Registration Number: 149169466

Myanmar Citizens Bank Limited
Audited Financial Statements

30 September 2019

Curreney- Myanmar Kyat

WIN THIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

MYANMAR CITIZENS BANK LIMITED
FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2019

CONTENTS

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MYANMAR CITIZENS BANK LIMITED

Directors' Statement
For the year ended 30 September 2019

The directors present their statement to the members together with the audited financial statements for the year ended 30 September 2019.

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 30 September 2019, 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:

No	Name	Position
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	Daw Moe Moe	Director
7	Daw Aye Sandar Lwin	Director
8	U Aung Aung	Director
9	U Zaya Thura Mon	Director
10	U Aye Thaw	Independent Director

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.

Myanmar Citizens Bank: No. 256 / 260, Sule Pagoda Road, Kyauktada Township, Yangon, Myanmar.

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,

U Toe Aung Myint
(Chairman)

November 8, 2019

TOE AUNG MYINT
Chairman (Board of Directors)
Myanmar Citizens Bank Ltd.

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: 95-1-245671 Email: winthin6@myanmar.com.mm

MANDALAY BRANCH - OFFICE Room (9/10), East Wing of Bahtoo Stadium, 70th Street (Between 29th & 30th Street), Mandalay Region, Myanmar. Tel: 95-2-4034451, Fax: 95-2-4034498

Ref: 766/M-249/September 2019

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 30 September 2019, the statements of comprehensive income, changes in equity 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 Law. 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 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 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 qualified audit opinion.

Basis for Qualified Opinion

During our audit we noted the following exceptions which we could not be verified mainly due to Core Banking System issues:

1) Suspense others amounting to Kyats 870,124,807 appeared under other assets (Note-9 to the financial statements).

2) Customers' credit balances of loans and advances amounting to Kyats 121,027,696, customers' credit balances of interest receivable of Kyats 38,665,661 and customers' debit balances of interest in suspense of Kyats 439,696,795.

As a result of these matters, we were unable to determine whether any adjustments of the above issues might have affected the elements of the statement of financial position and statement of comprehensive income.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **Myanmar Citizens Bank Limited** as of 30 September 2019, 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 Law.

Report on Other Legal and Regulatory Requirements

In accordance with the provisions of Myanmar Companies Law, we report that except for the matters mentioned in the basis for qualified opinion paragraph:

(i) we have obtained all the information and explanations we have required; and
(ii) financial records have been maintained by the Bank as required by Section 258 of the Law.

Also, in accordance with Section 89 of the Financial Institutions of Myanmar Law, we report that subject to our management letter and the matters mentioned in the basis for qualified opinion paragraph, 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.

Win Thin & Associates AUDITORS Certified Public Accountants

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

November 8, 2019

MYANMAR CITIZENS BANK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

	Note	30 September 2019 MMK	30 September 2018 MMK
Assets			
Cash in hand and at bank	6	**78,049,507,652**	61,474,952,943
Loans and advances	7	**315,298,403,755**	230,496,367,772
Investment	8	**103,795,951,300**	59,871,153,048
Other assets	9	**9,121,471,197**	7,040,336,614
Property and equipment	10	**15,569,478,699**	13,750,316,732
Intangible assets	11	**3,483,145,152**	3,555,988,706
Total assets		**525,317,957,755**	376,189,115,815
Liabilities			
Deposit from customers	12	**434,045,333,412**	283,222,102,714
Other liabilities	13	**15,452,360,925**	12,545,796,154
Borrowings	14	**1,000,000,000**	9,000,000,000
Total liabilities		**450,497,694,337**	304,767,898,868
Equity			
Share capital	15	**57,124,662,800**	57,124,662,800
Reserves	16	**13,015,410,579**	12,160,515,307
Retained earning		**4,680,190,039**	2,136,038,840
Total equity		**74,820,263,418**	71,421,216,947
Total liabilities and equity		**525,317,957,755**	376,189,115,815

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

Authenticated by:

TOE AUNG MYINT
Chairman (Board of Directors)
Myanmar Citizens Bank Ltd.

