



Annual Report and Financial Statements 2009

CONTENTS

| | |
|---|-----------|
| LETTER OF TRANSMITTAL | 5 |
| PREFACE | 7 |
| LIST OF ACRONYMS | 9 |
| OVERVIEW OF THE ECONOMY IN 2009 | 11 |
| AN OVERVIEW OF THE MALDIVES MONETARY AUTHORITY | 15 |
| Board of Directors | 15 |
| The Organisation in 2009 | 15 |
| ORGANIZATIONAL STRUCTURE | 19 |
| SENIOR OFFICIALS | 21 |
| ADMINISTRATION AND OPERATIONS | 23 |
| Board Meetings | 23 |
| Key Operational Developments | 23 |
| Human Resource Management and Development | 28 |
| Technical Assistance | 28 |
| Missions | 28 |
| APPENDICES | 30 |
| Appendix 1 | 32 |
| Appendix 2: FINANCIAL STATEMENTS | 35 |

LETTER OF TRANSMITTAL

MALDIVES MONETARY AUTHORITY

Malé, Republic of Maldives

Dear Mr. President,

In accordance with Article 35 (2) of Maldives Monetary Authority Act (1981), I have the honour to submit the Annual Report of the Maldives Monetary Authority for 2009, which includes a copy of the Financial Statements for the year ended 31st December 2009, audited by the External Auditor, Ernst & Young.

Yours sincerely,



Fazeel Najeeb
Governor

H.E. Mohamed Nasheed,
President of the Republic of Maldives,
Office of the President,
Malé.

PREFACE

This report presents the financial statements of the MMA as required by the MMA Act (1981). In addition, it presents an overview of the domestic economy during the year. All analyses are based on information relating to the year 2009, received from relevant government authorities, financial sector agencies, public enterprises and other private sector sources, as at end of February 2010. The views expressed in this Report, however, are those of this Authority and do not necessarily represent those of the source of data. We thank all those who have contributed to the publication of this report including the provision of the information contained herein.

LIST OF ACRONYMS

| | |
|---------|--|
| ACU | Asian Clearing Union |
| ADB | Asian Development Bank |
| AGO | Attorney General's Office |
| BML | Bank of Maldives Plc |
| CBSS | Credit and Bank Supervision Section |
| CGAP | Consultative Group to Assist the Poor |
| CPI | Consumer Price Index |
| CDs | Certificate of Deposits |
| CD | Corporate Division |
| ERSD | Economic Research and Statistics Division |
| ESF | Exogenous Shocks Facility |
| FIRST | Financial Sector Reform and Strengthening |
| FOB | Free on Board |
| GDP | Gross Domestic Product |
| HBL | Habib Bank Ltd |
| HDFC | Housing Development Finance Corporation Plc |
| HSBC | Hong Kong and Shanghai Banking Corporation Limited |
| IFC | International Finance Corporation |
| ITD | Information Technology Division |
| IMF | International Monetary Fund |
| MO | Reserve Money |
| MFLC | Maldives Finance Leasing Company Pvt Ltd |
| MMA | Maldives Monetary Authority |
| MCB | Mauritius Commercial Bank Ltd |
| MPC | Monetary Policy Committee |
| MPRD | Monetary Policy and Research Division |
| MOFT | Ministry of Finance and Treasury |
| MPBP | Mobile Phone Banking Project |
| MRR | Minimum Reserve Requirement |
| PNFE | Public Non-Financial Enterprises |
| Rf | Rufiyaa |
| RPS | Research and Publications Section |
| RFD | Research Fund |
| SBA | Stand-by Arrangement |
| SBI | State Bank of India |
| SDR | Special Drawing Rights |
| STELCO | State Electric Company Ltd |
| SAARC | South Asian Association for Regional Cooperation |
| SOEs | State Owned Enterprises |
| STO | State Trading Organisation Plc |
| T-Bills | Treasury Bills |
| T-Bonds | Treasury Bonds |
| OMOs | Open Market Operations |

OVERVIEW OF THE ECONOMY IN 2009

Since the second half of 2008 the domestic economy became increasingly affected by the global downturn mainly due to a decline in tourist arrivals and a reduction in financial inflows. As a result, real Gross Domestic Product (GDP) is estimated to have contracted by 3.0 percent in 2009 with the tourism and construction sectors being the hardest hit.

The **tourism sector** which contributes 28 percent of GDP and 74 percent of exports of goods and service was badly affected by the global recession. Given that the bulk of visitors to Maldives originate from Europe (70 percent)—the worst affected by the global downturn—tourist arrivals recorded a sharp contraction of around 10 percent in the first half of 2009. However, buttressed by buoyant arrivals from Asian markets, especially since mid 2009, the domestic tourism sector appeared more resilient to the global downturn than was initially anticipated. Overall for 2009, the tourism sector recorded a decline of 4 percent with capacity utilization in resorts/hotels declining from 78 percent in 2008 to 70 percent. The decline in capacity utilization partly reflects the 5 percent increase in the bed capacity during the year.

The **domestic construction sector** which has recorded rapid rates of growth in the last 5 to 6 years almost came to a halt in 2009. Followed by double digit growth rates, the sector is estimated to have contracted sharply by 16 percent in 2009 due to delays in major resort development projects owing to declines in capital inflows.

The **fisheries sector** which is the second main sector of the economy in terms of foreign exchange earnings and employment has been performing poorly since 2007. Total fish landings have been on a prolonged decline since the last half of 2006 and fell significantly by 22 percent in 2009 from 131.73 thousand metric tonnes in 2008 to 102.59 thousand metric tonnes in 2009. This was partly influenced by the high cost of fuel while certain environmental factors have also been blamed for the sustained low catch. Reflecting the poor catch the volume of fish exports (excluding live fish) fell by 37 percent (or 23.20 thousand metric tonnes) in 2009 while fish export earnings registered a substantial decline of 40 percent (or US\$48.77 million) during the year. The decline in exports earning also reflects the decline in unit prices received.

Balance of payments and gross international reserves

With the fall in global demand, total exports of goods and services to the Maldives are estimated to have declined by 22 percent in 2009 mainly due the decline tourist arrivals. Meanwhile, total imports (f.o.b.) which grew rapidly in 2008, owing to sharp increases in global commodity prices and the strong domestic demand, declined in 2009. Total imports registered a sharp contraction of 30 percent in 2009 reflecting weaker domestic demand, the decline in commodity prices and foreign exchange shortages. Meanwhile, remittance outflow by foreign workers, which had grown rapidly in the last couple of years, also plummeted in 2009 due to a moderation in expatriate employment reflecting the slump in

construction activity. With the sharp decline in imports more than offsetting the fall in export receipts, the current account deficit registered an improvement of about 29 percent of GDP in 2009.

On the financing side, net financial inflows to the country are estimated to have declined substantially by 29 percent in 2009, mainly due to a sharp fall in private capital inflows and a further reduction in commercial bank borrowings. The high current account deficit of the past several years combined with the recent reduction in financial inflows resulted in acute reserve losses during 2008-2009. As such, gross international reserves fell from 3.4 months of imports in 2007 to 2.1 months at the end of 2008. Nonetheless, with the recent financial support provided by multilateral—including financial support from the International Monetary Fund (IMF)—and bilateral creditors, gross international reserves improved to 3.2 months of imports at the end of 2009.

Inflation

Due to the high import orientation of the economy, developments in the domestic Consumer Price Index (CPI) during 2007 and 2008 were largely influenced by international price movements. The rate of inflation (moving average of CPI-Male') rose rapidly from 6.8 percent at the end of 2007 to 12.04 percent at the end 2008 mainly reflecting the sharp increases in global food and fuel prices since mid 2007. High global prices also had second-round impacts on domestic inflation through increases in wages and inflationary expectations. The high budget deficit and monetary accommodation of the fiscal deficit also contributed to inflationary pressures during the period. However, the rate of inflation began to ease in 2009 mainly reflecting the

moderation in global commodity prices and fell to 4.5 percent at the end of December 2009.

Fiscal Developments

In 2009 the global financial and economic crises caused a worsening of an already frail fiscal situation that was caused by highly expansionary fiscal policies of the past, particularly since the 2004 tsunami. The decline in tourism activity and weaker domestic demand during 2009 led to a sharp fall in fiscal revenues. Meanwhile, with further increases in government expenditure during the year, the fiscal deficit rose to 26 percent of GDP by the end 2009. A large part of the estimated increase in government expenditure during 2009 was due to the increase in the public wage bill, reflecting the increase in wages and salaries of government employees in early 2009. Total revenue is estimated to have declined by 15 percent of GDP in 2009 mainly as a result of a sharp contraction in import duty—the main source of fiscal revenue—and tourism related revenues (bed tax and lease rent).

Towards the end of 2009 the government adopted a package of policy reforms to address the large and growing fiscal deficit. This included measures to achieve greater fiscal consolidation through revenue enhancement and a scaling down of non-priority spending. As such, in October 2009 the government announced a partial reversal of wage increases which was introduced earlier during the year. Also, the subsidy given by the government for electricity generation to State Electric Company (STELCO) was replaced with a cost based formula for pricing and the introduction of targeted subsidies.

On the revenue side, several measures are underway to increase the revenue base. The

recent increase in airport tax by 29 percent in the last quarter of 2009 was among these measures to increase government revenue. The government also plans to introduce a goods and services tax on tourism sector and a business profit tax in 2010. The introduction of a general goods and services tax is also planned for 2011. In addition, the government is in the process of privatizing a number of State Owned Enterprises (SOEs) which is also expected to generate short term financing for the fiscal deficit.

Monetary Policy and Developments in Monetary Aggregates

The MMA tightened its monetary policy stance in the latter half of 2009 to reduce excess liquidity in the banking system generated by years of deficit monetization. Growth in the reserve money (M0) decelerated to 14 percent year-on-year at the end of 2009 from 23 percent at the end of 2008 reflecting the cessation of deficit monetisation by the MMA and the introduction of Open Market Operations (OMOs) in August 2009. On the sources side of M0, net credit from MMA decreased during 2009, reflecting a significant reduction in MMA net credit to the government from a year-on-year growth of Rf1,734.5 million at the end of December 2008 to Rf792.3 million at the end of December 2009.

Broad money growth (year-on-year) slowed down since the first quarter of 2009 and recorded 13 percent at the end of 2009 compared with 22 percent in 2008. With regard to the sources of monetary expansion, domestic

credit slowed down to 14 percent year-on-year at end 2009 from 35 percent at end 2008. Net credit to government by the banking system continued to be the major driver as commercial bank credit to the private sector decelerated during the year 2009 which turned negative in the third quarter of the year. The global financial and economic crises led the banks to reduce their portfolios to the private sector as major economic sectors such as tourism, construction and trade were badly affected by the crises. In addition to this, commercial banks' access to credit from international financial markets declined substantially during the year. Hence, credit to private sector declined by 4 percent in 2009 compared with a significant growth of 30 percent in 2008. On the other hand, credit to the central government by the commercial banks increased significantly from 41 percent year-on-year at the end of 2008 to 319 percent at the end of 2009. Commercial banks' total outstanding T-bills stood at Rf2,531.0 million in December 2009 compared with Rf639.0 million in December 2008.

Meanwhile, growth in net foreign assets of the MMA which remained negative for the most part of 2008 registered 2 percent at end 2009 compared with a negative 22 percent at end 2008, due to an increase in external financial inflows in the last month of 2009. Meanwhile, the net foreign liabilities of commercial banks showed a declining trend since the first quarter of 2009. During the year foreign borrowings of the commercial banks declined significantly, while their foreign asset accumulation increased.

AN OVERVIEW OF THE MALDIVES MONETARY AUTHORITY

The Maldives Monetary Authority (MMA) was set up on 1st July 1981 under the MMA Act of 1981. The statutory purposes of the MMA under the Act are: to issue currency and regulate the availability and international value of the Maldivian rufiyaa; to provide advisory services to the government on banking and monetary matters; to supervise and regulate banking so as to promote a sound financial structure; and to promote in the country and outside the country the stability of Maldivian currency, and foster financial conditions conducive to the orderly and balanced economic development of the Maldives.

A second amendment to MMA Act (1981) has been passed by the Majlis and ratified by the President on 5th April 2007. The new amendment of the Act provides for the autonomy of the MMA by separating the positions of the Finance Minister and the MMA Governor.

Board of Directors

The highest policymaking body of the MMA is MMA Board of Directors who is responsible for the policies and affairs of the MMA. With the new amendments brought to the MMA Act on 5th April 2007, a new Board of Directors was appointed on following dates.

1. Governor

Mr. Fazeel Najeeb
(appointed on 25th October 2008)

2. Deputy Governor

Ms. Aishath Zahira
(appointed on 1st July 2008)

3. Senior Executive Director / Financial Sector Division

Mr. Abdul Ghafoor Abdul Latheef
(appointed on 6th July 2008)

4. Ministry of Finance and Treasury

Mr. Ismail Shafeeq
(appointed on 6th July 2008)

5. Ministry of Economic Development

Mr. Ahmed Ifthikhar
(from 6th July 2008 to 26th May 2009)

6. Private Sector

Mr. Ibrahim Shafeeq
(appointed on 6th July 2008)

7. Private Sector

Mr. Ahmed Nazeer
(appointed on 6th July 2008)

The Organisation in 2009

Organisational Structure and Functions

The **Banking and Payments Settlements Division** (BPSD) consists of the Foreign Exchange Section, Banking Section, Public Debt Section, Treasury Management Section, and Currency Section. The Foreign Exchange Section

and Treasury Management Sections deal with all matters relating to foreign currency transactions by the MMA and the management of the country's foreign reserves. The Banking Section, in addition to maintaining the accounts of Government offices and commercial banks, acts as a clearinghouse for the commercial banks operating in the Maldives. The Currency Section is responsible for printing and minting of currency notes and coins, issuing commemorative coins, maintaining the records of currency in circulation and in stock and releasing new notes and coins into circulation. The Public Debt Section is responsible for securitising, monitoring and managing domestic government debt.

The **Financial Sector Division (FSD)** consists of the Credit and Bank Supervision Section, Non-Bank Financial Institution Supervision Section, Credit Information Bureau, Financial Intelligence Unit, Mobile Phone Banking Section and Financial Education Section. The duties of the Credit and Bank Supervision Section include issuing licenses for banks to operate in the Maldives, monitoring activities of banks to ensure their compliance to the rules and regulations of the MMA, and assessing the financial health and performance of banks. The Non-Bank Financial Institutions Supervision Section is responsible for licensing, regulating and supervising insurance companies, leasing companies and other non-bank financial institutions to ensure their smooth functioning.

The **Monetary Policy and Research Division (MPRD)** is the research wing of the MMA. The MPRD consists of the Monetary Policy Section (MPS), the Statistics Section (SS) and the Research and Publications Section (RPS). The MPS formulates proposals regarding monetary policy conduct and instruments; and provides

analysis and comments on topics that impact monetary conditions in the Maldivian economy and monetary policy. In addition to this, the MPS provides the secretariat function of the Monetary Policy Committee (MPC) and contributes to bank publications sections. The Research and Publications Section provides analysis on domestic and international economic developments, carries out business surveys, coordinates the bank's publications, carries out research on wider topics, requested or approved by the management and manages on behalf of MMA, the domestic Research Fund (RFD). The section also has the responsibility to liaise with the IMF and carry out activities related to SAARCFINANCE and also works to broaden the understanding of economic knowledge of the general public, especially secondary and tertiary school students. The Statistics Section compiles monetary and financial statistics; and balance of payments statistics according to international standards; disseminates statistics, provide annual balance of payments projections; provides database management and advises the governmental entities on the need for new or improved coverage of statistical data.

