



**MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)  
(Registration No. 120620673)**

**REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2021**

**MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)**

**REPORT AND FINANCIAL STATEMENTS**

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**MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)**

**STATEMENT BY BRANCH MANAGEMENT**

According to the Myanmar Companies Law section 264, I, the Authorized Representative of the Malayan Banking Berhad (Maybank) (Yangon Branch) (the "Branch") do hereby state that in the opinion of the Management, the accompanying statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in head office account and statement of cash flow together with the notes to the financial statements for the year ended September 30, 2021 had been prepared in accordance with the provision of Myanmar Companies Law (the "Law") and the Myanmar Financial Reporting Standards ("MFRSs") as issued by the the Myanmar Accountancy Council ("MAC") and as modified by the provisions of the Financial Institutions Law 2016 ("FIL 2016") (collectively known as "the Regulations").

I believe that Malayan Banking Berhad (Maybank) (Yangon Branch) will be able to meet withdrawals of customers' current, savings and fixed deposits accounts and those loans accounts outstanding on September 30, 2021 are good and recoverable.

MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)



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Sulaiman Abdul Aziz  
Country Head



Date: December 22, 2021

**INDEPENDENT AUDITOR'S REPORT TO  
MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)**

**Report on the audit of the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of Malayan Banking Berhad (Maybank) (Yangon Branch) (the "Branch"), which comprise the statement of financial position as at September 30, 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended September 30, 2021, and notes to the financial statement, including a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 35.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as at September 30, 2021 and of the financial performance, changes in head office account and cash flows for the financial year ended September 30, 2021, in accordance with the provisions of Myanmar Companies Law (the "Law") and the Myanmar Financial Reporting Standards ("MFRS") including the modification of the requirements of Myanmar Accounting Standards 39, Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by the Central Bank of Myanmar ("CBM") Notification No. 17/2017, Asset Classification and Provisioning Regulations, and the section 39 of the FIL 2016.

**Basis for Opinion**

We conducted our audit in accordance with Myanmar Standards on Auditing ("MSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company together with the ethical requirements that are relevant to our audit of the financial statements in Myanmar, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the Report of the Management set out on page 1.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT TO  
MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)**

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of financial statements in accordance with the provisions of the Law and MFRSs, instructions and guidance provided by CBM and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorized and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

The Branch's management's responsibilities include overseeing the Branch's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. *clear*

**INDEPENDENT AUDITOR'S REPORT TO**

**MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)**

- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Report on Other Legal and Regulatory Requirements**

In accordance with the provisions of the Law, we report that:

- (1) We had obtained all information and explanations we have required;
- (2) Books of account have been maintained by the Branch as required by Section 258 of the Law; and
- (3) Accounts and records have been maintained by the Branch including the preparation of financial statements in compliance with the regulations as required by Section 84 of the FIL 2016.

Also, in accordance with Section 89 of the FIL 2016, we report that the financial statements of the Branch adequately reflect the financial position of the Branch and its solvency.



Cho Cho Aung  
Certified Public Accountant  
Yangon, Myanmar



Date: December 22, 2021

**MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)**

**STATEMENT OF FINANCIAL POSITION  
AS AT SEPTEMBER 30, 2021**

	Note	September 30, 2021 USD	September 30, 2021 MMK in million	September 30, 2020 USD	September 30, 2020 MMK in million
<b>ASSETS</b>					
Cash on hand and in banks	8	23,687,742	45,648.65	42,037,849	55,006.52
Placements with other banks	9	75,738,076	145,954.85	52,479,550	68,669.49
Loans and advances	10	43,194,109	83,239.37	57,262,517	74,928.00
Property and equipment, net	11	69,280	133.51	18,959	24.81
Intangible assets	12	126,435	243.65	44,429	58.14
Other assets	13	605,469	1,166.80	585,263	765.82
<b>Total assets</b>		<b>143,421,111</b>	<b>276,386.83</b>	<b>152,428,567</b>	<b>199,452.78</b>
<b>HEAD OFFICE ACCOUNT AND LIABILITIES</b>					
<b>Head office account</b>					
Head office capital		76,840,109	95,096.42	76,840,109	95,096.42
Retained earnings		1,918,906	3,154.81	1,502,780	2,533.68
Cumulative translation adjustments		-	55,055.00	-	4,639.20
Reserves	14	2,905,974	4,070.38	2,767,265	3,863.34
<b>Total head office account</b>		<b>81,664,989</b>	<b>157,376.61</b>	<b>81,110,154</b>	<b>106,132.64</b>
<b>LIABILITIES</b>					
Demand deposits	15	38,776,144	74,725.51	38,074,864	49,820.96
Time deposits	16	19,597,215	37,765.79	30,291,770	39,636.78
Due to head office	7	2,894,284	5,577.57	2,630,110	3,441.50
Other liabilities	17	488,479	941.35	321,669	420.90
<b>Total liabilities</b>		<b>61,756,122</b>	<b>119,010.22</b>	<b>71,318,413</b>	<b>93,320.14</b>
<b>Total head office account and liabilities</b>		<b>143,421,111</b>	<b>276,386.83</b>	<b>152,428,567</b>	<b>199,452.78</b>



