

Registration Number: 149169466

**Myanmar Citizens Bank Public Company Limited
Audited Financial Statements**

30 September 2020

MYANMAR CITIZENS BANK PUBLIC COMPANY LIMITED
FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2020

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MYANMAR CITIZENS BANK PUBLIC COMPANY LIMITED

Directors' Statement

For the year ended 30 September 2020

The directors present their statement to the members together with the audited financial statements for the year ended 30 September 2020.

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 2020, 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 Yan Paing Soe Oo	Director
4	U Hla Oo	Director
5	U Tun Lwin	Director
6	U Own Saing	Director
7	U Min Min	Director
8	U Zaya Thura Mon	Director
9	U Aung Aung	Independent Director
10	Daw Cherry Trivedi	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.

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)

December 7, 2020

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



ဝင်းသင်နှင့်အဖွဲ့၊ တာရင်းစစ်များ။

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: 95-1-8201798, 8296164, Fax: 95-1-8245671 Email: info@winthinassociates.com

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: 2042/M-249/ September 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Myanmar Citizens Bank Public Company Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **Myanmar Citizens Bank Public Company Limited (the Bank)**, which comprise the statement of financial position of the Bank as at 30 September 2020, 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 (MFRSS) 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Myanmar Citizens Bank Public Company Limited** as of 30 September 2020, and its financial performance and its cash flows for the year then ended in accordance with Myanmar Financial Reporting Standards (MFRSs) 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:

- (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, 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.



Nay Min Thant (PA 466)

Engagement Partner

WIN THIN & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

No. 182/194, Botahtaung Pagoda Road,

Pazundaung Township,

Yangon Region, Myanmar



December 7, 2020

MYANMAR CITIZENS BANK PUBLIC COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	Note	2020 <u>MMK</u>	2019 <u>MMK</u>
Assets			
Cash in hand and at bank	6	110,367,253,818	114,966,907,652
Loans and advances	7	316,118,120,259	315,298,403,755
Investment	8	201,614,913,832	66,878,551,300
Other assets	9	14,159,886,110	9,121,471,197
Property and equipment	10	18,812,289,356	15,569,478,699
Intangible assets	11	3,987,500,768	3,483,145,152
Total assets		665,059,964,143	525,317,957,755
Liabilities			
Deposit from customers	12	578,159,939,766	434,045,333,412
Other liabilities	13	22,161,785,313	15,452,360,925
Borrowings	14	-	1,000,000,000
Total liabilities		600,321,725,079	450,497,694,337
Equity			
Share capital	15	57,124,662,800	57,124,662,800
Reserves	16	13,015,410,579	13,015,410,579
Retained earning		(5,401,834,315)	4,680,190,039
Total equity		64,738,239,064	74,820,263,418
Total liabilities and equity		665,059,964,143	525,317,957,755

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

Authenticated by:


YIN YIN AUNG
FINANCIAL CONTROLLER
FINANCE, MCB


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

MYANMAR CITIZENS BANK PUBLIC COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	<u>Note</u>	2020 <u>MMK</u>	2019 <u>MMK</u>
Interest income	17	46,040,501,262	41,193,834,857
Interest expense	18	(35,074,134,830)	(27,482,364,156)
Net interest income		10,966,366,432	13,711,470,701
Net fee and commission income	19	3,699,959,621	5,436,381,281
Other operating income	20	281,065,365	366,564,368
		14,947,391,418	19,514,416,350
Specific provision for loan losses		(6,517,849,624)	(181,789,343)
General provision for loan losses		(146,839,820)	(1,699,676,506)
Income before operating expenses		8,282,701,974	17,632,950,501
Personnel expenses	21	(7,527,217,130)	(7,176,041,287)
Administration and general expenses	22	(4,657,747,766)	(4,559,386,548)
Depreciation and amortization	10,11	(1,980,453,412)	(1,593,537,249)
Profit/(loss) before income tax		(5,882,716,334)	4,303,985,417
Income tax expenses		-	(884,404,328)
Profit/(loss) for the year		(5,882,716,334)	3,419,581,089
Other comprehensive income		-	-
Total comprehensive income		(5,882,716,334)	3,419,581,089
Basic earnings/(loss) per share	23	(566)	329
Diluted earnings/(loss) per share	23	(566)	329