Corporate Division (CD) is mainly responsible for the general administration of the Authority. The division provides managerial support for the continuity of its daily operations without any disruptions. It consists of six sections: Legal Section, Administrative Section, Building and Property Management Section, Public Relations, Media and Publications Section, Accounts and Finance Section and Corporate Governance Section. Legal Section manages all legal issues arising from external and internal matters and provides legal guidance on contracts and project negotiations. Administrative Section provides managerial support for events and

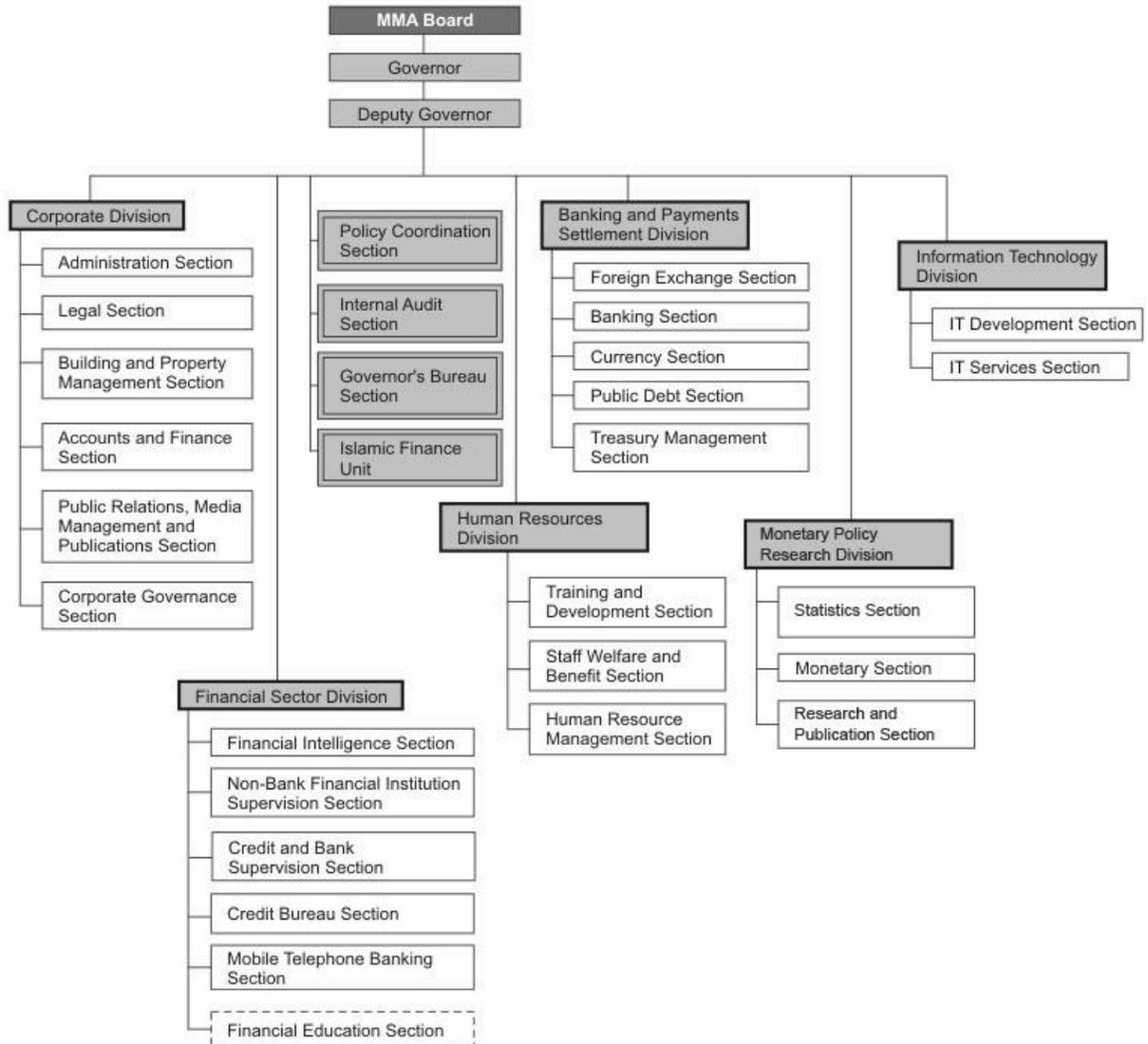
activities, which takes place within MMA. The maintenance of MMA's assets and premises and provision of security services is undertaken by the Building and Property Management Section. Accounts and Finance Section handles accounts of payments of expenses, planning of budget and deals with other financial matters. Apart from these, this section is responsible for procuring of goods in close co-ordination with the relevant sections. All media related activities, management of the publications of MMA together with public relation activities such as providing protocol service for visiting foreign delegation is undertaken by the Public Relations, Media and Publications Section. The Corporate Governance Section deals with setting standards of corporate governance code that are to be implemented and to provide information, monitor and review such records as and when required.

The **Information Technology Division (ITD)** is responsible for the IT needs of the Authority. The Division consists of the IT Development Section, which plans the direction and development of IT applications in MMA, and the IT Services Section, which provides IT support services and deals with the delivery of IT services in the organisation.

Human Resources Division (HRD) deals with staff matters of the organisation. The Division

formulates and implements human resource management and development policies, conducts tasks related to employment, which includes attracting talents for the organization, managing and retaining talents through a performance appraisal system and a competitive remuneration package as well as developing talents through need-based training and development programmes. The work of the Division is undertaken by three sections: Human Resource Management Section; Training and Development Section; and Staff Welfare and Benefits Section. The Human Resource Management Section deals with matters related to staff recruitment, selection, leave, attendance, grievances, performance management, record keeping and other related matters in managing staff. Training and Development Section is responsible for training staff to update existing knowledge and skills and gain new competencies in the required fields. For this, the section arranges short term and long term training, seminars, conferences and workshops. In addition, the section carries out induction training, staff in-house trainings and section specific specialized trainings. Staff Welfare and Benefits Section deals with development and management of staff pension scheme, health scheme welfare scheme and staff payroll.

ORGANIZATIONAL STRUCTURE



SENIOR OFFICIALS

as at 31st December 2009

Mr. Fazeel Najeeb
Governor

Ms. Aishath Zahira
Deputy Governor

Mr. Abdul Ghafoor Abdul Latheef
Senior Executive Director – Financial Sector Division

Ms. Neeza Imad
Executive Director – Human Resource Division

Mr. Abdul Hameed Mohamed
Executive Director – Monetary Policy and Research Division

Ms. Mariyam Hussain Didi
Executive Director – Corporate Division

ADMINISTRATION AND OPERATIONS

Board Meetings

During the year 2009, the MMA's Board of Directors held 19 meetings during which 31 resolutions were passed.

Key Operational Developments

Developments of the Banking Sector

Under the banking license granted to SBI on 26th January 1982, the bank commenced operations of a new bank in Alif Dhaal atoll Maamigili on 18th March 2009.

During 2009 amendments were made to the draft Banking Act based on the comments received from the Attorney General's Office (AGO) and the Maldives Law Commission. The amended draft Banking Act was sent to the AGO in June 2009 to be sent to the Parliament.

During 2009, a set of guidelines were developed and published for licensing banking and financial institutions.

In November 2009, a draft Islamic Banking Regulation was developed by MMA and submitted to the President's Office. Comments on the draft regulation were received from Presidents Office on 14 February 2010.

A set of prudential regulations were issued by MMA in May 2009. These regulations are part of a series of regulations that MMA is developing for the progress of the banking

industry and to ensure the long term economic health and financial soundness in the Maldives.

The Following Prudential Regulations became effective from 18th May 2009:

- Capital Adequacy
- Single Borrower Limits
- Limits on Loans to Related Persons
- Transactions with Related Persons
- Asset Classification and Provisioning
- Inter-Bank Exposures
- External Audits
- Publication and Disclosure
- Fit and Proper Requirements
- Corporate Governance

A full scope on-site examination of SBI was carried out by credit and bank supervision section during July-August 2009.

Printing and Minting of Notes and Coins

During the year Rf50, Rf20 and Rf500 notes were printed. In addition Rf1 and Rf2 coins were also minted during the year.

Office Automation

In order to automate the process of handling banknotes MMA has installed sorting machine "COBRA 4008".

Developments of the Mobile Phone Banking Project Unit (MPBPU)

The implementation work of Mobile Phone Banking Project continued in 2009. Under this project 4 main systems will be implemented, namely, a Real Time Gross Settlement system (RTGS), Automated Clearing House (ACH),

Electronic Fund Transfer Point of Sales (EFTPOS) Switch and the Mobile Payment System (MPS).

The main objective of the project is access to finance and banking the 'unbanked' population of the Maldives. There are approximately 178 islands without bank branches. And the people in these islands find it very difficult and expensive to receive banking services. The other major objective of the project is to modernize and automate MMA operations and establish an interoperable payment system thereby increasing efficiency in payments systems in Maldives.

This project is funded by a loan of 7.7 Million US dollars from the World Bank, and a Grant from Consultative Group to Assist the Poor (CGAP).

The procurement process of the Mobile Phone Banking project was completed and a contract was signed with Montran Corporation of United States of America in September 2009. Montran began implementation work in October 2009.

Regulations that were drafted by CGAP in the year 2008 underwent revision in 2009 based on consultation with MMA and technical design of the systems. These regulations are now under a consultation process with stakeholders. These regulations are:

- National Payment System Regulation
- Financial Consumer Protection Regulation
- Financial Transaction Report Regulation
- Mobile Banking Agency Regulation

A market survey (a CGAP funded component) was conducted across the country by PriceWaterhouseCoopers (PWC) Sri Lanka to ascertain data concerning mobile phone usage,

access to banking facilities and other information to understand consumer behavior and preferences to establish baseline information for MMA to develop a phone based banking and payment system. This survey will also serve as baseline data for monitoring project progress against the objectives. The survey was presented to MMA and CGAP in September 2009.

Supervision missions from the World Bank and the CGAP visited MMA in January and December in the year 2009. During these missions the World Bank and CGAP assessed the work of the project and advised the Project team and MMA management on implementation aspects of the project.

The Pilot Business Survey

A pilot Business Survey was carried out during March-April 2009 by the MPRD. The main purpose of the Business Survey is to obtain information on current business trends and expected future economic activity in order to assist in the effective conduct of monetary policy. The actual Business Survey which is planned to be launched in 2010 will cover all major sectors of the economy and will be conducted during every quarter.

Launch of Businessmen's Forum

The main aim of the businessmen's forum is to get in touch with the representatives of the real economy on a regular basis to better convey MMA's messages and to get the business community's views on various issues. Two meetings of the business forum were held in 2009.

Establishment of the Research Fund

The Maldives Monetary Authority (MMA), through its Monetary Policy and Research Division (MPRD), established the “Research Fund” (RFD) in order to complement the ongoing conduct of essential monetary and economic research vital for the achievement of the MMA’s objectives, and help in the economic policy formulation of the government. The RFD also aims to enhance and promote high quality, independent research activities in the country to strengthen the research capacity of the private sector. MMA plans to utilise part of the Fund through partnerships and coordination with the private sector in conducting research.

Financial Education and Public Awareness

As part of MMA’s initiative to increase the financial education of the public the MPRD organised and conducted a course for Journalists on Economic Fundamentals and Economic Reporting from 15th Aug- 10th Sept 2009.

During the year, information sessions were conducted regarding the functions of MMA and on the macroeconomic overview of the Maldivian economy to Secondary School students.

IMF Mission – Stand-By Arrangement (SBA) and Exogenous Shocks Facility (ESF)

Initial discussions regarding financial assistance from the IMF were held during the 2009 IMF Article IV Consultations in June 2009. A follow up mission visited the Maldives from 9th to 19th August 2009 to continue negotiations between the IMF and Maldivian authorities. The Mission held discussions with officials from the government, relevant SOEs and the key stakeholders of the public sector.

A letter of Intent was signed on 24th November 2009 outlining the objectives and policies of the economic reform programme announced by the Maldivian authorities during the year. On 4th December 2009 a blended financing arrangement for Maldives amounting to a combined SDR 57.4 million (about US\$92.5 million) for a period of 36 months was approved by the IMF Executive Board. The financing arrangement with the IMF will support the adjustment efforts following the global downturn and the economic reform policies.

Improvements to Statistics

- *Pilot Tourist Expenditure Survey, February 2009:*
In order to prepare for Tourist Expenditure Survey, a pilot survey was conducted during February 2009 for a period of one month. The main objective of the survey is to collect data on amounts spent in Maldives in order to revise the existing dollars per visitor estimate used in compiling balance of payment statistics.
- *Survey on Maldivians Travelling Abroad, 20th-26th December 2009:*
An expenditure survey based on interviews of returning Maldivians at the airport was conducted for a period of one week from 20th-26th December 2009. The objective of the survey is to collect data on total expenditure of Maldivians while abroad for different purposes, as part of improving the balance of payment statistics.
- Beginning September 2009 Monetary and Financial Statistics were compiled according to the *Monetary and Financial Statistics Manual (MFSM) 2000* of IMF.

Formation of Monetary Policy Committee (MPC)

The Monetary Policy Committee (MPC) of the MMA which was formed in July 2001 was re-formulated by the MMA Board on 22nd March 2009 with the Governor as the Chairperson of the committee. The main function of the MPC is to advise and submit for approval by the Board of Directors all matters pertaining to the conduct of monetary policy. During 2009, two meetings of MPC were held to discuss various issues related to monetary policy and one of the main decisions was to start OMOs by MMA.

Open Market Operations

On 27th August 2009, the MMA started OMOs using one week Repurchase and Reverse Repurchase facilities. MMA converted part of the outstanding government debt into government bonds, and they are held as collateral in the conduct of OMOs. OMOs are conducted with licensed commercial banks on a weekly basis in order for MMA to manage liquidity (to absorb or to inject liquidity) in the banking system. To facilitate its operations, a Market Operations Committee was established to evaluate the tender.

Commencement of Treasury Bills Auctioning

To develop the government securities market and to finance the budget deficit with the least possible cost, the T-Bills auction system was introduced on 28th December 2009. Until 28th December 2009 Treasury Bills were issued on a tap system.

Under the “Agency Agreement for Cash and Domestic Debt Management” signed between MMA and the Government of Maldives, MMA acts as the agent of the government in issuing Treasury Bills (T-Bills) to Commercial Banks and

SOEs in order to finance the government budget deficit¹. T-Bills are issued for 28 days and 91 days and are denominated in rufiyaa, sold at a discount to par and carry no coupon. With the introduction of the T-Bills, the Certificate of Deposits (CDs) has been temporarily halted.

Conversion of Government Debt to Treasury Bonds

To improve the management of government cash flow and to strengthen the MMA balance sheet, the existing stock of government debt with MMA was converted to Treasury Bonds (T-Bonds) in two tranches. The first tranche of Rf1,587 million was converted to T-Bonds on 16th August 2009 and the second tranche of Rf2,502 million was converted on 29th September 2009. The total amount of debt converted was Rf4,089 million. These bonds are semi annual coupon bearing bonds of 1 to 15 years.

Introduction of U.S. Dollar T-Bonds

The first U.S. dollar T-Bonds of US\$100 million were introduced on 23rd November 2009 to overcome the economic stagnation and U.S. dollar shortages in Maldives. Out of the US\$100 million T-Bonds, US\$50 million were issued to State Bank of India Male’ branch on 3rd December 2009. The bonds are issued with a maturity of two years and bear a quarterly coupon interest. The remaining US\$ 50 million will be issued in 2010.

Credit Information Bureau Project

In 2009, MMA’s credit information bureau project carried out work towards the establishment of a credit information repository

¹ T-Bills were first issued on 10th September 2006.

in the Maldives. The project will contribute to the development of financial sector of Maldives.

The primary objective of this bureau is to reduce the information asymmetry in the financial sector thus enabling the credit granters to make informed, unbiased and objective credit decisions. This in turn will improve access to credit on the part of the borrower, especially for the Small and Medium Enterprises sector.

The following are the main operational developments of this project during the year.

- The Project Agreement between MMA and the Asian Development Bank (ADB) was signed on 13th January 2009. Loan agreement was signed between ADB and the Ministry of Finance and Treasury (MOFT) on the same date. The MOFT lent the proceeds of the loan to MMA under a Subsidiary Loan Agreement that was signed on 23rd July 2009. The effectiveness of the loan was declared by the ADB on 8th April 2009.
- The Contract for Consultants' Services was signed between the MMA and Dun & Bradstreet (Asia Pacific) Pvt Ltd on 22nd October 2009. MMA followed a two-stage international tender in compliance with the ADB's procurement policy in selecting the consultant. The consultancy services commenced on 19th November 2009. In this regard, discussions and workshops were held with all the commercial banks in the Maldives, financial institutions, telecommunication service providers, utility providers (Male') and related government authorities / agencies regarding the project.

Developments of Non-Bank Financial Institutions (NBFIs)

During the year 2009, several initiatives were undertaken by Non-Bank Financial Institutions (NBFI) section to create a more enabling environment for the NBFIs in the Maldives.

Under a technical assistance from the World Bank's FIRST Initiative, Maldives Financial Development project was initiated during 2009. This project includes a financial sector review to serve as the analytical and diagnostic background information for the subsequent preparation of a financial sector strategy including the financial sector Master Plan. The first mission of this project took place during September.

MMA and the Supreme Court of the Maldives in collaboration with South Asia Enterprise Development Facility of the International Finance Corporation (IFC) conducted an interactive seminar on Finance Leasing from 16th to 17th May 2009. This seminar was targeted mainly to the judiciary and practicing lawyers in the country. Judges from the Supreme Court, High Court and Island Courts participated.

MMA in collaboration with IFC conducted an interactive seminar on Finance Leasing aimed for the policy makers and stakeholders on 18th July 2009.

Money Transfer License was issued to Sirius Financial Services Pvt Ltd on 24th August 2009.

Democracy fair

MMA participated in the democracy fair held from 13th to 14th November 2009. This fair was

organised by the President's Office to celebrate one year of democracy in the Maldives.

Human Resource Management and Development

Recruitment

At the end of 2009, the number of staff totalled 141, comprising 119 active staff and 22 staff on study leave. During the year 21 staff were recruited and 11 staff left the organization.

Training & Development

As part of human resource development programme; 41 staff attended 55 short-term training programmes, a postgraduate scholarship was awarded for a staff and one diploma programme was sponsored during the year.

Performance appraisal was re-launched after 2007 and all staff were appraised at the last quarter of the year.

Membership

MMA became a member of the Asian Clearing Union (ACU) during its 38th Meeting of the Board of Directors held in Colombo, Sri Lanka from 16th to 17th June 2009. MMA is to commence operations in the ACU mechanism from 1st January 2010.

The main objectives of a clearing union are to facilitate payments among member countries for eligible transactions, thereby economising on the use of foreign exchange reserves and transfer costs, as well as promoting trade among the participating countries. The ACU is a clearing houses/payments arrangements operating in various regions of the world.

Technical Assistance

IMF advisor on Bank Supervision, Mr. Richard Walter Nun worked with CBSS on developing and strengthening the regulatory framework for the banking industry.

IMF advisor Mr. Eugen Redulscue worked with MPRD on enhancing the research capacity of the MMA. He also made contributions to the broader objective of transforming the institution into a modern central bank.

Missions

IMF 2009 Article IV Consultation Mission

The annual Article IV Consultation mission from the IMF visited the Maldives from June 3rd to 16th 2009 to assess economic and financial developments. The mission held discussions with officials from the government, SOEs, commercial banks, and the private sector regarding macroeconomic developments for 2008-2009 and the outlook for the medium term.

IMF Legal Mission

An advisory mission from the International Monetary Fund's (IMF) Monetary and Capital Markets Department (MCM) and Legal Department (LEG) visited Male' from August 12–24, 2009. The mission team comprised Messrs. Åke Lönnberg (Mission Chief, MCM) and Atilla Arda (Counsel, LEG). The request was to assist the authorities in their work of drafting a new organic law for the MMA, MMA Act 2010, with the aim of bringing the existing legal framework, MMA Act 1981, in line with international best practices for central banking legislation.