Sulaiman Abdul Aziz  
Country Head

Date: December 22, 2021

See accompanying notes to financial statements

**MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Note	September 30, 2021 USD	September 30, 2021 MMK in million	September 30, 2020 USD	September 30, 2020 MMK in million
Interest income	18	2,447,069	3,655.11	5,098,722	7,222.64
Interest expense	19	(315,000)	(470.51)	(1,819,246)	(2,577.07)
Net interest income		2,132,069	3,184.60	3,279,476	4,645.57
Service income		37,715	56.33	75,611	107.11
Other fees and commission		216,869	323.93	380,428	538.90
Net foreign exchange gain		103,545	154.66	261,307	370.16
Net non-interest income		358,129	534.92	717,346	1,016.17
Income before operating expenses		2,490,198	3,719.52	3,996,822	5,661.74
Operating expenses	20	(1,704,918)	(2,547.13)	(1,751,169)	(2,480.64)
<b>Profit before tax</b>		<b>785,280</b>	<b>1,172.39</b>	<b>2,245,653</b>	<b>3,181.10</b>
Income tax expense	21	(230,445)	(344.21)	(569,456)	(806.67)
<b>Profit for the year</b>		<b>554,835</b>	<b>828.18</b>	<b>1,676,197</b>	<b>2,374.43</b>
Foreign exchange translation		-	(50,415.80)	-	(17,998.16)
<b>Total comprehensive income for the year</b>		<b>554,835</b>	<b>(49,587.62)</b>	<b>1,676,197</b>	<b>(15,623.73)</b>



Sulaiman Abdul Aziz  
Country Head

Date: December 22, 2021

See accompanying notes to financial statements



**MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)**

**STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Head office capital USD	Retained earnings USD	Reserves USD	Total USD
Balance at October 1, 2019	76,840,109	245,632	2,348,216	79,433,957
Profit for the year, representing total comprehensive income for the year	-	1,676,197	-	1,676,197
Amount transferred to statutory reserves	-	(419,049)	419,049	-
Total	-	1,257,148	419,049	1,676,197
<b>At September 30, 2020</b>	<b>76,840,109</b>	<b>1,502,780</b>	<b>2,767,265</b>	<b>81,110,154</b>
Balance at October 1, 2020	76,840,109	1,502,780	2,767,265	81,110,154
Profit for the year, representing total comprehensive income for the year	-	554,835	-	554,835
Amount transferred to statutory reserves	-	(138,709)	138,709	-
Total	-	416,126	138,709	554,835
<b>At September 30, 2021</b>	<b>76,840,109</b>	<b>1,918,906</b>	<b>2,905,974</b>	<b>81,664,989</b>

**MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)**

**STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

<i>In millions</i>	Head office capital	Cumulative translation adjustments	Retained earnings	Reserves	Total
	MMK	MMK	MMK	MMK	MMK
Balance at October 1, 2019	95,096.42	22,637.36	752.85	3,269.74	121,756.37
Profit for the year, representing total comprehensive income for the year	-	-	2,374.43	-	2,374.43
Translation reserve	-	(17,998.16)	-	-	(17,998.16)
Amount transferred to statutory reserves	-	-	(593.6)	593.6	-
Total	-	(17,998.16)	1,780.83	593.6	(15,623.73)
<b>At September 30, 2020</b>	<b>95,096.42</b>	<b>4,639.20</b>	<b>2,533.68</b>	<b>3,863.34</b>	<b>106,132.64</b>
Balance at October 1, 2020	95,096.42	4,639.20	2,533.68	3,863.34	106,132.64
Profit for the year, representing total comprehensive income for the year	-	-	828.18	-	828.18
Translation reserve	-	50,415.80	-	-	50,415.80
Amount transferred to statutory reserves	-	-	(207.04)	207.04	-
Total	-	50,415.80	621.14	207.04	51,243.98
<b>At September 30, 2021</b>	<b>95,096.42</b>	<b>55,055.00</b>	<b>3,154.82</b>	<b>4,070.38</b>	<b>157,376.62</b>