Lalith Mee[illegible]
Chief Financial Off[illegible]er
Myanmar Citizens Bank Public Co., Ltd

MYANMAR CITIZENS BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	1 Oct 2018 to 30 Sept 2019 MMK	1 Apr 2018 to 30 Sept 2018 MMK
Interest income	17	41,193,834,857	15,823,170,142
Interest expense	18	(27,482,364,156)	(9,250,600,729)
Net interest income		13,711,470,701	6,572,569,413
Net fee and commission income	19	5,436,381,281	3,343,841,474
Increase of specific provision		(181,789,343)	(195,629,825)
General provision for loan losses		(1,699,676,506)	-
Other operating income	20	366,564,368	433,545,115
Income before operating expenses		17,632,950,501	10,154,326,177
Personnel expenses	21	(7,176,041,287)	(3,532,282,487)
Administration and general expenses	22	(4,559,386,548)	(1,061,976,983)
Depreciation and amortization	10,11	(1,593,537,249)	(598,831,303)
Profit before income tax		4,303,985,417	4,961,235,404
Income tax expenses	23	(884,404,328)	(1,156,187,172)
Profit for the year/ period		3,419,581,089	3,805,048,232
Other comprehensive income		-	-
Total comprehensive income		3,419,581,089	3,805,048,232
Basic earnings per share	24	329	366
Diluted earnings per share	24	329	366

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

MYANMAR CITIZENS BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Share Capital MMK	Reserve MMK	Retained Earnings MMK	Total MMK
For the year ended 30 September 2019				
Balances at 1-10-2018	57,124,662,800	12,160,515,307	2,136,038,840	71,421,216,947
Prior year adjustments	-	-	(20,534,618)	(20,534,618)
Restated Balance	57,124,662,800	12,160,515,307	2,115,504,222	71,400,682,329
Provision for the year	-	854,895,272	(854,895,272)	-
Dividend	-	-	-	-
Profit for the year	-	-	3,419,581,089	3,419,581,089
Balances at 30-9-2019	**57,124,662,800**	**13,015,410,579**	**4,680,190,039**	**74,820,263,418**
For the six-month period ended 30 September 2018				
Balances at 1-4-2018	57,124,662,800	10,360,464,322	2,211,238,793	69,696,365,915
Provision for the year	-	1,800,050,985	(1,800,050,985)	-
Dividend	-	-	(2,080,197,200)	(2,080,197,200)
Profit for the period	-	-	3,805,048,232	3,805,048,232
Balances at 30-9-2018	**57,124,662,800**	**12,160,515,307**	**2,136,038,840**	**71,421,216,947**

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

MYANMAR CITIZENS BANK LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	30 Sep 2019 MMK	30 Sep 2018 MMK
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		4,303,985,417	4,961,235,404
Adjustments-			
-Depreciation and amortization		1,593,537,249	598,831,303
-Loss on disposal		696,580	-
-Property and equipment written-off		262	195,300
-Intangible assets written-off		79,626,693	-
-Prior year adjustment		(20,534,618)	-
Operating profit/ (loss) before working capital changes		5,957,311,583	5,560,262,007
Working capital changes:			
-Loans and advances		(84,802,035,983)	(42,243,819,584)
-Other assets		(654,501,772)	(1,133,607,171)
-Deposit from customers		150,823,230,698	54,646,607,039
-Other liabilities		2,022,160,443	(497,181,693)
Cash generated from operating activities		73,346,164,969	16,332,260,598
Income tax paid		(1,426,632,811)	(720,400,000)
Net cash provided by/ (used in) operating activities		71,919,532,158	15,611,860,598
CASH FLOW FROM INVESTING ACTIVITIES			
(Purchase)/sale of treasury bonds and investments		(43,924,798,252)	(2,360,273,636)
Proceed from sale of property and equipment		1,800,000	-
Purchase of property and equipment		(2,982,448,615)	(1,266,642,430)
Addition of intangible assets		(439,530,582)	(3,523,735,441)
Net cash provided by/(used in) investing activities		(47,344,977,449)	(7,150,651,507)
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowings received		1,000,000,000	9,000,000,000
Repayment of borrowings		(9,000,000,000)	-
Dividends paid		-	(2,071,505,100)
Net cash provided by/ (used in) financing activities		(8,000,000,000)	6,928,494,900
Net increase/ (decrease) in cash and cash equivalents		16,574,554,709	15,389,703,991
Cash and cash equivalents at beginning of the year/ period	6	61,474,952,943	46,085,248,952
Cash and cash equivalents at the end of year/period	6	78,049,507,652	61,474,952,943

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

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 has been re-registered according to new Myanmar Companies Law as per registration no. 149169466. 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 November 8, 2019.

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. 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):

	USD	EUR	SGD	CYN
September 30, 2019	1,531.60	1,672.90	1,108.20	215.50
September 30, 2018	1,560.00	1,816.30	1,140.50	-

3. Summary of significant accounting policies (Continued)

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

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. Summary of significant accounting policies (Continued)

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.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred income tax is measured at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Current and deferred income taxes are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a transaction which is recognised directly in equity.