This represented a continuation of past technical cooperation (TC) between the IMF

and the MMA relating to key financial sector legislation. On this occasion, the main focus was on strengthening the MMA's autonomy and accountability, its formulation and implementation of monetary policy, and its role in safeguarding financial stability. The expectation is that this technical support will eventually result in the enactment of legislation, which, to a considerable extent, will be based on the IMF staff mission's proposals.

IMF Safeguards Assessments Mission

Following the Government's request for financial assistance from an IMF Safeguards Assessments mission visited the Maldives from 13th to 20th October 2009. The purpose of the mission was to provide reasonable assurance to the IMF that a central bank's control, accounting, reporting, and auditing systems are adequate to ensure the integrity of operations.

APPENDICES

Appendix 1

Commercial Banks Operating in Maldives

| Banks Established | Date |
|--|------------------|
| State Bank of India | 04 February 1974 |
| Habib Bank Limited | 11 April 1976 |
| Bank of Ceylon | 07 May 1981 |
| Bank of Maldives Plc | 11 November 1982 |
| Hong Kong Shanghai Banking Corporation Limited | 11 March 2002 |
| Mauritius Commercial Bank | 04 May 2008 |

Monetary Measures and Prudential Regulations in effect during 2009

Interest Rates

Banks are required to inform the changes in interest rates to the Credit Bank Supervision Section of the MMA before the close of business on the date on which such new rates become effective. Banks are also required to display interest rates in a prominent location in the public hall of the bank.

With effect from 24th June 1995, commercial banks are free to determine the annual rates of interest chargeable on loans and advances and the annual interest payable on deposits denominated in US dollars.

With effect from 24th June 1995, banks are permitted to set the interest chargeable on loans and advances denominated in Rufiyaa provided that the rates do not exceed 20 percent per annum.

With effect from 15th August 2001, banks are free to determine interest rates on Rufiyaa deposits.

Minimum Reserve Requirement (MRR)

With effect from 1st June 2006, the Minimum Reserve Requirement (MRR) for commercial banks was reduced from 30 percent to 25 percent of the average rufiyaa and foreign currency demand and time liabilities, excluding inter bank liabilities and LC margin deposits. Balances of the MRR local currency deposits in excess of 15 percent bear an interest rate of 2.5 percent per annum. With effect from 30th December 2008, foreign currency deposits in excess of 15 percent of the MRR was paid at an interest rate of 0.25 percent till 26th September 2009. From 27th September 2009 till 24th October 2009, foreign currency deposits in excess of 15 percent of the MRR was paid at an interest rate of 0.13 percent. With effect from 25th October 2009 foreign currency deposits in excess of 15 percent of the MRR are remunerated at the average interest paid for a week by the Federal Reserve Bank of New York to MMA's investments in the bank on a one week delay basis.

Repurchase Facility

With effect from 23rd November 2006 MMA introduced a Repurchase Facility (the Repo) to replace the “Lombard Facility” to provide short-term rufiyaa liquidity to commercial banks operating in the Maldives that are unable to access funds on the inter-bank market. Repos are available for terms of one to seven days and the Repo rate is set at a margin above the one month TBill rate so as to provide sufficient incentive for banks to look first to the interbank market before seeking recourse to the MMA for funds.

Rediscount Facility

With effect from 23rd November 2006 MMA introduced Rediscount Facility to develop the secondary market in T-Bills and such will provide a facility to repurchase T-Bills from all eligible holders of T-Bills. It is hoped that over time, market participants will establish an active presence in the TBill market, thus reducing the need for this facility with MMA and eventually allowing for its removal. The discount rate is set at a margin above the TBill rate so as to provide sufficient incentive for banks to look first to the interbank market before seeking recourse to MMA for funds.

Foreign Exchange

With effect from 1st July 1985 all commercial banks operating in the Maldives are required to adhere to the foreign currency buying and selling rates published by MMA.

With effect from 12th October 1985, all taxes, rents and related fines due from foreigners (excluding expatriates serving the Government who are paid in rufiyaa), tourist hotels and guesthouses, are required to be paid in foreign currencies accepted by the MMA.

With effect from 19th July 2000, MMA discontinued the foreign exchange purchases and sales services of the Post Office Exchange. Commercial banks were requested to provide foreign exchange purchases and sales service (including the purchase and / or collection of miscellaneous foreign currency notes and other instruments) and cater to the public demand in a cooperative and sustainable manner.

In pursuing a more market based system for foreign exchange transactions in the Maldives, effective from 2nd October 2005, the MMA discontinued publishing the exchange rates for foreign currencies except for the US Dollar. This was then replaced by a system in which all commercial banks in Male’ were required to publish their own exchange rates for currencies except the US dollar, effective from this date.

Prudential Requirements

With effect from 20th September 1986, all commercial banks operating in the Maldives are required to include in their loan agreements, the provision that re-payments are to be made in the currency in which a loan is disbursed.

With effect from 25th April 1996 till 18th May 2009, banks were required to follow the MMA’s classification criteria in accordance with a uniform credit risk grading system or loan asset classification matrix and charge a loan loss provision against all classified loans and advances as per the issued circular. A new set of criteria for asset classification and provisioning was issued in the prudential regulation no.05/2009 *Asset Classification and Provisioning*, effective from 18th May 2009.

With effect from 31st December 1996, banks are required to obtain MMA’s approval on all

payments and profit repatriation to their head offices overseas.

With effect from 3rd December 1996, banks are required to use a standard format of financial statements outlined by the MMA, and to exhibit the annual financial statements in a conspicuous place within the place of business of the bank. Effective from 18th May 2009, the new prudential regulation no.08/2009, *Publication and Disclosure*, all banks are required to submit to MMA and publish their annual audited financial statements as per instructions provided in the regulation.

With effect from 23rd March 1997, the Reserve Account and the Clearing Account of commercial banks with the MMA have been consolidated and the computation of the MRR was changed to a weekly average basis.

With effect from 30th April 1997, banks are required to report their net foreign currency position to MMA on a daily basis.

With effect from 1st January 1998 till 18th May 2009, all commercial banks were required to maintain a minimum level of paid up capital that is not less than Rufiyaa 30 million. Branches of foreign banks operating in Maldives will meet a similar minimum capital requirement through the assignment or allocation of equity capital into their Maldives operations from the home country office. Half of the minimum required capital has to be deposited with MMA as “capital deposit” bearing interest at 1.5 percent per annum. In addition, all commercial banks have to maintain, at all times, a capital adequacy ratio not less than 8 percent of risk weighted assets. Effective from 18th May 2009, banks are required to maintain an unimpaired paid up

capital of Rf. 150 million and minimum ratios of leverage and capital bases as per the prescribed requirements in the prudential regulation no.01/2009 *Capital adequacy*. Under this new regulation banks are no longer required to maintain any capital with MMA.

With effect from 29th October 1997, banks were to submit a report on the classification of loans and advances on a quarterly basis. With effect from January 1998, all banks were required to complete the form “computation of Risk Weighted Assets” and submit it to the MMA on a quarterly basis. With effect from 20th December 2000, banks were required to submit their credit position on a daily basis. With effect from 5th July 2001, banks were required to submit on a daily basis their total outstanding loans and advances and on a weekly basis, the breakdown loan portfolio by major economic groups. They were also required to submit their interest rates, commissions and fees on a weekly basis. These were made ineffective from July 2009 since when the banks are required to submit a comprehensive new set of returns on a monthly basis.

With effect from 10th December 2000, banks are required to submit details of foreign currency sales on a daily (next day) basis.

With effect from 1st January 2001, banks are required to seek MMA’s approval to appoint new CEO/GM for their banks.

With effect from 17th June 2008, all banks are required to seek MMA’s approval before the appointment of any expatriate staff for any position in the banks for their operations in Maldives.

With effect from 22nd February 2006, all banks and institutions involved in money transfer activities were required to (1) Formulate and adopt written policies and procedures against money laundering and combating the financing of terrorism, (2) Provide adequate training to the staff for effective prevention, detection and control of possible money laundering activities and combating the financing of terrorism, (3) Install proper recordkeeping systems for accurate identification of all customers wishing to open accounts or make transactions whether directly or through proxy and the sources of their funds, and identifying unusual and suspicious transactions, (4) Maintain customer information systematically for future reference should the need arise, (5) Appoint a “Compliance Officer”, who shall be responsible for monitoring and ensuring compliance with the policies and procedures in respect of MMA guideline, and (6) Report to this Authority, all suspicious transactions that indicate possible money laundering or attempts to conceal the true identity of customers or ownership of assets.

With effect from 30th August 2009, all banks are required to report their interest rates on a weekly basis.

New Prudential Regulations- effective from 18th May 2009

These regulations supersede all other related instructions and circulars that were previously issued by MMA. Moratorium periods were granted to the banks to comply with the regulations based on the individual situations of the banks.

Regulation on Capital Adequacy (Reg no.01/2009)- Banks operating in the Maldives

are required to maintain an unimpaired paid up capital of Rf 150 million and to meet the capital ratios as stated in the regulation.

Regulation on Single Borrower Limits (Reg no.02/2009)- Revised limits: Single person 15% of capital base, Corporate groups 40% of capital base, Total Large exposures 500% of capital base . Banks are subject to the new limits and provisions on single borrower and large exposures provided in the regulation.

Regulation on Limits on Loans to Related Persons (Reg no.03/2009)- Revised limits: Single related person 15% of capital base, Aggregate limit to all related persons 50% of capital base. Banks are required to adhere to the limits and other provisions on loans to related persons of the bank as set in the regulation.

Regulation on Transactions with related persons (Reg no.04/2009)- Banks are required to conduct transactions with related parties of the bank at “arms length” and to follow the provisions stated under the regulation.

Regulation on Asset Classification and Provisioning (Reg no.05/2009)- criteria for asset classification and the provisioning was revised and banks are to adhere to the new classifications, provisioning against loans, and other provisions as under the regulation.

Regulation on Inter Bank exposures (Reg no.06/2009)- Banks are required to meet the limitations and provisions as set under the regulation.

Regulation on External Audits (Reg no.07/2009)- Banks are required to meet the provisions in employing external auditors as set under the regulation.

Regulation on Publication and Disclosure (Reg no.08/2009)- Banks are required to submit to MMA and publish branch only and consolidated audited annual financial statements as per the standards set in the regulation.

Regulation on Fit and Proper Requirements (Reg no.09/2009)- Banks are required to meet minimum requirements and standards in ensuring that the banks' board of directors, executive officers and shareholders are fit and proper as set in the regulation.

Regulation on Corporate Governance (Reg no.10/2009)- Banks are required to meet the requirements and standards as set in the regulation to ensure good corporate governance in the banks' operations.

Taxation

Pursuant to Law 9/85 of 27 June 1985, all commercial banks operating in the Maldives are required to pay a profit tax of 25 percent.

Appendix 2

FINANCIAL STATEMENTS

Independent Auditor's Report

Statement of Financial Position

Income Statement

Statement of Movement in Equity

Cash flow Statement

Notes to the Financial Statements

MALDIVES MONETARY AUTHORITY
AUDITORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2009

Table of Contents

| | |
|---|----|
| Independent Auditor's Report | 1 |
| Opinion..... | 2 |
| Statement of Financial Position..... | 3 |
| Income Statement..... | 5 |
| Statement of Movement in Equity..... | 6 |
| Cash Flow Statement..... | 7 |
| <u>NOTES TO THE FINANCIAL STATEMENTS</u> | |
| Reporting Entity and Statutory Base..... | 8 |
| Accounting Policies..... | 8 |
| Summary of Significant Accounting Policies..... | 12 |
| Note 4: Cash and Balances with Banks..... | 19 |
| Note 5: IMF Related Assets..... | 19 |
| Note 6: Subscriptions to International Agencies..... | 20 |
| Note 7: Interest and Other Receivables..... | 20 |
| Note 8: Loans and Advances to Government and Government Institutions..... | 20 |
| Note 9: Investments in Government Bond..... | 21 |
| Note 10: Gold and Silver Assets..... | 22 |
| Note 11: Property, Plant and Equipment..... | 22 |
| Note 12: Inventories..... | 23 |
| Note 13: Other Assets..... | 23 |
| Note 14: Balances with Commercial Banks..... | 23 |
| Note 15: Balances with Government and Government Institutions..... | 24 |
| Note 16: IMF Related Liabilities..... | 24 |
| Note 17: Interest Bearing Loans..... | 27 |
| Note 18: Other Liabilities..... | 27 |
| Note 19: Securities Sold Under Agreement to Repurchase..... | 28 |
| Note 20: Deposits by International Financial Institutions..... | 28 |
| Note 21: Currency in Circulation..... | 28 |
| Note 22: Deferred Grants..... | 29 |
| Note 23: Equity and Reserves..... | 29 |
| Note 24: Foreign Currency Income..... | 30 |



| | |
|--|-----------|
| Note 25: Income from Local Currency Financial Assets..... | 30 |
| Note 26: Other Income..... | 31 |
| Note 27: Net Foreign Exchange Revaluation Gain..... | 31 |
| Note 28: Personnel Expenses..... | 31 |
| Note 29: Administration Expenses..... | 31 |
| Note 30: Capital Management..... | 32 |
| Note 31: Profit Re-Appropriation to the Government..... | 32 |
| Note 32: Net Issues / (Withdrawals) of Currency in Circulation on Government and Financial Institution Transactions..... | 32 |
| Note 33: Cash and Cash Equivalents in the Cash Flow Statement..... | 32 |
| Note 34: Concentrations of Funding..... | 33 |
| Note 35: Risk Management..... | 35 |
| Note 36: Related Parties Transaction Disclosures..... | 44 |
| Note 37: Financial Instruments..... | 46 |
| Note 38: Retrospective Restatement of Errors..... | 46 |
| Note 39: Comparative Information..... | 48 |
| Note 40: Contingent Liabilities and Capital Commitments..... | 51 |
| Note 41: Events Occurring Subsequent to Balance Sheet Date..... | 51 |



AHF/SS

Independent Auditor's Report To the Board of Directors of the Maldives Monetary Authority

Report on the financial statements

We have audited the accompanying financial statements of Maldives Monetary Authority (the "Authority"), which comprise the statement of financial position as at 31 December 2009, and the income statement, statement of movement in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority as of 31 December 2008 were audited by another auditor whose report dated 30 April 2009, expressed a qualified opinion on those statements.

Except as discussed in the paragraphs marked 1, 2, 3 and 4 below, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

1. We were engaged to undertake the audit on 30 December 2009 and therefore it has not been feasible to review or observe the performance of internal controls in operation for the year, in relation to currency in circulation and contingent liabilities and commitments. We have not been able to perform alternative audit procedures that provide sufficient and appropriate audit evidence whether currency in circulation and contingent liabilities and commitments are fairly stated.

Opinion (continued)

2. We were unable to carry out alternative audit procedures in respect of independent direct confirmation not received by us. As a result, we were unable to satisfy ourselves in relation to an aggregate amount of Rf 62,646,011 consisting of foreign currency liabilities - balances with government institutions Rf 27,780,872 and local currency financial liabilities - balances with government institutions amounting to Rf 34,865,139.
3. The confirmation of balances we received from the International Monetary Fund ("IMF") in connection with the IMF related assets and liabilities shows an amount of Rf 157,212,206 as IMF Quota that is not recorded in these financial statements. In addition, these financial statements indicate an amount of Rf 92,290,605 as IMF related liabilities, and an amount of Rf 237,102,429 as Promissory Notes issued to IMF reflected under subscriptions to international agencies; all of which have not been confirmed by IMF or Ministry of Finance and Treasury. Due to lack of records maintained by the Authority, we were unable to satisfy ourselves with regard to the fairness of the amounts due to and from IMF.
4. The Authority by a decision of its Board ratified to provide pensions to eligible employees. However, an estimate of this liability has not been accounted for in accordance with International Accounting Standard 19: Employee Benefits, taking into account impending operations of the Maldives Pension Law.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to matters discussed in paragraph 1, 2, 3 and 4, the financial statements present fairly, in all material respects, the financial position of the Authority as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in blue ink, appearing to read 'Ernst & Young'.