See accompanying notes to financial statements

**MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	September 30, 2021	September 30, 2021	September 30, 2020	September 30, 2020
	USD	MMK in million	USD	MMK in million
<b>Cash flow from operating activities</b>				
Profit before tax	785,280	1,172.95	2,245,653	3,181.10
Adjustments for:				
Depreciation	15,296	22.85	93,782	132.85
Amortization	13,379	19.98	136,210	192.95
Operating cash flow before movements in working capital	813,955	1,215.78	2,475,645	3,506.90
Deposit with CBM	-	-	-	-
Placement with other banks	(59,408,076)	(88,735.98)	16,169,550	26,540.96
Loans and advances	14,068,407	21,013.54	2,865,802	17,236.68
Other assets	153,056	228.61	336,527	646.43
Deposits	(9,993,274)	(14,926.64)	11,961,279	2,999.61
Due to head office	264,174	394.59	191,875	295.83
Other liabilities	66,435	99.23	(741,886)	(1,182.00)
Cash generated from operations	(54,035,323)	(80,710.87)	33,258,792	50,044.41
Income tax paid	(303,332)	(453.08)	(428,916)	(607.00)
Net cash provided by operating activities	(54,338,655)	(81,163.95)	32,829,876	49,437.41
<b>Cash flow from investing activities</b>				
Purchase of property and equipment	(65,617)	(98.01)	(11,265)	(16.06)
Purchase intangible assets	(95,385)	(142.47)	(19,964)	(28.47)
Net cash used in investing activities	(161,002)	(240.48)	(31,229)	(44.53)
Net increase in cash and cash equivalents	(54,499,657)	(81,404.43)	32,798,647	49,392.88
Net foreign exchange difference	-	30,002.97	-	(18,563.10)
Cash and cash equivalents at beginning of year	86,687,399	113,430.46	53,888,752	82,600.68
<b>Cash and cash equivalents at end of the year</b>	<b>32,187,742</b>	<b>62,029.00</b>	<b>86,687,399</b>	<b>113,430.46</b>

See accompanying notes to financial statements

## **MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021**

#### **1 GENERAL**

Malayan Banking Berhad (Maybank) (Yangon Branch) (the "Branch") is part of Malayan Banking Berhad (Maybank) that is incorporated in Malaysia and registered by Ministry of National Planning and Economic Development, Directorate of Investment and Company Administration by its Certificate of Incorporation No. 120620673 on April 30, 2015. The Branch commenced its banking operation on August 3, 2015. The registered office of the Branch is located at 7<sup>th</sup> Floor, Centrepoint Towers No.65, Corner Sule Pagoda Road and Merchant Street, Kyauktada Township, Yangon, the Republic of the Union of Myanmar.

The Foreign Banking License (License reference : CBM/FBBL(R)-07/2016-2017) was issued on July 27, 2015 by the Central Bank of Myanmar (CBM) to provide wholesale banking services to foreign corporates, financial institutions, both local and foreign, and local corporates in partnership with local financial institutions in the Republic of the Union of Myanmar as per CBM Directive No. 6/2018 dated November 8, 2018. Licensee may carry on and may engage in any or all of the following activities included in foreign bank branch license's Annexure, subject to being defined in the licensee's product catalog and approved by the Central Bank of Myanmar.

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

##### **2.1 Statement of compliance**

The financial statements have been prepared in accordance with the provisions of Myanmar Companies Law (the "Law") and the Myanmar Financial Reporting Standards ("MFRS") as issued by the Myanmar Accountancy Council ("MAC") including the modification of the requirements of Myanmar Accounting Standards 39, *Financial Instruments: Recognition and Measurement* in respect of loan loss provisioning by the CBM Notification No. 17/2017, Asset Classification and Provisioning Regulations, and the Section 39 of Financial Institution Law ("FIL") 2016 issued by the CBM.

##### **2.2 Basis of preparation**

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Branch takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

## **MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021**

#### **2.3 Financial Instruments**

Financial assets and financial liabilities are recognized on the Branch's statement of financial position when the Branch becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at 'Fair Value Through Profit or Loss' ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

##### **2.3.1 Effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income and expense are recognised on an effective interest basis for debt instruments other than those financial assets and liabilities classified as at FVTPL.

#### **2.4 Financial assets**

Financial assets are classified into the following specified categories: financial assets 'at Fair Value Through Profit or Loss' ("FVTPL"), 'Held-To-Maturity' investments, 'Available-For-Sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

##### **2.4.1 Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including cash on hand and at banks and interbank placements) are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

## MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

#### 2.4 Financial assets (CONT'D)

##### 2.4.2 Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and advances where the carrying amount is reduced through the use of an allowance account. When loans and advances are considered uncollectable, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets carried at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed 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 recognised.

##### i) Specific provision on loans and advances

The specific provision shall be recorded in the Branch's accounts and charged to the profit and loss account in the month in which it occurs and shall not be spread over future periods in accordance with the CBM's Notification No. 17/2017, dated July 7, 2017.

