contributions from both public and private investment, while imports also increased during the year. Meanwhile, the unemployment level observed a decline in 2021, reflecting improved labour market conditions when compared to a year ago.

In the United Kingdom (UK), GDP increased by 7.5% in in 2021, its fastest growth since the second World War, following a historic slump of 9.4% in 2020. However, the rebound in economic activity was lower than expected as activity was affected by the emergence of new COVID-19 variants during the year. Meanwhile, growth was supported by the increase in output of construction and followed by the improvement in services sector. In addition, growth in consumer spending as well as government spending on vaccination programs also aided the economic recovery during the year. Imports increased more than exports, resulting in a deficit trade balance which partly curtailed the growth of the economy.

In the emerging market and developing economies, economic growth gained momentum, owing to the improvements in domestic demand, vaccine roll-out programmes and less stringent COVID-19 related restrictions (Figure 3). In China, growth rose from 2.2% in 2020 to 8.1% in 2021, marking the highest upturn since 2011, and exceeding the government's target of 6.0% for the year. Despite the resurgence of COVID-19 infections across the globe, economic activity in China was bolstered by the strong growth in the services sector, which mainly include technology, catering and transportation services. Meanwhile, industrial production also recorded a significant growth in 2021. In contrast to 2020, retail sales, an important indicator of consumer sentiments, contributed significantly to the growth in the domestic economic activity.

Following an economic slump of 6.5% in 2020, India's economic growth is estimated to register a turnaround of 8.2% in 2021, despite a contraction in activity in Q1-2021 owing to the re-imposition of mobility restrictions in the face of a deadly wave of COVID-19 infections caused by the Delta variant. While the growth rate partly represented low base effects, the rebound in the services sector due to the increase in demand for contact-intensive services aided economic activity, which was also reflected in the pick-up in private consumption, a key driver of economic growth.

Figure 3: Real GDP Growth in Emerging Markets and Developing Economies, 2018 - 2021
(annual percentage change)



Source: Bloomberg Database

The Russian economy observed the fastest growth since the Global Financial Crisis, registering a growth of 4.6% in 2021 following the economic slump of 2.7% registered in 2020. Growth during 2021 was underpinned by production increases in all major sectors, with services such as hotels and restaurants observing the highest upturn during the year. Meanwhile, the gradual rebound in domestic demand continued as reflected by the increase in consumer spending, which was also aided by one-off payments to households during the second half of the year. In addition, output also increased on the back of higher commodity prices, while faster growth in imports deteriorated the trade balance of the economy.

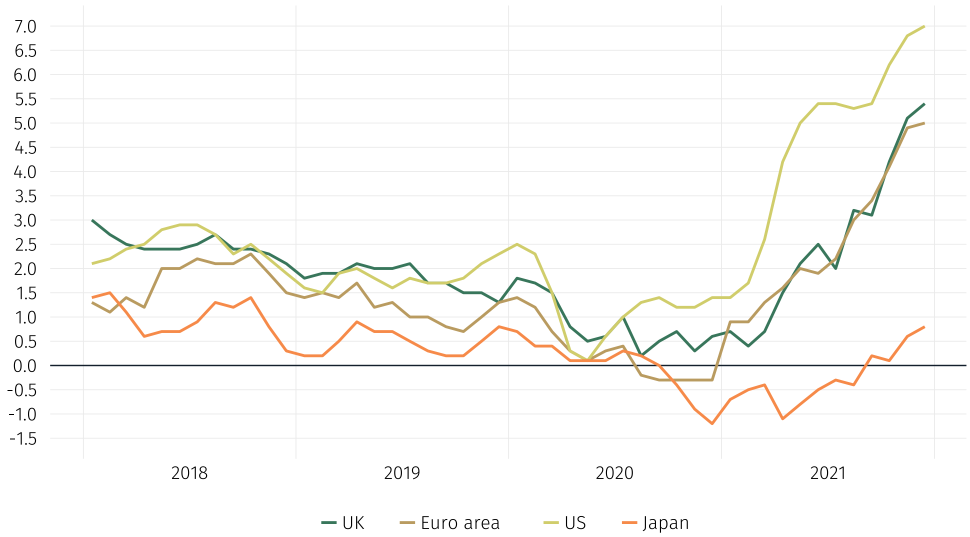
Global Inflation

Against the backdrop of demand and supply mismatches, and low base effects, headline inflation increased in most of the advanced and emerging market and developing economies during 2021. Meanwhile, soaring global energy prices and idiosyncratic factors also led to elevated prices across the economies. Reflecting these developments, core inflation also edged up above the central banks' target rates in most countries in both the country groups.

With respect to the inflation trends observed in the advanced economies, the rate of inflation in the US edged up to 4.7% (highest since 1990), much above the Federal Reserve's inflation target of 2.0%, and followed the 1.2% recorded in 2020 (Figure 4). While the acceleration was mostly driven by the increase in price of gasoline and rental prices, all major categories observed increases during the year. In addition, cost of used cars also exerted upside pressure on inflation which reflected higher demand for private transportation due to the pandemic.

In the euro area, the rate of inflation, as measured by the Harmonised Index of Consumer Prices (HICP), accelerated to 2.6% in 2021, up from 0.3% in 2020, moving above the European Central Bank's (ECB) target

Figure 4: Inflation in the Advanced Economies, 2018 - 2021
(annual percentage change)



Source: Bloomberg Database

rate of 2.0%. In this regard, the major upward contributors were energy-related items as reflected by the reversal in the cost of electricity and fuels amid an increase in the usage of personal transport equipment. Meanwhile, downward contributions stemmed from cost of accommodation services during the year.

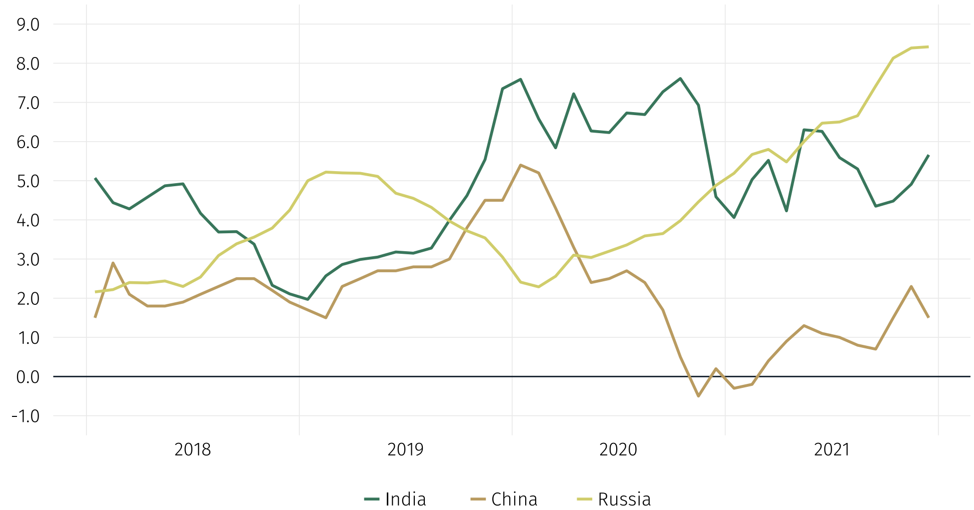
After recording a zero rate of inflation in 2020, the rate of inflation in Japan turned negative and stood at -0.2% in 2021, further below the Bank of Japan's target rate of 2.0%. The decline was largely contributed by the reduction in communication prices, reflecting the low-cost mobile phone plans offered by most of the phone carriers, as well as new mobile phone fee cuts introduced in 2021. Meanwhile, inflationary pressures mainly stemmed from rising energy costs, and the resultant increase in related items during the year.

In the UK, the rate of inflation increased to 2.5% in 2021, up from 1.0% in 2020, above the Bank of England's target rate of 2.0% due to broad-based increases in all categories. The major inflationary pressures stemmed from rising energy costs and higher rental prices. In addition, mirroring the demand for private transportation due to the ongoing pandemic, the prices of second-hand cars also witnessed increases during the year.

Turning to price developments within the emerging market and developing economies, the rate of inflation in China decelerated significantly to 0.9%, well below the target rate of 3.0% set by the Bank of China, and down from 2.5% in the previous year (Figure 5). The deceleration in prices stemmed primarily from the decline in food prices which mainly reflected lower meat prices amid supply disruptions during most parts of the year. Meanwhile, inflationary pressures stemmed from the turnaround in prices of transportation and communications owing to rising energy prices.

The rate of inflation in India declined to 4.9% in 2021, showcasing a major decline from the previous year's inflation rate of 5.6%. As such,

Figure 5: Inflation in Emerging Markets and Developing Economies, 2018 - 2021
(annual percentage change)



Source: Bloomberg Database

the rate of inflation fell within the upper margin of the target band of 4.0% to 6.0% set by the Reserve Bank of India (RBI). During the year, base effects related to higher vegetable prices in 2020 and changes in import duty for edible oils led to muted prices in 2021. However, the upturn in transportation costs due to the turnaround in fuel prices as well as supply disruptions added to inflationary pressures during the year.

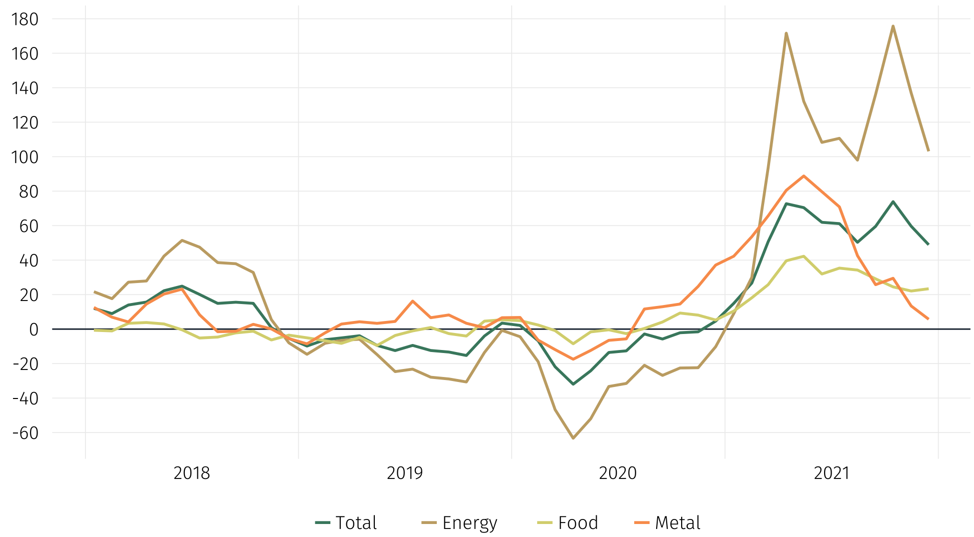
In Russia, the price level accelerated markedly and registered well above the Bank of Russia's target inflation rate of 4.0%. As such, the rate of inflation stood at 6.7% in 2021, up from 3.4% recorded in 2020. Although the acceleration was more pronounced in the second half of the year, food inflation was the main contributor to the increase during the year. In addition, inflation was aided by the revival in domestic demand and consumption, which outpaced production due to supply disruptions, mostly temporary in nature.

Commodity Prices

Following a year of depressed prices, global commodity markets witnessed a turnaround in 2021, reflecting the recovery of the global economy alongside supply disruptions. According to the International Monetary Fund (IMF) price index for all commodities, prices of global commodities observed a significant growth in 2021, primarily reflecting the lower base effect of the huge decline in energy prices witnessed in 2020. Accordingly, global metal and food prices continued the positive growth trajectory, reflecting the improvement in global manufacturing activity and demand for food, when compared to a year ago (Figure 6).

The IMF energy price index increased significantly by 102%, a reversal from a contraction of 30% reported during the previous year. In this regard, average crude oil prices soared to US$69.1 per barrel in 2021, from the US$41.3 per barrel recorded in 2020.

Figure 6: Global Commodity Price Indices, 2018 - 2021
(annual percentage change)



Source: Bloomberg Database

During 2021, the growth in oil prices were mainly attributed to the easing of pandemic-related measures and the resultant excess demand amid the gradual recovery of the global economy.

As such, revival of oil demand, particularly for transportation fuels, amid the relaxation of mobility restrictions aided the increase in prices to continue in 2021 and reached pre-pandemic levels as early as the first quarter of 2021. Furthermore, prices were supported by strong demand from the US, Europe and China, as well as rising demand from other Asian consumers, which also represented seasonal demand for oil in these areas. Meanwhile, mirroring the surge in natural gas prices, the demand for oil increased which resulted in a further increase in oil prices during the year. However, in terms of demand, prices were under pressure mainly during two occasions. Firstly, the spread of the Delta variant and the resultant restrictions weighed on prices; and secondly, the emergence of the Omicron variant in the latter part of the year, also contributed to some downward pressure on prices. Hence, it is worth noting that prices fluctuated on the back of demand-side fundamentals, which were deeply affected by the developments of the COVID-19 infection rates across the globe.

Meanwhile, on the supply front, production disruptions in the US caused by extremely cold weather, along with lower oil stocks supported prices at the beginning of the year. While the reduction of supply overhang and oil stocks gave momentum to prices, the unwavering commitment of the participants of the Declaration of the Cooperation (DoC)[2] to gradually adjust production until the second half of the year supported prices during the year. Similarly, bad weather and lower supply due to maintenance regulations in some of the crude oil producing countries also uplifted prices, with prices peaking in October 2021.

[2] Established on 10 December 2016, the DoC is a cooperation agreement between Organization of the Petroleum Exporting Countries (OPEC) member countries and 10 non-OPEC oil-producing countries to accelerate stabilization in the global oil market.

As for the non-energy prices, it increased by 27% in 2021, mainly due to the rise in prices of base metals, alongside a sizeable growth in most of the non-energy commodities. During the first half of 2021, the base metal prices surged, mirroring the downturn in prices during the first half of 2020, while precious metal prices also grew due to increased real interest rates in the US. Comparably, the base metal prices registered a sizeable growth in the second half of the year, although at a slower pace which reflected the effect of a strong dollar on overall prices. During the year, base metal prices were supported by stronger demand for metals amid the continued expansion of global manufacturing activity. In addition, it is worth noting that the precious metal prices declined in the second half of the year on the anticipation of a faster-than-expected tightening of monetary policy in the US.

Looking at the other major commodities in the non-energy category, the IMF food price index recorded an increase of 28% in 2021, after recording a modest growth of 2% in 2020. In this regard, notable gains were observed for staples such as oils, sugar and cereals, reflecting lower inventories coupled with poor production conditions in major producers amid rising import demand. Likewise, meat and dairy prices also recorded considerable increases during the year. Meanwhile, prices of beverages grew owing to the increase in prices of Arabica and Robusta coffee due to frost in Brazil and dry weather in Vietnam during the year.

Exchange Rates

Following a relatively weak performance during the first half of the year, US dollar—a safe haven asset—strengthened in the second half of the year, reversing the depreciation witnessed against the currencies of some of the major advanced economies and emerging markets in 2020 (Figure 7). In this regard, the US dollar depreciated against the Chinese yuan, the pound sterling and the euro, while the US dollar appreciated against the Japanese yen at the end of the first half of the year. Meanwhile, the

Figure 7: Changes in the Exchange Rates of Major Currencies against the US Dollar, 2020 - 2021
(annual percentage change)

Source: Bloomberg Database
Note: Percentage changes have been calculated using year-end rates.

year ended on a stronger dollar against the currencies except the Chinese yuan.

The US dollar appreciated against the Japanese yen by 11%, reflecting the weakening of the Japanese yen due to the investor expectations of US interest rate hikes towards the end of the year. It is noteworthy that the depreciation of the Japanese yen was lower in relative terms during the first half of the year. Likewise, the US dollar appreciated by 7% against the euro, which reflects the effect of the protests against the COVID-19 restrictions in the Europe, and other geopolitical tensions in the area. Meanwhile, US dollar appreciated by a modest 1% against the pound sterling, indicating reversal in the US dollar's performance against the currency.

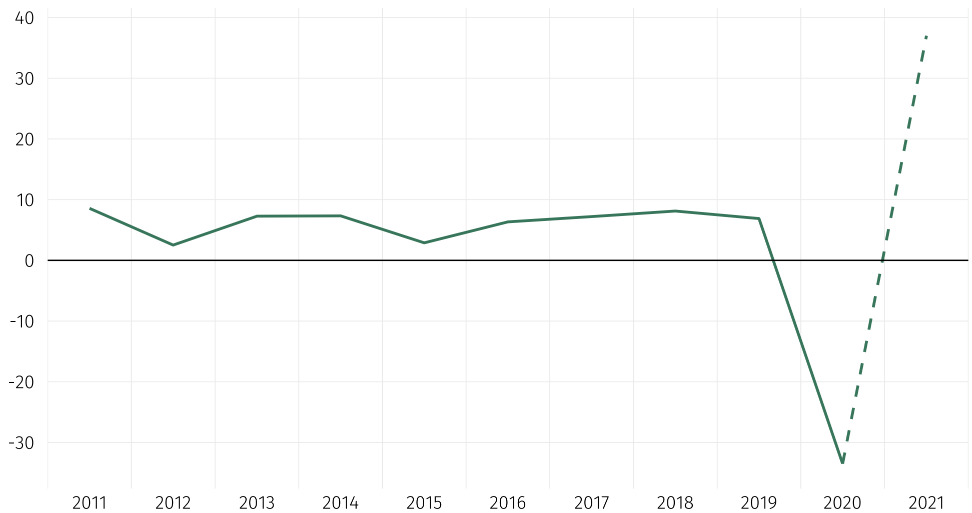
In contrast, the US dollar depreciated by 3% against the Chinese yuan, marking the currency as the best performing emerging currency at the end of the year. This largely reflected the rise in the value of the Chinese yuan, mirroring the improvement in exports and the higher return from the Chinese government bonds in 2021.

Domestic Economic Developments

Real Economy

The Maldivian economy is estimated to have expanded by 37.0% in 2021, year-on-year, after a historical contraction of 33.5% in 2020, according to preliminary estimates released by the Maldives Bureau of Statistics on 7 April 2022 (Figure 8). This is 5.4 percentage points higher than the most likely scenario for real GDP growth projected in October 2021 but slightly lower than the upper end of the growth forecast range of 28.1%-38.5%. Meanwhile, output remains below pre-pandemic levels. The strong rebound in real GDP growth was led by the robust recovery of the tourism sector, despite a slight setback caused by the COVID-19 Delta variant in the second quarter of 2021. During the year, sectors that are closely linked to the developments in the tourism sector, such as transportation and communication and wholesale and retail trade, also recorded strong positive growths. Despite the ongoing challenges facing the global tuna trade, due to weak demand and logistical difficulties, the growth rate of the fisheries sector accelerated, while the recovery of the construction sector remained sluggish. Meanwhile, the gradual easing of COVID-19 containment measures in the greater Male' region led to a strong rebound in the entertainment, recreation and other services sector which also supported real GDP growth.

Figure 8: Real GDP Growth, 2011 - 2021
(annual percentage change)



Source: Maldives Bureau of Statistics, Maldives Monetary Authority, Ministry of Finance
Note: Dashed line represents estimate as of April 2022.

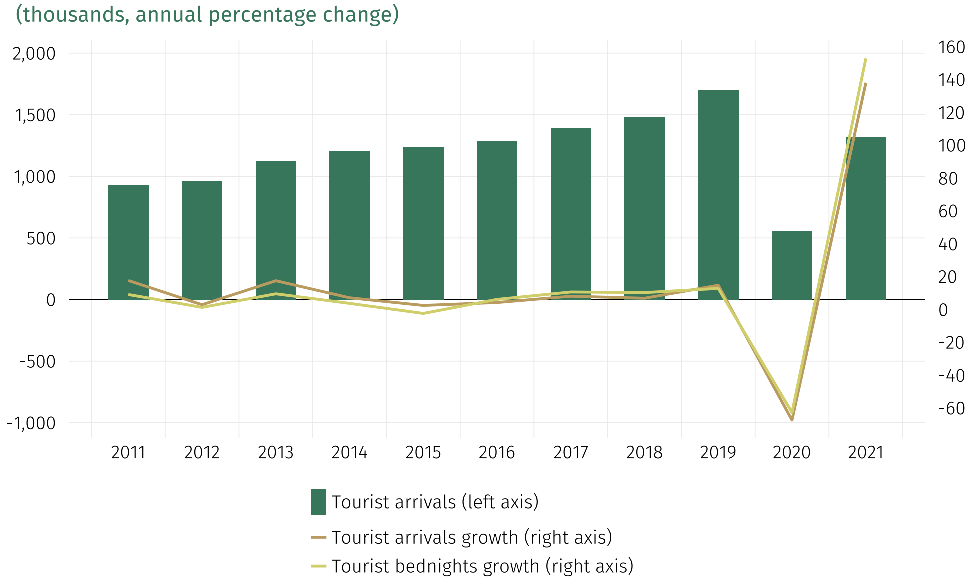
Tourism

The tourism sector registered a strong rebound during the year 2021, despite the emergence of new COVID-19 variants and the reintroduction of travel restrictions around the globe. Based on preliminary Quarterly National Accounts (QNA) estimates, the gross value added (GVA) of the tourism sector increased by 132.4% during 2021, after a contraction of 62.5% in 2020.

Contributed by the strong results in the fourth quarter of 2021, despite the emergence of the COVID-19 Omicron variant and the reimposition of travel restrictions in some source markets, total tourist arrivals reached 1,321,937 in 2021 (78% of levels in 2019), reaching the government's annual target arrivals of 1.3 million tourists for the year (Figure 9). This was an increase of 138% when compared with 2020 but a decline of 22% compared to 2019. Meanwhile, bednights posted a marked growth of 153% as the average stay rose to 8.8 days from 7.2 days in 2020. Reflecting these developments, total tourism receipts observed an annual increase of 148% and totalled US$3.5 billion in 2021, up from US$1.4 billion in 2020 and also increased by 10% when compared to the US$3.2 billion in 2019.

Compared to many other tourism dependent nations, the performance of the Maldivian tourism sector in 2021 was noteworthy. This was driven by the easing of travel restrictions reflecting the decline in COVID-19 infection rates[3] and the severity of the disease, owing to increased vaccination rates[4] both in the Maldives and abroad. Moreover, the implementation of stringent hygienic and safety protocols since the reopening of country's borders in July 2020, along with the geographical dispersion of Maldives and the "one island one resort concept", which enabled

Figure 9: Tourism Indicators, 2011 - 2021
(thousands, annual percentage change)



Source: Ministry of Tourism

[3] During second quarter of the year, highest daily new cases peaked over 1000 cases, but declined towards the end of the year with daily new cases remaining below 50.

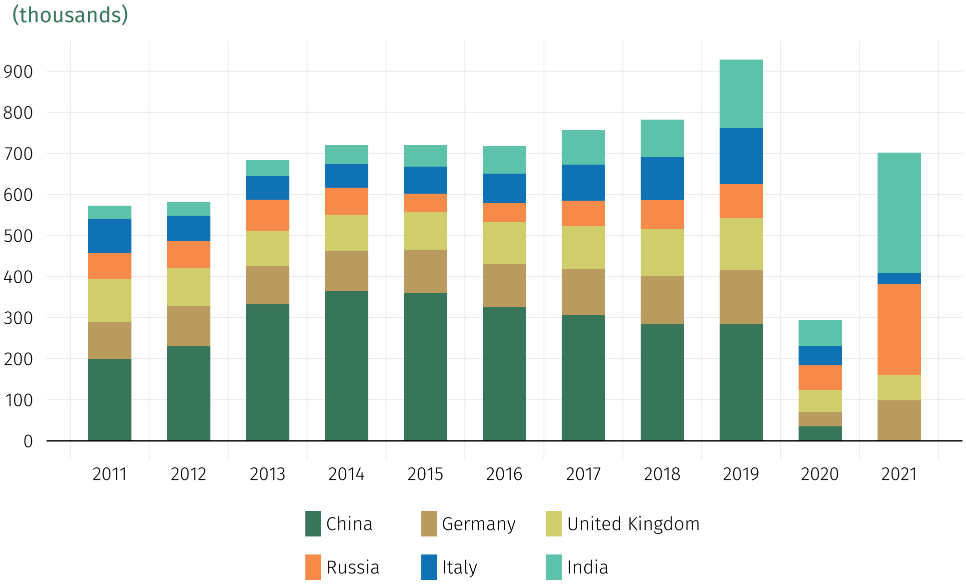
[4] During 2021, a total of 396,779 people was administered with their first doses; 367,450 people who completed their two doses and 25,925 people who got their booster doses.

to promote the Maldives as a safe destination to tourists, improved the confidence of travellers and helped in increasing tourism demand. In addition, early efforts made by the industry to tap new source markets through vigorous marketing campaigns and the establishment of direct air connections from these markets to compensate for the loss of arrivals from major traditional source markets in Europe and China, given the strict travel restrictions in these countries for outbound travellers, also contributed to the quick recovery of tourist arrivals to the Maldives. According to United Nations World Tourism Organization (UNWTO) Barometer, international tourist arrivals declined by 72% when compared with 2019 and recorded an upturn of 4% when compared with 2020. When compared with the pre-pandemic levels, arrivals to the Asia and the Pacific region contracted significantly by 94% during the year. Meanwhile, arrivals to the European region contracted by 63% and arrivals to the American region contracted by 62% when compared to 2019. According to UNWTO, the pace of recovery remained slow across regions due to varying degrees of mobility restrictions, vaccination rates and traveller confidence.

Similarly, in 2021, the increase in tourist arrivals also resulted in an increase in flight movements which recorded an increase of 119% or 6,991 flights when compared with 2020. At the end of 2021, there were 30 airlines operating flights to the Maldives (compared with 55 in 2020 and 37 in 2019), which included 13 scheduled airlines and 17 charter airlines, with the number of charter airlines operating flights to the Maldives having more than doubled compared to pre-pandemic levels. New airlines that commenced operations to the Maldives in 2021 include LOT Polish, MIAT Mongolian Airlines, Nordwind Airlines and US-Bangla Airlines which commenced operation at the start of the peak season during Q4-2021. However, flight movements remained 6% below the pre-pandemic levels (2019).

In 2021, the European market remained as the dominant regional market, followed by the Asia and the Pacific market (Figure 10).

Figure 10: Tourist Arrivals from Major Inbound Markets, 2011 - 2021
(thousands)



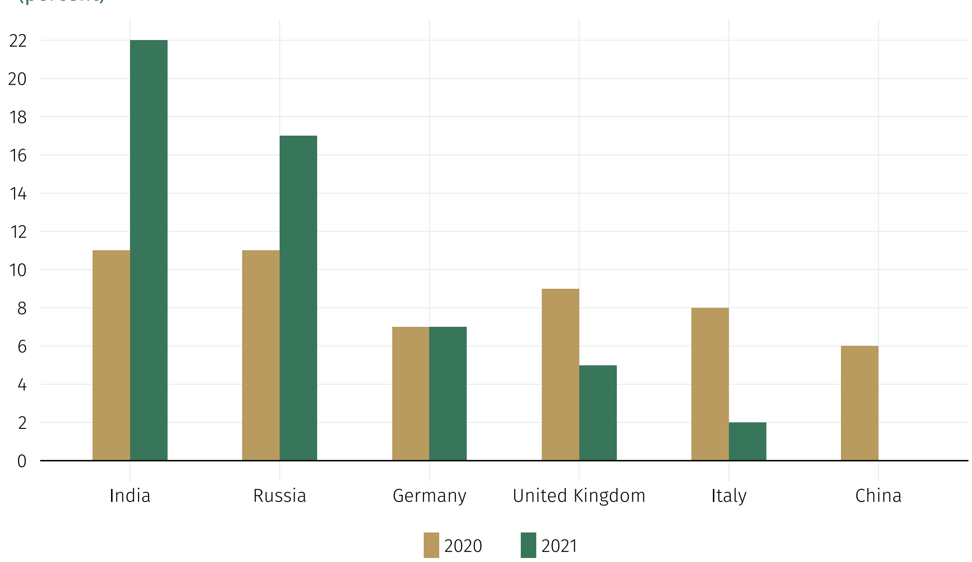
Source: Ministry of Tourism

Arrivals from the European region accounted for 58% of the total arrivals—an increase of 9 percentage points when compared to the pre-pandemic levels (2019). However, the market share of the European region decreased by 4 percentage points when compared with 2020, as the share of arrivals from the American and Middle Eastern markets increased. Among the European source markets, Russia remained the main market from this region accounting for 17% of total arrivals, followed by Germany (7%), the UK (5%), Spain (3%) and Ukraine (3%). In 2021, arrivals from Russia registered a four-fold increase compared to 2020 and surpassed pre-pandemic levels.

Tourist arrivals from the Asia and the Pacific region constituted 26% of the total arrivals in 2021 (unchanged from 2020) and was 16 percent lower than 2019, reflecting the sharp decline in arrivals from China—the largest source market to the Maldives prior to the pandemic—as the Chinese borders continued to remain closed for outbound travellers. From the Asian region, India remained as the single largest source market, accounting for 22% (Figure 11) of total arrivals, with arrivals from India increasing by more than two fold in 2021 surpassing 2019 levels, although this was to some extent affected by a temporary ban on South Asian arrivals during the second quarter of 2021, owing to a surge in COVID-19 cases in many South Asian countries due to the emergence of the Delta variant.

On the supply side, the total number of resorts in operation gradually increased during the year, increasing from 140 resorts in operation at the end of 2020 to 161 resorts at the end of 2021. This was a 15% increase compared to 2020 and a 6% increase compared to 2019. Similarly, the number of safari vessels in operation increased by 14 vessels to 145 at the end of the year. As for guesthouses, the number of guesthouses in operation rose to 613 at the end of 2021 from 268 guesthouses in operation at the end of 2020 and 607 in 2019. Reflecting these developments, the

Figure 11: Shares of Key Inbound Markets, 2020 - 2021
(percent)



Source: Ministry of Tourism

average operational bed capacity of the industry[5] grew significantly by 76% compared to 2020 and exceeded pre-pandemic levels by 4%. In line with these developments, the overall occupancy rate of the industry rose to 55% in 2021 from 26% in 2020. However, the occupancy rate remains 11 percentage points below the pre-pandemic levels (Figure 12).

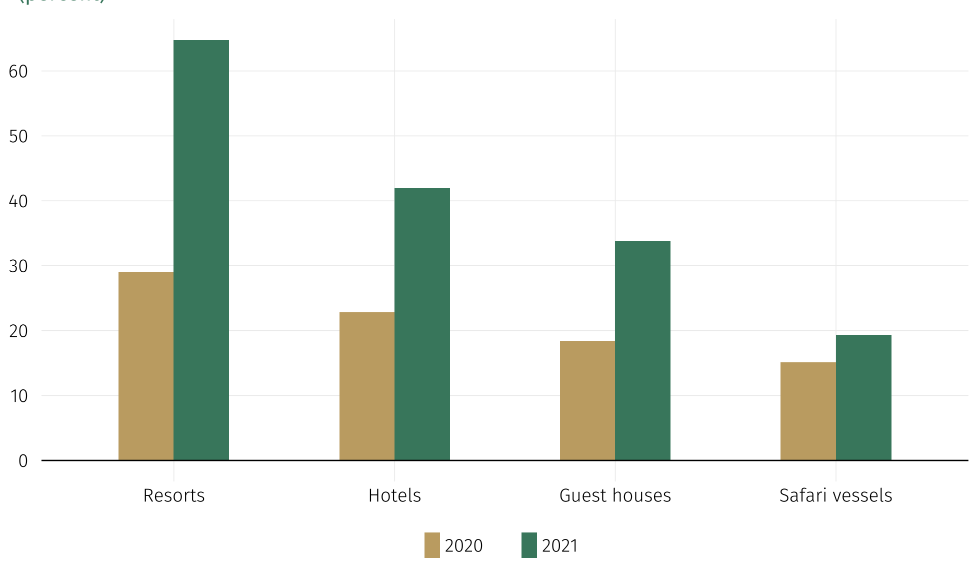
Fisheries

Despite ongoing supply chain disruptions and weak demand for tuna by major export markets, the growth rate of the fisheries sector accelerated in 2021, after a growth of 10.2% in the previous year. Based on preliminary QNA estimates, the GVA of the fisheries sector increased by 19.0% during 2021. This was reflected by a slight rebound in fish purchases by fish processing companies, following a decline in 2020, and solid growth in the volume of fish exports.

Fish purchases, which registered an annual decline of 2% in 2020, increased by 4% in 2021 and totalled 82.7 thousand metric tonnes (Figure 13). This was largely driven by robust growth in skipjack tuna purchases, which offset the significant fall in yellowfin tuna purchases. Yellowfin tuna purchases, which are mostly exported fresh to the European Union and the US via air freight, have been declining since the onset of the pandemic reflecting logistical difficulties and the fall in export demand for fresh yellowfin tuna due to closures of or restrictions on the food services sector, restaurants and sushi bars. Both skipjack and yellowfin tuna continued to collectively account for around 99% of the total fish purchases.

With regard to tuna prices in the domestic market[6], prices of both fresh skipjack tuna and iced skipjack tuna, remained stable

Figure 12: Occupancy Rates for the Tourism Industry, 2020 - 2021
(percent)

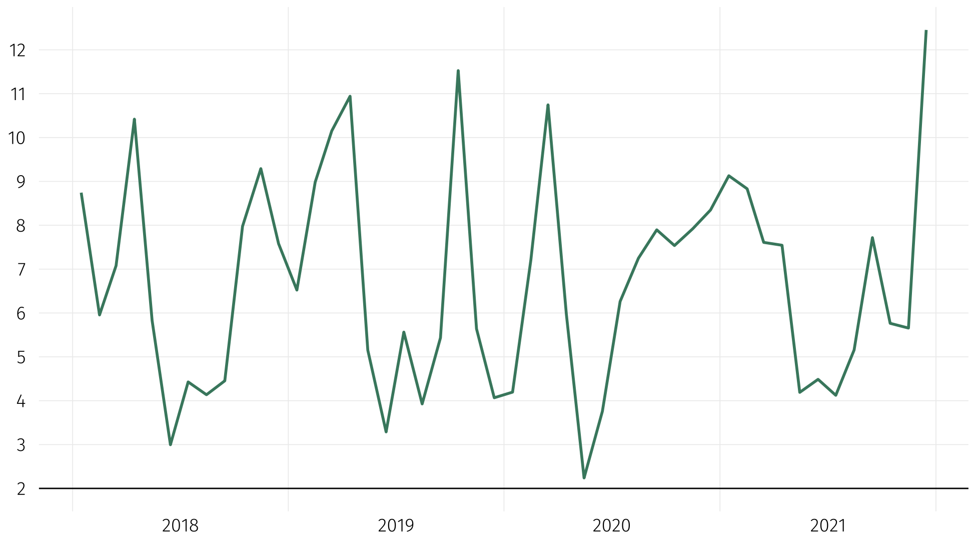


Source: Ministry of Tourism

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

[6] In 2020, the state-owned Maldives Industrial Fisheries Company (MIFCO) abolished the fixed rates at which fish purchases were made and purchase prices now reflect the global fish prices.

Figure 13: Fish Purchases, 2018 - 2021
(thousand metric tonnes)



Source: Ministry of Fisheries, Marine Resources and Agriculture

at MVR14.0 and MVR16.0 per kilogram, respectively. However, reflecting the decline in supply, the average purchase price of yellowfin tuna increased during the year and averaged MVR81.0 per kilogram, from an average of MVR53.0 per kilogram in 2020 (Figure 14). As for tuna prices in the international market, Thailand continues to be the main export destination for Maldivian skipjack tuna, and the price of skipjack tuna in the Bangkok market averaged MVR21.3 per kilogram in 2021, which was slightly lower than MVR21.8 per kilogram in 2020 (Figure 15).

Looking at the developments in the fish processing sector, following an annual growth of 20% in 2020, fish exports recorded a growth of 13% in 2021 and totalled 76.9 thousand metric tonnes. The annual growth in the volume of fish exports was largely driven by the increase in the export volume of frozen skipjack tuna. During the year, exports of yellowfin tuna and canned tuna—the third main export category—grew, while exports of dried tuna recorded a decline (Figure 16).

Construction

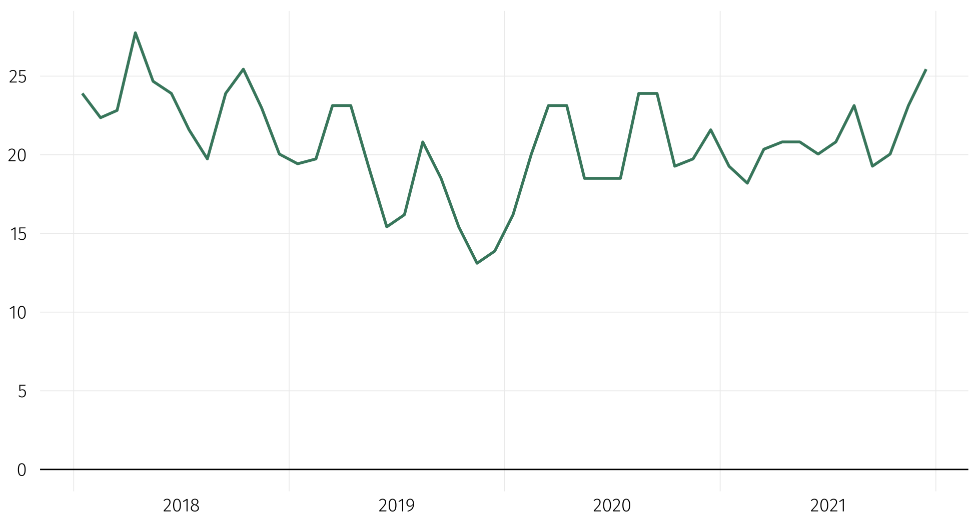
The recovery of the construction sector was sluggish in 2021 as output of the sector remained severely affected by foreign labour shortages and global supply disruptions caused by the COVID-19 pandemic. According to preliminary estimates of the QNA, following a sharp decline of 33.8% in 2020, the GVA of the construction sector, which turned positive in second of the quarter of 2021, accelerated in the last quarter of the year. However, the GVA of the sector remains significantly below the pre-pandemic levels. The pickup in construction activity during the year was mainly supported by the resumption of government infrastructure projects and growth in housing construction projects.

High frequency indicators such as construction-related imports rose by 6% in annual terms during the year, after a decline of 41% in 2020 (Figure 17), while commercial bank credit to the sector marginally declined by 1% from 2020 but registered an increase

Figure 14: Prices Paid for Fish by Local Processing Companies, 2018 - 2021
(rufiyaa per kilogram)

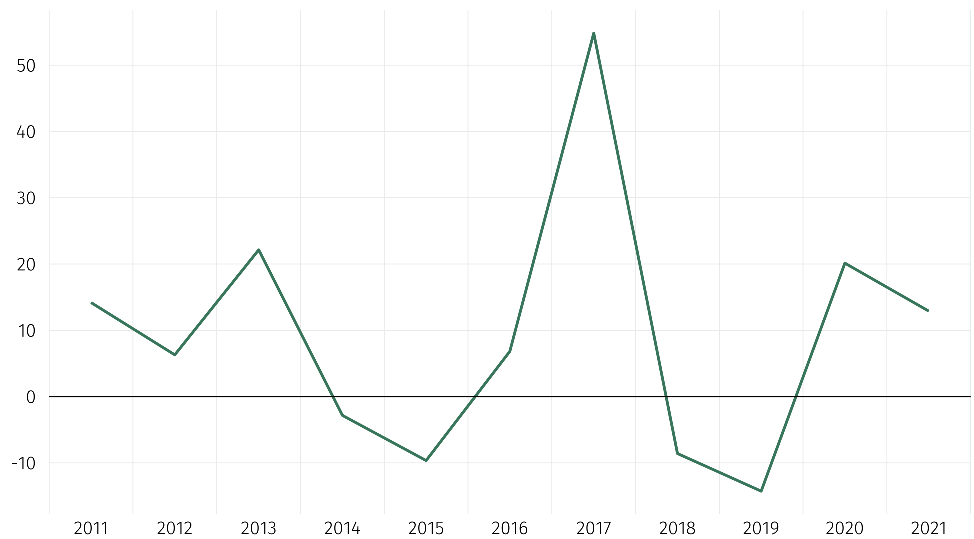
Source: Ministry of Fisheries, Marine Resources and Agriculture

Figure 15: Skipjack Tuna Prices, 2018 - 2021
(rufiyaa per kilogram)



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

Figure 16: Volume of Fish Exports, 2011 - 2021
(annual percentage change)



Source: Maldives Customs Service

Figure 17: Construction-related Imports, 2011 - 2021
(millions of US dollars, annual percentage change)

Source: Maldives Customs Service

of 10% when compared with 2019. As for the construction-related loans[7], notable increases were observed on loans extended for construction of residential housing projects, property development projects, real estate residential housing projects and guesthouse projects. However, the increase was largely offset by the decline in loans extended for renovation of resorts, construction and real estate projects of commercial buildings and new resort development. It should be noted that a significant share of financing for resort development projects are sourced from abroad, while funding for public infrastructure projects is obtained from the government budget and through external borrowings.

Wholesale and Retail Trade

The performance of the wholesale and retail trade sector improved in 2021, in line with the strong recovery of the tourism sector and overall rebound in economic activity. According to preliminary estimates, after registering a sharp annual contraction in 2020, the wholesale and retail trade sector GVA rebounded in 2021. In 2021, private sector imports (excluding tourism) grew by a robust 38%, year on year, after a significant contraction of 33% in 2020. Meanwhile, growth in commercial bank credit to the sector accelerated to 5% at the end of 2021 from a decline of 5% in the previous year.

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

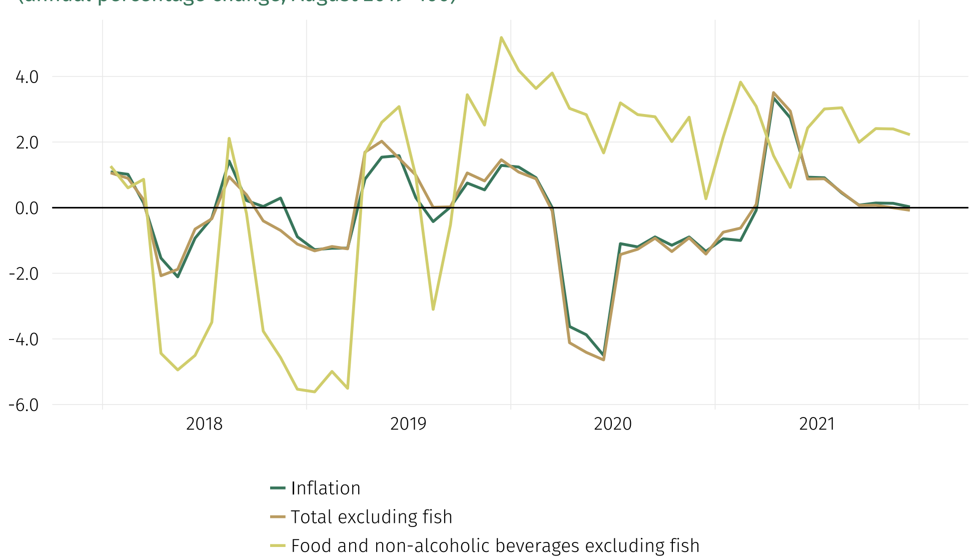
Inflation

The average rate of inflation edged up to 0.5% in 2021, from -1.4% in 2020, largely driven by favourable base effects and higher global food and oil prices. During the year most major categories of the Consumer Price Index (CPI), such as housing and utilities, food and transport, registered positive growth rates and contributed to upward pressure on inflation. In contrast, the rate of inflation was significantly brought down by the information and communication services category, owing to reduced prices for internet services reflecting the government's pledge to make broadband and mobile internet more affordable to the public.

Following a period of negative inflation in 2020, which was mostly induced by COVID-19 related government support measures for households, the rate of inflation picked up in 2021. After registering -1.4% in 2020, the rate of inflation, based on the annual percentage change in the 12-month moving average of the national CPI, edged up to 0.5% in 2021, largely reflecting favourable base effects and higher global oil and food prices amid the pick-up in domestic demand (Figure 18).

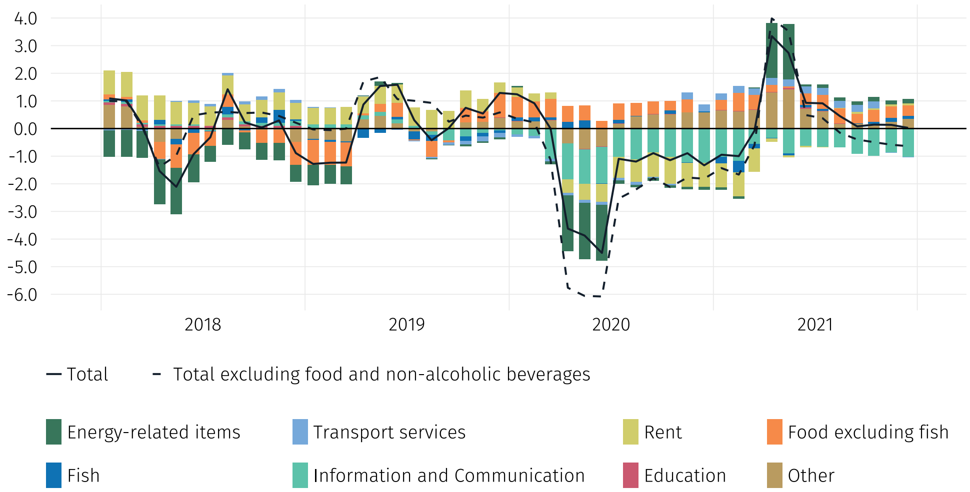
The rate of inflation rate remained subdued in the first quarter of the year (-0.7%) but rose sharply to 2.3% in the second quarter of the year, mainly reflecting the dissipation of base effects related to the subsidy on water and electricity granted by the government in 2020 to alleviate the impact of COVID-19 pandemic. However, the rate of inflation moderated to 0.5% in the third quarter and fell further to 0.1% in the fourth quarter. This deceleration in inflation was mainly contributed by the fall in the prices of information and communication services reflecting the government's pledge to reduce internet prices, which offset the positive contribution from base effects related to the hike in import duty on cigarettes (implemented in July 2020), which increased the price of cigarettes by 22.7% (Figure 19).

Figure 18: Inflation (National), 2018 - 2021
(annual percentage change, August 2019=100)



Source: Maldives Bureau of Statistics

Figure 19: Contribution of Major Categories to CPI Inflation (National), 2018 - 2021
(annual percentage change, percentage point contribution, August 2019=100)



Source: Maldives Bureau of Statistics

With regard to developments in the major categories of the CPI, after registering a decline in 2020, the housing and utilities category, registered a modest growth of 0.9% in 2021. This was mainly contributed by the rise in the cost of electricity and water supply, reflecting the dissipation of base effects related to utilities discounts provided in 2020 to mitigate the impact of the COVID-19 pandemic. Additionally, the small decline in housing rent (-1.6 %) during 2021 compared to 2020 (-3.6 %), mainly owing to the impact of the temporary relief given on housing rent[8] which remained for a large part of 2021, partly curbed the price increases in the housing category.

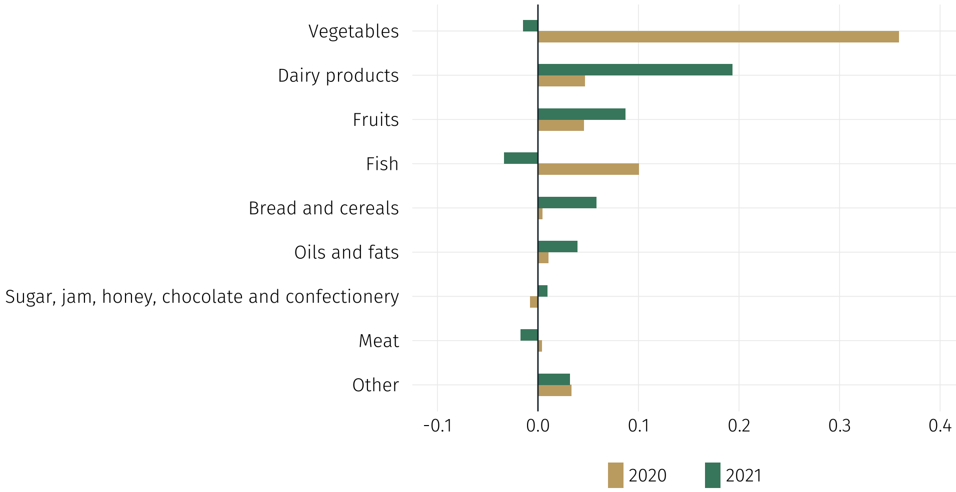
The food and non-alcoholic beverages category, which carries the second highest weight in the CPI basket, registered a growth of 1.8% in 2021 (Figure 20), reflecting higher global food prices amid foreign exchange shortages. During the year, food inflation was largely driven by the increase in prices for milk and other dairy products, followed by an increase in prices for fruits and breads and cereals, which reflected the increases in such prices globally due to supply shortages amid increasing demand.

Meanwhile, information and communication category, which fell by 8.7% exerted the most downward pressure on inflation during 2021 (Figure 21). This was largely driven by the decline in the cost of information and communication services owing to the fall in mobile communication services (-17.3%) and fixed communication services (-12.0%). The reduction in prices mainly stemmed from the pledge made by the government to make broadband and mobile internet more affordable to the consumers.

In 2021, the transport category observed an increase of 2.8%, mainly reflecting the increase in the cost of passenger transport

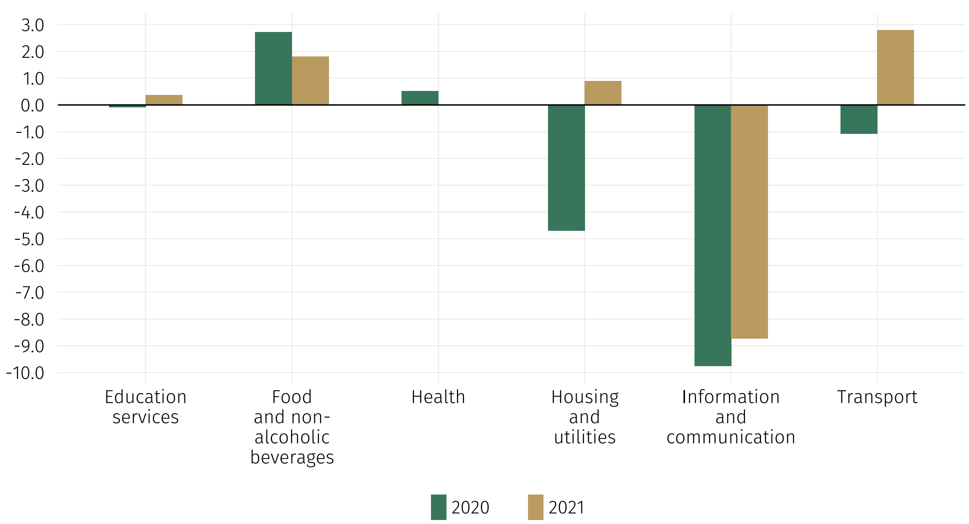
[8] A 30% rent deferment option was provided for the months of March to September 2020, by the Housing Development Corporation, on properties managed by the corporation, which includes flats, residential land plots, row houses, commercial units and industrial lands.

Figure 20: Contribution of Food Categories to CPI Inflation (National), 2020 - 2021
(percentage point contribution)



Source: Maldives Bureau of Statistics

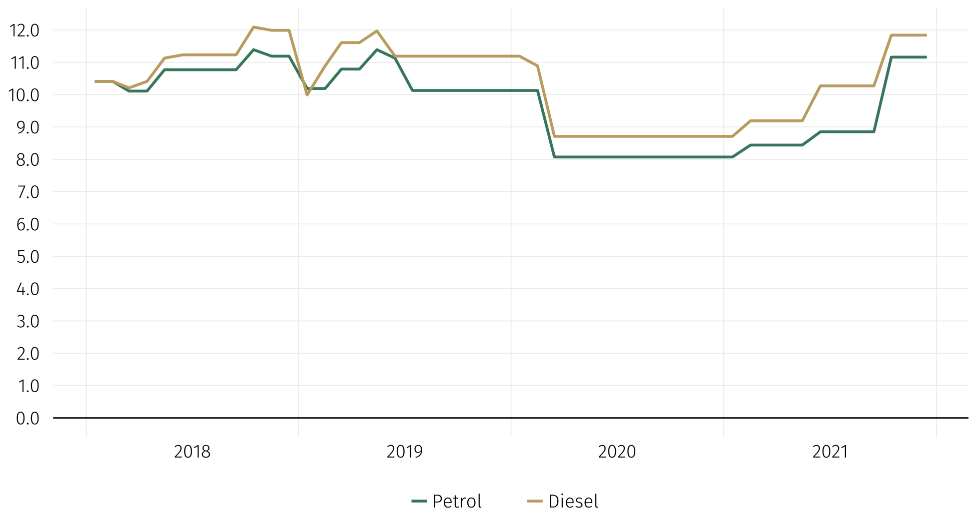
Figure 21: Inflation Rates of Selected Categories of CPI (National), 2020 - 2021
(annual percentage change)



Source: Maldives Bureau of Statistics

services owing to the 17.8% surge in the cost of international passenger air transport. This mirrored the discontinuation of pandemic-related discounts on airfares by some airlines. Further, the hike in the domestic price of petrol by the State Trading Organization (STO) towards the end of the year[9], reflecting the rise in global oil prices, also contributed to transport inflation (Figure 22). During the year, global crude oil prices soared to US$69.1 per barrel by the end of 2021, from US$41.3 per barrel in 2020, owing to the strong rebound in global demand for oil which outpaced supply.

Figure 22: Domestic Fuel Prices, 2018 - 2021
(rufiyaa per litre)



Source: State Trading Organization
Note: Prices are based on retail price of Fuel Supply Maldives.

[9] On 12 October 2021, the price of petrol rose to a total of MVR11.16 per litre from MVR10.75 per litre. At the start of the year, petrol prices were at MVR8.07 per litre. This is based on retail price of Fuel Supply Maldives (FSM), a subsidiary of STO, the largest importer of oil in the Maldives.