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.

3. **Summary of significant accounting policies** (Continued)

3.9 Financial assets and financial liabilities (Continued)

(a) Initial recognition and subsequent measurement (Continued)

(ii) Loans and receivables (Continued)

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".

(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.

3. Summary of significant accounting policies (Continued)

3.9 Financial assets and financial liabilities (Continued)

(a) Initial recognition and subsequent measurement (Continued)

(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.

(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. Summary of significant accounting policies (Continued)

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 recongised 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 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.

3. Summary of significant accounting policies (Continued)

3.10 Impairment of financial assets (Continued)

(a) Loans and advances (Continued)

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.

3. Summary of significant accounting policies (Continued)

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks 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 as follows:

	Years
Building	40-80
Leasehold improvement	5-10
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 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.

3. Summary of significant accounting policies (Continued)

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 vale 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 2019 and 2018.

3.16 Share Capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Bank after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared.

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. Summary of significant accounting policies (Continued)

3.18 Borrowings

Borrowings are presented as current liabilities unless the Bank has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

3.19 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 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.

3.20 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.

3.21 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;

3. Summary of significant accounting policies (Continued)

3.21 Related parties (Continued)

(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.

3.22 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.

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. **Significant accounting judgments, estimates and assumptions** (Continued)

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. Significant accounting judgments, estimates and assumptions (Continued)

4.4 Deferred and current income tax

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.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or unutilised tax losses can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax relates to the same tax authority.

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.

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.

5. Financial risk management (Continued)

5.1 Interest rate risk (Continued)

The table below summaries the Bank's exposure to interest rate risk as at 30 September 2019 and 30 September 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	>1year and above	Total Interest Sensitive	Non-interest sensitive	Total
	MMK (million)	MMK (million)	MMK (million)	MMK (million)	MMK (million)	MMK (million)	MMK (million)
For the year ended 30 September 2019							
Assets							
Cash in hand and at banks	2,597.64	-	-	-	2,597.64	75,451.87	78,049.51
Loans and advances							
- Not impaired	32,281.78	8,518.51	35,705.15	229,811.01	306,316.45	7,414.25	313,730.70
- Impaired *	-	-	-	-	-	1,567.70	1,567.70
Investment	37,152.95	14,842.00	18,470.00	33,000.00	103,464.95	331.00	103,795.95
Other assets	-	-	-	-	-	9,121.47	9,121.47
Total assets	**72,032.37**	**23,360.51**	**54,175.15**	**262,811.01**	**412,379.04**	**93,886.29**	**506,265.33**
Liabilities and equity							
Deposits from Customers	249,547.37	24,264.29	121,884.95	-	395,696.61	38,348.72	434,045.33
Borrowings	1,000.00	-	-	-	1,000.00	-	1,000.00
Other liabilities	-	-	-	-	-	15,452.36	15,452.36
Total liabilities	**250,547.37**	**24,264.29**	**121,884.95**	-	**396,696.61**	**53,801.08**	**450,497.69**
Total interest sensitivity gap	**(178,515.00)**	**(903.78)**	**(67,709.80)**	**262,811.01**	**15,682.43**	**40,085.21**	**55,767.64**
For the six-month period 30 September 2018							
Assets							
Cash in hand and at banks	-	-	-	-	-	61,474.95	61,474.95
Loans and advances							
- Not impaired	35,888.79	7,754.85	29,900.04	140,083.65	213,627.33	16,288.23	229,915.56
- Impaired *	-	-	-	-	-	580.81	580.81
Investment	16,773.72	27,310.93	9,455.50	6,000.00	59,540.15	331.00	59,871.15
Other assets	-	-	-	-	-	7,040.34	7,040.34
Total assets	**52,662.51**	**35,065.78**	**39,355.54**	**146,083.65**	**273,167.48**	**85,715.33**	**358,882.81**
Liabilities and equity							
Deposits from Customers	188,490.49	28,556.05	66,175.56	-	283,222.10	-	283,222.10
Borrowings	-	-	9,000.00	-	9,000.00	-	9,000.00
Other liabilities	-	-	-	-	-	12,545.80	12,545.80
Total liabilities	**188,490.49**	**28,556.05**	**75,175.56**	-	**292,222.10**	**12,545.80**	**304,767.90**
Total interest sensitivity gap	**(135,827.98)**	**6,509.73**	**(35,820.02)**	**146,083.65**	**(19,054.62)**	**73,169.53**	**54,114.91**

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

5. **Financial risk management** (Continued)

5.1 Interest rate risk (Continued)

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%:

	Tax rate	+ 1%	- 1%
	MMK (million)	MMK (million)	MMK (million)
For the year ended 30 September 2019			
Impact to profit before tax		156.82	(156.82)
Impact to profit after tax	20%	125.46	(125.46)
For the six-month period 30 September 2018			
Impact to profit before tax		(190.55)	190.55
Impact to profit after tax	20%	(152.44)	152.44

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.