30 March 2010
Malé



Maldives Monetary Authority

STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

| Assets | Note | 2009 Rf | 2008 Rf |
|--|------|-----------------------------|-----------------------------|
| Foreign currency financial assets | | | |
| Cash and balances with banks | 4 | 3,153,517,873 | 3,040,903,814 |
| IMF related assets | 5 | 155,494,708 | 8,151,679 |
| Other receivables | | 11,912 | 14,504 |
| Total foreign currency financial assets | | <u>3,309,024,493</u> | <u>3,049,069,997</u> |
| Local currency financial assets | | | |
| Subscriptions to international agencies | 6 | 246,056,534 | 222,355,049 |
| Interest and other receivables | 7 | - | 28,290,872 |
| Loans and advances to government and government institutions | 8 | 29,593,113 | 3,337,561,489 |
| Investment in securities-government bonds:- Held-to-Maturity instruments | 9 | 4,182,304,581 | - |
| Total local currency financial assets | | <u>4,457,954,228</u> | <u>3,588,207,410</u> |
| Total financial assets | | <u><u>7,766,978,721</u></u> | <u><u>6,637,277,407</u></u> |
| Local currency non-financial assets | | | |
| Gold and silver assets | 10 | 23,378,814 | 18,711,952 |
| Property, plant and equipment | 11 | 102,031,639 | 93,935,743 |
| Inventories | 12 | 45,623,613 | 20,116,978 |
| Other assets | 13 | 23,304,152 | 10,635,136 |
| Total local currency non-financial assets | | <u>194,338,218</u> | <u>143,399,809</u> |
| Total assets | | <u><u>7,961,316,939</u></u> | <u><u>6,780,677,216</u></u> |



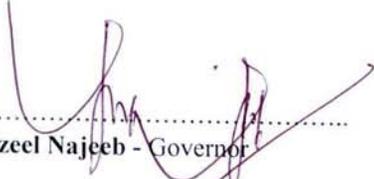
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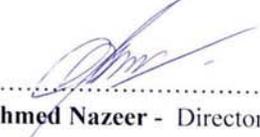
STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

| Liabilities and equity | Note | 2009 Rf | 2008 Rf |
|---|------|----------------------|----------------------|
| Foreign currency financial liabilities | | | |
| Balances of commercial banks | 14 | 1,646,714,525 | 1,559,163,996 |
| Balances of government and government institutions | 15 | 120,985,956 | 116,216,497 |
| IMF related liabilities | 16 | 482,542,771 | 247,858,130 |
| Deposits by international financial institutions | | 689,775 | 689,775 |
| Interest bearing loans | 17 | 33,601,955 | 3,825,000 |
| Other liabilities | 18 | 23,445,584 | 13,812,316 |
| Total foreign currency financial liabilities | | <u>2,307,980,566</u> | <u>1,941,565,714</u> |
| Local currency financial liabilities | | | |
| Balances of commercial banks | 14 | 2,661,831,476 | 2,050,297,780 |
| Balances of government and government institutions | 15 | 664,279,244 | 614,449,617 |
| Securities sold under agreement to repurchase | 19 | 10,000,000 | - |
| Deposits by international financial institutions | 20 | 9,634,527 | 10,221,527 |
| Other liabilities | 18 | 67,746,754 | 25,481,660 |
| Total local currency financial liabilities | | <u>3,413,492,001</u> | <u>2,700,450,584</u> |
| Total financial liabilities | | <u>5,721,472,567</u> | <u>4,642,016,298</u> |
| Other liabilities | | | |
| Currency in circulation | 21 | 1,799,721,536 | 1,762,192,707 |
| Deferred grants | 22 | 7,462,919 | 3,877,089 |
| | | <u>1,807,184,455</u> | <u>1,766,069,796</u> |
| Total liabilities | | <u>7,528,657,022</u> | <u>6,408,086,094</u> |
| Equity | | | |
| Capital | 23 | 1,000,000 | 1,000,000 |
| Reserve | | 431,659,917 | 371,591,122 |
| Total equity | | <u>432,659,917</u> | <u>372,591,122</u> |
| Total liabilities and equity | | <u>7,961,316,939</u> | <u>6,780,677,216</u> |

The Board of Directors of the Maldives Monetary Authority authorised these financial statements for issue on 20 April 2010. Signed for and on behalf of the Board by,


 Fazeel Najeeb - Governor


 Ahmed Nazeer - Director

The accounting policies and notes on pages 8 through 52 form an integral part of the financial statements.



Maldives Monetary Authority

INCOME STATEMENT

Year ended 31 December 2009

| | Note | 2009 Rf | 2008 Rf |
|--|------|--------------------|--------------------|
| Operating income | | | |
| Foreign currency income | 24 | | |
| Interest income | | 7,183,299 | 63,225,181 |
| Interest expense | | (2,628,223) | (15,497,287) |
| Net foreign currency income | | 4,555,076 | 47,727,894 |
| Income from local currency financial assets | 25 | | |
| Interest income | | 246,988,865 | 122,676,257 |
| Interest expense | | (13,408,027) | (9,767,304) |
| Net income from local currency financial assets | | 233,580,838 | 112,908,953 |
| Other income | 26 | 14,699,256 | 15,410,803 |
| Net foreign exchange revaluation gain | 27 | 30,065,998 | 32,494,752 |
| | | 44,765,254 | 47,905,555 |
| Total net operating income | | 282,901,168 | 208,542,402 |
| Operating expenses | | | |
| Personnel expenses | 28 | 25,965,012 | 22,754,372 |
| Administration expenses | 29 | 20,899,633 | 20,513,498 |
| Depreciation and amortisation | | 16,809,353 | 629,567 |
| Total operating expenses | | 63,673,997 | 43,897,437 |
| Net profit for the year | | 219,227,171 | 164,644,964 |



Maldives Monetary Authority

STATEMENT OF MOVEMENT IN EQUITY

Year ended 31 December 2009

| | Contributed capital Rf | General reserve Rf | Foreign asset revaluation reserve Rf | Retained earnings Rf | Total Rf |
|---|------------------------------|--------------------------|---|----------------------------|--------------------|
| As at 1 January 2008 | 1,000,000 | 8,000,000 | 61,647,677 | 126,800,300 | 197,447,977 |
| Retrospective restatement of errors (Note 38) | | | | 219,728,325 | 219,728,325 |
| Adjusted balance as at 1 January 2008 | 1,000,000 | 8,000,000 | 61,647,677 | 346,528,625 | 417,176,302 |
| Profit re-appropriation to the government | - | - | - | (195,773,213) | (195,773,213) |
| Profit for the year | - | - | - | 164,644,964 | 164,644,964 |
| Transfers to FARR | - | - | 5,636,979 | (5,636,979) | - |
| Surplus payable to government | - | - | (13,456,931) | - | (13,456,931) |
| As at 31 December 2008 | 1,000,000 | 8,000,000 | 53,827,725 | 309,763,397 | 372,591,122 |
| As at 1 January 2009 | 1,000,000 | 8,000,000 | 53,827,725 | 309,763,397 | 372,591,122 |
| Profit re-appropriation to the government | - | - | - | (146,746,121) | (146,746,121) |
| Profit for the year | - | - | - | 219,227,171 | 219,227,171 |
| Transfers to FARR | - | - | 8,233,551 | (8,233,551) | - |
| Surplus payable to government | - | - | (12,412,255) | - | (12,412,255) |
| As at 31 December 2009 | 1,000,000 | 8,000,000 | 49,649,021 | 374,010,896 | 432,659,917 |



Maldives Monetary Authority

CASH FLOW STATEMENT

Year ended 31 December 2009

| | | 2009 | Restated 2008 |
|--|------|-----------------------------|-----------------------------|
| | Note | Rf | Rf |
| Cash flow from operating activities: | | | |
| Source | | | |
| Miscellaneous income | | 221,732 | 175,749 |
| Interest income received | | 4,092,971 | 61,952,760 |
| Net US Dollar receipts/(payments) from government current accounts | | (2,485,180) | 14,622,371 |
| Gain on sale of US Dollars | | 4,482,210 | - |
| Net receipts/ (payments) relating to government current accounts | | 54,595,315 | (456,049,837) |
| Payments to commercial banks | | (99,432,694) | (907,661,143) |
| Collections related to BCCI | | 12,000 | 36,000 |
| | | <u>(38,513,647)</u> | <u>(1,286,924,100)</u> |
| Disbursement | | | |
| Staff related costs | | (25,948,236) | (22,754,372) |
| Expatriate salary and other expenses | | (410,087) | 6,120 |
| Training, development and payments relating to meetings | | (3,212,285) | (2,606,377) |
| Printing and minting notes and coins | | (28,588,727) | (7,022,415) |
| Cash paid to other expenses | | (6,484,127) | (6,456,500) |
| Bank charges paid | | (168,544) | (106,423) |
| Miscellaneous expenditures | | (190,328) | 132,330 |
| | | <u>(65,002,335)</u> | <u>(38,807,637)</u> |
| Net cash flow from operating activities | | (103,515,981) | (1,325,731,737) |
| Cash flow from investing activities | | | |
| Proceeds from disposal of equipments | | - | 10,096 |
| Investment in development projects | | (10,942,574) | (3,433,734) |
| Investment in PP&E and work in progress | | (15,728,838) | (42,273,011) |
| | | <u>(26,671,413)</u> | <u>(45,696,648)</u> |
| Cash flow from financing activities | | | |
| Financial institutions transactions | | 85,391,553 | 81,106,554 |
| Net currency issues to circulation | 32 | 47,838,829 | 439,912,599 |
| Receipts from IMF facilities | | 99,424,800 | - |
| Repayment of emergency assistance | | (40,370,767) | (30,421,494) |
| Proceeds from securities sold under repurchase agreement | | 10,000,000 | - |
| Proceeds from Interest bearing loans | | 29,325,000 | 3,825,000 |
| Proceeds from deferred grant | | 3,208,099 | 3,877,089 |
| | | <u>234,817,515</u> | <u>498,299,749</u> |
| Net increase in cash and cash equivalents | | 104,630,121 | (873,128,636) |
| Exchange rate effect on cash and cash equivalents | | 7,995,058 | 6,010,420 |
| Cash and cash equivalents at the beginning of the year | | 3,040,219,087 | 3,907,337,304 |
| Cash and cash equivalent at 31 December | 33 | <u>3,152,844,266</u> | <u>3,040,219,087</u> |



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) 1981 of the Republic of Maldives. Maldives Monetary Authority is domiciled in the Republic of Maldives and is situated at Majeedhee Building, Male', the capital city of the Republic of Maldives.

The Authority was established in 1981 and is responsible:-

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

These financial statements for the year ended 31st December 2009 were authorised for issue by the Board of Directors of the Maldives Monetary Authority in accordance with the article 35 of MMA Act.

2. ACCOUNTING POLICIES

2.1. Basis of preparation

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

Reporting format

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

Currency of presentation

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

Statement of compliance

These financial statements of Maldives Monetary Authority for the year ended 31 December 2009 have been prepared in accordance with International Financial Reporting Standard (IFRS).

2.2. Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those used in the previous financial year except that the Authority has adopted the following standards, amendments and interpretations. The adoption of these standards, amendments and interpretations did not have any effect on the financial performance or position of the Authority. They did, however, give rise to additional disclosures.



2.2. Changes in accounting policy and disclosures (Continued)

IAS 1 Presentation of financial statements

This standard requires an entity to present all owner changes in equity and all non-owner changes to be presented in either in one statement of comprehensive income or in two separate statements of income and comprehensive income. The revised standard also requires that the income tax effect of each component of comprehensive income be disclosed. In addition, it requires entities to present a comparative statement of financial position as at the beginning of the earliest comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in the financial statements.

The Authority has elected to present comprehensive income in one statement – a statement of comprehensive income. The Authority has not provided a restated comparative set of financial position for the earliest comparative period, as it has not adopted any new accounting policies retrospectively, or has made a retrospective restatement or retrospectively reclassified items in the financial statements.

Amendments to IFRS 7 Financial instruments: disclosures - improving disclosures about financial instruments.

The amendments to IFRS 7 were issued in March 2009 to enhance fair value and liquidity disclosures.

With respect to fair value, the amendments require disclosure of a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value and specific disclosures related to the transfers between levels in the hierarchy and detailed disclosures related to level 3 of the fair value hierarchy. In addition, the amendments modify the required liquidity disclosures with respect to derivative transactions and assets used for liquidity management.

Changes to this standard do not have any impact to the financial statements.

IFRS 8 Operating Segments

This standard requires disclosure of information on the Authority's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Authority. The Authority concluded that the change of this standard does not have material impact to the financial statements.

Improvements to IFRSs

In May 2008 and April 2009 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Authority.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that disclosures are required in respect of non-current assets, disposals and discontinued operations. The assets classified by the Authority as 'held for sale' and 'discontinued operations' are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

IFRS 8 Operating Segment Information: clarifies that operating segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Authority's chief operating decision makers does not review segment performance assets the Authority has decided no impact from this change.



2.2. Changes in accounting policy and disclosures (Continued)

IAS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Authority analysed whether the expected period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any reclassification of financial instruments between current and non-current in the statement of financial position.

IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.

IAS 16 Property, Plant and Equipment: Replaces the term “net selling price” with “fair value less costs to sell”. The Authority amended its accounting policy accordingly, which did not result in any change in the financial position.

IAS 18 Revenue: The IASB has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

The Authority has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements.

IAS 20 Accounting for Government Grants and Disclosures of Government Assistance: Loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates. This amendment did not impact the Authority as the government assistance received in the form of loans are for specific projects and for which the market rate and nominal rate of interest are same.

IAS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of ‘borrowing costs’ into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Authority has amended its accounting policy accordingly which did not result in any change in its financial position.

IAS 36 Impairment of Assets: When discounted cash flows are used to estimate ‘fair value less cost to sell’ additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate ‘value in use’. This amendment had no immediate impact on the financial statements of the Authority because the recoverable amount of its cash generating units is currently estimated using ‘value in use’.

IAS 38 Intangible Assets: Expenditure on advertising and promotional activities is recognised as an expense when the Authority either has the right to access the goods or has received the service. This amendment has no impact on the Authority because it does not enter into such promotional activities.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Authority:

IFRS 2 Share-based Payment

IFRS 7 Financial Instruments: Disclosures

IAS 8 Accounting Policies, Change in Accounting Estimates and Error

IAS 10 Events after the Reporting Period

IAS 19 Employee Benefits



2.2. Changes in accounting policy and disclosures (Continued)

IAS 27 Consolidated and Separate Financial Statements
IAS 28 Investments in Associates
IAS 31 Interests in Joint Ventures
IAS 34 Interim Financial Reporting
IAS 40 Investment Properties
IAS 39 Financial Instruments: Recognition and Measurement
IFRIC 9 Reassessment of Embedded Derivatives
IFRIC 16 Hedge of a Net Investment in a Foreign Operation

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are applicable for the Authority's accounting periods beginning on or after 1 January 2010 but which the Authority has not early adopted, as follows:

Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

This amendment to IAS 39 was issued on 31 July 2008 and is applicable for annual periods beginning on or after 1 July 2009 with early application permitted. The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The Bank is still assessing the effect of the revised standards on its financial statements.

IFRIC 9 and IAS 39: Embedded Derivatives

The IFRIC has issued Embedded Derivatives: Amendments to IFRIC 9 and IAS 39 which requires entities to assess whether to separate an embedded derivative from a host contract in the case where the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. The amendments to IFRIC 9 require an assessment to be made either when the entity first became party to the contract or when a change in the terms of the contract significantly modifies expected cash flows. The amendments are applicable for annual periods ending on or after 31 December 2009.

IFRS 9 – Financial Instruments

IASB has issued IFRS 9 with the ultimate intent of replacing IAS 39 in its entirety. IFRS 9 specify how an entity should classify contracts. They require all financial assets to be:

- (a) Classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.
- (b) Initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs
- (c) Subsequently measured at amortised cost or fair value

An entity shall apply this IFRS for annual periods beginning or after January 2013. The application of the amendment is not expected to have a significant impact on the Authority's financial statements.

2.3. Significant accounting judgments and estimates

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



Impairment losses on loans and advances

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

Loans and advances have been assessed individually to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

Pensions and other post employment benefit plans

The Authority has assumed liability to provide post employment benefits to employees. Currently there are employees who are eligible for pension and being paid pensions. The Board of Director's of the Authority has decided that when the Government of Maldives brings a common post employment benefit plan, that they will be required to abide by the same. Therefore, the amounts of liability that the Authority may have to pay at the transition point are not assessed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

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

| | 2009 December | 2008 December |
|--------------------------------|----------------------|----------------------|
| | Rf | Rf |
| 1 Australian Dollar | 11.3576 | 8.8309 |
| 1 Euro | 18.2430 | 17.9780 |
| 1 Singapore Dollar | 9.0683 | 8.8321 |
| 1 Special Drawing Rights (SDR) | 20.0088 | 19.8470 |
| 1 Sterling Pound | 20.2510 | 18.4783 |
| 1 United States Dollar | 12.75 | 12.75 |

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

Financial assets and liabilities

The Authority presents financial assets and liabilities, and the associated income and expense streams, by distinguishing between foreign currency and local currency activities. Foreign currency activities mainly arise from the Authority's foreign reserves management function. Local currency activities mainly reflect the assets and liabilities associated with monetary policy implementation, issuing currency and Banking activities.



Financial assets and liabilities (Continued)

The separate reporting of these activities is considered to provide a better presentation of the Authority's financial position, financial performance and risk profile. The Authority considers that the combined reporting of foreign and local currency activities would weaken the informational value of the financial statements.

All financial assets are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. Subsequent measurement bases after initial recognition are described below. All regular way purchases and sales of financial assets are recognised on the trade date respectively. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

International Monetary Fund (IMF) related balances

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

The cumulative allocation of SDRs by the IMF is treated as a liability. Exchange gains and losses arising on revaluation of IMF assets and liabilities at the exchange rate applying at statement of financial position date as published by the IMF are recognised in the Income statement.

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

Cash and cash equivalents

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

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

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

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



Repurchase and reverse-repurchase transactions

Securities sold under agreements to repurchase continue to be recorded as assets in the statement of financial position. The obligation to repurchase (Securities Sold Under Agreements to Repurchase) is disclosed as a liability. The difference between the sale and repurchase price in repurchase transactions and the purchase price and sale price in reverse-repurchase transactions represents an expense and income respectively and recognised in the income statement.

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

Investment portfolio – Maldivian Government Bonds

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

Advances to government

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

Loans to other institutions

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

Securities lending

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

Impairment of financial assets

The Authority assesses at each reporting date whether a financial asset is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in the income statement.

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



Foreign currency term liabilities

Foreign currency term liabilities are subsequently reported at the amortised cost of the liabilities. Changes in the value of these liabilities are recognised as an increase or decrease in the value of the term liabilities in the Statement of financial position. Gains and losses arising from changes in value of foreign currency term liabilities are recognised immediately as expenses in the Income statement. Where the liability is still owed, the gain or loss is reported as (Gain) /Loss from Unrealised Price Revaluation. Where the gain or loss has been realised (through repayment of the liability), this is reported as (Gains) /Losses Realised from Price Changes.

Financial guarantees

Financial Guarantees are initially recognised in the financial statements at fair value, in Other Payables, at fair value. Subsequent to initial recognition, the Authority's liability under each guarantee is measured at the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Other financial assets and liabilities

Local and foreign currency cash, deposits and short-term advances are recognised on trade date.

