

Registration Number: 274/1991-1992

Myanmar Citizens Bank Limited

Audited Financial Statements

31 March 2018

WIN THIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

MYANMAR CITIZENS BANK LIMITED
FINANCIAL STATEMENTS
AS AT 31 MARCH 2018

CONTENTS	Page
Directors' Statement	1-2
Independent Auditor's Report	3-4
Statement of Financial Position	5
Statement of Comprehensive Income	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9-35



MYANMAR CITIZENS BANK LIMITED

Directors' Statement

For the year ended 31 March 2018

The directors present their statement to the members together with the audited financial statements for the financial year ended 31 March 2018.

In the opinion of the directors,

The financial statements are drawn up so as to give a true and fair view of the financial position of the Bank as at March 31, 2018, the statements of comprehensive income, changes in equity and cash flows of the Bank for the financial year covered by the financial statements; and at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

Directors

The patron of the Bank is Dr. Than Myint, the Union Minister of the Ministry of Commerce.

The board of directors of the Bank at the date of this statement is as follows

<u>No</u>	<u>Name</u>	<u>Position</u>
1	U Toe Aung Myint	Chairman
2	U Soe Naing @ U Ko Ko Gyi	Director
3	U Hla Oo	Director
4	U Tun Lwin	Director
5	U Own Saing	Director
6	U Hla Maw Oo	Director
7	Daw Moe Moe	Director
8	Daw Aye SadarLwin	Director
9	U Aung Aung	Director
10	U ZayaThura Mon	Director
11	U Aye Thaw	Independent Director

The board of director has appointed Dr. Thaung Han as Chief Executive Officer of the Bank.

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Bank a party to any arrangement whose object was to enable the directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

Share options

No options were granted during the financial year to subscribe for unissued shares of the Bank.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Bank.

There were no unissued shares of the Bank under option at the end of the financial year.

Independent auditor

The independent auditor, Win Thin & Associates, has expressed its willingness to accept reappointment.

On behalf of the directors,



Dr. Thaung Han
(Chief Executive Officer)



Daw Swe Swe Myint
(Deputy Managing Director)



U Aung Aung
(Director)



U Tun Lwin
(Director)



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WIN THIN & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

HEAD OFFICE:- Room (2B/2C) 1st Floor, Rose Condominium, No.182/194, Botahtaung Pagoda Road, Pazundaung Township, Yangon Region, Myanmar. Tel : 95-1-201798, 296164, Fax: 9 5-1-245671 Email : winthin9@myanmar.com.mm

MANDALAY BRANCH:- Room (9/10), East Wing of Bahtoo Stadium, 70th Street (Between 29th & 30th Street), Mandalay Region, Myanmar. Tel : 95-2-34451, Fax: 95-2-34498

Ref: 296/M-249/ March 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of Myanmar Citizens Bank Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **Myanmar Citizens Bank Limited (the Bank)**, which comprise the statement of financial position of the Bank as at March 31, 2018, the statements of comprehensive income, changes inequity and cash flows of the Bank 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 Myanmar Financial Reporting Standards (MFRS) as modified by Central Bank of Myanmar Guidelines and in compliance with the requirements of the Myanmar Companies Act. 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. We conducted our audit in accordance with Myanmar 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 Bank's preparation and fair presentation of the financial statements that give a true and fair viewing 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 Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Myanmar Citizens Bank Limited** as of March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with MFRS as modified by Central Bank of Myanmar Guidelines and the provisions of the Myanmar Companies Act.

Report on Other Legal and Regulatory Requirements

In accordance with the provisions of Myanmar Companies Act, we report that:

- (i) we have obtained all the information and explanations we have required; and
- (ii) books of account have been maintained by the Bank as required by Section 130 of the Act.

Also, in accordance with Section 89 of the Financial Institutions of Myanmar Law, we report that subject to our management letter, in our opinion, the financial statements are complete and properly and fairly drawn up, they present fairly the operations of the Bank and the information obtained from the officers and representatives of the Bank are satisfactory.

Other Matter

The financial statements of the Bank for the year ended March 31, 2017 were audited by another auditor who expressed an unqualified opinion on those statements on June 9, 2017.

A handwritten signature in blue ink, appearing to read 'Moe Kyaw', is written over a blue circular stamp. The stamp contains the text 'Win Thin & Associates' at the top, 'AUDITORS' in the center, and 'Certified Public Accountants' at the bottom, flanked by two stars.

Moe Kyaw (PA 313)
Managing Partner
Win Thin & Associates
Certified Public Accountants

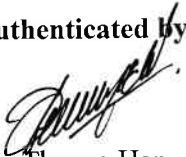
June 24, 2018


MYANMAR CITIZENS BANK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018


	<u>Note</u>	2018 <u>MMK</u>	2017 <u>MMK</u>
Assets			
Cash in hand and at bank	6	46,085,248,952	26,214,297,298
Loans and advances	7	188,252,548,188	159,718,009,008
Investments	8	57,510,879,412	47,491,569,606
Other assets	9	5,186,329,443	6,241,140,290
Property and equipment	10	12,947,281,298	10,261,130,085
Intangible assets	11	167,672,872	115,760,384
Total assets		310,149,960,165	250,041,906,671
Liabilities			
Deposits from customers	12	220,153,303,175	163,969,969,608
Other liabilities	13	20,300,291,075	19,617,544,932
Total liabilities		240,453,594,250	183,587,514,540
Equity			
Share capital	14	52,004,930,000	52,004,930,000
Share premium		5,119,732,800	5,119,732,800
Reserves	15	10,360,464,322	8,997,419,278
Retained earnings		2,211,238,793	332,310,053
Total equity		69,696,365,915	66,454,392,131
Total liabilities and equity		310,149,960,165	250,041,906,671

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Authenticated by:


Dr. Thaung Han
(Chief Executive Officer)


Daw Swe Swe Myint
(Deputy Managing Director)


U Aung Aung
(Director)


U Tun Lwin
(Director)

MYANMAR CITIZENS BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2018

	<u>Note</u>	<u>2018</u> <u>MMK</u>	<u>2017</u> <u>MMK</u>
Interest income	16	23,144,589,185	20,980,302,047
Interest expenses	17	(13,933,412,245)	(11,538,592,739)
Net interest income		9,211,176,940	9,441,709,308
Net fee and commission income	18	3,541,600,559	3,391,892,467
Other operating income	19	425,523,351	1,024,095,022
Income before operating expenses		13,178,300,850	13,857,696,797
Personnel expenses	20	(5,567,879,810)	(4,601,753,507)
Administration and general expenses	21	(2,924,330,089)	(902,430,429)
Depreciation and amortization		(727,993,069)	(535,873,987)
Profit before income tax		3,958,097,882	7,817,638,874
Income tax expenses	22	(786,728,107)	(1,984,537,787)
Profit for the year		3,171,369,775	5,833,101,087
Other comprehensive income		-	-
Total comprehensive income		3,171,369,775	5,833,101,087
Basic earnings per share	23	305	561