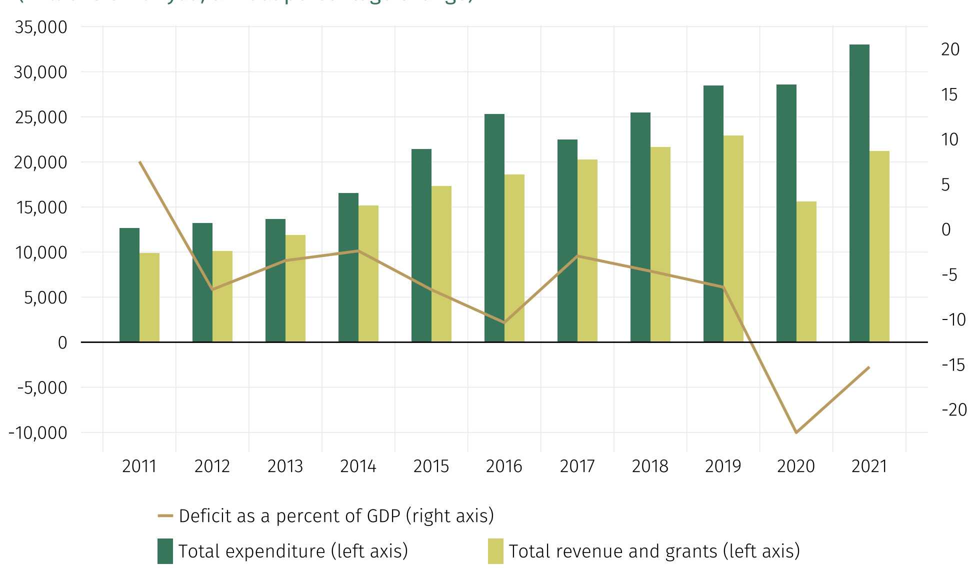
Public Finance

The fiscal deficit narrowed to 15.3% of GDP in 2021, owing to a strong rebound in total revenue stemming from the recovery of the tourism sector. Further, revenue was boosted by the full year realisation of new revenue measures that were implemented in 2020, although the implementation of new revenue measures that were proposed for 2021 were delayed until 2022. In this regard, total revenue also surpassed the budgeted target, while total expenditure posted a significant increase, due to a significant growth in recurrent expenditure, together with an increase in capital expenditure.

According to the government budget 2021, fiscal policy was primarily geared towards recovering from the adverse economic and social impact of the COVID-19 pandemic in line with the priorities outlined in the Strategic Action Plan (SAP) of the government. As in the previous year, the budget was aimed towards continued efforts to strengthen fiscal decentralisation and promote regional development across the Maldives, while also strengthening the resilience and diversification of the economy. In addition, considerable importance was given to build self-sufficiency of the government and enhance the capacity to overcome the consequences of an economic crisis.

Reflecting the rebound in economic activity following the fallout from the COVID-19 pandemic, total revenue collection improved during the year and as a result, the fiscal deficit narrowed to MVR11.8 billion in 2021 from MVR13.0 billion in 2020. This was also MVR536.9 million lower than the fiscal deficit target for the year. In terms of GDP, the overall fiscal deficit[10] is estimated to have narrowed to 15.3% in 2021, lower than the 22.6% in 2020 (Figure 23). Similarly, the primary deficit[11] narrowed to 12.5% of the GDP in 2021 from 19.8% in 2020. In 2021, total revenue observed a significant increase driven by a significant growth in tax revenue as well as non-tax

Figure 23: Government Revenue and Expenditure, 2011 - 2021
(millions of rufiyaa, annual percentage change)



Source: Ministry of Finance

[10] Latest data available from the Ministry of Finance, as of 3 April 2022.
[11] This is the total budget balance excluding interest expenditure.

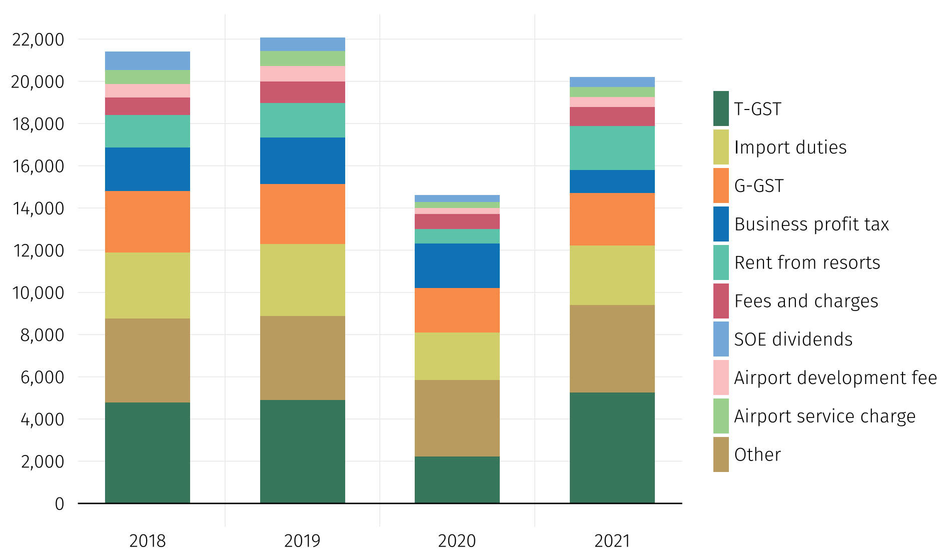
revenue. This primarily reflected the pickup in economic activity amid the easing of restrictive measures undertaken by the government to mitigate and contain the spread of COVID-19, after a pandemic-led economic downturn in 2020. In this regard, a substantial upturn was observed in tourism activity during the year. Meanwhile, total expenditure also posted an increase driven by a significant increase in recurrent expenditure, together with a rise in capital expenditure. However, total expenditure was lower than budgeted for the year due to slow progress in capital projects.

Revenue

Total government revenue (excluding grants) rose to MVR20.2 billion in 2021, a significant growth of 38% when compared with 2020. Further, revenue also surpassed the target by MVR1.3 billion. This pickup in revenue was on account of significant growth in tax revenue as well as non-tax revenue during the year. Revenue was also boosted by the full year realisation of new revenue measures that were implemented with a delay in 2020. It is also noteworthy that the implementation of most of the measures proposed for 2021 were suspended until 2022.

Tax revenue, the largest component of total revenue (Figure 24), observed a growth of MVR3.7 billion and totalled MVR14.7 billion during the year. This was largely due to the increase in tourism goods and services tax (T-GST) which rose by MVR3.0 billion, reflecting the robust recovery of the tourism sector post reopening of the international borders in 2020. Driven by the recovery of the tourism sector, overall economic activity also witnessed a rebound and as a result revenue collection from import duties and general goods and services tax (G-GST) increased. In addition, the growth in tourism activity was mirrored in revenues from both green tax and airport service charge, as these are revenue sources that carry direct implications from the developments in the tourism sector.

Figure 24: Breakdown of Revenue (Excluding Grants), 2018 - 2021
(millions of rufiyaa)

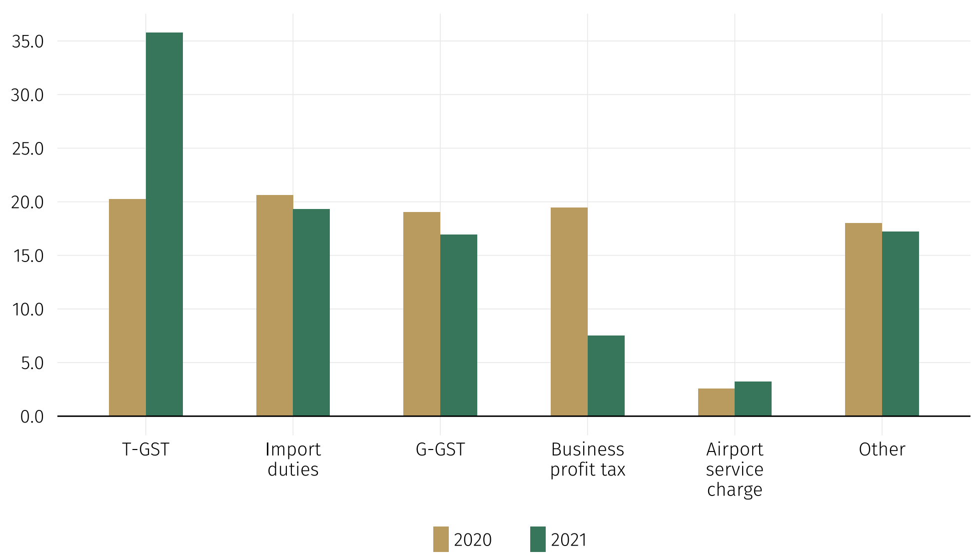


Source: Ministry of Finance

Considering the composition of tax revenue, T-GST remained as the main single source of revenue for the government (Figure 25) and totalled MVR5.2 billion in 2021. Revenue from T-GST also surpassed the budgeted revenue target by MVR2.6 billion. This was followed by import duty which observed the second largest increase—which is also the second-largest source of revenue—due to higher import demand and the subsequent increase in imports. Reflecting the pickup in domestic demand, a substantial growth was also observed in G-GST, which rose by MVR398.7 million. It is noteworthy that movement restrictions remained less stringent compared to the previous year. Apart from the stringent measures implemented in May-June, restrictive measures were eased for a large part of the year. Further, mirroring the strong performance in the tourism sector, both green tax and airport service charge also observed a significant growth of MVR451.2 million and MVR190.1 million, respectively. Moreover, growths were observed in revenue from withholding tax and individual income tax. The growth in withholding tax reflected the increase in job creation and reversals in pay-cuts, while the growth in individual income tax mirrored the full year realisation of revenue as well as the pickup in economic activity. On the downside, receipts from the business and property tax[12] observed a decline during the year. This stemmed from the decline in both business profit tax (BPT) and other business and property tax (which consists mainly of bank profit tax), reflecting the weak performance of the economy in the preceding year.

Non-tax revenue rose by MVR1.7 billion and totalled MVR5.5 billion during 2021. This was mainly on account of the increase in rent from resorts which grew by MVR1.4 billion. This primarily reflected the receipt of deferred payments from the previous year, as the government allowed deferments[13] on tourism land rent to alleviate the adverse economic

Figure 25: Composition of Tax Revenue, 2020 - 2021
(percent)



Source: Ministry of Finance

[12] Business and Property Tax revenues for 2020 were collected during 2021.

[13] The government allowed a year-long deferment on tourism land rent as well as those on agricultural islands, as part of the fiscal measures in response to COVID-19.

impact of the pandemic on the tourism industry in 2020. Further, notable growths were observed in fees and charges, and registration and license fees, which posted increases of MVR389.3 million and MVR352.2 million, respectively. It is worth noting that revenue from resident permits was collected under registration and license fees, which partially contributed to this increment. In addition, revenue from fines and penalties, and dividends from state-owned enterprises (SOE) posted significant growths, despite a sizeable fall in interest and profits. The fall in interest and profits can be attributed to the extensions given on interest payments of loans given by the government, decrease in interest of subsidiary loans as well as the fall in profit of the MMA.

Expenditure

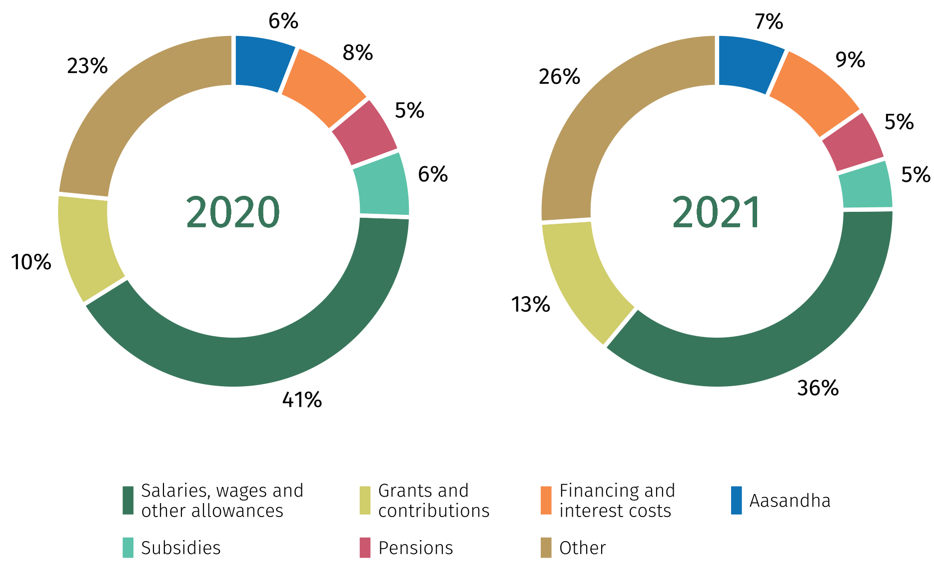
Total government expenditure (excluding net lending) amounted to MVR33.0 billion in 2021, registering a growth of MVR4.4 billion in annual terms. However, total expenditure marginally fell short of the amount budgeted for the year owing to lower capital expenditure. The annual increase in total expenditure was driven by a significant growth in recurrent expenditure, while capital expenditure also observed an increase during the year.

Recurrent expenditure—which accounted for 73% of total expenditure—increased by MVR3.8 billion and totalled MVR24.0 billion (Figure 26). This was 11% more than the amount budgeted for recurrent expenditure in 2021. The largest increase in recurrent expenditure stemmed from administrative and operational expenses which grew by MVR3.2 billion, with all major categories observing increases. This can be largely attributed to a lower base effect as cost reduction strategies were adopted by the government to reallocate funds for health sector-related spending in 2020, while the closure of government offices and the transition to work-from-home also contributed to the fall in recurrent expenses in the preceding year. Delving into the major contributors, a notable growth of MVR1.2 billion was observed in grants, contributions, and subsidies category. This mirrored a significant growth in council grants, a new policy initiative by the government to give block grants to councils to promote decentralisation, while expenditure on the national health insurance scheme (Aasandha) also picked up in annual terms. Meanwhile, operational consumables increased largely due to expenses on medical supplies and consumables particularly relating to the pandemic mitigation efforts. In addition, financing and interest cost increased due to accumulation of higher debt to finance the fiscal deficit (Figure 27).

Meanwhile, salaries and wages—the major component of recurrent expenditure—continued to account for the highest share of the total recurrent expenditure, recording a growth of 6% in annual terms, driven by increases in both salaries and wages, and allowances to employees. The increase in salaries and wages can be attributed to increased costs on new employees as recruitments were allowed for certain areas after a temporary halt of new recruitment in 2020. Meanwhile, the growth in allowances to employees reflected added costs on front-line workers of the COVID-19 response, amid a surge in cases in mid-year. In addition, this also mirrored increased expenditure on overtime allowance.

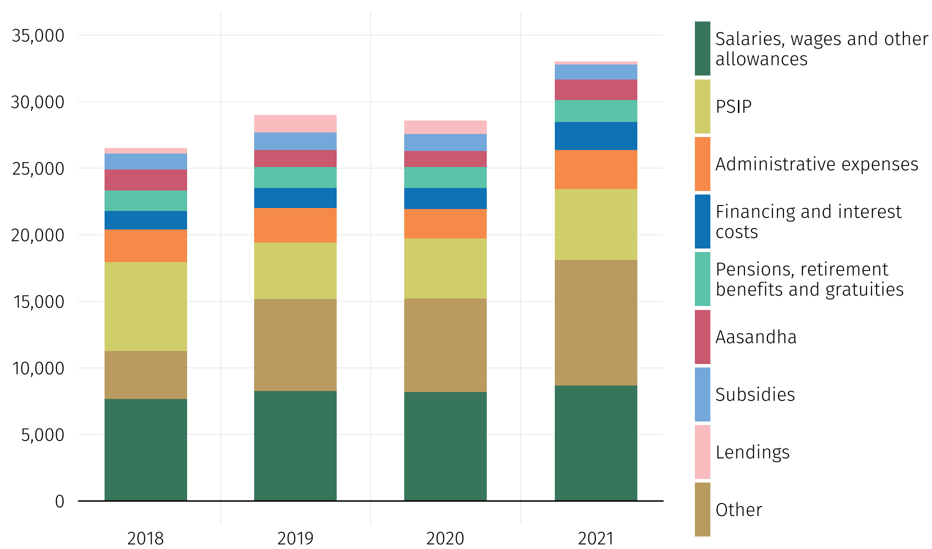
Capital expenditure recorded a growth of MVR660.6 million and totalled MVR9.0 billion in 2021, although this was significantly lower than the amount budgeted for the year. The shortfall compared to the budget was primarily

Figure 26: Government Recurrent Expenditure



Source: Ministry of Finance

Figure 27: Breakdown of Expenditure, 2018 - 2021
(millions of rufiyaa)



Source: Ministry of Finance

due to slower progressions made in the commencement of major urban development projects and lower construction-related imports due to global supply-chain disruptions. Nonetheless, the annual growth in capital expenditure was largely driven by spending on infrastructure assets, which posted an increase of MVR847.7 million when compared with 2020. The growth in infrastructure assets was largely driven by other infrastructure assets which primarily includes spending on water and sewerage, and environmental protection. In addition, spending on roads, bridges and airports increased during the year, despite a decline in spending on lands and buildings. Secondly, expenditure on capital equipment recorded an increase of MVR328.7 million, owing to increased costs on acquiring furniture, machinery and equipment. This was followed by expenditure on development projects and investments outlays, which registered a growth of MVR306.5 million. This primarily mirrored capital injections to SOEs, namely, the Housing Development Corporation Limited (HDC), which was provisioned support from the budget to ease cashflow difficulties. On the other hand, expenditure as lending posted a significant decline in annual terms, mirroring the base effect of loans that were issued to businesses under the economic response package through the Bank of Maldives Plc (BML) and SME Development Finance Corporation (SDFC) in the previous year.

Financing

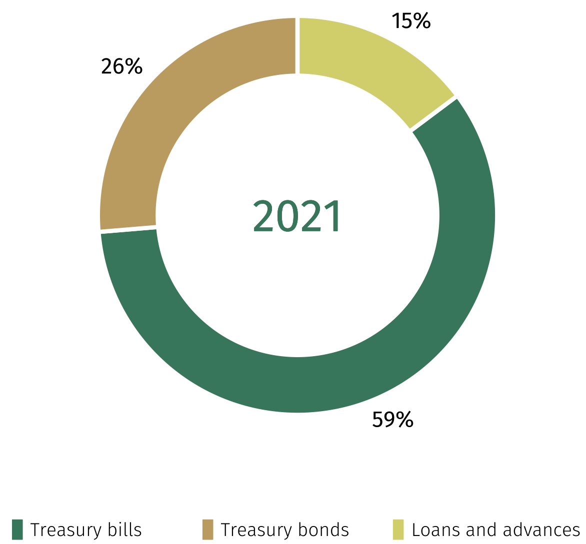
Despite the impact of COVID-19 pandemic weighing on the economy in 2021, total revenue of the government increased during the year. As a result, the fiscal deficit was lower when compared with 2020, although net borrowing was higher in annual terms. In 2021, the fiscal deficit was financed through both domestic and external sources. As such, net borrowing through domestic sources significantly outpaced the budgeted target, while net borrowing through external sources was significantly less during the year.

Domestic borrowing by the government—consisting of both short-term and long-term loans and debt securities—represented a net borrowing of MVR6.8 billion in 2021, a significant decrease when compared with the net borrowing of MVR9.4 billion recorded in the previous year. This largely reflected the base effect of the increase in borrowings from the central bank[14] in the previous year. In addition, a slowdown was observed in the issuance of government securities. Nevertheless, the issuance of government securities—treasury bills and treasury bonds[15]—was the primary source of domestic borrowing in 2021 (Figure 28). This mostly stemmed from the net issuance of treasury bills, which recorded a net borrowing of MVR6.3 billion, while a net borrowing of MVR111.3 million was recorded for treasury bonds during the year.

External financing includes borrowings as loans—contracted from buyer's credit, bilateral and multilateral sources and commercial banks—and debt securities issued in the international market. During 2021, external financing recorded a net borrowing of MVR6.6 billion. This was largely driven by the growth in external borrowings as debt securities. As such, the government issued a Sukuk of US$100 million and US$200 million in May 2021 and September 2021, respectively.

[14] This was enacted following the suspension of certain clauses of the Fiscal Responsibility Act by the People's Majlis, at the request of the government, allowing long-term loans to be taken from the MMA. This suspension stands until the end of 2023.
[15] The pension recognition bond is not classified as a treasury bond as it is non-tradable.

Figure 28: Composition of Domestic Claims on Government



Source: Maldives Monetary Authority

Further, proceeds also came through external loans acquired as buyer's credit for project financing.

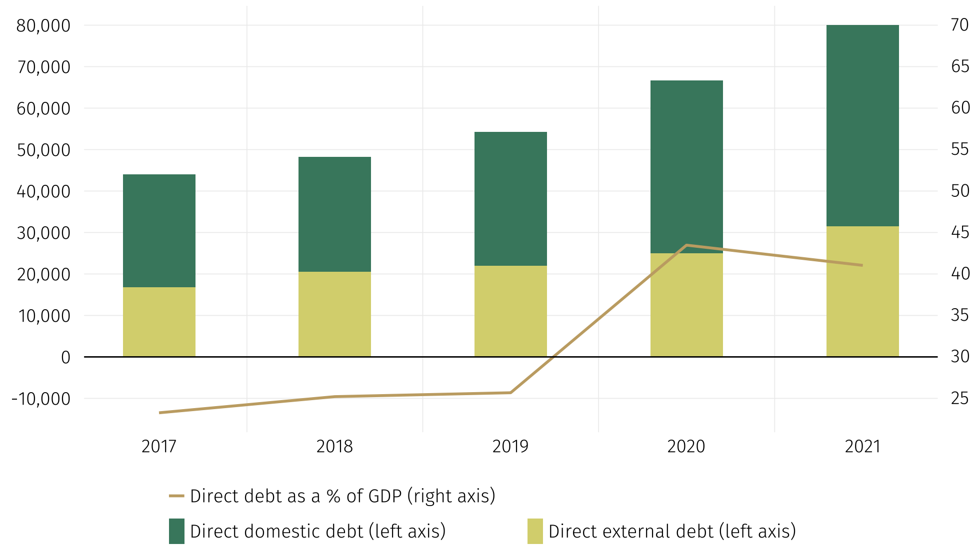
Public Debt

The total outstanding stock of public debt increased to MVR80.0 billion at the end of 2021, from MVR66.6 billion at the end of 2020, owing to the increase in both domestic and external debt. However, reflecting the increase in GDP, public debt as a percentage of GDP decreased to 104% in 2021 from 116% recorded in 2020 (Figure 29). With regard to the composition of public debt, domestic debt remained as the largest component with a share of 61%, while the share of external debt stood at 39% at the end of 2021. Meanwhile, total public and publicly guaranteed debt as a percentage of GDP also fell to 122% of GDP in 2021 from 150% in 2020. Guaranteed debt, which primarily consisted of external debt, observed a significant decline at the end of the year. This largely mirrored a fall in guaranteed external debt, reflecting the repayment of the swap facility between the MMA and the RBI during the year (Figure 30).

Domestic debt totalled MVR48.5 billion at the end of 2021, up from MVR41.6 billion in 2020. This largely reflected the increase in investments by commercial banks in treasury bills. Reflecting this, the share of treasury bills in total domestic debt increased from 54% to 59% in 2021, while the share of treasury bonds decreased to 26% in 2021, from 30% recorded at the end of the previous year. Meanwhile, external debt, which consists of external borrowings in the form of loans and sovereign bonds issued in the international market, totalled MVR31.5 billion at the end of 2021, up from MVR25.0 billion at the end of 2020. During this period, external financing acquired as buyer's credit and through the issuance of bonds dominated the composition of external debt.

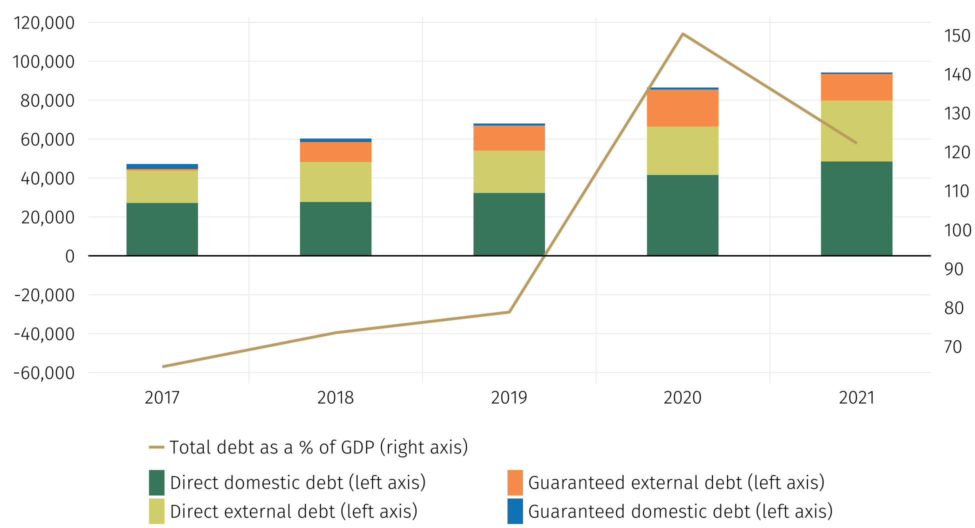
Turning to the outstanding stock of treasury bills by holder, commercial banks remained as the main investor in terms of holdings,

Figure 29: Total Outstanding Stock of Public Debt, 2017 - 2021
(millions of rufiyaa, percent)



Source: Ministry of Finance

Figure 30: Total Outstanding Stock of Public and Publicly Guaranteed Debt, 2017 - 2021
(millions of rufiyaa, percent)

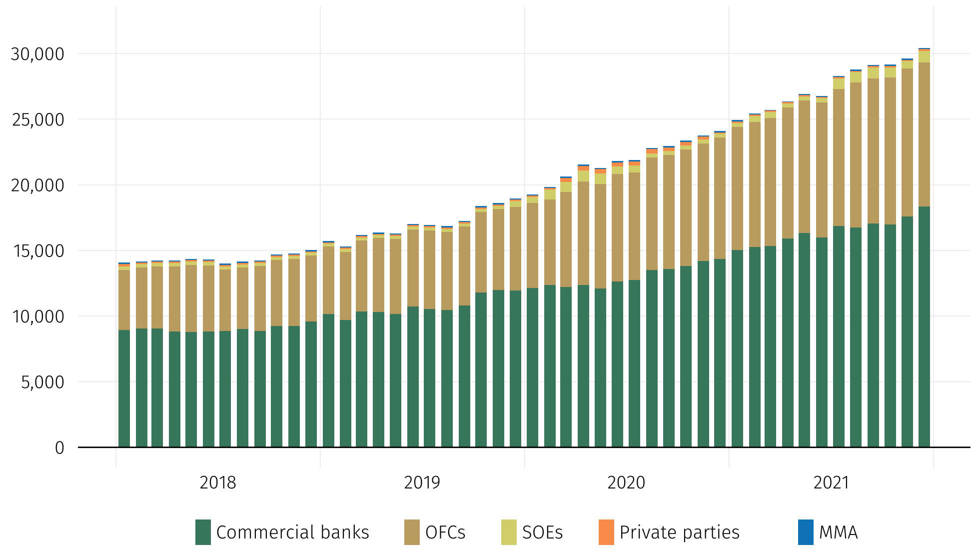


Source: Ministry of Finance

with a share of 60% of the total outstanding treasury bills, followed by the other financial corporations (36%) (Figure 31). With regard to maturity, investor preference has been shifting towards long-term maturities as treasury bill issuance reverted to a tap system in 2014 (Figure 32). Accordingly, the majority of treasury bills (74%) was invested in 1-year treasury bills at the end of the year. The stock of 1-month, 3-months and 6-months treasury bills outstanding at the end of 2021 was 8%, 9% and 9%, respectively.

Figure 31: Outstanding Treasury Bills by Holder, 2018 - 2021

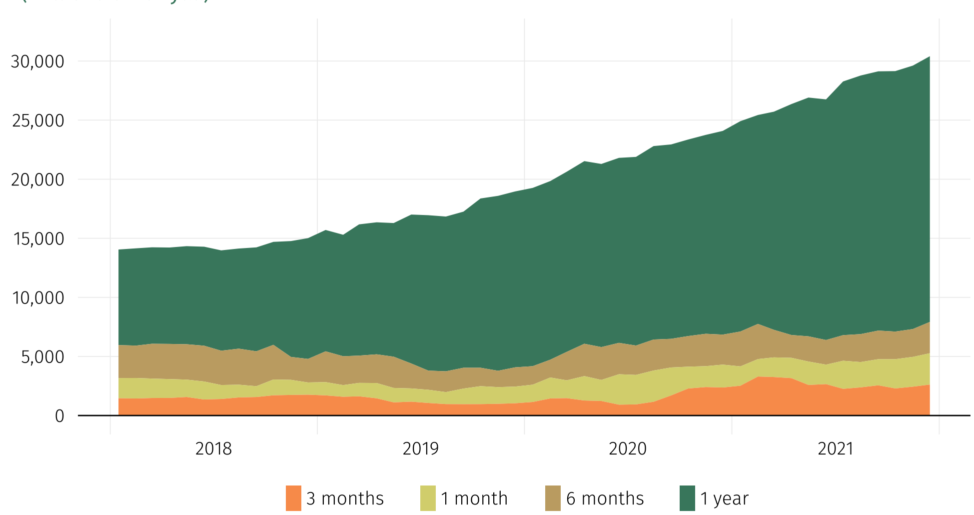
(millions of rufiyaa)



Source: Maldives Monetary Authority

Figure 32: Treasury Bills Holdings by Maturity, 2018 - 2021

(millions of rufiyaa)



Source: Maldives Monetary Authority
Note: The outstanding amount of 1 month treasury bills for December 2021 includes treasury bills less than one month.

Monetary Developments

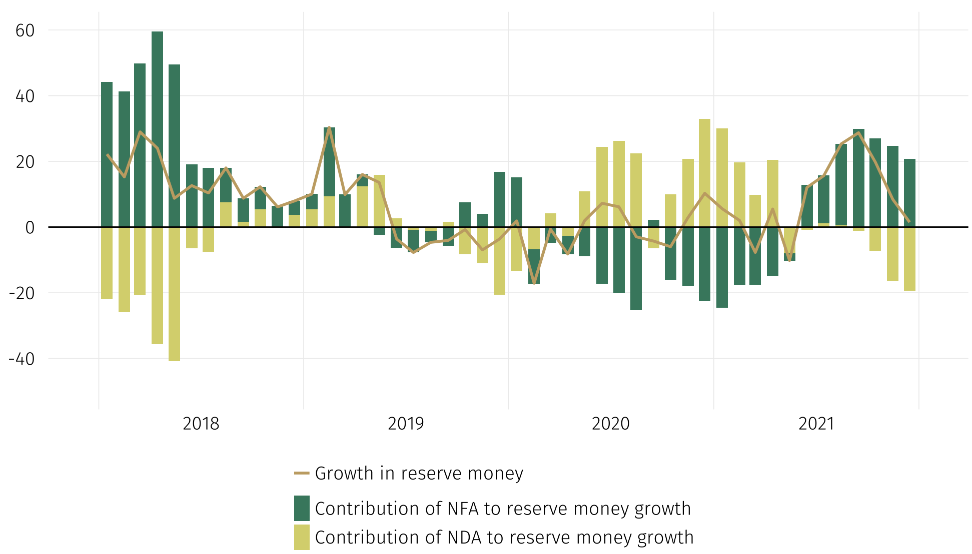
The MMA continued to maintain a monetary policy stance that fosters economic growth as well as minimise the economic and financial disruptions in the country. However, following the resurgence in economic activity in 2021, some of the measures implemented as part of the COVID-19 response were reverted. During the year, broad money increased largely due to the annual growth in net foreign assets (NFA) of the banking system. This reflected an increase in foreign assets, owing to the rise in foreign currency deposits held abroad, as well as a significant decline in foreign liabilities, due to the repayment of the swap with the RBI.

With regard to monetary developments, reserve money registered a marginal growth in 2021, as an increase in NFA of the MMA, was largely offset by a decline in net domestic assets (NDA) of the MMA. As for broad money, an annual increase was recorded primarily owing to a sizeable increase in NFA, while NDA of the banking system also posted an increase.

Reserve Money

Reserve money stood at MVR12.4 billion at the end of 2021—registering a marginal growth of 1% (Figure 33). The marginal growth in reserve money stemmed solely from an increase in NFA of the MMA, which was largely offset by the decrease in NDA of the MMA. The rise in NFA was mainly due to the significant decline in foreign liabilities, largely reflecting the repayment of the foreign currency swap between the MMA and the RBI in January and December 2021, despite the 18% decline in foreign asset accumulation. However, the decline in foreign asset accumulation was to an extent curbed by the proceeds from the Sukuk issuances by the government in the international market during the year. The government issued a Sukuk of US$100 million and US$200 million in May 2021 and September 2021, respectively.

Figure 33: Sources of Reserve Money, 2018 - 2021
(annual percentage change, contribution percent)



Source: Maldives Monetary Authority

Meanwhile, the fall in NDA primarily reflected an increase in overnight deposit facility (ODF) placements by the commercial banks. In addition to this, declines in claims on commercial banks and net claims on central government contributed to the decrease in NDA.

With regard to the components of reserve money, commercial bank deposits at the MMA—which constituted 70% of reserve money at the end of 2021—increased by 4% in annual terms. Meanwhile, currency in circulation, which accounted for 30% of reserve money, recorded a decrease of 4% at the end of the year.

Monetary Operations

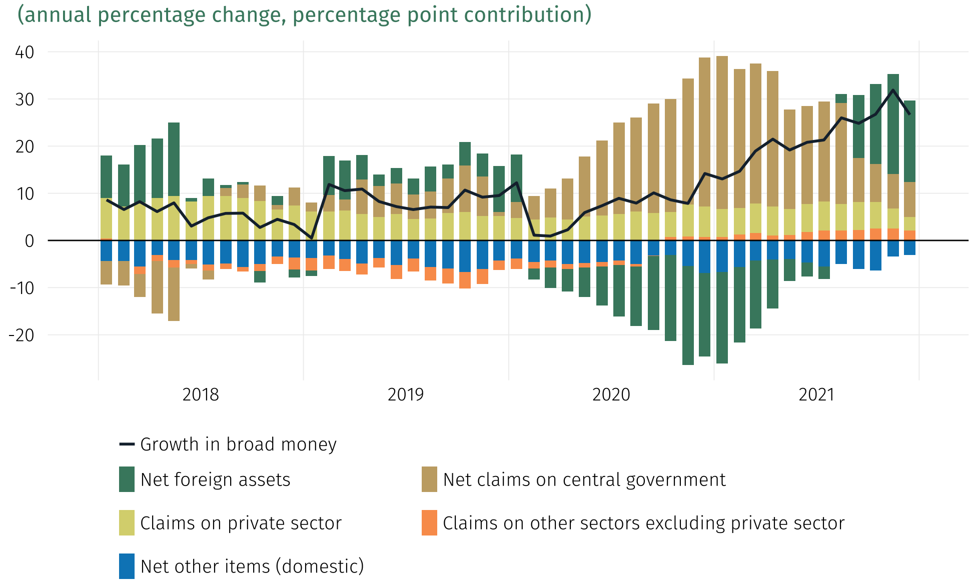
The monetary policy instruments available to the MMA are the minimum reserve requirement (MRR), open market operations (OMOs), the standing facilities—which include the ODF and overnight lombard facility (OLF)—and foreign currency swap facilities. During 2021, commercial bank investments in the ODF facilitated the absorption of excess rufiyaa liquidity in the market. While daily investments in the ODF by commercial banks averaged MVR4.5 billion during the year, this represented a significant growth of 44% when compared with the average investments in the ODF during 2020, largely reflecting the increase in local currency liquidity due to the extension in monetisation of the fiscal deficit.

Broad Money

The annual growth rate of broad money accelerated to 27% at the end of 2021 from 14% at the end of 2020, with the total stock of broad money increasing to MVR52.4 billion at the end of 2021 (Figure 34). Broad money growth stemmed from a sizeable increase in NFA while NDA of the banking system also posted an increase. NFA recorded an annual growth of 112% at the end of December 2021, driven by the rise in NFA of commercial banks as well as the MMA. Meanwhile, the growth in NDA of the banking system was owing to a rise in NDA of commercial banks which offset the decline in NDA of the MMA.

Figure 34: Contribution to Broad Money Growth, 2018 - 2021

(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

Components of broad money

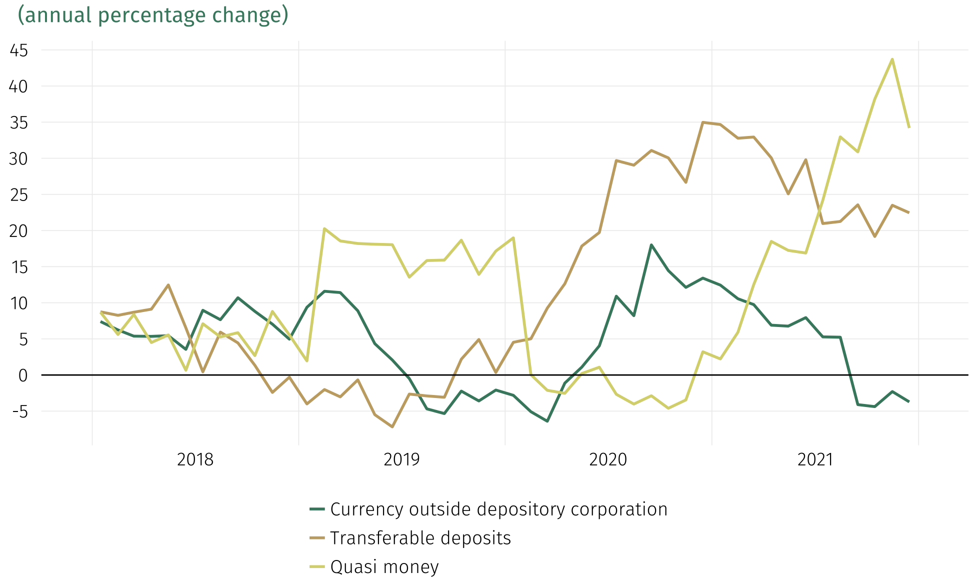
With regard to the components of broad money, its annual growth was mostly driven by the annual growth of quasi money (Figure 35). Quasi money, which accounted for 57% of broad money, increased at an accelerated pace of 34% at the end of 2021, largely reflecting an increase in transferable (demand) deposits denominated in foreign currency, after recording a growth of 3% in 2020. Further, there was a substantial rise in time deposits denominated in local currency, while savings deposits denominated in both local and foreign currency also increased. Meanwhile, narrow money, accounting for 43% of broad money, also observed an increase owing to a sizeable increase in local currency demand deposits, although the pace of growth decelerated to 18% from 31% recorded at the end of 2020.

Counterparts of broad money

The annual growth in broad money was largely driven by the growth in NFA of the banking system, which was driven by the rise in NFA of commercial banks as well as the MMA. The growth in NFA of commercial banks stemmed from an increase in foreign assets owing to the rise in foreign currency deposits held abroad. On the other hand, the rise in NFA of the MMA mainly reflected the significant decline in foreign liabilities, due to the repayment of the swap with the RBI in January and December 2021, despite the decline in foreign assets of the MMA.

The growth in NDA of the banking system was solely driven by an increase in NDA of the commercial banks, which offset the decline NDA of the MMA. The increase in NDA of the commercial banks was mainly on the account of a rise in net claims on central government (NCG) which grew by MVR3.5 billion, primarily reflecting the annual expansion of investments in government securities. Further, commercial banks' credit to the private sector and public non-financial corporations also contributed to this increase, recording growths of MVR1.2 billion and MVR907.0 million, respectively. In contrast, the fall in NDA of the MMA was

Figure 35: Components of Broad Money, 2018 - 2021
(annual percentage change)



Source: Maldives Monetary Authority

owing to an increase in ODF placements by commercial banks, together with a decrease in domestic claims of the MMA, mirroring the fall in claims on commercial banks and net claims on central government.

Net Claims on Central Government

At the end of 2021, NCG totalled MVR27.6 billion and registered an annual growth of 11%, a significant deceleration compared with the 86% recorded in 2020. This deceleration largely reflected the dissipation of the base effect of monetisation. In addition, NCG by the MMA fell by 8%, owing to the increase in liabilities to central government, while a slowdown was also observed in NCG by the commercial banks. Nonetheless, NCG by commercial banks grew by 21% at the end of 2021, driven by commercial banks' investments in government securities. The outstanding stock of government securities held by commercial banks, which consisted mostly of treasury bills, amounted to MVR22.0 billion at the end of the review period. This represented an annual growth of 22%, primarily reflecting commercial banks' net investments in treasury bills.

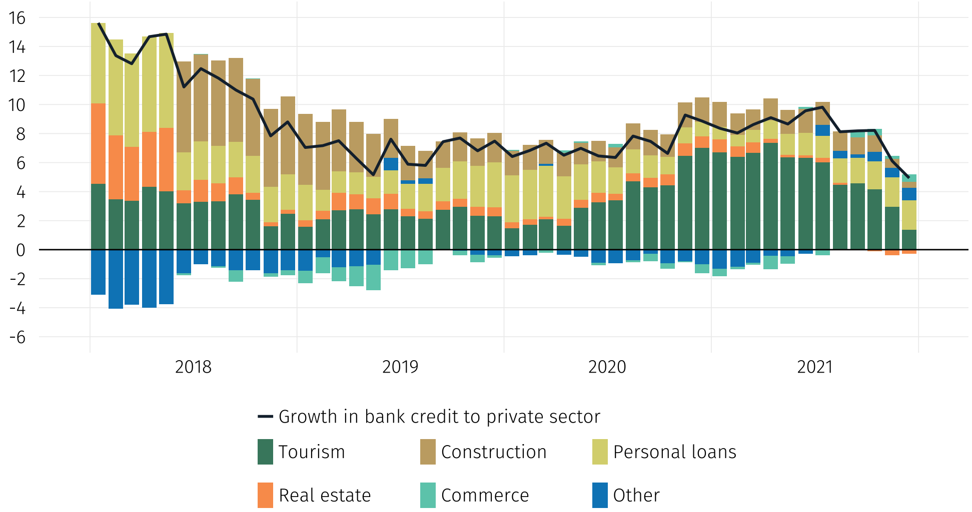
In 2021, the MMA's net claims on central government stood at MVR7.7 billion and accounted for 97% of the domestic assets of the MMA. Meanwhile, commercial banks' net claims on central government amounted to MVR19.9 billion and accounted for 30% of the domestic assets of the commercial banks.

Credit to the Private Sector

As a policy response to mitigate impact of the COVID-19, the MRR was lowered during 2020 to 7.5% and 5%, respectively, for local and foreign currency. However, with the rebound in economic activity in 2021, the MRR was increased for local currency and was reverted to 10%, while the foreign currency MRR was kept unchanged to ease the pressure of foreign currency demand. Meanwhile, the extensions given to debt moratorium also contributed to the annual growth in outstanding stock of commercial banks' credit to the private sector. In this regard, the annual growth in private sector credit stood at 5% at the end of 2021, although this was a deceleration from 9% recorded at the end of 2020, largely reflecting the slowdown in credit extended to the tourism sector (Figure 36). During the year, the annual growth in private sector credit was driven by the rise in local currency lending, which grew by 7%, followed by the 3% growth in foreign currency lending. In 2021, local currency lending accounted for 54% of total private sector credit.

With regard to the breakdown of private sector credit by economic sectors, credit extended to the tourism sector which accounted for 40% of total private sector credit, recorded an annual growth of 3% at the end of 2021, albeit a slowdown from 19% recorded at the end of 2020. This slowdown stemmed from the decline in lending for renovation of resorts and new resort development, both in foreign currency. In contrast, the increase in loans to the sector was driven by credit extended as working capital in local currency together with foreign currency, as such loans disbursed to the sector continued to increase after the COVID-19 outbreak in the Maldives. It is also noteworthy that, a deceleration was observed in foreign currency working capital lending at the end of 2021. Loans to the construction sector, which accounted for 21% of total private sector credit, recorded annual growth of 2%, primarily driven by local currency lending for residential housing and property development. During the year, credit extended as personal loans (13% of total private sector credit) observed the largest increase recording

Figure 36: Contribution to Bank Credit to Private Sector by Economic Sectors, 2018 - 2021
(annual percentage change, percentage point contribution)



Source: Maldives Monetary Authority

a growth of 18% primarily due to a rise in local currency lending in the form of credit cards and consumer durables loans.

Meanwhile, commerce sector (11% of total private sector credit) observed a growth of 4% while real estate financing (7% of total private sector credit) posted a decrease of 3%. The growth in commerce sector was solely driven by foreign currency lending for wholesale and retail trade, whereas the decline in credit for real estate mainly stemmed from other real estate category despite an increase in credit for residential housing category.

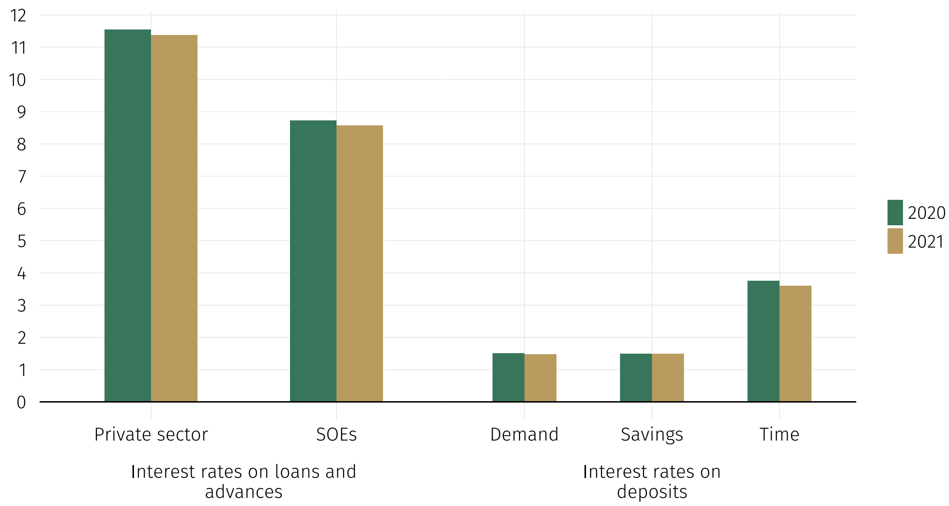
Interest Rates

The indicative policy rate of the MMA remained at 4.00%, unchanged since its last revision in September 2014. The interest rates on treasury bills also remained unchanged since their last revision in November 2015. Accordingly, the interest rates on 1-month, 3-months, 6-months and 1-year treasury bills stood at 3.50%, 3.87%, 4.23% and 4.60% per annum, respectively, throughout the year.

With regard to the weighted average interest rates (WAIR) levied on loans and advances, the rates on both local and foreign currency-denominated loans to the private sector decreased in annual terms by 17 basis points (bps) and 46 bps, respectively. For loans extended to SOEs, the WAIR on local currency-denominated loans declined by 16 bps, while the rate on foreign currency-denominated loans posted an increase of 13 bps (Figure 37 and 38).

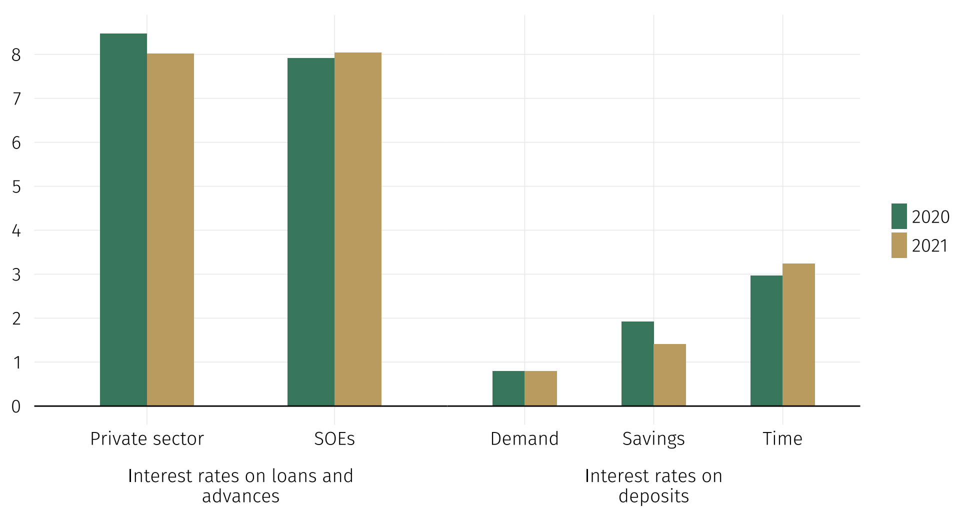
Focusing on the interest rates on deposits at the end of year, the WAIR on local currency demand deposits decreased by 3 bps while the rate on foreign currency demand deposits remained broadly unchanged. Similarly, the WAIR on local currency savings deposits remained broadly unchanged, although the rate on foreign currency savings deposits declined by 51 bps. For time deposits (maturity of six months to one year), the WAIR on local currency time deposits decreased by 15 bps while the rate on foreign currency time deposits increased by 27 bps.

Figure 37: Interest Rates for Loans and Deposits (Local Currency), 2020 - 2021
(weighted average interest rates per annum)



Source: Maldives Monetary Authority

Figure 38: Interest Rates for Loans and Deposits (Foreign Currency), 2020 - 2021
(weighted average interest rates per annum)



Source: Maldives Monetary Authority

Financial Sector

The financial sector remained well capitalized and resilient. Banks, which made up more than 90% of the financial institutions' assets, showed strong growth, spurred by economic recovery following the downturn from the COVID-19 pandemic; with the non-performing loans and liquidity buffers remaining at prudent levels. While the profitability of the general insurance companies decreased due to high claims during the year, the profit margins remained strong, and gross written premiums increased. The profitability of the non-bank financial institutions also declined; the reason being the increase in non-performing loans during the year.

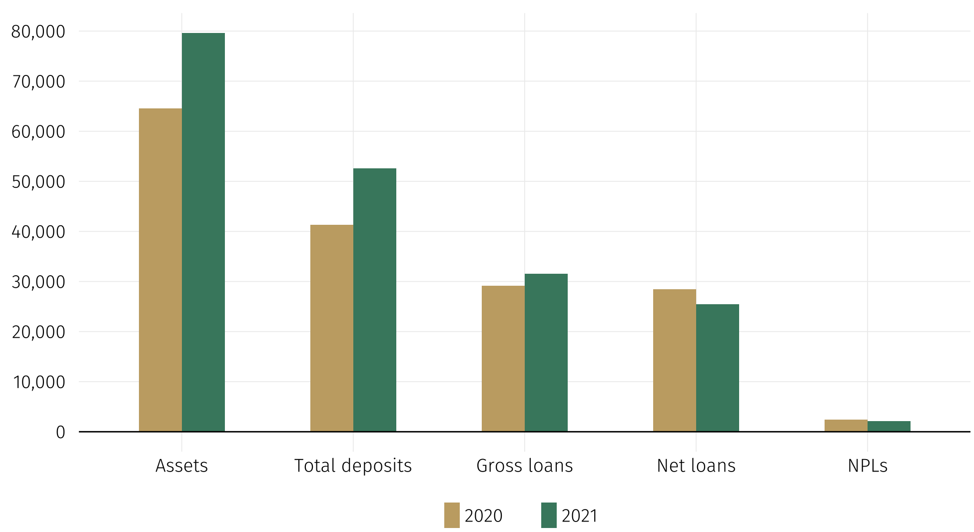
The financial sector of the Maldives consists of banks, non-bank financial institutions, and payment service providers. The banking sector consists of eight commercial banks; four locally incorporated banks and four branches of foreign banks. The non-bank financial institutions regulated by the MMA include five insurance companies, three finance companies, two money remittance providers, and two payment service providers. The Pension Fund as well as the activities related to the capital market are regulated by the Capital Market Development Authority.

Banking Sector

The annual profitability improved during the year as banks performed better due to the economic recovery during the year following the downturn from the COVID-19 pandemic. In addition, a large loan recovery as well as the reversal of loan-loss provisions for loans previously in more risky categories boosted the profitability significantly. The banking sector remained robust, with strong capital and liquidity buffers. Non-performing loans (NPLs) and loan-loss provisions remained at prudent levels (Figure 39).

Figure 39: Key Indicators of Banking Industry, 2020 - 2021

(millions of rufiyaa)



Source: Maldives Monetary Authority
Note: Data for 2021 is from unaudited financial statements.

Key prudential indicators of capital strength were well above the minimum regulatory requirements. Total capital as a percentage of risk-weighted assets was 47% against the minimum requirement of 12%, due to the significant portion of low-risk assets in the banks' portfolio. Leverage capital, measured by the equity (tier 1 capital) to total assets, stood at 16% against the regulatory minimum requirement of 5%. Aggregate capital increased by 19% over the year to record MVR17.7 billion (Figure 40).

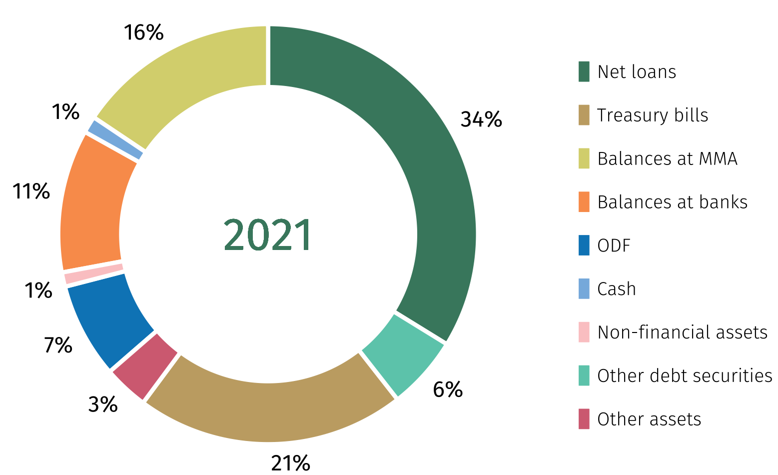
Aggregate assets stood at MVR79.6 billion, an annual growth of 23% (MVR15.1 billion) due to increase in both deposits and capital, which grew by MVR11.3 billion and MVR2.9 billion respectively, during the year. Loans net of loan loss provisions made up 36% (MVR28.5 billion) of the asset portfolio, recording a 12% (MVR3.0 billion) annual growth; while investments in debt-securities made up 28% (MVR22.2 billion). Gross loans were recorded at MVR31.5 billion, an annual growth of 8% (Figure 41).

Both the foreign currency deposits and local currency deposits increased by 26% and 29% respectively in annual terms, and aggregate deposits increased by 27% to reach MVR52.6 billion due to the recovery in the tourism sector and the overall economy.