5. Financial risk management (Continued)

5.2 Credit risk (Continued)

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

	30 September 2019 MMK (Million)	30 September 2018 MMK (Million)
Loans and advances		
Neither past due nor impaired	**302,524.14**	220,534.57
Past due but not impaired	**11,206.56**	9,380.99
Individually past due and impaired	**2,040.72**	872.03
	315,771.42	230,787.59
Investment securities[1]	**103,795.95**	59,870.15
	419,567.37	290,657.74

[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.

5. Financial risk management (Continued)

5.3 Liquidity risk and cash flow risk (Continued)

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

	Less than 1 year MMK(Million)	More than 1 year MMK(Million)	No-specific maturity MMK(Million)	Total MMK(Million)
Balance at 30 September 2019				
Assets				
Cash in hand and at bank	78,049.51	-	-	78,049.51
Loans and advances*	44,419.88	239,265.98	31,612.54	315,298.40
Investments	70,465.95	33,000.00	330	103,795.95
Other assets	-	-	9,121.47	9,121.47
Total assets	**192,935.34**	**272,265.98**	**41,064.01**	**506,265.33**
Liabilities				
Deposits from Customers	434,045.33	-	-	434,045.33
Borrowing	1,000.00	-	-	1,000.00
Other liabilities	-	-	15,452.36	15,452.36
Total liabilities	**435,045.33**	-	**15,452.36**	**450,497.69**
Net liquidity gap	(242,109.99)	272,265.98	**25,611.65**	**55,767.64**
Balance at 30 September 2018				
Assets				
Cash in hand and at bank	61,474.95	-	-	61,474.95
Loans and advances*	73,543.68	140,083.65	16,869.04	230,496.37
Investments	53,540.15	6,000.00	331.00	59,871.15
Other assets	-	-	7,040.34	7,040.34
Total assets	**188,558.78**	**146,083.65**	**24,240.38**	**358,882.81**
Liabilities				
Deposits from Customers	283,222.10	-	-	283,222.10
Borrowing	9,000.00	-	-	9,000.00
Other liabilities	-	-	12,545.80	12,545.80
Total liabilities	**292,222.10**	-	**12,545.80**	**304,767.90**
Net liquidity gap	**(103,663.32)**	**146,083.65**	**11,694.58**	**54,114.91**

(*) exclude specific provision for loan losses

The Bank's liquidity ratios as of 30 September 2019 and 30 September, 2018 were 35.38% and 38.59% respectively and hence more than 20% fixed by the Central Bank of Myanmar as per its instruction. (19/2017).

5. **Financial risk management** (Continued)

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.

The table below analyses the net foreign exchange positions of the Bank as at 30 September 2019 and 30 September 2018 by major currencies, which are mainly in Myanmar Kyat, US Dollar, Euro, Singapore Dollar and Chinese Yuan.

	Myanmar Kyat MMK(Million)	United State Dollar MMK(Million)	Euro MMK(Million)	Singapore Dollar MMK(Million)	Chinese Yuan MMK(Million)	Total MMK(Million)
For the year ended 30 September 2019						
Assets						
Cash and balances with Banks	65,435.93	12,175.70	319.94	113.63	4.31	78,049.51
Loans and advances to customers						
- Not impaired	313,730.70	-	-	-	-	313,730.70
- Impaired	2,040.72	-	-	-	-	2,040.72
Investment Securities	103,795.95	-	-	-	-	103,795.95
Total assets	**485,003.30**	**12,175.70**	**319.94**	**113.63**	**4.31**	**497,616.88**
Liabilities						
Deposits from Customers	415,066.39	18,962.96	4.63	11.35	-	434,045.33
Borrowings	1,000.00	-	-	-	-	1,000.00
Total liabilities	**416,066.39**	**18,962.96**	**4.63**	**11.35**	**-**	**435,045.33**
Net open position	**68,936.91**	**(6,787.26)**	**315.31**	**102.28**	**4.31**	**62,571.55**
For the six-month period ended 30 September 2018						
Assets						
Cash and balances with Banks	48,044.11	12,875.34	503.02	52.48	-	61,474.95
Loans and advances to customers						
- Not impaired	229,915.56	-	-	-	-	229,915.56
- Impaired	872.03	-	-	-	-	872.03
Investment Securities	59,870.15	-	-	-	-	59,870.15
Total assets	**338,701.85**	**12,875.34**	**503.02**	**52.48**	**-**	**352,132.69**
Liabilities						
Deposits from Customers	268,445.23	14,771.57	5.17	0.13	-	283,222.10
Borrowings	9,000.00	-	-	-	-	9,000.00
Total liabilities	**277,445.23**	**14,771.57**	**5.17**	**0.13**	**-**	**292,222.10**
Net open position	**61,256.62**	**(1,896.23)**	**497.85**	**52.35**	**-**	**59,910.59**