Other assets and liabilities

Gold

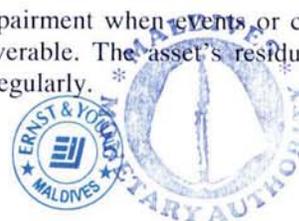
Section 21 (2) of the Maldives Monetary Authority Act which specifies the composition of External Reserve indicates that gold may be held by the Authority as part of this Reserve. Hence, Authority holds gold as part of its External Reserves. As this gold is part of the External Reserve and not used as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

Property, plant and equipment

Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred if the recognition criteria are met. Except for the freehold land, depreciation is calculated on a straight-line method over the following estimated useful lives:

| | |
|----------------------------|----------|
| Buildings on freehold land | 30 years |
| Machinery and equipment | 5 years |
| Furniture and fittings | 5 years |
| Motor vehicles | 5 years |
| Computer equipment | 3 years |

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



Receivables

Receivables are carried at expected realisable value after making due allowance for doubtful debts, based on objective evidence.

Other sundry assets are carried at expected realisable values.

Impairment of non-financial assets

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

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.

Currency in circulation

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

Grants

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

Income tax

There is no income tax imposed on the Authority by the government as at 31 December 2009.

Revenue and expenses

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

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

Interest

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

Miscellaneous

Miscellaneous income and expenses are recognised on an accrual basis.

Net gains and losses of a revenue nature on the disposal of Property, Plant & Equipment have been accounted for in the Income statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

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

Contingent liabilities and commitments including off balance sheet items

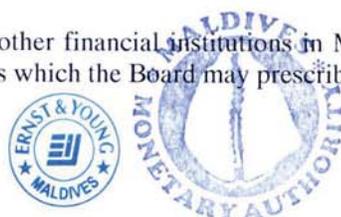
All guarantees of indebtedness, forward foreign exchange transactions and other commitments, which represents off balance sheet items are shown under respective headings recognised as off balance sheet items. Where applicable, such amounts are measured at best estimates.

4. Nature and extent of activities

The Board of the Maldives Monetary Authority is vested with the powers to carry out the functions of the Authority and are responsible for the management, operations and administration of the Authority.

The functions of the Authority as per Article 22 of MMA Act are given below:

- i) Open accounts for, and accept deposits from, the Government its agencies and public entities, banks and other financial institutions in Maldives.
- ii) Act as correspondent, banker, agent or depository for any monetary authority, central bank or international financial institution;
- iii) Open and maintain accounts with such banks or other depositories and appoint them as correspondents or agents of the Authority in or outside Maldives as may be necessary;
- iv) Buy, sell or deal in gold coins, bullion or foreign exchange;
- v) Buy, sell, invest, or deal in treasury bills and other securities issued or guaranteed by foreign governments or international financial institutions;
- vi) Buy, sell, invest, or deal in treasury bills and other securities issued or guaranteed by the Government;
- vii) Make loans, advances and discounts to banks and other financial institutions in Maldives for periods not exceeding 90 days on terms and conditions which the Board may prescribe;



- viii) Make temporary advances to the Government as may be agreed;
- ix) Make advances to the Government on terms and conditions to be agreed upon in respect of subscriptions and other payments relating to the membership of Maldives in any international financial institution, the participation of Maldives in any account thereof, and any transactions and operations undertaken in connection therewith;
- x) Act as fiscal agency of the Government in its dealings with international financial institutions and undertake other financial agency work for the Government;

4. Nature and extent of activities (Continued)

- xi) Borrow money for the purpose of the business of the Authority, and may give securities for monies so borrowed as provided by Law with the approval of the President of the Republic and,
- xii) Guarantee the repayment of government loans and the service charge thereof.
- xiii) In conjunction with the banks, organize and manage a Clearing House.

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

Foreign currency activities

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

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

Local currency activities

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



| 4 CASH AND BALANCES WITH BANKS | 2009 | 2008 |
|---|-----------------------------|-----------------------------|
| | Rf | Rf |
| Cash in hand | 10,796,224 | 12,976,717 |
| Cash at bank | 14,045,726 | 14,147,036 |
| Cash in transit | - | 31,875 |
| Money at overnight placements (Note 4.1 and 4.2) | 3,126,300,000 | 3,011,550,000 |
| Investment in fixed deposits | 2,375,923 | 2,198,186 |
| | <u>3,153,517,873</u> | <u>3,040,903,814</u> |

4.1 Federal Reserve Bank of New York

The Authority has an arrangement with the Federal Reserve Bank of New York for Automatic Investment. Under this arrangement, whenever the balance in the deposit account exceeds USD 250,000/- the excess is invested in multiples of USD 100,000/- in an overnight repurchase agreement.

4.2 JP Morgan Chase New York

The Authority has an arrangement with the JP Morgan Chase Bank New York for Automated Investment. Under this arrangement, whenever the balance in the deposit account exceeds USD 450,000/-, the excess is invested in multiples of USD 100,000/- with an investment cap of USD 25,000,000/-. At the end of each banking business day, whole sweep increments in excess of USD 450,000/-, but aggregating no more than investment cap will be invested into a pooled short term time deposits.

| 5 IMF RELATED ASSETS | 2009 | 2008 |
|---|---------------------------|-------------------------|
| | Rf | Rf |
| Holding of Special Drawing Rights (Note 5.1) | 155,394,884 | 7,921,533 |
| Interest receivables | 99,824 | 230,146 |
| | <u>155,494,708</u> | <u>8,151,679</u> |

5.1 Holding of Special Drawing Rights (SDR)

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

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

Maldives Monetary Authority

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

| 6 SUBSCRIPTIONS TO INTERNATIONAL AGENCIES | 2009 Rf | 2008 Rf |
|---|--------------------|--------------------|
| MOFT Securities Account - Promissory Notes Issued to IMF | 237,102,429 | 212,644,943 |
| MOFT Securities Account - Promissory Notes Issued to IBRD | 8,264,330 | 9,020,331 |
| MOFT Securities Account - Promissory Notes Issued to MIGA | 689,775 | 689,775 |
| | <u>246,056,534</u> | <u>222,355,049</u> |

6.1 The Authority is designated as the depository of the International Monetary Fund (IMF), International Bank for Reconstruction and Development (IBRD) and Multilateral Investment Guarantee Agency (MIGA) for the Republic of Maldives. The above balances represent the promissory notes issued by Ministry of Finance and Treasury (MOFT) to the said institutions for membership subscriptions and related purposes.

| 7 INTEREST AND OTHER RECEIVABLES | 2009 Rf | 2008 Rf |
|--|-------------|-------------------|
| Other receivables | 5,196,837 | 19,838,661 |
| Interest receivable | - | 11,672,834 |
| Sundry debtors | - | 58,556 |
| Less: Allowance for doubtful receivables | (5,196,837) | (3,279,179) |
| | <u>-</u> | <u>28,290,872</u> |

| 8 LOANS AND ADVANCES TO GOVERNMENT AND GOVERNMENT INSTITUTIONS | 2009 Rf | 2008 Rf |
|--|-------------------|----------------------|
| Ministry of Finance and Treasury - MIFCO Loan (Note 8.1) | 29,593,113 | 33,173,333 |
| Ministry of Finance and Treasury Loans (Note 8.2) | - | 173,384,861 |
| Government budget expenditure advances (Note 8.3) | - | 3,131,003,295 |
| | <u>29,593,113</u> | <u>3,337,561,489</u> |

8.1 Ministry of Finance and Treasury - (MIFCO Loan)

A loan amounting to Rf 62,200,000/- has been given to Maldives Industrial Fisheries Company Ltd to meet their working capital requirements through 1999 to 2001. This loan was transferred to Ministry of Finance and Treasury in 2004 and is payable over a period of 10 years at an interest rate of 6% per annum. Principal repayments of the loan started in May 2004 and has to be repaid in full by April 2014.

| | 2009 Rf | 2008 Rf |
|------------------------------------|-------------------|-------------------|
| Balance as at 1 January | 33,173,333 | 39,393,333 |
| Accrued interest | 1,818,541 | 2,192,125 |
| Repayments: Principle and interest | (5,398,761) | (8,412,125) |
| Balance as at 31 December | <u>29,593,113</u> | <u>33,173,333</u> |
| Receivable within one year | 6,219,996 | 6,219,996 |
| Receivable after one year | 23,373,117 | 26,953,337 |



**8 LOANS AND ADVANCES TO GOVERNMENT AND GOVERNMENT INSTITUTIONS
(Continued)**

8.2 Ministry of Finance and Treasury Loans

An amount of Rf 172,000,000/- was provided to the MOFT to contribute 30% shareholding in Addu Investment Pvt Ltd. The loan was granted on 6 July 2008 at an interest rate of 6% per annum. These amounts were settled in full on 22 January 2009.

8.3 Government budget expenditure advances

Up until August 2009 the Authority has granted loans and advances to Ministry of Finance and Treasury to meet the government budget finance requirements. These are given in the form of Ways and Means Advances and budget financing loans. Upon agreement between the Authority and MOFT, the outstanding principle amounts of the loans and advances have been converted into Government Bonds on 17th August and 30th September totaling to Rf 4,089,000,000/-.

| | 2009 | 2008 |
|--|-----------------|----------------------|
| | Rf | Rf |
| Balance as at 1 January | 3,131,003,295 | 2,633,210,525 |
| Add: Net loans advances and interest | 957,996,705 | 497,792,770 |
| Transfers to government bonds (Note 9) | (4,089,000,000) | - |
| Balance as at 31 December | <u>-</u> | <u>3,131,003,295</u> |

| | 2009 | 2008 |
|---|-----------------------------|-------------|
| | Rf | Rf |
| 9 INVESTMENT IN GOVERNMENT BOND | | |
| Investment in government bonds (Note 9.1) | 4,089,000,000 | - |
| Interest receivable on government bonds | 93,304,581 | - |
| | <u>4,182,304,581</u> | <u>-</u> |

9.1 Investment in government bonds

Under article 22 (h) of the MMA Act, the Authority may make advances to the Government of Maldives to finance the budget. According to the powers vested, the Authority has granted loans and advances in the form of Ways and Means Account Advances and loans and advances to meet the budget financing of the Ministry of Finance and Treasury (MOFT).

On 16 August 2009 and 30 September 2009, both the Authority and the MOFT have agreed to convert the outstanding principle amounts of the loans and advances, which amounts to Rf 4,089,000,000/- in total, into Government bonds. The Authority uses these Government bonds as collateral to conduct the open market operations.



Maldives Monetary Authority

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

| 10 GOLD AND SILVER ASSETS | 2009 Rf | 2008 Rf |
|--------------------------------|-------------------|-------------------|
| Gold at fair value (Note 10.1) | 23,307,642 | 18,640,780 |
| Silver at cost | 71,172 | 71,172 |
| | 23,378,814 | 18,711,952 |

10.1 Section 21 (2) of the MMA Act of 1981 which specifies the composition of the External Reserve indicates that gold may be held by the Authority as part of Reserve. Hence, as at 31 December 2009 the Authority holds Rf. 23,307,642/- (2008 - Rf 18,640,780/-) in gold as part of its reserves. Gold is fair valued and the gains or losses are transferred to the income statement.

11 PROPERTY, PLANT AND EQUIPMENT

| 11.1 Gross carrying amounts | Balance As at 01.01.2009 | Additions /Transfers | Disposals/ Transfers | Balance As at 31.12.2009 |
|---|--------------------------------|-------------------------|-------------------------|--------------------------------|
| | Rf | Rf | Rf | Rf |
| At cost | | | | |
| Freehold land | 1,000,000 | - | - | 1,000,000 |
| Buildings on freehold land | - | 37,638,702 | - | 37,638,702 |
| Machinery and equipment | 1,454,823 | 62,262,656 | (173,978) | 63,543,501 |
| Furniture and fittings | 1,082,036 | 16,538,846 | (8,884) | 17,611,998 |
| Motor vehicles | - | 405,250 | - | 405,250 |
| Computer equipment | 2,544,733 | 221,423 | (64,062) | 2,702,094 |
| | 6,081,592 | 117,066,877 | (246,924) | 122,901,545 |
| 11.2 In the course of construction | | | | |
| Building work in progress | 92,125,789 | 19,543,724 | (111,669,513) | - |
| Total value of depreciable assets | 98,207,381 | 136,610,601 | (111,916,437) | 122,901,545 |
| | | | | |
| 11.3 Depreciation | Balance As at 01.01.2009 | Charge for the year | Disposals/ Transfers | Balance As at 31.12.2009 |
| | Rf | Rf | Rf | Rf |
| Buildings on freehold land | - | 1,253,822 | - | 1,253,822 |
| Machinery and equipment | 1,162,878 | 11,928,139 | (138,138) | 12,952,879 |
| Furniture and fittings | 1,066,333 | 3,309,100 | (8,884) | 4,366,549 |
| Motor vehicles | - | 27,519 | - | 27,519 |
| Computer equipment | 2,042,427 | 290,772 | (64,062) | 2,269,137 |
| | 4,271,638 | 16,809,352 | (211,084) | 20,869,906 |
| 11.4 Total carrying amount | 93,935,743 | | | 102,031,639 |

11.5 Property, plant and equipment includes fully depreciated assets having a gross carrying amounts of Rf. 3,732,186/- (2008 Rf. 3,812,545/-).

11.6 During the financial year, the Authority acquired property, plant and equipment, except investment in WIP, to the aggregate value of Rf. 4,992,113/- (2008 Rf. 389,256/-).



Maldives Monetary Authority

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

| 12 INVENTORIES | 2009 Rf | 2008 Rf |
|---|-------------------|-------------------|
| Notes for circulation | 31,774,980 | 11,948,428 |
| Coins for circulation | 10,688,872 | 8,168,550 |
| Coins in transit | 3,159,761 | - |
| Total inventories at lower of cost and net realisable value | <u>45,623,613</u> | <u>20,116,978</u> |
| | 2009 | 2008 |
| | Rf | Rf |
| 13 OTHER ASSETS | | |
| Development projects | | |
| Credit Information Bureau (Note 13.1) | 5,019,252 | - |
| Mobile Phone Banking Project (Note 13.1) | 16,270,560 | 3,820,637 |
| | <u>21,289,812</u> | <u>3,820,637</u> |
| Advances, prepayments and other assets | 2,014,340 | 6,814,499 |
| | <u>23,304,152</u> | <u>10,635,136</u> |

13.1 The balances represent the development cost incurred for the Mobile Banking Project and Credit Information Bureau Projects.

14 BALANCES OF COMMERCIAL BANKS

As per the section 4(c) of the MMA Act, the Authority is acting as the regulator of the commercial banks operating in Maldives. In carrying out this duty the Authority open accounts for, and accept deposits from, banks to facilitate interbank transfers and monitor minimum reserve requirements imposed on the commercial banks.

| | 2009 Rf | 2008 Rf |
|--------------------------------------|----------------------|----------------------|
| Foreign currency deposits by banks : | | |
| Related parties | 579,834,808 | 565,130,531 |
| Others | 1,066,879,717 | 994,033,465 |
| | <u>1,646,714,525</u> | <u>1,559,163,996</u> |
| Local currency deposits by banks : | | |
| Related parties | 1,658,942,549 | 1,013,523,140 |
| Others | 972,888,927 | 945,590,889 |
| | <u>2,631,831,476</u> | <u>1,959,114,029</u> |
| Assigned capital deposits | 30,000,000 | 91,183,751 |
| | <u>30,000,000</u> | <u>91,183,751</u> |
| Total deposits by commercial banks | <u>4,308,546,001</u> | <u>3,609,461,776</u> |



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

15 BALANCES OF GOVERNMENT AND GOVERNMENT INSTITUTIONS

| Related parties | 2009 | 2008 |
|---|--------------------|--------------------|
| | Rf | Rf |
| Foreign currency deposits: MOFT and government institutions | 120,951,724 | 116,182,265 |
| Public enterprises | 34,232 | 34,232 |
| | 120,985,956 | 116,216,497 |
| Local currency deposits: MOFT and government institutions | 628,961,622 | 603,945,506 |
| Public enterprises | 35,317,622 | 10,504,111 |
| | 664,279,244 | 614,449,617 |
| Total balances with government and governmental institutions | 785,265,200 | 730,666,114 |

| 16 IMF RELATED LIABILITIES | 2009 | 2008 |
|--|--------------------|--------------------|
| | Rf | Rf |
| IMF Securities Account (Note 16.1) | 210,095,588 | 185,638,102 |
| IMF No. 1 Account (Note 16.2) | 5,752,059 | 5,752,059 |
| IMF No. 2 Account (Note 16.3) | 5,657 | 6,136 |
| Allocation of Special Drawing Rights (Note 16.4) | 153,889,842 | 5,604,792 |
| Emergency Assistance Facility (Note 16.5) | 10,254,525 | 50,857,041 |
| Stand-by Agreement Loan (Note 16.6) | 82,036,080 | - |
| Exogenous Shock Facility Loan (Note 16.7) | 20,509,020 | - |
| | 482,542,771 | 247,858,130 |

16.1 IMF Securities Account

The Authority maintains the IMF securities account on the balance sheet and includes non-negotiable, non-interest bearing securities issued by the MOFT in favour of the IMF, which are payable on demand. These securities are issued for that portion of the quota liability payable in Maldivian Rufiyaa, for use of IMF credit facilities such as Balance of Payment Support facility and Standby Agreement facility etc, and for the revaluations made by the IMF every year as of 30th April.

| | 2009 | 2008 |
|---|--------------------|--------------------|
| | Rf | Rf |
| Balance as at 1 January | 185,638,102 | 203,894,540 |
| Promissory notes issued during the year | 78,606,103 | 13,699,582 |
| Promissory notes redeemed during the year | (54,148,617) | (31,956,020) |
| Balance as at 31 December | 210,095,588 | 185,638,102 |

16.2 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.



16 IMF RELATED LIABILITIES (Continued)

16.3 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.