The regulatory leeway provided to facilitate moratoriums during the pandemic was extended by MMA until the 31st March 2021. By the end of the year, the percentage of loans under moratorium or rescheduled terms due to COVID-19 was 20% of the total loan volume.

The percentage of NPLs in the total loan portfolio decreased slightly from 8% to 7%; the absolute volume of NPLs decreasing by 12% or MVR273.5 million due to the write-off of bad loans. Loan-loss provisions also reduced by 17% (MVR631.2 million) over the year and amounted to MVR3.0 billion at the year-end, on account of the loans written-off during the year as well as due to the reversal of provisions held for loans that had previously been in moratorium, rescheduled, or otherwise

Figure 40: Net Asset Composition of the Banking Industry, 31 December 2021



Source: Maldives Monetary Authority
Note: Data for 2021 is from unaudited financial statements.

perceived as risky. The specific loan-loss provisions were more than the NPL portfolio, at 128%, due to provisions made for loans that were performing but posed a potential credit risk (Figure 42).

The annual profitability has increased significantly, almost tripling the profits of 2020; with pre-tax profits recorded at MVR4.4 billion during 2021. While the net interest income increased year-on-year, the marked increase in profits was mainly due to the reversal of provisions during the year for loans that had previously been in moratorium, rescheduled, or otherwise deemed a credit risk; as well as due to the increase in non-interest income from the recovery of a large loan that had been written-off. The profitability ratios, return on assets (ROA) and return on equity (ROE), increased from 2% and 8% in 2020 to 5% and 21% respectively in 2021.

Credit-to-deposits ratio stood at 60% at the end of the year, and liquidity remained strong, with 49% of the banking sector's assets being in liquid form such as placements in banks, the MMA, and investments in treasury bills. Total liquid assets as a percentage of deposits and borrowings was 65% at the end of the year. Foreign currency liquidity has been on an increasing trend, with such liquid assets at 49% of foreign currency deposits and borrowings, compared to 41% a year ago. Fifty percent of the total deposits were foreign currency deposits.

At the end of 2021, the total number of bank branches in the country stood at 60, while total number of ATMs amounted to 163. Of these, 37 branches and 82 ATMs were outside the Male' region.

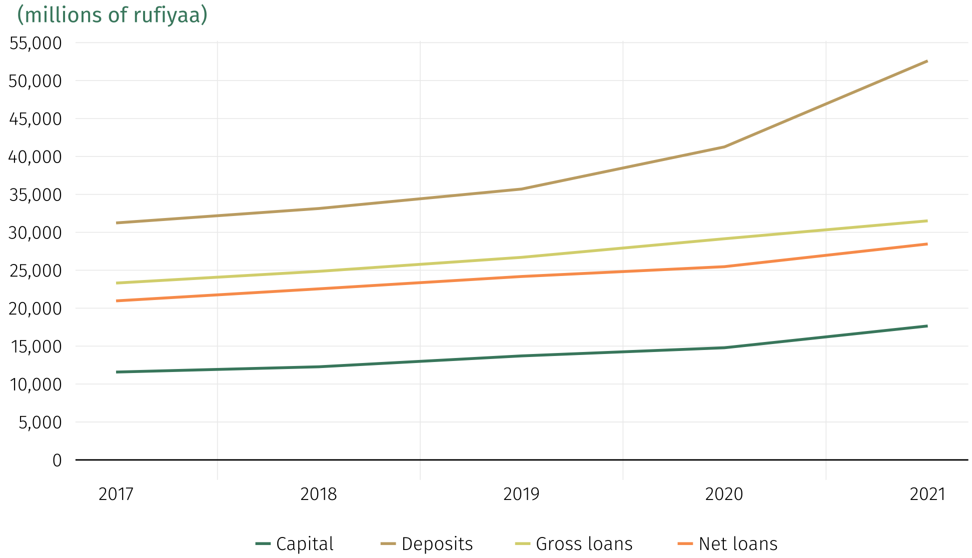
Non-Bank Financial Institutions

Finance Companies

Finance companies comprises a specialized housing finance corporation, a company offering leasing and financing services, and a government-owned SME finance company.

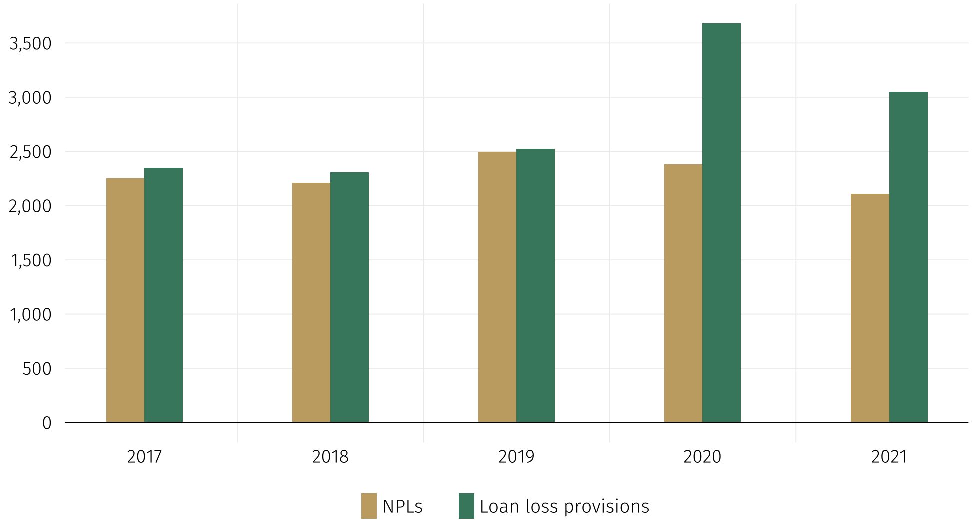
Figure 41: Key Indicators of the Banking Industry, 2017 - 2021

(millions of rufiyaa)



Source: Maldives Monetary Authority
Note: Data for 2021 is from unaudited financial statements.

Figure 42: NPLs and Loan Loss Provisions, 2017 - 2021
(millions of rufiyaa)



Source: Maldives Monetary Authority
Note: Data for 2021 is from unaudited financial statements.

Despite the pandemic, the non-bank financial sector recorded growth in assets and loans during 2021, with 20% annual growth in net assets, reaching MVR3.7 billion, and 10% growth in net loans, which stood at MVR2.7 billion at the end of the year (Figure 43). The asset growth during the year was mainly on account of the capital injection of a state-owned institution, which was utilized to lend to the small and medium enterprises sector.

Capital strength of the industry remained strong, with the ratio of total capital to risk weighted assets at 55%, indicating high capacity to absorb losses.

However, the NPLs increased more than fivefold during the year; almost entirely from the SME sector, resulting in the NPL ratio increasing to 12% from 3% a year ago. Loan-loss provisions increased by 71% over the year, with the total provision coverage of NPLs at 41% compared to a 123% a year ago.

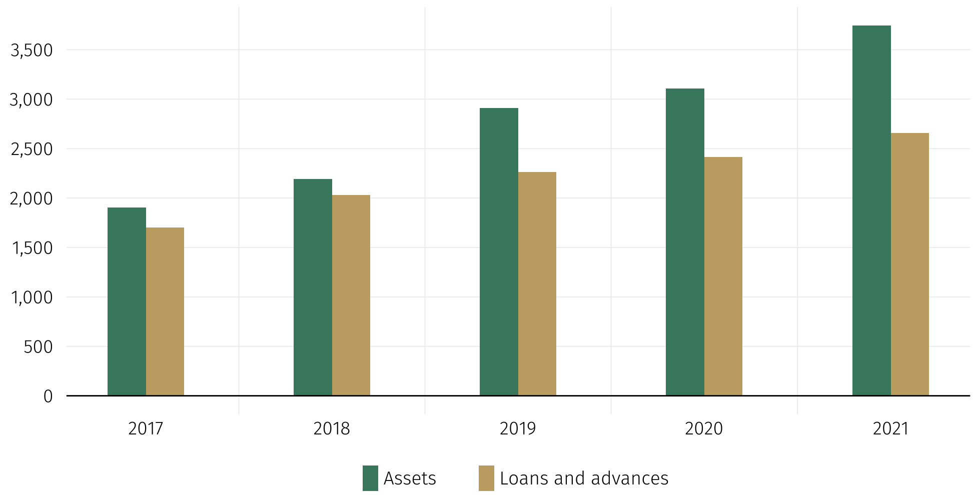
Finance companies recorded pre-tax profits of MVR133.2 million (un-audited) at the end of 2021, a slight decline of 2% compared with a year ago, while net profit after tax amounted to MVR108.1 million (Figure 44). The decrease in profits was mainly on account of increase in loan-loss provisions for the increased NPLs, as well as due to increase in non-interest expenses. The profitability ratios; average ROA and average ROE, declined from 3.7% and 9.3%, to 3.2% and 6.9% respectively, when compared with the annual profitability ratios of 2020.

Money Remittance Businesses

During the year 2021, MMA revoked the license of one remittance businesses; hence 2 companies were operational during the year.

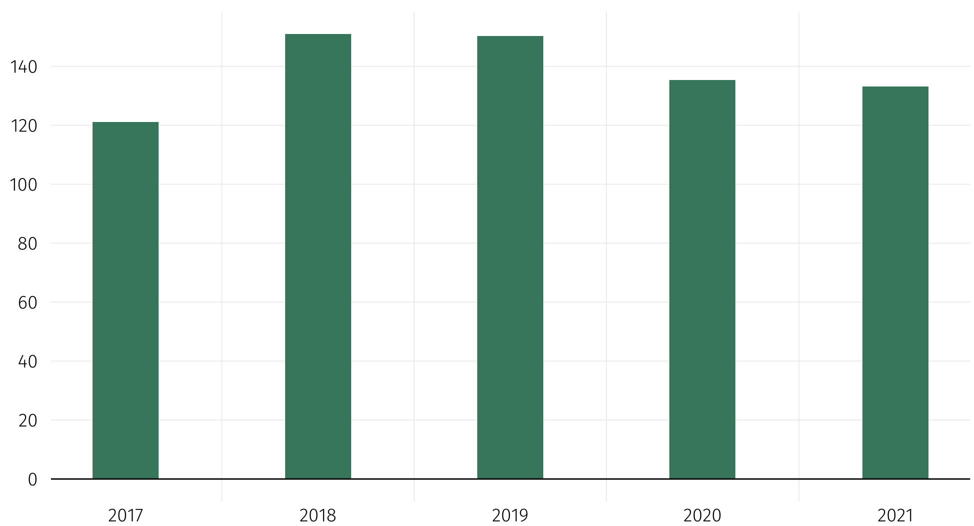
The total outward remittances of 2021 amounted to US$51.9 million, a decline of 44% compared to the previous year. The volume of outward remittance by foreigners reduced

Figure 43: Loans and Advances, and Assets of Finance Companies, 2017 - 2021
(millions of rufiyaa)



Source: Maldives Monetary Authority
Note: Data for 2021 is from unaudited financial statements.

Figure 44: Pre-tax Profits of Finance Companies, 2017 - 2021
(millions of rufiyaa)



Source: Maldives Monetary Authority
Note: Data for 2021 is from unaudited financial statements.

by 54% compared to the previous year, while it still constituted the majority of outward remittances, at 66%. The significant reduction in outward remittance could be attributed to the ease of physical movement of money across the border with the ease of travel restrictions relative to the previous year (Figure 45).

Bangladesh continued to be the top remittance destination, representing 45% of all outward remittances, followed by India with 11% and Egypt with 6% of outward remittances (Figure 46 and 47).

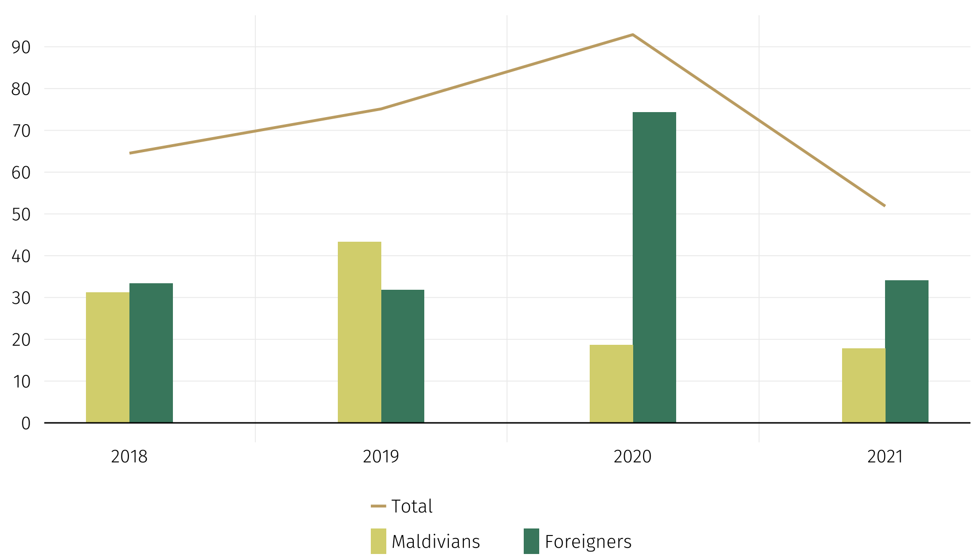
In contrast with outward remittances, total inward remittances showed an increase by 45% from the previous year, amounting to US$3.9 million in 2021.

Insurance Companies

Although there was a resurgence of COVID-19 cases during 2021, the impact of this was negligible on the insurance sector. Gross written premium (GWP) of the general insurance sector was MVR1.1 billion for the year 2021; an increase of 21% compared to 2020 where GWP decreased 3% annually (Figure 48). Similarly, the number of insurance policies sold during the year also increased by 22% compared to 2020 where the number of policies sold decreased by 25% compared to the previous year. In line with the increase in GWP, total assets of the industry also increased, reaching MVR2.1 billion at the end of the year (Figure 49).

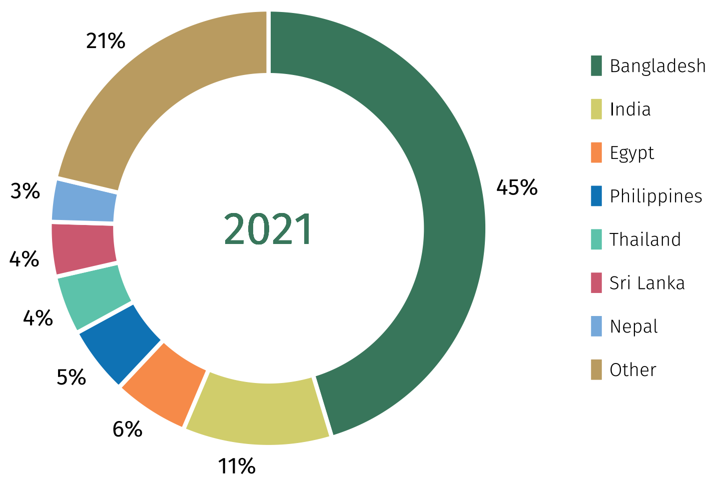
Insurance penetration and density are two key indicators used internationally to determine the maturity of the insurance industry, of which insurance penetration is measured as a ratio of the GWP to GDP, while insurance density measures the GWP per capita. During the year 2021, insurance density increased year-on-year from US$106.3 to US$126.1; while insurance penetration fell slightly to 1.4% from 1.5% in the previous year, due to the increase in nominal GDP being relatively larger than the increase in GWP (Figure 50).

Figure 45: Outward Remittance by Locals and Foreigners, 2018 - 2021
(millions of US dollars)



Source: Maldives Monetary Authority

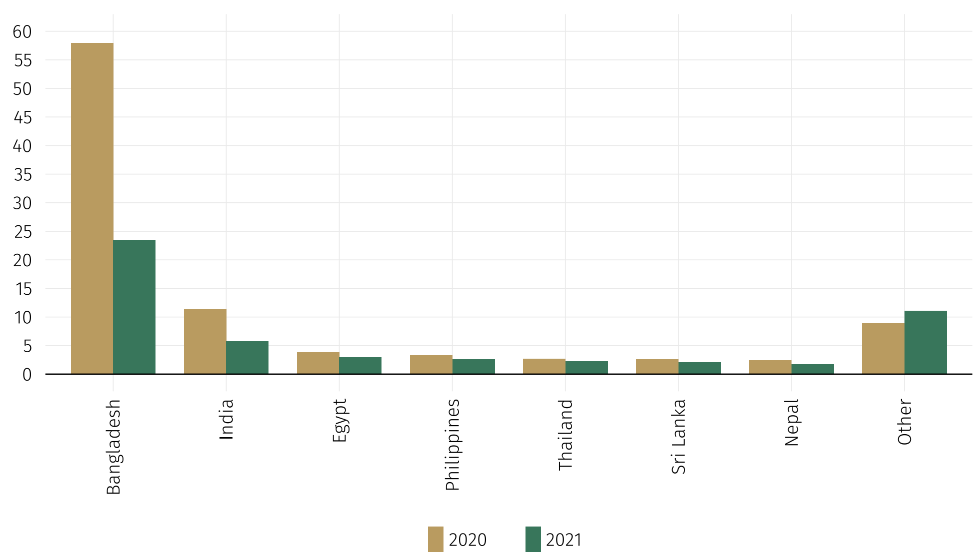
Figure 46: Composition of Outward Remittances by Country



Source: Maldives Monetary Authority

Figure 47: Outward Remittance by Country, 2020 - 2021

(millions of US dollars)

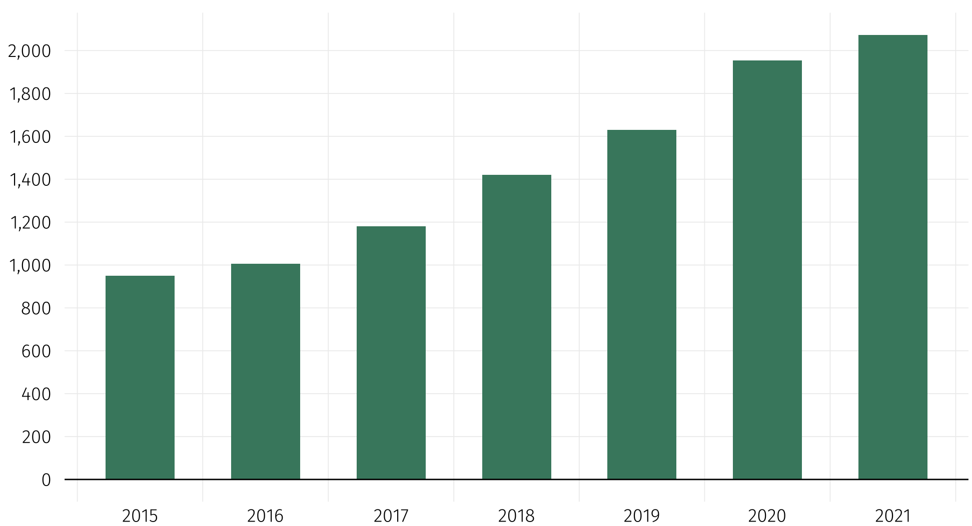


Source: Maldives Monetary Authority

Figure 48: Premiums, 2015 - 2021
(millions of rufiyaa)

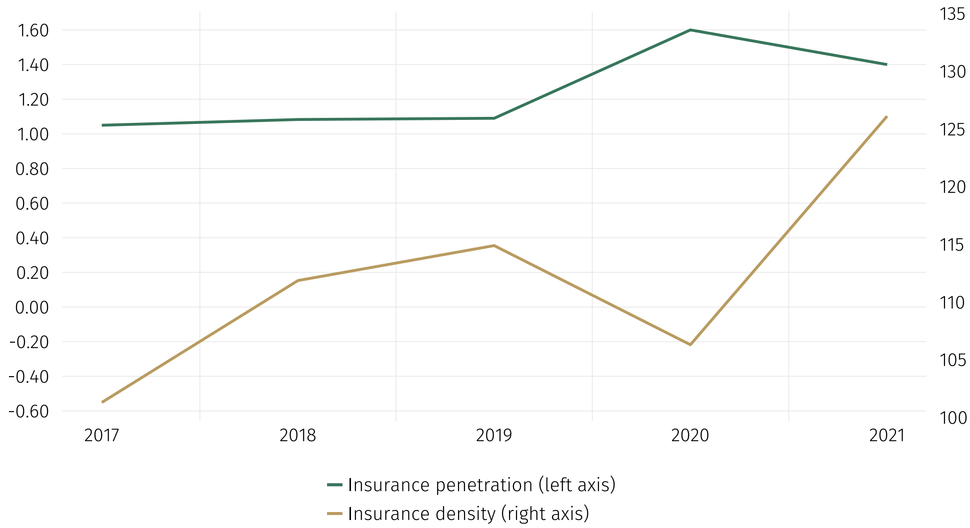
Source: Maldives Monetary Authority
Note: Data for 2021 is from unaudited financial statements.

Figure 49: Total Assets of Insurance Companies, 2015 - 2021
(millions of rufiyaa)



Source: Maldives Monetary Authority
Note: Data for 2021 is from unaudited financial statements.

Figure 50: Insurance Penetration and Density, 2017 - 2021
(percent, US dollars)



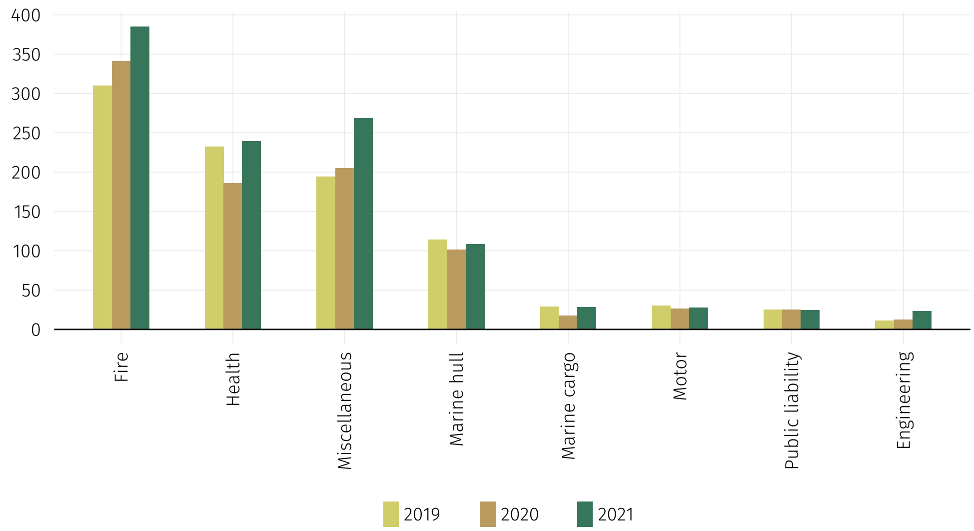
Source: Maldives Monetary Authority
Note: Data for 2021 is from unaudited financial statements.

Apart from public liability, all other major classes of general insurance saw an increase in premium during 2021 (Figure 51). As is always the case for the Maldivian insurance industry, fire insurance was the largest class of insurance with 35% of GWP and it grew by MVR44.2 million (13%) year-on-year. However, the largest increase in premium was seen in the health class, which saw an increase of MVR54.0 million (23%), surpassing the pre-COVID-19 level in 2019. This class had decreased significantly during 2020 due to the overall slow-down of the business activities and the economy during that year. Premium income from marine insurance class, which includes marine hull and marine cargo insurance, increased by MVR17.2 million (14%). The marine insurance class, health class, and fire class accounted for 13%, 22%, and 35% of GWP respectively.

Insurance companies manage and spread risks they accept by transferring them to one or more reinsurers. The retention ratio (Net Written Premium or NWP as a percentage of GWP), which measures the amount of premium retained by local companies, is an indicator of the level of reinsurance. The retention ratio varies by lines of business, reflecting the riskiness of businesses and the insurers' risk appetites; with insurers retaining less of businesses with high claims volatility, and more of those with low claims volatility. The retention ratio increased from 30% to 33% year-on-year and appears to be returning to normal rates observed during the years prior to the pandemic (Figure 52).

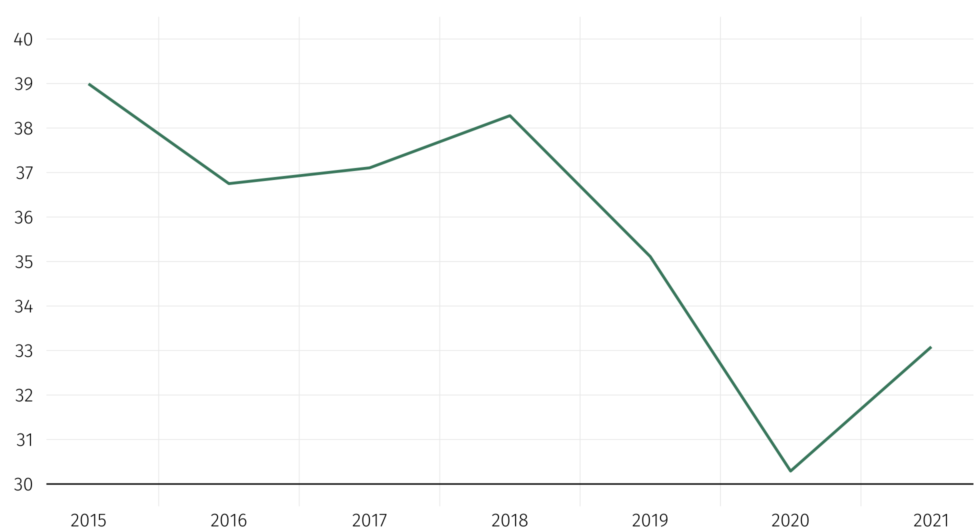
The resumption of economic activities led to the resurgence of claims in the insurance industry. The year 2021 witnessed a massive increase in claims of MVR185.6 million (70%) compared to 2020, a year which saw an unprecedented fall in gross claims due to the economic downturn resulting from the pandemic (Figure 53). The primary contributor to this rise in claims was fire class which reported MVR253.9 million in claims for the year 2021, an increase of 309%

Figure 51: GWP by Class of Insurance, 2019 - 2021
(millions of rufiyaa)



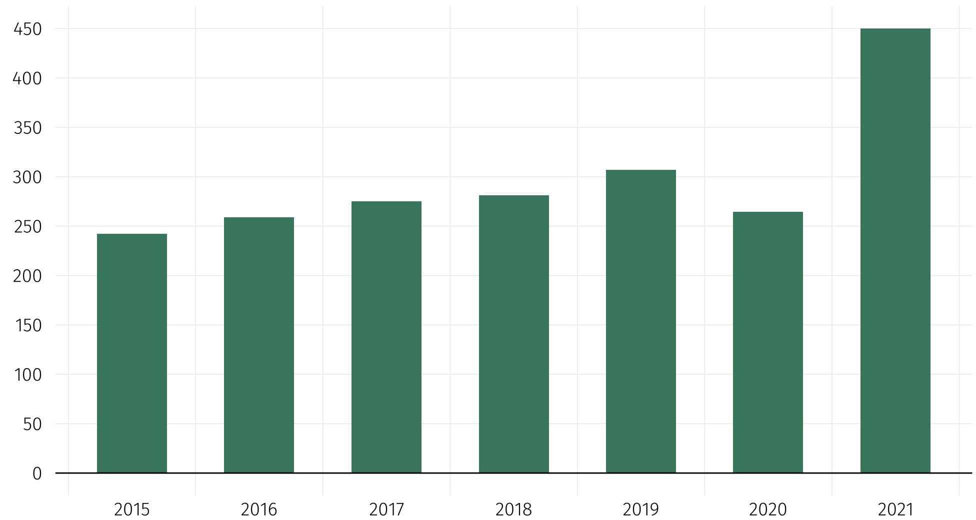
Source: Maldives Monetary Authority
Note: Data for 2021 is from unaudited financial statements.

Figure 52: Retention Ratio, 2015 - 2021
(millions of rufiyaa)



Source: Maldives Monetary Authority
Note: Data for 2021 is from unaudited financial statements.

Figure 53: Gross Claims, 2015 - 2021
(millions of rufiyaa)



Source: Maldives Monetary Authority
Note: Data for 2021 is from unaudited financial statements.

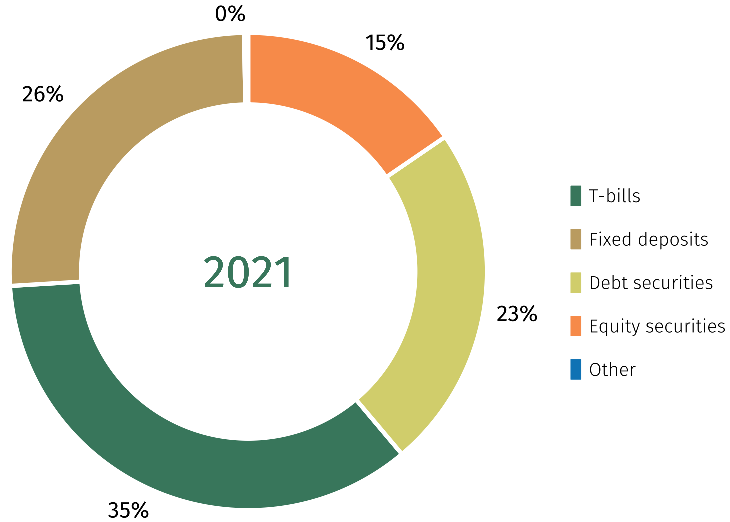
compared to 2020. Health class also saw an increase in claims of MVR17.8 million (22%) during the year.

In terms of asset composition, investments represented 26% of the total assets while reinsurance recoverables and premiums receivable accounted for 38% and 14% respectively. With regard to the breakdown of the investments, the majority was T-bills, accounting for 35% of investments; while fixed deposits and other debt securities made up 26% and 23% of the total investments respectively. Lack of Shari'ah compliant investment instruments results in a large portion of Takaful funds being invested in fixed deposits (Figure 54).

Despite the increase in premium income, the profitability of the general insurance industry decreased during 2021, since gross claims increased more than GWP. As such, pre-tax profits of general insurers during the year decreased by 14% to reach MVR113.8 million (Figure 55).

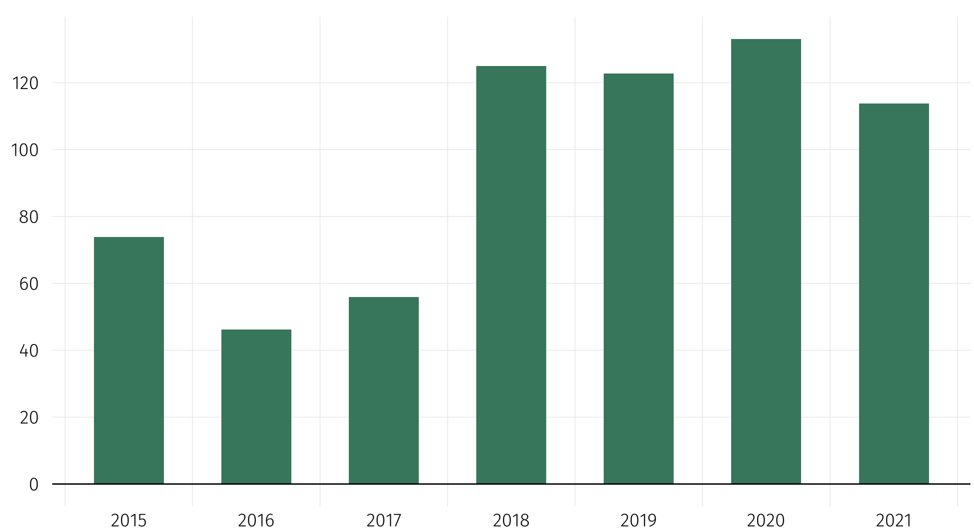
All the insurance companies have maintained capital well above the current prudential requirement of MVR10 million.

Figure 54: Investment Composition of Insurance Companies



Source: Maldives Monetary Authority

Figure 55: General Insurance Profitability (Before Tax), 2015 - 2021
(millions of rufiyaa)



Source: Maldives Monetary Authority
Note: Data for 2021 is from unaudited financial statements.

External Sector

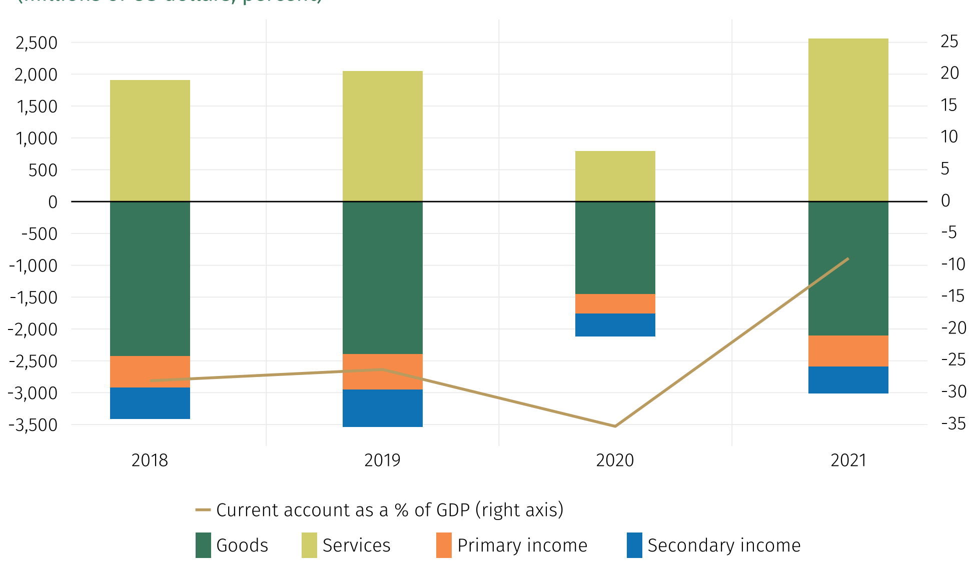
The current account deficit narrowed in 2021, largely due to the improvement in the services account, which recorded a significant increase owing to the revival of the tourism sector, despite the widening of merchandise trade deficit. In contrast, an increase was observed in outflows on the services account while increases were also observed in the repatriation of profits by the tourism sector and reinvestment of earnings. Further, the growth in worker's remittances also contributed negatively to the current account deficit. However, this was offset to an extent by the increase in merchandise exports owing to the growth in re-exports, despite a decline in domestic exports during the year. Meanwhile, the current account deficit as a percent of GDP also narrowed to 9% in 2021, from 36% in 2020. In 2021, the current account deficit was largely financed by borrowings by the government. Reflecting these developments, the overall balance of payments (BOP) recorded a deficit in 2021, while gross international reserves (GIR or official reserve assets) observed a decrease for the year.

Current Account

According to the revised BOP estimates of March 2022, the current account deficit narrowed to US$457.6 million in 2021, from US$1.3 billion in 2020. Similarly, in terms of GDP, the current account deficit narrowed to 9%, from 36% in the previous year (Figure 56). The narrowing of the current account deficit largely mirrored the improvement in the services account as travel receipts observed a significant increase owing to the revival of the tourism sector, albeit an increase in outflows on the services account. In contrast, the merchandise trade deficit widened on account of the increase in imports, as the economy showed signs of recovery, after the COVID-19 pandemic-led economic downturn in 2020. However, this was offset to an extent by the increase in merchandise exports owing to the growth in re-exports, despite a decline in domestic exports during the year. Conversely,

Figure 56: Composition of Current Account, 2018 - 2021

(millions of US dollars, percent)



Source: Maldives Monetary Authority

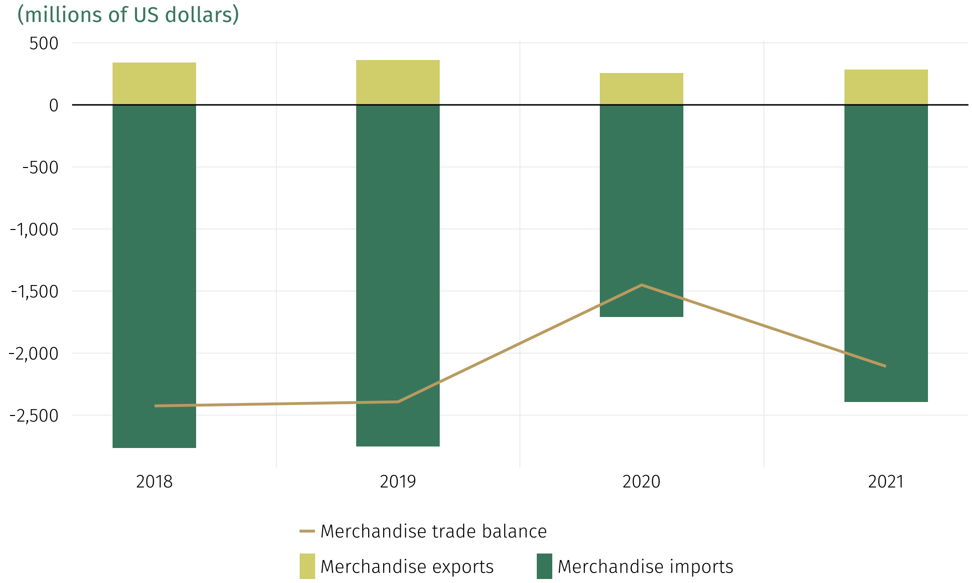
increases were observed in the repatriation of profits by the tourism sector, reinvestment of earnings, as well as workers' remittances.

Goods

The merchandise trade deficit widened by US$655.9 million when compared with 2020 and totalled US$2.1 billion in 2021 (Figure 57). This was owing to the pickup in imports, as the economy showed signs of recovery during 2021, after a contraction in the preceding year due to the impact of the COVID-19 pandemic. Import expenditure observed broad-based growth across major categories, with the import of petroleum products observing the largest increase largely stemming from the import of diesel (Box 2). However, the widening of the trade deficit was offset to an extent by the increase in re-exports, mirroring the turnaround in jet fuel sold to airlines, as flight movements to the Maldives by international carriers increased with the revival of the tourism sector. However, a decline was observed in domestic exports, owing to a fall in export earnings from frozen yellowfin tuna and fresh or chilled yellowfin tuna during the year.

Figure 57: Merchandise Trade Balance, 2018 - 2021

(millions of US dollars)



Source: Maldives Monetary Authority

Box 1: Merchandise Trade[1]

Merchandise Exports

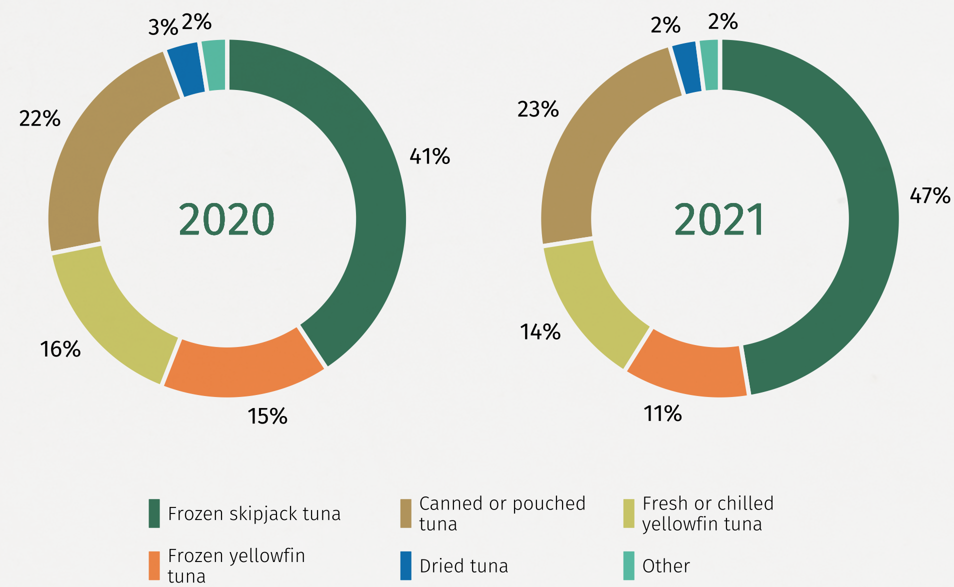
Merchandise exports, which comprise 53% domestic exports and 47% re-exports, marginally declined by 0.1% (US$0.3 million) on annual terms and totalled US$285.4 million during 2021, while it remains 79% (US$75.3 million) below pre-pandemic levels of 2019. The marginal decline in merchandise exports was driven by the decline in domestic exports, which was partly offset by a significant increase in re-exports. Domestic exports, which almost entirely comprise fish exports, declined by 7% (US$11.5 million) in 2021, after a growth of 3% in 2020, reflecting the decline in fish exports, as global tuna trade continues to be affected by ongoing supply chain disruptions and weak demand in main tuna markets.

Re-exports increased by 9% (US$11.2 million) compared to 2020 and totalled US$134.1 million in 2021, mainly as a result of the significant increase in re-export earnings from jet fuel. After registering a sharp fall in 2020 due to the COVID-19 pandemic-led border closures, re-export earnings from jet fuel rose significantly by 98% (US$49.2 million) but remains 26% below pre-pandemic levels of 2019. This reflected the re-opening of international borders and increased global demand due to high vaccination rates during the year, which resulted in a marked increase in flight movements to the Maldives by international carriers.

Fish exports, which accounted for 92% of domestic exports in 2021, registered a decline of 10% in 2021. This was despite the 13% growth in volume of such exports, indicating the decline in the unit values for all major categories of fish exports. The overall decline in fish exports mainly stemmed from the fall in export earnings from frozen yellowfin tuna and fresh or chilled yellowfin tuna, which fell by 32% (US$7.6 million) and 23% (US$5.6 million) (Figure 1). Meanwhile, the 8% (US$2.7 million) decline in earnings from canned or pouched tuna exports, as well as the 29% (US$1.4 million) decline in dried tuna exports also contributed to the decline in domestic exports. However, frozen skipjack tuna, which accounts for majority of fish exports by volume (65% in 2021) rose by 5% (US$3.2 million) partly offsetting the decline in fish exports (Figure 2).

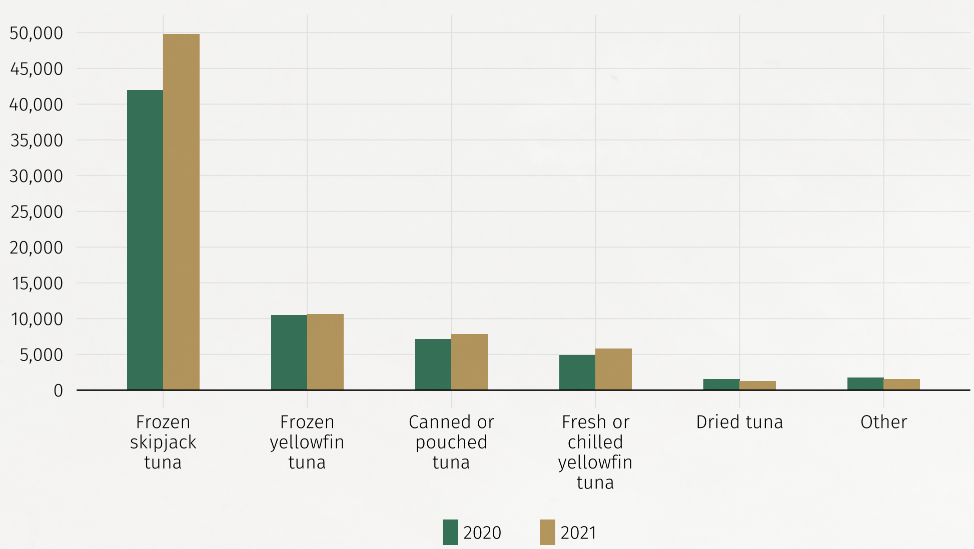
[1] Based on the trade statistics compiled and disseminated by the Maldives Customs Service, hence figures may be different in balance of payments statistics due to the adjustments made in BOP.

Figure 1: Composition of Fish Exports (Earnings)



Source: Maldives Customs Service

Figure 2: Composition of Fish Exports (Volume), 2020 - 2021
(thousands of metric tonnes)



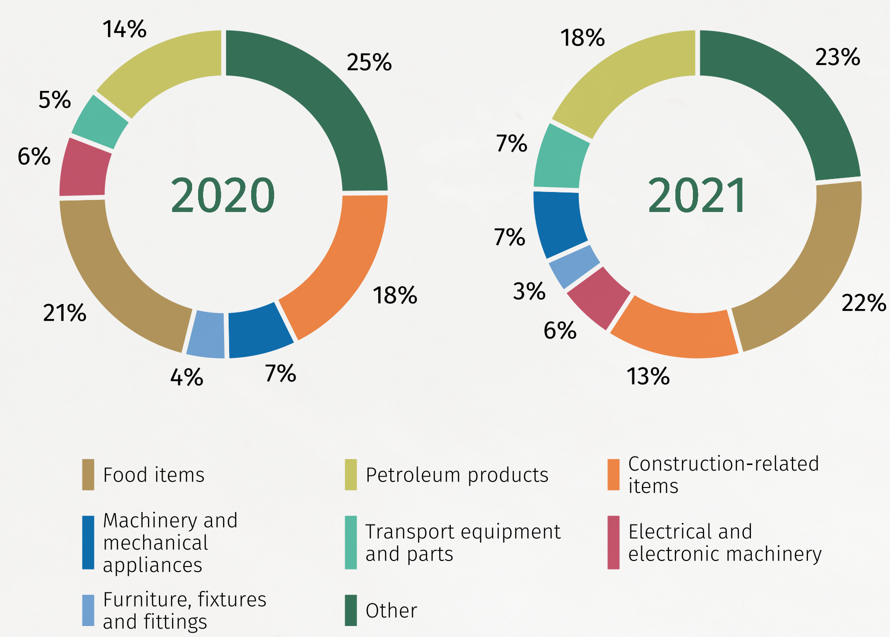
Source: Maldives Customs Service

Merchandise Imports

Total merchandise imports (c.i.f) increased significantly by 40% (US$735.2 million), owing to broad-based increases in all of the major import categories and totalled US$2.6 billion at the end of 2021. During the year the growth in imports were mainly driven by a marked 50% increase (US$192.0 million) in import expenditure on all food items, specifically, meat, fish and seafood (Figure 3), reflecting higher domestic demand with the continued recovery of economic activity. Further, there were positive contributions to the merchandise imports owing to the significant 72% growth (US$189.6 million) in imports of petroleum products.

Meanwhile, import expenditure on transport equipment and parts increased nearly two-fold (US$88.6 million). This was followed by import expenditure on machinery and mechanical appliances and parts; and electrical and electronic machinery and equipments and parts, which increased by 45% (US$57.1 million) and 29% (US$32.9 million), respectively. Similarly, notable increases were observed in import expenditure on medical and surgical supplies, which increased by 47% (US$26.5 million), mostly linked to COVID-19 pandemic containment and

Figure 3: Composition of Imports



Source: Maldives Customs Service

mitigation efforts. Contrary to last year, import expenditure on construction-related items (wood, metal, cement, and aggregates; and other construction-related items) moderately increased by 3% (US$6.1 million) indicating a slight pick-up in construction activity.

Conversely, import expenditure on chemical and chemical products fell by 18% (US$4.9 million) and import expenditures on price administered staples declined by 13% (US$4.1 million) during the year.

Direction of trade

Exports

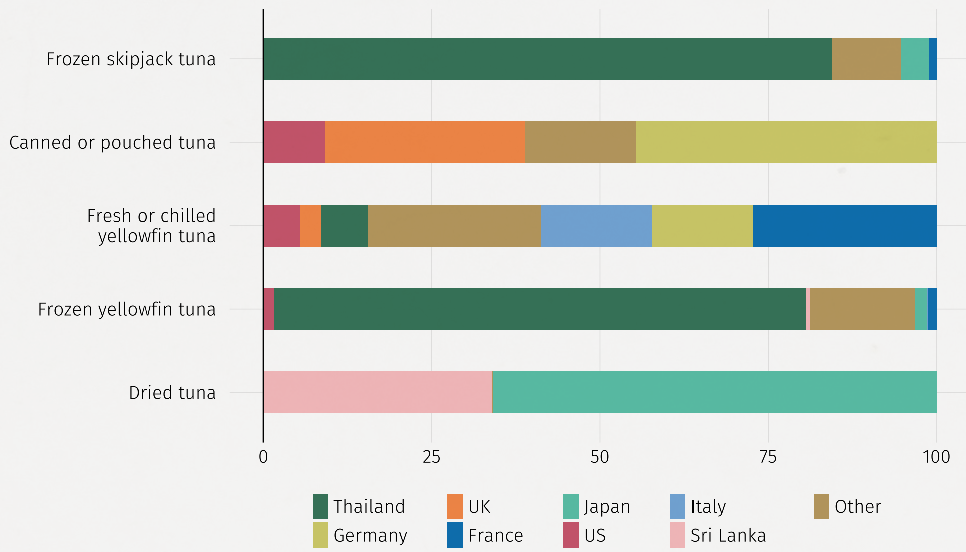
With a share of 62%, the Asian market remained as the main export destination for Maldivian exports in 2021. This was followed by the European market, which held a market share of 31% during the year. North America, a growing export destination since 2011, which accounted for 4% of exports from Maldives in 2021, observed a four percentage points decline in its market share relative to 2020, owing to the significant drop in exports to the US, which is the main market from this region (74% exports to North America).

In the Asian market, Thailand continued to remain as the single largest export market, accounting for 46% of the total Maldivian exports during the year 2021, up from 44% in 2020 (Figure 4). Earnings from frozen skipjack tuna exports to the Thai market marginally decreased by 4% (US$2.2 million) during the year, even though the volume of such exports increased. Contrary to last year, both earnings and volume from yellowfin tuna exports to the Thai market increased significantly during the year.

In 2021, the share of exports to Sri Lanka decreased by 1% to 2%, owing to the notable decline in processed dried tuna and other processed fish excluding tuna. Meanwhile, the share of exports to Japan also doubled, registering 4% and totaling US$5.4 million, reflecting the increase in earnings from frozen skipjack tuna and frozen yellowfin tuna, making it the third largest Asian export market.

Export earnings from the European region considerably decreased by 19% (US$11.0 million), with Germany remaining as the largest European export market, followed by the UK and France. Export earnings from Germany rose to 10% (US$1.5 million) largely owing to an increase in canned or pouched tuna

Figure 4: Direction of Trade by Major Domestic Export Categories, 2021
(percent)



Source: Maldives Customs Service

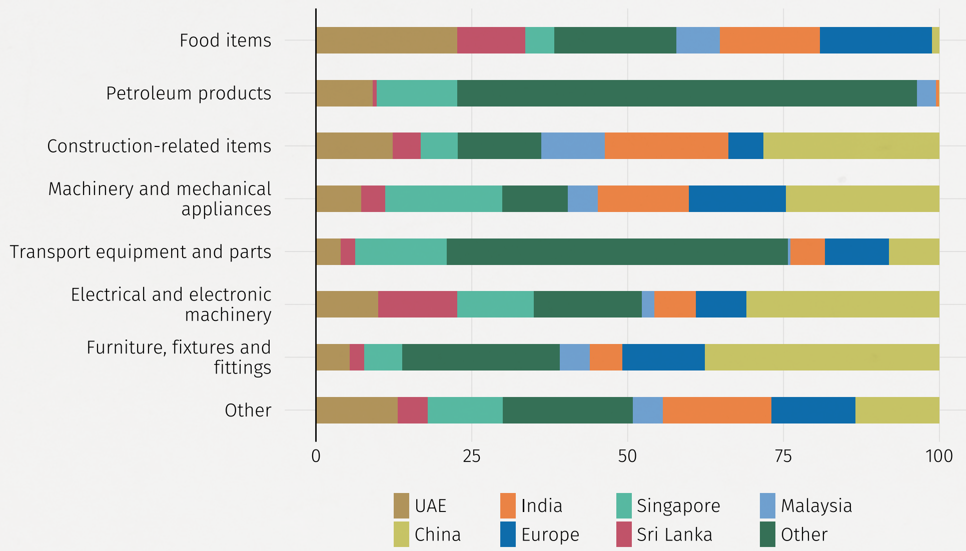
exports (US$1.8 million). In 2021, export earnings from the UK market fell by 12%, largely due to the decline in earnings from canned or pouched tuna. Meanwhile, the French market registered the biggest decline in export earnings within the European region in 2021, with a decline of 53% (US$6.9 million), reflecting the significant fall in export earnings from fresh or chilled yellowfin tuna and frozen yellowfin tuna.

Imports

Regarding the direction of imports, the highest proportion of imports during the year (82% of the total imports) were sourced from Asia. From this region, United Arab Emirates (UAE) accounted for the highest share of imports to the Maldives (13%), followed by China and India (Figure 5).

Imports from the UAE observed a significant increase (46%) driven by the imports of food items and electrical and electronic machinery during the year. However, import expenditure on petroleum products from the UAE continued to decline as petroleum imports from Oman considerably grew by 122% (US$178.7 million) during the year.

Figure 5: Direction of Trade by Import Categories, 2021
(percent)



Source: Maldives Customs Service

Similarly, imports from China notably increased by 21% (US$56.0 million) reflecting the significant increase in import expenditure on machinery and mechanical appliances and parts; base metal and articles of base metal; and furniture, fixtures and fittings during the year. However, imports of cement and aggregates decreased significantly by 88% (US$7.2 million) reflecting the downturn in construction activity.

As for imports from India, it markedly increased by 31% (US$76.1 million), largely owing to significant increases observed in import expenditure on machinery and mechanical appliances and parts; food items and construction-related items. However, declines were registered in import of chemical products; electronic and electrical appliances; and furniture, fixtures and fittings during the year.

Meanwhile, imports from the European region accounted for 11% of the total imports, which registered a growth of 47% during the year, with Germany as main supplier of imports to the Maldives, followed by Italy, France and the UK. In the European region, considerable increases in import expenditure were observed in imports of food items; machinery and mechanical appliances and parts; and transport equipments and parts.