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

MYANMAR CITIZENS BANK PUBLIC COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	<u>Share Capital</u> MMK	<u>Reserves</u> MMK	<u>Retained Earning</u> MMK	<u>Total</u> MMK
For the year ended 30 September 2020				
Balances at 1-10-2019	57,124,662,800	13,015,410,579	4,680,190,039	74,820,263,418
Prior year adjustments			(38,913,620)	(38,913,620)
Restated Balance	57,124,662,800	13,015,410,579	4,641,276,419	74,781,349,798
Dividend	-	-	(4,160,394,400)	(4,160,394,400)
Profit/(loss) for the year	-	-	(5,882,716,334)	(5,882,716,334)
Balances at 30-9-2020	57,124,662,800	13,015,410,579	(5,401,834,315)	64,738,239,064

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)	-
Profit/(loss) 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

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

MYANMAR CITIZENS PUBLIC COMPANY BANK LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	<u>Note</u>	2020 <u>MMK</u>	2019 <u>MMK</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(5,882,716,334)	4,303,985,417
Adjustments-			
-Depreciation and amortization		1,512,274,654	1,160,789,806
-Amortization		468,178,758	432,747,443
-(Gain)/ loss on disposal		(5,788,738)	696,580
-Property and equipment written-off		5,822,535	262
-Intangible assets written-off		-	79,626,693
-Prior year adjustment		(38,913,620)	(20,534,618)
Operating profit/ (loss) before working capital changes		(3,941,142,745)	5,957,311,583
<i>Working capital changes:</i>			
-Loans and advances		(819,716,504)	(84,802,035,983)
-Other assets		(3,926,960,816)	(654,501,772)
-Deposit from customers		144,114,606,354	150,823,230,698
-Other liabilities		6,709,774,117	2,022,160,443
Cash generated from operating activities		142,136,560,406	73,346,164,969
Income tax paid		(1,111,454,097)	(1,426,632,811)
Net cash provided by/(used in) operating activities		141,025,106,309	71,919,532,158
CASH FLOW FROM INVESTING ACTIVITIES			
(Purchase)/sale of government securities and investments		(134,736,362,532)	(7,007,398,252)
Proceed from sale of property and equipment		15,470,000	1,800,000
Purchase of property and equipment		(4,770,589,108)	(2,982,448,615)
Addition of intangible assets		(972,534,374)	(439,530,582)
Net cash provided by/(used in) investing activities		(140,464,016,014)	(10,427,577,449)
CASH FLOW FROM FINANCING ACTIVITIES			
Received/(repayment) of borrowings		(1,000,000,000)	(8,000,000,000)
Dividends paid		(4,160,744,129)	-
Net cash provided by/ (used in) financing activities		(5,160,744,129)	(8,000,000,000)
Net increase/ (decrease) in cash and cash equivalents		(4,599,653,834)	53,491,954,709
Cash and cash equivalents at beginning of the year	6	114,966,907,652	61,474,952,943
Cash and cash equivalents at the end of the year	6	110,367,253,818	114,966,907,652

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

MYANMAR CITIZENS BANK PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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 December 7, 2020.

2. Basic of preparation and accounting policies

The financial statements of the Bank have been prepared in accordance with Myanmar Financial Reporting Standards (MFRSs) as modified by the Central Bank of Myanmar Guidelines. In preparing these financial statements, certain reclassifications and rearrangements have been made in 2019 financial statements to conform to the classifications used in 2020. 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>	<u>CYN</u>
September 30, 2020	1,308.80	1,528.50	954.80	191.90
September 30, 2019	1,531.60	1,672.90	1,108.20	215.50

MYANMAR CITIZENS BANK PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

3. Summary of significant accounting policies (Continued)

3.3 Interest income and expenses

For all financial instruments measured at amortized cost and interest bearing financial assets classified as held-for-trading and available-for-sale, interest incomes and expenses are recognized 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 amortized 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 recognized 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 and commission on insurance and miscellaneous income from sale of old materials.

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.

MYANMAR CITIZENS BANK PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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 recognized 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 realized 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 recognized as income or expenses in profit or loss, except to the extent that the tax arises from a transaction which is recognized 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 recognized 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 amortized cost using the effective interest method.