16.4 Allocation of Special Drawing Rights

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

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

16.5 Emergency Assistance Facility for Maldives (BOP Support Loan)

The International Monetary Fund (IMF) provides emergency assistance to member countries hit by natural disasters to help them meet immediate balance of payments financing needs, and maintain or restore macro economic stability. The IMF has granted SDR 4.1 million (about US\$ 6.3 million) as emergency assistance for natural disasters to the Republic of Maldives on 8 March 2005.

In line with the IMF's Executive Board's decision to subsidize emergency assistance for PRGF-eligible countries hit by natural disaster, the rate of charge on the assistance has been subsidized to 0.5 percent per annum subject to resource availability. As at 31 December 2009 last installment outstanding on this facility amounts to SDR 512,500/-

16.6 Stand-By Arrangement

The Stand-By Arrangement is designed to help countries address short-term balance of payments problems. Program targets are designed to address these problems and Fund disbursements are made conditional on achieving these targets ('conditionality'). SBAs may be provided on a precautionary basis, where countries choose not to draw upon approved amounts but retain the option to do so if conditions deteriorate, both within the normal access limits and in cases of exceptional access.

The IMF approved a 36 month SBA for Maldives amounting to SDR 49.2 (600% of quota) on December 4, 2009. The financing is designed to help smoothen the country's adjustment to the fallout from the global crisis and support the government's policy change program.



16 IMF RELATED LIABILITIES (Continued)

16.7 Exogenous Shock Facility (ESF)

The International Monetary Authority (IMF) provides exogenous shock facility to its member countries which are affected by event that has a significant negative impact on the economy and that is beyond the control of the government. The ESF has two components:

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

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

16.8 The following table shows the interest bearing facilities, from IMF, outstanding at the respective balance sheet dates.

| Current | Interest rate | Maturity | 2009 Rf | 2008 Rf |
|--|----------------------|-----------------|--------------------|--------------------|
| Emergency Assistance Facility | 0.50% | 08.03.2010 | 10,254,525 | 40,602,516 |
| | | | 10,254,525 | 40,602,516 |
| Non-current | | | | |
| Emergency Assistance Facility | 0.50% | 08.03.2010 | - | 10,254,525 |
| Stand-By Arrangement | 0.50% | 08.12.2017 | 82,036,080 | - |
| Exogenous Shock Facility | 0.50% | 11.12.2021 | 20,509,020 | - |
| | | | 102,545,100 | 10,254,525 |
| Total interest bearing loans from IMF | | | 112,799,625 | 50,857,041 |



Maldives Monetary Authority
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

| | 2009 Rf | 2008 Rf |
|---|--|-------------------|
| 17 INTEREST BEARING LOANS | | |
| Ministry of Finance and Treasury Loan (Note17.1) | | |
| Balance as at 1 January | 3,825,000 | - |
| Amounts received during the year | 29,325,000 | 3,825,000 |
| Accrued interest/ effects of exchange rates | 451,955 | - |
| Balance as at 31 December | 33,601,955 | 3,825,000 |
| 17.1 Ministry of Finance and Treasury provided a loan to the Authority for an amount equal to SDR. 4,900,000/- to undertake the Mobile Phone Banking Project on 3rd August 2008. As at the balance sheet date the Authority has withdrawn SDR 1,679,359/- from the above loan. | | |
| Total Loan Amount | SDR. 4,900,000 | |
| Interest Rate | 0.75% | |
| Repayment | From 15/09/2018 to 15/03/2028 SDR 49,000/- From 15/09/2028 to 15/03/2048 SDR 98,000/- | |
| 18 OTHER LIABILITIES | | |
| 18.1 Foreign currency other liabilities | | |
| Accounts payable | 10,139,986 | 386,904 |
| Accrued charges | 152,989 | 272,803 |
| Bank of Credit and Commerce International (BCCI) | 12,491,584 | 12,491,584 |
| Commercial banks human resource development deposits | 661,025 | 661,025 |
| | 23,445,584 | 13,812,316 |
| 18.2 Local currency other liabilities | | |
| Surplus payable to government | 25,869,186 | 13,456,931 |
| Accounts payable | 16,433,722 | 917,155 |
| Sundry creditors | 10,310,000 | - |
| Payables to government departments | 7,356,468 | 2,951,827 |
| Commercial banks human resource development deposits | 4,836,092 | 5,662,600 |
| Bank of Credit and Commerce International (BCCI) | 2,046,748 | 2,034,748 |
| Accrued charges | 532,650 | 373,622 |
| Research fund | 300,000 | - |
| MMA human resource development deposits | 61,888 | 84,777 |
| | 67,746,754 | 25,481,660 |
| | 91,192,338 | 39,293,976 |



Maldives Monetary Authority

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

| 19 SECURITIES SOLD UNDER AGREEMENT TO REPURCHASE | 2009 Rf | 2008 Rf |
|--|------------|------------|
|--|------------|------------|

| | | |
|--|-------------------|----------|
| MMA Repo facility to Habib Bank Limited - Male' Branch | <u>10,000,000</u> | <u>-</u> |
|--|-------------------|----------|

The above balance represents the repurchases transaction done with Habib Bank Limited - Male' Branch as at the balance sheet date under the Open Market Operations. It was a 7 days repo transaction.

| 20 DEPOSITS BY INTERNATIONAL FINANCIAL INSTITUTIONS | 2009 Rf | 2008 Rf |
|---|------------|------------|
|---|------------|------------|

| | | |
|---|------------------|-------------------|
| The International Development Association | 272,534 | 272,534 |
| The International Bank for Reconstruction and Development | 8,939,442 | 9,526,442 |
| The Asian Development Bank | 250,107 | 250,107 |
| The Multilateral Investment Guarantee Agency | 172,444 | 172,444 |
| | <u>9,634,527</u> | <u>10,221,527</u> |

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

21 CURRENCY IN CIRCULATION

The Authority, as the sole currency issuing authority in Maldives continued to perform the function of issuing legal tender currency. The amount of currency issued by the Authority and in circulation as at respective balance sheet dates, are as follows;

| 21.1 Net currency in circulation | Denomination | 2009 Rf | 2008 Rf |
|----------------------------------|---------------|----------------------|----------------------|
| Coins: | 1 Laari | 34,068 | 33,536 |
| | 2 Laari | 49,680 | 49,680 |
| | 5 Laari | 282,306 | 278,447 |
| | 10 Laari | 435,517 | 430,268 |
| | 25 Laari | 1,315,983 | 1,239,595 |
| | 50 Laari | 3,289,039 | 3,086,729 |
| | 1 Rufiyaa | 13,216,683 | 11,399,701 |
| | 2 Rufiyaa | 13,782,506 | 11,531,740 |
| | Damaged coins | (2,455) | (2,455) |
| | | | <u>32,403,327</u> |
| Notes: | 2 Rufiyaa | 1,631,384 | 1,633,072 |
| | 5 Rufiyaa | 15,039,155 | 14,448,415 |
| | 10 Rufiyaa | 24,040,180 | 21,896,530 |
| | 20 Rufiyaa | 14,734,240 | 14,858,100 |
| | 50 Rufiyaa | 28,902,550 | 30,212,750 |
| | 100 Rufiyaa | 193,416,200 | 237,473,600 |
| | 500 Rufiyaa | 1,489,554,500 | 1,413,623,000 |
| | | <u>1,767,318,209</u> | <u>1,734,145,467</u> |
| | | <u>1,799,721,536</u> | <u>1,762,192,707</u> |



22 DEFERRED GRANTS

22.1 The Authority has undertaken the Mobile Banking Project. Consultative Group to Assist the Poor (CGAP) has granted USD 555,701 for the project and the Authority recognises the assets acquired for the project with the corresponding credit recognized as deferred revenue. Deferred revenue will be amortized over the period that matches with the depreciation policy of such assets.

22.2 The Authority has received a motor vehicle as a gift from the Ministry of Finance and Treasury. The motor vehicle has been recognised as an asset in the books and the corresponding credit recognized as deferred revenue and will be amortized over the period that matches with the depreciation policy of motor vehicle.

22.3 Changes in deferred grant from MOFT and CGAP as of and for the years ended 31 December 2008 and 2009 are summarized in the following schedule:

| | 2009 | 2008 |
|--|------------------|------------------|
| | Rf | Rf |
| Deferred grant, beginning of year | 3,877,089 | - |
| Grants received during the year | 3,613,349 | 3,877,089 |
| Adjustments to grants - Motor vehicle amortization | (27,519) | - |
| Balance as at 31 December | 7,462,919 | 3,877,089 |

23 EQUITY AND RESERVES

23.1 Capital

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

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

23.2 General reserve

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

23.3 Foreign asset revaluation reserve (FARR)

The Authority established Foreign Asset Revaluation Reserve in accordance with Chapter V, section 28 of the MMA Act. According to the Act the gains and losses arising from any change in the valuation of the Authority's assets or liabilities in gold, foreign currencies or other units of account, as a result of alterations of the external value of the Rufiyaa, or of any change in the values, parities, or exchange rates in respect of such assets in relation to the Rufiyaa shall be credited to a Revaluation Reserve Account. As per the provisions of the MMA Act neither the gains nor the losses from change in valuation of foreign currency assets and liabilities of the Authority could be included in the computation of profit or loss. An amount equal to Rf 8,233,551/- (2008 Rf 5,636,931/-), relating to foreign asset revaluation, has been transferred to FARR.



Maldives Monetary Authority

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

| | 2009 | 2008 |
|---|--------------------|--------------------|
| | Rf | Rf |
| 24 FOREIGN CURRENCY INCOME | | |
| 24.1 Interest income | | |
| Interest on overnight placements | 4,111,604 | 61,800,181 |
| Interest received on reserve deposits | 2,035,444 | 185,198 |
| Interest received on loans to banks | 773,323 | - |
| SDR receipts | 262,928 | 1,239,802 |
| | 7,183,299 | 63,225,181 |
| 24.2 Interest expenses | | |
| Interest paid on reserve deposits | 1,110,123 | 12,581,448 |
| Charges on Stand-by Agreement loan | 914,600 | - |
| Interest on BOP support loan | 448,024 | 2,769,727 |
| SDR charges | 149,854 | 146,112 |
| Charges on Exogenous Shock Facility loan | 5,622 | - |
| | 2,628,223 | 15,497,287 |
| 25 INCOME FROM LOCAL CURRENCY FINANCIAL ASSETS | | |
| | 2009 | 2008 |
| | Rf | Rf |
| 25.1 Interest income | | |
| Interest received on ways and means advances | 121,459,394 | 113,702,482 |
| Interest received on treasury bonds | 93,304,581 | - |
| Interest received from loans to Government | 31,665,427 | 7,257,522 |
| Interest received on loans to banks | 288,859 | - |
| Discounts on treasury bills | 256,073 | 1,667,427 |
| Interest received on reserve deposits | 14,531 | 48,826 |
| | 246,988,865 | 122,676,257 |
| 25.2 Interest expense | | |
| Interest paid on reserve deposits | 12,680,789 | 8,458,564 |
| Interest paid on assigned capital deposits | 567,624 | 1,308,740 |
| Interest paid on open market operations | 159,614 | - |
| | 13,408,027 | 9,767,304 |



Maldives Monetary Authority

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

| | 2009 | 2008 |
|--|-------------------|-------------------|
| | Rf | Rf |
| 26 OTHER INCOME | | |
| Commission received | 9,853,694 | 9,042,322 |
| Bank charges received | 3,442,068 | 3,306,887 |
| Annual license fees from commercial banks and money changers | 377,625 | 356,000 |
| Miscellaneous earnings | 1,025,869 | 2,705,593 |
| | 14,699,256 | 15,410,803 |
| | | |
| | 2009 | 2008 |
| | Rf | Rf |
| 27 NET FOREIGN EXCHANGE REVALUATION GAIN | | |
| Gain on sale of US Dollars | 21,832,447 | 26,857,773 |
| Difference on foreign asset revaluations | 8,233,551 | 5,636,979 |
| | 30,065,998 | 32,494,752 |
| | | |
| | 2009 | 2008 |
| | Rf | Rf |
| 28 PERSONNEL EXPENSES | | |
| Salaries and wages | 25,504,501 | 22,507,813 |
| Remuneration to the Board members | 460,511 | 246,559 |
| | 25,965,012 | 22,754,372 |
| | | |
| | 2009 | 2008 |
| | Rf | Rf |
| 29 ADMINISTRATION EXPENSES | | |
| Printing and minting notes and coins | 6,240,303 | 10,860,549 |
| Stationary and other office expenses | 3,147,241 | 994,328 |
| Staff training expenses | 2,291,789 | 2,308,051 |
| Utility charges | 2,260,145 | 700,807 |
| Allowance for doubtful receivables | 1,917,658 | - |
| Training, development and payments relating to meetings | 1,106,767 | 298,325 |
| Telecommunications charges | 1,093,880 | 1,241,356 |
| Memberships and subscriptions | 655,256 | 301,305 |
| Audit fees | 412,736 | - |
| Consultancy fees | 410,087 | 6,120 |
| Repairs and maintenance | 395,785 | 121,852 |
| Bank charges | 290,174 | 224,047 |
| Hospitality expenses including board meeting expenses | 156,247 | 40,546 |
| Rent | 146,102 | 1,382,776 |
| Expenses on projects under development | 111,995 | 1,732,359 |
| SWIFT license fee | 101,788 | - |
| Publications | 77,337 | 102,219 |
| Office equipment | 41,683 | 101,210 |
| Miscellaneous expenses | 26,000 | 97,648 |
| Loss on disposal of fixed assets | 16,660 | - |
| | 20,899,633 | 20,513,498 |



30 CAPITAL MANAGEMENT

The Authority's objectives when managing capital, which is broader than the 'equity' on the face of the balance sheet, are

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

Capital adequacy and the use of statutory capital are monitored by the Authority's management and in accordance with the guidelines established by the MMA Act. As at 31 December 2008 the Authority's authorised capital was Rf 4,000,000/- and paid up capital was Rf 1,000,000/-. Authorized Capital may be increased from time to time by such amounts as may be proposed by the Board and approved by the President.

31 PROFIT RE-APPROPRIATION TO THE GOVERNMENT

Under section 27(2) of the MMA Act, as amended, the Authority's net profit, as determined in accordance with the Act, is paid to the government after making necessary appropriations to provision and reserves under sections 26 and 27(1) respectively. During the period the Authority transferred Rf. 146,746, 121.00 to the government in respect of profit for the year 2008.

32 NET ISSUES / (WITHDRAWALS) OF CIRCULATION CURRENCY ON GOVERNMENT AND FINANCIAL INSTITUTION TRANSACTIONS

| | 2009 Rf | 2008 Rf |
|--|---------------------|----------------------|
| Net receipts from government institutions current accounts | 383,421,773 | 265,506,953 |
| Others | 67,531 | 218,521 |
| Payment relating to government institutions current accounts | (276,659,135) | (398,649,216) |
| Disbursements on commercial bank current accounts | (154,668,998) | (306,988,857) |
| Net currency issues to circulation | (47,838,829) | (439,912,599) |

33 CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

| | 2009 Rf | 2008 Rf |
|--|----------------------|----------------------|
| Cash in hand | 10,796,224 | 12,976,718 |
| Cash at bank | 14,045,726 | 14,147,035 |
| Money at overnight placements | 3,126,300,000 | 3,011,550,000 |
| Investment in fixed deposits (those with maturities of 3 months or less) | 1,702,316 | 1,545,334 |
| | 3,152,844,266 | 3,040,219,087 |



Maldives Monetary Authority

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

34 CONCENTRATIONS OF FUNDING

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

| | 2009 | | Government of Maldives | | Commercial banks | | Supranational financial institutions | | Others | |
|---|----------------------|--|------------------------|--|----------------------|--|--------------------------------------|--|----------------------|--|
| | Rf | | Rf | | Rf | | Rf | | Rf | |
| As at 31 December, 2009 | | | | | | | | | | |
| Foreign currency financial liabilities | | | | | | | | | | |
| Deposits by commercial banks | 1,646,714,525 | | - | | 1,646,714,525 | | - | | - | |
| IMF related liabilities | 482,542,771 | | - | | - | | 482,542,771 | | - | |
| Deposits by international financial institutions | 689,775 | | - | | - | | 689,775 | | - | |
| Balances with government and governmental entities | 120,985,956 | | 120,985,956 | | - | | - | | - | |
| Other liabilities | 23,445,584 | | - | | - | | - | | 23,445,584 | |
| Interest bearing loans | 33,601,955 | | 33,601,955 | | - | | - | | - | |
| Total foreign currency financial liabilities | 2,307,980,566 | | 154,587,911 | | 1,646,714,525 | | 483,232,546 | | 23,445,584 | |
| Local currency financial liabilities | | | | | | | | | | |
| Deposits by commercial banks | 2,661,831,476 | | - | | 2,661,831,476 | | - | | - | |
| Securities sold under agreement to repurchase | 10,000,000 | | - | | 10,000,000 | | - | | - | |
| Balances with government and governmental entities | 664,279,244 | | 664,279,244 | | - | | - | | - | |
| Deposits by international financial institutions | 9,634,527 | | - | | - | | 9,634,527 | | - | |
| Other liabilities | 67,746,754 | | 25,869,186 | | - | | - | | 41,877,568 | |
| Total local currency financial liabilities | 3,413,492,001 | | 690,148,430 | | 2,671,831,476 | | 9,634,527 | | 41,877,568 | |
| Total financial liabilities | 5,721,472,567 | | 844,736,341 | | 4,318,546,001 | | 492,867,073 | | 65,323,152 | |
| Other liabilities | | | | | | | | | | |
| Currency in circulation | 1,799,721,536 | | - | | - | | - | | 1,799,721,536 | |
| Deferred grant | 7,462,919 | | 377,731 | | - | | 7,085,188 | | - | |
| | 1,807,184,455 | | 377,731 | | - | | 7,085,188 | | 1,799,721,536 | |
| Total Liabilities | 7,528,657,022 | | 845,114,072 | | 4,318,546,001 | | 499,952,261 | | 1,865,044,688 | |



Maldives Monetary Authority

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

34 CONCENTRATIONS OF FUNDING (Continued)

Comparative Figures As at 31 December 2008 are as Follows

| As at 31 December, 2008 | 2008 Total Rf | Government of Maldives Rf | Commercial Banks Rf | Supranational Financial Institutions Rf | Others Rf |
|---|----------------------|---------------------------------|---------------------------|--|-------------------|
| Foreign currency financial liabilities | | | | | |
| Deposits by commercial banks | 1,559,163,996 | - | 1,559,163,996 | - | - |
| IMF related liabilities | 247,858,130 | - | - | 247,858,130 | - |
| Deposits by international financial institutions | 689,775 | - | - | 689,775 | - |
| Balances with government and governmental entities | 116,216,497 | 116,216,497 | - | - | - |
| Other liabilities | 13,812,316 | - | - | - | 13,812,316 |
| Interest bearing loans | 3,825,000 | 3,825,000 | - | - | - |
| Total foreign currency financial liabilities | 1,941,565,714 | 120,041,497 | 1,559,163,996 | 248,547,905 | 13,812,316 |
| Local currency financial liabilities | | | | | |
| Deposits by commercial banks | 2,050,297,780 | - | 2,050,297,780 | - | - |
| Balances with government and governmental entities | 614,449,617 | 614,449,617 | - | - | - |
| Deposits by international financial institutions | 10,221,527 | - | - | 10,221,527 | - |
| Other liabilities | 25,481,660 | 13,456,931 | - | - | 12,024,729 |
| Total local currency financial liabilities | 2,700,450,584 | 627,906,548 | 2,050,297,780 | 10,221,527 | 12,024,729 |
| Total financial liabilities | 4,642,016,298 | 747,948,046 | 3,609,461,776 | 258,769,432 | 25,837,045 |
| Other Liabilities | | | | | |
| Currency in circulation | 1,762,192,707 | - | - | - | - |
| Deferred grant | 3,877,089 | - | - | 3,877,089 | - |
| | 1,766,069,796 | - | - | 3,877,089 | - |
| Total Liabilities | 6,408,086,094 | 747,948,046 | 3,609,461,776 | 262,646,521 | 25,837,045 |



35 RISK MANAGEMENT

The Authority's principal financial liabilities comprise of amounts payable to commercial banks, government, public entities and international financial institutions while foreign currency cash and cash equivalents, treasury bonds and IMF related assets are its main financial assets. The Authority does not enter into derivative transactions.