Services

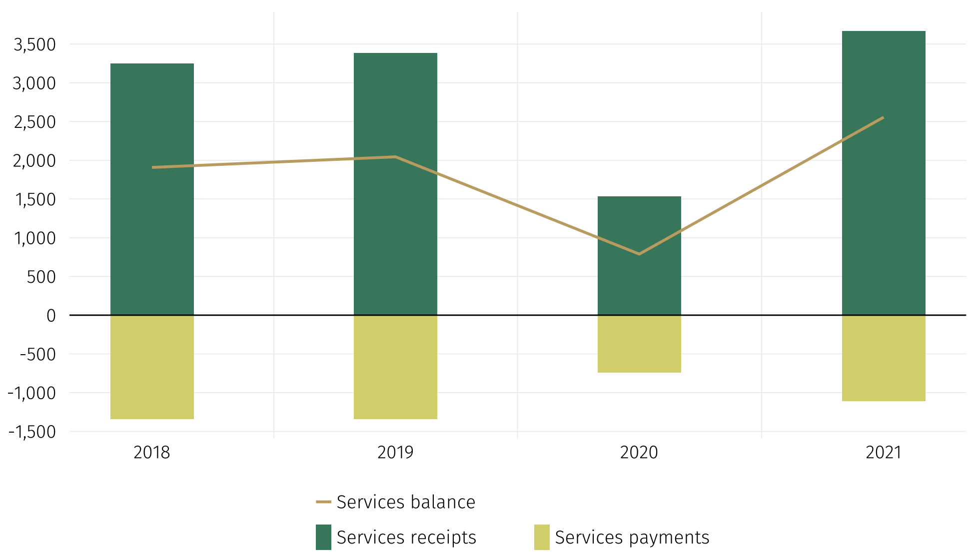
The surplus on the services account—an inherent key feature of the current account of the tourism-based Maldivian economy—observed a growth of US$1.8 billion and totalled US$2.6 billion in 2021. The marked increase in the services surplus reflected the revival of the tourism sector after the reopening of international borders. As such, tourist arrivals and bednights increased significantly during the year boosted by eased global travel restrictions, amid the rapid progress in global vaccination roll-out (Figure 58).

On the receipts side, total services receipts are estimated to have reached US$3.7 billion in 2021—a marked annual increase of US$2.1 billion. This was largely on account of the estimated rise in travel receipts, which accounted for 95% of all services receipts during the year. Following the rebound in tourist arrivals, travel receipts registered an increase of over US$2.1 billion, and totalled US$3.5 billion in 2021, more than double of the receipts recorded in 2020 (US$1.4 billion).

Meanwhile, receipts from transport services also observed a growth (US$53.2 million) mirroring the increase in flight movements, which reflected the increase in receipts for service provision to international carriers by the airports.

With regard to the payments side, total expenditure on services recorded an increase of US$369.0 million and totalled US$1.1 billion in 2021—from US$740.3 million in 2020. The rise in services expenditure was led by the growth in payments made for international transport services which grew by US$132.5 million, mirroring the growth in freight expenses on imports, following the pickup in imports during the year. This was followed closely by the US$117.0 million rise in expenditure on professional and management consultancy services sought externally for various business requirements, which primarily stemmed from payments as resort management fees. Meanwhile, travel expenditure also observed a growth after a pandemic-induced decline

Figure 58: Trade in Services, 2018 - 2021
(millions of US dollars)



Source: Maldives Monetary Authority

in spending by Maldivians travelling abroad in the preceding year. Conversely, a decrease was observed for payments for construction-related services acquired from non-residents, which largely mirrors the payments made for government public sector investment programme (PSIP) projects.

Primary Income Account

The deficit on the primary income account—driven largely by the foreign direct investments (FDI) related outflows, predominantly in the form of dividends to shareholders and the reinvested earnings—widened by US$177.7 million to reach US$483.5 million in 2021. This was a growth of 58% when compared with the deficit of US$305.8 million in the previous year. This primarily mirrored the increase in repatriation of profits and reinvestment of earnings reflecting the upturn in tourism activity, as most of the companies in the tourism sector are FDIs. As such, profit remittances increased by US$113.0 million while reinvested earnings of FDI companies increased by US$65.6 million when compared with the previous year. On the other hand, the widening of the primary account outflow was somewhat curbed by the decrease in interest payments during the year, primarily due to lower interest payments on private debt. However, inflows to the primary account also observed a moderate fall of US$2.1 million, owing mainly to the decrease in interest income received from investments by the MMA as well as the commercial banks.

Secondary Income Account

Movements in the secondary income account continued to be dominated by transactions in workers' remittances, and government grants. The deficit on the account is estimated to have worsened by US$63.8 million to US$423.3 million, from US$359.5 million in 2020. This was mainly due to the increase in outflows led by the rise in workers' remittances, which grew by US$99.7 million during the year. On the inflows side, a growth of US$27.7 million was observed, largely due to a rise in insurance claims received from non-resident insurance companies, followed by an increase in foreign grant inflows.

Financial Account

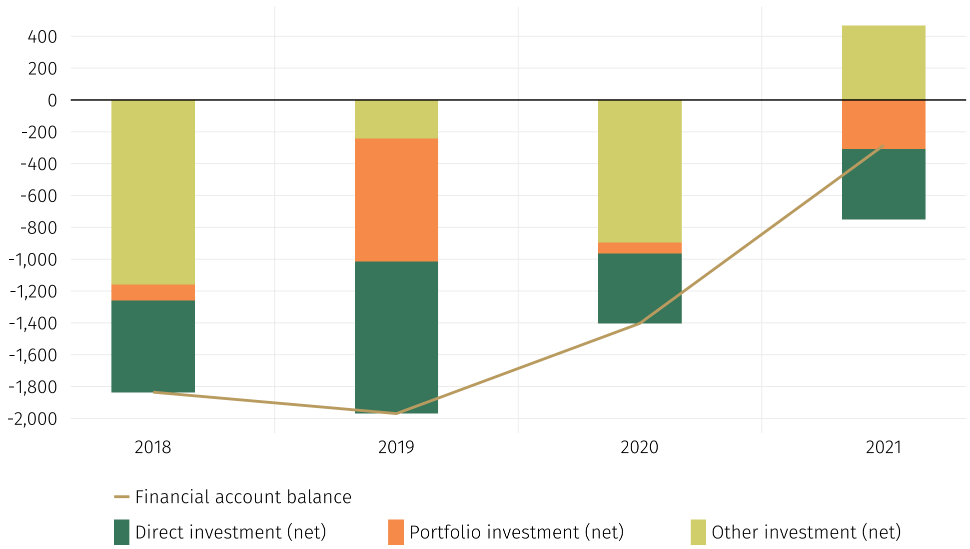
Financial account records transactions of financial assets and liabilities for the residents of an economy and the rest of the world—which are categorized into direct investments, portfolio investment and other investments. The financial account recorded a net inflow of US$284.1 million in 2021, down from US$1.4 billion in 2020. The net inflows on the financial account during 2021 mainly consisted of inflows from foreign direct investments and portfolio investments (Figure 59).

The net inflows from direct investments recorded US$443.5 million in 2021, slightly up from US$440.7 million in 2020. The marginal growth in inflows mirrored a growth in reinvestment of earnings of foreign investors, which was largely offset by the US$62.9 million fall in FDI inflows[16]. This reflected the fall in new equity investments by foreign investors mainly within the tourism sector, as well as inflows from developmental projects by foreign entities, while reinvestment of earnings of foreign investors in the country grew by US$65.6 million during the year.

As for portfolio investments, which comprise cross-border financial transactions involving equity and debt securities (other than those included in direct investments), it recorded a net inflow of US$307.0 million in 2021 (which represented non-resident investment in private

[16] Only the proceeds from inward FDIs are included in the direct investment account.

Figure 59: Financial Account, 2018 - 2021
(millions of US dollars)



Source: Maldives Monetary Authority

sector equity and debt securities) following a net inflow of US$68.6 million in 2020 largely reflecting the receipts of net proceeds from a Sukuk issued by the government in the international market.

Contrary to the previous year, a net outflow was recorded from other investments—which comprise financial transactions other than direct investments and portfolio investment. In 2021, net outflows on other investments recorded US$466.4 million; a substantial decrease of US$1.4 million when compared to the US$894.0 million recorded in 2020. The main contributor to net outflows on other investments was net repayments in the form of currency and deposits largely driven by the decline in liabilities of the MMA, which reflected the repayment of US$400 million swap arrangement between the MMA and the RBI. As such, US$150 million was repaid in January 2021, while US$250 million was paid back in December 2021. Further, net acquisition of financial assets observed an outflow, contributing to the increase in outflows on other investments. This was mainly due to an increase in deposits held abroad by the commercial banks.

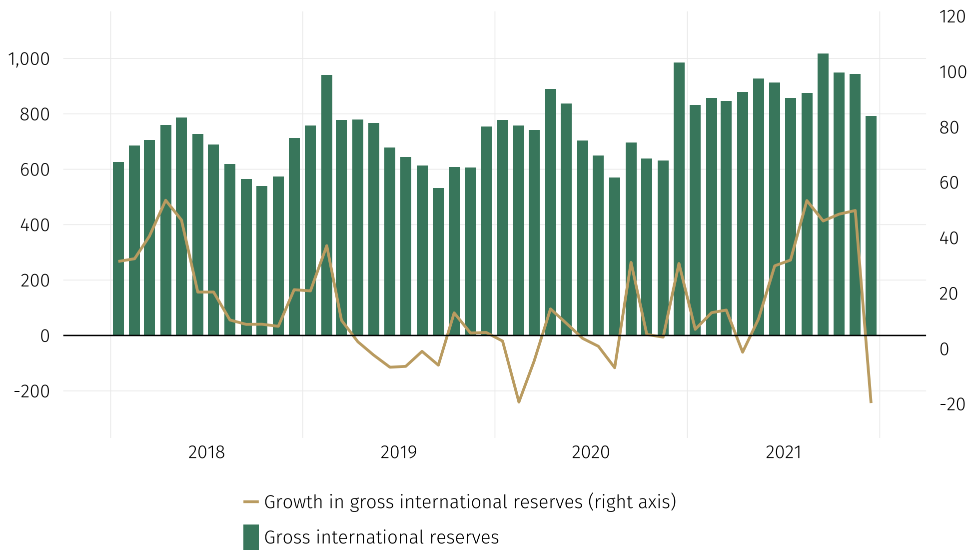
Overall Balance and Gross International Reserves

With the current account deficit exceeding the overall financial account position during 2021, the overall BOP registered a deficit of US$178.8 million, after recording a surplus of US$231.2 million in 2021. In line with these developments, GIR[17] decreased to US$805.8 million in 2021, from US$984.9 million in 2020—a decline of 18% when compared with the previous year (Figure 60).

In 2021, the annual decline of the GIR was solely due to the fall in short-term foreign liabilities, which declined by 51% during the year. The decline in short-term foreign liabilities predominantly reflected the repayment of the

[17] Also called official reserve assets comprise foreign currency deposits of the MMA and the government, commercial banks' US dollar reserve accounts and Maldives' reserve position at the IMF.

Figure 60: Gross International Reserves, 2018 - 2021
(millions of US dollars, annual percentage change)



Source: Maldives Monetary Authority

US$400 million foreign currency swap facility with the RBI, of which US$150 million was repaid in January 2021 and US$250 million paid back in December 2021. In addition to this, declines were observed in other components such as the foreign currency reserve account balances of the commercial banks held at the MMA and the government foreign currency deposits excluded from broad money. The decline in the foreign currency reserve account balances of the commercial banks held at the MMA can be attributed to net outward foreign currency transfers and changes to foreign currency asset portfolio.

In 2021, a considerable growth was observed in foreign currency receipts relative to the previous year, mainly reflecting sizeable increases in tourism-related revenue receipts[18], following the improvement in the tourism sector. This was followed by an increase in receipts from investments in government securities, primarily reflecting Sukuk issuances by the government in the international market. On the contrary, substantial declines were observed in loan disbursements (76%) and aid from international corporations (96%) mirroring the base effect of the increase in these categories in 2020 as part of the COVID response and support.

Foreign currency payments, on the other hand, recorded a decline relative to the previous year, largely contributed by the decline in payments for construction services related to government PSIP projects and government securities. During the year, increases were observed for foreign currency intervention in the domestic market, loan repayments, and medical payments.

Looking at the fluctuations in the GIR throughout the year, the GIR observed a significant decline in January 2021, following the repayment of the initial US$150 million accessed from the US$400 million swap

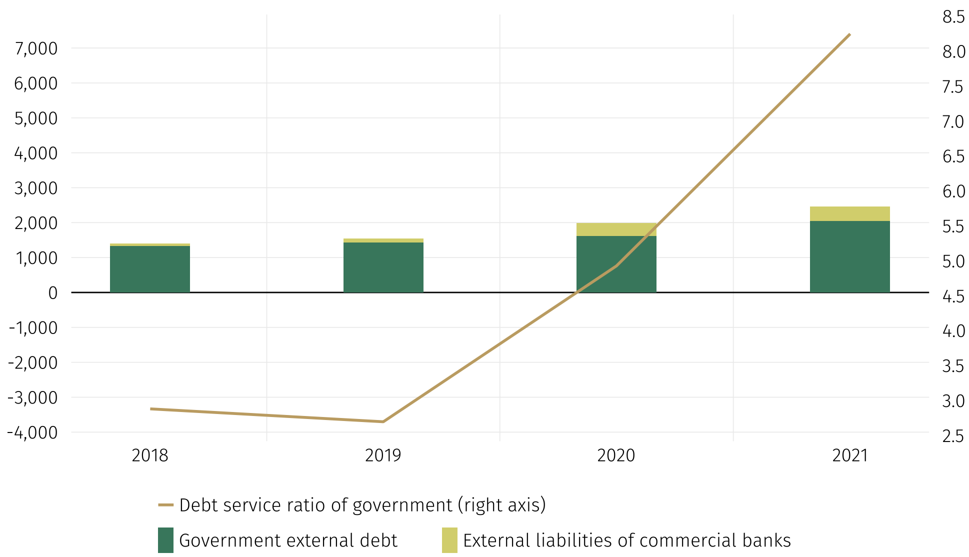
[18] These include receipts from T-GST, tourism land rent, green tax, airport service charge and airport development fee.

facility with the RBI. The changes in the GIR from February to April 2021 mainly reflected changes in foreign currency reserve account balances of the commercial banks held at the MMA and foreign currency receipts. The GIR observed a significant increase in May 2021, as proceeds from the US$100 million Sukuk issued by the government in the international market was received. However, the GIR gradually decreased between May 2021 and August 2021 reflecting increases in foreign currency payment obligations coupled with the fluctuations in receipts in line with the changes in tourism activity, before picking up significantly in September 2021. During September 2021, the growth in GIR reflected the receipts of the proceeds from issuance of a US$200 million Sukuk by the government in the international market. Following slight monthly declines during October and November, the GIR fell to US$805.8 million at the end of December 2021, driven by the repayment of the remaining US$250 million from the US$400 million swap facility obtained in the previous year. However, this was slightly offset by improved tourism-related revenue during December reflecting the robust growth in tourist arrivals following the onset of the peak tourism season.

External Debt

According to the latest available statistics[19], the total external debt stock (government and commercial banks) increased by US$469.9 million and totalled US$2,448.6 million at the end of 2021. However, the stock of external debt as a ratio to GDP fell to 49% in 2021, from 53% in 2020 (Figure 61). The growth in external debt was largely driven by government borrowing as debt securities, together with loans obtained by the government in the form of buyer's credit[20] as well as commercial bank borrowings from foreign depository corporations.

Figure 61: External Debt, 2018 - 2021
(millions of US dollars, percent)



Source: Ministry of Finance and Maldives Monetary Authority

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

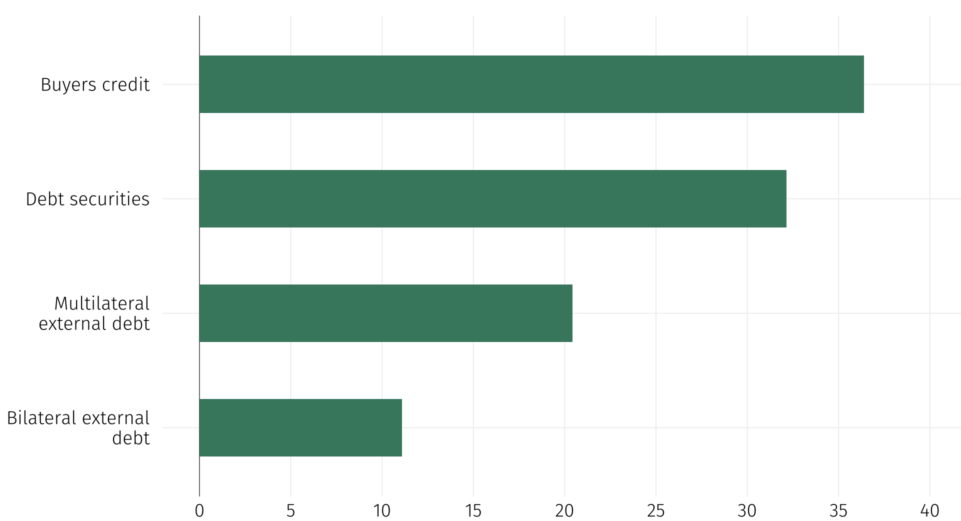
[20] Buyer's credit is a loan facility extended to an importer by a bank or financial institution to finance the purchase of goods or services and other high-cost items.

With regard to the composition of the total outstanding stock of external debt, foreign liabilities of commercial banks registered an increase of US$42.0 million, mirroring the borrowings from foreign depository corporations, closing at US$400.9 million at the end of 2021 (Figure 62). In terms of GDP, the outstanding stock of commercial banks' borrowings decreased to 8% in 2021, from 10% in 2020.

As for the government external borrowing—which primarily consists of buyer's credit, debt securities and loans obtained from multilateral and bilateral sources—rose by US$427.9 million and totalled US$2,047.7 million at the end of 2021. In terms of GDP, the outstanding stock of central government external debt slightly decreased to 41% in 2021, from 43% in 2020. Debt obtained in the form of multilateral loans increased by US$5.6 million to total US$418.0 million during 2021. Meanwhile, bilateral loans observed a decrease of US$15.9 million and totalled US$226.6 million. Further, debt securities and debt obtained in the form of buyer's credit observed growths of US$308.0 million and US$130.2 million, respectively. As such, the stock of debt securities rose to US$658.0 million while, debt obtained in the form of buyer's credit rose to US$745.1 million at the end of the year.

The total cost of debt servicing[21] rose by US$196.0 million and amounted to US$284.0 million or 6% of GDP in 2021, mainly reflecting the increase in principal payments on debt acquired through bonds, together with loans obtained from bilateral sources. In addition, this included interest payments of debt acquired through bonds. Meanwhile, mirroring the increase in debt service payments, the debt service ratio[22]—which measures the adequacy of a country's foreign exchange earnings to meet maturing debt obligations—increased to 8.2% in 2021, from 4.9% in 2020, despite a sizeable increase in export of goods and services.

Figure 62: Composition of Total Government External Debt Outstanding, 2021
(percent)



Source: Ministry of Finance

[21] Includes both principal and interest payments.

[22] Debt service ratio is the ratio of debt service payments to export of goods and services.

Outlook for 2022

The global economic recovery lost momentum towards the end of 2021 led by new waves of COVID-19 infections caused by the Omicron variant and persistent supply chain disruptions. According to the IMF World Economic Outlook (WEO) January 2022 update, after rebounding to 5.9% in 2021, global GDP growth is estimated to moderate to 4.4% in 2022, which is 0.5 percentage points lower than the forecasts of October 2021. Key downside risks to the global outlook stem from low rates of vaccination in developing economies, which may give rise to new, more transmissible and dangerous variants of COVID-19, prompting further disruptions and tightening of financial conditions amid rising inflationary pressures. The global economy also faces renewed risks due to the war in Ukraine and its repercussions on global food and energy prices. Moreover, new supply bottlenecks in global supply chains driven by lockdown measures in China due to a spike in COVID-19 cases pose additional risks to inflation and global recovery.

Following a strong rebound in real GDP growth, estimated at 37.0% in 2021, the growth rate of the Maldivian economy is projected to decelerate to 12.0% in 2022, according to the forecasts made in October 2021, with the economy expected to reach pre-pandemic levels in 2022. As in the previous years, the tourism sector is expected to be the main driver of growth in turn boosting the growth of related sectors, such as transportation and communication; and wholesale and retail trade. However, latest available high-frequency indicators point to a slight softening of activity in the tourism sector owing to the war in Ukraine which could dampen the pace of recovery. Meanwhile, construction activity is expected to strengthen in 2022, reflecting the ramp-up in public infrastructure projects envisaged in the 2022 Budget. With the anticipation of the growth momentum continuing in 2022, tourist arrivals are expected to reach well above the total arrivals achieved in 2021, although it is expected to remain below the pre-pandemic levels of 1.7 million achieved in 2019.

In 2022, the rate of inflation is expected to accelerate, mainly due to a substantial pickup in global inflation in 2021, driven by supply-side bottlenecks and rising global oil and food prices. With respect to the inflation trajectory, the rate of inflation is expected to edge up in Q1-2022 (from 0.5% in 2021) and decelerate slightly in Q2-2022, before accelerating in the second half of the year. In addition to the external drivers of inflation, key factors explaining the developments in inflation include domestic policy changes and the resultant base effects.

According to the 2022 Budget, the fiscal deficit is projected to decline from 15.3% in 2021 to 11.2% in 2022, driven by faster growth in revenue due to the anticipated improvement in domestic economic activity, despite the projected increase in expenditure. In 2022, total expenditure is also projected to increase reflecting a substantial increase in recurrent spending, as the economy returns to normalcy, following two years of control on such spending due to the COVID-19 pandemic. The 2022 Budget plans to finance the fiscal deficit through both external and domestic financing, which mainly include issuance of sukuk/bonds and issuance of domestic debt securities, respectively. In 2022, total public debt is projected to slightly decrease from 104% of GDP in 2021 to 102% of the GDP at the end of 2022.

The current account deficit is expected to widen in 2022 mainly on account of a sharp increase in imports and a slowdown in travel receipts reflecting the impact of the Russia-Ukraine conflict on global commodity prices, especially oil prices, and the domestic tourism sector. The resulting impact may have a downward effect on the primary and secondary income accounts of the balance of payments, but the scale of the effect will very much depend on the duration of the conflict.

Risks to Outlook

The outlook for both the global economy and the Maldives continues to be surrounded by a high level of uncertainty, with downside risks dominating the trajectory. Major downside risks include the tightening of international travel restrictions due to COVID-19 variants of concern, as well as the easing or removal of travel restrictions in more competitor destinations. Meanwhile, the ongoing war in Ukraine is expected to have an adverse impact on tourist arrivals given that Russia has been the second largest source of tourists to the Maldives in the past two years. In addition, the heightened supply bottlenecks could also adversely affect the anticipated pickup in construction activity. On the upside, a potential resumption of outbound travel from China to the Maldives in the latter half of 2022 could accelerate the recovery of tourist arrivals and real GDP growth.

As for inflation, risks remain tilted to the upside. Major risks include a further increase in global commodity prices due to the conflict between Russia and Ukraine, as well as persistent supply constraints.

Internal Management, Policies and Oganisatisational Developments

Monetary Policy

Monetary Policy Framework

One of the key responsibilities of the MMA is the formulation and implementation of the monetary policy. The main aim of MMA's monetary policy is to maintain price stability conducive to the sustainable growth of the economy. Since the Maldives is a small open economy heavily reliant on imports, the domestic price level is greatly influenced by the price fluctuations in the global market and the volatility in the exchange rate. Thereby to achieve the objective of price stability, the MMA strives to keep the exchange rate of US dollar to Maldivian Rufiyaa, pegged within the set horizontal band between MVR10.28 and MVR15.42. In addition, the MMA continues to manage the surplus liquidity of Rufiyaa in the banking system to support the exchange rate stability.

The MMA has the following instruments at disposal to achieve its monetary policy objective: the minimum reserve requirement (MRR), Open Market Operations (OMOs), foreign exchange swaps, and standing facilities which comprises of both Overnight Deposit Facility (ODF) and Overnight Lombard Facility (OLF).

Any monetary policy decision regarding the formulation of the policy framework and the operational changes to the policy instruments are made by the Board of Directors of the MMA, after thorough reflection of the recommendations made by the Monetary Policy Committee (MPC) of the MMA.

Implementation of Monetary Policy

As the impact of the pandemic continued through its second year, global recovery in 2021 was met with multiple challenges and high uncertainty surrounding the resurgence of COVID-19 infections and the emergence of new variants. Despite the steady recovery of the Maldivian economy aided by the revival of the tourism industry, foreign currency shortages prevailed in the domestic economy. To support the recovery and uphold the monetary policy objective, the MMA continued to carry out two core operations in 2021; foreign exchange market interventions and Rufiyaa liquidity management.

In response to the COVID-19 pandemic in 2020, changes were brought to the policy instruments to manage the liquidity position in the banking system. While some of the adjustments to policy instruments were maintained in 2021, other changes were reverted based on the macroeconomic developments during the year. As such, local currency MRR was reverted to 10%, while no changes were made to foreign currency MRR, which remained at 5%. In addition, the foreign currency fixed deposit investments made by the MMA at the commercial banks in 2020 were rolled over on several occasions during 2021 to provide further foreign currency liquidity support.

As for the MMA's foreign exchange intervention policy, the MMA remained supportive and increased the supply of foreign currency provided to the domestic economy through commercial banks. Further, the MMA repaid the US$400 million availed through foreign currency swap arrangement between Reserve Bank of India (RBI) and the MMA in 2020, via two separate payments amounting to US$150 million and US$250 million in January and December of 2021, respectively.

Exchange Rate Stability

Similar to previous years, the MMA continued to intervene in the domestic foreign exchange market to maintain exchange rate stability. The US dollar sales to the domestic market increased throughout the year 2021, to address the shortages in foreign currency liquidity which was aggravated by the pandemic. As such, the total US dollar sales by the MMA recorded a yearly increment of 2% and amounted to US$649.0 million in 2021.

The largest proportion of the US dollar sales in 2021 was made to state owned enterprises (SOEs), which constituted 59% of the total US dollar sales and amounted to US$382.9 million. This represented a 3% decline in sales to SOEs when compared to 2020. Since 2017, the MMA provides foreign currency to SOEs for their loan repayments, business operations, and developmental projects.

Together with SOEs, the MMA continued to allocate US dollars to commercial banks to provide for the foreign exchange needs of the public and local businesses. Similar to 2020, the MMA increased the foreign exchange intervention to commercial banks in the first three quarters of 2021 to address the foreign currency shortages in the economy. As such, the US dollar sales to commercial banks totaled

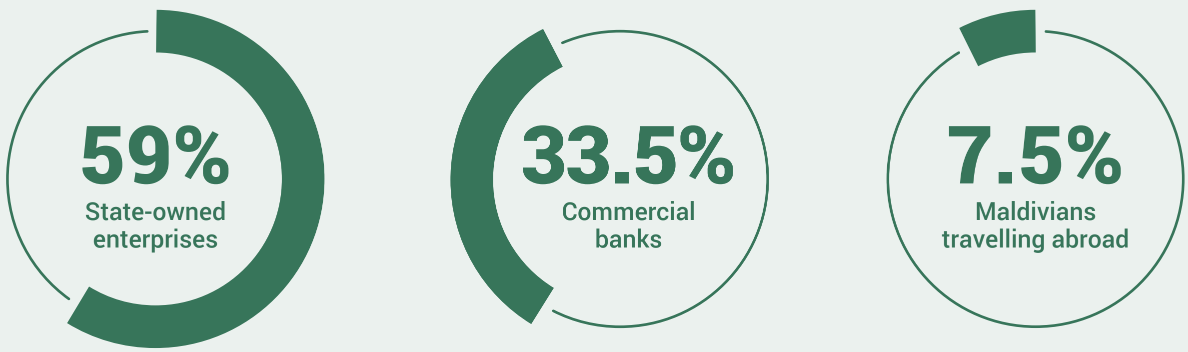
Decisions with regard to the monetary policy are made by the Board of Directors.

US Dollar Injected to the Domestic Market, 2021

US$649.0 MILLION

+2.4%

US dollar sales by the MMA increased by 2.4%



US$266.1 million, representing an increment of 10% when compared to bank sales of 2020. This includes US$171.7 million sold as normal weekly allocations, as well as US$29.5 million provided for Maldivians traveling abroad for medical and educational purposes. The total allocation to commercial banks also included an additional allocation of US$45.0 million sold in the first three quarters on the basis of US$15.0 million per quarter to address the US dollar shortage in the foreign exchange market due to the pandemic, mainly targeted towards essential imports such as food and medicine. Meanwhile, the MMA continued the policy of providing a maximum of US$500 per person for Maldivians traveling abroad from Velana International Airport via the Bank of Maldives Plc (BML). As such a total of US$18.9 million was sold under this policy as cash allocations in 2021. Further, US$1.0 million was provided through banks to meet other foreign currency requirements of the domestic economy, including US dollar sales to Hajj and Umrah groups.

Liquidity management of the banking system

During 2021, the MMA mainly used ODF as the policy instrument to absorb the surplus Rufiyaa liquidity in the banking system on an overnight basis. On average, ODF placements stood at MVR4.5 billion in 2021, which is an increment of 44% compared to 2020.

In response to the COVID-19 pandemic, the MMA lowered the MRR on both local and foreign currency deposits from 10% to 7.5% in April 2020 to combat potential liquidity shortages. The MRR in foreign currency was further lowered from 7.5% to 5% in July 2020 to mitigate foreign currency shortages faces by the commercial banks. The MRR on local currency was reverted to 10% during June 2021. However, foreign currency MRR remained unchanged throughout the year due to the persistent foreign currency liquidity issues faced by the commercial banks.

Reserve Management

The MMA's foreign exchange reserves provide a safety buffer to absorb external shocks to the economy, while upholding market confidence and international credibility to meet current and future debt obligations. In addition, they serve as a key policy tool for market intervention to support the local currency and implement monetary and exchange rate policies.

The MMA manages the Maldives' foreign exchange reserves as mandated by the Law no. 6/81 (Maldives Monetary Authority Act 1981), in accordance with the Reserve Management Policy set out by the Board of Directors of the MMA, and the Investment Guidelines formulated by the MMA's Investment Committee. The three key objectives of reserve management pursued by the MMA are capital preservation, ensuring sufficient liquidity of funds, and generating excess returns without prejudice to the MMA's investment objectives of safety and liquidity.

As such, the MMA invests the foreign reserves in a diverse portfolio across different asset classes, counterparties and maturities to achieve these objectives, while monitoring various investment-related risks within prescribed limits as per the Investment Guidelines. Similar to previous years, research was undertaken to explore potential new avenues of investments, keeping up to date with the latest developments in the global financial market.

In 2021, most of the foreign reserves were invested in money market instruments followed by investments in fixed income

Reserve Investments by Main Asset Classes, 2021

securities issued by sovereigns, supranational institutions and government agencies. Compared to previous years, there has been a substantial increase in investments in fixed income securities. During the year 2021, the reserve management framework was reviewed to strengthen and achieve a desired risk-return profile of the overall reserves in an efficient and transparent manner. The main objective of this change is to ensure that adequate liquidity is available to meet the short-term obligations and to enhance risk management while optimizing returns.

The MMA continued to establish new counterparty relationships with banks and international financial institutions to support and expand reserve management activities. At the end of 2021, the MMA maintained counterparty relationships with 19 financial institutions.

Financial Stability

Maintaining a healthy and stable financial system in the Maldives is one of the key objectives of the MMA and is essential for maintaining the public's confidence in the financial system. To achieve this objective, the MMA licenses and regulates financial institutions, and supervises them; assessing the institutions' compliance, identifying risks to the financial system and the system's capacity to cope with threats. In addition, the MMA undertakes several measures to further strengthen and develop the financial sector. Financial institutions and service providers operating in the financial sector that fall under the MMA's regulatory purview include banks, insurance companies, finance companies, insurance brokers and agents, remittance companies, and mobile payment service providers.

Developments to the Regulatory Framework

Laws Implemented in The Year 2021

In the year 2021, the changes brought to the legislative framework enhanced the functions of the MMA by creating a legislative environment for the development of the National Payment Systems and for the growth of the payments industry in the Maldives. The most notable change being ratifying and enacting Law no. 8/2021 (National Payment System Act) on 18 May 2021 which came into effect on 18 September 2021. The main objectives of this Act are to provide for the development, regulation and oversight of the Maldives National Payment System; and to include provisions on regulating and overseeing the payment systems, clearing systems, settlement and payment services by the MMA. Further objectives of the Act include, establishing the interoperability of the payment systems, clearing systems, settlement systems and payment service providers - and enhancing the accessibility of the payment, clearing and settlement systems. Lastly, this Act also allows for measures to be taken in order to establish a competitive environment among payment service providers, mechanisms for protection of customers and financial inclusion.

Regulations Passed in The Year 2021

- Regulation no. 2021/R-70 (2nd Amendment to the Regulation no. 2020/R-59 (Corporate Governance for Banks, Insurance Companies and Finance Companies)) was passed with effect in force from 15 May 2021. The requirement and criteria for the independent directors and the board members of licensed banks, insurance companies and finance companies operating in the Maldives were amended under this regulation.

MMA regularly conducts on-site examinations of financial institutions to identify the level of compliance with relevant regulatory requirements and internal policies.

- Regulation no. 2021/R-132 (Regulation on Financing Business) was passed with effect in force from 17 October 2021. This Regulation stipulates licensing requirements for financing businesses, and other prudential requirements for financing businesses to conduct their businesses in the Maldives.

The following circular were issued to the financial institutions in 2021 as part of strengthening their regulatory framework.

- Circular no. CN-MPS/2021/3 was issued on 20 May 2021, increasing the local currency Minimum Reserve Requirement (MRR) to 10%, after the MRR in both local and foreign currencies had been temporarily reduced in 2020 to support the banks' liquidity during the COVID-19 pandemic.

Licensing, Supervision and Other Regulatory Activities

As part of the MMA's mandate to ensure financial stability, it is necessary to ensure that financial institutions function in a safe and sound manner, and within the laws and regulations governing these institutions. Accordingly, the MMA conducts regular on-site examinations and off-site monitoring of these institutions, and undertakes work related to the issuance and cancellation of the licences issued to the financial institutions.

On-site Examinations

During on-site examinations, areas of risk in financial institutions were identified and the level of compliance with relevant regulatory requirements and internal policies were checked. While the on-site examinations of all financial institutions including banks are conducted based on the risk profile of the institutions, those of banks are also required by law to be conducted at least once every two years. The following on-site examinations of the financial institutions were conducted in 2021:

- An examination of Habib Bank Ltd. was conducted focusing on the financial reporting and follow-up issues related to the previous examination.

- An examination of Bank of Maldives Plc. was conducted focusing on the AML/CFT risk management practices and compliance with AML/CFT laws and regulations, internal policies, adequacy of internal controls, review of internal audit reports and the status of implementation of recommendations made in these reports.

- An examination of State Bank of India was carried out to assess AML/CFT risk management practices and compliance with AML/CFT laws and regulations.

- An examination of Mauritius Commercial Bank Maldives Pvt. Ltd. was conducted focusing on the asset quality, AML/CFT risk management practices and compliance with AML/CFT laws and regulations, and follow-up issues related to the previous examination.

- An examination of Bank of Ceylon was carried out focusing on the asset quality, AML/CFT risk management practices and compliance with AML/CFT laws and regulations, and follow-up issues related to the previous examination.

- An on-site examination of Dhivehi Insurance Company Pvt. Ltd. was carried out to evaluate its operations, and overall compliance with insurance industry regulations and guidelines.

- An examination of Island Financial Services Pvt. Ltd. a money remittance company was conducted during the year.

Off-site Examinations

- Off-site monitoring of financial institutions involves reviewing and analysing the financial reports and other information submitted to the MMA by these institutions and preparing quarterly off-site reports focusing on the institutions' financial condition, compliance with relevant regulatory requirements, and measures required to address any areas of concern. Regular off-site monitoring activities of all financial institutions were conducted in 2021.

Licences issued and revoked during the year

- A finance leasing licence issued to CMD Finance Leasing Company Pvt. Ltd. in January 2020, was cancelled in March

2021, due to failure to meet the deadline for commencing business, despite the deadline having been extended twice in view of the difficulties faced due to the COVID-19 pandemic.

- Due to non-compliance with Regulation no. 2017/R-31(Regulation on Remittance Business), money remittance licence of the Maldives Post Ltd. was revoked in February 2021.

- 43 licences issued to money changers were cancelled during the year; either at the licensee's request or as a result of non-compliance to licensing conditions.

- Insurance agent licences were issued to 3 parties.

Licence applications

- 3 applications were received for bank licence, of which 2 were cancelled due to non-submission of the requested information, and 1 was under evaluation as of the year-end.

- The licence application received to act as an insurance broker was under review as of the year-end.

- 9 applications were received for insurance agent licence, of which 2 were issued licence and 7 were under evaluation. In addition, out of 4 applications pending from 2020, 1 was under review; 1 licence was issued; 1 application was rejected; and 1 application was cancelled due to information not being provided.

To safeguard the financial sector MMA focuses on maintaining price stability and financial stability.

Development of the Financial Sector

In the effort to sustainably develop the financial sector and to foster inclusive growth in the Maldives, several initiatives were undertaken by the MMA. As such, the key initiatives undertaken focused mainly on enhancing financial consumer protection and fostering financial inclusion in the Maldives.

The MMA worked towards strengthening the financial infrastructure to enhance the efficiency of the financial sector. In this regard, the MMA continued to carry on the work related to the Maldives Payment System Development Project, Credit Information Bureau (CIB), Islamic finance, and financial consumer protection. Furthermore, in order to facilitate financial inclusion, the MMA continued work on the formulation of the National Financial Inclusion Strategy.

Credit Information Bureau

The Credit Information Bureau of the Maldives was established in 2011, governed by Regulation no. 2011/R-29 (Credit Information Regulation 2011) issued under the Law no. 24/2010 (Maldives Banking Act). The CIB was an initiative of the MMA and financed by Asian Development Bank (ADB), to establish a credit information registry for the Maldives to improve access to finance and to further develop and improve the efficiency of the financial sector of the country. The main objective of the Credit Information Bureau is to provide a national credit information registry that will aid the financial sector in making more informed credit decisions. The CIB also aims to provide a Secured Transactions Registry to facilitate and encourage the availability of loans and other forms of credit facilities through movable property as collateral for such loans and credit.

The Credit Information System

The Credit Information System collects credit information from all banks and financial institutions who are members of the bureau. All banks with a licence to operate in the Maldives, Housing Development Finance Corporation Plc., Maldives Finance and Leasing Company Pvt. Ltd., and SME Development Finance Corporation Pvt. Ltd. in the Maldives are members of the bureau and are legally bound to submit credit information to the bureau. The credit information collected from the members includes public record data, statutory information, identity information, credit transactions and payment histories of individual consumers and commercial entities. The credit data is collated and compiled into Credit Information Reports (CIR) which provides credit-decision support for member institutions in making more informed credit decisions, and to obtain Self-Inquiry Reports (SIR) which can be requested by individuals or corporate entities in order to identify their credit standing.

Accordingly, during 2021 a total of 56,237 CIRs were obtained by the member institutions of the CIB. This included 53,924 consumer CIRs and 2,313 commercial CIRs. This is an increase of 9.89% compared to the number of CIRs generated in the previous year.

Meanwhile, the demand for SIRs has been improving in line with the increase in public awareness of the service with an increase in 46.51% during the year 2021. To facilitate easy access to the SIR service for the general public during the pandemic, the process of issuing the reports continued from manual collection to a fully online process to adhere to the guidelines issued by the Health Protection Agency.

Additionally, pursuant to Law no. 6/81 (Maldives Monetary Authority Act 1981) a new Credit

Information System Regulation has been drafted. Furthermore, to expand the scope of the CIB and strengthen its operations, the Credit Information System Bill has been finalized and sent to the Attorney General's Office.

The Secured Transactions Registry

The purpose of the registry is to provide easier access to information for the banks and other financial institutions regarding moveable collateral assets, as well as to facilitate Small and Medium Enterprises to use moveable assets as collateral to gain easier access to credit. The work on finalising the 'Secured Transactions Bill' continued in 2021. This bill is vital in order to implement the Secured Transactions Registry developed in 2018.

Financial Consumer Protection Section

In pursuit of maintaining stability in the financial sector of the Maldives and to uphold customer trust in the financial sector, a complaint handling mechanism is established at the MMA. During 2021, Financial Consumer Protection Section received 18 written complaints, all of which were looked into and responses were given to the complainants.

Since the MMA acquired the legal power required to investigate financial consumer complaints and ensure financial consumer protection, the MMA is working on formulating the Financial Consumer Protection Regulation.

The MMA being the central bank highly regards the importance of promoting financial awareness among the public as it complements the development of financial sector. To this end, the MMA held Global Money Week (GMW) celebrations during the last week of March. GMW is an annual financial awareness campaign held to inspire children and young people to learn about money matters, livelihoods and entrepreneurship. Considering the ongoing COVID-19 pandemic, the MMA held a financial webinar in collaboration with the financial institutions. Secondary school students from across the country participated in the webinar and information on key financial topics was delivered to enhance financial awareness of the students.

To further strengthen the MMA's effort to raise financial awareness, educational videos on important financial topics were created and uploaded on social media.

In order to understand and increase the level of financial inclusion in the country, the MMA is working on formulating the National Financial Inclusion Strategy for the Maldives. A consulting firm has been hired to conduct a demand side survey to collect data needed to formulate the strategy.

Measures Taken to Prevent Financial Crimes

The MMA takes various measures to protect the integrity of the financial system, and to ensure public confidence in the financial system. In this regard, continuous work is undertaken to ensure that the system is not used for financial crimes, particularly those related to money laundering and the financing of terrorism.

As part of these efforts, amendment process of Law no. 10/2014 (Prevention of Money Laundering and Financing of Terrorism Act), which was ratified and gazetted in 2014, commenced in 2019 and this process is still underway.

During 2021, memorandums of understanding on information sharing were signed by the MMA-

FIU with the Australian FIU (AUSTRAC) as well as with the Financial Intelligence Department of Bhutan. Additionally, the first National Risk Assessment (NRA) of the Maldives on Anti Money Laundering & Countering the Financing of Terrorism commenced in the last quarter of 2021 with assistance from the World Bank and the NRA consultant appointed for this project. The project is expected to be completed by first quarter of 2023.

As part of the ongoing efforts to prevent financial crimes, the MMA-FIU continued its supervision of financial institutions to monitor their compliance with the requirements under the regulatory framework through utilizing a Risk Based Approach. Accordingly, an in-depth AML/CFT on-site examination of a bank was carried out, while offsite monitoring & compliance checks of several other reporting entities were also conducted during the year.

Currency, Banking and Payments Systems

Currency

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

Destruction of Banknotes

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

Given the timespan since the issuance of the Ran Dhihafaheh banknote series, the MMA did not receive enough banknotes from this series to reach the prescribed amount that warrants destruction. Accordingly, destruction of Ran Dhihafaheh banknotes was not carried out during the year. Furthermore, as the exchange period given for the 1983 paper banknote series ended in 2021, a total of 39,846 paper banknotes (valued at MVR3,613,368) received for exchange were destructed during the year.

Destruction of Coins

With the issuance of a new 2 Rufiyaa coin on 12 July 2017, the MMA commenced the process of removing the old 2 Rufiyaa from circulation. From the old 2 Rufiyaa coins received by the MMA from May 2018 till March 2021, a total of 1,155,946 coins (valued at MVR2,311,892) were sent to the Royal Mint, UK to be destroyed on 13 April 2021. The destruction of these coins was completed on 29 September 2021.

Exchange of 1983 paper banknote series to Ran Dhihafaheh series

All denominations of the 1983 paper banknote series, except 5 Rufiyaa, was declared non-legal tender from 1 August 2016. 5 Rufiyaa of the 1983 series was declared as non-legal tender from 1 January 2018. The exchange period of 1983 series banknotes to Ran Dhihafaheh series ended on 31 July 2021. During the exchange period, 95.12% of the value of paper banknotes in circulation at the time of withdrawal was exchanged. That is a total of 12,088,897 banknotes in volume and MVR2.67 billion banknotes in value.

2021 saw a decrease in the circulation of banknotes by 3.9%

Currency in Circulation

The total value of banknotes in circulation stood at MVR3.7 billion at the end of 2021, an annual decrease of 3.9%. The total value of coins in circulation increased by 1.0% from the previous year and was recorded at MVR77.1 million at the end of 2021.

Payment Systems

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

The payment systems currently operated by the MMA are the Maldives Real-Time Gross Settlement (MRTGS) System and the Automated Clearing House (ACH) System. The MRTGS System settles high-value and urgent inter-bank transactions in real-time on a gross basis. The ACH System clears high volumes of low-value transactions in batches.

Since the introduction of the MRTGS and ACH Systems, the volume of transactions settled through these payment systems have been increasing annually. During 2021, the number of transactions settled through the MRTGS System totaled 339,233 - an increase of 75.52% in comparison to 2020. In terms of total value of transactions, this is an increase of 47.85% in which the total value reached MVR2281.60 billion. During the same period, the volume of direct credit transactions settled

Quantity of Paper Banknotes Destroyed, 2021

14% MVR500

11% MVR100

4% MVR50

8% MVR20

15% MVR10

47% MVR5

Value of Banknotes in Circulation, 31 December 2021

MVR3.7 BILLION

31 December 2021

6% MVR1000

83% MVR500

7% MVR100

1% MVR50

1% MVR20

1% MVR10

1% MVR5

Value of Transactions Settled through Payment Systems, 2021

MVR41.1 BILLION

Transactions settled through ACH

MVR2.28 TRILLION

Transactions settled through MRTGS

A nationwide campaign 'Badhalukurama' was carried out to exchange 1983 paper banknote series to Ran Dhihafaheh series.

through the ACH increased by 60.09% to total 975,630 transactions, reaching a total value of MVR10.01 billion at the end of 2021.

Conversely, it should be noted that the volume of cheques processed via the ACH decreased by 10.16% over the year. However, its value increased by 3.08%. The high decline in usage of cheques aligned similar trends from 2020 are owed significantly to the repercussions of the COVID-19 pandemic and the measures implemented by MMA to discourage usage of cheques, due to which payments made through digital platforms increased throughout the year.

As a measure of discouraging the use of cheques as a means of payment and enticing the public towards the use of digital payment channels, the MMA initiated an Action Plan on Reducing the Usage of Cheques during third quarter of 2020. This Action Plan comprised of value ceilings of MVR100,000 and US$5,000 placed on all cheques collected by Government entities and State-Owned Enterprises (SOE). In addition to this, cheque reduction targets were assigned to the banks on a quarterly basis for an initial one year period which concluded in the second quarter of 2021.

During this period, usage for cheques for Government receipts declined from 57.3% to 4.4% of all government receipts recorded by the MMA. However, the anticipated results were not observed for usage of cheques by SOEs as well as for the cheque reduction targets assigned to the banks.

Despite this, encouraging signs were observed overall in terms of discouraging the use of traditional methods of payment in favour of digital alternatives. Accordingly, it was noted that the value and volume of transactions processed through MRTGS and ACH (Direct

Credits) increased significantly during 2021; at the same time currency in circulation also declined. Although the value of cheques processed increased, the volume declined. Hence, it is evident from the statistics that the public is getting more accustomed towards digital alternatives, in line with the MMA's objectives.

Based on the outcomes of this Action Plan and to further encourage the public towards use of digital alternatives, formulation of an Action Plan on Discontinuing the Usage of Cheques was initiated in consultation with all the banks during the year. The new Action Plan is for the usage of the ACH to be phased out by June 2024. This Action Plan includes additional key action items that will be implemented over a two year period – commencing from June 2022. These action items include expansion of the scope of the value ceiling to cover all cheques issued by individuals & corporates nationwide, introducing fees on cheque transactions as well as migrating all direct credit transfers currently processed via ACH to the Instant Payment System which is currently under development.

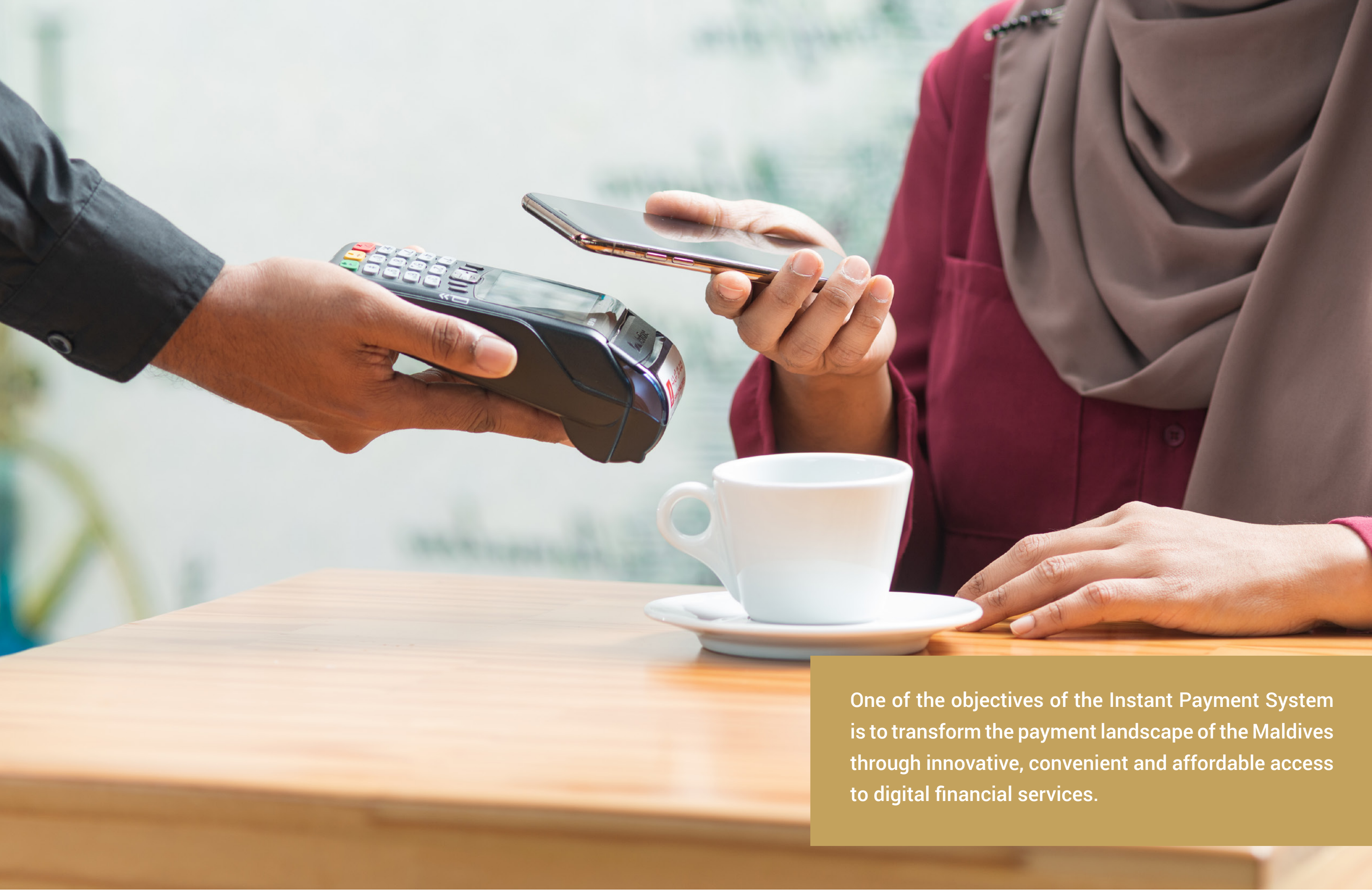
Promoting the use of Rufiyaa in domestic transactions has also been a key objective of the MMA. As VISA's National Net Settlement Service (NNSS) was introduced in the Maldives in collaboration with Bank of Maldives Plc. during the year, the MMA subsequently granted the approval to this bank to act as a settlement agent for NNSS in the Maldives. This arrangement facilitates the settlement of all domestic transactions conducted using a locally issued VISA cards to be settled in the domestic currency. Hence, in alignment with this objective, all the banks and other service providers engaged in card payment acquiring activities were instructed to ensure that all transactions conducted in the Maldives using locally issued VISA cards are acquired and settled in Rufiyaa. This instruction became effective in August 2021.

Further to this, as the initial instruction was issued respective to locally issued VISA cards, all the banks and other service providers engaged in card payment acquiring activities were also instructed to ensure that all domestic transactions conducted using all other types of locally issued cards are acquired and settled in Rufiyaa. This instruction would be in effect on March 2022.

Simultaneously with the on-going work on the implementation of the new payment system, there were several undertakings during the year that focused on strengthening the regulatory framework for payment services in the Maldives. As part of these efforts, the National Payment Systems Act was also enacted on 18 May 2021 and came into effect on 18 September 2021. This Act will form the key legislation that will provide the MMA with the powers to regulate and oversee the National Payment System for the purpose of ensuring its safety and efficiency. The regulations and guidelines to be issued under this Act are expected to be published during 2022.

Maldives Payment System Development Project

As part of the MMA's efforts to modernize the national payment landscape of Maldives, formal work on implementing an instant payment system was initiated in 2020 under the Maldives Payment System Development (MPSD) Project. The system is expected to facilitate innovative, convenient and affordable access to digital financial services. The infrastructure of the system is being designed such that all banks and other Payment Service



One of the objectives of the Instant Payment System is to transform the payment landscape of the Maldives through innovative, convenient and affordable access to digital financial services.

Providers (PSPs) will be linked to a Unified Payment Gateway (UPG) to facilitate real-time, 24/7/365 payments.

The implementation of the project has since been divided into 2 phases. Phase 1is expected to go-live in September 2022, and will complete the implementation of the UPG, and the Instant Payment System (IPS) along with the Smart Addressing Service. Phase 2 of the implementation will see the delivery of a Payment Platform with a supporting white-label mobile application – currently set for a go-live date of a December 2022.

During 2021, activities of the MPSD project focused around finalising the solution specifications and initiating the implementation of the solution as per the finalised project plan and specifications for phase 1. Throughout the year, the project went through substantial developments, comprising of the completion of infrastructure set-up and the initial deployment of the solution, among others. Scoping and finalization of the solution specifications of the phase 2 is planned to be concluded during early 2022, followed by the commencement of the implementation of this phase.

To assist the MMA in the seamless implementation of the IPS, a technical consultant was also hired during the year to assist the MMA by providing technical guidance and support over the course of the project.

Mobile Payment Services

During 2021, the distributions networks of the mobile payment services providers expanded to over 1300 agents and merchants, covering more than 50% of all inhabited islands.

However, a decreasing trend was observed for new registrations for mobile money services over the year. This also resulted in a decline in the number of active users in 2021.

Despite this, similar to the previous year, 2021 also saw a notable growth in terms of volume and value of transaction conducted through mobile wallets compared to 2020, with post-paid bill payments being the most popular type of transaction among the users.

Over the course of the year, several new use cases have been explored and implemented by the mobile payment service providers to increase the adoption of the service among the public. Integrating the mobile wallet payment gateway with entities such as Maldives Inland Revenue Authority (MIRA) and insurance companies, and enabling features such as zakat payments etc., in addition to cash-in options via selected banks have contributed to the high usage. Further to this, several financial technology features are also being explored by the service providers to be integrated with the existing mobile payment service platform, which is expected to increase the appeal of the service and contribute to the increasing usage of the service.