MYANMAR CITIZENS BANK PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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 amortized 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 recognized 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 recognized in profit or loss. The cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognized. Interest income calculated using the effective interest method is recognized in profit or loss. Dividends on an available-for-sale equity instrument are recognized 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 realized within 12 months after the financial year end are classified as non-current assets.

MYANMAR CITIZENS BANK PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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 amortized cost. The Bank does not have any non-derivative financial liabilities designated at fair value through profit or loss. Financial liabilities measured at amortized 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 recognized 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.

MYANMAR CITIZENS BANK PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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.

Specific provision

The Bank makes specific provision for loan and advances in accordance with CBM Notification No. 17/2017 Assets Classification and Provision Regulations.

Classifications of loans/advances	Days past due	Provisions on shortfall in security value
Standard	30 days past due	0%
Watch	31 to 60 days past due	5%
Substandard	61 to 90 days past due	25%
Doubtful	91 to 180 days past due	50%
Loss	Over 181 days past due	100%

(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 recognized, 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 amortized 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.

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3. Summary of significant accounting policies (Continued)

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization or accretion) and its current fair value, less any impairment loss previously recognized 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 recognized 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.

3.11 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 recognized 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:

	<u>Years</u>
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.

3. Summary of significant accounting policies (Continued)

3.12 Property and equipment and depreciation (Continued)

An item of property and equipment is derecognized 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-recognized.

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 amortization and impairment losses, if any. Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives and assessed for impairment whenever there is an indication of impairment. The amortization charges are recognized 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 amortized 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 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 recognized at fair value (net of transaction costs) and subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized 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 recognized 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 recognized 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 recognized 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 minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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 recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (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 recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or unutilized tax losses can be utilized.

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.

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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 2020 and 30 September 2019. 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 2020							
Assets							
Cash in hand and at banks	6,688.00	11,555.00	-	-	18,243.00	92,124.25	110,367.25
Loans and advances							-
- Not impaired	50,570.42	26,292.97	59,316.46	170,795.67	306,975.52	4,821.93	311,797.45
- Impaired *	-	-	-	-	-	4,320.67	4,320.67
Investment	11,783.91	39,500.00	46,000.00	104,000.00	201,283.91	331.00	201,614.91
Other assets	-	-	-	-	-	14,159.89	14,159.89
Total assets	69,042.33	77,347.97	105,316.46	274,795.67	526,502.44	115,757.74	642,260.17
Liabilities and equity							
Deposits from Customers	301,595.57	62,308.38	162,174.29	-	526,078.24	52,081.70	578,159.94
Other liabilities	-	-	-	-	-	22,161.79	22,161.79
Total liabilities	301,595.57	62,308.38	162,174.29	-	526,078.24	74,243.49	600,321.73
Total interest sensitivity gap	(232,553.24)	15,039.59	(56,857.83)	274,795.67	424.20	41,514.25	41,938.44
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	7,288.87	313,605.32
- Impaired *	-	-	-	-	-	1,693.08	1,693.08
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

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

MYANMAR CITIZENS BANK PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

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%:

	<u>Tax rate</u>	<u>+ 1%</u>	<u>- 1%</u>
	<u>MMK</u>	<u>MMK</u>	<u>MMK</u>
	<u>(million)</u>	<u>(million)</u>	<u>(million)</u>
For the year ended 30 September 2020			
Impact to profit before tax		4.24	(4.24)
Impact to profit after tax	20%	3.39	(3.39)
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)

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.

MYANMAR CITIZENS BANK PUBLIC COMPANY LIMITED
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5. Financial risk management (Continued)

5.2 Credit risk (Continued)

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

	2020	2019
	<u>MMK (Million)</u>	<u>MMK (Million)</u>
Loans and advances		
Neither past due nor impaired	260,289.20	302,524.14
Past due but not impaired	51,508.25	11,206.56
Individually past due and impaired	11,311.53	2,040.72
	323,108.98	315,771.42
Investment securities⁽¹⁾	201,613.91	103,795.95
	524,722.89	419,567.37

⁽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.