The Branch shall classify and make specific provisions in the following manner:

Sr. No.	Classification of loans/ advances	Days past due	Provisions on shortfall in security value
(a)	Standard	30 days past due	0%
(b)	Watch	31 to 60 days past due	5%
(c)	Substandard	61 to 90 days past due	25%
(d)	Doubtful	91 to 180 days past due	50%
(e)	Loss	Over 180 days past due	100%

## **MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021**

#### **2.4 Financial assets (CONT'D)**

##### ii) General provision on loans and advances

Pursuant to CBM Notification No. 17/2017, Asset Classification and Provisioning Regulations, the Bank is required to maintain a general loan loss reserve equivalent to 2% of the total outstanding loans and advances with a corresponding charge to profit or loss. The Branch maintains a reserve of 2% of credit exposures arising from their loan portfolio (against which specific allowances have not been made) prior to any adjustments for security coverage.

##### 2.4.3 Derecognition of financial assets

The Branch derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Branch neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Branch recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Branch retains substantially all the risks and rewards of ownership of a transferred financial asset, the Branch continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Branch retains an option to repurchase part of a transferred asset), the Branch allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognised on the basis of the relative fair values of those parts.

#### **2.5 Financial liabilities and equity instruments**

##### 2.5.1 Classification as debt or equity

Financial liabilities and equity instruments issued by the Branch are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

##### 2.5.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Branch are recognized at the proceeds received, net of direct issue costs.

## **MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021**

#### **2.6 Financial liabilities**

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

##### **2.6.1 Other financial liabilities**

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

##### **2.6.2 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 recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liabilities simultaneously.

##### **2.6.3 Derecognition of financial liabilities**

The Branch derecognises financial liabilities when, and only when, the Branch's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### **2.7 Cash and cash equivalents in the statement of cash flows**

Cash and cash equivalents in the statement of cash flows comprise of cash on hand, cash balances with banks, non-restricted current accounts with CBM and interbank placements with maturity of three months or less from the date of acquisition.

#### **2.8 Revenue recognition**

##### **Interest income and expense**

Interest income and expense are recognized in profit or loss based on principal amount outstanding at the effective interest rate. The application of this method includes the amortization of any discount or premium or other differences, including transaction costs, and qualifying fees and commissions, between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

In accordance to the CBM Notification No. 17/2017 Assets Classification and Provisioning Regulations, all interest income from non-performing loans are suspended and shall only be recognized as income when the interest has been collected by the Branch.

##### **Service income and other fees and commission**

The Branch earns fees and commission from a diverse range of services it provides to its customers. These incomes are generally recognised on an accrual basis when the service has been provided.



## MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

#### 2.9 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### The Branch as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Initial direct costs incurred by the Branch in negotiating and arranging operating leases are recognized in profit or loss when incurred. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the financial year in which termination takes place.

#### 2.10 Foreign currencies

##### 2.10.1 Functional and presentation currency

The financial statements of the Branch are measured and presented in the currency of the primary economic environment in which the Branch operates (its functional currency). The functional currency of the Branch is assessed to be the USD by management. The financial statements are presented in both USD and MMK for statutory purpose.

In preparing the financial statements for the Branch, transactions in currencies other than the Branch's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in currencies other than functional currency are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in currencies other than functional currency are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in other currencies are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

In order to present the financial statements in MMK (i.e., presentation currency):

- a) assets and liabilities presented in the statement of financial position have been translated at the closing rate as published by the CBM as at September 30, 2021; and
- b) income and expenses presented in the statement of profit or loss have been translated using the average rate as published by the CBM.

All resulting exchange differences are recognized in the other comprehensive income.

## **MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021**

#### **2.10.2 Translation of USD into MMK**

The financial statements are stated in USD. The translations of USD amounts into MMK are included solely for compliance with the instructions provided by the CBM regarding the preparation and presentation of financial statements and have been made using the year end exchange rate for statement of financial position and average exchange rate for statement of profit or loss and other comprehensive income for the year ended September 30, 2021 and September 30, 2020.

#### **2.11 Employee benefits**

##### **2.11.1 Short-term and other long-term employee benefits**

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Branch in respect of services provided by employees up to the reporting date.

##### **2.11.2 Cash-settled share based payment**

The Branch issues cash-settled share-based payments to certain employees.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

#### **2.12 Taxation**

Income tax expense represents the tax currently payable.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Branch's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Current tax is recognised as an expense in profit or loss.

## **MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021**

#### **2.13 Property and equipment**

All property and equipment are initially recognized at cost, which comprises its purchase price and any costs directly attributable in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent to initial recognition, property and equipment are carried at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing part of fixed assets when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of fixed assets as a replacement if the recognition criteria are satisfied. All repairs and maintenance costs that do not meet the recognition criteria are recognized in profit and loss as incurred.