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Authenticated by:



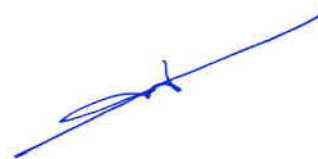
Dr. Thaung Han
(Chief Executive Officer)



Daw Swe Swe Myint
(Deputy Managing Director)



U Aung Aung
(Director)



U Tun Lwin
(Director)

MYANMAR CITIZENS BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31, 2018

	<u>Issued & Paid Up Capital</u> MMK	<u>Share Premium</u> MMK	<u>Reserves</u> MMK	<u>Retained Earnings</u> MMK	<u>Total</u> MMK
Balances at (1.4.2017)	52,004,930,000	5,119,732,800	8,997,419,278	332,310,053	66,454,392,131
Issued of shares	-	-	-	-	-
Prior year adjustments	-	-	-	70,604,009	70,604,009
Provision for the year	-	-	1,363,045,044	(1,363,045,044)	-
Dividend	-	-	-	-	-
Profit for the year	-	-	-	3,171,369,775	3,171,369,775
Balances at (31.3.2018)	52,004,930,000	5,119,732,800	10,360,464,322	2,211,238,793	69,696,365,915
Balances at (1.4.2016)	49,869,765,000	4,799,458,050	6,713,551,376	84,016,979	61,466,791,405
Issued of shares	2,135,165,000	320,274,750	-	-	2,455,439,750
Prior year adjustments	-	-	(75,182,098)	(105,462,213)	(180,644,311)
Provision for the year	-	-	2,359,050,000	(2,359,050,000)	-
Dividend	-	-	-	(3,120,295,800)	(3,120,295,800)
Profit for the year	-	-	-	5,833,101,087	5,833,101,087
Balances at (31.3.2017)	52,004,930,000	5,119,732,800	8,997,419,278	332,310,053	66,454,392,131

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Authenticated by:



Dr. Thauang Han
(Chief Executive Officer)



Daw Swe Swe Myint
(Deputy Managing Director)



U Aung Aung
(Director)



U Tun Lwin
(Director)

MYANMAR CITIZENS BANK LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018

	Note	2018 MMK	2017 MMK
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit after tax		3,171,369,775	5,833,101,087
Adjustments-			
-Depreciation and amortization		727,993,069	535,873,987
-Written off		-	11,753
-Dividend income		(50,000)	(120,000)
-Prior year adjustment		70,604,009	(180,644,311)
Operating profit/ (loss) before working capital changes		3,969,916,853	6,188,222,516
<i>Working capital changes:</i>			
-Loans and advances		(28,534,539,180)	(44,442,160,397)
-Other assets		1,645,052,778	3,250,475,954
-Deposit from customers		56,183,333,567	19,599,706,010
-Other liabilities		3,812,545,580	3,225,497,378
Cash provided by/ (used in) operating activities		37,076,309,598	(12,178,258,539)
Income tax paid		(590,241,931)	(1,970,000,000)
Net cash provided by/ (used in) operating activities		36,486,067,667	(14,148,258,539)
CASH FLOW FROM INVESTING ACTIVITIES			
(Purchase)/sale of treasury bonds and investments		(10,019,309,806)	3,361,223,886
Dividend income		50,000	120,000
Purchase of property and equipment		(3,338,922,149)	(2,645,365,624)
Addition of intangible assets		(127,134,621)	(105,165,795)
Net cash provided by/ (used in) investing activities		(13,485,316,576)	610,812,467
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share		-	2,135,165,000
Share premium		-	320,274,750
Dividends paid		(3,129,799,437)	(3,120,295,800)
Net cash provided by/ (used in) financing activities		(3,129,799,437)	(664,856,050)
Net increase/ (decrease) in cash and cash equivalents		19,870,951,654	(14,202,302,122)
Cash and cash equivalents at beginning of the year	6	26,214,297,298	40,416,599,420
Cash and cash equivalents at end of the year	6	46,085,248,952	26,214,297,298

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Authenticated by:



Dr. Thaung Han
(Chief Executive Officer)



Daw Swe Swe Myint
(Deputy Managing Director)



U Aung Aung
(Director)



U Tun Lwin
(Director)

MYANMAR CITIZENS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

1. General

Myanmar Citizens Bank Limited (the Bank) is incorporated and domiciled in Myanmar and has its registered office at No. 256/260, Sule Pagoda Road, Kyauktada Township, Yangon Region, Union of Myanmar.

The Bank was established as a public bank on October 30, 1991 as per Registration No. 274/1991-1992 under The Myanmar Companies Act. The Bank was permitted to carry out banking business under new License No. Ma Va Ba/Pa Ba (R)-01/08/ (7) 2016 issued by the Central Bank of Myanmar (CBM) according to Section 176 of the Myanmar Financial Institution Law 2016. The principal activities of the bank are to acceptance of public deposit, grant loans, trade services and other permitted activities subject to the approval of the CBM under chapter IX of the Financial Institution Law.

The financial statements were approved and authorized for issue by the Board of Directors on June 24, 2018.

2. Basic of preparation and accounting policies

The financial statements of the Bank have been prepared in accordance with Myanmar Financial Reporting Standards (MFRS) as modified by the Central Bank of Myanmar Guidelines. In preparing these financial statements, certain reclassifications and rearrangements have been made in 2017 financial statements to conform to the classifications used in 2018. The financial statements have been prepared under the historical cost basis.

The accounting policies adopted by the Bank are consistent with those adopted in the previous years.

3. Summary of significant accounting policies

3.1 Functional and presentation currency

The Bank’s financial statements are presented in Myanmar Kyat (MMK), which is also the Bank’s functional currency.

3.2 Foreign currency transactions

Transactions in currencies other than the Bank’s functional currency (“foreign currencies”) are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

The closing foreign exchange rates used by the Bank were (in MMK):

	<u>USD</u>	<u>EUR</u>	<u>SGD</u>
March 31, 2017	1362.00	1455.40	974.49
March 31, 2018	1335.00	1642.40	1018.00

MYANMAR CITIZENS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

3.3 Interest income and expenses

For all financial instruments measured at amortised cost and interest bearing financial assets classified as held-for-trading and available-for-sale, interest and expenses are recognised under “interest income”, “interest expense” respectively in the statement of profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income over expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument but does not consider the future credit losses. Significant fees and transactions costs integral to the effective interest rate, as well as premiums or discounts are also considered.