MYANMAR CITIZENS BANK PUBLIC COMPANY LIMITED
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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	More than 1 year	No-specific maturity	Total
	<u>MMK(Million)</u>	<u>MMK(Million)</u>	<u>MMK(Million)</u>	<u>MMK(Million)</u>
Balance at 30 September 2020				
Assets				
Cash in hand and at bank	110,367.25	-	-	110,367.25
Loans and advances*	135,856.28	175,617.60	4,644.24	316,118.12
Investments	97,283.91	104,000.00	331.00	201,614.91
Other assets	-	-	14,159.89	14,159.89
Total assets	343,507.44	279,617.60	19,135.13	642,260.17
Liabilities				
Deposits from Customers	578,159.94	-	-	578,159.94
Other liabilities	-	-	22,161.79	22,161.79
Total liabilities	578,159.94	-	22,161.79	600,321.73
Net liquidity gap	(234,652.50)	279,617.60	(3,026.66)	41,938.44
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

(* exclude specific provision for loan losses)

The Bank's liquidity ratios as of 30 September 2020 and 30 September, 2019 were 48.08% and 35.38% respectively and hence more than 20% fixed by the Central Bank of Myanmar as per its instruction. (19/2017).

MYANMAR CITIZENS BANK PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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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 2020 and 30 September 2019 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 2020						
Assets						
Cash and balances with Banks	76,403.51	33,415.24	385.45	160.00	3.05	110,367.25
Loans and advances to customers						
- Not impaired	311,797.45	-	-	-	-	311,797.45
- Impaired	11,311.53	-	-	-	-	11,311.53
Investment Securities	201,614.91	-	-	-	-	201,614.91
Total assets	601,127.40	33,415.24	385.45	160.00	3.05	635,091.14
Liabilities						
Deposits from Customers	548,299.93	29,855.30	4.00	0.71	-	578,159.94
Total liabilities	548,299.93	29,855.30	4.00	0.71	-	578,159.94
Net open position	52,827.47	3,559.94	381.45	159.29	3.05	56,931.20
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	313,605.32	-	-	-	-	313,605.32
- Impaired	2,166.10	-	-	-	-	2,166.10
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

MYANMAR CITIZENS BANK PUBLIC COMPANY LIMITED
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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/(loss) 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 2020				
Strengthened by 10%	355.99	38.15	15.93	0.31
Weakened by 10%	(355.99)	(38.15)	(15.93)	(0.31)
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)

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.

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NOTES TO THE FINANCIAL STATEMENTS
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5. Financial risk management (Continued)

5.6 Legal and compliance risk (Continued)

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:

	2020	2019
	<u>MMK</u>	<u>MMK</u>
Share Capital	57,124,662,800	57,124,662,800
Reserves	13,015,410,579	13,015,410,579
Retained earnings	(5,401,834,315)	4,680,190,039
	<u>64,738,239,064</u>	<u>74,820,263,418</u>

The Bank's Regulatory Capital Adequacy Ratio as of 30 September 2020 and 30 September 2019 were 16.45% and 18.88% 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

	2020	2019
	<u>MMK</u>	<u>MMK</u>
Cash in hand	38,882,689,147	33,672,048,157
Cash and balances with central bank	27,043,072,455	29,557,602,638
Cash with banks and other financial institutions	26,198,492,216	14,819,856,857
Fixed deposits with other banks	-	17,925,400,000
Interbank lending	18,243,000,000	18,992,000,000
	<u>110,367,253,818</u>	<u>114,966,907,652</u>

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7. Loans and advances

	2020	2019
	<u>MMK</u>	<u>MMK</u>
Demand loan	107,709,863,544	93,691,741,889
Overdraft	33,060,467,323	31,322,164,463
Hire Purchase	145,827,630,060	166,739,990,893
SME loan	30,010,468,053	17,731,573,899
Trade Guarantee	2,412,922,447	2,059,007,160
Staff loan	4,087,630,277	4,226,937,272
	323,108,981,704	315,771,415,576
Specific provision	(6,990,861,445)	(473,011,821)
	<u>316,118,120,259</u>	<u>315,298,403,755</u>