	Years
Office equipment	5
Renovations	5
Motor vehicle	5
Computers and peripherals	4-5

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the period the asset is derecognized.

The residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each period end.

The Branch evaluates any indication of asset impairment at the end of the year. The Branch determines the estimated realizable amount of its assets if there is an event or condition which indicates the asset impairment and recognizes the loss on impairment in the statement of comprehensive income for the current period.

#### **2.14 Intangible assets**

The Branch's intangible assets include the value of the application software. An intangible asset is recognized only when its cost can be measured reliably and it is possible that the expected future economic benefits that are attributable to it will flow to the Branch.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful life of intangible assets is assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The amortization is calculated using the straight-line method over its remaining useful life of 60 months.

## **MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021**

#### **2.15 Impairment of tangible and intangible assets**

At the end of each reporting period, the Branch reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Branch estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **2.16 Leasing**

Leases are classified as operating leases and charge to profit and loss account with annually basis.

##### **2.16.1 The Branch as lessee**

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## **MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021**

#### **2.17 Provision**

Provisions are recognized when the Branch has a present obligation (legal or constructive) as a result of a past event, it is probable that the Branch will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### **2.18 Adoption of new and revised standards**

There have been no new/revised MFRSs and Interpretations of MFRSs adopted by the Myanmar Accountancy Council during the year.

In July 2018, MAC issued Notifications No. 18/2018 and No. 19/2018 requiring the adoption of International Financial Reporting Standards ("IFRS") by Public Interest Entities ("PIE") and either IFRS or IFRS for Small and Medium Sized-Entities ("IFRS for SMEs") by non-PIE, respectively, from fiscal year 2022-2023.

### **3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Branch's accounting policies, which are described in Note 2, the management of the Branch is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### **3.1 Critical judgements in applying accounting policies**

The management of the Branch is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognized in the financial statements.

#### **3.2 Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

#### 3.2.1 Impairment losses on loans and advances

The Branch reviews its loans and advances to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in profit or loss, management exercises judgement on whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the loan before the decrease can be identified within an individual loan. The Branch recognises an impairment loss equivalent to the security shortfall of each individual loan, in accordance with the requirement under the CBM Notification No. 17/2017 including its annexure on the criteria for the valuation of security and collateral.

#### 3.2.2 Useful lives of property and equipment and intangible assets

Property and equipment with finite useful lives and intangible assets with indefinite useful lives are depreciated and amortized over their useful lives, using the straight-line method. Management estimates the useful lives of property and equipment and intangible assets based on expected usage and industry norms. Changes in the expected level of maintenance, usage and technological developments could impact the useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

#### 3.2.3 Uncertain tax positions

The Branch is subject to income taxes in Myanmar. In determining income tax liabilities, management is required to estimate the amount of 2% general loan loss provision and the deductibility of certain expenses ("uncertain tax positions").

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Branch recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the branch makes adjustment for such differences in the income tax of the period in which such determination is made.

## MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

#### 4. FINANCIAL INSTRUMENTS

##### 4.1 Categories of financial instruments

Financial instruments comprise financial assets and financial liabilities. The financial assets held by the Branch are all categorized under loans and receivables while all the financial liabilities are categorized as financial liabilities measures at amortized cost.

The following table sets out the financial instruments as at the end of the reporting period.

	September 30, 2021 USD	September 30, 2020 USD
<b>Financial assets</b>		
Cash on hand and in banks	23,687,742	42,037,849
Placements with other banks	75,738,076	52,479,550
Loans and advances	43,194,109	57,262,517
Other assets	359,296	465,646
<b>Total</b>	<b>142,979,223</b>	<b>152,245,562</b>
<b>Financial liabilities</b>		
Demand deposits	38,776,144	38,074,864
Time deposits	19,597,215	30,291,770
Due to head office	2,894,284	2,630,110
Other liabilities	266,316	193,521
<b>Total</b>	<b>61,533,959</b>	<b>71,190,265</b>

##### 4.2 Fair value of financial assets and liabilities

Financial instruments comprise financial assets and financial liabilities. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

As at the end of each reporting period, the Branch did not hold any financial instruments which are measured at fair value on a recurring basis. The Branch considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

## **MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021**

#### **5. FINANCIAL RISK MANAGEMENT**

The Branch's activities are principally related to extending loans and advances, accepting deposits and carrying out transactions. These expose the Branch to a variety of financial risks, including foreign exchange risk, interest rate risk, credit risk and liquidity risk.