5. Financial risk management (Continued)

5.4 Foreign exchange risk (Continued)

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, SGD and CNY against the respective functional currencies of the Bank, with all other variables held constant.

	United State Dollar MMK(Million)	Euro MMK(Million)	Singapore Dollar MMK(Million)	Chinese Yuan MMK(Million)
For the year ended 30 September 2019				
Strengthened by 10%	(678.73)	31.53	10.23	0.43
Weakened by 10%	678.73	(31.53)	(10.23)	(0.43)
For the six-month period ended 30 September 2018				
Strengthened by 10%	(157.80)	49.78	5.23	-
Weakened by 10%	157.80	(49.78)	(5.23)	-

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:

	30 September 2019	30 September 2018
	MMK	MMK
Share Capital	**57,124,662,800**	57,124,662,800
Reserves	**13,015,410,579**	12,160,515,307
Retained earnings	**4,680,190,039**	2,136,038,840
	74,820,263,418	71,421,216,947

The Bank's Regulatory Capital Adequacy Ratio as of 30 September 2019 and 30 September 2018 were 18.88% and 17.36% 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.

6. Cash in hand and at bank

	30 September 2019	30 September 2018
	MMK	MMK
Cash in hand	**33,672,048,157**	23,157,908,120
Cash and balances with central bank	**29,557,602,638**	22,684,354,699
Cash with banks and other financial institutions	**14,819,856,857**	15,632,690,124
	78,049,507,652	61,474,952,943

7. **Loans and advances**

	30 September 2019 MMK	30 September 2018 MMK
Demand loan	93,691,741,889	93,742,463,659
Overdraft	31,322,164,463	23,147,650,745
Hire Purchase	166,739,990,893	102,616,553,019
SME loan	17,731,573,899	8,310,301,422
Trade Guarantee	2,059,007,160	2,723,013,629
Staff loan	4,226,937,272	247,607,775
	315,771,415,576	230,787,590,249
Specific provision	(473,011,821)	(291,222,477)
	315,298,403,755	230,496,367,772

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

	30 September 2019 MMK	30 September 2018 MMK
Industrial Manufacturing	-	31,350,218,556
Production	28,890,385,889	1,483,362,894
Transportation	1,423,511,866	2,217,694,494
Trading	54,942,166,413	52,420,356,252
Service	30,097,959,146	28,267,767,556
Construction	8,546,647,588	8,490,375,554
Agriculture	2,997,806,731	102,969,904,921
Live stock	-	187,440,000
General	7,305,084,237	3,400,470,022
Hire Purchase	159,609,342,534	-
SME	21,331,958,172	-
MCB Staff	626,553,000	-
	315,771,415,576	230,787,590,249

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

	30 September 2019 MMK	30 September 2018 MMK
Industrial Manufacturing	45,140,324	2,843,098
Trading	110,725,662	81,480,356
Construction	-	14,056,463
Agriculture	-	192,842,560
Hire Purchase	317,145,835	-
	473,011,821	291,222,477

8. Investment

	30 September 2019 MMK	30 September 2018 MMK
Treasury bonds	**34,195,090,500**	21,500,000,000
Treasury bills	**28,352,460,800**	8,844,653,048
Deposit auction	**4,000,000,000**	4,000,000,000
Fixed deposits with other banks	**36,917,400,000**	25,195,500,000
Myanmar payment union	**200,000,000**	200,000,000
Credit bureau	**130,000,000**	130,000,000
Stock and share	**1,000,000**	1,000,000
	103,795,951,300	59,871,153,048

No impairment loss occurred in the year ended 30 September 2019 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