For impaired financial assets where the value of the financial asset has been written down as a result of an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

3.4 Fees and commission income

Fees and commission are generally recognized when services are rendered.

3.5 Dividend income

Dividend income is recognized when the right to receive payment is established.

3.6 Other operating income

Other income includes gains or losses resulting from foreign exchange transactions.

3.7 Employee compensation

(a) Staff provident fund

The fund is funded from the monthly contribution which is determined based on the monthly salary is contributed by the Bank and its employees at a rate of 8% respectively.

(b) Bonus plan

The Bank recognizes a liability and an expense for bonuses, based on a formula approved by the management of the Bank, which takes into consideration the profit attributable to the Bank's shareholders and after certain adjustments. The Bank recognizes a provision when contractually obliged to pay or where there is a past practice that has created a constructive obligation to pay.

3.8 Income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Current tax is payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the reporting date.

3.9 Financial assets and financial liabilities

(a) Initial recognition and subsequent measurement

Financial instruments are classified into the following categories – financial instruments at fair value through profit or loss, loans and receivables, financial investments held-to-maturity, financial investments available-for-sale and other non-derivative financial liabilities. Management determines the classification of financial instruments at initial recognition.

(i) Financial instruments at fair value through profit or loss

Financial instruments classified in this category consist of financial assets held-for-trading. Financial assets are classified as held-for-trading if they are acquired principally for the purposes of selling or repurchasing it in the near term.

Financial instruments included in this category are recognized initially at fair value and transaction costs are taken directly to profit or loss. Gains and losses from changes in fair value and dividend income are included directly in “Net gains and losses on financial instruments” in the statement of profit or loss. Interest income is recognised as “interest income” in the statement of profit or loss. Regular purchases and sales of financial assets held-for-trading are recognized at settlement date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified into this category include cash and balances with Banks, and loans and advances. They are presented as current assets, except for those expected to be realized later than 12 months after the statement of financial position date which are non-current assets. These financial assets are initially recognized at fair value, including direct and incremental transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest income on loans and receivables is recognized in “interest income” in the statement of profit or loss. Impairment losses on loans and advances are recognized in the statement of profit or loss as “allowance for impairment on loans and advances”.

(iii) Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank’s management has the positive intention and ability to hold to maturity. If the Bank was to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. They are presented as non-current assets, except for those maturing within 12 months after the statement of financial position date which are presented as current assets. These financial assets are initially recognized at fair value including direct and incremental transactions costs, and subsequently measured at amortised cost using the effective interest method. Interest on investment held-to-maturity is included in the statement of profit or loss and is reported as “Interest income”. Impairment losses, if any, are recognized in the statement of profit or loss as “Impairment on other assets”.

MYANMAR CITIZENS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

(iv) Available-for-sale

Available-for-sale financial assets are financial assets that are designated as such or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Bank's right to receive payment is established.

The Bank's available-for-sale financial assets comprise investment in unquoted shares. Investments in unquoted shares whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets which are not expected to be realised within 12 months after the financial year end are classified as non-current assets.

(v) Other non-derivative financial liabilities

Other non-derivative financial liabilities are initially recognized at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial liabilities are measured at amortised cost. The Bank does not have any non-derivative financial liabilities designated at fair value through profit or loss. Financial liabilities measured at amortised cost included deposits from customers, deposits from Banks, and other borrowed funds.

(b) Recognition and de-recognition

The Bank initially recognizes all financial assets and financial liabilities on the date that they are originated and measured initially at fair value.

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset are expired or the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Bank derecognizes a financial liability when the contractual obligations are discharged, cancelled or expired.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and to settle the liability simultaneously. This is not generally the case for financial instruments with master netting agreements and therefore, the related assets and liabilities are presented on a gross basis in the statement of financial position.

MYANMAR CITIZENS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

(d) Determination of fair value

All financial instruments are recognized initially at fair value. At initial recognition, the fair value of a financial instrument is generally the transaction price, i.e. the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of financial instruments is measured in accordance with the valuation methodologies generally accepted in Myanmar.

Investments in unquoted equity instruments whose fair value cannot be reliably measured are measured at cost, and assessed for impairment at each reporting date.

3.10 Impairment of financial assets

(a) Loans and advances

Loans and advances of the Bank are classified as impaired when they fulfill any of the following criteria:

Individual assessment

- (i) Principal or interest or both are past due for ninety (90) days or more; or
- (ii) Outstanding amount is in excess of approved limit for ninety (90) days or more in the case of overdraft facilities; or
- (iii) Where a loan is in arrears or the outstanding amount has been in excess of the approved limit for less than ninety (90) days, the loan exhibits indications of significant credit weaknesses.

For the determination of impairment on loans, the Bank assess at each reporting date whether there is any objective evidence that a loan is impaired. A loan is impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the loan that can be reliably estimated.

The criteria that the Bank use to determine that there is objective evidence of impairment include:

- (i) Any significant financial difficulty of the borrower;
- (ii) A breach of contract, such as a default or delinquency;
- (iii) A high probability of bankruptcy or other financial reorganization of the borrower;
- (iv) Concerns over the viability of the borrower's business operations and its capacity to trade successfully out of financial difficulties and to generate sufficient cash flows to service its debt obligations; or
- (v) Any adverse news or developments affecting the local economic conditions or business environment which will adversely affect the repayment capacity of the customer.

The Bank first assesses individually whether objective evidence of impairment exists for all loans.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the loans' carrying amount and the present value of the estimated future cash flows. The carrying amount of the loan is reduced through the use of an allowance account and the amount of loss is recognized in profit or loss. Where appropriate, the calculation of the present value of estimated future cash flows of a collateralized loan

MYANMAR CITIZENS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Where a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off are recognized in profit or loss.

Collective assessment

The Bank's collective assessment is currently maintained at 2% of the total outstanding loans, net of individual assessment allowance, being the arrangement prescribed under Central Bank of Myanmar guidelines and policy.

(b) Rescheduled and restructured loans

Where a loan shows evidence of credit weaknesses, the Bank may seek to renegotiate the loan rather than to take possession of collateral. This may involve an extension of the payment arrangements via rescheduling or the renegotiation of new loan terms and conditions via restructuring. Management monitors the renegotiated loan to ensure that all the revised terms are met and that the repayments are made promptly for a continuous period.

(c) Held-to-maturity

The Bank assess at each reporting date whether objective evidence of impairment of financial investments held-to-maturity exists as a result of one or more loss events and that loss event has an impact on the estimated future cash flows of the financial investment or group of financial investments that can be reliably estimated.

Where there is objective evidence of impairment, an impairment loss is recognized as the difference between the acquisition cost and the present value of the estimated future cash flows, less any impairment loss previously recognized. If, in a subsequent period, the amount of the impairment loss decrease and the decrease can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

(d) Available-for-sale

In the case of equity investments classified as available-for-sale (AFS), objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market.