Managing these financial risks forms an integral part of the Branch's business. The Branch adopts the risk management set out in accordance to the risk appetite of the Branch, which encompass a variety of controls and reporting processes. These not only include risk parameters for the various financial instruments that the Branch may undertake, but also directions on the types of business that the Branch may engage in, guidelines for the acceptance of customers for all types of financial instruments and terms under which customer business is conducted.

The Branch believes that it has effective processes in place to identify, measure, monitor and ultimately, mitigate these financial risks.

A discussion on the main financial risks that the Branch is exposed to and how these risks are managed, is set out below.

##### **5.1 Credit risk**

Credit risk is the risk of losses due to deterioration in financial condition of a borrower. Credit risk arises primarily from lending activities. The Branch has established risk management systems to monitor asset quality and credit risk exposure. Lending exposures are typically represented by the principal amount of on-balance sheet financial instruments. Financial guarantees and standby letters of credit represent undertakings that the Branch will make payments in the event that a borrower cannot meet its obligations to third parties and carry the same credit risk as loans even though they are contingent in nature. Credit risk also includes commitments to extend credit, unused portion of loan commitments, guarantees and letters of credit. Such credit risk exposures are managed as part of the overall credit limits with customers.

The credit portfolio of the Branch is monitored and assessed regularly to maintain and improve the asset quality. The Branch ensures the timely and proper evaluation of all credit risks based on its internal uniform group-wide credit rating in accordance with its Head Office guidelines.

There is a system of check and balances in which the credit administration department, independent of the business promotion departments, monitors and checks the compliance with all approved loan terms and conditions. The Head Office determines the level of credit exposure that the Branch undertakes by approving the amount of risk acceptable in relation to a single borrower, or a group of borrowers, taking into account the geographical and industrial factors. Besides such checks and balances and internal oversight systems at Head Office level, Head Office's credit examination sections also regularly conduct checks on the Branch's performance and credit monitoring to ensure appropriate credit risk management is in place. In addition, exposure to credit risk is also managed in part by obtaining collateral or right to call for collateral, where appropriate, to mitigate any credit risk.



## MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

#### 5.1.1 Maximum exposure to credit risk

The following table presents the Branch's maximum exposure to credit risk at the end of the reporting period in respect of on-balance sheet and off-balance sheet financial instruments, without taking into account the value of any collateral or other security held, in the event the counterparties fail to perform their obligations. The maximum exposure to credit risk to on-balance sheet is the carrying amount of these instruments as reported in the statement of financial position. For contingent liabilities, the maximum exposure to credit risk is the maximum amount the Branch would have to pay if the obligations of the instruments issued are called upon. For commitments, the maximum exposure to credit risk is the full amount of undrawn credit facilities granted to customers.

	September 30, 2021	September 30, 2020
	USD	USD
Current account with CBM	15,862,749	2,404,194
Current account with other bank	7,611,699	37,324,604
Interbank placements	75,738,076	52,479,550
Loans and advances	43,194,109	57,262,517
Other assets	359,296	465,646
<b>Off-Balance Sheet</b>		
Bank guarantees	250,000	4,363,528
Contingent Liabilities	1,288,328	3,381,950
Undrawn loan commitment	-	100,000
Total maximum exposure to credit risk	<u>141,227,601</u>	<u>142,091,033</u>

#### 5.1.1.1 Collateral and other credit enhancements

In respect of the Branch's deposits with other banks, the Branch considers the exposure to credit risk to be low as these deposits are placed with credit-worthy financial institutions. The financial effect of collateral or credit enhancements obtained for Other Assets are not expected to be significant.

For the loans and advances granted by the Branch, the following types of collateral and credit enhancements are obtained, consistent with CBM Notification No. 17/2017 Annexure:

- Charges over plant and machineries
- Guarantees
- Charges over receivables
- Cash collateral

As at September 30, 2021, 100% of the carrying amount of loans and advances are backed at realizable collateral and credit enhancements.

## MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

#### 5.1.2 Credit risk by industry

The following table sets out the Branch's Loan and Advances based on the exposure by industry as at the end of the reporting period:

	September 30, 2021	September 30, 2020
	USD	USD
Agricultural	15,787,837	20,137,864
Construction	12,400,000	13,244,500
Industrial / Production	7,979,708	11,544,317
Services	6,592,563	7,070,518
General loans	434,001	5,111,192
Transportation	-	154,126
Loans and advances	<u>43,194,109</u>	<u>57,262,517</u>

#### 5.1.3 Credit quality of loan and advances

The Branch adopts an internally developed credit rating scale, which generally corresponds to the classification set out in the CBM Notification No. 17/2017 *Asset Classification and Provisioning Regulations* (Note 2.4.3).

All the loan and advances of the Branch are classified under "Current and Standard" and no specific allowance as at September 30, 2021 and September 30, 2020.