Maldives Monetary Authority as the Banker of the Government ensures that its reserves are safeguarded. However, the Authority is exposed to a variety of financial and non-financial risks when performing its functions. Such key risks are identified as follows;

1. Country risk
2. Credit risk
3. Market risk
4. Liquidity Risk
5. Operational Risk
6. Interest Rate Risk
7. Foreign Currency 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.

35.1 Country risk

The foreign reserve invested overseas is exposed to the country credit risk due to political, economic and financial events in the country of investment. Country risk includes the possibility of nationalization or expropriation of assets, government repudiation of external indebtedness, changes in exchange control policies and currency depreciation or devaluation.

Investment of the Authority's majority of foreign reserves in economically advanced and politically stable countries limit the exposure to country risk.

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

| Concentrations of credit exposure by geographical area | 2009 Rf | 2008 Rf |
|--|----------------------|----------------------|
| Maldives | 4,211,897,694 | 3,365,852,361 |
| USA | 3,147,582,502 | 3,031,734,196 |
| Britain | 1,731,336 | 1,569,582 |
| Europe | 3,820,456 | 3,761,819 |
| Singapore | 334,373 | 2,458,107 |
| Australia | 61,118 | 1,394,614 |
| Supranational financial institutions | 401,551,242 | 230,506,728 |
| Total financial assets | 7,766,978,721 | 6,637,277,407 |



35 RISK MANAGEMENT (Continued)

35.2 Credit Risk

Credit risk is the possibility that the counter-party will not fulfill its contractual obligation, resulting in a financial loss. To manage the credit risk the Authority determines and evaluate the credit limits to banks and to the government. The Authority has discontinued provision of short term lending to government and public entities during 2009. Short term advances granted until August 2009 were converted into government bonds and are used as collateral for conducting open market operations. Furthermore, advances provided to commercial banks are backed by government guarantee.

The Authority's end-of-year significant concentrations of credit exposure by Institution type are as follows.

| | 2009 Rf | 2008 Rf |
|--|----------------------|----------------------|
| Government and government institutions | 4,211,897,694 | 3,365,852,361 |
| Supranational financial institutions | 401,551,242 | 230,506,728 |
| Foreign banks and financial institutions | 3,142,733,561 | 3,027,941,601 |
| Foreign cash in hand | 10,796,224 | 12,976,717 |
| Total financial assets | 7,766,978,721 | 6,637,277,407 |

Credit exposure by credit rating

The following table presents the credit ratings of respective financial assets or issuers, based on the ratings of Standard and Poor's, Fitch Ratings and Moody's ratings.

| Credit Rating | 2009 Rf | % | 2008 Rf | % |
|---|----------------------|---------------|----------------------|---------------|
| Foreign cash in hand | 10,796,224 | 0.1% | 12,976,718 | 0.2% |
| AAA | 3,105,445,185 | 40.0% | 2,963,455,248 | 44.6% |
| AA- | 30,895,047 | 0.4% | 58,333,287 | 0.9% |
| AA | 1,807,759 | 0.0% | 1,650,776 | 0.0% |
| A | 3,874,976 | 0.0% | 3,811,567 | 0.1% |
| BBB- | 710,593 | 0.0% | 690,722 | 0.0% |
| | 3,153,529,784 | 40.6% | 3,040,918,318 | 45.8% |
| IMF related assets | 155,494,708 | 2.0% | 8,151,679 | 0.1% |
| Total foreign currency financial assets | 3,309,024,492 | 42.60% | 3,049,069,997 | 45.94% |
| Supranational financial institutions | | | | |
| AAA | 8,954,105 | 0.12% | 9,710,106 | 0.15% |
| NA | 237,102,429 | 3.05% | 212,644,943 | 3.20% |
| Interest and other receivables (NA) | - | 0.0% | 28,290,872 | 0.43% |
| Government of Maldives | 4,211,897,694 | 54.2% | 3,365,852,361 | 50.7% |
| Total financial assets | 7,766,978,720 | 96.8% | 6,637,277,407 | 100.0% |

Maldives Monetary Authority

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

35 RISK MANAGEMENT (Continued)

35.3 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.

i) Currency risk is the risk of loss on foreign assets and liabilities arising from changes in foreign exchange rates.

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

Market risks are mitigated through investment of majority of foreign reserves in US dollar denominated assets due to the existing USD peg system and investing in highly accredited financial institutions.

35.4 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 is invested in overnight repurchase agreements of the Federal Reserve Bank of New York.

35.5 Operational risk

Operational risk is the result of inadequate controls or failed processes such as human fraud and system errors and as a result of external events.

The Authority has in place a number of operational controls to minimize the financial and reputational damage against such risks. These include;

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

35.6 Interest rate risk

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

a) Interest rate sensitivity

The interest rate sensitivity analysis measure 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.

| | 2009 | 2008 |
|-----------------------------------|------------|------------|
| | Rf | Rf |
| Potential loss of interest income | 12,035,547 | 10,043,159 |



Maldives Monetary Authority

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

35.6 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 % | 2,009 Total Rf | Less than 6 Months Rf | Less than 12 Months Rf | Less than 2 Years Rf | Less than 5 Years Rf | More than 5 Years Rf | No fixed maturity Rf |
|--|---------------------------------|----------------------|-----------------------------|------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Interest sensitive foreign currency financial assets | | | | | | | | |
| Cash and cash equivalents | 0.013% | 3,153,517,873 | 3,153,517,873 | - | - | - | - | - |
| IMF related assets | 0.23% | 155,494,708 | 155,494,708 | - | - | - | - | - |
| Total interest sensitive foreign currency financial assets | | 3,309,012,581 | 3,309,012,581 | - | - | - | - | - |
| Non-interest sensitive foreign currency financial assets | | | | | | | | |
| Interest and other receivables | | 11,912 | 11,912 | - | - | - | - | - |
| Total non-interest sensitive foreign currency financial assets | | 11,912 | 11,912 | - | - | - | - | - |
| Total foreign currency financial assets | | 3,309,024,493 | 3,309,024,493 | - | - | - | - | - |
| Interest sensitive foreign currency financial liabilities | | | | | | | | |
| Deposits by commercial banks | 0.2% | 1,646,714,525 | 1,646,714,525 | - | - | - | - | - |
| IMF related liabilities | 0.50% | 266,689,467 | 164,144,367 | - | 102,545,100 | - | - | - |
| Interest bearing loans | 1.67% | 33,601,955 | - | - | - | 33,601,955 | - | - |
| Total interest sensitive foreign currency financial liabilities | | 1,947,005,947 | 1,810,858,892 | - | 102,545,100 | 33,601,955 | - | - |
| Non-interest sensitive foreign currency financial liabilities | | | | | | | | |
| IMF related liabilities | | 215,853,304 | - | - | - | - | 215,853,304 | - |
| Balances with government and governmental entities | | 120,985,956 | 120,985,956 | - | - | - | - | - |
| Other liabilities | | 23,445,584 | 10,292,975 | - | - | - | - | 13,152,609 |
| Deposits by international financial institutions | | 689,775 | - | - | - | - | - | 689,775 |
| Total non-interest sensitive foreign currency financial liabilities | | 360,974,619 | 131,278,931 | - | - | - | - | 229,695,688 |
| Total foreign currency financial liabilities | | 2,307,980,566 | 1,942,137,823 | - | 102,545,100 | 33,601,955 | 229,695,688 | - |
| Foreign currency interest rate sensitivity gap | | 1,362,006,634 | 1,498,153,689 | - | (102,545,100) | (33,601,955) | - | - |



Maldives Monetary Authority

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

35.6 Interest rate risk (Continued)

| Local currency interest rate sensitivity gap | Weighted Ave. Int. Rate % | 2,009 Total Rf | Less than 6 Months Rf | Less than 12 Months Rf | Less than 2 Years Rf | Less than 5 Years Rf | More than 5 Years Rf | No fixed maturity Rf |
|--|---------------------------------|----------------------|-----------------------------|------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Interest sensitive local currency financial assets | | | | | | | | |
| Loans and advances to government and governmental entities | 6% | 29,593,113 | - | - | - | 29,593,113 | - | - |
| Investment in government bonds- Held-to-Maturity instruments | 7.65% | 4,182,304,581 | 93,304,581 | 283,000,000 | 317,000,000 | 1,902,000,000 | 1,587,000,000 | - |
| Total interest sensitive local currency financial assets | | 4,211,897,694 | 93,304,581 | 283,000,000 | 317,000,000 | 1,931,593,113 | 1,587,000,000 | |
| Non-interest sensitive local currency financial assets | | | | | | | | |
| Subscriptions to international agencies | | 246,056,534 | - | - | - | - | - | 246,056,534 |
| Interest and other receivables | | - | - | - | - | - | - | - |
| Total non-interest sensitive local currency financial assets | | 246,056,534 | | | | | | 246,056,534 |
| Total local currency financial assets | | 4,457,954,228 | 93,304,581 | 283,000,000 | 317,000,000 | 1,931,593,113 | 1,587,000,000 | 246,056,534 |
| Interest sensitive local currency financial liabilities | | | | | | | | |
| Securities sold under agreement to repurchase | 4.39% | 10,000,000 | 10,000,000 | - | - | - | - | - |
| Deposits by commercial banks | 2.50% | 2,631,831,476 | 2,631,831,476 | - | - | - | - | - |
| Assigned capital deposits | 1.50% | 30,000,000 | 30,000,000 | - | - | - | - | - |
| Total interest sensitive local currency financial liabilities | | 2,671,831,476 | 2,671,831,476 | | | | | |
| Non-interest sensitive local currency financial liabilities | | | | | | | | |
| Balances with government and governmental entities | | 664,279,244 | 664,279,244 | - | - | - | - | - |
| Deposits by international financial institutions | | 9,634,527 | 9,634,527 | - | - | - | - | - |
| Other liabilities | | 67,746,754 | 34,932,840 | - | - | - | - | 32,813,914 |
| Total non-interest sensitive local currency financial liabilities | | 741,660,525 | 708,846,611 | | | | | 32,813,914 |
| Total local currency financial liabilities | | 3,413,492,001 | 3,380,678,087 | | | | | 32,813,914 |
| Local currency interest rate sensitivity gap | | 1,540,066,218 | (2,578,526,895) | 283,000,000 | 317,000,000 | 1,931,593,113 | 1,587,000,000 | - |



Maldives Monetary Authority

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

35.6 Interest rate risk (Continued)

Comparative figures as at 31 December 2008 were as follows.

| Foreign currency interest rate sensitivity gap: | Weighted Ave. Int. Rate % | 2008 Total Rf | Less than 6 Months Rf | Less than 12 Months Rf | Less than 2 Years Rf | Less than 5 Years Rf | More than 5 Years Rf | No fixed maturity Rf |
|--|---------------------------------|----------------------|-----------------------------|------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Interest sensitive foreign currency financial assets | | | | | | | | |
| Cash and cash equivalents | 0.10% | 3,040,903,814 | 3,040,903,814 | - | - | - | - | - |
| IMF related assets | 0.23% | 8,151,679 | 8,151,679 | - | - | - | - | - |
| Total interest sensitive foreign currency financial assets | | 3,049,055,493 | 3,049,055,493 | - | - | - | - | - |
| Non-interest sensitive foreign currency financial assets | | | | | | | | |
| Interest and other receivables | | 14,504 | 14,504 | - | - | - | - | - |
| Total non-interest sensitive foreign currency financial assets | | 14,504 | 14,504 | - | - | - | - | - |
| Total foreign currency financial assets | | 3,049,069,997 | 3,049,069,997 | - | - | - | - | - |
| Interest sensitive foreign currency financial liabilities | | | | | | | | |
| Deposits by commercial banks | 2.49% | 1,559,163,996 | 1,559,163,996 | - | - | - | - | - |
| IMF related liabilities | 0.50% | 56,461,833 | 25,906,050 | 20,301,258 | 10,254,525 | - | - | - |
| Interest bearing loans | 1.70% | 3,825,000 | - | - | - | 3,825,000 | - | - |
| Total interest sensitive foreign currency financial liabilities | | 1,619,450,829 | 1,585,070,046 | 20,301,258 | 10,254,525 | - | 3,825,000 | - |
| Non-interest sensitive foreign currency financial liabilities | | | | | | | | |
| IMF related liabilities | | 191,396,297 | 191,396,297 | - | - | - | - | - |
| Balances with government and governmental entities | | 116,216,497 | 116,216,497 | - | - | - | - | - |
| Other liabilities | | 13,812,316 | 659,707 | - | - | - | - | 13,152,609 |
| Deposits by international financial institutions | | 689,775 | - | - | - | - | - | 689,775 |
| Total non-interest sensitive foreign currency financial liabilities | | 322,114,885 | 308,272,501 | - | - | - | - | 13,842,384 |
| Total foreign currency financial liabilities | | 1,941,565,714 | 1,893,342,547 | 20,301,258 | 10,254,525 | - | 3,825,000 | 13,842,384 |
| Foreign currency interest rate sensitivity gap | | 1,429,604,664 | 1,463,985,447 | (20,301,258) | (10,254,525) | - | (3,825,000) | - |



Maldives Monetary Authority

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

35.6 Interest rate risk (Continued)

| Local currency interest rate sensitivity gap | Weighted Ave. Int. Rate % | 2008 Total Rf | Less than 6 Months Rf | Less than 12 Months Rf | Less than 2 Years Rf | Less than 5 Years Rf | More than 5 Years Rf | No fixed maturity Rf |
|--|---------------------------------|----------------------|-----------------------------|------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Interest sensitive local currency financial assets | | | | | | | | |
| Loans and advances to government and governmental entities | 6.94% | 3,337,561,489 | 3,337,561,489 | - | - | - | - | - |
| Total interest sensitive local currency financial assets | | 3,337,561,489 | 3,337,561,489 | - | - | - | - | - |
| Non-interest sensitive local currency financial assets | | | | | | | | |
| Subscriptions to international agencies | | 222,355,049 | 222,355,049 | - | - | - | - | - |
| Interest and other receivables | | 28,290,872 | 28,290,872 | - | - | - | - | - |
| Total non-interest sensitive local currency financial assets | | 250,645,921 | 250,645,921 | - | - | - | - | - |
| Total local currency financial assets | | 3,588,207,410 | 3,588,207,410 | - | - | - | - | - |
| Interest sensitive local currency financial liabilities | | | | | | | | |
| Deposits by commercial banks | 2.50% | 1,959,114,029 | 1,959,114,029 | - | - | - | - | - |
| Assigned capital deposits | 1.50% | 91,183,751 | - | 91,183,751 | - | - | - | - |
| Total interest sensitive local currency financial liabilities | | 2,050,297,780 | 1,959,114,029 | 91,183,751 | - | - | - | - |
| Non-interest sensitive local currency financial liabilities | | | | | | | | |
| Balances with government and governmental entities | | 614,449,617 | 614,449,617 | - | - | - | - | - |
| Deposits by international financial institutions | | 10,221,527 | - | - | - | - | - | 10,221,527 |
| Other liabilities | | 25,481,660 | 4,242,604 | - | - | - | - | 21,239,056 |
| Total non-interest sensitive local currency financial liabilities | | 650,152,804 | 618,692,221 | - | - | - | - | 31,460,583 |
| Total local currency financial liabilities | | 2,700,450,584 | 2,577,806,250 | 91,183,751 | - | - | - | 31,460,583 |
| Local currency interest rate sensitivity gap | | 1,287,263,709 | 1,378,447,460 | (91,183,751) | - | - | - | - |



Maldives Monetary Authority

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

35.7 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 Foreign Exchange Section of Maldives Monetary Authority. Volatility of the foreign exchange markets may expose the Authority to exchange rate risk.