Banking Services to the Government

The MMA, as the main banker to the government, continued its services in 2021 to operate the governments' Single Treasury Account called the Public Bank Account (PBA) and the accounts related to government's various projects.

Moreover, the project for automation and streamlining of financial communications between institutions which was initiated in 2019 with the aim of strengthening and enhancing the banking services provided to the government was continued in 2021. As such, the MMA hired a consultant required for the project and started working with the consultant in 2021.

As the fiscal agent of the government in the issuance and effective management of government securities, the MMA continued its advisory role to the government in all aspects related to the issuance of government securities in 2021. Further, work on the 'Government Securities Market Development Project' initiated by the MMA was continued in 2021. Under this project, the User Acceptance Testing (UAT) phase of the system was continued for the Central Securities Depository (CSD) system and Investor Portal acquired in 2019. Furthermore, the commercial banks and other stakeholders also participated in the completion of the UAT of the CSD system.

However, with effective from 16 August 2021 onwards, the issuance function of government securities was transferred to Ministry of Finance (MOF) while, under the new agency agreement, the MMA will remain as the settlement agent of domestic government debt securities. The transfer took place as a measure of strengthening the central government debt management function which was advised by the World Bank in the Debt Management Performance Assessment (DEMPA) report. However, the MMA will provide technical support to MOF project team to complete the Central Securities Depository System.

Economic Research and Statistics

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

Economic Research

During 2021, the MMA continued its work to produce in-depth research into specific areas of the broader economy spanning from monetary policy to other key economic and financial issues. The analysis on topics related to monetary policy, real sector, fiscal sector, financial as well as the external trade sector were disseminated through the MMA Research and Policy Notes series, the monthly Economic Update, the Quarterly Economic Bulletin and the Annual Report which were published on the MMA website.

The MMA produces forecasts of key macroeconomic indicators by developing medium and long-term econometric models which are applied for providing constructive analytical input which assists in the formulation of effective macroeconomic policies. These forecasts also give insight to important economic indicators of the country. The MMA produces projections for the gross international reserves, inflation and the indicators for the tourism sector. The MMA, in collaboration with the Ministry of Finance also forecast the annual gross domestic product every year. Similar to 2020, the MMA also worked on analysing the extent of the impact of COVID-19 on the macroeconomic indicators of the country. Similar to the previous years, the professional opinion of the MMA was provided to the People's Majlis regarding the proposed government budget for 2022.

Economic Surveys

As in the previous years, the MMA conducted sample surveys to complement existing monetary and financial data and in areas where statistics are not available. In this regard, the MMA continued to conduct the Quarterly Business Survey, which aims to obtain a quick assessment of current business trends and expected future economic activity. In order to improve the response rate of the business survey and to gain more insights into business conditions and sentiments, the MMA held virtual meetings with business leaders of large enterprises from key sectors within the economy during 2021.

The MMA also continued to conduct the quarterly Bank Credit Survey in 2021. The key objective of this survey is to gauge banks' perceptions about the past and expected developments in the credit demand and supply conditions in the domestic banking system to assist the monetary policy formulation.

Statistics

Similar to previous years, during the year 2021, the MMA collected and disseminated a broad range of macroeconomic statistics. In addition, the MMA Statistics Database was upgraded and introduced easy access to data via API.

The MMA Statistics Database upgrade consisted of expanding coverage from 695 to

The medium and long term econometric models developed by MMA plays a key role in formation of effective macroeconomic policies.

Through the introduction of MMA Statistics API, users have instant access to data, enabling data integration for efficient data analysis through development of scripts.

3918 macroeconomic data series with historical time-series for selected macroeconomic and financial data starting from the year 1986. In addition to this, the introduction of the MMA Statistics API enabled users to access data instantly, enabling users to develop scripts to integrate data into their analytical platforms for efficient data analysis. At the same time, the MMA released an updated version of the MMA 'Viya' web app, which helps in easy visualization of the time-series data in the MMA Statistics Database portal. Furthermore, all statistics released by the MMA was made available in the MMA Monthly Statistics publication.

Governance

Board of Directors

The Board of Directors of the MMA is the policy making body of the MMA, which sets out the monetary policy, the policies in relation to the functions of the MMA, and the general policies in relation to the administration and operation of the MMA.

The Board of Directors comprises of 7 members made up of executive and non-executive members, inclusive of the Governor and Deputy Governor. Board of Directors as at 31 December 2021 are as below.

- Mr. Ali Hashim – Chairperson (Governor)
- Mr. Ahmed Imad – Deputy Governor
- Ms. Idham Hussain – Assistant Governor
- Uz. Ashraf Rasheed – Ministry of Finance
- Ms. Neeza Imad – Economic Sector of the Government

Main Resolutions Adopted by the Board of Directors in 2021

During the year 2021, 8 meetings of the Board of Directors were held. The main resolutions passed were as follows:

- Issuing the following regulations in order to strengthen the supervisory and regulatory framework of the financial sector, and to strengthen the corporate governance of the financial institutions:
  - First amendment to the Regulation on Corporate Governance for Banks, Insurance Companies and Finance Companies,
  - Regulation on Financing Businesses.
- Repealing the resolution passed by the Board in 2014 regarding the charging of interest on Public Bank Account overdraft facilities.
- Appointing Bank for International Settlements - Switzerland as an external asset manager.
- Third amendment to the MMA's Reserve Management Policy.
- Determining the categories of assets that shall be suitable for investment from the MMA's financial resources.

Audit Committee

The Audit Committee is a subcommittee of the Board of Directors of the MMA and consists of 3 non-executive directors. The main responsibilities of the committee include

The Governor is the executive head of the MMA responsible for implementing the policies and decisions undertaken by the Board of Directors.

assisting the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls, the audit process and the process for monitoring compliance with laws and regulations.

Executive and Management Committee

According to Law no. 6/81 (Maldives Monetary Authority 1981), the Governor is the executive head of MMA responsible for implementing the policies and decisions undertaken by the Board of Directors and carrying out the day-to-day management and operations of the MMA. Mr. Ali Hashim is the Governor of the MMA since his appointment on 8 September 2019.

Although the Governor remains accountable and responsible for the day-to-day management and operations of the MMA, areas and divisions are created for the implementation of operations. In this regard, the executive committee acts as the highest-level body to carry out the functions of the MMA.

The Executive Committee assists in implementing policies formulated by the Board to achieve key objectives of the MMA and assists the Governor in day-to-day running of the MMA. The Executive Committee consists of the Governor, Deputy Governor and the respective area heads.

Internal Audit

The objective of the MMA's Internal Audit is to provide independent and objective assurance and consulting, designed to add value and improve the operations of the MMA. The Internal Audit helps the MMA accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the MMA's risk management, controls, and governance processes. Internal Audit reports functionally to the Board's Audit Committee and administratively to the Governor.

During the year 2021, the Internal Audit team conducted audits that included Anti-Money Laundering and Countering Financing of Terrorism Policy compliance audits, access controls audits of critical systems, payment portal audit and cash counts. Furthermore, monitoring logs of SWIFT system were reviewed by Internal Audit.

Shari'ah Council

In 2021 a new member was appointed to the Shariah council of the MMA (SCoMMA), hence, the SCoMMA is now composed of 4 members. In the past year 3 virtual meetings of SCoMMA was also held and, in these meetings new product structures were approved to introduce to the public. Furthermore, discussions regarding the challenges faced in the industry and aspects to prioritize were also undertaken.

In 2021, the MMA finalized a Shariah Governance Framework (SGF) for Islamic financial institutions under the MMA's purview. The SGF came into effect on 1 January 2022. In addition to this the MMA worked on developing monetary policy instruments to accommodate the liquidity management requirements of Islamic financial institutions.

Risk Management

The MMA takes a coordinated approach to managing risks within the MMA through commitment to a business strategy that supports the proactive identification, assessment, measurement, management and reporting of risk, and to use risk information to enhance decision-making and developing appropriate business strategies. The MMA intends to improve effectiveness of controls and risk management in providing all its services in a continuous manner.

The MMA's Business Continuity Policy was formulated during the year to be prepared for, provide and maintain controls and capabilities to continue delivery of the MMA's services at acceptable levels during and following a disruptive incident. Initial business impact analysis was commenced, and sessions were held to target groups on business continuity awareness.

To keep high level of AML/CFT controls, transaction monitoring and Know Your Customer (KYC) screening were being conducted on all transactions and onboarding customers. Additional efforts were made in KYC screening for local customers. Emphasis was given to train staff and enhance compliance function to ensure that all departments of the MMA comply with internal policies and procedures. In this regard risk management and AML/CFT training was provided to all new staff during the year.

Human Resources

The MMA embraces the drive to retain and develop its human resources in order to achieve quality services. The MMA places an emphasis on recruitment of competent candidates, retention and capacity building for staff as well as ensuring the availability and enjoyment of a comfortable working environment. This is reflected on the MMA's internal policies, which are aimed towards promotion of staff unity, a viable framework of staff retention and incentives and the availability of requisite training and development opportunities.

Staff Recruitment

At the close of the year 2021, the MMA had a total staff base of 257 employees, of which 26 were new recruits and 2 staff who re-joined the MMA after achieving higher education. Including the 8 staff who left the MMA to pursue higher studies abroad, 19 staff left the MMA during the year.

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

Composition of Staff by Qualification, 2021

257
Number of Staff

Bachelor's degree	Master's degree	Others
44%	28%	28%

The MMA gives importance on the recruitment of competent candidates, retention and capacity building of staff.

to maintain 50:50 gender ratio. With regard to academic qualifications of the staff, 72% of staff are graduates with 44% staff having achieved first degree and 28% staff having achieved master's degree.

Changes to the MMA's Organizational Structure and Management

Effective from 1 February 2021, organizational structure of the MMA was restructured to discontinue work responsibilities of the Credit Guarantee Section.

Staff Loan Scheme

The staff loan scheme introduced in 2017 under the Regulation no. 2017/R-50 (Regulation on Issuing Loans to Employees of the Maldives Monetary Authority) was carried out during 2021 as well. Under this loan scheme short term loans were issued to 56 staff of the MMA.

Staff Training and Development

The year 2021 was a year of recovery from the pandemic and although the effects of COVID-19 still persisted, along with the world, the MMA also adapted to digital means of conducting training and developments which became a medium to continue meeting training targets for the year. The number of opportunities for staff to become exposed to different types of training sessions on the online platform became more convenient and worthwhile and a few face-to-face overseas trainings were also successfully carried out during the year. A total of 145 staff were able to take part in 88 different online trainings and meetings organized by overseas institutions, and 35 staff were given the opportunity to participate in 6 different trainings and meetings held by various institutions in the Maldives. It is expected that these trainings will have a positive impact on the productivity of the MMA.

Despite many obstacles, the MMA was able to provide adequate training and staff development opportunities, reaching the strategic goals of the Human Resource Division.

MMA Scholarship Program

In the year 2021, 2 staff were awarded the MMA Human Resource Development Scholarship to pursue master's degrees in the field of Econometrics and Data Science respectively. These are the two areas that are highly relevant to the futuristic goals and strategies of the MMA, and despite the challenges due to the restrictions imposed around the world, the MMA was able to facilitate the travel and cater to the needs of the scholarship achievers successfully.

MMA Internship Program

During the initial stage of COVID-19 global pandemic, the MMA discontinued hiring new interns from the second quarter of year 2020 due to safety measures in the work environment. However, during year 2021, the MMA drafted an Internship Policy which outlines the guidelines for interning at the MMA.

The MMA strives to promote gender equality and academic excellence among the staff.

MMA Training Institute

In 2021, various training programmes were conducted by the MMA Training Institute (MMA TI) to address the needs of financial institutions and develop the knowledge and skills of its staff. A total of 236 participants attended these training programmes, mostly officials from the MMA, commercial banks and other financial institutions. The programmes conducted at the MMA TI include, Enhancing Branch Performance training, Islamic Finance training, Certificate of Malaysian Insurance Institute, workshop series for Journalists-Prevention of Financial Crimes. In addition to this, the MMA TI also conducted Employee Orientation Training for new staff members who joined the MMA during 2021 to familiarise them with the work of the MMA.

Furthermore, the MMA TI continued to offer professional qualifications for the financial institutions in the Maldives. In collaboration with the Asian Institute of Chartered Bankers, Malaysia, the studies were continued for the 2nd batch of the Chartered Banker qualification.

Operational Infrastructure

In 2021, the focus in the area of Information Technology (IT) was to instill software development skills and concepts in the staff of various departments of the MMA. The rationale behind this is to give a clear picture of what IT can do and how it can be applied to different domain areas in the MMA. There's always a gap between business needs and IT requirements. To reduce this gap and to produce domain experts that have a clear understanding of IT and programming concepts, the innovation hub was conceived. Innovation hub brings together domain experts and developers in the MMA to create innovative solutions using data sets of different domains. Python programming and data analytics was taught to the participants of the innovation hub.

The MMA places utmost importance on ensuring a safe and pleasant working environment for its staff. In this regard the work to upgrade the CCTV system was completed during the year, to strengthen the security and safety of the MMA premises. In addition to this a waiting area for visitors on the 1st floor of the MMA building and installation of turnstile gates at the entrance lobby of the MMA was completed during the year.

Innovation hub brings together domain experts and developers in MMA to create innovative solutions.

International Relations

The MMA continues to work closely with other central banks, bilateral and multilateral organizations to foster a safe and sound financial system in the Maldives by sharing expertise and best practice. In this regard, the MMA maintains close collaborations with international financial institutions and development agencies such as the IMF, the World Bank, the Asian Development Bank and the SAARCFINANCE Network.

International Monetary Fund

As a member of the IMF, the Maldives holds a place on the IMF Board of Governors. Governor Mr. Ali Hashim represents the Maldives on the Board of Governors as the Governor of the IMF for the Republic of Maldives, while the Assistant Governor of the MMA, Ms. Mariyam Hussain Didi is the Alternate Governor to the IMF.

The Maldives represents its interest and partakes in the IMF decision making in a constituency including 10 other countries. Mr. Mahmoud Mohieldin is Executive Director of this constituency. Currently, the Maldives' quota in the IMF is 21.2 million Special Drawing Rights (SDR), representing 0.004% of the total IMF quota. In 2021, the IMF made a general allocation of SDRs equivalent to US$650 billion to all member countries (in proportion of their quota) to address the long-term global need for reserves and foster the resilience and stability of the global economy. This allocation also aimed at aiding the most vulnerable members of the IMF to cope with the COVID-19 pandemic. Effective from 23 August 2021, the Maldives received an allocation of 20.3 million SDRs as part of the general SDR allocation.

South Asia Regional Training and Technical Assistance Center (SARTTAC)

The SARTTAC is a training and technical assistance centre established in 2017 by the IMF, the member countries (Bangladesh, Bhutan, India, Maldives, Nepal, Sri Lanka), and development partners, to increase the institutional and human capacity of member country institutions in the design and implementation of macroeconomic and financial policies. In this regard, the SARTTAC provided various training opportunities and technical assistance to the MMA during 2021. Due to the COVID-19 pandemic and the travel restrictions, trainings and technical assistance missions were held remotely in 2021.

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

IMF Technical Assistance on External Sector Statistics

The SARTTAC provided technical assistance to the MMA to improve the collection and compilation of external sector statistics over a period of 2 weeks, from 21 February to 4 March 2021. To aid the MMA's initiative to enhance the International Transaction Reporting System (ITRS), the mission developed a new system to collect data directly from data producers and assessed the sourcing of external debt data. In addition, the mission also discussed issues faced such as institutional issues that affect the periodicity and timeliness of external sector data.

IMF Technical Assistance on Macroeconomic Analysis and Forecasting

The Institute for Capacity Development (ICD), one of the training institutes of the IMF provided technical assistance to further strengthen macroeconomic analysis and forecasting of the MMA. In this regard, an initial mission was held in virtual format from 6-9 December 2021 to scope out a way forward for designing a customized financial programming and policies project for the Maldives. The mission met with the key institutions involved in producing various macroeconomic statistics including the MMA, the Ministry of Finance, the Maldives Bureau of Statistics and the Maldives Inland Revenue Authority.

SAARCFINANCE NETWORK

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

SAARCFINANCE Governors' Group Meeting

The MMA participated in the 41st SAARCFINANCE Governors' Group Meeting, held virtually on 1 March 2021 and chaired by the Governor of Reserve Bank of India, Mr. Shaktikanta Das. The Governor of the MMA, Mr. Ali Hashim, Deputy Governor, Mr. Ahmed Imad, Assistant Governor, Ms. Idham Hussain and Executive Director, Ms. Mariyam Rashfa attended the meeting which marked the taking over of the SAARCFINANCE Chair by the MMA for the period, 1 April to 15 November 2021. During MMA's tenure, the MMA virtually hosted the 34th SAARCFINANCE Coordinators' meeting on 25 October 2021, which was chaired by the Deputy Governor of the MMA, Mr. Ahmed Imad. The MMA virtually hosted the 42nd SAARCFINANCE Governors' Group Meeting, which was chaired by the Governor of the MMA, Mr. Ali Hashim. The Deputy Governor, Mr. Ahmed Imad, Assistant Governor, Ms. Idham Hussain and Executive Director, Ms. Mariyam Rashfa attended the meeting. Governors and the Deputies of SAARC central banks, namely Bangladesh Bank, Royal Monetary Authority of Bhutan, Reserve Bank of India, Nepal Rastra Bank, State Bank of Pakistan and Central Bank of Sri Lanka attended the meeting to discuss the progress of SAARCFINANCE activities and the way forward to strengthen and expand the activities of the Network.

Other Institutions

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

Participation at International Meetings and Forums

33rd SAARCFINANCE Coordinators' meeting: Assistant Governor, Ms. Idham Hussain and Executive Director, Ms. Mariyam Rashfa virtually participated in the 33rd SAARCFINANCE Coordinators' meeting, held on 1 February 2021.

Spring Meetings of the IMF/World Bank Group (WBG): Governor, Mr. Ali Hashim, Deputy Governor Mr. Ahmed Imad, Assistant Governor Ms. Idham Hussain and Executive Director, Ms. Mariyam Rashfa participated in the 2021 Spring meetings of the IMF and the WBG, held virtually from 8 to11 April 2021.

IMF-SARTTAC Steering Committee Meeting: Assistant Governor Ms. Idham Hussain virtually participated in the 5th SARTTAC Steering Committee Meeting, held on 1 July 2021.

Annual Meetings of the IMF/WBG: Governor, Mr. Ali Hashim, Deputy Governor Mr. Ahmed Imad, Assistant Governor Ms. Idham Hussain, Assistant Governor Ms Mariyam Shifa and Executive Director, Ms. Mariyam Rashfa participated in the 2021 IMF/WBG annual meetings held from 11 to 17 October 2021.

G30 - International Banking Seminar: Governor, Mr. Ali Hashim participated in the G30-International Banking Seminar held virtually on 17 October 2021.

RAMP Constituent Forum: Governor, Mr. Ali Hashim participated in the RAMP Constituent Forum held virtually on 26 October 2021.

AFI - South Asia Leaders Roundtable Discussion: Governor Mr. Ali Hashim, Assistant Governor Ms. Mariyam Hussain Didi and Senior Manager Ms. Asna Hamdi participated in the South Asia Leaders Roundtable discussion organized by Alliance for Financial Inclusion held virtually on 17 November 2021.

4th Asia-Pacific high-level meeting on Insurance Supervision: Executive Director, Mr. Hassan Fiyaz; and Deputy Manager, Ms. Mariyam Jailam Mujthaba virtually participated in the meeting held on 9 June 2021.

16th Asian Forum of Insurance Regulators Annual Meeting: Executive Director, Mr. Hassan Fiyaz; and Deputy Manager, Mr. Musab Habeeb virtually participated in the forum, held on 2 September 2021.

28th Annual General Meeting of International Association of Insurance Supervisors: Executive Director, Mr. Hassan Fiyaz; and Deputy Manager, Ms. Mariyam Jailam Mujthaba virtually participated in the meeting held on 15 November 2021.

5th Meeting on supervisory college for MCB Group: Executive Director, Ms. Hamida Shakeela and Senior Manager, Mr. Ahmed Saruvash Hameed virtually participated in the meeting held on 16 November 2021.

Annual Financial Statements

Abbreviations and Acronyms of Annual Financial Statements

ACH	Automated Clearing House
ACU	Asian Clearing Union
ADB	Asian Development Bank
AHS	Affordable Housing Scheme
BCCI	Bank for Credit and Commerce International
BIS	Bank for International Settlements
CGAP	Consultative Group to Assist the Poor
CGS	Credit Guarantee Scheme
COVID	Coronavirus Disease
EAD	Exposure at Default
ECL	Expected Credit Loss
EFT	Electronic Fund Transfer
EIR	Effective Interest Rate
ERP	Enterprise Resource Planning System
ESF	Exogenous Shock Facility
FARR	Foreign Asset Revaluation Reserve
FED NY	Federal Reserve Bank of New York
FSI	Floor Space Index
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
GST	Goods and Services Tax
GSMD	Government Securities Market Development
HDC	Housing Development Corporation
IAS	International Accounting Standards
IBOR	Interbank Offered Rate
IBRD	International Bank for Reconstruction and Development
IAS	International Accounting Standards
IDA	International Development Association
IFRS	International Financial Reporting Standards

IMF	International Monetary Fund
LGD	Loss Given Default
LIC	Low-income Countries
MCIB	Maldives Credit Information Bureau
MIGA	Multilateral Investment Guarantee Agency
MIPS	Maldives Interoperable Payment System
MIRA	Maldives Inland Revenue Authority
MMA	Maldives Monetary Authority
MOF	Ministry of Finance
MPS	Mobile Payment System
MRR	Minimum Reserve Requirement
MRTGS	Maldives Real Time Gross Settlement
MVR	Maldivian Rufiyaa
OCI	Other Comprehensive Income
OLF	Overnight Lombard Facility
OMO	Open Market Operation
PD	Probability of Default
POCI	Purchased or Originated Credit-Impaired
RCF	Rapid Credit Facility
RDF	Randhihafaheh
RFR	Risk-free Rates
SDF	Sovereign Development Fund
SDR	Special Drawing Rights
SICR	Significant increase in credit risk
SME	Small and Medium Enterprises
SPPI	Solely payments of principle and interest
STR	Secured Transaction Registry
USD	United States Dollar
WIP	Work in Progress

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

Opinion

We have audited the accompanying financial statements of Maldives Monetary Authority (the "Authority"), which comprise the statement of financial position as at 31st December 2021, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information set out in pages 113 to 190.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31st December 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Authority in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants(including International Independence Standards)* ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Maldives and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report for the year ended 31st December 2021, but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, the management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

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

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

R.W.M.O.W. Duminda B. Rathnadiwakara
For and on behalf of KPMG Maldives

20th April 2022
Male'

Statement of Financial Position

As at 31 December 2021

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	2021	2020
ASSETS			
Foreign currency financial assets			
Cash and balances with banks	6	9,979,478,253	14,002,429,348
IMF related assets	7	497,533,458	512,691,508
Investments in securities	8	2,441,343,515	1,646,847,440
Subscriptions to international agencies	9	832,599	833,681
Interest and other receivables	10	13,806,789	31,316,161
Total foreign currency financial assets		**12,932,994,614**	**16,194,118,138**
Local currency financial assets			
Cash and balances with banks	6	47,202,331	50,497,018
Subscriptions to international agencies	9	8,264,330	8,264,330
Investments in securities	8	62,077,519	69,388,486
Investment in Government treasury bonds	11	5,933,096,664	6,011,011,092
Advances to Government	12	3,689,886,157	3,296,840,840
Short term loans	13	1,362,264	263,166
Long term loans	14	49,006	38,225
Interest and other receivables	10	665,760	1,283,909
Total local currency financial assets		**9,742,604,031**	**9,437,587,066**
Total financial assets		**22,675,598,645**	**25,631,705,204**
Local currency non-financial assets			
Gold and silver assets	15	46,387,943	48,946,276
Inventories	16	87,137,573	89,807,626
Property, plant and equipment	17	149,049,081	136,930,509
Intangible assets	18	11,234,945	20,497,076
Other assets	19	23,196,293	29,437,077
Total local currency non-financial assets		**317,005,835**	**325,618,564**
Total assets		**22,992,604,480**	**25,957,323,768**

The accounting policies and notes on pages 118 to 190 form an integral part of the financial statements.

Statement of Financial Position

As at 31 December 2021
(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	2021	2020
LIABILITIES			
Foreign currency financial liabilities			
Balances of commercial banks	20	4,857,190,887	5,621,645,231
Balances of the Government and Government institutions	21	261,971,286	298,204,082
Payable to Asian Clearing Union	22	528,879,333	332,894,711
IMF related liabilities	23	956,549,164	534,636,709
Interest bearing loans	24	83,108,269	87,734,627
Deposits of international financial institutions	25	832,599	833,681
Other liabilities	26	403,733,871	6,198,726,924
Deferred grants	27	661,077	661,937
Total foreign currency financial liabilities		**7,092,926,486**	**13,075,337,902**
Local currency financial liabilities			
Balances of commercial banks	20	9,972,263,248	7,300,979,625
Balances of the Government and Government institutions	21	1,222,181,401	633,457,938
Currency in circulation	28	3,790,680,806	3,942,117,352
Balances of insurance and remittance companies	29	13,492,176	13,592,176
Deposits of international financial institutions	25	10,530,146	10,530,146
Deposit insurance fund	30	100,847	1,415,970
Other liabilities	26	114,968,746	259,958,171
Total local currency financial liabilities		**15,124,217,370**	**12,162,051,378**
Total financial liabilities		**22,217,143,856**	**25,237,389,280**
Other liabilities			
Deferred grants	27	4,284,094	6,238,228
Pension and other employment benefits payable	31	30,742,693	26,888,482
Total other liabilities		**35,026,787**	**33,126,710**
Total liabilities		**22,252,170,643**	**25,270,515,990**
EQUITY			
Capital	32	50,000,000	50,000,000
Reserves	32	690,433,837	636,807,778
Total equity		**740,433,837**	**686,807,778**
Total liabilities and equity		**22,992,604,480**	**25,957,323,768**

The Board of Directors of the Maldives Monetary Authority approved these financial statements on 20 April 2022.

Signed for and on behalf of the Board by,

....

Ali Hashim - Governor

Ashraf Rasheed - Director

The accounting policies and notes on pages 118 to 190 form an integral part of the financial statements.

Statement of Comprehensive Income

Year ended 31 December 2021

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	2021	2020
OPERATING INCOME			
Foreign currency income and expenses	33		
Interest income on foreign currency financial assets		85,366,300	148,738,411
Interest expense on foreign currency financial liabilities		(88,300,753)	(44,071,416)
Net foreign currency income		**(2,934,453)**	**104,666,995**
Local currency income and expenses	34		
Interest income on local currency financial assets		146,928,903	150,195,734
Interest expense on local currency financial liabilities		(84,038,242)	(58,682,464)
Profit from local currency financial assets		593,053	560,067
Net local currency income		**63,483,714**	**92,073,337**
Other income	35	173,457,185	25,906,746
Income from foreign exchange management		38,223,768	40,824,698
Net investment income		(731,410)	10,080,030
Net foreign exchange revaluation gain		9,197,726	8,449,198
		220,147,269	**85,260,672**
Total net operating income		**280,696,530**	**282,001,004**
OPERATING EXPENSES			
Personnel expenses	36	85,476,813	81,382,522
Administration expenses	37	55,872,593	68,248,657
Depreciation, amortisation and impairment		24,109,494	15,408,525
Total operating expenses		**165,458,900**	**165,039,704**
Net impairment loss on financial instruments	43	283,079	440,308
Net profit for the year		**114,954,551**	**116,520,992**
OTHER COMPREHENSIVE INCOME			
Items that are or may be reclassified subsequently to profit or loss:			
Net unrealised gain from securities at FVOCI		(37,433,188)	513,563
(Loss) / Gain on gold and silver revaluation		(2,558,333)	9,815,794
		(39,991,521)	**10,329,357**
Items that will not be reclassified to profit or loss:			
Re-measurement (loss)/ gain from defined benefit plan		(1,336,971)	1,867,983
		(1,336,971)	**1,867,983**
Total other comprehensive income		**(41,328,492)**	**12,197,340**
Total comprehensive income		**73,626,059**	**128,718,332**
Transferred to FVOCI reserve	32	37,433,188	(513,563)
Transferred to FARR-gold and silver revaluation loss / (gain)	32	2,558,333	(9,815,794)
Transferred to FARR-foreign exchange revaluation gain	32	(9,197,726)	(8,449,198)
Transferred to Other reserves	32	1,336,971	(1,867,983)
Profit for the year per MMA Act		**105,756,825**	**108,071,794**

The accounting policies and notes on pages 118 to 190 form an integral part of the financial statements.

Statement of Changes in Equity

Year ended 31 December 2021

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	Contributed capital	General reserve	Foreign asset revaluation reserve	Retained earnings	FVOCI reserve	Property revaluation reserve	Other reserves	Total
As at 1 January 2020		**50,000,000**	**276,245,581**	**74,452,953**	**281,790,270**	**9,885,829**	**34,788,975**	**-**	**727,163,608**
Profit re-appropriation to the Government	38	-	-	-	(169,074,162)	-	-	-	(169,074,162)
Transfer to general reserve	32.2	-	112,716,108	-	(112,716,108)	-	-	-	-
Profit for the year		-	-	-	116,520,992	-	-	-	116,520,992
Transfer of foreign currency revaluation loss	32.3	-	-	8,449,198	(8,449,198)	-	-	-	-
Other comprehensive gain from gold and silver revaluation		-	-	9,815,794	-	-	-	-	9,815,794
Other comprehensive gain from property revaluation	32.5	-	-	-	-	-	-	-	-
Other comprehensive gain from defined benefit plan	32.6	-	-	-	-	-	-	1,867,983	1,867,983
Reclassification to profit or loss	32.4	-	-	-	-	(10,073,656)	-	-	(10,073,656)
Other comprehensive income arising from change in value of securities at FVOCI	8.2	-	-	-	-	10,495,153	-	-	10,495,153
Expected credit loss for securities at FVOCI	43.1	-	-	-	-	92,066	-	-	92,066
As at 31 December 2020		**50,000,000**	**388,961,689**	**92,717,945**	**108,071,794**	**10,399,392**	**34,788,975**	**1,867,983**	**686,807,778**
As at 1 January 2021		**50,000,000**	**388,961,689**	**92,717,945**	**108,071,794**	**10,399,392**	**34,788,975**	**1,867,983**	**686,807,778**
Profit re-appropriation to the Government	38	-	-	-	(20,000,000)	-	-	-	(20,000,000)
Transfer to general reserve	32.2	-	88,071,794	-	(88,071,794)	-	-	-	-
Profit for the year		-	-	-	114,954,551	-	-	-	114,954,551
Transfer of foreign currency revaluation gain	32.3	-	-	9,197,726	(9,197,726)	-	-	-	-
Other comprehensive gain from gold and silver revaluation		-	-	(2,558,333)	-	-	-	-	(2,558,333)
Other comprehensive gain from property revaluation	32.5	-	-	-	-	-	-	-	-
Other comprehensive gain from defined benefit plan	32.6	-	-	-	-	-	-	(1,336,971)	(1,336,971)
Reclassification to profit or loss	32.4	-	-	-	-	(3,755,566)	-	-	(3,755,566)
Other comprehensive income arising from change in value of securities at FVOCI	8.2	-	-	-	-	(33,887,133)	-	-	(33,887,133)
Expected credit loss for securities at FVOCI	43.1	-	-	-	-	209,511	-	-	209,511
As at 31 December 2021		**50,000,000**	**477,033,483**	**99,357,338**	**105,756,825**	**(27,033,796)**	**34,788,975**	**531,012**	**740,433,837**

The accounting policies and notes on pages 118 to 190 form an integral part of the financial statements.

Statement of Cash Flows

Year ended 31 December 2021

(all amounts in Maldivian Rufiyaa unless otherwise stated)

	Note	2021	2020
Cash flows from operating activities			
Receipts			
Interest received - foreign currency		102,801,251	163,847,830
Interest received - local currency		148,150,312	150,688,145
Fees, commission and other miscellaneous income received		27,242,163	36,518,250
		278,193,726	**351,054,225**
Disbursements			
Interest paid - foreign currency		(87,465,143)	(45,357,006)
Interest paid - local currency		(83,654,365)	(58,491,615)
Payments to employees		(82,959,147)	(79,159,422)
Payments to suppliers		(41,134,102)	(47,012,894)
Fees/commission paid		(5,114,121)	(4,698,157)
		(300,326,878)	**(234,719,094)**
Net cash generated from operating activities	**39**	**(22,133,152)**	**116,335,131**
Cash flows from investing activities			
Receipts and Disbursements			
Net increase / (decrease) in currency deposits		2,562,602,219	(335,934,983)
Net increase in deposits from financial institutions		1,964,855,812	3,133,603,020
Net increase / (decrease) in deposits from the Government and Government institutions		386,745,171	(5,204,459,400)
Net (decrease) /increase in other liabilities		(1,339,465)	1,130,938
Net (increase) / decrease in assets held with the IMF		(2,706,623)	2,224,731
Net increase in investments in short term securities		(838,771,111)	(628,993,595)
Net decrease in loans and advances to the Government and Government institutions		106,547,780	87,542,647
Expenditure on development projects and intangible assets		(14,516,467)	(39,127,303)
Purchase of property, plant and equipment		(12,473,863)	(16,834,412)
Profit paid to the Government		(20,000,000)	(169,074,162)
Net (increase)/ decrease in other assets		(1,184,212)	1,263,477
Net cash generated from / (used in) investing activities		**4,129,759,241**	**(3,168,659,042)**
Cash flows from financing activities			
Sources:			
Net (decrease) / Increase in currency in circulation		(151,436,545)	341,581,945
Net (decrease)/ increase in liabilities with other central banks		(6,159,953,977)	6,169,055,414
Net increase/ (decrease) in payable to Asian Clearing Union		195,274,960	(78,721,061)
Net decrease in interest bearing loans		(2,085,803)	(2,023,585)
Net decrease in lease liabilities		(281,843)	(92,858)
Net increase / (decrease) in liabilities with IMF		444,300,655	(2,153,289)
Net decrease in grants received		(1,990,233)	(5,853,149)
Net cash (used in) / generated from financing activities		**(5,676,172,786)**	**6,421,793,417**
Net (decrease) / increase in cash and cash equivalents		**(1,568,546,697)**	**3,369,469,506**
Exchange rate effect on cash and cash equivalents		(12,772,206)	33,184,859
Cash and cash equivalents as at the beginning of the year		9,756,672,089	6,354,017,724
Cash and cash equivalents as at the end of the year	**40**	**8,175,353,186**	**9,756,672,089**

The accounting policies and notes on pages 118 to 190 form an integral part of the financial statements.

1. REPORTING ENTITY AND STATUTORY BASE

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

The Authority was established in 1981 and has the following primary objectives: -

(a) To maintain price stability conducive to the sustainable growth of the economy;
(b) without prejudice to attainment of the objective (a), to maintain financial stability; and,
(c) without prejudice to attainment of objectives (a) and (b), to support the Government in achieving macroeconomic stability and economic growth.

These financial statements for the year ended 31 December 2021 were authorised for issue by the Board of Directors of the Authority in accordance with the Section 35 of MMA Act.

1.1. NATURE AND EXTENT OF ACTIVITIES

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

i. determine and implement monetary policy of Maldives;
ii. advise on the exchange rate regime;
iii. determine and implement the exchange rate and exchange rate policies, in order to implement the exchange rate regime;
iv. maintain and manage External Reserves of Maldives;
v. issue and manage the currency of Maldives;
vi. regulate and supervise the financial sector, other than Securities Businesses and Securities related services regulated under the Law No. 2/2006 (Maldives Securities Act);
vii. organize, operate and participate in payment systems and securities settlement systems;
viii. open accounts for, and accept deposits from, the Government, Government agencies, Government affiliated institutions, Banks in Maldives and other Financial Institutions;
ix. provide services as correspondent, banker, agent or depository for any monetary authority, central bank or Financial Institution;
x. open and operate accounts with such Banks or other depositories in or outside Maldives, and appoint them as correspondents or agents of the Authority, as may be required;
xi. purchase, sell or deal in gold coins, Bullion or foreign currency;
xii. purchase, sell, invest, or deal in Treasury Bills, other Securities and financial instruments issued or guaranteed by foreign governments or Financial Institutions;
xiii. purchase, sell, invest, or deal in Treasury Bills and other Securities issued or guaranteed by the Government;
xiv. grant loans, advances and re-discounts to Banks and other Financial Institutions in Maldives for a period not exceeding 90 (ninety) days on such terms and conditions as prescribed by the Board; Upon the expiry of the aforementioned period of 90 (ninety) days after considering the circumstances, the term of such a loan, advance or Re-discount may be extended by additional periods not exceeding 90 (ninety) days and such extensions may only be given a maximum of 3 (three) times;

xv. grant temporary advances to the Government upon agreed terms and conditions;

xvi. grant advances to the Government on agreed upon terms and conditions, in respect of subscriptions and other expenses relating to the membership of Maldives in any international Financial Institution, the participation of Maldives in any account thereof, and any transactions and operations undertaken in connection therewith;

xvii. act as a banker to the Government, and as a financial advisor and fiscal agent to the Government and to any other public authority in Maldives;

xviii. borrow money and issue guarantees, inside or outside Maldives, on such terms and conditions as the Board may prescribe;

xix. organise and operate a Clearing House, in conjunction with the Banks;

xx. collect, compile, analyse and publish statistics and information for the purpose of achieving the objectives of the Authority;

xxi. carry out development projects for the purposes of developing the financial sector of the Maldives and increasing financial inclusion within the Maldives, and levy fees or charges for services provided under such projects;

xxii. acquire, purchase, sell, take hold and hold movable or immovable property such as land and buildings, and may assign, transfer, lease, dispose of and mortgage, any immovable or movable property or any interest vested in such property;

xxiii. oversee payment, clearing, and securities settlement systems, and regulate and oversee payment instruments;

xxiv. manage funds for the Government and public authorities

xxv. undertake issuance and management of Securities issued by the Government or a public authority or a company in which majority shares are held by the Government;

xxvi. issue Securities in its own name and purchase, sell, redeem, Discount and Re-discount such Securities;

xxvii. appoint and remove primary dealers of the Securities issued in the name of the Authority;

xxviii. purchase, sell or invest in Securities and financial instruments specified by the Board;

xxix. carry out any duties assigned to the Authority by any other statute; and

xxx. carry out any activities necessary to achieve the objectives of the Authority or to perform the functions of the Authority.

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

(a) Foreign currency activities

Foreign currency activities result mainly from the Authority's holdings of foreign currency assets under its foreign reserves management function. The foreign reserves portfolio comprises foreign currency assets held for investment and settlement purposes. The majority of foreign currency assets are denominated in United States Dollars, Euros, Pound Sterling and Australian Dollars. Investment of the country's foreign reserves is in investment grade instruments with counter parties with low credit risk and terms to maturity generally less than three years. Investments are held to maturity, other than certain investments that are held to collect contractual cash flow and for sale.

(b) Local currency activities

Local currency activities largely involve the Authority offsetting the daily net flows to or from Government or market by advancing funds to or withdrawing funds from the banking system. Financial operations undertaken in the market with the objective of achieving policy objectives are undertaken at prevailing interest rates with terms to maturity less than thirty days and are fully collateralized with high quality government assets. In cooperation with the government, the Authority helps manage certain economic development programs including holding long term securities or providing guarantees. In addition to this, the majority of the Authority's operating expenses are also in local currency.

2. BASES OF ACCOUNTING

Basis of preparation

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

Statement of compliance

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

Reporting format

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

Currency of presentation

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

Foreign currency translation

The Authority's functional and presentation currency is Maldivian Rufiyaa. Transactions in foreign currencies are initially recorded in the functional currency ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are included in the statement of comprehensive income. In addition to that, the Authority shall require to adhere section 28 of the MMA Act. Gains or losses arising from foreign currency translation are excluded to derive the profit for the year as per MMA Act. For the purposes of retranslation, the following Maldivian Rufiyaa exchange rates for major currencies were used:

	31 December 2021	31 December 2020
	MVR	MVR
1 Australian Dollar	11.1199	11.7768
1 Euro	17.4016	18.9359
1 Japanese Yen	0.1340	0.1492
1 Singapore Dollar	11.3663	11.6346
1 Special Drawing Rights (SDR)	21.5395	22.1946
1 Pound Sterling	20.6799	20.8723
1 United States Dollar	15.3900	15.4100

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The application of the Authority's accounting policies requires management to exercise judgements. This may involve a higher degree of judgement or complexity, and major sources of estimation of uncertainty that have a significant risk of resulting in a material adjustment within the next financial year are set out in the following paragraphs. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

Classification and measurement of financial assets and financial liabilities and impairment

(i) Classification of assets

The Authority has classified all the foreign currency financial assets at amortised cost, except for those managed externally and fixed income securities which are classified as FVOCI. The Authority has also assessed its holdings of local currency financial assets at amortised cost.

(ii) Measurement of the expected credit loss allowance

The measurement of the expected credit loss (ECL) allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of banks and security issuers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 43.1.2.3.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;

- Establishing and incorporating forward-looking scenarios relevant for each type of instrument for the calculation of ECL associated with the instrument;
- Establishing groups of similar financial assets for the purposes of measuring ECL.
- Detailed information about the judgements and estimates made by the Authority in the above areas is set out in note 43.1.2.3.

Fair value of financial instruments

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

Pensions, gratuity and other post-employment benefit plans

The cost of defined benefit plans is determined using an internal valuation. This valuation involves making assumptions about discount rates, rate of compensation and future pension/gratuity increases/decreases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Assumptions used are disclosed separately in the notes to the financial statements (see note 31).

Revaluation of freehold land

The Authority engaged independent professional valuers to determine the fair value of its freehold land. It is determined using valuation techniques that include the use of mathematical models as there is no active market to derive the prices of similar assets. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values (see note 17.3).

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those used in the previous financial year, except 4.1.1.

4.1 Changes in Accounting Policies

4.1.1 Interest Rate Benchmark Reform Phase 2

Effective from 1 January 2021, the Authority has adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). These amendments provide practical relief from certain requirements in IFRS.

These reliefs relate to modifications of financial instruments and lease contracts by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, then the Authority updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform.

The Authority applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Authority has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Authority had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 31 December 2021, there is no impact on opening equity balances as a result of retrospective application.

4.2 Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Authority revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

Financial assets that are not Purchased or Originated Credit-Impaired (POCI) but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Authority becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on value-date, the date on which the Authority purchases or sells the asset.

At initial recognition, the Authority measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVPL), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income. Immediately after initial recognition, an ECL is recognised for certain financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in note 43.1.5, which results in an accounting loss being recognised in the statement of comprehensive income when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognizes the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
(b) In all other cases, the difference is deferred, and the timing of recognition of deferred day one gain or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

4.2.1 Financial assets

(i) Classification and subsequent measurement

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

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

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

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds, both foreign and domestic.

Classification and subsequent measurement of debt instruments depends on:

(i) the Authority's business model for managing the asset; and
(ii) the cash flow characteristics of the asset.

Based on these factors, the Authority classifies its debt instruments into one of the following two measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 43.1.5. Interest income from these financial assets is included under 'Operating income' using the effective interest rate (EIR) method.
- FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net Investment

Income'. Interest income from these financial assets is included under 'Operating income' using the effective interest rate method.

Business model: the business model reflects how the Authority manages the assets in order to generate cash flows. That is, whether the Authority's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Authority in determining the business model for assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. The domestic currency portfolios are mostly held for the purpose of collecting the contractual cash flows. The Authority's regular program of fixed term policy instruments are held until maturity.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Authority assesses whether the financial instruments' meet the 'SPPI test'. In making this assessment, the Authority considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The Authority reclassifies debt securities when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares. The Authority does not currently hold any equity holdings.

(ii) Impairment

The Authority assesses, on a forward-looking basis, the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loans, deposits, advances and commitments and financial guarantee contracts. The Authority recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and

- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 43.1.2 provides more detail of how the expected credit loss allowance is measured.

Presentation of allowance for ECL in the statement of financial position

Loss allowance for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: as a provision;
- debt instruments measured at FVOCI: no allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is recognised in profit or loss and disclosed in Note 43.1.4.

The Authority would only write-off its financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Note 43.1.6 provides more detail on how the conclusion is made.

(iii) Modification of lending arrangements

The Authority may sometimes renegotiate or otherwise modify the contractual cash flows of loans to banks. When this happens, the Authority will assess whether or not the new terms are substantially different to the original terms. The Authority would do this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Authority would derecognize the original financial asset and recognize a 'new' asset at fair value and recalculate a new EIR for the asset. The date of renegotiation would be consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Authority would also assess whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount would also be recognised in the income statement as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Authority would recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognize a modification gain or loss in the income statement. The new gross carrying amount would be recalculated by discounting the modified cash flows at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets).

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Authority transfers substantially all the risks and rewards of ownership, or (ii) the Authority neither transfers nor retains substantially all the risks and rewards of ownership and the Authority has not retained control.

4.2.2 Financial liabilities

(i) Classification and subsequent measurement

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

- Financial guarantee contracts (see note 4.2)

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Authority and its original counterparties of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original EIR, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

4.3 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially measured at fair value and subsequently measured based on the amount of the loss allowance (calculated as described in note 43.1.5). For financial guarantee contracts, the loss allowance is recognised as a provision.

4.4 Financial instruments

(a) Cash and balances with banks

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

Cash and balances are carried at amortised cost in the statement of financial position.

(b) International Monetary Fund (IMF) related assets and liabilities

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

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

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

(c) Investment in securities

Investment in securities comprise of investment in securities with foreign banks, investment in Government treasury bills and investment in held to collect contractual cash flows and for sale securities. The Authority has classified these debt securities at amortised cost, except for those held to collect contractual cash flows and for sale which are classified as FVOCI.

(d) Loans and advances

Loans and advances include loans and advances to the Authority's employees; they were initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(e) Deposits and borrowings

Financial liabilities under deposits and borrowings include balances of commercial banks, balances of the government and government institutions, interest bearing loans received from Ministry of Finance (MOF) and balance of insurance and remittance companies that are measured at amortised cost.

Deposits and borrowings are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(f) Interest

Effective interest rate

Interest income and expense are recognised in the income statement using the effective interest method. The EIR is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the EIR for financial instruments other than credit-impaired assets, the Authority estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the EIR includes transaction costs and fees paid or received that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount recognised and the maturity amount and for, financial assets, adjusted for any expected credit loss allowance.

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

Calculation of interest income and expense

In calculating interest income and expense, the EIR is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the EIR to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 43.1.2.2.

Presentation

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- interest on debt instruments measured at FVOCI calculated on an effective interest basis.

Interest income and expense on all financial assets and financial liabilities are considered to be incidental to the Authority's trading operations and are presented in the net operating income (see note 33 to 34).

(g) Currency in circulation

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

(h) Leases

At inception of a contract, the Authority assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Authority uses the definition of a lease in IFRS 16.

Authority acting as a lessee

The Authority recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at the amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to the lease asset.

The right-of-use asset is subsequently depreciated using straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicated in the lease or if that rate cannot be determined, the lessee's incremental borrowing rate. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of use asset in a similar economic environment. As such, the incremental borrowing rate applied to the Authority's lease is 5.5%. This is the coupon rate of a Government security with a tenure of 10 years.

The lease liability is re-measured when there is a change in future lease payments arising from change in an index or rate, if there is a change in the Authority's estimate of the amount expected to be payable under a residual value guarantee, if the Authority changes its assessment of whether it will exercise an extension option, and penalties for early termination option or if there is a revision in substance to fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in income statement if the carrying amount of the right-of-use asset has been reduced to zero.

The Authority presents right-of-use assets in property, plant and equipment (Note 17) and lease liabilities in other liabilities under local currency financial liabilities (Note 26.5) in the statement of financial position.

4.5 Non-financial assets

(a) Gold and Silver

As permitted by Section 21 (2) of the MMA Act which specifies the composition of external reserve, the Authority holds gold as part of its external reserves. Accordingly, gold is fair valued at the current market price and translated into domestic currency.

Additionally, the Authority holds silver as part of its non-financial assets. Silver is also fair valued at the current market price and translated into domestic currency.

These gains or losses are recognised in OCI and transferred to Foreign Asset Revaluation Reserve (FARR). In the event of a sale, the realised gains and losses are recognised in profit or loss.

(b) Inventories

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

(c) Property, plant and equipment

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

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

Depreciation is calculated on a straight-line method over the following estimated useful life or the lease term.

Class of asset	Useful life (Years)
Buildings on freehold land	30
Machinery and equipment	5-15
Furniture and fittings	5-15
Motor vehicles	10
Computer equipment	5
Right of Use Asset	10

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

(d) Intangible assets

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

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

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

Class of asset	Useful life (Years)
Oracle E-business suite (ERP)	9
RTGS software	7
Automated clearing house	7
Credit information bureau software	5-10
Other software	3

(e) Impairment of non-financial assets

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

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

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

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

(f) Deferred replacement cost

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

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

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

(g) Other receivables

Other receivables are stated at amortised cost.

4.6 Non-financial liabilities

(a) Provisions

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

(b) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Authority has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

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

(iii) Retirement gratuity

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

Changes in the value of the liability for retirement gratuities and post-retirement benefits are included statement of comprehensive income in personnel expenses within operating expenses. The Re-measurement gain or loss is included in other comprehensive income.

(c) Grants

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

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

(d) Other liabilities

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

4.7 Current tax

Effective 1 January 2020, Maldives Inland Revenue Authority (MIRA), replaced the prevailing Business Profit Tax (Law number 5/2011) with the Income Tax Act (Law number 25/2019). According to chapter 3, section 12 (e) of the Income Tax Act, the Authority's income is exempt from tax. Additionally, according to chapter 8, section 54 of the Income Tax Act, the Authority deducted employee withholding tax from the gross amount of each payment made to the employees each month in the manner stipulated in the Act.

4.8 Revenue and expenses

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

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

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

(a) Interest income and expenses

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

(b) Miscellaneous

Miscellaneous income and expenses are recognised on an accrual basis.

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

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

4.9 Contingent liabilities and commitments including off balance sheet items

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

4.10 Fair value measurement

The Authority analyses fair value measurements by level in the fair value hierarchy as detailed in Note 44.

4.11 Cash flow statement

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

4.12 Comparatives

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

5. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Authority.

The Authority is currently assessing the impact of the following amendments:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)

Additionally, the following new and revised standards are not expected to have a material impact on the Authority's financial statements in the current or future reporting periods and on foreseeable future transactions:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)
- IFRS 17 - Insurance Contracts and amendments to IFRS 17 Insurance Contracts
- References to Conceptual Framework (Amendments to IFRS 3)
- Annual Improvements to IFRS Standards 2018-2020 (IFRS 1, IFRS 9, IFRS 16 and IAS 41)

6 CASH AND BALANCES WITH BANKS

		2021	2020
6.1	**Foreign currency balances**		
	Foreign currency cash in hand	21,612,412	226,401,423
	Balances with other central banks	44,149,779	42,181,683
	Balances with other foreign banks	19,241,573	29,216,658
	Balances with external asset manager	11,047,220	6,674,667
	Balances with local banks - related parties	51,018	51,239
	Money at overnight placements with other central banks (Note 6.3)	646,380,000	453,054,000
	Investment in fixed deposits with foreign banks (Note 6.4)	9,086,256,000	12,631,577,000
	Investment in fixed deposits with local banks - related parties (Note 6.5)	153,900,000	616,400,000
	Expected credit losses	(3,159,749)	(3,127,322)
		9,979,478,253	**14,002,429,348**
6.2	**Local currency balances**		
	Balances with local banks - related parties	47,210,184	50,505,419
	Expected credit losses	(7,853)	(8,401)
		47,202,331	**50,497,018**
		10,026,680,584	**14,052,926,366**

6.3 Money at overnight placements with other central banks

The Authority invested USD 42,000,000.00 (2020: USD 29,400,000.00) in an overnight repurchase agreement with the Federal Reserve Bank of New York at an interest rate of 0.05% per annum (2020: 0.00%).

6.4 Investment in fixed deposits with foreign banks

	2021	2020
Fixed deposits with maturity of 3 months or less	7,385,661,000	8,948,587,000
Fixed deposits with maturity more than 3 months	1,700,595,000	3,682,990,000
	9,086,256,000	**12,631,577,000**
Expected credit losses	(3,133,103)	(2,983,014)
	9,083,122,897	**12,628,593,986**

6.5 Investment in fixed deposits with local banks - related parties

	2021	2020
Fixed deposits with maturity of 3 months or less	-	-
Fixed deposits with maturity more than 3 months	153,900,000	616,400,000
Expected credit losses	(25,948)	(103,928)
	153,874,052	**616,296,072**

7 IMF RELATED ASSETS

	2021	2020
Holding of special drawing rights (Note 7.1)	40,877,857	42,140,820
IMF quota (Note 7.2)	456,637,400	470,525,520
Interest receivables	18,201	25,168
	497,533,458	**512,691,508**

7 IMF RELATED ASSETS (CONTINUED)

7.1 Holding of special drawing rights (SDR)

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

Holding of SDRs is potentially a claim on freely usable currencies of IMF members, in that holders of SDRs can exchange their currencies for SDRs. The SDRs value as a reserve asset derives from the commitments of members to hold and accept SDRs and to honor various obligations connected with the operation of the SDR system. The IMF ensures that the SDRs claim on freely usable currencies is being honored in two ways: by designating IMF members with a strong external position to purchase SDRs from members with weak external positions, and through the arrangement of voluntary exchanges between participating members in a managed market. During August 2021, Maldives received an additional allocation of SDR 20,319,247 from the IMF. This amount was exchanged to freely usable currency during the year. The amount shown above represents the total holdings of SDRs by the Authority as at the respective reporting dates.

7.2 IMF Quota

The International Monetary Fund (IMF) is an international organization of 190 member countries. It was established to promote international monetary cooperation, exchange stability, and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease balance of payments adjustment. The IMF receives its resources from its member countries and quota subscriptions are a central source of IMF's financial resources. Each country's subscription, or quota, is determined broadly on the basis of the economic size of the country, and taking into account quotas of similar countries.