## 5.2 **Liquidity risk**

The Branch monitors its risk to a shortage of funds by reviewing the cash payment plan in the monthly board meetings. The Branch's objective is to maintain a balance between continuity of funding and flexibility through working capital management.

The Branch monitors and maintains a level of bank balances deemed adequate by the Board to finance the operation and mitigate the effects of fluctuation in cash flow. In addition, the Branch maintains a statutory deposit with the CBM. All financial assets and financial liabilities in 2021 and 2020 are repayable on demand or due within 1 year from the end of the reporting period, unless otherwise mentioned in the financial statements. The effective interest rates, where applicable, are disclosed in the respective notes to the financial statements.

The Branch's liquidity ratios as of September 30, 2021 and 2020 are 64.02% and 72.01%, respectively and hence more than 20% fixed by the CBM as per Notification No. (19/2017).

**MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

5.2.1 Maturity analysis

The following table provides the remaining maturities at the end of the reporting period of the Branch's financial assets and liabilities, which are based on contractual undiscounted cash flows and the earliest date the Branch can expect to receive or be required to pay.

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Branch expects that many customers will not request repayment on the earliest date the Branch could be required to pay and the table does not reflect the expected cash flows indicated by the Branch's deposit retention history.

<b><u>As at September 30, 2021</u></b>	On demand or Less than 3 months USD	3 months to 12 months USD	Over 1 year USD	No specific maturity USD	Total USD
<b>Assets</b>					
Cash on hand and in banks	23,687,742	-	-	-	23,687,742
Placement with other banks	8,500,000	20,238,076	47,000,000	-	75,738,076
Loan and advances	18,954,312	7,725,030	16,514,767	-	43,194,109
Other assets	359,296	-	-	-	359,296
	<u>51,501,350</u>	<u>27,963,106</u>	<u>63,514,767</u>	<u>-</u>	<u>142,979,223</u>
<b>Liabilities</b>					
Demand deposit	38,776,143	-	-	-	38,776,143
Time deposit	16,148,139	3,399,076	50,000	-	19,597,215
Due to head office	2,894,284	-	-	-	2,894,284
Other liabilities	266,322	-	-	-	266,322
	<u>58,084,888</u>	<u>3,399,076</u>	<u>50,000</u>	<u>-</u>	<u>61,533,964</u>
<b>Liquidity Gap</b>	<u>(6,583,539)</u>	<u>24,564,030</u>	<u>63,464,767</u>	<u>-</u>	<u>81,445,259</u>

**MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

<b><u>As at September 30, 2020</u></b>	On demand or Less than 3 months USD	3 months to 12 months USD	Over 1 year USD	No specific maturity USD	Total USD
<b>Assets</b>					
Cash on hand and in banks	42,037,849	-	-	-	42,037,849
Placement with other banks	44,649,550	7,830,000	-	-	52,479,550
Loan and advances	32,288,202	4,287,145	20,687,170	-	57,262,517
Other assets	465,646	-	-	-	465,646
	<b>119,441,247</b>	<b>12,117,145</b>	<b>20,687,170</b>	<b>-</b>	<b>152,245,562</b>
<b>Liabilities</b>					
Demand Deposit	38,074,864	-	-	-	38,074,864
Time Deposit	14,601,220	15,629,550	61,000	-	30,291,770
Due to head office	2,630,110	-	-	-	2,630,110
Other liabilities	193,521	-	-	-	193,521
	<b>55,499,715</b>	<b>15,629,550</b>	<b>61,000</b>	<b>-</b>	<b>71,190,265</b>
<b>Liquidity Gap</b>	<b>63,941,532</b>	<b>(3,512,405)</b>	<b>20,626,170</b>	<b>-</b>	<b>81,055,297</b>

**5.3 Interest rate risk**

Sensitivity to interest rates in banking activities arises from mismatches in the interest rate characteristics of the assets and their corresponding liability funding. One of the major causes of these mismatches is timing differences in the re-pricing of the assets and the liabilities.

No sensitivity analysis is prepared as the Branch does not expect any material effect on the Branch's profit or loss and head office account arising from the effects of reasonable possible changes to interest rates on interest bearing financial instruments at the end of the reporting period.

Financial instruments which are issued at fixed rates expose the Branch to fair value interest rate risk. However, changes in market interest rates will not have an impact on the statement of profit or loss and other comprehensive income as all financial instruments are accounted for on an amortised cost basis.

The interest rates charged or granted by the Branch are determined by a committee with oversight by Managements. These interest rates are set within a range determined by the CBM.

## MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

#### 5.4 Foreign currency risk

Currency risk is the potential adverse impact on the Branch's earnings and economic value due to currency rate movement. The Branch is exposed to currency risk in the fluctuation of exchange markets.