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

	2020	2019
	<u>MMK</u>	<u>MMK</u>
Production	24,689,700,543	28,890,385,889
Transportation	2,666,365,177	1,423,511,866
Trading	50,727,126,033	54,942,166,413
Service	53,820,696,498	30,097,959,146
Construction	8,154,828,390	8,546,647,588
Agriculture	315,689,496	2,997,806,731
General	2,808,847,178	7,305,084,237
Hire Purchase	145,827,630,058	159,609,342,534
SME	33,807,286,551	21,331,958,172
MCB Staff	290,811,780	626,553,000
	323,108,981,704	315,771,415,576

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

	2020	2019
	<u>MMK</u>	<u>MMK</u>
Industrial Manufacturing	234,702,129	45,140,324
Trading	223,019,478	110,725,662
Hire Purchase	233,854,022	317,145,835
HP Mobile Financing	6,035,815,434	-
Staff loan	263,470,382	-
	6,990,861,445	473,011,821

MYANMAR CITIZENS BANK PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020

8. Investment

	2020	2019
	<u>MMK</u>	<u>MMK</u>
Treasury bonds	108,797,224,882	34,195,090,500
Treasury bills	92,486,688,950	28,352,460,800
Deposit auction	-	4,000,000,000
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
	<u>201,614,913,832</u>	<u>66,878,551,300</u>

No impairment loss occurred in the year ended 30 September 2020 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

	2020	2019
	<u>MMK</u>	<u>MMK</u>
Interest receivable on investment	1,603,344,381	974,196,694
Interest receivable on loan	7,677,550,260	3,474,435,180
Prepayment and advance	3,824,691,308	3,601,261,516
Receivable from business partner	106,476,442	144,348,407
Suspense (Money Gram and IME)	27,451,453	57,104,594
Suspense others	920,372,266	870,124,806
	<u>14,159,886,110</u>	<u>9,121,471,197</u>

MYANMAR CITIZENS BANK LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 SEPTEMBER 2020

10. Property and equipment

	<u>Land & Building</u> MMK	<u>Leasehold improvement</u> MMK	<u>Motor Vehicle</u> MMK	<u>Furniture and Office Equipment</u> MMK	<u>Plant & Machinery</u> MMK	<u>Total</u> MMK
For the year ended 30 September 2020						
<i>Cost</i>						
At 1 October 2019	10,509,359,226	2,338,532,980	1,334,848,686	3,937,092,059	999,239,284	19,119,072,235
Addition	2,203,944,807	580,482,140	-	1,780,802,210	205,359,951	4,770,589,108
Disposal	-	-	(43,260,000)	(22,161,365)	(1,630,000)	(67,051,365)
Write off	-	-	-	(6,407,635)	-	(6,407,635)
At 30 September 2020	12,713,304,033	2,919,015,120	1,291,588,686	5,689,325,269	1,202,969,235	23,816,202,343
<i>Accumulated depreciation</i>						
At 1 October 2019	524,731,429	540,027,276	744,946,708	1,572,514,906	167,373,217	3,549,593,536
Charge for the financial year	119,651,514	372,272,424	146,802,040	818,768,375	54,780,301	1,512,274,654
Disposal	-	-	(42,990,832)	(12,915,667)	(1,463,604)	(57,370,103)
Write off	-	-	-	(585,100)	-	(585,100)
At 30 September 2020	644,382,943	912,299,700	848,757,916	2,377,782,514	220,689,914	5,003,912,987
Net Book Value at 30 September 2020	12,068,921,090	2,006,715,420	442,830,770	3,311,542,755	982,279,321	18,812,289,356

MYANMAR CITIZENS BANK LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 SEPTEMBER 2020

10. Property and equipment (Continued)

For the year ended 30 September 2019

<i>Cost</i>									
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			
<i>Accumulated depreciation</i>									
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 period	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			

MYANMAR CITIZENS BANK LIMITED
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11. Intangible assets

	2020	2019
	<u>MMK</u>	<u>MMK</u>
Cost		
Opening balance	4,134,513,487	3,839,385,180
Additions	972,534,374	439,530,582
Adjustment	7,002,405	-
Write off	-	(144,402,275)
Closing balance	<u>5,114,050,266</u>	<u>4,134,513,487</u>
Less: Accumulated amortization		
Opening balance	651,368,335	283,396,474
Charge for the period/year	468,178,758	432,747,443
Adjustment	7,002,405	-
Write off	-	(64,775,582)
Closing balance	<u>1,126,549,498</u>	<u>651,368,335</u>
	<u>3,987,500,768</u>	<u>3,483,145,152</u>