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation or accretion) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on AFS equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For AFS debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

MYANMAR CITIZENS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash at Bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

3.12 Property and equipment and depreciation

All items of property and equipment are initially recorded at cost. The cost of an item of property and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of replaced parts is derecognized. All other repairs and maintenance are charged to profit or loss when they are incurred.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent to initial recognition, property and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses, if any.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation is computed on a straight-line basis calculated to write off the cost of each asset to its residual value over the term of its estimated useful lives of the assets at the following principal annual rates:

	<u>Years</u>
Land & Building	40-80
Leasehold improvement	5
Motor Vehicle	8
Furniture and Office Equipment	5-20
Plant & Machinery	16

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.15.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

MYANMAR CITIZENS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

3.13 Intangible assets

Intangible assets acquired are measured at cost on initial recognition. Subsequent to initial recognition, they are measured at cost less accumulated amortisation and impairment losses, if any. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives and assessed for impairment whenever there is an indication of impairment. The amortisation charges are recognised in the profit or loss. The useful life and amortization method are reviewed annually. Software licenses and rights have an estimated useful life of 10 years and are amortised over that period.

3.14 Foreclosed properties

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at the lower of cost and fair value.

3.15 Impairment of non-financial assets

Non-financial assets, such as property and equipment, investment properties and foreclosed properties, are reviewed for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where such indications exist, the carrying amount of the asset is written down to its recoverable amount, which is the higher of the fair value less costs to sell and the value-in-use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

These assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. No non-financial assets were impaired in 2018 and 2017.

3.16 Share capital

Ordinary shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets.

3.17 Other liabilities

Other liabilities represent liabilities for services provided to the Bank prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Other liabilities are initially recognized at fair value, and subsequently carried at cost.

3.18 Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events. It is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are reviewed at each financial year end adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks

MYANMAR CITIZENS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.19 Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities and assets are not recognised in the statements of financial position of the Bank in the current and previous financial year ends.

3.20 Related parties

A party is related to the Bank if:

- (a) directly, or indirectly through one or more intermediaries, the party:
 - (i) controls, is controlled by, or is under common control with, the Bank (this includes parents, subsidiaries and fellow subsidiaries);
 - (ii) has an interest in the Bank that gives it significant influence over the Bank; or
 - (iii) has joint control over the Bank;
- (b) the party is an associate of the Bank;
- (c) the party is a joint venture in which the Bank is a venture;
- (d) the party is a member of key management personnel of the Bank or its parents;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such reside resides, directly or indirectly, with any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the Bank, or of any entity that is a related party of the Bank.

3.21 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants act in their economic best interest when pricing the asset or liability.

MYANMAR CITIZENS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the financial year end.

4. Significant accounting judgments, estimates and assumptions

The preparation of the Bank's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

In the process of applying the Bank's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements.

4.1 Impairment of credit exposures

The Bank reviews its significant credit portfolios to assess impairment at each reporting date. In determining whether an impairment loss should be recognized, the Bank makes judgements as to whether there is any observable data indicating an impairment trigger. This evidence may include observable data indicating that there has been an adverse change in the credit quality or deterioration in the payment conduct of borrowers individually or as a group. These judgements are applied in line with its internal policy on determining impaired loans.

Judgement is required by management in the estimation of the amount and timing of future cash flows when determining an impairment loss for credit exposures. In estimating these cash flows, the Bank makes judgements 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 impairment allowance.

4.2 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where the classification of a financial asset or liability results in it being measured at fair value, wherever possible, the fair value is determined by reference to the quoted bid or offer price in the most advantageous active market to which the Bank has immediate access. An adjustment for credit risk is also incorporated into the fair value as appropriate.

Where no active market exists for a particular asset or liability, the Bank uses a valuation technique to arrive at the fair value, including the use of transaction prices obtained in recent arm's

length transactions, discounted cash flow analysis and other valuation techniques, based on market conditions and risks existing at reporting date. In doing so, fair value is estimated using a valuation technique that makes maximum use of observable market inputs and places minimal reliance upon entity-specific inputs.

4.3 Depreciation of property and equipment

The cost of property and equipment is depreciated on a straight-line basis over the asset's estimated economic useful lives. Management estimates the useful lives of these property and equipment to be within a range of 5 to 80 years. These are common life expectancies applied in this industry.

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets and therefore future depreciation charges could be revised. The carrying amount of the Bank's property and equipment at the reporting date is disclosed in Note 10.

4.4 Income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Bank recognised tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

4.5 Impairment of non-financial assets

When recoverable amount of an asset is determined based on the estimate of the value-in-use of the cash generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

5. Financial risk management

The Bank's business activities involve the use of financial instruments. These activities expose the Bank to a variety of financial risks, mainly credit risk, foreign exchange risk, interest rate risk and liquidity risk.

The Bank's financial risks are managed by the various management committees within the authority delegated by the Board of Directors. These management committees formulate, review and approve policies and limits to monitor and manage risk exposures under their respective supervision. The major policy decisions and proposals approved by these committees are subject to further review by the Board of Directors.

MYANMAR CITIZENS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

The main financial risks that the Bank is exposed to and how they are managed is set out below:

5.1 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of the changes in market interest rate. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to the changes in market rates.

The Bank is exposed to interest rate risk, through the impact of rate changes between the interest income and interest expenses at interest rates defined according to different types of deposits from customers with determinate or indeterminate maturities.

The table below summaries the Bank's exposure to interest rate risk as at 31 March 2018. The tables indicate effective average interest rates at the reporting date and the periods, in which the financial instruments are repriced or mature, whichever is earlier.

	Up to 1 month	1 to 3 months	>3 months to 12 months	>1 to 5 years	>5 years	Total Interest Sensitive	Non- interest sensitive	Total
	MMK (million)	MMK (million)	MMK (million)	MMK (million)	MMK (million)	MMK (million)	MMK (million)	MMK (million)
Assets								
Cash and balances with Banks	-	-	-	-	-	-	46,085.25	46,085.25
Loans and advances								
- Not impaired	3,413.86	16,127.47	61,971.50	93,472.32	2,232.02	177,217.17	10,412.47	187,629.64
- Impaired *	-	-	-	-	-	-	622.91	622.91
Investment	16,572.12	32,064.76	6,543.00	2,000.00	-	57,179.88	331.00	57,510.88
Total assets	19,985.98	48,192.23	68,514.50	95,472.32	2,232.02	234,397.05	57,451.63	291,848.68
Liabilities and Shareholders' equity								
Deposits from Customers	143,788.93	32,056.23	44,308.15	-	-	220,153.31	-	220,153.31
Borrowings	-	-	10.00	8,412.19	-	8,422.19	-	8,422.19
Other liabilities	-	-	-	-	-	-	11,878.10	11,878.10
Total liabilities	143,788.93	32,056.23	44,318.15	8,412.19	-	228,575.50	11,878.10	240,453.60
Total interest sensitivity gap	(123,802.95)	16,136.00	24,196.35	87,060.13	2,232.02	5,821.55	45,573.53	51,395.08

* This is arrived after deducting the individual allowance from gross impaired loans.