Net exposure to foreign currencies

As at 31 December 2009, the Maldives Monetary Authority's net exposure to major currencies was as follows.

| | Currency of Denomination | | | | | | | | Total Rf |
|---|--------------------------|------------------|----------------------------|-------------------------|----------------------|-----------------------------|---------------------------|----------|----------------------|
| | US Dollars Rf | Euro Rf | Singapore Dollars Rf | Sterling Pound Rf | SDR Rf | Australian Dollars Rf | Other Currencies Rf | | |
| Foreign currency financial assets | | | | | | | | | |
| Cash and cash equivalents | 3,147,570,948 | 3,820,456 | 334,373 | 1,731,336 | - | 60,760 | - | - | 3,153,517,873 |
| IMF related assets | - | - | - | - | 155,394,884 | - | - | - | 155,394,884 |
| Interest and other receivables | 11,554 | - | - | - | 99,824 | 358 | - | - | 111,736 |
| Total foreign currency financial assets | 3,147,582,502 | 3,820,456 | 334,373 | 1,731,336 | 155,494,708 | 61,118 | - | - | 3,309,024,493 |
| Proportion | 95.1% | 0.1% | 0.0% | 0.1% | 4.7% | 0.0% | 0.0% | 0.0% | 100.0% |
| Foreign currency financial liabilities | | | | | | | | | |
| Deposits by commercial banks | 1,646,714,525 | - | - | - | - | - | - | - | 1,646,714,525 |
| IMF related liabilities | - | - | - | - | 482,542,771 | - | - | - | 482,542,771 |
| Balances due to government entities | 120,985,956 | - | - | - | - | - | - | - | 120,985,956 |
| Deposits by international financial institutions | 689,775 | - | - | - | - | - | - | - | 689,775 |
| Interest bearing loans | - | - | - | - | 33,601,955 | - | - | - | 33,601,955 |
| Others | 23,445,584 | - | - | - | - | - | - | - | 23,445,584 |
| Total foreign currency financial liabilities | 1,791,835,840 | - | - | - | 516,144,726 | - | - | - | 2,307,980,566 |
| Proportion | 77.6% | 0.0% | 0.0% | 0.0% | 22.4% | 0.0% | 0.0% | 0.0% | 100.0% |
| Net foreign currency exposure | 1,355,746,662 | 3,820,456 | 334,373 | 1,731,336 | (360,650,018) | 61,118 | - | - | 1,001,043,927 |



Maldives Monetary Authority

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

35.7 Foreign currency risk (Continued)

As at 31 December 2008, the Maldives Monetary Authority's net exposure to major currencies was as follows.

| | Currency of Denomination | | | | | | | Total Rf |
|---|--------------------------|------------------|----------------------------|-------------------------|----------------------|-----------------------------|---------------------------|----------------------|
| | US Dollars Rf | Euro Rf | Singapore Dollars Rf | Sterling Pound Rf | SDR Rf | Australian Dollars Rf | Other Currencies Rf | |
| As at 31 December 2008 | | | | | | | | |
| Foreign currency financial assets | | | | | | | | |
| Cash and cash equivalents | 3,031,733,306 | 3,761,819 | 2,445,738 | 1,569,582 | - | 1,393,371 | - | 3,040,903,816 |
| IMF related assets | - | - | - | - | 7,921,533 | - | - | 7,921,533 |
| Interest and other receivables | 890 | - | 12,369 | - | 230,146 | 1,243 | - | 244,648 |
| Total foreign currency financial assets | 3,031,734,196 | 3,761,819 | 2,458,107 | 1,569,582 | 8,151,679 | 1,394,614 | - | 3,049,069,997 |
| Proportion | 99.4% | 0.1% | 0.1% | 0.1% | 0.3% | 0.0% | 0.0% | 100.0% |
| Foreign currency financial liabilities | | | | | | | | |
| Deposits by commercial banks | 1,559,163,996 | - | - | - | - | - | - | 1,559,163,996 |
| IMF related liabilities | - | - | - | - | 247,858,130 | - | - | 247,858,130 |
| Balances due to government entities | 116,216,497 | - | - | - | - | - | - | 116,216,497 |
| Deposits by international financial institutions | 689,775 | - | - | - | - | - | - | 689,775 |
| Interest bearing loans | - | - | - | - | 3,825,000 | - | - | 3,825,000 |
| Others | 13,812,316 | - | - | - | - | - | - | 13,812,316 |
| Total foreign currency financial liabilities | 1,676,070,268 | - | - | - | 251,683,130 | - | - | 1,941,565,714 |
| Proportion | 86.3% | 0.0% | 0.0% | 0.0% | 13.0% | 0.0% | 0.0% | 100.0% |
| Net foreign currency exposure | 1,355,663,928 | 3,761,819 | 2,458,107 | 1,569,582 | (243,531,451) | 1,394,614 | - | 1,107,504,283 |



36 RELATED PARTIES TRANSACTION DISCLOSURES

36.1 Transactions with state and state controlled entities

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

| | 2009 Rf | 2008 Rf |
|---|---------------|---------------|
| Profit re-appropriation to the government | 146,746,121 | 195,773,213 |
| Surplus paid to government | - | 15,411,920 |
| Advances to Government as at 31 December (Note 08) | 29,593,113 | 3,337,561,489 |
| Government Securities Held to Maturity (Note 09) | 4,089,000,000 | - |
| Gross foreign exchange transactions during the year | | |
| - Sales | 702,487,727 | 1,522,845,060 |
| - Purchases | 341,296,000 | 1,381,375,000 |
| Loan given to Bank of Maldives Plc | 165,750,000 | - |

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

| | 2009 Rf | 2008 Rf |
|--|-------------|-------------|
| Interest income earned from related parties | 246,974,334 | 122,627,431 |
| Loans received from Ministry of Finance and Treasury | 29,776,955 | 3,825,000 |
| Finance charges paid | 25,206 | - |
| Charges and commissions earned from related parties | 12,933,293 | 12,214,599 |
| Gross value of goods and services obtained | 2,470,791 | 1,039,358 |

- c) The aggregate balances outstanding on deposits by government and governmental entities, as at 31 December, are given below.

| | 2009 Rf | 2008 Rf |
|---|--------------------|--------------------|
| Government deposits with the Authority | 749,913,346 | 720,127,771 |
| State Owned Enterprises deposits with the Authority | 35,351,854 | 10,538,343 |
| | 785,265,200 | 730,666,114 |

- d) The Authority performs the functions of implementing its monetary policy mainly through open market operations and enforcing Statutory Reserve Requirement under article 31 of MMA Act. Further, the Authority act as the banker to both commercial banks and government institutions. Government of Maldives as a related party has a significant shareholding in Bank of Maldives Plc. Please refer Note 13 for the gross outstanding balances as at 31 December.

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



Maldives Monetary Authority

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

36 RELATED PARTIES TRANSACTION DISCLOSURES (Continued)

f) The Non-bank Financial Institutions Supervision Section of the Authority carries out its regulatory and supervisory functions in respect of Non-banking Financial Institutions. Accordingly, the following related entities are under the supervision of the Authority. However, there were no financial transactions with these parties during the years ending 31 December 2008 and 2009.

Allied Insurance Company of the Maldives
Housing Development Finance Corporation Plc

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

h) The Authority, in carrying out the normal operations, enters into transactions to obtain various goods and services with government entities or entities in which government has significant influence or control (Refer to Note 36.1 (b)).

i) In the year 2009 the Authority provided two Emergency Funding Loans to Bank of Maldives Plc. (Refer to Notes 36.1 (a))

j) Under article 22 (h) of MMA Act the Authority provided short term loans to the government to finance the budget expenditure during the years ended 31 December 2009 and 2008 (Refer to Note 36.1 (a)).

k) The Authority did not provide any guarantee over any of the borrowings of a related party in the years ending 31 December 2008 and 2009.

36.2 Transactions with key managerial personnel (present and former)

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

| | 2009 Rf | 2008 Rf |
|--|------------|------------|
| Compensation to the key management personnel | 2,221,933 | 1,316,433 |



37 FINANCIAL INSTRUMENTS

37.1 Fair value of financial instruments

The fair value of a financial instruments is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms-length transaction. When a financial instrument is traded in an organised and liquid market that is able to absorb a significant transaction without moving the price against the trader and the quoted market values represent the fair value.

Currency in circulation

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

Investment in fixed deposits

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

38 RETROSPECTIVE RESTATEMENT OF ERRORS

38.1 Profit re-appropriation to the government from 2007 and 2008 net profit were accounted as payable at 31 December 2007 and 2008 respectively.

38.2 Printing and minting costs of currency notes and coins were previously expensed when incurred. This policy has been changed to expense the cost only when currency is issued to circulation in accordance with IAS 2 - Inventories.

38.3 Foreign currency monetary assets are translated using the exchange rate at the end of the reporting period, any differences were previously taken to foreign assets revaluation reserve. This policy has been ammended to comply with IAS 21 - Effects of Changes in Foreign Exchange Rates. Exchange differences on translation of monetary assets are now taken to income statement.

38.4 The expense incurred on the Mobile Phone Banking Project were debited against the interest bearing loans, deferred grant and no provisions were made for the payables as at 31 December 2008. To correct this error, the amounts that were previously debited from interest bearing loans and deferred grant has been removed and recorded as "other assets- Mobile Phone Banking Project". A provision of Rf 386,903/- has been recorded for the payables as at 31 December 2008.

The financial statements of 2007 and 2008 have been restated to correct the above changes. The effect of the restatement on those financial statements is summarized below.

| | Effect on 31 Dec 2008 Rf |
|---|--------------------------------|
| Income statement before adjustment | 162,846,120 |
| (Decrease) in profit for the year | (3,838,134) |
| Increase in income for the year | 5,636,978 |
| Adjusted profit for the year | <u>164,644,964</u> |



38 RETROSPECTIVE RESTATEMENT OF ERRORS (continued)

| Statement of financial position | Effect on 31 Dec 2007 Rf |
|---|---|
| Decrease in local currency financial liabilities - Balances with government and governmental institutions (Note 38.1) | (195,773,213) |
| Increase in Inventory- Currency notes and coins | 23,955,112 |
| Increase in retained earnings | 219,728,325 |
| | |
| Statement of financial position | Effect on 31 Dec 2008 Rf |
| Decrease in local currency financial liabilities - Balances with government and governmental institutions | (146,746,121) |
| Increase in retained earnings | 146,746,121 |
| Decrease in Inventory- Currency notes and coins | (3,838,134) |
| Increase Interest bearing loans | 812,635 |
| Increase Deferred grants | 2,621,099 |
| Increase in other payables | 386,903 |
| Increase in other assets - Mobile Phone Banking Project | 3,820,637 |



Maldives Monetary Authority

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

39 COMPARATIVE INFORMATION

The presentation and classification of following items in these financial statements are amended to ensure comparability with the current year.

39.1 Other receivables and Other assets

| As reported previously: | 2008 Rf | |
|--|--------------------|--------------------|
| Other assets | | |
| Sundry assets | | <u>35,349,344</u> |
| | 2009 Rf | 2008 Rf |
| Current presentation: | | |
| Foreign currency financial assets | | |
| Other receivables | 11,912 | 14,504 |
| IMF related assets | 99,824 | 230,146 |
| | <u>111,736</u> | <u>244,650</u> |
| Local currency financial assets | | |
| Interest and other receivables | - | 28,290,872 |
| | | <u>28,290,872</u> |
| Local currency non-financial assets | | |
| Other assets | 2,014,340 | 6,813,822 |
| | | <u>6,813,822</u> |

Interest receivables on Holding of SDR's, foreign bank balances, loans to government and other assets presented as sundry assets in the last year financial statements, have been adjusted to confirm with changes in presentation in the current year.

39.2 Interest bearing loans

| As reported previously: | 2008 Rf | |
|--|--------------------|--------------------|
| Other liabilities - Miscellaneous liabilities | | |
| IDA imprest account | | <u>3,012,365</u> |
| | 2009 Rf | 2008 Rf |
| Foreign currency financial liability | | |
| Interest bearing loans | 33,601,955 | 3,825,000 |
| | | <u>3,825,000</u> |

A loan from the Ministry of Finance and Treasury, which has been classified as other liability in the 2008 financial statements has been adjusted to confirm with changes in presentation in the current year.



Maldives Monetary Authority

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

39 COMPARATIVE INFORMATION (Continued)

39.3 Other liabilities

| | | |
|--|------------------|------------------|
| As reported previously: | | 2008 |
| | | Rf |
| Other liabilities - Miscellaneous liabilities | | |
| CGAP grant | | <u>1,255,990</u> |
| | 2009 | 2008 |
| Other liabilities | Rf | Rf |
| Deferred grants | <u>7,462,919</u> | <u>3,877,089</u> |

The Authority has received a grant from Consultative Group to Assist the Poor (CGAP) and this has been classified under other liability in the last year financial statements. Accordingly the grant has been presented as deferred grant in the current year financial statements.

39.4 IMF related liabilities and Deposits by international financial institutions

| | | |
|--|--------------------|---------------------------|
| As reported previously: | | 2008 |
| | | Rf |
| Foreign currency financial liability | | |
| International financial institutions | | 202,307,599 |
| Loans from foreign institutes | | <u>50,857,041</u> |
| | | <u>253,164,640</u> |
| | 2009 | 2008 |
| Current presentation: | Rf | Rf |
| Foreign currency financial liability | | |
| Deposits by international financial institutions | 689,775 | 689,775 |
| IMF related liabilities | <u>226,107,829</u> | <u>242,253,338</u> |
| Local currency financial liability | | |
| Deposits by international financial institutions | <u>9,634,527</u> | <u>10,221,527</u> |

- a) Foreign currency purchases from IMF has been classified as loans from foreign institutions in the year 2008 financial statements. This has been presented as payables to IMF in the current year financial statements.
- b) IMF related liabilities which were presented under international financial institutions, together with International Bank for Reconstruction and Development (IBRD), Asian Development Bank (ADB) and Multilateral Investment Guarantee Agency (MIGA), are presented separately as IMF related liabilities and the comparative information has been adjusted to conform with current year presentation.
- c) The deposits collected on behalf of International financial institutions, in Maldivian Rufiyaa, are classified as "local currency financial liability - deposits by international financial institutions" in the current year financial statements and the comparative information has been adjusted to confirm with current year presentation.



Maldives Monetary Authority

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

39 COMPARATIVE INFORMATION (Continued)

39.5 Balances with government and government institutions - Local currency financial liability

| | 2008 | |
|--|-------------|-------------|
| As reported previously: | Rf | |
| Other liabilities - Miscellaneous liabilities | | |
| Local currency cheques issued and outstanding | 1,765,799 | |
| Demand liabilities local currency | | |
| Deposits by government | 276,443,113 | |
| Government offices | 318,112,933 | |
| Atolls | 7,623,661 | |
| | 2009 | 2008 |
| Current presentation: | Rf | Rf |
| Local currency financial liability | | |
| Balances with government and government institutions | 628,961,622 | 603,945,506 |

During the year government institution balances and Atolls accounts were transferred Public Bank Account. Therefore, the comparatives figures were changed accordingly.

39.6 Balances with government and government institutions - Foreign currency financial liability

| As reported previously: | 2008 | |
|---|-------------|-------------|
| | Rf | |
| Other liabilities - Miscellaneous liabilities | | |
| Foreign currency cheques issued and outstanding | 91,928 | |
| MOFT-tsunami A/C | 46,772,543 | |
| MOFT-ADB Teap Grant Imprest A/C | 104,442 | |
| MOFT-Strengthening of Procurement Regulatory frame work | 611,292 | |
| Imprest ADB Loan | 4,070,858 | |
| World Bank-pension reform and SPA project | 1,065,347 | |
| Maldives environmental management project | 1,995,650 | |
| Demand liabilities - foreign currency | | |
| Government offices- | 61,470,205 | |
| | 2009 | 2008 |
| Current presentation: | Rf | Rf |
| Foreign currency financial liability | | |
| Balances with government and government institutions | 120,951,724 | 116,182,265 |

The deposit accounts of Ministry of Finance and Treasury (MOFT) and other governmental institutions which were previously classified as other liabilities are presented under Balances with government and government institutions and the comparative information has been adjusted to confirm with current year presentation.



40 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

40.1 Guarantees

Under Section 22 (l) the Authority has power to give guarantee for the repayment of government loans. However, the Authority has not provided any guarantees as at 31 December 2009.

40.2 Fiduciary activities

Under Section 22 of MMA Act the Authority carries out fiduciary activities such as holding government funds and working as a fiscal agent for the government in its dealings with International Financial Institutions. However, the Authority does not expect any liabilities to arise from such activities.

40.3 Legal Claims

There are no ongoing legal proceedings against the Authority as of 31 December 2009.

40.4 Commitments

On request of the Ministry of Finance Treasury with reference to the loan agreements signed between the Government of the Republic of Maldives and the Islamic Development Bank, the Maldives Monetary Authority undertakes to provide the foreign exchange required to repay the loans inclusive of service fees at such times as repayment installments and service fees fall due. This is in consideration with the counter guarantee that the Ministry of Finance and Treasury on behalf of the Government of the Republic of Maldives undertakes to pay the Maldives Monetary Authority the Rufiyaa counterpart funds for the aforesaid payments.

Except for the above mentioned MMA does not have any significant capital commitments.

41 EVENTS OCCURRING SUBSEQUENT TO BALANCE SHEET DATE

On 19th January 2010, The President's Office authorized to increase the Authority's capital by transferring Rufiyaa 49 million from the retained earnings of the Authority. The balance of retained earnings was returned to Ministry of Finance and Treasury. Therefore, the retained earnings of Rf 142,900,300/- has now been nullified and the Authority's capital has been increased to Rf 50,000,000/-