12. Deposit from customers

	2020	2019
	<u>MMK</u>	<u>MMK</u>
Call deposit	29,491,516,766	23,757,072,799
Time deposit	264,310,496,310	193,818,738,784
Current deposit	52,081,697,236	38,348,719,420
Saving deposit	232,276,229,454	178,120,802,409
	<u>578,159,939,766</u>	<u>434,045,333,412</u>

13. Other liabilities

	2020	2019
	<u>MMK</u>	<u>MMK</u>
Interest in suspense	6,518,489,210	2,101,942,704
Interest payable	7,418,529,471	5,994,252,245
Other payable	1,191,225,671	2,244,728,086
General provision on loans and advances	1,846,516,325	1,699,676,506
Payable to business partner	255,593,078	135,028,248
Payment order	213,554,210	556,698,103
Sundry deposit	4,014,497,131	1,404,908,288
Interest recovered in advance	703,280,941	1,314,717,294
Employee benefit fund	99,276	409,451
	<u>22,161,785,313</u>	<u>15,452,360,925</u>

MYANMAR CITIZENS BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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14. Borrowings

	2020	2019
	<u>MMK</u>	<u>MMK</u>
Borrowing from Tun Foundation Bank	-	1,000,000,000
		<u>1,000,000,000</u>

15. Share capital

	2020	2019
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⁾	General Provision For Loan & Advance ⁽²⁾	Reserve For Contingencies Account	Total
	<u>MMK</u>	<u>MMK</u>	<u>MMK</u>	<u>MMK</u>
Balances at 1-10-2019	8,387,658,774	4,615,751,805	12,000,000	13,015,410,579
Provision for the year	-	-	-	-
Balances at 30-9-2020	8,387,658,774	4,615,751,805	12,000,000	13,015,410,579
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

⁽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.

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17. Interest income

	2020	2019
	<u>MMK</u>	<u>MMK</u>
Interest on Hire Purchase	19,155,150,540	18,270,388,490
Interest on Loans & Overdrafts	12,755,280,650	15,411,531,201
Interest on SME Loan	1,525,553,967	1,074,038,894
Interest on Trade Guarantee	256,984,247	351,787,603
Interest on Investment	11,774,693,332	5,923,484,938
Interest on Staff Loan	572,838,526	162,603,731
	<u>46,040,501,262</u>	<u>41,193,834,857</u>

Note: Interest income rates

Interest on loan and advance	5.5% - 14.5%	13.00%
Deposit with other banks;	8.25%	8.00%
Fixed deposit rate are as follow:		
1 month	-	9.00%
3 month	8.5-9.25%	9.25%
6 month	-	9.50%
9 month	-	9.75%
12 month	-	10.00%

18. Interest expense

	2020	2019
	<u>MMK</u>	<u>MMK</u>
Interest expenses on saving deposit	12,301,862,089	9,654,494,064
Interest expenses on fixed deposit	21,800,060,040	16,239,938,112
Interest expenses on Call deposit	940,335,989	887,285,484
Interest expenses on Interbank borrowing	31,876,712	700,646,496
	<u>35,074,134,830</u>	<u>27,482,364,156</u>

Note:

The savings deposit rate was 6% 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	6.50%	9.00%
3 month	7.00%	9.25%
6 month	7.25%	9.50%
9 month	7.25%	9.75%
12 month	7.50%	10.00%

Call deposit rate was 4.5% on any amount and was calculated based on minimum daily balance.