Sensitivity analysis of interest rate risk

The table below shows the sensitivity of the Bank's profit after tax to an up and down 1%:

	<u>Tax rate</u>	<u>+ 1%</u>	<u>- 1%</u>
	<u>MMK</u> <u>(million)</u>	<u>MMK</u> <u>(million)</u>	<u>MMK</u> <u>(million)</u>
Impact to profit before tax		58.22	(58.22)
Impact to profit after tax	20%	46.57	(46.57)

5.2 Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations, and by monitoring exposures in relation to such limits.

During the year under review, the Bank revised its Credit Policy which gives directions on the Credit related activities of the bank which establishes lending criteria, credit risk identification, mitigation and monitoring activities. The credit review process provides early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The credit review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

The maximum exposure to credit risk for each class of financial instruments as represented by the categories of financial assets on the statement of financial position is limited to the carrying amounts on the reporting date, without taking into account the fair value of any collateral. For the statement of financial position financial assets, the maximum exposure to credit risk equals their carrying amount.

The table below sets out information about the financial assets held by the Bank:

	2018	2017
	<u>MMK (Million)</u>	<u>MMK (Million)</u>
Loans and advances		
Neither past due nor impaired	180,592.59	155,218.59
Past due but not impaired	7,037.05	4,499.42
Individually past due and impaired	718.50	120.00
	188,348.14	159,838.01
Investment securities⁽¹⁾	57,509.88	47,490.57
	245,858.02	207,328.58

⁽¹⁾Investment securities exclude equity securities which are not exposed to credit risk.

The investment securities that are neither past due nor impaired includes government securities which are substantially with high credit-ratings in Myanmar.

Loans and advances past due but not impaired: Certain loans and advances are past due but not impaired as the collateral values of these loans and advances are in excess of the principal and interest outstanding.

Loans and advances individually past due and impaired: Certain loans and advances are past due and considered impaired as the recoverable values of these loans and advances are likely to be lower than its carrying value.

5.3 Liquidity risk and cash flow risk

Liquidity risk is the risk that the Bank is unable to meet its financial obligations as and when they fall due, such as upon maturity of deposits and draw-down of loans.

The Bank manages liquidity risk in accordance with the Board approved Asset and Liability Management policy framework. This framework comprises policies, controls and limits. These controls and policies include setting of cash flow mismatch limits, monitoring of liquidity early warning indicators, stress-test analysis of cash flows in liquidity crisis scenarios and establishment of a comprehensive contingency funding plan. The Bank is also required by regulators to maintain a certain percentage of its liability base in the form of cash and other liquid assets as a buffer against unforeseen liquidity requirements. The main objectives are honouring all cash outflow commitments on an on-going basis, satisfying statutory liquidity and reserve requirements, and avoiding raising funds at market premiums or through forced sale of assets.

The tables below set out the remaining contractual maturities of the Bank's non-derivative financial assets and financial liabilities on an undiscounted basis.

	Less than 1 year <u>MMK(Million)</u>	More than 1 year <u>MMK(Million)</u>	No-specific maturity <u>MMK(Million)</u>	Total <u>MMK(Million)</u>
Balance at 31 March 2018				
Non-derivative financial assets				
Cash in hand and at bank	46,085.25	-	-	46,085.25
Loans and advances*	81,512.83	95,704.34	11,130.97	188,348.14
Investments	55,179.88	2,000.00	331.00	57,510.88
Other assets	-	-	5,186.33	5,186.33
Total assets	182,777.96	97,704.34	16,648.30	297,130.60
Non-derivative financial liabilities				
Deposits from Customers	220,153.31	-	-	220,153.31
Other liabilities	19,386.31	-	913.98	20,300.29
Total liabilities	239,539.62	-	913.98	240,453.60
Net liquidity gap	(56,761.66)	97,704.34	15,734.32	56,677.00

(*) exclude specific provision for loan losses

The Bank's liquidity ratios as of 31 March 2018 and 2017 were 33.62% and 30.52% respectively and hence more than 20% fixed by the Central Bank of Myanmar as per its instruction. (10/2017)

5.4 Foreign exchange risk

Foreign exchange risk is the risk to earnings and economic value of foreign currency assets, liabilities and financial derivatives caused by fluctuations in foreign exchange rates.

The Bank's foreign exchange exposures comprise banking (non-trading) foreign exchange exposures. Non-trading foreign exchange exposures are principally derived from investments and funding activities and customer businesses.

MYANMAR CITIZENS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

The table below analyses the net foreign exchange positions of the Bank as at 31 March 2018 by major currencies, which are mainly in Myanmar Kyat, US Dollar, Euro and Singapore Dollar.

	<u>Myanmar Kyat</u> <u>MMK(Million)</u>	<u>United State Dollar</u> <u>MMK(Million)</u>	<u>Euro</u> <u>MMK(Million)</u>	<u>Singapore Dollar</u> <u>MMK(Million)</u>	<u>Total</u> <u>MMK(Million)</u>
Assets					
Cash and balances with Banks	31,870.11	13,101.70	871.01	242.43	46,085.25
Loans and advances to customers					
- Not impaired	187,629.64	-	-	-	187,629.64
- Impaired	718.50	-	-	-	718.50
Investment Securities	57,510.88	-	-	-	57,510.88
Total assets	277,729.13	13,101.70	871.01	242.43	291,944.27
Liabilities					
Deposits from Customers	210,965.55	9,187.76	-	-	220,153.31
Borrowings	8,422.19	-	-	-	8,422.19
Total liabilities	219,387.74	9,187.76	-	-	228,575.50
Net open position	58,341.39	3,913.94	871.01	242.43	63,368.77

Sensitivity analysis of foreign exchange risk

The following table demonstrates the sensitivity analysis of the Bank's pre-tax profit to a reasonably possible change in the USD, Euro and SGD against the respective functional currencies of the Bank, with all other variables held constant.

	<u>United State Dollar</u> <u>MMK(Million)</u>	<u>Euro</u> <u>MMK(Million)</u>	<u>Singapore Dollar</u> <u>MMK(Million)</u>
Strengthened by 10%	391.39	87.10	24.24
Weakened by 10%	(391.39)	(87.10)	(24.24)

5.5 Operational risk

Operational risk, which is inherent in all business activities, is the potential for financial loss, and business instability arising from failures in internal controls, operational processes or the systems that support them.