	30 September 2019 MMK	30 September 2018 MMK
Interest receivable on investment	**974,196,694**	1,323,128,704
Interest receivable on loan	**3,474,435,180**	2,132,685,624
Prepayment and advance	**3,601,261,516**	3,255,187,645
Receivable from business partner	**144,348,407**	164,921,484
Suspense (Money Gram and IME)	**57,104,594**	23,207,896
Suspense others	**870,124,806**	74,996,381
Deposit for 663 mobile money	**-**	66,208,880
	9,121,471,197	7,040,336,614

10. Property and equipment

	Land & Building MMK	Leasehold improvement MMK	Motor Vehicle MMK	Furniture and Office Equipment MMK	Plant & Machinery MMK	Total MMK
For the year ended 30 September 2019						
Cost						
At 1 October 2018	10,228,123,753	1,448,482,584	1,277,260,686	2,814,193,693	498,250,600	16,266,311,316
Addition	281,235,473	890,050,396	57,588,000	1,503,974,806	249,599,940	2,982,448,615
Disposal	-	-	-	(121,270,107)	-	(121,270,107)
Write off	-		-	(8,417,589)	-	(8,417,589)
Transfer	-	-	-	(251,388,744)	251,388,744	-
At 30 September 2019	**10,509,359,226**	**2,338,532,980**	**1,334,848,686**	**3,937,092,059**	**999,239,284**	**19,119,072,235**
Accumulated depreciation						
At 1 October 2018	432,512,520	285,257,048	592,400,874	1,138,651,679	67,172,463	2,515,994,584
Charge for the financial year	92,218,909	254,770,228	152,545,834	622,504,199	38,750,636	1,160,789,806
Disposal	-	-	-	(118,773,527)	-	(118,773,527)
Write off	-	-	-	(8,417,327)	-	(8,417,327)
Transfer	-	-	-	(61,450,118)	61,450,118	-
At 30 September 2019	**524,731,429**	**540,027,276**	**744,946,708**	**1,572,514,906**	**167,373,217**	**3,549,593,536**
Net Book Value at 30 September 2019	**9,984,627,797**	**1,798,505,704**	**589,901,978**	**2,364,577,153**	**831,866,067**	**15,569,478,699**
For the six-month period ended 30 September 2018						
Cost						
At 1 April 2018	10,156,967,674	886,171,209	1,227,776,716	2,332,683,107	384,693,200	14,988,291,906
Addition	71,156,079	562,311,375	45,800,000	473,817,576	113,557,400	1,266,642,430
Write off	-	-	-	(248,000)	-	(248,000)
At 30 September 2018	**10,228,123,753**	**1,448,482,584**	**1,273,576,716**	**2,806,252,683**	**498,250,600**	**16,254,686,336**
Accumulated depreciation						
At 1 April 2018	388,221,151	147,482,620	514,703,737	938,991,023	51,612,077	2,041,010,608
Charge for the period	44,291,369	137,774,428	74,013,167	191,772,346	15,560,386	463,411,696
Write off	-	-	-	(52,700)	-	(52,700)
At 30 September 2018	**432,512,520**	**285,257,048**	**588,716,904**	**1,130,710,669**	**67,172,463**	**2,504,369,604**
Net Book Value at 30 September 2018	**9,795,611,233**	**1,163,225,536**	**684,859,812**	**1,675,542,014**	**431,078,137**	**13,750,316,732**

11. Intangible assets

	Cost MMK	Amortization MMK	Net Book Value MMK
For the year ended 30 September 2019			
At 1 October 2018	3,839,385,180	283,396,474	3,555,988,706
Addition	439,530,582	432,747,443	6,783,139
Write off	(144,402,275)	(64,775,582)	(79,626,693)
At 30 September 2019	**4,134,513,487**	**651,368,335**	**3,483,145,152**
For the six-month period ended 30 September 2018			
At 1 April 2018	316,376,254	148,703,382	167,672,872
Addition	3,523,735,441	135,419,607	3,388,315,834
Write off	(726,515)	(726,515)	-
At 30 September 2018	**3,839,385,180**	**283,396,474**	**3,555,988,706**

12. Deposit from customers

	30 September 2019 MMK	30 September 2018 MMK
Call deposit	**23,757,072,799**	31,557,708,537
Time deposit	**193,818,738,784**	129,588,612,574
Current deposit	**37,898,787,675**	30,660,637,137
Saving deposit	**175,150,813,270**	89,128,689,782
Current deposit (ATM)	**2,969,989,139**	1,903,711,211
Current (citizen card)	**449,931,745**	382,743,473
	434,045,333,412	283,222,102,714