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19. Net fee and commission income

	2020	2019
	<u>MMK</u>	<u>MMK</u>
Fees and commission Income		
Commission income	3,223,791,536	4,946,690,136
Services fee income	719,686,003	732,056,556
Card related income	11,692,321	24,411,521
Other fees income	2,914,257	4,818,326
	<u>3,958,084,117</u>	<u>5,707,976,539</u>
Fees and commission expense		
Bank commission and service charges	77,850,556	42,107,785
Card related expenses	142,227,188	219,894,273
Other fee expenses	38,046,752	9,593,200
	<u>258,124,496</u>	<u>271,595,258</u>
	<u><u>3,699,959,621</u></u>	<u><u>5,436,381,281</u></u>

20. Other operating income

	2020	2019
	<u>MMK</u>	<u>MMK</u>
Net income from foreign currency transactions	58,587,139	143,393,204
Miscellaneous income	222,478,226	223,171,164
	<u>281,065,365</u>	<u>366,564,368</u>

21. Personnel expenses

	2020	2019
	<u>MMK</u>	<u>MMK</u>
Salaries and wages (local)	6,430,040,889	6,311,609,174
Salaries and wages (foreign)	808,648,126	549,085,637
Overtime allowance	47,955,480	72,272,155
Contribution to employee benefit	102,585,991	104,851,081
Other staff related expenses	49,119,804	138,223,240
Compensation Expense	88,147,000	-
House Allowance	719,840	-
	<u>7,527,217,130</u>	<u>7,176,041,287</u>

MYANMAR CITIZENS BANK LIMITED
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22. Administration and general expenses

	2020	2019
	<u>MMK</u>	<u>MMK</u>
Donation and entertainment	146,183,065	144,752,919
AGM expenses	14,279,105	41,162,915
Insurance	71,472,691	59,558,592
Directors' meeting fee	30,100,000	19,900,000
Marketing and advertising expenses	70,912,380	83,249,379
Miscellaneous expenses	82,373,206	100,348,383
Office supply	596,366,608	582,104,140
Professional service fee	348,278,742	379,068,212
Rate and tax	47,735,617	41,036,113
Registration and license	399,334,072	410,288,618
Rent	1,739,015,076	1,650,973,317
Repair and maintenance	511,757,603	424,632,546
Travel & transportation	237,936,452	234,459,570
Utilities expenses	420,122,616	415,331,245
Loss/(gain) on revaluation	(58,153,264)	(114,058,981)
Written off expense	5,822,535	85,835,407
Loss/(gain) on disposal	(5,788,738)	744,173
	<u>4,657,747,766</u>	<u>4,559,386,548</u>

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.

	2020	2019
Net profit/(loss) attributable to equity holders (MMK)	(5,882,716,334)	3,419,581,089
Weighted average number of ordinary shares in issue	<u>10,400,986</u>	<u>10,400,986</u>
	(566)	329

(b) Diluted earnings per share

	2020	2019
Net profit/(loss) attributable to equity holders (MMK)	<u>(5,882,716,334)</u>	3,419,581,089
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	<u>10,400,986</u>	<u>10,400,986</u>
	<u>(566)</u>	<u>329</u>

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24. 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.

	2020	2019
	<u>MMK</u>	<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	127,680,000	127,200,000
-Rental expenses paid to shareholder	414,228,986	419,042,971
	541,908,986	546,242,971
(b) Outstanding balances		
<i>Prepaid rental to</i>		
- The firms in which the directors of the bank have a financial interest	79,090,000	118,000,000
- Shareholder	106,496,995	284,627,687
	185,586,995	402,627,687
<i>Deposit with related parties</i>	105,333,588,905	63,420,537,470
(c) Key management personnel compensation		
- Salary and wages	1,199,594,871	2,965,139,960
- Director remuneration	-	13,132,646
- Directors' meeting fee	30,100,000	19,900,000
	1,229,694,871	2,998,172,606

25. Guarantees and commitments

(a) Bank guarantees

	2020	2019
	<u>MMK</u>	<u>MMK</u>
Guarantees in local currency	11,331,215,560	4,529,771,127
Guarantees in foreign currency	7,280,828,224	5,593,086,159
	18,612,043,784	10,122,857,286

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.

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(b) Commitments

	2020	2019
	<u>MMK</u>	<u>MMK</u>
Undrawn overdraft	23,638,272,677	18,066,135,537
Rental expense	6,190,516,560	6,110,827,200
	<u>29,828,789,237</u>	<u>24,176,962,737</u>

26. 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, 2020 was Ks. 19,032,758,198 (September 30, 2019; Ks 15,435,607,633).