The goal of operational risk management is to balance cost and risk within the constraints of the risk appetite of the Bank as established by Board approved Operational Risk Management Framework and to be consistent with the prudent management required of a large financial organization.

It is recognized that such risks can never be entirely eliminated and that the cost of controls in minimizing these risks may outweigh the potential benefits. Accordingly, the Bank continues to invest in risk management and mitigation such as business continuity management and incident management. In reinforcement of the implementation of the Bank's risk strategy, independent checks on risk issues are undertaken by the internal audit function.

5.6 Legal and compliance risk

Legal risk is the risk that the business activities of the Bank have with unintended or unexpected legal consequences. It includes risk arising from:

- (i) Inadequate documentation, legal or regulatory incapacity, insufficient authority of a counterparty and uncertainty about the validity or enforceability of a contract in counterparty insolvency;
- (ii) Actual or potential violations of law or regulation (including activity unauthorized for a Bank and which may attract a civil or criminal fine or penalty);
- (iii) Failure to protect the Bank's property;
- (iv) The possibility of civil claims (including acts or other events which may lead to litigation or other disputes); and
- (v) Loss or increased charges associated with changes in, or errors in the interpretation of, taxation rates or law.

Compliance risk arises from a failure or inability to comply with the laws, regulations or codes applicable to the financial services industry. Non-compliance can lead to fines, public reprimands, and enforced suspension of operations or, in extreme cases, withdrawal of authorization to operate.

The Bank identifies and manages legal and compliance risk through effective use of its internal and external legal and compliance advisers. The Compliance function is formulated to ensure that the bank comply with regulations.

Bank has complied and followed the recently issued Central Bank direction (The Republic of the Union of Myanmar Central Bank of Myanmar Notification No-17/2017 dated on July 7, 2017) on asset classification and provisioning on Loans and Advances.

5.7 Capital management

The primary objectives of the Bank's capital management are to diversify its sources of capital, and to maintain an optimal level of capital which is adequate to support business activities and commensurate with the Bank's risk profile, and to meet its regulatory requirements.

"Capital funds" is defined as listed below:

	2018	2017
	<u>MMK</u>	<u>MMK</u>
Paid-up ordinary share capital	52,004,930,000	52,004,930,000
Retained profit	2,211,238,793	332,310,053
Reserves	15,480,197,122	14,117,152,078
	<u>69,696,365,915</u>	<u>66,454,392,131</u>

The Bank's Regulatory Capital Adequacy Ratio as of 31 March 2018 and 2017 were 25.68% and 36.51%, respectively, and hence more than 8% of regulatory capital adequacy, 4% minimum tier (1)'s capital as prescribed by the Central Bank of Myanmar Notification No. 16/2017.

MYANMAR CITIZENS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

6. Cash in hand and at bank

	2018	2017
	<u>MMK</u>	<u>MMK</u>
Cash in hand	17,141,784,505	5,641,005,823
Cash and balances with central banks	15,073,937,022	9,189,871,588
Cash with banks and other financial institutions	13,869,527,425	11,383,419,887
	46,085,248,952	26,214,297,298

7. Loans and advances

	2018	2017
	<u>MMK</u>	<u>MMK</u>
Demand loans	100,040,288,500	104,060,530,000
Hire purchase	62,936,414,921	44,891,981,379
Trade guarantee	1,779,419,800	1,527,274,000
SME two step loan	8,422,192,500	6,373,750,000
Bank overdraft	14,359,593,519	2,984,473,629
SME loan	810,231,600	-
	188,348,140,840	159,838,009,008
Specific provision for loan loss	(95,592,652)	(120,000,000)
	188,252,548,188	159,718,009,008

(i) Loans and advances analysed by type of industry are as follows:

	2018	2017
	<u>MMK</u>	<u>MMK</u>
Industrial Manufacturing	30,276,210,097	29,235,832,471
Production	1,181,752,268	1,866,848,807
Transportation	1,950,997,370	1,831,175,963
Trading	47,100,997,955	40,449,143,171
Service	33,645,772,533	28,615,481,090
Construction	8,645,243,685	10,487,288,875
Agriculture	63,861,273,068	45,224,515,131
Live stock	93,140,000	88,750,000
General	1,592,753,864	2,038,973,500
	188,348,140,840	159,838,009,008

(ii) Specific provisions for loan loss analysed by type of industry are as follows

	2018	2017
	<u>MMK</u>	<u>MMK</u>
Industrial Manufacturing	2,843,098	3,569,017
Trading	81,480,356	102,284,459
Construction	11,269,198	14,146,524
	95,592,652	120,000,000

MYANMAR CITIZENS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

8. Investments

	2018	2017
	<u>MMK</u>	<u>MMK</u>
Unquoted equity investments	1,000,000	1,000,000
Treasury Bonds	17,500,000,000	24,500,000,000
Treasury Bills	8,292,442,150	-
Fixed Deposits at other banks	31,387,437,262	22,660,569,606
Myanmar Payment Union	200,000,000	200,000,000
Credit Bureau	130,000,000	130,000,000
	57,510,879,412	47,491,569,606

No impairment loss occurred in 2018 for investment securities.

Unquoted equity investments classified as available-for-sale are carried at cost, less impairment because the fair value cannot be reliably estimated using valuation techniques supported by observable market data determined.

9. Other assets

	2018	2017
	<u>MMK</u>	<u>MMK</u>
Prepayment and advance	3,768,304,886	4,714,986,023
Receivable from business partner	122,048,765	-
Deposit for 663 mobile money	67,674,144	73,307,295
Interest receivable on investment	1,228,301,648	1,242,846,972
Debit note receivable	-	210,000,000
	5,186,329,443	6,241,140,290