13. Other liabilities

	30 September 2019 MMK	30 September 2018 MMK
Interest in suspense	**2,101,942,704**	1,473,843,455
Interest payable	**5,994,252,245**	3,677,653,599
Other payable	**2,244,728,086**	2,576,884,794
General provision on loans and advances	**1,699,676,506**	-
Payable to business partner	**135,028,248**	194,535,214
Payment order	**556,698,103**	756,081,715
Sundry deposit	**1,404,908,288**	473,329,403
Interest recovered in advance	**1,314,717,294**	2,556,263,334
Employee benefit fund	**409,451**	837,204,640
	15,452,360,925	12,545,796,154

14. Borrowings

	30 September 2019 MMK	30 September 2018 MMK
Borrowing from Ayeyarwaddy Bank	-	4,000,000,000
Borrowing from Asia Green Development Bank	-	3,000,000,000
Borrowing from Kanbawza Bank	-	2,000,000,000
Borrowing from Tun Foundation Bank	1,000,000,000	-
	1,000,000,000	9,000,000,000

The Bank's borrowing consists of amounting to Kyat 1 billion at annual interest rate of 8% that matures on 11 October 2019 under an agreement with Tun Foundation Bank dated 12 July 2019.

15. Share capital

	30 September 2019	30 September 2018
Number of share	10,400,986	10,400,986
Share capital (MMK)	57,124,662,800	57,124,662,800

The above amount includes share premium of previous year amounting to MMK 5,119,732,800 as no par value is required as per Myanmar Companies Law 2017.

16. Reserves

	Statutory Reserve Fund[1] MMK	General Provision For Loan & Advance[2] MMK	Reserve For Contingencies Account MMK	Total MMK
Balances at 1-10-2018	7,532,763,502	4,615,751,805	12,000,000	12,160,515,307
Provision for the year	854,895,272	-	-	854,895,272
Balances at 30-9-2019	**8,387,658,774**	**4,615,751,805**	**12,000,000**	**13,015,410,579**
Balances at 1-4-2018	6,581,501,444	3,766,962,878	12,000,000	10,360,464,322
Provision from 1-4-2018 to 30-9-2018	951,262,058	848,788,927	-	1,800,050,985
Balances at 30-9-2018	**7,532,763,502**	**4,615,751,805**	**12,000,000**	**12,160,515,307**

[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. However starting from 2018-2019 financial year, the above 2% provision has been charged to profit and loss and the corresponding credit has been presented under other liabilities.

17. Interest income

	30 September 2019 MMK	30 September 2018 MMK
Interest on Hire Purchase	18,270,388,490	5,755,682,654
Interest on Loans & Overdrafts	15,411,531,201	7,049,399,900
Interest on SME Loan	1,074,038,894	267,035,200
Interest on Trade Guarantee	351,787,603	173,649,644
Interest on Investment	5,923,484,938	2,566,152,175
Interest on Staff Loan	162,603,731	11,250,569
	41,193,834,857	15,823,170,142
Note: Interest income rates		
Interest on loan and advance	13.00%	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%

18. Interest expense

	30 September 2019 MMK	30 September 2018 MMK
Interest expenses on saving deposit	9,592,238,006	2,812,595,359
Interest expenses on fixed deposit	16,239,938,112	5,789,961,607
Interest expenses on Call deposit	887,285,484	420,864,940
Interest expenses on ATM deposit	62,256,058	25,928,114
Interest expenses on Interbank borrowing	700,646,496	201,250,709
	27,482,364,156	9,250,600,729

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:

1 month	9.00%	9.00%
3 month	9.25%	9.25%
6 month	9.50%	9.65%
9 month	9.75%	9.90%
12 month	10.00%	10.15%

Call deposit rate was 4% on any amount and was calculated based on minimum daily balance.

19. Net fee and commission income

	30 September 2019 MMK	30 September 2018 MMK
Fees and commission Income		
Commission income	4,946,690,136	2,657,679,080
Services fee income	732,056,556	811,000,584
663 commission	-	1,034,737
Card related income	24,411,521	19,256,848
Other fees income	4,818,326	8,469,472
	5,707,976,539	3,497,440,721
Fees and commission expense		
Bank commission and service charges	42,107,785	23,285,152
Card related expenses	219,894,273	128,042,595
Other fee expenses	9,593,200	2,271,500
	271,595,258	153,599,247
	5,436,381,281	3,343,841,474

20. Other operating income

	30 September 2019 MMK	30 September 2018 MMK
Net income from foreign currency transactions	143,393,204	334,385,700
Miscellaneous income	223,171,164	99,159,415
	366,564,368	433,545,115