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

The quota defines a member's voting power in IMF decisions. Each IMF member has IMF basic votes plus one additional vote for each SDR 0.1 millions of quota. IMF basic votes are fixed at 5.502% of the total votes. As at 31 December 2021, The Republic of Maldives has 1,671 votes representing 0.03% of total votes. The amount of financing a member can obtain from the IMF (access limits) is also based on its quota. Under Stand-By and Extended Arrangements, for instance, a member can currently borrow up to 145% of its quota annually and 435% cumulatively. Access may be higher in exceptional circumstances and to meet specific problems.

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

As at 31 December 2021, the IMF Quota of Maldives is SDR 21.2 million (2020: SDR 21.2 million).

8 INVESTMENTS IN SECURITIES

	2021	2020
Foreign currency balances		
Short term investments in securities (Note 8.1)	26,486,939	32,422,636
Investment in securities at FVOCI (Note 8.2)	2,414,856,576	1,614,424,804
	2,441,343,515	**1,646,847,440**

Local currency balances		
Investment held at local banks - related parties	14,907,752	11,907,752
Short term investments in securities (Note 8.1)	47,172,247	57,482,715
Expected credit losses	(2,480)	(1,981)
	62,077,519	**69,388,486**

8.1 Short term investments in securities

8.1.1 Investment in Government treasury bills

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

Foreign currency balances

	2021	2020
Purchased during the year	26,486,939	32,422,636
Balance as at 31 December	**26,486,939**	**32,422,636**

As at 31 December 2021 the Authority has invested in USD Government treasury bills with face values of USD 1,800,000 at purchase price of USD 1,721,049 maturing in 2022. As at 31 December 2020 the Authority invested in USD Government treasury bills amounting to USD 2,104,000 which matured in 2021.

Local currency balances

	2021	2020
Purchased during the year	45,226,533	54,908,644
Interest receivable on Government treasury bills	1,945,714	2,574,071
Balance as at 31 December	**47,172,247**	**57,482,715**

As at 31 December 2021 the Authority has invested in MVR Government treasury bills with face values of MVR 47,300,000 million at purchase price of MVR 45,226,533 maturing in 2022. As at 31 December 2020, the Authority invested in MVR Government treasury bills amounting to 54,908,644 which matured in 2021.

8 INVESTMENTS IN SECURITIES (CONTINUED)

8.1.1 Investment in Government treasury bills (continued)

The balance under interest receivable on Government treasury bills comprises of discount receivable from MVR treasury bills of MVR 1,032,143 (2020: 1,398,644) and reverse dual currency treasury bills of MVR 913,571 (2020: 1,175,427).

8.2 Investments in securities at FVOCI

	2021	2020
Balance as at 1 January	1,614,424,804	1,133,989,260
Purchased during the year	1,717,060,675	1,676,245,184
Sold and matured during the year	(877,557,488)	(1,211,331,619)
Unrealised fair value changes during the year	(37,737,672)	10,495,153
Realised (loss) / gain during the year	(581,291)	26,685
Effects of exchange rates	(752,452)	5,000,141
Balance as at 31 December	**2,414,856,576**	**1,614,424,804**

The balance as at 31 December 2021 includes USD 65 million (2020: USD 65 million) managed by the Authority's external asset managers and USD 89 million (2020: 38 million) invested by the Authority.

9 SUBSCRIPTIONS TO INTERNATIONAL AGENCIES

	2021	2020
MOF promissory notes issued		
Foreign currency		
Multilateral Investment Guarantee Agency	832,599	833,681
Local currency		
International Bank for Reconstruction and Development	8,264,330	8,264,330
	9,096,929	**9,098,011**

9.1 The Authority is designated as the depository of the International Bank for Reconstruction and Development (IBRD), Asian Development Bank (ADB) and Multilateral Investment Guarantee Agency (MIGA) for the Republic of Maldives. The above balances represent the promissory notes issued by MOF to the said institutions for membership subscriptions and related purposes. These promissory notes are non-negotiable and non-interest bearing notes payable to the above institutions on demand.

10 INTEREST AND OTHER RECEIVABLES

10.1 Foreign currency

	2021	2020
Interest receivable on Cash and balances with banks		
Balance as at 1 January	21,718,296	38,006,139
Interest accrued during the year	37,542,616	98,333,321
Interest realised during the year	(55,681,942)	(114,671,891)
Effect of Exchange rate	(88,865)	50,727
	3,490,105	**21,718,296**
Expected credit losses	(1,067)	(5,131)
Balance as at 31 December	**3,489,038**	**21,713,165**
Interest receivable on Investments in securities		
Balance as at 1 January	9,604,160	8,185,171
Interest accrued during the year	39,500,308	29,992,412
Interest realised during the year	(38,789,615)	(28,603,009)
Effect of Exchange rate	4,930	29,586
	10,319,783	**9,604,160**
Expected credit losses	(2,032)	(1,164)
Balance as at 31 December	**10,317,751**	**9,602,996**
Total foreign currency interest and other receivable	**13,806,789**	**31,316,161**

10.2 Local currency

	2021	2020
Profit receivable on Investments in securities		
Balance as at 1 January	1,284,123	724,056
Profit accrued during the year	555,504	560,067
Profit realised during the year	(1,173,756)	-
	665,871	**1,284,123**
Expected credit losses	(111)	(214)
Balance as at 31 December	**665,760**	**1,283,909**
Other receivables		
Other receivables	4,053,012	4,053,012
Less: Allowance for doubtful receivables	(4,053,012)	(4,053,012)
Balance as at 31 December	**-**	**-**

11 INVESTMENT IN GOVERNMENT TREASURY BONDS

	2021	2020
Balance as at 1 January	6,011,011,092	6,086,681,383
Settled during the year	(77,914,428)	(75,670,291)
Balance as at 31 December (Note 11.1)	**5,933,096,664**	**6,011,011,092**

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

11.1 Remaining term to maturity

	2021	2020
Within one year	79,805,080	77,914,428
Two to five years	338,655,508	330,632,463
Six to ten years	471,771,622	460,594,942
More than ten years	5,042,864,454	5,141,869,259
	5,933,096,664	**6,011,011,092**

12 ADVANCES TO GOVERNMENT

	2021	2020
Overdraw of Public Bank Account	3,689,886,157	3,296,840,840
Balance as at 31 December	**3,689,886,157**	**3,296,840,840**

On 23 April 2020, upon the request of the Ministry of Finance, the People's Majilis of the Maldives approved to suspend subsection a) d) and e) of article 32 of the Fiscal Responsibility Act to increase the public bank overdraft limit to MVR 4.4 billion for a period of one year in order to manage the cash flow difficulties due to the COVID-19 pandemic.
On 26 April 2021, the overdraft facility was extended by another year due to the sustained impacts of Covid-19 pandemic.

13 SHORT TERM LOANS

	2021	2020
Balance as at 1 January	263,166	561,378
Loans disbursed during the year	2,239,040	284,890
Settled during the year	(1,139,942)	(583,102)
Balance as at 31 December	**1,362,264**	**263,166**

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

14 LONG TERM LOANS

	2021	2020
Balance as at 1 January	38,225	43,242
Loans disbursed during the year	18,070	-
Settled during the year	(7,289)	(5,017)
Balance as at 31 December	**49,006**	**38,225**

The Authority has granted interest free loans to its staff with a repayment period of upto 7 years.

15 GOLD AND SILVER ASSETS

Gold assets	2021	2020
Balance as at 1 January	48,381,434	38,742,819
Fair value (loss) / gain	(2,481,814)	9,638,615
Balance as at 31 December	**45,899,620**	**48,381,434**

Silver assets	2021	2020
Balance as at 1 January	564,842	387,662
Fair value (loss) / gain	(76,519)	177,180
Balance as at 31 December	**488,323**	**564,842**
Gold and silver assets as at 31 December	**46,387,943**	**48,946,276**

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

16 INVENTORIES

	2021	2020
Notes for circulation	54,866,088	47,583,882
Coins for circulation	15,867,641	13,777,418
Notes and Coins held abroad in storage (Note 16.1)	10,116,173	22,143,208
Commemorative notes and coins	6,187,331	6,197,431
Circulating coin sets	100,340	105,687
Total inventories	**87,137,573**	**89,807,626**

16.1 MVR 10,116,173 (2020: MVR 22,143,208) is the cost incurred to print and mint the notes and coins held abroad at the warehouses of the printing and minting company.

17 PROPERTY, PLANT AND EQUIPMENT

17.1 Cost/ Revalued

	Freehold land	Buildings on freehold land	Buildings on freehold land WIP	Machinery and equipment	Machinery and equipment WIP	Furniture and fittings	Motor vehicles	Computer equipment	Computer equipment WIP	Central Payments Infrastructure Hardware - WIP	Right of Use Assets	Total
Balance as at 1 January 2020	35,788,975	38,641,652	26,500	94,576,169	84,799	20,007,183	3,501,426	29,365,065	1,768,371	-	-	223,760,140
Additions / (capitalised) during the year	-	18,443	869,582	3,271,874	4,453,838	902,220	-	5,655,314	1,747,940	34,934,014	4,082,491	55,935,716
Disposals/ transfers during the year	-	-	-	(264,885)	(84,799)	(308,982)	-	(27,824)	-	-	-	(686,490)
Balance as at 31 December 2020	**35,788,975**	**38,660,095**	**896,082**	**97,583,158**	**4,453,838**	**20,600,421**	**3,501,426**	**34,992,555**	**3,516,311**	**34,934,014**	**4,082,491**	**279,009,366**
Balance as at 1 January 2021	35,788,975	38,660,095	896,082	97,583,158	4,453,838	20,600,421	3,501,426	34,992,555	3,516,311	34,934,014	4,082,491	279,009,366
Additions / (capitalised) during the year	-	914,727	(367,423)	1,835,848	2,266,870	435,169	-	10,904,984	(3,516,311)	11,550,360	-	24,024,224
Disposals/ transfers during the year	-	-	-	(2,759,574)	-	(510,002)	-	(767,778)	-	-	-	(4,037,354)
Balance as at 31 December 2021	**35,788,975**	**39,574,822**	**528,659**	**96,659,432**	**6,720,708**	**20,525,588**	**3,501,426**	**45,129,761**	**-**	**46,484,374**	**4,082,491**	**298,996,236**
Accumulated Depreciation												
Balance as at 1 January 2020	-	12,983,755	-	79,052,960	-	18,105,606	1,012,253	20,854,054	-	-	-	132,008,628
Depreciation charge for the year	-	1,288,960	-	4,681,233	-	439,394	289,385	3,556,194	-	-	408,249	10,663,415
Disposals/ transfers during the year	-	-	-	(256,380)	-	(308,982)	-	(27,824)	-	-	-	(593,186)
Balance as at 31 December 2020	**-**	**14,272,715**	**-**	**83,477,813**	**-**	**18,236,018**	**1,301,638**	**24,382,424**	**-**	**-**	**408,249**	**142,078,857**
Balance as at 1 January 2021	-	14,272,715	-	83,477,813	-	18,236,018	1,301,638	24,382,424	-	-	408,249	142,078,857
Depreciation charge for the year	-	1,304,054	-	4,506,683	-	457,753	289,385	4,915,131	-	-	408,249	11,881,255
Disposals/ transfers during the year	-	-	-	(2,759,574)	-	(496,935)	-	(756,448)	-	-	-	(4,012,957)
Balance as at 31 December 2021	**-**	**15,576,769**	**-**	**85,224,922**	**-**	**18,196,836**	**1,591,023**	**28,541,107**	**-**	**-**	**816,498**	**149,947,155**
Carrying amounts												
As at 1 January 2020	35,788,975	25,657,897	26,500	15,523,209	84,799	1,901,577	2,489,173	8,511,011	1,768,371	-	-	91,751,512
As at 31 December 2020	35,788,975	24,387,380	896,082	14,105,345	4,453,838	2,364,403	2,199,788	10,610,131	3,516,311	34,934,014	3,674,242	136,930,509
As at 31 December 2021	**35,788,975**	**23,998,053**	**528,659**	**11,434,510**	**6,720,708**	**2,328,752**	**1,910,403**	**16,588,654**	**-**	**46,484,374**	**3,265,993**	**149,049,081**

17.2 As at 31 December 2021, property, plant and equipment includes fully depreciated assets having gross carrying amount of MVR 107,110,868 (2020 : MVR 107,416,372).

17.3 The Authority revalued its freehold land as at 31 December 2019 and the valuation was performed by an independent professional valuer based on a combination of income approach and open market approach. The valuation techniques are consistent with principles in IFRS 13 and make use of unobservable inputs such that the fairvalue measurement has been classified as Level 3 in the fairvalue hierarchy. The parameters used to arrive at the fairvalue include built up area rate per sq ft and derived FSI cost for developed land which is used as estimated land rate per sq ft.

The revaluation gain of MVR 34,788,975 has been included in the property revaluation reserve through other comprehensive income. The carrying amount of freehold land if stated at cost would have been MVR 1,000,000.

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

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

17.4 The balance under Buildings on freehold land - WIP relates to expenses that were incurred to design and build a 3 storey storage facility in car parking area, which has not been completed as at 31 December 2021. The balance under Machinery and Equipment - WIP relates to expenses that were incurred for the security systems upgrade which has not been completed as at 31 December 2021. The balance under Central Payments Infrastructure Hardware - WIP consists of expenses incured in relation to hardware components of the Maldives Payments Development Project which has not been completed as at 31 December 2021.

17.5 The balance under Right of Use Assets relate to a lease contract between the Authority and Housing Development Corporation (related party), details of which are presented under Note 26.5

Notes to the Financial Statements

Year ended 31 December 2021

(all amounts in Maldivian Rufiyaa unless otherwise stated)

18 INTANGIBLE ASSETS

18.1 Cost	Maldives Credit Information Bureau System	Maldives Real Time Gross Settlement System	Automated Clearing House System	Mobile Payment System (MPS) & EFT Switch	Oracle E-Business Suite	Oracle E-Business Suite WIP	Software - Others	Software - Others WIP	Central Payments Infrastructure	Central Payments Infrastructure - WIP	Total
Balance as at 1 January 2020	21,740,581	19,057,862	23,589,046	38,671,687	14,868,187	157,287	2,597,149	5,881,253	-	-	126,563,052
Additions / (capitalised) during the year	-	-	-	-	-	-	948,034	1,738,272	-	1,506,982	4,193,288
Write-offs during the year	-	-	-	(38,671,687)	-	-	-	-	-	-	(38,671,687)
Impairments during the year	-	-	-	-	-	(157,287)	-	-	-	-	(157,287)
Balance as at 31 December 2020	**21,740,581**	**19,057,862**	**23,589,046**	**-**	**14,868,187**	**-**	**3,545,183**	**7,619,525**	**-**	**1,506,982**	**91,927,366**
Balance as at 1 January 2021	21,740,581	19,057,862	23,589,046	-	14,868,187	-	3,545,183	7,619,525	-	1,506,982	91,927,366
Additions / (capitalised) during the year	-	-	-	-	810,871	-	351,641	292,600	69,255	1,441,741	2,966,108
Impairment provision during the year	-	-	-	-	-	-	-	(7,912,125)	-	-	(7,912,125)
Balance as at 31 December 2021	**21,740,581**	**19,057,862**	**23,589,046**	**-**	**15,679,058**	**-**	**3,896,824**	**-**	**69,255**	**2,948,723**	**86,981,349**
Accumulated Amortisation											
Balance as at 1 January 2020	14,058,229	19,057,862	22,861,609	38,671,687	8,946,713	-	1,918,054	-	-	-	105,514,154
Amortisation charge for the year	2,103,252	-	185,729	-	1,652,021	-	646,821	-	-	-	4,587,823
Write-offs during the year	-	-	-	(38,671,687)	-	-	-	-	-	-	(38,671,687)
Balance as at 31 December 2020	**16,161,481**	**19,057,862**	**23,047,338**	**-**	**10,598,734**	**-**	**2,564,875**	**-**	**-**	**-**	**71,430,290**
Balance as at 1 January 2021	16,161,481	19,057,862	23,047,338	-	10,598,734	-	2,564,875	-	-	-	71,430,290
Amortisation charge for the year	2,062,623	-	185,729	-	1,668,569	-	398,616	-	577	-	4,316,114
Balance as at 31 December 2021	**18,224,104**	**19,057,862**	**23,233,067**	**-**	**12,267,303**	**-**	**2,963,491**	**-**	**577**	**-**	**75,746,404**
Carrying amounts											
As at 1 January 2020	7,682,352	-	727,437	-	5,921,474	157,287	679,095	5,881,253	-	-	21,048,898
As at 31 December 2020	5,579,100	-	541,708	-	4,269,453	-	980,308	7,619,525	-	1,506,982	20,497,076
As at 31 December 2021	**3,516,477**	**-**	**355,979**	**-**	**3,411,755**	**-**	**933,333**	**-**	**68,678**	**2,948,723**	**11,234,945**

18.2 As at 31 December 2021, Intangible Assets include fully amortised/impaired assets having gross carrying amount of MVR 55,250,363.6 (2020 : MVR 52,668,307).

18.3 The balance under Software Others - WIP represented the expenses incurred towards the "Government Securities Market Development (GSMD) Project ", which was launched in the year 2017 with the aim of developing the Government Securities Market through automation and by facilitating secondary market trading. However, as the work of issuance of government securities have been transferred to MoF during 2021 and as the carrying amount of the project project is higher than the recoverable amount, this project has been considered impaired. Therefore, an impairment provision has been created to recognise the impairment loss.

18.4 The balance under Central Payments Infrastructure - WIP include expenses incurred for the acquisition of software solutions for the Maldives Payments Systems Development Project, which has not been completed during the year ended 31 December 2021.

19 OTHER ASSETS

	2021	2020
Prepayments and receivables	7,419,656	5,897,818
Deferred employee benefits	153,433	32,565
Deferred replacement cost	15,623,204	23,506,694
	23,196,293	**29,437,077**

20 BALANCES OF COMMERCIAL BANKS

	2021	2020
Foreign currency balances		
Related parties	1,914,525,549	2,421,961,422
Others	2,942,665,338	3,199,683,809
Total foreign currency balances of commercial banks	**4,857,190,887**	**5,621,645,231**
Local currency balances		
Related parties	2,818,323,468	1,891,423,035
Others	962,939,780	793,556,590
	3,781,263,248	**2,684,979,625**
Overnight placement deposits		
Related parties	5,230,000,000	3,720,000,000
Others	961,000,000	896,000,000
	6,191,000,000	**4,616,000,000**
Total local currency balances of commercial banks	**9,972,263,248**	**7,300,979,625**
Total balances of commercial banks	**14,829,454,135**	**12,922,624,856**

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

Effective 23 April 2020, the MRR was reduced temporarily from 10% to 7.5% of the average local and foreign reserve deposits, excluding interbank deposits of other banks in the Maldives and L/C margin deposits. On 16 July 2020, the MRR for foreign currency deposits was further lowered to 5% to address the dollar liquidity issues faced by the commercial banks due to the impact of COVID-19 pandemic. During June 2021, the MRR for local currency deposits was increased back to 10%.

20.2 The Authority offers overnight deposit facility to the commercial banks, whereby banks can place their excess funds at MMA overnight. As at 31 December 2021 and 31 December 2020, the interest rate on overnight deposits of commercial banks at MMA was 1.5% per annum.

21 BALANCES OF THE GOVERNMENT AND GOVERNMENT INSTITUTIONS

Related parties

	2021	2020
Foreign currency deposits		
MOF and Government institutions	261,971,286	298,204,082
	261,971,286	**298,204,082**
Local currency deposits		
MOF and Government institutions	1,222,181,401	633,457,938
	1,222,181,401	**633,457,938**
Total balances of the Government and Government institutions	**1,484,152,687**	**931,662,020**

22 ASIAN CLEARING UNION

22.1 Payable to Asian Clearing Union

	2021	2020
ACU Dollar balances	528,831,180	332,856,000
Accrued charges	48,153	38,711
	528,879,333	**332,894,711**

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

The rate of interest applicable for a settlement period will be the closing rate on the first working day of the last week of the previous calendar month offered by the Bank for International Settlements (BIS) for one month US Dollar and Euro deposits. Interest on ACU Dollar transactions were between 0.09% and 0.15% in 2021. Above balance represents the amounts due to and from ACU as at the reporting date.

23 IMF RELATED LIABILITIES

	2021	2020
IMF Securities Account (Note 23.1)	348,073,086	358,659,343
IMF No. 1 Account (Note 23.2)	5,085,433	5,240,101
IMF No. 2 Account (Note 23.3)	6,354	6,547
Allocation of SDR (Note 23.4)	603,329,042	170,701,066
Charges payable on SDR allocation (Note 23.5)	55,249	29,652
Exogenous shock facility (Note 23.6)	-	-
	956,549,164	**534,636,709**

23 IMF RELATED LIABILITIES (CONTINUED)

23.1 IMF Securities Account

The Authority maintains the IMF securities account which represent non-negotiable, non-interest bearing securities issued by the MOF in favour of the IMF, which are payable on demand. These securities are issued for 75% of the quota liability payable in Maldivian Rufiyaa, for use of IMF credit facilities such as Emergency Assistance Facility and Stand-By Agreement etc., and for the revaluations of the accounts. Even though the revaluation is made on a monthly basis, the balances in the Authority's books are revalued as at the last working day of each week. The IMF accounts were last revalued on 31 December 2021 by IMF.

	2021	2020
Balance as at 1 January	358,659,343	343,021,546
Exchange rate effect on IMF Securities account	(10,586,257)	15,637,797
Balance as at 31 December	**348,073,086**	**358,659,343**

23.2 IMF No.1 Account

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

23.3 IMF No.2 Account

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

23.4 Allocation of SDR

The SDR is an international reserve asset, created by the IMF to supplement its member countries' official reserves. Its value is based on a basket of five key international currencies and SDRs can be exchanged for freely usable currencies of IMF members. On 23 August 2021, Maldives received an additional SDR allocation of SDR 20,319,247. The amount shown above represents the total allocation of SDRs to the Authority as at the respective reporting dates.

23.5 Charges payable on SDR allocation

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

23 IMF RELATED LIABILITIES (CONTINUED)

23.6 Exogenous Shock Facility

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

First disbursement amounting to SDR 1.025 million under the ESF was received on 4 December 2009 and on 25 March 2010. The Authority received the second disbursement amounting to SDR 1.025 million upon completion of IMF review. The loan matured on 1 April 2020.

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

Non-current	Interest rate per annum	Maturity date	2021	2020
Exogenous shock facility	0.25%	1 April 2020		
Balance as at 1 January			-	2,175,757
Repayments during the year			-	(2,153,289)
Effects of exchange rates			-	(22,468)
Balance as at 31 December			**-**	**-**

24 INTEREST BEARING LOANS - THE MOF

	MCIB	MIPS	Total 2021	Total 2020
Balance as at 1 January	8,325,275	79,409,352	87,734,627	85,916,544
Repayments during the year	(422,319)	(1,662,200)	(2,084,519)	(2,023,585)
Effects of exchange rates	(237,746)	(2,304,093)	(2,541,839)	3,841,668
Balance as at 31 December	**7,665,210**	**75,443,059**	**83,108,269**	**87,734,627**

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

The loan has to be repaid in 48 equal semi-annual instalments. The first instalment has been paid on 15 November 2016 and the last instalment fall due on 15 May 2040. The Authority has to pay interest charge at the rate of 1% per annum during the grace period and 1.5% per annum thereafter on the amount withdrawn. As at the reporting date the Authority has repaid SDR 105,798.

24 INTEREST BEARING LOANS - THE MOF (CONTINUED)

24.2 The MOF provided a loan to the Authority for an amount equal to SDR 3,766,177 to undertake the Maldives Interoperable Payment System (MIPS) project. As at the reporting date, the loan amount outstanding is SDR 3,502,544.

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

25 DEPOSITS OF INTERNATIONAL FINANCIAL INSTITUTIONS

	2021	2020
Foreign currency deposits		
Multilateral Investment Guarantee Agency	832,599	833,681
Balance as at 31 December	**832,599**	**833,681**

	2021	2020
Local currency deposits		
International Development Association	348,008	348,008
International Bank for Reconstruction and Development	8,575,332	8,575,332
Asian Development Bank	1,434,362	1,434,362
Multilateral Investment Guarantee Agency	172,444	172,444
Balance as at 31 December	**10,530,146**	**10,530,146**

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

26 OTHER LIABILITIES

Foreign currency other liabilities	2021	2020
Payables to other central banks (Note 26.1)	-	6,174,104,399
Bank of Credit and Commerce International (BCCI)	15,068,032	15,087,614
Accrued charges and other payables	387,568,783	8,436,430
Commercial banks human resource development deposits	797,896	798,933
Other deposits	299,160	299,548
	403,733,871	**6,198,726,924**

Local currency other liabilities	2021	2020
Paper Note 1983 Series payable (Note 26.2)	-	144,347,697
Government contribution to IMF Quota (Note 26.3)	92,720,021	92,720,021
Credit Guarantee Scheme (Note 26.4)	9,443,983	9,631,026
Accrued charges and other payables	5,636,587	5,825,937
Lease liabilities (Note 26.5)	3,707,790	3,989,634
Bank of Credit and Commerce International (BCCI)	2,778,102	2,604,043
Commercial banks human resource development deposits	576,601	778,640
Expected credit losses - provision on guarantee	105,662	61,173
	114,968,746	**259,958,171**

26.1 Payables to other central banks

These are payables recorded under an agreement entered between the Authority and a foreign central bank in 2020. This amount was fully repaid during 2021.

26.2 Paper Note 1983 Series payable

Banknotes of 1983 series which were not received to the Authority for replacement by 31 July 2021, was demonetised during the year and recorded as an income.

26.3 Government's contribution to IMF quota

The MOF has made four payments towards the IMF Quota which represents the foreign currency portion of quota payments made by the MOF for the quota increments in 1992, 1999, 2011 and 2016. There were no payments made during the year 2021.

26 OTHER LIABILITIES (CONTINUED)

26.4 Credit Guarantee Scheme

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

The scheme guarantees 90% of the loan amount of commercially viable loans between MVR 100,000 and MVR 1 million, issued to Maldivian owned SMEs with no collateral. The loans are offered at 9% interest rate with a maximum repayment period of 5 years. The scheme has been terminated effective from 1 February 2021.

26.5 Lease Liabilities

The Authority has entered into a lease contract with HDC with a lease period of 10 years and recognized a lease liability of value MVR 4,082,491 in 2020. Information relating to the lease is presented below.

26.5.1 Right of Use Assets

The Right of Use Asset related to the lease is presented within Property, Plant and Equipment in note 18.

26.5.2 Amounts recognized in the Statement of Comprehensive Income

	2021	2020
Interest expense on lease liability	210,190	223,552
Depreciation of Right of Use Asset	408,249	408,249

26.5.3 Amounts recognised in the Statement of Cash flows

	2021	2020
Total cash out flow from the lease	492,034	316,409

26.5.4 Lease Liability

	2021	2020
Balance as at 1 January	3,989,634	-
Lease liability recognized during the year	-	4,082,491
Interest charges during the year	210,190	223,552
Lease payments during the year	(492,034)	(316,409)
Balance as at 31 December	**3,707,790**	**3,989,634**

26.5.5 Remaining term to maturity

	Contractual outflows		Carrying value	
	2021	2020	2021	2020
Within one year	521,091	492,033	327,680	281,843
Two to five years	2,291,676	2,231,608	1,735,771	1,584,456
Six to ten years	1,782,537	2,363,696	1,644,339	2,123,335
	4,595,304	**5,087,337**	**3,707,790**	**3,989,634**

27 DEFERRED GRANTS

27.1 The movement of deferred grants - foreign currency financial liabilities

	2021	2020
Balance as at 1 January	661,937	-
Grants received during the year	-	660,648
Recognised in the statement of comprehensive income	-	-
Effects of exchange rates	(860)	1,289
Balance as at 31 December	**661,077**	**661,937**

27.1.1 The Authority has received a cash grant from Alliance for Financial Inclusion under the agreement for National Financial Inclusion Strategy of Maldives. Grant value of USD 42,955 will be recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. As at 31 December 2021, no costs has been incurred from the grant and no income was recognized to statement of comprehensive income.

27.2 The movement of deferred grants - Other liabilities

	2021	2020
Balance as at 1 January	6,238,228	8,192,362
Grants received during the year	-	-
Recognised in the statement of comprehensive income	(1,954,134)	(1,954,134)
Balance as at 31 December	**4,284,094**	**6,238,228**

27.2.1 The Authority has undertaken the Maldives Interoperable Payment System project. Consultative Group to Assist the Poor (CGAP) has granted USD 698,708 for the project and the Authority recognised the assets acquired for the project with the corresponding credit recognised as deferred revenue. During the year 2011 unutilised grant amount of USD 33,944 was returned to CGAP. The remaining balance has been converted to Rufiyaa and is apportioned to the cost of the 4 components of MIPS. As SWITCH and MPS are impaired fully, the grant value apportioned to these two components are credited to the statement of comprehensive income. Grant value apportioned to ACH and RTGS are deferred over the useful life of each component and credited to the statement of comprehensive income on a monthly basis. The grant has been fully absorbed to the statement of comprehensive income as of January 2019.

27.2.2 The Authority has received a grant for the development of the Secured Transaction Registry (STR) of MCIB from the MOF. The agreed limit for disbursement under the grant arrangement was USD 1,024,767. As at 31 December 2021, USD 970,464 has been disbursed to the Authority in the form of payments to the legal and operational consultants and for the purchase of software for the MCIB enhancement project. During the year, USD 117,231 was released to the statement of comprehensive income, which is consistent with the amortisation policy on software.

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

28 CURRENCY IN CIRCULATION

28.1 The Authority, as the sole currency issuing Authority in the Republic of Maldives continue to perform the function of issuing legal tender currency. The amount of currency issued by the Authority and in circulation as at respective reporting dates are as follows;

Net currency in circulation

		2021	2020
Coins			
1	Laari	97,356	96,914
2	Laari	49,656	49,656
5	Laari	555,308	554,941
10	Laari	687,379	685,482
25	Laari	3,607,008	3,552,379
50	Laari	7,826,410	7,757,337
1	Rufiyaa	37,696,261	37,135,037
2	Rufiyaa	26,614,988	26,510,316
		77,134,366	**76,342,062**
Notes			
5	Rufiyaa	18,911,230	16,978,930
10	Rufiyaa	29,270,110	26,762,100
20	Rufiyaa	43,676,700	39,963,160
50	Rufiyaa	49,782,600	45,760,400
100	Rufiyaa	276,033,300	262,392,200
500	Rufiyaa	3,066,309,500	3,201,888,500
1000	Rufiyaa	229,563,000	272,030,000
		3,713,546,440	**3,865,775,290**
Total net currency in circulation		**3,790,680,806**	**3,942,117,352**

28.2 Currency in circulation shown above are after deducting the Authority's holding of Rufiyaa notes and coins amounting to MVR 873,926,134 and MVR 717,887,185 as at 31 December 2021 and 2020 respectively.

29 BALANCES OF INSURANCE AND REMITTANCE COMPANIES

29.1 Balances of insurance companies

	2021	2020
Related parties	4,000,000	4,000,000
Others	9,292,176	9,292,176
Balance as at 31 December	**13,292,176**	**13,292,176**

29.2 Balances of remittance companies

	2021	2020
Related parties	-	100,000
Others	200,000	200,000
Balance as at 31 December	**200,000**	**300,000**
Grand total	**13,492,176**	**13,592,176**

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

30 DEPOSIT INSURANCE FUND

	2021	2020
Deposit insurance fund	100,847	1,415,970
	100,847	**1,415,970**

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

30.2 On behalf of the fund, the Authority has invested MVR 33,942,904 in Government treasury bills during 2021. Discount received on Government treasury bill upon maturity of the investment is added to the balance of the fund.

31 PENSION AND OTHER EMPLOYMENT BENEFITS PAYABLE

	2021	2020
Pre- Maldives Pension Act 8/2009 Pensions (Note 31.1)	4,121,112	4,440,989
Retirement gratuity obligation (Note 31.2)	26,621,581	22,447,493
	30,742,693	**26,888,482**

31.1 Pre- Maldives Pension Act 8/2009 Pensions

	2021	2020
Opening balances	3,851,431	4,190,230
Less: payments during the year	(531,550)	(531,550)
Add: winding of interest	177,165	192,751
Present value of pension obligation	**3,497,046**	**3,851,431**
Employee and employer pension contribution payable	624,066	589,558
Balance as at 31 December	**4,121,112**	**4,440,989**

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

a) An employee who became eligible (by working in public sector for 20 years) to pension arrangement between 5 April 2007 and 10 October 2007 receive a monthly pension under "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 monthly 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:

	2021	2020
Nominal value of the benefit obligation	4,381,954	4,913,504
Present value of the benefit obligation	3,497,046	3,851,431
Unrecognised interest component	884,907	1,062,073
Discount rate: 364 day treasury bill rate	4.60%	4.60%
Number of employees in the scheme	11	11
Average remaining years of service	7.45	8.55
Retirement age	65	65

31 PENSION AND OTHER EMPLOYMENT BENEFITS PAYABLE (CONTINUED)

31.2 Retirement gratuity obligation

	2021	2020
Balance as at 1 January	22,447,493	21,789,955
Charge for the year	1,648,795	2,064,858
Interest for the year	1,188,322	1,138,963
Re-measurement loss / (gain) for the year	1,336,971	(1,867,983)
Less: Payments/ Payables during the year	-	(678,300)
Present value as at 31 December	**26,621,581**	**22,447,493**

a) In accordance with the staff regulation, employees who have served the Authority for a period of 10 years are entitled for the benefit plan upon retirement at the age of 65 years. This is a non-contributory plan whereby the cost of benefits is wholly borne by the Authority. As such, a provision is recognised in other liabilities in respect of employee's services and are measured at the present value of future payments expected to be made based on services provided by employees as at the reporting date.

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

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

	2021	2020
Discount rate	5.50%	5.50%
Staff turnover rate	8.00%	10.00%
Expected salary increment	4.31%	3.15%
Retiring age	65 years	65 years

c) **Sensitivity Analysis**

The increase or decrease in one of the assumptions by 100 basis points, given that others remain constant, would have affected the defined benefit obligation by the amounts shown below:

	31 December 2021		31 December 2020	
	Increase	Decrease	Increase	Decrease
Discount rate	(2,183,709)	2,425,486	(1,625,380)	1,779,568
Staff turnover rate	202,464	(229,301)	268,472	(299,376)
Expected salary increment	2,430,098	(2,227,584)	1,803,719	(1,676,249)
Retiring age	(81,577)	82,267	(101,201)	113,596

32 EQUITY AND RESERVES

32.1 Capital

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

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

32.2 General Reserve

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

After the third amendment to the MMA Act which became effective from 17 August 2015, the Act now states that once the General Reserve is equal to twice the amount of the authorised capital, the Authority shall credit to the General Reserve such amount determined by the Board of Directors of the Authority. During the year 2021, MVR 88,071,794 (2020: MVR 112,716,108) was transferred to General Reserve from the Authority's net profit for the previous year.

32.3 Foreign Asset Revaluation Reserve

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

These gains or the losses from change in valuation of foreign currency assets, liabilities, gold or other units of account should not be included in the computation of net profit or loss as per MMA Act.

32.4 FVOCI Reserve

FVOCI Reserve comprises of unrealised gains and losses arising from the valuation of investments classified under held to collect contractual cash flows and for sale which will be reclassified to profit and loss account in subsequent periods, when the associated assets are sold, impaired or matured.

32.5 Property Revaluation Reserve

Property Revaluation Reserve comprises of revaluation gains arising from valuation of property. Any revaluation decrease arising from a valuation will be recognised as an expense to the extent that it exceeds any amount previously credited to the Property Revaluation Reserve relating to the same asset.

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

32.6 Other Reserves

Other reserves comprises of re-measurement gains related to defined benefit plan arising from changes in underlying assumptions of retirement gratuity obligation. Re-measurement gain and losses are recognised in Other comprehensive income and the accumulated gain and losses are accounted within other reserves.

33 FOREIGN CURRENCY INCOME AND EXPENSES

33.1 Interest income on foreign currency financial assets

	2021	2020
Interest on overnight placements	79,030	1,281,481
Interest income on USD Reserve deposits	-	187,368
Receipts on SDR holdings	125,343	280,280
Interest on fixed deposit	44,350,892	119,759,576
Interest income from investments in fixed income securities	21,982,193	9,616,622
Interest from external asset management	18,828,842	17,613,084
	85,366,300	**148,738,411**

Foreign currency interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets.

33.2 Interest expense on foreign currency financial liabilities

	2021	2020
Interest on reserve deposits	108,405	135,599
Charges on SDR allocations	177,473	329,686
Currency swap charges	88,014,875	43,606,131
	88,300,753	**44,071,416**

34 LOCAL CURRENCY INCOME AND EXPENSES

34.1 Interest income on local currency financial assets

	2021	2020
Interest on Government treasury bonds	143,399,280	145,643,417
Discounts on Government treasury bills	3,337,108	4,329,126
Interest on Advances to Government	-	109,548
Other interest income	192,515	113,643
	146,928,903	**150,195,734**

Local currency interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets.

34.2 Profit from local currency financial assets

	2021	2020
Profit from investments held at local banks - related parties	593,053	560,067
	593,053	**560,067**

34.3 Interest expense on local currency financial liabilities

	2021	2020
Interest on reserve deposits	16,268,891	11,344,053
Interest on overnight deposit facility	67,633,603	47,201,918
Interest on security deposits of insurance and remittance companies	135,748	136,493
	84,038,242	**58,682,464**

35 OTHER INCOME

	2021	2020
Commissions received	15,028,196	13,692,908
Bank charges received	1,055,576	882,462
Annual fees from financial institutions	3,939,000	4,019,200
Profit on sale of commemorative note	103,537	-
Profit on sale of currency notes and coins	65,988	12,475
Income from credit information services	8,390,900	5,241,600
Miscellaneous income (Note 35.1)	144,873,988	2,058,101
	173,457,185	**25,906,746**

35.1 This balance includes MVR 141,705,788 recorded as other income due to demonetization. Banknotes of 1983 series which were not received to the Authority for replacement by 31 July 2021, was demonetised during the year and recorded as an income.

36 PERSONNEL EXPENSES

	2021	2020
Salaries and wages	78,117,506	74,125,868
Defined contribution costs	3,661,932	3,430,833
Defined benefit plan	2,837,117	3,203,821
Remuneration to the board and shariah council members	860,258	622,000
	85,476,813	**81,382,522**

37 ADMINISTRATION EXPENSES

	2021	2020
Notes and coins related expenses	10,836,729	24,010,896
Software license renewal and maintenance	10,516,042	9,684,296
Remuneration charges	2,822,843	8,844,356
Utility charges	3,530,177	3,134,895
Staff expenses	3,470,820	2,550,304
Memberships, subscriptions and reference materials	2,514,658	2,522,910
Payment charges	1,330,152	2,222,561
Asset management and custody fees	2,804,869	2,213,192
Services fees to Reserve Advisory and Management Program	2,309,250	2,060,450
Maintenance expenses	2,955,237	2,038,120
Communication expenses	1,953,280	1,659,485
Other administrative expenses	1,971,689	1,577,131
Staff development expenses	2,943,755	1,507,649
Audit fees	1,044,323	939,796
Development activities and project expenses	862,516	910,128
Expert expenses	2,972,800	672,127
Insurance	582,819	644,963
Charges on import of banknotes	-	424,516
Public outreach expenses	240,444	407,330
Interest expense on lease liability	210,190	223,552
	55,872,593	**68,248,657**

38 PROFIT RE-APPROPRIATION TO THE GOVERNMENT

Under Section 27 (2) of the MMA Act, as amended, the Authority's net profit, as determined in accordance with the Act, is paid to the Government after making necessary appropriations to provision and reserves under Sections 26 and 27(1) respectively. During the year 2021, the Authority transferred MVR 20,000,000 (2020: MVR 169,074,162) to the Government in respect of the authority's profit for the previous year.

39 RECONCILIATION OF NET PROFIT WITH OPERATING CASH FLOWS

	2021	2020
Total comprehensive income	73,626,059	128,718,332
Add/(subtract) non-cash items:		
Depreciation, amortisation and impairment	24,109,494	15,408,525
Revaluation loss / (gain) on gold and silver	2,558,333	(9,815,794)
Revaluation gain on foreign exchange	(9,197,726)	(8,449,198)
Other income	(141,705,788)	-
Re-measurement loss / (gain) from defined benefit plan	1,336,971	(1,867,983)
Net unrealised gain from securities at FVOCI	37,433,188	(513,563)
Expected credit loss allowance	283,079	440,308
Add/(subtract) movements in other working capital items:		
Decrease in interest receivable	18,063,308	15,041,764
Increase in other receivables	(42,001,592)	(40,293,222)
Increase / (Decrease) in interest payable	1,219,486	(1,094,741)
Increase in other payables	12,142,036	18,760,703
Net cash flow from operating activities	**(22,133,152)**	**116,335,131**

40 CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS

	2021	2020
Foreign currency cash in hand	21,612,412	226,401,423
Balances with other central banks	44,149,779	42,181,683
Balances with other foreign banks	19,241,573	29,216,658
Balances with external asset manager	11,047,220	6,674,667
Balances with local banks - related parties	47,261,202	50,556,658
Money at overnight placements with other central banks	646,380,000	453,054,000
Investment in fixed deposits		
: with maturities of 3 months or less	7,385,661,000	8,948,587,000
Cash and cash equivalent as at the end of the year	**8,175,353,186**	**9,756,672,089**

41 CONCENTRATIONS OF FUNDING

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

As at 31 December 2021	2021 Total	Government of Maldives	Commercial banks	Supranational financial institutions	Others
Foreign currency financial liabilities					
Balances of commercial banks	4,857,190,887	-	4,857,190,887	-	-
Balances of the Government and Government institutions	261,971,286	261,971,286	-	-	-
Payable to Asian Clearing Union	528,879,333	-	-	528,879,333	-
IMF related liabilities	956,549,164	-	-	956,549,164	-
Interest bearing loans	83,108,269	83,108,269	-	-	-
Deposits of international financial institutions	832,599	-	-	832,599	-
Other liabilities	403,733,871	386,229,590	932,429	-	16,571,852
Deferred grants	661,077	-	-	-	661,077
Total foreign currency financial liabilities	**7,092,926,486**	**731,309,145**	**4,858,123,316**	**1,486,261,096**	**17,232,929**
Local currency financial liabilities					
Balances of commercial banks	9,972,263,248	-	9,972,263,248	-	-
Balances of the Government and Government institutions	1,222,181,401	1,222,181,401	-	-	-
Currency in circulation	3,790,680,806	-	-	-	3,790,680,806
Balances of insurance and remittance companies	13,492,176	-	-	-	13,492,176
Deposits of international financial institutions	10,530,146	-	-	10,530,146	-
Deposit insurance fund	100,847	-	100,847	-	-
Other liabilities	114,968,746	93,763,521	1,339,875	-	19,865,350
Total local currency financial liabilities	**15,124,217,370**	**1,315,944,922**	**9,973,703,970**	**10,530,146**	**3,824,038,332**
Total financial liabilities	**22,217,143,856**	**2,047,254,067**	**14,831,827,286**	**1,496,791,242**	**3,841,271,261**
Other liabilities					
Deferred grants	4,284,094	-	-	-	4,284,094
Pension and other employment benefit payable	30,742,693	-	-	-	30,742,693
Total other liabilities	**35,026,787**	**-**	**-**	**-**	**35,026,787**
Total Liabilities	**22,252,170,643**	**2,047,254,067**	**14,831,827,286**	**1,496,791,242**	**3,876,298,048**

41 CONCENTRATIONS OF FUNDING

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

As at 31 December 2021	2021 Total	Government of Maldives	Commercial banks	Supranational financial institutions	Others
Foreign currency financial liabilities					
Balances of commercial banks	4,857,190,887	-	4,857,190,887	-	-
Balances of the Government and Government institutions	261,971,286	261,971,286	-	-	-
Payable to Asian Clearing Union	528,879,333	-	-	528,879,333	-
IMF related liabilities	956,549,164	-	-	956,549,164	-
Interest bearing loans	83,108,269	83,108,269	-	-	-
Deposits of international financial institutions	832,599	-	-	832,599	-
Other liabilities	403,733,871	386,229,590	932,429	-	16,571,852
Deferred grants	661,077	-	-	-	661,077
Total foreign currency financial liabilities	**7,092,926,486**	**731,309,145**	**4,858,123,316**	**1,486,261,096**	**17,232,929**
Local currency financial liabilities					
Balances of commercial banks	9,972,263,248	-	9,972,263,248	-	-
Balances of the Government and Government institutions	1,222,181,401	1,222,181,401	-	-	-
Currency in circulation	3,790,680,806	-	-	-	3,790,680,806
Balances of insurance and remittance companies	13,492,176	-	-	-	13,492,176
Deposits of international financial institutions	10,530,146	-	-	10,530,146	-
Deposit insurance fund	100,847	-	100,847	-	-
Other liabilities	114,968,746	93,763,521	1,339,875	-	19,865,350
Total local currency financial liabilities	**15,124,217,370**	**1,315,944,922**	**9,973,703,970**	**10,530,146**	**3,824,038,332**
Total financial liabilities	**22,217,143,856**	**2,047,254,067**	**14,831,827,286**	**1,496,791,242**	**3,841,271,261**
Other liabilities					
Deferred grants	4,284,094	-	-	-	4,284,094
Pension and other employment benefit payable	30,742,693	-	-	-	30,742,693
Total other liabilities	**35,026,787**	**-**	**-**	**-**	**35,026,787**
Total Liabilities	**22,252,170,643**	**2,047,254,067**	**14,831,827,286**	**1,496,791,242**	**3,876,298,048**

41 CONCENTRATIONS OF FUNDING (CONTINUED)

Comparative figures as at 31 December 2020 are as follows:

As at 31 December 2020	2020 Total	Government of Maldives	Commercial banks	Supranational financial institutions	Others
Foreign currency financial liabilities					
Balances of commercial banks	5,621,645,231	-	5,621,645,231	-	-
Balances of the Government and Government institutions	298,204,082	298,204,082	-	-	-
Payable to Asian Clearing Union	332,894,711	-	-	332,894,711	-
IMF related liabilities	534,636,709	-	-	534,636,709	-
Interest bearing loans	87,734,627	87,734,627	-	-	-
Deposits of international financial institutions	833,681	-	-	833,681	-
Other liabilities	6,198,726,924	7,905,469	841,958	-	6,189,979,497
Deferred grants	661,937	-	-	-	661,937
Total foreign currency financial liabilities	**13,075,337,902**	**393,844,178**	**5,622,487,189**	**868,365,101**	**6,190,641,434**
Local currency financial liabilities					
Balances of commercial banks	7,300,979,625	-	7,300,979,625	-	-
Balances of the Government and Government institutions	633,457,938	633,457,938	-	-	-
Currency in circulation	3,942,117,352	-	-	-	3,942,117,352
Balances of insurance and remittance companies	13,592,176	-	-	-	13,592,176
Deposits of international financial institutions	10,530,146	-	-	10,530,146	-
Deposit insurance fund	1,415,970	-	1,415,970	-	-
Other liabilities	259,958,171	94,223,877	1,158,037	-	164,576,257
Total local currency financial liabilities	**12,162,051,378**	**727,681,815**	**7,303,553,632**	**10,530,146**	**4,120,285,785**
Total financial liabilities	**25,237,389,280**	**1,121,525,993**	**12,926,040,821**	**878,895,247**	**10,310,927,219**
Other liabilities					
Deferred grants	6,238,228	-	-	-	6,238,228
Pension and other employment benefit payable	26,888,482	-	-	-	26,888,482
Total other liabilities	**33,126,710**	**-**	**-**	**-**	**33,126,710**
Total Liabilities	**25,270,515,990**	**1,121,525,993**	**12,926,040,821**	**878,895,247**	**10,344,053,929**

42 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILTIES

The following table provides a reconciliation between line items in the Statement of Financial Position and categories of Financial Instruments.

As at 31 December 2021	Note	FVOCI	Amortised Cost	Total carrying amount
Foreign currency financial assets				
Cash and balances with banks	6	-	9,979,478,253	9,979,478,253
IMF related assets	7	-	497,533,458	497,533,458
Investments in securities	8	2,414,856,576	26,486,939	2,441,343,515
Subscriptions to international agencies	9	-	832,599	832,599
Other receivables	10	-	13,806,789	13,806,789
Total foreign currency financial assets		**2,414,856,576**	**10,518,138,038**	**12,932,994,614**
Local currency financial assets				
Cash and balances with banks	6	-	47,202,331	47,202,331
Subscriptions to international agencies	9	-	8,264,330	8,264,330
Investments in securities	8	-	62,077,519	62,077,519
Investment in Government treasury bonds	11	-	5,933,096,664	5,933,096,664
Advances to Government	12	-	3,689,886,157	3,689,886,157
Short term loans	13	-	1,362,264	1,362,264
Long term loans	14	-	49,006	49,006
Interest and other receivables	10	-	665,760	665,760
Total local currency financial assets		**-**	**9,742,604,031**	**9,742,604,031**
Total financial assets		**2,414,856,576**	**20,260,742,069**	**22,675,598,645**
Foreign currency financial liabilities				
Balances of commercial banks	20	-	4,857,190,887	4,857,190,887
Balances of Government and Government institutions	21	-	261,971,286	261,971,286
Payable to Asian Clearing Union	22	-	528,879,333	528,879,333
IMF related liabilities	23	-	956,549,164	956,549,164
Interest bearing loans	24	-	83,108,269	83,108,269
Deposits of international financial institutions	25	-	832,599	832,599
Other liabilities	26	-	403,733,871	403,733,871
Deferred grants	27	-	661,077	661,077
Total foreign currency financial liabilities		**-**	**7,092,926,486**	**7,092,926,486**
Local currency financial liabilities				
Balances of commercial banks	20	-	9,972,263,248	9,972,263,248
Balances of the Government and Government institutions	21	-	1,222,181,401	1,222,181,401
Currency in circulation	28	-	3,790,680,806	3,790,680,806
Balances of insurance and remittance companies	29	-	13,492,176	13,492,176
Deposits of international financial institutions	25	-	10,530,146	10,530,146
Deposit insurance fund	30	-	100,847	100,847
Other liabilities	26	-	114,968,746	114,968,746
Total local currency financial liabilities		**-**	**15,124,217,370**	**15,124,217,370**
Total financial liabilities		**-**	**22,217,143,856**	**22,217,143,856**

42 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILTIES (CONTINUED)

The following table provides a reconciliation between line items in the Statement of Financial Position and categories of Financial Instruments.

As at 31 December 2020	Note	FVOCI	Amortised Cost	Total carrying amount
Foreign currency financial assets				
Cash and balances with banks	6	-	14,002,429,348	14,002,429,348
IMF related assets	7	-	512,691,508	512,691,508
Investments in securities	8	1,614,424,804	32,422,636	1,646,847,440
Subscriptions to international agencies	9	-	833,681	833,681
Other receivables	10	-	31,316,161	31,316,161
Total foreign currency financial assets		**1,614,424,804**	**14,579,693,334**	**16,194,118,138**
Local currency financial assets				
Cash and balances with banks	6	-	50,497,018	50,497,018
Subscriptions to international agencies	9	-	8,264,330	8,264,330
Investments in securities	8	-	69,388,486	69,388,486
Investment in Government treasury bonds	11	-	6,011,011,092	6,011,011,092
Advances to Government	12	-	3,296,840,840	3,296,840,840
Short term loans	13	-	263,166	263,166
Long term loans	14	-	38,225	38,225
Interest and other receivables	10	-	1,283,909	1,283,909
Total local currency financial assets		**-**	**9,437,587,066**	**9,437,587,066**
Total financial assets		**1,614,424,804**	**24,017,280,400**	**25,631,705,204**
Foreign currency financial liabilities				
Balances of commercial banks	20	-	5,621,645,231	5,621,645,231
Balances of Government and Government institutions	21	-	298,204,082	298,204,082
Payable to Asian Clearing Union	22	-	332,894,711	332,894,711
IMF related liabilities	23	-	534,636,709	534,636,709
Interest bearing loans	24	-	87,734,627	87,734,627
Deposits of international financial institutions	25	-	833,681	833,681
Other liabilities	26	-	6,198,726,924	6,198,726,924
Deferred grants	27	-	661,937	661,937
Total foreign currency financial liabilities		**-**	**13,075,337,902**	**13,075,337,902**
Local currency financial liabilities				
Balances of commercial banks	20	-	7,300,979,625	7,300,979,625
Balances of the Government and Government institutions	21	-	633,457,938	633,457,938
Currency in circulation	28	-	3,942,117,352	3,942,117,352
Balances of insurance and remittance companies	29	-	13,592,176	13,592,176
Deposits of international financial institutions	25	-	10,530,146	10,530,146
Deposit insurance fund	30	-	1,415,970	1,415,970
Other liabilities	26	-	259,958,171	259,958,171
Total local currency financial liabilities		**-**	**12,162,051,378**	**12,162,051,378**
Total financial liabilities		**-**	**25,237,389,280**	**25,237,389,280**

43 FINANCIAL RISK MANAGEMENT

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

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

The Authority's most significant risk exposures are considered to be in the areas of credit risk, country risk, operational risk, liquidity risk and market risk.

Financial risk is normally any risk associated with any form of financing. Risk is probability of unfavourable condition if actual returns are less than expected return. The principal risk for the Authority is credit risk.

The following section discusses the Authority's risk management policies. The measurement of ECL under IFRS 9 uses the information and approaches that Authority uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9. The approach taken for IFRS 9 measurement purposes is discussed separately in Note 43.1.1.

Risk Management is an integral part of the Authority's daily operations. The Authority closely monitors the possible impacts of the COVID-19 pandemic on the Authority's financial assets and liabilities. The Authority's existing measures were deemed fit to manage any possible financial risks during the year.

43.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the customers, clients or market counterparties fail to fulfill their contractual obligations to the Authority. Credit risk arises mainly from financial assets and financial guarantees.

For the management of credit risk related to foreign exposures, the Authority has established base criteria of exposure to counterparties and issuers of fixed income securities.

The evaluation and monitoring process of the eligible counterparties is based on the analysis and the rating determined by the principal rating agencies; Standard & Poor's, Moody's and Fitch. This process also includes reviewing performance of several other market indicators.

The Authority has established other qualitative and/or quantitative limits on the exposure level for the issuer/financial institution on an individual basis, category, or combined category and instrument basis.

The Authority does not actively manage credit risk for financial assets originated for the purposes of monetary policy operations. For these financial assets, which are mainly short term (3 months or less), the primary consideration is the need of monetary policy. Further, the principal policy of the Authority is to require high quality collateral and these assets are subject to management approval.