MYANMAR CITIZENS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

10. Property and equipment

For the year ended March 31, 2018

<u>Cost</u>	<u>Land & Building</u> <u>MMK</u>	<u>Leasehold</u> <u>improvement</u> <u>MMK</u>	<u>Motor Vehicle</u> <u>MMK</u>	<u>Furniture and</u> <u>Office</u> <u>Equipment</u> <u>MMK</u>	<u>Plant &</u> <u>Machinery</u> <u>MMK</u>	<u>663 Mobile</u> <u>Money</u> <u>MMK</u>	<u>Total</u> <u>MMK</u>
At 1 April 2017	8,514,685,141	568,236,858	928,277,459	1,351,944,730	249,481,344	36,744,225	11,649,369,757
Additions	1,642,282,533	317,934,351	279,404,857	964,088,552	135,211,856	-	3,338,922,149
Transfer	-	-	20,094,400	16,649,825	-	(36,744,225)	-
At 31 March 2018	10,156,967,674	886,171,209	1,227,776,716	2,332,683,107	384,693,200	-	14,988,291,906
<u>Accumulated depreciation</u>							
At 1 April 2017	300,599,363	58,345,730	363,337,183	624,146,899	30,185,518	11,624,979	1,388,239,672
Charge for the financial year	87,621,788	89,136,890	147,682,584	306,903,115	21,426,559	-	652,770,936
Transfer	-	-	3,683,970	7,941,009	-	(11,624,979)	-
At 31 March 2018	388,221,151	147,482,620	514,703,737	938,991,023	51,612,077	-	2,041,010,608
Net Book Value at 31 March 2018	9,768,746,523	738,688,589	713,072,979	1,393,692,084	333,081,123	-	12,947,281,298
<u>For the year ended March 31, 2017</u>							
<u>Cost</u>							
At 1 April 2016	7,201,703,610	21,761,460	650,563,429	1,078,486,009	95,378,984	-	9,047,893,492
Additions	1,312,981,531	546,475,398	277,714,030	317,348,080	154,102,360	36,744,225	2,645,365,624
Write-offs	-	-	-	(43,889,359)	-	-	(43,889,359)
At 31 March 2017	8,514,685,141	568,236,858	928,277,459	1,351,944,730	249,481,344	36,744,225	11,649,369,757
<u>Accumulated depreciation</u>							
At 1 April 2016	219,422,382	-	256,775,974	478,913,359	14,612,825	-	969,724,540
Charge for the financial year	81,176,981	58,345,730	106,561,209	189,111,146	15,572,693	11,624,979	462,392,738
Write-offs	-	-	-	(43,877,606)	-	-	(43,877,606)
At 31 March 2017	300,599,363	58,345,730	363,337,183	624,146,899	30,185,518	11,624,979	1,388,239,672
Net Book Value at 31 March 2017	8,214,085,778	509,891,128	564,940,276	727,797,831	219,295,826	25,119,246	10,261,130,085

MYANMAR CITIZENS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

11. Intangible assets

	2018	2017
	<u>MMK</u>	<u>MMK</u>
Cost		
At 1 April	189,241,633	84,075,838
Additional	127,134,621	105,165,795
Balance at 31 March	316,376,254	189,241,633
Accumulated amortization		
At 1 April	73,481,249	-
Amortization for the year	75,222,133	73,481,249
Balance at 31 March	148,703,382	73,481,249
Net Book Value as at 31 March	167,672,872	115,760,384

12. Deposits from customers

	2018	2017
	<u>MMK</u>	<u>MMK</u>
Current Deposits	23,432,617,270	20,821,109,711
Saving Deposits	64,715,764,847	65,673,520,282
Time Deposits	112,545,209,000	62,642,646,000
Current (ATM)	1,817,849,782	1,220,333,639
Current (Citizen Card)	323,123,053	309,491,101
Call Deposits	17,318,739,223	13,302,868,875
	220,153,303,175	163,969,969,608

13. Other liabilities

	2018	2017
	<u>MMK</u>	<u>MMK</u>
Sundry Deposits	1,901,628,063	4,836,749,463
Refinance loan	8,422,192,500	6,373,750,000
Payment Order	498,071,312	526,590,572
Internal remittance	62,575,004	137,331,448
Accrued and other liabilities	7,583,945,194	5,034,640,271
Unclaimed Liabilities	72,210,390	81,714,027
Staff fund	913,978,901	642,231,364
Provision for Income Tax	786,728,107	1,984,537,787
Debit note payable	58,961,604	-
	20,300,291,075	19,617,544,932

MYANMAR CITIZENS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

14. Share capital

	<u>Number of Shares</u>		<u>Amount (MMK)</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Authorised:				
Ordinary shares of 5,000 Kyat each	15,000,000	15,000,000	75,000,000,000	75,000,000,000
Issued and fully paid:				
Share capital	10,400,986	10,400,986	52,004,930,000	52,004,930,000

15. Reserves

	<u>Statutory Reserve Fund⁽¹⁾</u>	<u>General Provision for Loan and Advance⁽²⁾</u>	<u>Reserve for Contingencies Account</u>	<u>Total</u>
Balances at 1.4.2017	5,788,659,000	3,196,760,278	12,000,000	8,997,419,278
Adjustment	-	-	-	-
Provision for Reserves	792,842,444	570,202,600	-	1,363,045,044
Balances at 31.3.2018	6,581,501,444	3,766,962,878	12,000,000	10,360,464,322
Balances at 1.4.2016	4,322,851,500	2,305,517,778	85,182,098	6,713,551,376
Adjustment	-	-	(75,182,098)	(75,182,098)
Provision for Reserves	1,465,807,500	891,242,500	2,000,000	2,359,050,000
Balances at 31.3.2017	5,788,659,000	3,196,760,278	12,000,000	8,997,419,278

⁽¹⁾In compliance with Section 35(a) of the Financial Institutions of Myanmar Law, 25% of the net profit after tax has been set aside as statutory reserve fund and is not distributable as cash dividends.

⁽²⁾In compliance with Central Bank Instruction No (6), 2% of total balance of loans and advances have been set aside as reserve for bad and doubtful debts.

MYANMAR CITIZENS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

16. Interest income

	2018	2017
	<u>MMK</u>	<u>MMK</u>
Interest on loans and advances	11,613,309,714	11,505,728,198
Interest on hire purchase	6,395,268,732	4,548,207,858
Interest on trade guarantee	225,145,065	164,492,060
Interest on two step loan	373,458,372	127,859,502
Interest on SME loan	25,612,141	-
Interest on investment	4,511,795,161	4,634,014,429
	23,144,589,185	20,980,302,047

Note: Interest income rates

Interest on loan and advance	12.00%	12.00%
Deposit with other banks;	8.00%	8.00%
Fixed deposit rate are as follow:		
1 month	9.00%	9.00%
3 month	9.25%	9.25%
6 month	9.50%	9.50%
9 month	9.75%	9.75%
12 month	10.00%	10.00%

17. Interest expenses

	2018	2017
	<u>MMK</u>	<u>MMK</u>
Interest on saving deposits	4,792,168,877	5,061,242,752
Interest on time deposits	8,000,514,181	5,303,200,776
Interest on call deposits	1,054,824,524	1,117,320,307
Interest on ATM deposit	35,487,440	21,675,349
Interest on staff fund	50,417,223	35,153,555
	13,933,412,245	11,538,592,739

Note:

The savings deposit rate was 8.25% and is calculated on the minimum balance of the account during the period from the 5 day to end of the month.