21. Personnel expenses

	30 September 2019 MMK	30 September 2018 MMK
Salaries and wages (local)	6,311,609,174	1,980,390,274
Salaries and wages (foreign)	549,085,637	364,851,479
Overtime allowance	72,272,155	30,183,734
Contribution to employee benefit	104,851,081	916,963,007
Other staff related expenses	138,223,240	239,893,993
	7,176,041,287	3,532,282,487

22. Administration and general expenses

	30 September 2019 MMK	30 September 2018 MMK
Donation and entertainment	144,752,919	72,481,113
AGM expenses	41,162,915	50,000
Insurance	59,558,592	32,312,526
Directors' meeting fee	19,900,000	8,300,000
Marketing and advertising expenses	83,249,379	28,855,416
Miscellaneous expenses	100,348,383	32,087,603
Office supply	582,104,140	269,478,716
Professional service fee	379,068,212	44,497,704
Rate and tax	41,036,113	11,940,805
Registration and license	410,288,618	33,958,165
Rent	1,650,973,317	688,295,207
Repair and maintenance	424,632,546	188,900,994
Research and development	-	2,727,000
Travel & transportation	234,459,570	107,523,075
Utilities expenses	415,331,245	195,692,827
Written off expense	85,835,407	195,300
Loss on disposal	744,173	-
Loss/(gain) on revaluation	(114,058,981)	(655,319,468)
	4,559,386,548	1,061,976,983

23. Income tax expenses

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:

	30 September 2019 MMK	30 September 2018 MMK
Profit before tax	4,303,985,417	4,961,235,404
Adjustment;		
(+)Non-Deductible expenses	118,036,225	819,700,455
Net taxable income	4,422,021,642	5,780,935,859
Income tax provision for the period	884,404,328	1,156,187,172

24. 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.

	30 September 2019	30 September 2018
Net profit attributable to equity holders (MMK)	**3,419,581,089**	3,805,048,232
Weighted average number of ordinary shares in issue	**10,400,986**	10,400,986
Basic earnings per share (MMK)	**329**	366

(b) Diluted earnings per share

	30 September 2019	30 September 2018
Net profit attributable to equity holders (MMK)	**3,419,581,089**	3,805,048,232
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)	**329**	366

25. Dividend

	30 September 2019	30 September 2018
	MMK	MMK
In respect of the financial year ended 31 March 2018	-	2,080,197,200

Last Annual General Meeting which was held on 22nd September 2018, shareholders have approved the proposed final dividend of 4% for the year ending 31st March 2018.
The financial statements for the current financial year do not reflect the proposed dividend.

26. 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.

	30 September 2019	30 September 2018
	MMK	MMK
(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	**127,200,000**	111,099,860
-Rental expenses paid to shareholder	**419,042,971**	172,577,400
	546,242,971	283,677,260

(b) Outstanding balances

Prepaid rental to		
- The firms in which the directors of the bank have a financial interest	**118,000,000**	204,689,943
- Shareholder	**284,627,687**	102,061,200
	402,627,687	306,751,143
Deposit with related parties	**63,420,537,470**	-

(c) Key management personnel compensation

- Salary and wages	**2,965,139,960**	1,136,173,488
- Director remuneration	**13,132,646**	101,363,363
- Directors' meeting fee	**19,900,000**	8,300,000
	2,998,172,606	1,144,473,488

27. Guarantees and commitments

(a) Bank guarantees

	30 September 2019	30 September 2018
	MMK	MMK
Guarantees in local currency	**4,529,771,127**	3,970,653,889
Guarantees in foreign currency	**5,593,086,159**	1,389,301,680
	10,122,857,286	5,359,955,569

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

	30 September 2019	30 September 2018
	MMK	MMK
Undrawn overdraft	**18,066,135,537**	1,154,885,917
Co-Banking software	-	1,537,960,117
Rental expense	**6,110,827,200**	-
	24,176,962,737	2,692,846,034

28. Acceptance, Endorsement and Guarantee

Receivable and payable of Acceptance, Endorsement and Guarantee were offset in the statement of financial position. Balance as at September 30, 2019 was Ks 15,435,607,633. (September 30, 2018: Ks 3,242,128,842).

29. Comparison financial statements

The financial year end of the Bank was changed from 31 March to 30 September so as to comply with change of financial year from the government. Accordingly, the current financial statements are prepared for 12 months from 1 October 2018 to 30 September 2019 while comparative financial statements are prepared for 6 months from 1 April 2018 to 30 September 2018 and as a result, the comparative figures stated in the income statement, statement of changes in equity, cash flow statement and the related notes are not comparable.