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.1 Credit risk (Continued)

43.1.1 Credit risk measurement

a) Foreign currency financial assets held abroad

Foreign currency financial assets that are held abroad includes deposits held in foreign banks, investments in fixed deposits, investments in fixed income securities and IMF related assets. As a general guideline, the Authority's investments are made within the investment grade. The Authority has a minimum eligible credit rating limit set in the investment guideline.

Credit risk and liquidity risk are closely linked to the investment strategy of the Authority whereby the Authority's investment strategy prioritises capital maintenance over return. The Authority reviews the counterparty's eligibility on a frequent basis for any material change in the financial standing.

b) Foreign currency financial assets held locally

Foreign currency financial assets that are held locally include cash and balances with banks and investment in securities with local counterparties. As at 31 December 2021, these financial assets include investment in Government treasury bills, and balances held with local banks, which are either sovereign guaranteed or an exposure with a related party.

c) Local currency financial assets

Local currency financial assets include cash and balances with banks, investment in Government securities and loans provided to staff. It also includes facilities such as Open Market Operation (OMO) and Overnight Lombard Facility (OLF) which require prior approval from the management. These facilities are fully collateralized with high grade Government securities.

d) Guarantees

Guarantees include financial guarantees the Authority has committed to as at 31 December 2021. As per IFRS 9, the Authority has assessed the credit risk of these financial guarantees.

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.1 Credit risk (Continued)

43.1.1 Credit risk measurement (Continued)

The following table sets out the gross carrying amount (principal plus accrued interest) of the financial assets that are exposed to credit risk as at 31 December 2021 and 31 December 2020.

	2021	2020
Foreign currency financial assets		
Cash and balances with banks	9,982,638,002	14,005,556,670
IMF related assets	497,533,458	512,691,508
Investment in securities		
at amortised cost	26,486,939	32,422,636
at FVOCI	2,414,856,576	1,614,424,804
Subscriptions to international agencies	832,599	833,681
Interest and other receivables	13,809,888	31,322,456
Local currency financial assets		
Cash and balances with banks	47,210,184	50,505,419
Subscriptions to international agencies	8,264,330	8,264,330
Investments in securities	62,079,999	69,390,467
Investment in Government treasury bonds	5,933,096,664	6,011,011,092
Advances to Government	3,689,886,157	3,296,840,840
Short term loans	1,362,264	263,166
Long term loans	49,006	38,225
Interest and other receivables	665,871	1,284,123
Total	**22,678,771,937**	**25,634,849,417**

43.1.2 Expected Credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial asset that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Authority.

- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial asset is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 43.1.2.1 for a description of how the Authority determines when a significant increase in credit risk has occurred.

- If the financial asset is credit-impaired, the financial asset is then moved to 'Stage 3'. Please refer to note 43.1.2.2 for a description of how the Authority defines credit-impaired and default.

- Financial assets in stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Financial assets in stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. For financial assets with a maturity of less than 12 months, the lifetime PD is the same as the 12-month PD. Please refer to note 43.1.2.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. note 43.1.2.4 includes an explanation of how the Authority has incorporated this in its ECL models.

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.1 Credit risk (Continued)

43.1.2 Expected Credit loss measurement (Continued)

- Purchased or Originated Credit-Impaired (POCI) financial assets are those financial assets that are credit- impaired on initial recognition. Their ECL is always measured on a lifetime basis (stage 3). The Authority currently has no such assets.

The following diagram summarises the impairment requirements under IFRS 9 for assets other than POCI financial assets:

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(initial recognition)	(Significant increase in credit risk since initial recognition)	(credit-impaired assets)
12-month expected credit loss	Lifetime expected credit losses	Lifetime expected credit losses

The key judgments and assumptions adopted by the Authority in addressing the requirements of the standard are discussed below:

43.1.2.1 Significant increase in credit risk (SICR)

The Authority considers reasonable and supportable information that is relevant and available, without undue cost or effort, when determining whether the risk of default on a financial assets has increased significantly since initial recognition. This includes both quantitative and qualitative information and analysis based on the Authority's historical experience and experts' credit assessments which include forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

All financial assets will be first classified in Stage 1 except for POCI financial assets. The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors.

The credit risk of a particular exposure in foreign currency financial assets held abroad is deemed to have increased significantly since initial recognition if:

- The credit rating from all three rating agencies declines below; BBB- for Standard & Poor's and its' equivalent for Moody's and Fitch; or

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.1 Credit risk (Continued)

43.1.2 Expected Credit loss measurement (Continued)

- The credit rating from one of the agencies goes to BB-; or
- There is a delay in the repayment of an obligation to the Authority by 30 calendar days or more.

The credit risk of a particular exposure in foreign and local currency financial assets held locally and financial guarantees are deemed to have increased significantly since initial recognition depending on the repayment period if:

- There is a delay in the repayment of an obligation to the Authority by 30 calendar days or more.

43.1.2.2 Definition of default and credit-impaired assets

Definition of default

The Authority considers an exposure as a default when a classification of a financial asset falls to stage 3. In the event of a default the financial asset would be considered as a provisional exposure where the asset would be individually assessed and impairment losses recognized.

Quantitative Criteria

To classify foreign currency financial assets held abroad in stage 3, there should be an even higher credit risk whereby the borrower is essentially in default and shall be assessed based on the following:

- The credit rating from all three rating agencies declines below; CCC- for Standard & Poor's and its' equivalent for Moody's and Fitch; or
- The credit rating from one of the agencies goes to D; or
- There is a delay in the repayment of an obligation to the Authority by 90 calendar days or more.

To classify foreign and local currency financial assets held locally and financial guarantees in stage 3, there should be a higher credit risk whereby the borrower is essentially in default and is assessed based on the following:

- There is a delay in the repayment of an obligation to the Authority by a counterparty by 90 calendar days or more.

Qualitative Criteria

The authority considers a financial asset as credit-impaired when any of the following instances are observed:

- Significant financial difficulty of the issuer or borrower;
- A breach of contract, such as a default or past-due event;
- The lenders for economic or contractual reasons relating to the borrower's financial difficulty granted the borrower a concession that would not otherwise be considered;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.1 Credit risk (Continued)

43.1.2 Expected Credit loss measurement (Continued)

43.1.2.3 Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12-month PD, or over the remaining lifetime PD of the obligation. As most of the Authority's financial assets has a maturity of less than 12 months, the lifetime and 12-month PDs are the same.
- EAD is based on the amounts the Authority expects to be owed at the time of default, over the next 12 months EAD or over the remaining lifetime EAD.
- LGD represents the Authority's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of EAD. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future year, or period to maturity if less, and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival. This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD, where applicable, is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans.

For assessing the risk of default, at initial recognition, the Authority assigns the rating from credit rating agencies for that particular counterparty. The Authority reviews the counterparty's credit ratings on a frequent basis.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by financial asset type.

- For secured financial assets, LGD is primarily based on collateral type and projected collateral values. Since the Authority requires a significant margin on the collateral provided for these assets such as repos, the LGD is taken as zero. For other secured financial assets such as staff loans the loss is assessed on an individual case basis.
- For unsecured financial assets, such as foreign securities, LGD's are based on Basel II approach or credit rating agency's research calculations.

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.1 Credit risk (Continued)

43.1.2 Expected Credit loss measurement (Continued)

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by financial asset type. Refer to Note 43.1.2.4 for an explanation of forward-looking information.

The assumptions underlying the ECL calculation are monitored and reviewed on an annual basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

43.1.2.4 Forward-looking information incorporated in the ECL models

The calculation of ECL incorporates forward-looking information. The Authority has performed historical analysis for key economic variables impacting credit risk and expected credit losses for each portfolio. However, the Authority generally does not have any experience of credit loss.

For the foreign currency assets held abroad, the Authority generally relies on the rating agency's default study, as forward looking information is already incorporated in the transition tables used.

As the Authority has responsibilities in relation to the Maldivian economy, including forecasts, the potential impact on the Authority's domestic assets are monitored. The Authority takes necessary measures to mitigate its own exposures from the policy operations.

For sovereign issuances in foreign currency, forward-looking economic variable are incorporated in the determination of the PD through respective rating in transition matrices published by external rating agencies.

For financial assets held locally, various other forward-looking considerations are incorporated such as the impact of any regulatory, legislative or political changes. This is reviewed and monitored for appropriateness on a regular basis.

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.1 Credit risk (Continued)

43.1.3 Credit risk exposures

a) Maximum exposure to credit risk - Financial assets subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Authority's maximum exposure to credit risk on these assets.

Foreign currency financial assets

	2021					2020
	ECL Staging					
At Amortised cost	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total	Total
Credit grade	12-month ECL	Lifetime ECL	Lifetime ECL			
Rated AAA	668,624,007	-	-	-	668,624,007	477,054,201
Rated AA- to AA+	29,100,018	-	-	-	29,100,018	2,805,985,643
Rated A- to A+	9,121,396,749	-	-	-	9,121,396,749	9,904,094,869
Rated B- to B+	457,078	-	-	-	457,078	53,584
PD Negligible	546,465,407	-	-	-	546,465,407	772,349,249
Floor Rate	155,257,627	-	-	-	155,257,627	623,289,405
Gross carrying amount	**10,521,300,886**	**-**	**-**	**-**	**10,521,300,886**	**14,582,826,951**
Loss allowance	(3,162,848)	-	-	-	(3,162,848)	(3,133,617)
Carrying amount	**10,518,138,038**	**-**	**-**	**-**	**10,518,138,038**	**14,579,693,334**
At FVOCI						
Rated AAA	140,910,517	-	-	-	140,910,517	343,450,940
Rated AA- to AA+	1,104,375,549	-	-	-	1,104,375,549	589,853,594
Rated A- to A+	1,107,649,153	-	-	-	1,107,649,153	681,120,270
Rated B- to B+	61,921,357	-	-	-	61,921,357	-
Floor Rate	-	-	-	-	-	-
Loss allowance	(411,946)	-	-	-	(411,946)	(202,435)
Total	**12,932,994,614**	**-**	**-**	**-**	**12,932,994,614**	**16,194,118,138**

Local currency financial assets

	2021					2020
	ECL Staging					
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total	Total
Credit grade	12-month ECL	Lifetime ECL	Lifetime ECL			
Floor Rate	62,783,807	-	-	-	62,783,807	63,697,294
Standard Monitoring	-	-	-	-	-	-
PD Negligible	9,679,830,668	-	-	-	9,679,830,668	9,373,900,368
Gross carrying amount	**9,742,614,475**	**-**	**-**	**-**	**9,742,614,475**	**9,437,597,662**
Loss allowance	(10,444)	-	-	-	(10,444)	(10,596)
Carrying amount	**9,742,604,031**	**-**	**-**	**-**	**9,742,604,031**	**9,437,587,066**

Guarantees

	2021					2020
	ECL Staging					
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total	Total
Credit grade	12-month ECL	Lifetime ECL	Lifetime ECL			
Financial guarantees	-	-	-	-	-	-
PD Negligible	-	-	-	-	-	-
Gross carrying amount	**-**	**-**	**-**	**-**	**-**	**-**
Loss allowance	(105,662)	-	-	-	(105,662)	(61,173)
Carrying amount	**-**	**-**	**-**	**-**	**-**	**-**

Information on how the Expected Credit Loss (ECL) is measured and how the three stages above are determined is included in note 43.1.2 'Expected credit loss measurement'.

Notes to the Financial Statements

Year ended 31 December 2021

(all amounts in Maldivian Rufiyaa unless otherwise stated)

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.1 Credit risk (Continued)

43.1.4 Loss allowance

The following tables shows reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments. Explanation of these terms: 12-month ECL, lifetime ECL and credit-impaired are included in note 43.1.2.

Foreign currency financial assets

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
Cash and balances with banks					
Loss allowance as at 1 January 2020	2,773,008	-	-	-	2,773,008
Changes in PDs/LGDs/EADs	354,314	-	-	-	354,314
Loss allowance as at 31 December 2020	**3,127,322**	**-**	**-**	**-**	**3,127,322**
Loss allowance as at 1 January 2021	3,127,322	-	-	-	3,127,322
Changes in PDs/LGDs/EADs	32,427	-	-	-	32,427
Loss allowance as at 31 December 2021	**3,159,749**	**-**	**-**	**-**	**3,159,749**
Investment in securities at FVOCI					
Loss allowance as at 1 January 2020	110,369	-	-	-	110,369
Changes in PDs/LGDs/EADs	92,066	-	-	-	92,066
Loss allowance as at 31 December 2020	**202,435**	**-**	**-**	**-**	**202,435**
Loss allowance as at 1 January 2021	202,435	-	-	-	202,435
Changes in PDs/LGDs/EADs	209,511	-	-	-	209,511
Loss allowance as at 31 December 2021	**411,946**	**-**	**-**	**-**	**411,946**
Interest and other receivables					
Loss allowance as at 1 January 2020	12,399	-	-	-	12,399
Changes in PDs/LGDs/EADs	(6,104)	-	-	-	(6,104)
Loss allowance as at 31 December 2020	**6,295**	**-**	**-**	**-**	**6,295**
Loss allowance as at 1 January 2021	6,295	-	-	-	6,295
Changes in PDs/LGDs/EADs	(3,196)	-	-	-	(3,196)
Loss allowance as at 31 December 2021	**3,099**	**-**	**-**	**-**	**3,099**

Local currency financial assets

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
Cash and balances with banks					
Loss allowance as at 1 January 2020	7,909	-	-	-	7,909
Changes in PDs/LGDs/EADs	492	-	-	-	492
Loss allowance as at 31 December 2020	**8,401**	**-**	**-**	**-**	**8,401**
Loss allowance as at 1 January 2021	8,401	-	-	-	8,401
Changes in PDs/LGDs/EADs	(548)	-	-	-	(548)
Loss allowance as at 31 December 2021	**7,853**	**-**	**-**	**-**	**7,853**
Investment in securities					
Loss allowance as at 1 January 2020	1,878	-	-	-	1,878
Changes in PDs/LGDs/EADs	103	-	-	-	103
Loss allowance as at 31 December 2020	**1,981**	**-**	**-**	**-**	**1,981**
Loss allowance as at 1 January 2021	1,981	-	-	-	1,981
Changes in PDs/LGDs/EADs	499	-	-	-	499
Loss allowance as at 31 December 2021	**2,480**	**-**	**-**	**-**	**2,480**

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.1 Credit risk (Continued)

43.1.4 Loss allowance (Continued)

Local currency financial assets

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
Interest and other receivables					
Loss allowance as at 1 January 2020	114	-	-	-	114
Changes in PDs/LGDs/EADs	100	-	-	-	100
Loss allowance as at 31 December 2020	**214**	**-**	**-**	**-**	**214**
Loss allowance as at 1 January 2021	214	-	-	-	214
Changes in PDs/LGDs/EADs	(103)	-	-	-	(103)
Loss allowance as at 31 December 2021	**111**	**-**	**-**	**-**	**111**

Guarantees

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
Financial Guarantees					
Loss allowance as at 1 January 2020	61,836	-	-	-	61,836
Changes in PDs/LGDs/EADs	(663)	-	-	-	(663)
Loss allowance as at 31 December 2020	**61,173**	**-**	**-**	**-**	**61,173**
Loss allowance as at 1 January 2021	61,173	-	-	-	61,173
Changes in PDs/LGDs/EADs	44,489	-	-	-	44,489
Loss allowance as at 31 December 2021	**105,662**	**-**	**-**	**-**	**105,662**

Net Impairment loss on financial instruments

The following tables shows the expected credit loss on Authority's financial assets and guarantees. During the year 2021, no financial assets were impaired.

As at 31 December 2020	Stage 1 12-month	Stage 2 Lifetime	Stage 3 Lifetime	Purchased credit-impaired	Total
Loss allowance for the year	**440,308**	**-**	**-**	**-**	**440,308**

As at 31 December 2021	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
Loss allowance for the year	**283,079**	**-**	**-**	**-**	**283,079**

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.1 Credit risk (Continued)

43.1.5 Calculation of ECL

The Authority uses different methodologies for assessing the ECLs on its different portfolios.

Foreign currency financial assets held abroad

For the purposes of estimating the ECL on foreign currency financial assets held abroad, the Authority uses ratings published by the rating agencies. For the ECL calculation the PDs are based on one year transition rates published by the rating agency. The Authority assigns floor rate (a minimum PD) based on Basel II framework, for financial institutions, corporates and sovereign counterparties where the transition tables indicate a lower PD than the floor rate. The Authority applies practical expedient option due to high credit quality of its financial assets, whereby ECL is calculated only for 12 months. However, when necessary, lifetime PD would be computed using information provided by rating agencies for ECL.

Foreign currency and local currency financial assets held locally and financial guarantees

The Authority considers country rating while assigning a PD for financial assets backed by sovereign guarantees and financial assets issued by the Government.

The Authority does not consider that it has any credit exposure on its holdings of securities issued by the Government. Although a PD is assigned, LGD is deemed negligible for such assets. As it is required under IFRS 9, the Authority has looked at alternative scenarios on the Maldivian economy.

The Authority has used historical loss rate and market rates for non-performing loans as the basis for calculating PD for its exposures towards guarantees provided for affordable housing scheme during the year 2021.

43.1.6 Write off policy

The Authority would only write-off its financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

(i) ceasing enforcement activity and

(ii) where the Authority's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

43.1.7 Modification of financial assets

The contractual terms of a financial asset may be modified for a number of reasons, including changing market conditions, and other factors that are not related to a current or potential credit deterioration of the counterparty. An existing asset whose terms have been modified may be derecognised and the renegotiated asset recognised as a new one at fair value in accordance with the accounting policy set out in 4.1.1. When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.2 Country risk

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

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

	2021	2020
Maldives	9,915,111,925	10,084,043,585
Qatar	2,514,812,869	3,270,502,861
Netherlands	1,974,444,315	3,014,230,844
China	2,648,607,213	2,993,087,826
Singapore	60,650,569	2,862,020,364
Supranational financial institutions	726,454,049	825,172,976
Canada	291,873,671	580,296,052
United States of America	1,257,569,659	519,278,551
France	1,200,835,181	490,439,768
United Arab Emirates	1,328,063,026	202,818,875
South Korea	105,282,317	156,935,459
Saudi Arabia	386,402,030	118,192,119
Japan	97,091,932	65,236,285
Germany	63,781,847	64,695,082
Sweden	7,794,037	58,980,540
Kuwait	46,791,628	47,831,818
United Kingdom	30,661,475	18,507,361
Austria	-	15,826,442
Norway	-	12,341,547
Denmark	-	7,699,674
Australia	931,782	309,964
Expect credit losses	(3,173,292)	(3,144,212)
Total financial assets (except foreign cash in hand)	**22,653,986,233**	**25,405,303,781**

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.3 Operational risk

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

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

43.4 Liquidity risk

Liquidity risk is the risk arising from the inability to sell a financial asset at close to its fair value at short notice due to inadequate market depth or market disruptions. To manage liquidity risk the majority of foreign reserves are invested in short term money market instruments in highly accredited financial institutions. Refer to interest rate risk (Note 43.6) for the undiscounted maturity period for financial assets and financial liabilities since the assets and liabilities do not have earlier repricing than their respective maturity.

43.5 Market risk

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

1. Currency risk is the risk of loss on foreign assets and liabilities arising from changes in foreign exchange rates.

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

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

43.6 Interest rate risk

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

a) Interest rate sensitivity

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

	2021	2020
Potential loss of interest income	4,262,283	2,638,037

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.6 Interest rate risk (Continued)

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

Foreign currency interest rate sensitivity gap	Weighted Ave. Int. Rate %	2021 Total	Less than 6 Months	6 to 12 Months	1 to 2 Years	2 to 5 Years	More than 5 Years	No fixed maturity
Interest sensitive foreign currency financial assets								
Cash and balances with banks	0.04%	674,353,746	674,353,746	-	-	-	-	-
IMF related assets	0.08%	40,877,857	40,877,857	-	-	-	-	-
Investments in securities	1.02%	2,414,856,576	407,803,098	108,331,371	565,558,005	1,333,164,102	-	-
Total interest sensitive foreign currency financial assets		**3,130,088,179**	**1,123,034,701**	**108,331,371**	**565,558,005**	**1,333,164,102**	**-**	**-**
Non-interest sensitive foreign currency financial assets								
Cash and balances with banks		9,305,124,507	9,305,124,507	-	-	-	-	-
IMF related assets		456,655,601	18,201	-	-	-	-	456,637,400
Investments in securities		26,486,939	17,657,959	8,828,980	-	-	-	-
Subscriptions to international agencies		832,599	-	-	-	-	-	832,599
Interest and other receivables		13,806,789	13,806,789	-	-	-	-	-
Total non-interest sensitive foreign currency financial assets		**9,802,906,435**	**9,336,607,456**	**8,828,980**	**-**	**-**	**-**	**457,469,999**
Total foreign currency financial assets		**12,932,994,614**	**10,459,642,157**	**117,160,351**	**565,558,005**	**1,333,164,102**	**-**	**457,469,999**
Interest sensitive foreign currency financial liabilities								
IMF related liabilities	0.08%	603,329,042	-	-	-	-	-	603,329,042
Payables to Asian Clearing Union	0.10%	528,831,180	528,831,180	-	-	-	-	-
Total interest sensitive foreign currency financial liabilities		**1,132,160,222**	**528,831,180**	**-**	**-**	**-**	**-**	**603,329,042**
Non-interest sensitive foreign currency financial liabilities								
Balances of commercial banks	0.01%	4,857,190,887	4,857,190,887	-	-	-	-	-
Balances of Government and Government institutions		261,971,286	261,971,286	-	-	-	-	-
Payable to Asian Clearing Union		48,153	48,153	-	-	-	-	-
IMF related liabilities		353,220,122	5,147,036	-	-	-	-	348,073,086
Interest bearing loans	0.82%	83,108,269	1,018,384	1,018,384	2,036,767	6,110,301	72,924,433	-
Deposits by international financial institutions		832,599	-	-	-	-	-	832,599
Other liabilities		403,733,871	388,665,839	-	-	-	-	15,068,032
Deferred grants		661,077	661,077	-	-	-	-	-
Total non-interest sensitive foreign currency financial liabilities		**5,960,766,264**	**5,514,702,662**	**1,018,384**	**2,036,767**	**6,110,301**	**72,924,433**	**363,973,717**
Total foreign currency financial liabilities		**7,092,926,486**	**6,043,533,842**	**1,018,384**	**2,036,767**	**6,110,301**	**72,924,433**	**967,302,759**
Foreign currency interest rate sensitivity gap		**1,997,927,957**	**594,203,521**	**108,331,371**	**565,558,005**	**1,333,164,102**	**-**	**(603,329,042)**

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.6 Interest rate risk (Continued)

Local currency interest rate sensitivity gap	Weighted Ave. Int. Rate %	2021 Total	Less than 6 Months	6 to 12 Months	1 to 2 Years	2 to 5 Years	More than 5 Years	No fixed maturity
Non-interest sensitive local currency financial assets								
Cash and balances with banks		47,202,331	47,202,331	-	-	-	-	-
Subscriptions to international agencies		8,264,330	-	-	-	-	-	8,264,330
Investments in securities		62,077,519	22,746,969	27,345,551	-	11,984,999	-	-
Advances to Government		5,933,096,664	40,245,893	39,559,187	81,741,610	256,913,897	5,514,636,077	-
Investment in Government treasury bonds	2.40%	3,689,886,157	3,689,886,157	-	-	-	-	-
Short term loans		1,362,264	748,749	613,515	-	-	-	-
Long term loans		49,006	4,224	4,619	10,572	25,137	4,454	-
Interest and other receivables		665,760	665,760	-	-	-	-	-
Total non-interest sensitive local currency financial assets		**9,742,604,031**	**3,801,500,083**	**67,522,872**	**81,752,182**	**268,924,033**	**5,514,640,531**	**8,264,330**
Total local currency financial assets		**9,742,604,031**	**3,801,500,083**	**67,522,872**	**81,752,182**	**268,924,033**	**5,514,640,531**	**8,264,330**
Non-interest sensitive local currency financial liabilities								
Balances of commercial banks	1.31%	9,972,263,248	9,972,263,248	-	-	-	-	-
Balances of Government and Government institutions		1,222,181,401	1,222,181,401	-	-	-	-	-
Currency in circulation		3,790,680,806	-	-	-	-	-	3,790,680,806
Balances of insurance and remittance companies	1.00%	13,492,176	-	-	-	-	-	13,492,176
Deposits by international financial institutions		10,530,146	-	-	-	-	-	10,530,146
Deposit insurance fund		100,847	-	-	-	-	-	100,847
Other liabilities		114,968,746	5,426,231	167,077	376,102	1,359,670	1,644,338	105,995,328
Total non-interest sensitive local currency financial liabilities		**15,124,217,370**	**11,199,870,880**	**167,077**	**376,102**	**1,359,670**	**1,644,338**	**3,920,799,303**
Total local currency financial liabilities		**15,124,217,370**	**11,199,870,880**	**167,077**	**376,102**	**1,359,670**	**1,644,338**	**3,920,799,303**
Local currency interest rate sensitivity gap		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net liquidity gap		**458,454,789**	**(2,982,262,482)**	**183,497,762**	**644,897,318**	**1,594,618,164**	**5,440,071,760**	**(4,422,367,733)**

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

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.6 Interest rate risk (Continued)

Comparative figures as at 31 December 2020 were as follows:

Foreign currency interest rate sensitivity gap	Weighted Ave. int. rate %	2020 Total	Less than 6 Months	6 to 12 Months	1 to 2 Years	2 to 5 Years	More than 5 Years	No fixed maturity
Interest sensitive foreign currency financial assets								
Cash and balances with banks	-0.02%	477,880,824	477,880,824	-	-	-	-	-
IMF related assets	0.08%	42,140,820	42,140,820	-	-	-	-	-
Investments in securities	0.67%	1,614,424,804	151,237,110	147,747,964	536,199,285	779,240,445	-	-
Total interest sensitive foreign currency financial assets		**2,134,446,448**	**671,258,754**	**147,747,964**	**536,199,285**	**779,240,445**	**-**	**-**
Non-interest sensitive foreign currency financial assets								
Cash and balances with banks		13,524,548,524	13,416,707,649	107,840,875	-	-	-	-
IMF related assets		470,550,688	25,168	-	-	-	-	470,525,520
Investments in securities		32,422,636	27,998,678	4,423,958	-	-	-	-
Subscriptions to international agencies		833,681	-	-	-	-	-	833,681
Interest and other receivables		31,316,161	31,316,161	-	-	-	-	-
Total non-interest sensitive foreign currency financial assets		**14,059,671,690**	**13,476,047,656**	**112,264,833**	**-**	**-**	**-**	**471,359,201**
Total foreign currency financial assets		**16,194,118,138**	**14,147,306,410**	**260,012,797**	**536,199,285**	**779,240,445**	**-**	**471,359,201**
Interest sensitive foreign currency financial liabilities								
IMF related liabilities	0.08%	170,701,066	-	-	-	-	-	170,701,066
Payables to Asian Clearing Union	0.15%	332,856,000	332,856,000	-	-	-	-	-
Total interest sensitive foreign currency financial liabilities		**503,557,066**	**332,856,000**	**-**	**-**	**-**	**-**	**170,701,066**
Non-interest sensitive foreign currency financial liabilities								
Balances of commercial banks	0.01%	5,621,645,231	5,621,645,231	-	-	-	-	-
Balances of Government and Government institutions		298,204,082	298,204,082	-	-	-	-	-
Payable to Asian Clearing Union		38,711	38,711	-	-	-	-	-
IMF related liabilities		363,935,643	5,276,300	-	-	-	-	358,659,343
Interest bearing loans	0.82%	87,734,627	1,049,357	1,049,357	2,098,713	6,296,139	77,241,061	-
Deposits by international financial institutions		833,681	-	-	-	-	-	833,681
Other liabilities		6,198,726,924	6,183,639,310	-	-	-	-	15,087,614
Deferred grants		661,937	661,937	-	-	-	-	-
Total non-interest sensitive foreign currency financial liabilities		**12,571,780,836**	**12,110,514,928**	**1,049,357**	**2,098,713**	**6,296,139**	**77,241,061**	**374,580,638**
Total foreign currency financial liabilities		**13,075,337,902**	**12,443,370,928**	**1,049,357**	**2,098,713**	**6,296,139**	**77,241,061**	**545,281,704**
Foreign currency interest rate sensitivity gap		**1,630,889,382**	**338,402,754**	**147,747,964**	**536,199,285**	**779,240,445**	**-**	**(170,701,066)**

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.6 Interest rate risk (Continued)

Local currency interest rate sensitivity gap	Weighted Ave. int. rate %	2020 Total	Less than 6 Months	6 to 12 Months	1 to 2 Years	2 to 5 Years	More than 5 Years	No fixed maturity
Non-interest sensitive local currency financial assets								
Cash and balances with banks		50,497,018	50,497,018	-	-	-	-	-
Subscriptions to international agencies		8,264,330	-	-	-	-	-	8,264,330
Investments in securities		69,388,486	45,292,829	21,173,390	2,922,267	-	-	-
Investment in Government treasury bonds	2.40%	6,011,011,092	39,313,996	38,600,432	79,805,080	250,827,383	5,602,464,201	-
Advances to Government		3,296,840,840	3,296,840,840	-	-	-	-	-
Short term loans		263,166	248,114	15,052	-	-	-	-
Long term loans		38,225	2,865	3,133	7,172	25,055	-	-
Interest and other receivables		1,283,909	1,283,909	-	-	-	-	-
Total non-interest sensitive local currency financial assets		**9,437,587,066**	**3,433,479,571**	**59,792,007**	**82,734,519**	**250,852,438**	**5,602,464,201**	**8,264,330**
Total local currency financial assets		**9,437,587,066**	**3,433,479,571**	**59,792,007**	**82,734,519**	**250,852,438**	**5,602,464,201**	**8,264,330**
Non-interest sensitive local currency financial liabilities								
Balances of commercial banks	1.32%	7,300,979,625	7,300,979,625	-	-	-	-	-
Balances of Government and Government institutions		633,457,938	633,457,938	-	-	-	-	-
Currency in circulation		3,942,117,352	-	-	-	-	-	3,942,117,352
Balances of insurance and remittance companies	1.00%	13,592,176	-	-	-	-	-	13,592,176
Deposits by international financial institutions		10,530,146	-	-	-	-	-	10,530,146
Deposit insurance fund		1,415,970	-	-	-	-	-	1,415,970
Other liabilities		259,958,171	149,896,185	143,845	327,680	1,735,771	1,644,339	106,210,351
Total non-interest sensitive local currency financial liabilities		**12,162,051,378**	**8,084,333,748**	**143,845**	**327,680**	**1,735,771**	**1,644,339**	**4,073,865,995**
Total local currency financial liabilities		**12,162,051,378**	**8,084,333,748**	**143,845**	**327,680**	**1,735,771**	**1,644,339**	**4,073,865,995**
Local currency interest rate sensitivity gap		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net liquidity gap		**394,315,924**	**(2,946,918,695)**	**318,611,602**	**616,507,411**	**1,022,060,973**	**5,523,578,801**	**(4,139,524,168)**

43.7 Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk–free rates (RFR) (referred to as 'IBOR reform'), effective from 1 January 2021. However, there are financial instruments that contractually reference an IBOR benchmark planned to transition to an RFR, and have a contractual maturity date beyond the planned IBOR cessation date. Authority holds two such securities with a total value of MVR 23,275,220

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.8 Foreign currency risk

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

a) **Net exposure to foreign currencies**

As at 31 December 2021, the Authority's net exposure to major currencies was as follows:

	Currency of denomination							
As at 31 December 2021	US Dollar	Euro	Singapore Dollar	Pound Sterling	Special Drawing Rights	Australian Dollar	Japanese Yen	Total
Foreign currency financial assets								
Cash and balances with banks	9,922,385,158	16,027,767	558,333	23,166,783	-	931,719	16,408,493	9,979,478,253
IMF related assets	-	-	-	-	497,533,458	-	-	497,533,458
Investments in Securities	2,441,343,515	-	-	-	-	-	-	2,441,343,515
Subscriptions to international agencies	832,599	-	-	-	-	-	-	832,599
Interest and other receivables	13,806,789	-	-	-	-	-	-	13,806,789
Total foreign currency financial assets	**12,378,368,061**	**16,027,767**	**558,333**	**23,166,783**	**497,533,458**	**931,719**	**16,408,493**	**12,932,994,614**
Proportion	**95.71%**	**0.12%**	**0.00%**	**0.18%**	**3.85%**	**0.01%**	**0.13%**	**100%**
Foreign currency financial liabilities								
Balances of commercial banks	4,857,190,887	-	-	-	-	-	-	4,857,190,887
Balances of Government and Government institutions	261,971,286	-	-	-	-	-	-	261,971,286
Payable to Asian Clearing Union	528,879,333	-	-	-	-	-	-	528,879,333
IMF related liabilities	-	-	-	-	956,549,164	-	-	956,549,164
Interest bearing loans	-	-	-	-	83,108,269	-	-	83,108,269
Deposits of international financial institutions	832,599	-	-	-	-	-	-	832,599
Other liabilities	398,933,966	4,778,580	-	15,142	-	6,183	-	403,733,871
Deferred grants	661,077	-	-	-	-	-	-	661,077
Total foreign currency financial liabilities	**6,048,469,148**	**4,778,580**	**-**	**15,142**	**1,039,657,433**	**6,183**	**-**	**7,092,926,486**
Proportion	**85.27%**	**0.07%**	**0.00%**	**0.00%**	**14.66%**	**0.00%**	**0.00%**	**100%**
Net foreign currency exposure	**6,329,898,913**	**11,249,187**	**558,333**	**23,151,641**	**(542,123,975)**	**925,536**	**16,408,493**	**5,840,068,128**

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.8 Foreign currency risk (Continued)

a) Net exposure to foreign currencies (Continued)

As at 31 December 2020, the Authority's net exposure to major currencies was as follows:

	Currency of Denomination							
As at 31 December 2020	US Dollar	Euro	Singapore Dollar	Pound Sterling	Special Drawing Rights	Australian Dollar	Japanese Yen	Total
Foreign currency financial assets								
Cash and balances with banks	13,957,428,735	17,874,205	1,136,987	7,409,723	-	309,943	18,269,755	14,002,429,348
IMF related assets	-	-	-	-	512,691,508	-	-	512,691,508
Investments in Securities	1,646,847,440	-	-	-	-	-	-	1,646,847,440
Subscriptions to international agencies	833,681	-	-	-	-	-	-	833,681
Receivable from Asian Clearing Union	-	-	-	-	-	-	-	-
Interest and other receivables	31,316,161	-	-	-	-	-	-	31,316,161
Total foreign currency financial assets	**15,636,426,017**	**17,874,205**	**1,136,987**	**7,409,723**	**512,691,508**	**309,943**	**18,269,755**	**16,194,118,138**
Proportion	**96.56%**	**0.11%**	**0.01%**	**0.05%**	**3.17%**	**0.00%**	**0.11%**	**100%**
Foreign currency financial liabilities								
Balances of commercial banks	5,621,645,231	-	-	-	-	-	-	5,621,645,231
Balances of Government and Government institutions	298,204,082	-	-	-	-	-	-	298,204,082
Payable to Asian Clearing Union	332,894,711	-	-	-	-	-	-	332,894,711
IMF related liabilities	-	-	-	-	534,636,709	-	-	534,636,709
Interest bearing loans	-	-	-	-	87,734,627	-	-	87,734,627
Deposits of international financial institutions	833,681	-	-	-	-	-	-	833,681
Other liabilities	6,197,990,257	724,452	-	4,784	-	7,431	-	6,198,726,924
Deferred grants	661,937	-	-	-	-	-	-	661,937
Total foreign currency financial liabilities	**12,452,229,899**	**724,452**	**-**	**4,784**	**622,371,336**	**7,431**	**-**	**13,075,337,902**
Proportion	**95.23%**	**0.01%**	**0.00%**	**0.00%**	**4.76%**	**0.00%**	**0.00%**	**100%**
Net foreign currency exposure	**3,184,196,118**	**17,149,753**	**1,136,987**	**7,404,939**	**(109,679,828)**	**302,512**	**18,269,755**	**3,118,780,236**

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.8 Foreign currency risk (Continued)

b) The following represents sensitivities of profit or loss and equity to reasonably possible appreciation and depreciation of foreign currencies by 10% at the end of the reporting period relative to the Rufiyaa, with all other variables held constant. The majority of the Authority's foreign currency transactions are carried out in USD and the exchange rate of Maldivian Rufiyaa against USD is permitted to fluctuate within a ±20% band of MVR 12.85 per USD. This band took effect from 11 April 2011 and was made in accordance with the Chapter 3, Section 13 of MMA Act prior to the fourth amendment. Therefore, the Authority is not exposed to major depreciation in the value of rufiyaa resulting under this methodology.

	2021	2020
Changes in profit/equity due to appreciation in the value of the Rufiyaa	(584,013,652)	(311,916,015)
Changes in profit/equity due to depreciation in the value of the Rufiyaa	584,013,652	311,916,015

44 Fair value of financial instruments

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

Recurring fair value measurements

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

	2021				2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets at fair value								
Foreign currency financial assets								
Investments at FVOCI	2,414,856,576	-	-	2,414,856,576	1,614,424,804	-	-	1,614,424,804

45 RELATED PARTIES TRANSACTION DISCLOSURES

45.1 Transactions with the Government and Government related entities

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

	2021	2020
Profit re-appropriation to the Government (Note 38)	20,000,000	169,074,162
Gross foreign exchange transactions during the year		
- Sales	12,232,475,922	12,830,118,781
- Purchases	16,380,926,307	8,833,228,248
Gross value of goods and services obtained	7,788,036	7,739,133

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

	2021	2020
Interest income earned from related parties (Note c)	146,736,388	149,972,543
Goods and Services Tax paid (Note d)	-	1,750
Finance charges paid	3,558,318	9,554,484
Interest expense on lease liability	210,190	223,552
Charges and commissions earned from related parties	14,542,297	13,689,311

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

	2021	2020
Investment in Government treasury bonds (Note 11)	5,933,096,664	6,011,011,092
Advances to Government (Note 12)	3,689,886,157	3,296,840,840
Investment in Government treasury bills (Note 8.1.1)	73,659,186	89,905,351
	9,696,642,007	**9,397,757,283**
Government deposits with the Authority (Note 21)	1,484,152,687	931,662,020
Security deposits held by insurance companies (Note 29)	4,000,000	4,100,000
Interest bearing loans (Note 24)	83,108,269	87,734,627
Investments on behalf of SDF Custodian Account (Note 46.2, 46.5)	407,092,379	516,970,738
Lease Liability (Note 26.5)	3,707,790	3,989,634
	1,982,061,125	**1,544,457,019**

d) The Authority registered to pay Goods and Services Tax (GST) to MIRA on 23 July 2015 and the Authority paid 6% GST to MIRA on the revenue earned from GST payable activities. On 12 January 2021, the Authority has de-registered for GST.

45 RELATED PARTIES TRANSACTION DISCLOSURES (CONTINUED)

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

e) The Authority performs the functions of implementing its monetary policy mainly through the monetary tools which are minimum reserve requirement, open market operations, foreign currency swap facility and standing facilities which are overnight deposit facility and overnight lombard facility. Further, the Authority acts as the banker to both commercial banks and Government institutions. The Government of Maldives as a related party has shareholding in Bank of Maldives Plc and Maldives Islamic Bank. The gross outstanding balances presented in Notes 6,8,21,33 and 34 is inclusive of transactions with related parties.

f) Empowered by the Section 22 (f) of the MMA Act, the Authority carries out the regulatory and supervisory functions of the banks licensed by the Authority. Bank of Maldives Plc and Maldives Islamic Bank in which the Government has a significant influence, falls under the supervision of the Authority.

g) The Authority carries out its regulatory and supervisory functions in respect of insurance and remittance companies in Maldives. Accordingly, Allied Insurance Company of the Maldives is a related entity under the supervision of the Authority (Refer Note 29).

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

i) The Authority, in carrying out the normal operations, enters into transactions to obtain various goods and services with Government entities or entities in which the Government has significant influence or control (Refer Note 45.1 (b)).

j) The Authority did not provide any guarantee over any of the borrowings of a related party during the year ending 31 December 2021.

45.2 Transactions with key managerial personnel (present and former)

Key managerial personnel of the Authority are the members of the Executive Committee and Board of Directors that includes Governor, Deputy Governor and other members of the Board. During 2021, a director was appointed to represent the Ministry of Economic Development. Particulars of transactions with key managerial personnel were as follows:

	2021	2020
Compensation to the key management personnel	4,819,110	5,260,150

46 CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND OFF-BALANCE SHEET ITEMS

46.1 Guarantees

In accordance with section 22 (r) of the ammended MMA Act, the Authority could borrow money or issue guarantees, inside or outside Maldives, on such terms and conditions as the Board may prescribe.

As at 31 December 2021 the Authority has given guarantees to the following schemes:

Credit Guarantee Scheme introduced by the Authority on 7 August 2016 (refer to note 26.4), a total value of MVR 45,353,434.63 was guaranteed as at 31 December 2021. The scheme has been terminated effective from 1 February 2021.

The Affordable Housing Scheme (AHS) regulation was published in the August 2017 and as per the AHS regulation, the scheme is to be operated for a period of three years. A fund of MVR 30 million was set up to guarantee the down payment or equity component of the loans under the scheme.As at December 2021, guarantee in lieu of equity/down payment was issued by the Authority to the amount of MVR 23,965,000 for loans approved under the phase one of AHS. As the tenor of the regulation lapsed in August 2020, the Scheme was discontinued as per the regulation.

46.2 Fiduciary activities

The Authority carries out fiduciary activities under the provisions of the MMA Act. Acting in such capacity results in holding or placing of funds on behalf of various parties. However, the Authority does not expect any liability to arise on account of such activities.

On behalf of the SDF custodian account, the Authority holds and manages its investments in both foreign and local currency. These investments are payable to the fund upon maturity with its return. As at the reporting date, the Authority holds investment value of On behalf of the SDF custodian account, the Authority holds and manages its investments in both foreign and local currency. These investments are payable to the fund upon maturity with its return. As at the reporting date, the Authority holds investment value of MVR 382,864,725 (2020: MVR 505,180,275) and profit/interest accrued of MVR 24,227,654 (2020: MVR 11,790,463).

46.3 Legal claims

There are no on-going legal proceedings against the Authority as of 31 December 2021.

46.4 Commitments

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

46.5 Off balance sheet items

46.5.1 Investments by Sovereign Development Fund (SDF) custodian account

As at the reporting date, investments made by the Sovereign Development Fund (SDF) custodian account under Ministry of Finance (refer to note 46.2) are carried off-balance sheet.

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

46.5 Off balance sheet items (Continued)

46.5.2 Other IMF related obligations - Rapid Credit Facility

The IMF provides Rapid Credit Facility (RCF) as a concessional financial assistance with limited conditionality to low-income countries (LICs) facing an urgent balance of payment need, including in times of crisis.

Under the RCF, the Government of Maldives received a disbursement of SDR 21.2 million (USD 28.9 million) on 24 April 2020, to help cover balance of payments and fiscal needs, stemming from the COVID-19 pandemic. The loan which carries a zero percent interest rate will mature on 24 April 2030 and the first repayment is due on 23 October 2025. The Authority undertakes it's responsbility as the fiscal agent in ensuring timely servicing of financial obligations to the IMF. As per the Memorandum of Understanding signed between the Authority and MOF, repayments and all costs related to the RCF disbursement, are the responsibility of MOF.

47 EVENTS OCCURRING SUBSEQUENT TO REPORTING DATE

47.1 Maintaining financial and monetary stability

Corresponding to the market volatility and uncertainty due to COVID-19, the Management has considered the key areas of the Authority's operations and financial statements, as well as policy actions taken which, subsequent to year end, are impacted by the pandemic. Operational impacts the Authority has put in place measures to enable it to continue functioning operationally, further details of these have been included in the Annual Report.

47.2 Financial impacts Financial assets and liabilities

IFRS 9 Financial Instruments: Recognition and Measurement outlines the requirements for the recognition and measurement of financial assets and liabilities. For financial instruments measured at fair value, the Authority has assessed the year end valuations to be appropriate as they reflect the market prices at that date as determined in an active market.

47.3 Expected credit loss

IFRS 9 Financial Instruments requires that in determining the Expected Credit Loss (ECL), estimates of forward-looking macroeconomic factors are incorporated about the future economy. A sensitivity analysis of the ECL provision calculation has been performed taking into account the Authority's current assessment of the possible impacts of COVID-19.

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

47.4 Investment in Government Bond

The authority has invested in a 40 year Treasury Bond at 2.4% Interest rate, on 23 February 2022. The total bond value is MVR 2.5 billion, maturing in the year 2061.

Statistical Appendix

Table 1: Gross Domestic Product, 2017-2021 [1/]

(millions of rufiyaa at constant prices)

	2017	2018	2019	2020	2021
Gross domestic product (at market prices)	**66,701.1**	**72,119.3**	**77,083.8**	**51,260.8**	**67,484.1**
Gross domestic product (at basic prices)	**59,991.2**	**64,846.0**	**69,309.1**	**47,609.1**	**na**
o/w Agriculture	817.1	835.3	854.9	839.2	na
Fisheries	2,484.9	2,624.5	2,342.7	2,581.1	na
Manufacturing	1,480.8	1,650.2	1,686.1	1,335.2	na
Electricity and water	1,223.7	1,264.1	1,395.1	1,395.6	na
Construction	4,251.8	5,122.2	5,111.0	3,381.7	na
Wholesale and retail trade	5,705.8	6,119.9	6,126.1	3,840.1	na
Tourism	16,322.1	17,901.4	20,271.0	7,597.1	na
Transportation	3,934.5	4,028.7	4,327.0	2,301.3	na
Postal and telecommunication	2,697.6	2,777.2	3,042.4	2,489.9	na
Real estate	4,495.1	4,754.1	4,957.2	5,145.7	na
Public administration	5,554.3	5,854.2	6,507.5	6,565.2	na
			Annual percentage change		
Gross domestic product (at market prices)	**7.2**	**8.1**	**6.9**	**(33.5)**	**31.6**
o/w Agriculture	0.7	2.2	2.3	(1.8)	na
Fisheries	11.0	5.6	(10.7)	10.2	na
Manufacturing	13.0	11.4	2.2	(20.8)	na
Electricity and water	9.4	3.3	10.4	0.0	na
Construction	14.1	20.5	(0.2)	(33.8)	na
Wholesale and retail trade	2.1	7.3	0.1	(37.3)	na
Tourism	10.3	9.7	13.2	(62.5)	na
Transportation	(1.3)	2.4	7.4	(46.8)	na
Postal and telecommunication	4.6	3.0	9.6	(18.2)	na
Real estate	0.5	5.8	4.3	3.8	na
Public administration	12.4	5.4	11.2	0.9	na
Memorandum items					
Real GDP (market price, in millions of US dollars)	4,325.6	4,677.0	4,999.0	3,324.3	4,376.4
Nominal GDP (market prices, in millions of rufiyaa)	73,152.5	81,586.1	86,258.6	57,568.7	77,013.2
Nominal GDP (market prices, in millions of US dollars)	4,744.0	5,290.9	5,593.9	3,733.4	4,994.4
Real GDP per capita (in rufiyaa)	135,684.8	140,847.7	144,367.6	91,959.8	118,734.4
Real GDP per capita (in US dollars)	8,799.3	9,134.1	9,362.4	5,963.7	7,700.0
Nominal GDP per capita (in US dollars)	9,650.3	10,333.1	10,476.7	6,697.5	8,787.3
Total mid-year population [2/]	491,589	512,038	533,941	557,426	568,362

Source: Maldives Bureau of Statistics; Ministry of Finance; Maldives Monetary Authority

[1/] GDP base year is 2014 and the data broadly complies with the guidelines of the System of National Accounts 2008. Figures for 2021 are projections available as at 31 October 2021, forecasted by the Maldives Monetary Authority and the Ministry of Finance.

[2/] This represents projected mid-year population of Maldives published by the Maldives Bureau of Statistics. Figures include local and expatriate population.

Table 2: Tourism Indicators, 2017-2021

	2017	2018	2019	2020	2021
Tourist arrivals	**1,389,542**	**1,484,274**	**1,702,887**	**555,494**	**1,321,937**
o/w Europe	646,363	726,420	833,939	348,349	772,460
o/w Germany	112,109	117,532	131,561	36,435	95,358
United Kingdom	103,977	114,602	126,199	52,720	62,777
Russia	61,931	70,935	83,369	61,387	222,422
Asia	586,791	580,928	661,000	134,279	336,546
o/w China	306,530	283,116	284,029	34,245	2,238
India	83,019	90,474	166,030	62,960	291,787
Japan	41,133	42,304	44,251	8,479	937
South Korea	34,808	34,400	37,073	5,895	6,849
Americas	61,972	68,764	84,794	32,060	88,910
o/w USA	39,180	42,901	54,474	19,759	55,760
Tourist bednights ('000)	8,596	9,478	10,689	3,985	10,073
Average stay (days) [1/]	6.2	6.4	6.3	7.2	8.8
Operational capacity (beds in operation)	38,592	41,887	47,274	27,745	48,960
Bednight capacity ('000)	14,089	15,291	17,260	10,146	17,877
Occupancy rate (percentage)	61	62	62	26	56
Total number of arrival flights [2/]	11,586	11,935	13,781	5,896	12,887
Scheduled flights [3/]	10,618	11,112	12,800	4,795	10,382
General flights [4/]	968	823	981	1,101	2,505
Travel receipts [5/] (millions of US dollars)	2,743.7	3,028.1	3,157.1	1,397.9	3,473.1

Source: Ministry of Tourism; Maldives Monetary Authority; Maldives Airports Company Limited

[1/] From April 2020 to June 2020, average stay and tourist bednights is based on the estimated number of tourists in the Maldives during the months April, May and June 2020 as due to the COVID-19 pandemic, some tourists in the Maldives were unable to travel back to their home country. Furthermore, from August 2020 average stay is based on a new data source available from Maldives Immigration portal.

[2/] This data refers to flight movements at Velana International Airport.

[3/] From April 2020 onward, data for scheduled flights include cargo flights.

[4/] This data refers to chartered flights and private flights.

[5/] Estimates made by Maldives Monetary Authority for the travel component of the balance of payments statistics. This refers to data available as at 17 April 2022.

Table 3: Fish Production and Volume of Fish Exports, 2017-2021

(quantity in metric ton)

	2017	2018	2019	2020	2021
Fish catch	**143,160.0**	**151,024.3**	**135,068.9**	**148,583.0**	**na**
Fish purchases	**76,620.7**	**78,886.1**	**81,199.9**	**79,341.0**	**82,664.2**
Volume of fish exports	**72,000.4**	**65,813.9**	**56,421.9**	**67,779.1**	**76,890.8**
Fresh, chilled or frozen tuna	63,338.6	53,758.9	46,000.5	57,410.9	66,476.4
o/w Skipjack tuna	41,059.0	37,864.4	27,340.7	42,001.2	49,848.4
Yellowfin tuna	21,578.2	15,280.6	18,381.7	15,395.9	16,440.0
Fresh, chilled or frozen fish (excluding tuna)	1,865.7	2,025.5	1,273.3	829.5	777.7
Canned or pouched	4,800.1	8,451.6	7,235.7	7,148.7	7,861.2
Other processed fish	1,996.0	1,578.0	1,912.5	2,389.9	1,775.6

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

Table 4: Consumer Price Index - National, 2017-2021

(August 2019 = 100)

	Weight	2017	2018	2019	2020	2021
Total index	**100.0**	**99.6**	**99.5**	**99.7**	**98.3**	**98.9**
Food and non-alcoholic beverages	22.0	101.7	100.6	99.8	102.5	104.3
o/w Food	19.5	101.8	100.6	99.7	102.7	104.6
o/w Fish	4.1	99.8	101.5	98.7	101.2	100.3
Alcoholic beverages, tobacco and narcotics	1.8	93.3	101.2	100.2	112.7	135.9
Clothing and footwear	4.3	104.9	102.7	100.0	98.0	98.8
Housing, water, electricity, gas and other fuel	23.4	97.6	97.4	99.5	94.9	95.7
Furnishing, household equipment, carpets and other floor coverings	6.7	101.9	100.6	100.0	99.5	99.2
Health	6.6	97.3	97.8	99.7	100.2	100.1
Transport	8.1	97.9	98.9	99.2	98.1	100.9
Information and communication	10.1	99.6	100.3	100.3	90.5	82.6
Recreation, sport and culture	2.5	104.2	102.6	100.4	100.2	102.2
Education services	3.9	97.7	100.0	100.0	99.9	100.3
Restaurants and accomodation services	4.9	93.4	95.3	99.2	100.1	100.5
Insurance and financial services	0.1	na	na	100.0	100.0	100.0
Personal care, social protection and miscellaneous goods and services	5.5	100.9	100.2	100.0	99.9	100.0
Total excluding fish	95.9	99.6	99.3	99.8	98.2	98.8
Total excluding food and non-alcoholic beverages	78.0	98.8	99.1	99.7	97.2	97.3

Inflation (annual percentage change of the CPI)

	2017	2018	2019	2020	2021
Total rate	**2.8**	**(0.1)**	**0.2**	**(1.4)**	**0.5**
Food and non-alcoholic beverages	5.6	(1.1)	(0.8)	2.7	1.8
o/w Food	5.9	(1.2)	(0.9)	3.0	1.8
o/w Fish	3.2	1.7	(2.8)	2.5	(0.8)
Alcoholic beverages, tobacco and narcotics	26.4	8.4	(0.9)	12.4	20.6
Clothing and footwear	(0.7)	(2.1)	(2.7)	(1.9)	0.8
Housing, water, electricity, gas and other fuel	1.3	(0.2)	2.2	(4.7)	0.9
Furnishing, household equipment, carpets and other floor coverings	1.1	(1.3)	(0.5)	(0.6)	(0.3)
Health	(0.2)	0.5	1.9	0.5	(0.0)
Transport	0.5	1.0	0.3	(1.1)	2.8
Information and communication	(0.1)	0.8	(0.1)	(9.8)	(8.7)
Recreation, sport and culture	(0.1)	(1.5)	(2.1)	(0.2)	2.0
Education services	4.2	2.3	0.0	(0.1)	0.4
Restaurants and accomodation services	2.0	2.1	4.0	1.0	0.4
Insurance and financial services	na	na	na	-	-
Personal care, social protection and miscellaneous goods and services	(0.2)	(0.7)	(0.3)	(0.1)	0.1
Total excluding fish	2.8	(0.3)	0.5	(1.6)	0.6
Total excluding food and non-alcoholic beverages	1.7	0.3	0.7	(2.6)	0.2

Source: Maldives Bureau of Statistics

Note: Data refers to the twelve-month average.