Fixed deposits rate are as follows:

	2018	2017
	<u>MMK</u>	<u>MMK</u>
1 month	9.00%	9.00%
3 month	9.25%	9.25%
6 month	9.65%	9.50%
9 month	9.90%	9.75%
12 month	10.15%	10.00%

Call deposit rate was 4% on any amount and was calculated based on minimum daily balance. The bank had promotional call deposit rates earning 8% up to October 31, 2017 and 6.5% from November 1, 2017 to January 2, 2018 calculated on the minimum daily balance on the account balances over 10 million kyats. Starting from January 2, 2018, the interest rate was 4% for any amount on minimum daily balance of call deposit.

MYANMAR CITIZENS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

18. Net fee and commission income

	2018 <u>MMK</u>	2017 <u>MMK</u>
Fees and commissions Income		
Commission income	2,584,587,658	2,389,743,316
Services fee income	1,093,436,539	1,230,732,269
663 commission	929,400	-
Card related income	30,163,045	-
Other fees income	15,320,900	3,564,400
	<u>3,724,437,542</u>	<u>3,624,039,985</u>
Fees and commission expenses		
Bank commission and service charges	33,130,098	33,357,593
Card related expenses	148,905,285	198,789,925
Other fee expenses	801,600	-
	<u>182,836,983</u>	<u>232,147,518</u>
Net fees and commission income	<u>3,541,600,559</u>	<u>3,391,892,467</u>

19. Other operating income

	2018 <u>MMK</u>	2017 <u>MMK</u>
Income from foreign currency transactions	207,186,035	782,327,539
Miscellaneous income	193,879,968	241,647,483
Decrease of specific provision	24,407,348	-
Dividend income	50,000	120,000
	<u>425,523,351</u>	<u>1,024,095,022</u>

20. Personnel expenses

	2018 <u>MMK</u>	2017 <u>MMK</u>
Salaries and wages (local)	3,431,631,835	2,744,289,201
Salaries and wages (foreign)	1,312,400,977	1,153,912,046
Director's remuneration	53,450,000	39,650,000
Contribution to employee benefit	270,865,573	170,860,160
Other staff related expenses	499,531,425	493,042,100
	<u>5,567,879,810</u>	<u>4,601,753,507</u>

MYANMAR CITIZENS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

21. Administration and general expenses

	2018	2017
	<u>MMK</u>	<u>MMK</u>
Office supply	110,016,279	78,905,214
Utilities expenses	413,414,327	211,127,442
Travel and transportation	345,686,877	220,425,882
Rate and tax	77,444,705	20,799,884
Rent	763,772,021	206,134,450
Insurance	50,854,471	29,709,736
Donation and entertainment	165,269,190	114,036,477
Marketing and advertising expenses	59,398,861	7,239,330
Research and development	20,897,422	16,853,414
Training	5,481,000	-
Registration and license	268,649,915	194,786,972
Professional service fee	116,387,784	30,278,700
Repair and maintenance	346,673,162	165,692,012
Other and miscellaneous	125,781,224	207,847,211
Loss/(gain) on revaluation	54,602,851	(601,406,295)
	<u>2,924,330,089</u>	<u>902,430,429</u>

22. Income tax expense

The Bank calculates the period income tax expenses using the tax rate that would be applicable to the expected total annual earnings. The calculation of income tax is as follow:

	2018	2017
	<u>MMK</u>	<u>MMK</u>
Profit before tax	3,958,097,882	7,817,638,874
Adjustment for recording the decrease of specific provision	(24,407,348)	-
Adjustment for dividend income	(50,000)	(120,000)
Net taxable income	<u>3,933,640,534</u>	<u>7,817,518,874</u>
Income tax provision for the year	<u>786,728,107</u>	<u>1,984,537,787</u>

MYANMAR CITIZENS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

23. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the financial period.

	2018	2017
Net profit attributable to equity holders (MMK)	3,171,369,775	5,833,101,087
Weighted average number of ordinary shares in issue	10,400,986	10,400,986
Basic earnings per share (MMK)	305	561

(b) Diluted earnings per share

	2018	2017
Net profit attributable to equity holders (MMK)	3,171,369,775	5,833,101,087
Weighted average number of ordinary shares in issue	10,400,986	10,400,986
Effects of dilution	-	-
Adjusted weighted average number of ordinary shares in issue	10,400,986	10,400,986
Diluted earnings per share (MMK)	305	561

24. Dividend

	2018 MMK	2017 MMK
Paid:		
In respect of financial year ended 31 March 2017, a first and final dividend of 6% per ordinary share	3,109,997,400	-
In respect of the financial year ended 31 March 2016, a first and final dividend of 13% per ordinary share	19,802,037	3,012,987,621
In respect of the financial year ended 31 March 2015, a first and final dividend of 13% per ordinary share	-	107,308,179

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 March 2018, of 4% on 10,400,986 ordinary shares, amounting to a dividend payable of 2,080,197,200 Kyats will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2019.

MYANMAR CITIZENS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

25. Related party transactions

Related parties include the Bank's key management personnel and their related parties. Key management personnel refer to the Bank's directors and members of its Management Executive Committee and officer.

In addition to those disclosed elsewhere in the financial statements, the following significant related party transactions took place during the financial year, on terms agreed between the parties.

	2018
	<u>MMK</u>
(a) Sales and purchase of goods and services	
-Rental expenses paid to the firms in which the directors of the bank have a financial interest	136,476,820
-Rental expenses paid to shareholder	26,930,500
	<u>163,407,320</u>
(b) Outstanding balances	
<i>Prepaid rental to</i>	
- The firms in which the directors of the bank have a financial interest	474,293,320
- Shareholder	8,895,000
	<u>483,188,320</u>
<i>Deposit from</i>	
-The firms in which the directors of the bank have a financial interest	28,058,885,948
-Shareholder	7,504,721,683
	<u>35,563,607,631</u>
(c) Key management personnel compensation	
- Salary and wages	1,803,748,656
- Director remuneration	53,450,000
	<u>1,857,198,656</u>

MYANMAR CITIZENS BANK LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2018

26. Guarantees and commitments

(a) Bank guarantees

	2018 <u>MMK</u>	2017 <u>MMK</u>
Guarantees in Local currency	2,537,904,694	6,210,176,201
Guarantees in foreign currency	3,204,000,000	2,722,959,432
Total guarantees	<u>5,741,904,694</u>	<u>8,933,135,633</u>

Guarantees are contracts that contingently require the Bank to make payments to a guaranteed party based on an event or a change in an underlying asset and liability. Guarantees are taken into account in the general ledger on contra, which are not yet expired at the balance sheet date.

(b) Commitments

	2018 <u>MMK</u>	2017 <u>MMK</u>
Undrawn overdraft	1,154,885,917	2,148,647,334
Co-Banking software	1,537,960,117	-
Total commitments	<u>2,692,846,034</u>	<u>2,148,647,334</u>