Table 5: Summary of Central Government Finance, 2017-2021 [1/]

(millions of rufiyaa)

	2017	2018	2019	2020	2021
Total revenue and grants	**20,258.7**	**21,651.3**	**23,231.8**	**15,577.1**	**21,228.7**
Total revenue	20,041.4	21,383.8	22,161.0	14,792.2	20,208.6
Tax revenue	14,742.4	15,803.0	16,530.5	10,951.0	14,673.0
Non-tax revenue	5,264.8	5,536.6	5,609.9	3,829.6	5,520.6
Capital receipts	34.2	44.2	20.6	11.6	14.9
Grants	343.8	373.4	1,154.9	970.1	1,031.6
Less: Subsidiary loan repayment	(126.5)	(106.0)	(84.1)	(185.1)	(11.5)
Total expenditure	**22,497.5**	**25,495.8**	**28,994.7**	**28,568.1**	**32,994.8**
Recurrent expenditure	14,951.4	17,984.8	21,372.0	20,184.4	23,950.5
Capital expenditure	7,546.2	7,511.0	7,622.8	8,383.7	9,044.3
Primary balance	**(1,141.9)**	**(2,404.2)**	**(4,222.1)**	**(11,387.2)**	**(9,662.6)**
Overall balance	**(2,238.9)**	**(3,844.6)**	**(5,762.9)**	**(12,991.0)**	**(11,766.1)**
Memorandum items					
Total public debt outstanding	47,199.4	60,288.5	67,985.9	86,538.3	94,096.8
Domestic debt	29,555.2	29,363.6	33,207.3	42,498.1	49,096.1
External debt	17,644.2	30,924.9	34,778.6	44,040.2	45,000.7
			As a percentage of GDP		
Total revenue	27	26	26	26	26
Tax revenue	20	19	19	19	19
Non-tax revenue	7	7	7	7	7
Capital receipts	0	0	0	0	0
Grants	0	0	1	2	1
Total expenditure	31	31	34	50	43
Recurrent expenditure	20	22	25	35	31
Capital expenditure	10	9	9	15	12
Overall balance	(3)	(5)	(7)	(23)	(15)
Total public debt outstanding	65	74	79	150	122
Domestic debt	40	36	38	74	64
External debt	24	38	40	77	58
Memorandum items:					
Nominal GDP [2/]	73,152.5	81,586.1	86,258.6	57,568.7	77,013.2

Source: Ministry of Finance; Maldives Bureau of Statistics; Maldives Monetary Authority

[1/] Format is based on Monthly Fiscal Developments published by Ministry of Finance.

[2/] Figures for 2021 are projections available as at 31 October 2021, forecasted by the Maldives Monetary Authority and the Ministry of Finance.

Table 6: Central Government Revenue and Grants, 2017-2021 [1/]

(millions of rufiyaa)

	2017	2018	2019	2020	2021
Total revenue and grants	**20,258.7**	**21,651.3**	**23,231.8**	**15,577.1**	**21,228.7**
Total revenue	20,041.4	21,383.8	22,161.0	14,792.2	20,208.6
Tax revenue	14,742.4	15,803.0	16,530.5	10,951.0	14,673.0
o/w Import duty	2,799.4	3,121.5	3,412.3	2,258.5	2,835.8
Business and property tax	3,423.4	3,314.1	3,544.2	3,654.5	2,748.8
General goods and services tax	2,683.0	2,902.8	2,844.9	2,085.6	2,484.3
Tourism goods and services tax	4,198.5	4,783.3	4,903.4	2,220.0	5,247.7
Green tax	696.2	810.5	850.6	350.9	802.1
Airport service charge	706.2	644.8	731.1	283.3	473.4
Non-tax revenue	5,264.8	5,536.6	5,609.9	3,829.6	5,520.6
o/w Fees and charges	1,080.2	1,476.6	1,737.6	986.7	1,376.0
o/w Airport development fee	317.1	659.3	733.7	285.9	483.0
Property income	2,223.6	2,034.7	1,875.4	797.6	2,253.3
o/w Rent from resorts	1,488.6	1,526.0	1,654.2	692.0	2,072.3
Interest, profit and dividends	906.9	973.2	933.1	1,172.8	512.5
Capital receipts	34.2	44.2	20.6	11.6	14.9
Grants	343.8	373.4	1,154.9	970.1	1,031.6
Less: Subsidiary loan repayment	(126.5)	(106.0)	(84.1)	(185.1)	(11.5)
			As a percentage of GDP		
Tax revenue	20	19	19	19	19
o/w Import duty	4	4	4	4	4
Business and property tax	5	4	4	6	4
General goods and services tax	4	4	3	4	3
Tourism goods and services tax	6	6	6	4	7
Non-tax revenue	7	7	7	7	7
o/w Fees and charges	1	2	2	2	2
Property income	3	2	2	1	3
o/w Rent from resorts	2	2	2	1	3

Source: Ministry of Finance

[1/] Format is based on Monthly Fiscal Developments published by Ministry of Finance.

Table 7: Central Government Expenditure, 2017-2021 [1/]

(millions of rufiyaa)

	2017	2018	2019	2020	2021
Total expenditure	**22,497.5**	**25,495.8**	**28,994.7**	**28,568.1**	**32,994.8**
Recurrent expenditure	14,951.4	17,984.8	21,372.0	20,184.4	23,950.5
Salaries, wages and pensions	8,433.8	9,190.8	9,835.0	9,758.2	10,324.6
Salaries and wages	3,996.6	4,282.2	4,642.9	4,373.7	4,624.3
Allowances to employees	2,975.2	3,405.7	3,651.3	3,821.1	4,050.4
Pensions, retirement benefits and gratuities	1,462.0	1,502.8	1,540.8	1,563.3	1,649.8
Administrative and operational expenses	6,473.9	8,677.2	10,046.7	10,240.0	13,396.0
o/w Travelling expenses	176.7	174.6	231.3	136.2	181.1
Administrative supplies and services	2,154.1	2,381.2	2,567.8	2,204.0	2,920.0
Training expenses	248.3	527.0	564.2	446.8	566.9
Financing and interest costs	1,096.9	1,440.3	1,540.8	1,603.9	2,103.5
Grants, contributions and subsidies	2,035.6	3,309.7	3,760.3	4,553.3	5,775.4
Aasandha	928.2	1,487.6	1,313.5	1,198.2	1,563.4
Subsidies	334.8	1,142.6	1,281.2	1,245.1	1,115.0
Council Grants	-	-		965.0	1,401.2
Grants and contributions	772.6	679.5	1,165.6	1,145.0	1,695.7
Losses and write-offs	43.7	116.8	1,490.3	186.2	229.8
Capital expenditure	7,546.2	7,511.0	7,622.8	8,383.7	9,044.3
Capital equipments	408.1	423.2	461.7	331.4	660.1
Infrastructure Assets	5,829.5	5,748.1	4,250.3	4,516.6	5,364.3
Development projects and investments outlays	602.5	565.7	1,585.6	2,505.7	2,812.2
Lendings	706.2	774.0	1,325.2	1,030.0	207.8
			As a percentage of GDP		
Recurrent expenditure	20	22	25	35	31
o/w Salaries and wages	5	5	5	8	6
Pensions, retirement benefits and gratuities	2	2	2	3	2
Grants, contributions and subsidies	3	4	4	8	7
Capital expenditure	10	9	9	15	12
o/w Infrastructure Assets	8	7	5	8	7

Source: Ministry of Finance

[1/] Format is based on Monthly Fiscal Developments published by Ministry of Finance.

Table 8: Claims on Central Government, 2017-2021

(millions of rufiyaa)

	2017	2018	2019	2020	2021
			Outstanding stock		
Total domestic claims on central government	**27,184.4**	**27,715.9**	**32,281.5**	**44,691.2**	**51,625.5**
Government securities	23,414.2	24,262.0	28,591.2	37,566.1	44,000.8
Treasury bonds [1/]	9,320.9	9,248.4	9,626.4	13,478.6	13,589.9
MMA	6,233.5	6,161.0	6,086.7	6,011.0	5,933.1
Commercial banks	-	-	201.1	4,099.8	4,289.0
Other financial corporations	3,087.4	3,087.4	3,338.7	3,367.8	3,367.8
Treasury bills and Islamic instruments [2/]	14,093.4	15,013.6	18,964.7	24,087.5	30,411.0
MMA	82.4	90.3	103.6	91.3	97.4
Commercial banks	8,694.4	9,605.5	11,954.4	14,350.1	18,381.7
Other financial corporations	4,744.6	5,017.1	6,372.8	9,253.6	10,939.2
State owned enterprises	250.2	201.0	434.3	288.3	875.6
Others	321.7	99.7	99.7	104.3	117.1
Loans and advances [1/]	3,770.2	3,453.9	3,690.3	7,125.1	7,624.7
MMA	16.3	-	-	3,296.8	3,689.9
Commercial banks	431.3	19.1	147.2	186.4	194.4
Other financial corporations [3/]	3,322.7	3,434.9	3,543.2	3,641.9	3,740.4
			Change		
Total domestic claims on central government	**737.8**	**531.5**	**4,565.6**	**12,409.7**	**6,934.3**
Government securities	184.0	847.7	4,329.2	8,975.0	6,434.7
Treasury bonds	546.3	(72.5)	378.0	3,852.2	111.3
MMA	(70.8)	(72.5)	(74.3)	(75.7)	(77.9)
Commercial banks	(57.8)	-	201.1	3,898.7	189.2
Other financial corporations	674.9	-	251.3	29.1	-
Treasury bills and Islamic instruments	(362.3)	920.2	3,951.2	5,122.8	6,323.4
MMA	14.3	7.9	13.2	(12.3)	6.1
Commercial banks	(1,460.5)	911.1	2,348.9	2,395.7	4,031.6
Other financial corporations	1,442.7	272.4	1,355.7	2,880.8	1,685.7
State owned enterprises	(271.7)	(49.2)	233.3	(146.0)	587.3
Others	(87.1)	(222.0)	-	4.6	12.8
Loans and advances	553.8	(316.2)	236.4	3,434.8	499.6
MMA	16.3	(16.3)	-	3,296.8	393.0
Commercial banks	396.3	(412.2)	128.1	39.2	8.0
Other financial corporations	141.2	112.2	108.3	98.7	98.5
Memorandum items:					
Exchange rate	15.41	15.41	15.38	15.41	15.39

Source: Maldives Monetary Authority; Ministry of Finance

[1/] Treasury bond data represents the purchase price and accrued interest receivable, loans and advances include accrued interest and accounts receivable.

[2/] Figures represent the face value of treasury bills and Islamic instruments.

[3/] This includes recognition bond.

Table 9: Central Bank Survey, 2017-2021

(millions of rufiyaa)

	2017	2018	2019	2020	2021
Net foreign assets	**8,622.0**	**9,065.4**	**11,009.9**	**8,497.0**	**11,265.4**
Claims on non-residents	9,059.9	10,983.4	11,597.9	15,186.9	12,410.5
Liabilities to non-residents	(437.8)	(1,918.0)	(588.0)	(6,689.9)	(1,145.1)
Net domestic assets	**2,061.2**	**2,465.4**	**96.3**	**3,751.7**	**1,163.7**
Domestic claims	5,999.1	6,052.2	3,077.8	8,974.1	7,880.5
Net claims on central government	4,518.5	5,275.1	3,000.1	8,277.8	7,650.5
o/w Claims on central government	6,331.2	6,250.0	6,188.8	9,397.8	9,696.6
Claims on other sectors	1,480.6	777.1	77.7	696.2	229.9
Other items (net)	(3,937.9)	(3,586.8)	(2,981.5)	(5,222.3)	(6,716.7)
Monetary base	**10,683.2**	**11,530.9**	**11,106.2**	**12,248.7**	**12,429.1**
Currency in circulation	3,496.3	3,669.0	3,599.7	3,942.1	3,790.7
Liabilities to other depository corporations	7,186.9	7,861.9	7,506.5	8,306.6	8,638.5
Liabilities to other sectors	-	-	-	-	-
			Annual percentage change		
Net foreign assets	64	5	21	(23)	33
Claims on non-residents	26	21	6	31	(18)
Liabilities to non-residents	(77)	338	(69)	1,038	(83)
Net claims on central government	(14)	17	(43)	176	(8)
Monetary base	19	8	(4)	10	1
o/w Currency in circulation	8	5	(2)	10	(4)
Liabilities to other depository corporations	25	9	(5)	11	4

Source: Maldives Monetary Authority

Table 10: Other Depository Corporations Survey, 2017-2021

(millions of rufiyaa)

	2017	2018	2019	2020	2021
Net foreign assets	**1,731.4**	**753.8**	**2,031.9**	**(1,879.1)**	**2,757.7**
Claims on non-residents	3,949.4	3,021.5	4,541.5	4,499.5	10,371.8
Liabilities to non-residents	(2,218.0)	(2,267.7)	(2,509.5)	(6,378.6)	(7,614.2)
Net domestic assets	**27,362.0**	**29,277.6**	**31,216.1**	**39,869.1**	**46,388.8**
Domestic claims	41,630.8	44,563.2	47,814.4	59,675.2	67,073.0
Claims on central bank	11,092.4	11,301.8	10,246.5	13,322.1	15,217.6
Net claims on central government	7,270.7	7,729.3	10,298.6	16,455.6	19,906.4
o/w Claims on central government	9,003.3	9,487.4	12,067.1	18,208.3	22,170.9
Claims on other sectors	23,267.7	25,532.1	27,269.4	29,897.5	31,949.0
Claims on other financial corporations	565.9	670.6	803.1	676.1	630.0
Claims on public non-financial corporations	1,988.7	1,797.4	1,691.1	2,063.6	2,970.6
Claims on private sector	20,713.1	23,064.1	24,775.2	27,157.8	28,348.4
Other items (net)	(14,268.8)	(15,285.7)	(16,598.3)	(19,806.1)	(20,684.2)
Transferable, other deposits and securities other than shares included in broad money	**29,093.4**	**30,031.3**	**33,248.0**	**37,990.0**	**49,146.5**
			Annual percentage change		
Net foreign assets	(34)	(56)	170	(192)	(247)
Claims on non-residents	(13)	(23)	50	(1)	131
Liabilities to non-residents	17	2	11	154	19
Net claims on central government	(10)	6	33	60	21
Claims on other sectors	14	10	7	10	7
Claims on other financial corporations	32	19	20	(16)	(7)
Claims on public non-financial corporations	39	(10)	(6)	22	44
Claims on private sector	11	11	7	10	4

Source: Maldives Monetary Authority

Table 11: Depository Corporations Survey, 2017-2021

(millions of rufiyaa)

	2017	2018	2019	2020	2021
Net foreign assets	**10,353.4**	**9,819.2**	**13,041.8**	**6,617.9**	**14,023.1**
Central bank	8,622.0	9,065.4	11,009.9	8,497.0	11,265.4
Other depository corporations	1,731.4	753.8	2,031.9	(1,879.1)	2,757.7
Net domestic assets	**21,652.4**	**23,269.1**	**23,199.6**	**34,767.0**	**38,392.1**
Domestic claims	36,484.7	39,251.5	40,582.5	54,641.2	59,518.8
Net claims on central government	11,789.2	13,004.5	13,298.7	24,733.4	27,556.9
Claims on other sectors	24,695.5	26,247.0	27,283.8	29,907.7	31,961.9
o/w Claims on private sector	20,723.4	23,084.4	24,789.6	27,168.0	28,361.3
Other items (net)	(14,832.3)	(15,982.4)	(17,382.8)	(19,874.1)	(21,126.7)
Broad money	**32,005.9**	**33,088.3**	**36,241.4**	**41,385.0**	**52,415.1**
Narrow money	14,469.7	14,579.4	14,556.9	19,002.6	22,380.6
Quasi money	17,536.2	18,508.9	21,684.5	22,382.4	30,034.5
			Annual percentage change		
Net foreign assets	32	(5)	33	(49)	112
Central bank	64	5	21	(23)	33
Other depository corporations	(34)	(56)	170	(192)	(247)
Domestic claims	1	8	3	35	9
Net claims on central government	(12)	10	2	86	11
Claims on other sectors	9	6	4	10	7
Broad money	5	3	10	14	27
Narrow money	7	1	(0)	31	18
Quasi money	3	6	17	3	34
Memorandum items:					
Dollarization ratio	48.7	48.8	52.9	45.7	46.6

Source: Maldives Monetary Authority

Table 12: Other Financial Corporations Survey, 2017-2021

(millions of rufiyaa)

	2017	2018	2019	2020	2021
Net foreign assets	**(17.8)**	**35.0**	**129.7**	**242.1**	**581.2**
Claims on nonresidents	282.3	367.3	437.1	525.3	886.1
Liabilities to nonresidents	(300.2)	(332.3)	(307.4)	(283.2)	(304.9)
Net domestic assets	**11,066.4**	**12,663.4**	**14,307.2**	**15,983.5**	**17,853.0**
Domestic claims	13,047.0	14,946.2	17,153.1	19,081.9	21,669.9
Claims on depository corporations	603.0	722.4	981.7	1,135.3	1,507.1
Net claims on central government	9,947.3	11,354.0	13,043.2	14,475.5	16,423.1
Claims on Central Government	9,977.7	11,392.4	13,081.7	14,507.9	16,447.3
Liabilities to Central Government	(30.3)	(38.5)	(38.5)	(32.4)	(24.2)
Claims on other sectors	2,496.7	2,869.9	3,128.2	3,471.0	3,739.6
Claims on Public Non-financial Corporations	98.4	137.8	138.2	170.8	160.8
Claims on Private Sector	2,398.2	2,732.0	2,989.9	3,300.2	3,578.9
Other items (net)	(1,980.6)	(2,282.8)	(2,845.9)	(3,098.4)	(3,816.9)
Insurance technical reserves	**11,048.6**	**12,698.5**	**14,436.9**	**16,225.6**	**18,434.2**
			Annual percentage change		
Net foreign assets	(75)	(296)	270	87	140
Net claims on central government	15	14	15	11	13

Source: Maldives Monetary Authority

Table 13: Financial Corporations Survey, 2017-2021

(millions of rufiyaa)

	2017	2018	2019	2020	2021
Net foreign assets	**10,335.6**	**9,854.2**	**13,171.5**	**6,860.0**	**14,604.3**
Central bank	8,622.0	9,065.4	11,009.9	8,497.0	11,265.4
Other depository corporations	1,731.4	753.8	2,031.9	(1,879.1)	2,757.7
Other financial corporations	(17.8)	35.0	129.7	242.1	581.2
Net domestic assets	**32,639.8**	**35,554.7**	**36,983.2**	**49,976.9**	**55,229.5**
Domestic claims	48,362.8	52,804.7	55,950.8	71,911.6	79,051.5
Net claims on central government	21,736.5	24,358.4	26,341.9	39,209.0	43,980.0
Claims on other sectors	26,626.3	28,446.3	29,608.9	32,702.6	35,071.5
o/w Claims on private sector	23,121.6	25,816.5	27,779.5	30,468.2	31,940.2
Other items (net)	(15,723.1)	(17,250.0)	(18,967.6)	(21,934.7)	(23,822.0)
Currency outside financial corporations	2,911.2	3,055.5	2,993.1	3,394.8	3,268.5
Deposits	29,022.4	29,663.6	32,736.6	37,227.9	48,142.1
Insurance technical reserves	11,041.7	12,689.8	14,425.0	16,214.3	18,423.1

Source: Maldives Monetary Authority

Table 14: Assets and Liabilities of the Maldives Monetary Authority, 2017-2021

(millions of rufiyaa)

	2017	2018	2019	2020	2021
Assets	**17,680.8**	**18,799.0**	**18,688.5**	**26,178.0**	**23,225.5**
Foreign assets	9,059.9	10,983.4	11,597.9	15,186.9	12,410.5
Claims on central government	6,331.2	6,250.0	6,188.8	9,397.8	9,696.6
Claims on other sectors	1,480.6	777.1	77.7	696.2	229.9
Other assets	358.1	351.7	347.9	363.9	353.2
Non-financial assets	451.0	436.8	476.2	533.2	535.3
Liabilities	**17,680.8**	**18,799.0**	**18,688.5**	**26,178.0**	**23,225.5**
Currency in circulation	3,496.3	3,669.0	3,599.7	3,942.1	3,790.7
Claims to central government	1,812.7	974.8	3,188.7	1,119.9	2,046.1
Claims to other depository corporations	7,186.9	7,861.9	7,506.5	8,306.6	8,638.5
Claims to other sectors	143.0	78.3	13.7	13.6	13.5
Other liabilities to other depository corporations	3,427.2	2,984.4	2,296.1	4,619.4	6,193.4
Foreign liabilities	437.8	1,918.0	588.0	6,689.9	1,145.1
Other liabilities	768.1	764.4	768.7	799.7	657.9
Shares and other equity	408.8	548.1	727.2	686.8	740.4
			Annual percentage change		
Foreign assets	26	21	6	31	(18)
Claims on central government	(1)	(1)	(1)	52	3
Currency in circulation	8	5	(2)	10	(4)
Claims to central government	66	(46)	227	(65)	83
Memorandum items:					
Monetary Operations (average investment)					
Overnight Deposit Facility	3,095.1	3,152.2	2,347.5	3,138.2	4,508.2

Source: Maldives Monetary Authority

Table 15: Assets and Liabilities of Other Depository Corporations, 2017-2021

(millions of rufiyaa)

	2017	2018	2019	2020	2021
Assets	**48,690.5**	**51,078.9**	**56,505.4**	**68,911.9**	**83,442.5**
Foreign assets	3,949.4	3,021.5	4,541.5	4,499.5	10,371.8
Cash	583.8	612.0	606.2	547.2	522.0
Deposits with central bank	10,508.6	10,689.8	9,640.2	12,774.9	14,695.6
Securities other than shares	9,092.1	9,910.3	12,276.2	18,289.8	22,151.6
Loans and advances	23,109.5	25,039.8	26,956.8	29,701.7	31,854.2
Shares and other equity	69.4	69.4	103.5	64.2	64.2
Other assets	479.6	759.3	975.7	1,315.4	1,918.9
Non-financial assets	898.1	976.9	1,405.2	1,719.2	1,864.2
Liabilities	**48,690.5**	**51,078.9**	**56,505.4**	**68,911.9**	**83,442.5**
Foreign liabilities	2,218.0	2,267.7	2,509.5	6,378.6	7,614.2
Deposits	29,093.4	30,031.3	33,248.0	37,990.0	49,146.5
Central government liabilities	1,732.7	1,758.1	1,768.5	1,752.6	2,264.6
Other liabilities	3,758.1	4,496.5	5,060.6	7,502.0	6,386.4
Shares and other equity	11,888.4	12,525.3	13,918.6	15,288.6	18,031.0
Memorandum items					
Transferable deposits	**23,520.7**	**23,862.7**	**25,851.2**	**29,944.8**	**38,723.7**
Local currency	11,557.1	11,522.4	11,563.5	15,607.7	19,112.0
Foreign currency	11,963.6	12,340.3	14,287.7	14,337.2	19,611.8
Other deposits	**5,572.7**	**6,168.6**	**7,396.9**	**8,045.2**	**10,422.7**
Local currency	1,935.6	2,349.0	2,526.1	3,449.2	5,610.2
Foreign currency	3,637.1	3,819.6	4,870.7	4,595.9	4,812.5

Source: Maldives Monetary Authority

Table 16: Assets and Liabilities of Other Financial Corporations, 2017-2021

(millions of rufiyaa)

	2017	2018	2019	2020	2021
Assets	**13,747.0**	**15,889.9**	**18,466.2**	**20,688.1**	**23,674.3**
Foreign assets	282.3	367.3	437.1	525.3	886.1
Cash	1.3	1.5	0.3	0.1	0.1
Deposits with central bank	12.0	12.0	12.0	12.0	12.0
Deposits with other depository corporations	567.3	686.5	843.5	994.0	1,363.6
Securities other than shares	6,792.1	8,177.7	9,987.4	11,278.0	13,265.5
Loans and advances	5,291.0	5,781.2	6,144.6	6,581.9	6,963.4
Shares and other equity	550.8	546.0	652.6	660.3	648.0
Other assets	130.5	186.3	237.5	440.3	329.9
Non-financial assets	119.8	131.6	151.0	196.2	205.6
Liabilities	**13,747.0**	**15,889.9**	**18,466.2**	**20,688.1**	**23,674.3**
Foreign liabilities	300.2	332.3	307.4	283.2	304.9
Deposits	70.4	83.7	89.5	81.2	79.4
Central government liabilities	30.3	38.5	38.5	32.4	24.2
Credit from other depository corporations	549.0	642.3	744.8	696.2	657.4
Securities other than shares	151.6	218.9	468.5	432.5	574.7
Loans	96.8	93.3	90.4	85.0	72.3
Insurance technical reserves	11,048.6	12,698.5	14,436.9	16,225.6	18,434.2
Other liabilities	423.5	575.2	707.4	820.1	1,042.4
Shares and other equity	1,076.6	1,207.3	1,582.7	2,031.8	2,484.8

Source: Maldives Monetary Authority

Table 17: Private Sector Loans and Advances by Other Depository Corporations (By Economic Group), 2017-2021

(millions of rufiyaa)

	2017	2018	2019	2020	2021
Total loans and advances	**20,949.2**	**22,793.7**	**24,499.5**	**26,669.2**	**27,985.9**
Agriculture	2.7	2.3	1.9	1.8	0.3
Fishing	501.8	466.3	434.3	343.7	294.8
Manufacturing	164.4	136.4	108.1	103.8	100.2
Construction	3,720.1	4,843.5	5,305.8	5,719.2	5,837.9
Real estate	1,638.2	1,697.3	1,842.4	2,041.3	1,973.0
Tourism	7,938.2	8,455.0	8,979.3	10,695.6	11,060.5
Commerce	3,212.9	3,140.1	3,098.2	2,940.7	3,072.4
Transport and communication	983.9	859.9	898.3	711.4	1,016.6
Electricity, gas, water and sanitary services	2.3	2.8	0.7	-	-
Other	2,784.9	3,190.2	3,830.5	4,111.8	4,629.9
			As a percentage of total		
Fishing	2	2	2	1	1
Construction	18	21	22	21	21
Tourism	38	37	37	40	40
Commerce	15	14	13	11	11
Transport and communication	5	4	4	3	4
			Annual percentage change		
Total loans and advances	13	9	7	9	5
o/w Fishing	(4)	(7)	(7)	(21)	(14)
Construction	11	30	10	8	2
Tourism	9	7	6	19	3
Commerce	1	(2)	(1)	(5)	4
Transport and communication	(8)	(13)	4	(21)	43

Source: Maldives Monetary Authority

Table 18: Interest Rates, 2017-2021

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

	2017	2018	2019	2020	2021
Maldives Monetary Authority					
Monetary Operations					
Standing Facilities					
Overnight Deposit Facility	1.50	1.50	1.50	1.50	1.50
Overnight Lombard Facility	10.00	10.00	10.00	10.00	10.00
Government					
Treasury bills					
28 days	3.50	3.50	3.50	3.50	3.50
91 days	3.87	3.87	3.87	3.87	3.87
182 days	4.23	4.23	4.23	4.23	4.23
364 days	4.60	4.60	4.60	4.60	4.60
Commercial banks					
Deposits					
Transferable deposits					
Local currency	1.45	1.45	1.48	1.51	1.49
Foreign currency	0.71	0.68	0.73	0.80	0.79
Savings deposits					
Local currency	1.48	1.50	1.50	1.49	1.49
Foreign currency	2.19	2.08	2.00	1.92	1.41
Time deposits (up to 3 months)					
Local currency	2.22	2.54	2.98	2.50	2.20
Foreign currency	2.22	2.94	2.66	2.27	3.28
Time deposits (3 to 6 months)					
Local currency	2.86	2.61	2.65	3.04	2.74
Foreign currency	2.70	2.77	3.11	3.18	2.81
Time deposits (2 to 3 years)					
Local currency	2.66	4.39	4.72	4.75	4.39
Foreign currency	1.75	1.75	1.75	1.75	1.75
Loans and advances					
Public non-financial corporations					
Local currency	9.98	9.21	9.83	8.74	8.58
Foreign currency	8.92	8.87	8.58	7.91	8.04
Private sector					
Local currency	9.82	11.47	11.59	11.55	11.38
Foreign currency	9.07	8.82	8.49	8.48	8.02
Other financial institutions					
Share prices					
MASIX index (period average)	175.11	167.75	189.22	197.32	194.94
MASIX index (end of period)	174.97	169.06	199.05	199.25	191.07

Source: Maldives Monetary Authority; Maldives Stock Exchange

Table 19: Financial Soundness Indicators, 2017-2021 [1/]

(In percent)

	2017	2018	2019	2020	2021
Capital adequacy					
Regulatory capital to risk-weighted assets	44.9	44.7	46.4	46.3	47.3
Regulatory tier 1 capital to risk-weighted assets	36.6	36.0	39.0	41.0	36.2
Non-performing loans net of provisions to capital	3.0	2.9	2.3	0.1	0.4
Asset quality					
Non-performing loans to total gross loans	9.7	8.9	9.4	8.2	6.7
Loan concentration by economic sectors [2/]	86.2	86.8	87.1	87.8	88.9
Provisions to non-performing loans	85.1	84.5	87.6	99.5	96.6
Earnings and profitability					
Return on assets (ROA)	5.0	5.7	4.6	2.5	6.1
Return on equity (ROE)	15.0	15.9	13.3	7.5	20.9
Interest margin to gross income	64.5	64.2	65.0	71.6	57.1
Non-interest expenses to gross income	30.9	30.5	31.8	31.8	27.1
Liquidity					
Liquid assets to total assets (Liquid asset ratio)	43.1	42.0	42.6	42.6	46.3
Liquid assets to short-term liabilities	66.9	66.5	68.2	69.7	71.8
Net open position in foreign exchange to capital	**8.9**	**9.1**	**6.4**	**(9.2)**	**6.2**

Source: Maldives Monetary Authority

[1/] This table is compiled based on information available as at 28 February 2022 in accordance with IMF's FSI Compilation Guide (2019), and some of the ratios are revised in line with the Guide (2019).

[2/] Refers to lending to the three largest economic sectors as a proportion total gross loans to nonfinancial corporations.

Table 20: Financial Access Survey, 2017-2021 [1/]

	2016	2017	2018	2019	2020
Commercial banks					
No. of institutions	8	8	8	8	8
No.of branches	37	44	46	51	52
No.of ATMs	96	117	131	149	165
No.of depositors	371,181	373,341	400,148	419,345	424,061
No.of deposit accounts	518,007	509,795	538,268	503,261	532,030
No.of borrowers	48,961	58,375	59,829	57,238	67,783
No.of loan accounts	54,173	64,013	66,673	70,632	80,955
Outstanding loans (millions of MVR)	19,419.3	22,039.6	24,248.7	25,955.0	28,781.1
Outstanding deposits (millions of MVR)	27,729.9	28,822.8	29,515.3	32,647.1	37,171.7
Other financial intermediaries					
No.of institutions	2	2	2	3	3
No.of customers	7,058	7,748	8,733	9,411	7,622
No. of customer accounts	7,557	8,329	9,598	10,440	8,014
No.of borrowers	7,058	7,748	8,733	9,411	7,622
No.of loan accounts	7,557	7,850	8,896	9,535	7,132
Insurance corporations					
No.of companies	5	5	5	5	5
No.of insurance policy holders	47,555	54,312	65,626	68,497	66,564
No.of insurance policies	109,875	117,644	149,636	182,068	139,309

Source: Maldives Monetary Authority

[1/] This table is compiled based on information available as at June 2019 in accordance with IMF's Financial Access Survey.

Note: Number of deposit accounts or number of loan accounts counted refers to total number of every single corporate, individual and / or joint account, whilst number of depositors or number of borrowers counted refers to total number of corporate, individual, joint account holders who are counted as one depositor or borrower irrespective of the number of accounts held by the holders.

Table 21: Key Indicators of General Insurance Business, 2017-2021 [1/]

(millions of rufiyaa)

	2017	2018	2019	2020	2021
Premium					
Gross written premium	767.3	883.2	945.9	914.0	1,097.3
Net written premium	282.9	325.5	324.1	284.4	378.9
Net earned premium	267.5	312.2	323.1	298.8	328.7
Claims					
Gross claims	240.1	238.2	283.1	267.6	433.1
Net claims incurred	147.3	128.7	128.0	113.2	149.9
Reinsurance					
Reinsurance business ceded	484.5	557.7	621.8	629.6	718.3
Reinsurance recoveries	101.9	132.7	138.3	178.2	354.4
Reinsurance commission	101.1	108.7	112.3	117.2	128.3
Ratio (%)					
Retention ratio	36.9	36.9	34.3	31.1	34.5
Insurance penetration [2/]	1.0	1.1	1.1	1.6	1.4
Net claim ratio	55.1	41.2	39.6	37.9	45.6
Net expense ratio	31.1	26.6	30.6	28.9	26.3
Net combined ratio	86.2	67.8	70.2	66.8	71.9
Insurance density (USD) [2/]	101.3	111.9	114.9	106.3	126.1
Profit	70.4	139.0	153.9	139.4	120.2

Source: Maldives Monetary Authority

[1/] Figures are from unaudited quarterly returns submitted to the MMA.

[2/] Figures for 2017 - 2020 are calculated from audited financial statements submitted to MMA.

Table 22: Insurance Premium and Claims by Class, 2017-2021 1/

(millions of rufiyaa)

	2017	2018	2019	2020	2021
Total gross written premium	**767.3**	**883.2**	**945.9**	**914.0**	**1,097.3**
Marine cargo	22.1	26.5	28.7	17.8	28.3
Marine hull	123.8	106.2	114.4	101.4	108.1
Fire	245.0	260.0	310.0	341.1	385.2
Health	191.9	226.2	232.2	185.7	239.7
Motor	26.4	28.1	29.9	26.3	27.9
Personal accident	5.7	9.4	8.0	8.0	8.4
Public liability	23.9	26.4	25.2	24.9	24.6
Engineering	22.5	33.0	11.4	12.2	23.4
Travel	2.0	2.2	2.1	1.4	1.8
Miscellaneous	104.0	165.3	183.9	195.3	249.8
Total gross claims	**240.1**	**238.2**	**283.1**	**267.6**	**433.1**
Marine cargo	2.6	6.4	3.1	5.2	4.5
Marine hull	71.8	97.0	58.0	58.6	55.7
Fire	35.7	20.0	76.2	62.1	252.7
Health	108.1	85.9	99.9	79.9	97.7
Motor	1.8	1.2	2.5	2.9	2.2
Personal accident	0.1	0.7	1.0	0.4	0.6
Public liability	0.8	4.0	5.1	3.0	0.4
Engineering	1.2	1.2	1.9	2.3	(0.0)
Travel	0.0	0.3	0.6	0.5	0.1
Miscellaneous	18.0	21.4	34.7	52.7	19.1

Source: Maldives Monetary Authority

1/ Figures are from unaudited quarterly returns submitted to the MMA.

Table 23: Assets and Liabilities of Insurance Corporations, 2017-2021

(millions of rufiyaa)

	2017	2018	2019	2020	2021
Assets	**1,148.4**	**1,440.1**	**1,607.4**	**1,880.6**	**2,319.5**
Foreign assets	281.9	366.8	436.6	524.8	885.7
o/w Prepaid premiums and outstanding claims: Nonresidents [1/]	209.0	247.0	255.5	332.9	439.6
Deposits with central bank	12.0	12.0	12.0	12.0	12.0
Deposits with ODC	174.2	227.2	208.6	223.5	258.3
Securities other than shares	181.7	232.1	255.7	311.2	339.9
Loans & advances	211.5	273.0	280.9	336.1	329.8
Shares & other equity	75.8	70.9	94.6	102.3	90.0
Other assets	108.2	144.8	188.5	221.7	247.9
Non-financial assets	103.2	113.3	130.4	148.9	155.9
Liabilities	**1,148.4**	**1,440.1**	**1,607.4**	**1,880.6**	**2,319.5**
Foreign liabilities	127.2	184.0	202.3	224.2	249.0
Central govt. liabilities	22.3	33.9	34.2	29.3	22.0
Insurance technical reserves	420.7	495.6	548.9	654.9	1,000.4
Other liabilities	214.4	286.9	313.6	374.1	416.0
Shares & other equity	363.7	439.7	508.4	598.1	632.0

Source: Maldives Monetary Authority

[1/] This includes reinsurance.

Table 24: Reserve Data Template, 2017-2021 [1/]

(millions of US dollars)

	2017	2018	2019	2020	2021
Official reserve assets	**587.3**	**712.2**	**753.5**	**984.9**	**805.8**
Foreign currency reserves	576.5	702.1	744.1	975.3	796.4
Securities	44.9	20.1	73.7	104.8	156.9
Currency and deposits	531.5	682.0	670.3	870.5	639.5
Other national central banks, BIS and IMF	73.7	111.7	57.6	48.5	47.1
Banks headquartered outside reporting country	457.8	570.3	612.7	822.0	592.4
IMF reserve position	6.8	6.7	6.6	6.9	6.7
SDRS	4.0	3.4	2.8	2.7	2.7
Other reserve assets	-	-	-	-	-
Other foreign currency assets	**94.2**	**47.3**	**2.5**	**42.5**	**11.7**
Securities not included in official reserve assets	94.2	47.3	2.5	2.1	1.7
Deposits not included in official reserve assets	0.0	0.0	0.0	40.4	10.0
Other	-	-	-	-	-
Predetermined short-term net drains	**(386.9)**	**(531.6)**	**(438.6)**	**(811.9)**	**(393.2)**
Loans, securities, and deposits	(363.6)	(515.6)	(410.6)	(788.7)	(332.7)
Forwards, futures, and swaps	-	-	-	-	-
Other [2/]	(23.2)	(16.0)	(28.0)	(23.1)	(60.5)

Source: Maldives Monetary Authority

[1/] This table includes reserve data compiled as per the International Reserves and Foreign Currency Liquidity data template guideline by IMF (2013). It includes only on-balance sheet items of Maldives Monetary Authority.

[2/] This includes net of repos, reverse repos, trade credit, accounts payable and accounts receivable.

Table 25: Balance of Payments, 2017-2021 [1/]

(millions of US dollars)

	2017	2018	2019	2020	2021
Current account balance	**(1,026.7)**	**(1,502.5)**	**(1,489.7)**	**(1,327.4)**	**(457.6)**
Balance on goods and services	(182.3)	(517.5)	(348.3)	(662.1)	449.2
Balance on goods	(1,908.1)	(2,424.9)	(2,392.4)	(1,450.7)	(2,106.6)
Export	318.3	339.2	360.7	257.6	285.4
Import	2,226.5	2,764.2	2,753.1	1,708.3	2,392.0
Balance on services	1,725.8	1,907.4	2,044.1	788.6	2,555.8
Export	3,000.7	3,245.1	3,381.4	1,528.9	3,665.1
Import	1,274.9	1,337.7	1,337.4	740.3	1,109.3
Balance on primary income	(375.6)	(492.4)	(559.8)	(305.8)	(483.5)
Balance on secondary income	(468.8)	(492.6)	(581.5)	(359.5)	(423.3)
Capital account balance [2/]	-	-	-	-	-
Financial account [3/] (excludes reserves and related items)	**(910.3)**	**(1,835.1)**	**(1,974.6)**	**(1,403.3)**	**(284.1)**
Direct investment	(457.8)	(575.7)	(961.0)	(440.7)	(443.5)
Portfolio investment	(479.4)	(103.4)	(771.8)	(68.6)	(307.0)
Other investment	26.9	(1,156.1)	(241.7)	(894.0)	466.4
Net errors and omissions	**236.5**	**(207.2)**	**(442.7)**	**155.3**	**(5.4)**
Overall balance	**120.1**	**125.4**	**42.2**	**231.2**	**(178.8)**
Reserve and related items	**120.1**	**125.4**	**42.2**	**231.2**	**(178.8)**
Memorandum items:					
Exports of goods and services	3,319.1	3,584.3	3,742.1	1,786.5	3,950.5
Current account as a percent of GDP	(22)	(28)	(27)	(36)	(9)
Gross International Reserves	587.3	712.2	753.5	984.9	805.8
Nominal GDP [4/]	4,744.0	5,290.9	5,593.9	3,733.4	4,994.4

Source: Maldives Monetary Authority; Maldives Bureau of Statistics; Ministry of Finance

[1/] This table is compiled based on information available as at 17 April 2022.

[2/] Capital grants are included in secondary income account from 2016 onwards since it could not be segregated from total grants.

[3/] Positive sign indicates net lending and negative sign indicates net borrowing.

[4/] Figures for 2021 are projections available as at 31 October 2021, forecasted by the Maldives Monetary Authority and the Ministry of Finance.

Table 26: Current and Capital Account of Balance of Payments, 2017-2021 [1/]

(millions of US dollars)

	2017	2018	2019	2020	2021
Current account balance	**(1,026.7)**	**(1,502.5)**	**(1,489.7)**	**(1,327.4)**	**(457.6)**
Balance on goods and services	(182.3)	(517.5)	(348.3)	(662.1)	449.2
Balance on goods	(1,908.1)	(2,424.9)	(2,392.4)	(1,450.7)	(2,106.6)
Export	318.3	339.2	360.7	257.6	285.4
Domestic exports	199.4	181.6	158.0	162.8	151.3
Re-exports	118.9	157.6	202.6	94.8	134.1
Import	2,226.5	2,764.2	2,753.1	1,708.3	2,392.0
Balance on services	1,725.8	1,907.4	2,044.1	788.6	2,555.8
Export	3,000.7	3,245.1	3,381.4	1,528.9	3,665.1
o/w Travel	2,743.7	3,028.1	3,157.1	1,397.9	3,473.1
Transportation	176.7	144.6	150.1	84.2	137.3
Import	1,274.9	1,337.7	1,337.4	740.3	1,109.3
o/w Travel	308.0	337.8	349.0	111.6	164.0
Transportation	338.2	404.1	382.6	211.3	343.8
Balance on primary income	(375.6)	(492.4)	(559.8)	(305.8)	(483.5)
o/w Debit: Investment income	389.2	511.0	580.4	320.1	495.6
Balance on secondary income	(468.8)	(492.6)	(581.5)	(359.5)	(423.3)
o/w Debit: Workers remittance	474.6	531.7	595.4	395.9	495.7
Capital account balance [2/]	-	-	-	-	-

Source: Maldives Monetary Authority

[1/] This table is compiled based on information available as at 17 April 2022.

[2/] Capital grants are included in secondary income account from 2016 onwards since it could not be segregated from total grants.

Table 27: Financial Account of Balance of Payments, 2017-2021 [1/]

(millions of US dollars)

	2017	2018	2019	2020	2021
Financial account [2/] (excludes reserves and related items)	**(910.3)**	**(1,835.1)**	**(1,974.6)**	**(1,403.3)**	**(284.1)**
Direct investment	(457.8)	(575.7)	(961.0)	(440.7)	(443.5)
Net acquisition of financial assets	-	-	-	-	-
Net incurrence of liabilities	457.8	575.7	961.0	440.7	443.5
o/w Equity and investment fund shares	457.8	575.7	961.0	440.7	443.5
Equity other than reinvestment of earnings	345.8	449.3	780.2	343.8	280.9
Reinvestment of earnings	112.0	126.4	180.8	96.9	162.5
Portfolio investment	(479.4)	(103.4)	(771.8)	(68.6)	(307.0)
Net acquisition of financial assets	(22.5)	2.9	6.7	20.2	0.0
Equity and investment fund shares	2.5	1.4	4.2	2.3	0.0
Debt Instruments	(25.0)	1.5	2.4	17.9	0.0
Net incurrence of liabilities	456.9	106.3	778.5	88.9	307.0
Equity and investment fund shares	(0.8)	31.8	(30.4)	111.6	-
Debt Instruments	457.7	74.4	808.9	(22.7)	307.0
o/w General government	250.0	95.0	-	-	307.0
Other sectors	207.7	(20.5)	808.9	(22.7)	-
Other investment	26.9	(1,156.1)	(241.7)	(894.0)	466.4
Net acquisition of financial assets	73.0	(196.3)	244.2	(28.4)	413.2
o/w Debt Instruments	73.0	(196.3)	244.2	(28.4)	413.2
o/w Central bank	(0.1)	0.1	(0.1)	(0.0)	-
Deposit-taking corporations	(15.6)	(63.1)	92.5	(45.1)	391.2
Other sectors	88.8	(133.3)	151.7	16.7	22.0
Net incurrence of liabilities	46.1	959.8	485.9	865.6	(53.2)
o/w Debt Instruments	46.1	959.8	485.9	865.6	(81.6)
Central bank	(97.4)	97.0	(85.8)	396.3	(388.4)
Deposit-taking corporations	20.3	3.2	16.0	250.8	80.8
General Government	31.3	159.3	105.6	148.2	133.4
Other sectors	91.9	700.2	450.1	70.3	92.6
Reserve and related items	**120.1**	**125.4**	**42.2**	**231.2**	**(178.8)**

Source: Maldives Monetary Authority

[1/] This table is compiled based on information available as at 17 April 2022.

[2/] Positive sign indicates net lending and negative sign indicates net borrowing.

Table 28: Import and Export by Sector, 2017-2021

(millions of US dollars)

	2017	2018	2019	2020	2021
Total imports (cif)	**2,360.4**	**2,959.8**	**2,887.5**	**1,837.9**	**2,573.1**
Private imports	1,819.7	2,191.9	2,303.1	1,398.2	1,895.1
Tourism	560.9	728.9	753.2	352.6	447.3
Private (excluding tourism)	1,258.8	1,463.0	1,549.9	1,045.5	1,447.8
Public imports	540.7	767.9	584.4	439.7	678.0
Public enterprises	465.4	557.6	511.4	390.0	601.9
Government	75.3	210.3	73.0	49.7	76.1
Total exports (fob)	**318.3**	**339.2**	**360.7**	**285.7**	**285.3**
Domestic exports	199.4	181.6	158.0	162.8	151.3
Private exports	116.1	108.1	97.9	92.1	67.4
Public exports	83.3	73.6	60.1	70.7	83.9
Re-exports	118.9	157.6	202.6	122.9	134.1
Jet fuel	83.0	108.1	134.9	50.3	99.5
Memorandum items:					
Crude oil average prices (US dollars per barrel) [1/]	52.8	68.3	61.4	41.3	69.1

Source: Maldives Customs Service; Maldives Airports Company Limited; Gan International Airport; Maamigili International Airport; The World Bank

[1/] This is an average of Brent, Dubai and WTI crude oil prices.

Table 29: Composition of Exports (fob), 2017-2021

(millions of US dollars)

	2017	2018	2019	2020	2021
Merchandise exports	**318.3**	**339.2**	**360.7**	**285.7**	**285.3**
Domestic exports	199.4	181.6	158.0	162.8	151.3
Fish exports	193.1	173.8	150.1	155.2	139.9
Fresh, chilled or frozen tuna	158.2	123.0	106.8	111.7	101.8
o/w Skipjack	76.4	59.1	43.2	63.2	66.4
Yellowfin tuna	79.3	62.1	62.6	48.4	35.2
Fresh, chilled or frozen fish (excluding tuna)	4.5	4.9	3.2	2.1	1.7
Canned or pouched	23.8	40.5	35.1	34.8	32.1
Other processed fish	6.6	5.5	5.1	6.6	4.3
Fish products, sea food, other marine products and live fish	1.4	1.2	1.4	1.0	1.2
Garments and other exports	4.8	6.6	6.5	6.7	10.2
Re-exports	118.9	157.6	202.6	122.9	134.1

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

Table 30: Composition of Imports (cif), 2017-2021

(millions of US dollars)

	2017	2018	2019	2020	2021
Total imports	**2,360.4**	**2,959.8**	**2,887.5**	**1,837.9**	**2,573.1**
Food items	462.4	495.6	546.1	380.8	572.8
Furniture, fixtures and fittings	89.4	138.1	159.1	77.5	87.1
Electronic and electrical appliances	67.2	75.2	88.1	61.2	66.9
Petroleum products	314.3	452.4	465.1	264.1	453.6
o/w Petrol	37.4	51.0	59.1	27.9	52.0
Diesel (marine gas oil)	234.4	350.0	353.0	206.9	359.7
Transport equipments and parts	167.8	214.0	243.3	87.7	176.3
Wood, metal, cement and aggregates	355.8	482.4	426.2	229.9	236.1
Machinery and mechanical appliances and parts	205.2	261.3	186.3	127.9	184.9
Electrical, electronic machinery and equipments and parts	135.8	149.2	150.1	114.9	147.8
Other items	562.5	691.5	623.2	494.1	647.5

Source: Maldives Customs Service

Table 31: Direction of Trade - Export of Goods, 2017-2021

(millions of US dollars)

	2017	2018	2019	2020	2021
Domestic exports	**199.4**	**181.6**	**158.0**	**162.8**	**151.3**
Asia	118.1	90.9	80.0	91.5	93.1
o/w Sri Lanka	7.5	6.2	5.1	4.6	2.3
India	2.9	2.8	3.4	3.3	6.0
Thailand	97.0	65.9	57.6	70.9	70.2
Europe	65.9	73.7	62.3	57.6	46.5
o/w France	13.9	13.4	15.0	13.1	6.2
Germany	14.3	23.1	18.6	15.8	17.3
Italy	5.8	7.9	6.0	6.9	3.2
UK	11.4	16.8	11.3	11.7	10.3
North America	14.6	16.1	15.1	12.1	6.0
o/w USA	13.9	15.0	13.9	8.6	4.4
Oceania	0.7	0.5	0.4	0.8	0.0
South America	0.2	-	0.0	0.1	0.8
Africa	0.0	0.4	0.2	0.8	4.9

Source: Maldives Customs Service

Table 32: Direction of Trade - Import of Goods, 2017-2021

(millions of US dollars)

	2017	2018	2019	2020	2021
Total imports	**2,360.4**	**2,959.8**	**2,887.5**	**1,837.9**	**2,573.1**
Asia	1,915.2	2,394.6	2,329.3	1,527.4	2,104.5
o/w China	280.6	488.1	469.4	267.6	323.6
India	287.6	286.6	290.3	241.9	318.0
Malaysia	174.0	232.2	191.5	138.9	134.6
Oman	7.1	10.4	18.2	154.0	337.5
Singapore	318.3	369.0	354.5	200.7	261.8
Sri Lanka	154.5	165.3	165.4	117.0	142.1
United Arab Emirates	434.3	536.5	543.4	228.3	333.2
Europe	270.5	390.5	351.0	188.6	276.3
North America	71.8	69.3	86.4	50.6	91.5
Oceania	65.2	66.3	78.5	45.1	59.0
South America	20.2	17.8	17.0	10.6	19.6
Africa	17.5	21.3	25.2	15.7	22.1

Source: Maldives Customs Service

Table 33: External Debt, 2017-2021 [1/]

(millions of US dollars)

	2017	2018	2019	2020	2021
			Outstanding stock		
Total external debt outstanding	**1,253.1**	**2,076.2**	**2,365.0**	**3,216.7**	**3,335.0**
Central government and publicly guaranteed external debt	1,145.0	2,006.8	2,261.3	2,857.9	2,924.0
Central government external debt	1,094.5	1,335.3	1,433.7	1,619.8	2,047.7
Debt securities	250.0	350.0	350.0	350.0	658.0
Loans	844.5	985.3	1,083.7	1,269.8	1,389.7
Multilateral	277.2	290.4	316.6	412.4	418.0
Bilateral	133.6	137.4	171.7	242.5	226.6
Commercial banks	12.7	6.9	1.0	-	-
Buyers credit	420.9	550.6	594.5	614.9	745.1
Publicly guaranteed external debt	50.5	671.5	827.6	1,238.1	876.3
Other depository corporations	108.1	69.4	103.7	358.8	411.0
o/w Head offices or branches	61.9	28.8	58.9	312.4	305.3
Non-resident ODC	46.2	40.6	44.8	46.4	95.6
			Flow		
Central government debt disbursed and debt service					
Disbursements [2/]	354.0	330.6	166.7	200.5	686.2
Debt service	87.8	103.2	100.9	88.0	284.0
Principal repayment	68.1	69.7	61.1	52.8	245.8
Interest payments	19.7	33.5	39.8	35.2	38.2
Debt service ratio (central government)	**2.6**	**2.9**	**2.7**	**4.9**	**7.2**
			As a percentage of GDP		
Total external debt outstanding	26	39	42	86	67
Central government and publicly guaranteed external debt	24	38	40	77	59
Central government external debt	23	25	26	43	41
Publicly guaranteed external debt	1	13	15	33	18
Other depository corporations	2	1	2	10	8
			Annual percentage change		
Total external debt outstanding	26	66	14	36	4
Central government and publicly guaranteed external debt	26	75	13	26	2
Central government external debt	42	22	7	13	26
Publicly guaranteed external debt	(63)	1,230	23	50	(29)
Other depository corporations	27	(36)	50	246	15
Memorandum items:					
Nominal GDP (millions of US dollars) [3/]	4,744.0	5,290.9	5,593.9	3,733.4	4,994.4
Exchange rate	15.41	15.41	15.38	15.41	15.39
Exports of goods and services (millions of US dollars)	3,319.1	3,584.3	3,742.1	1,786.5	3,950.5

Source: Ministry of Finance; Maldives Monetary Authority; Maldives Bureau of Statistics

[1/] Figures represent data available as at 28 March 2022. Total external debt outstanding represent external debt of central government, publicly guaranteed external debt and external debt of other depository corporations (commercial banks).

[2/] This refers to debt securities and loans disbursements.

[3/] Figures for 2021 are projections available as at 31 October 2021, forecasted by the Maldives Monetary Authority and the Ministry of Finance.

Table 34: Exchange Rates, 2017-2021 [1/]

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

	2017	2018	2019	2020	2021
US dollar	15.4100	15.4100	15.3800	15.4100	15.3900
Japanese yen	0.1358	0.1392	0.1406	0.1485	0.1334
Singapore dollar	11.4203	11.1910	11.3321	11.5446	11.3140
Indian rupee	0.2392	0.2193	0.2147	0.2090	0.2056
Sri Lankan rupee	0.1043	0.0869	0.0876	0.0845	0.0784
Pound sterling	20.4903	19.4030	20.0371	20.6816	20.6091
Euro	18.1140	17.4211	17.0659	18.7141	17.2788

Source: Maldives Monetary Authority; Bank of Maldives plc

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

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