	September 30, 2021	September 30, 2020
	USD	USD
<b>MMK</b>		
<b>Assets</b>		
Cash on hand and in banks	13,598,837	938,949
Loan and advances	4,001,538	17,222,916
Other assets	19,297	89,106
	<u>17,619,672</u>	<u>18,250,971</u>
<b>Liabilities</b>		
Deposits	17,161,970	19,702,028
Other payable	-	44,798
	<u>17,161,970</u>	<u>19,746,826</u>
<b>Net Open Position</b>	<u>457,702</u>	<u>(1,495,855)</u>

#### 5.5 Currency sensitivity

The following table details the sensitivity to a change in the relevant currencies against the functional currency of the Branch, United States Dollars. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusted for their translation at the period end for the change in foreign currency rates below.

The following table sets out the increase (decrease) to the Branch's profit before income tax arising from a 10% appreciation of the relevant foreign currency against the functional currency of the Branch. A 10% depreciation will have the opposite impact to the Branch's profit before income tax.

	September 30, 2021	September 30, 2020
	USD	USD
MMK	<u>45,770</u>	<u>(149,585)</u>

#### 6. CAPITAL MANAGEMENT

The primary objective of the Branch's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Branch manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Branch may adjust the profit remittance, obtain funds from the Head Office or raise debt financing.

The Branch's policy is to maintain a healthy capital structure in order to secure access to finance at a reasonable cost and to meet its regulatory requirements.

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	September 30, 2021	September 30, 2020
	MMK in million	MMK in million
Tier 1 capital	100,044.42	99,373.0
Tier 2 capital	1,472.04	1,403.8
<b>Total Capital</b>	<b>101,516.46</b>	<b>100,776.8</b>
Risk Weighted Assets	117,763.59	112,307.2
Tier 1 capital ratio	84.95%	88.48%
Capital adequacy ratio ("CAR")	86.2%	89.73%
Minimum tier 1 CAR	4%	4%
Minimum regulatory CAR	8%	8%

The Branch have adopted the revised computation method in accordance to CBM Notification No. 16/2017 CAR issued on July 7, 2017, effective from the date of issuance. The revised computation of the capital adequacy ratios are based on the Branch's core capital and risk weighted assets. According to the new regulation, the Branch considers its core capital (Tier 1 capital) to include issued and paid up capital, statutory reserves and retained earnings. Supplementary capital (Tier 2 capital) includes general loan loss reserves on credits. The Branch's risk weighted assets include loans and advances, all other assets and off-balance-sheet items.

**7. RELATED PARTY TRANSACTION**

**Transactions with related parties**

In the normal course of business, the Branch enters into certain transactions with parties which are related to the management and/or owned by the same ultimate shareholder. All transactions with related parties have met the agreed terms and conditions and were made on terms equivalent to those that prevail in arm's length transactions. The following table provides the total amount and outstanding balances of transactions that have been entered into:

	September 30, 2021	September 30, 2020
	USD	USD
<b>Transactions with related parties during the financial year:</b>		
Interest income received/earned	183,896	722,443
General and administrative expenses	(264,174)	(191,875)
<b>Balances with related parties as at the end of financial year:</b>		
Current accounts	7,165,314	36,215,207
Interbank placements	75,738,076	52,479,550
Interest receivables on interbank placements	46,987	70,236
Payable to head office	(2,894,284)	(2,630,110)

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**8. Cash on hand and in banks**

This account consists of:

	September 30, 2021	September 30, 2020
	USD	USD
Cash on hand	213,294	500,202
Current account with CBM	15,862,749	2,404,194
Current account with other banks	7,611,699	37,324,604
Cash in transit	-	1,808,849
<b>Total</b>	<b>23,687,742</b>	<b>42,037,849</b>

Pursuant to the CBM Notification No. 10/2015 on Minimum Reserve Requirement, the Bank is required to maintain a minimum reserve of 5% on total deposit balances for both local and foreign currency deposits. Effective from October 1, 2020 to March 31, 2021, the minimum reserve requirement was reduced to 3.5% for local currency pursuant to CBM Instruction No. 10/2020 dated September 22, 2020. During the year, CBM issued temporary amendment for Minimum Reserve Requirement Notification No. 2/2021 dated on February 16, 2021 to reduce 3% for local currency and to extend the effective period till September 30, 2021. As at September 30, 2021, the Bank's actual closing balance average of the reserve requirement cycle per CBM instruction from September 15, 2021 to October 12, 2021 is in compliance with the minimum requirement.

Cash and cash equivalents at the end of the year as shown in the statements of cash flows can be reconciled to the related items as follows:

	September 30, 2021	September 30, 2020
	USD	USD
Cash on hand and at banks	23,687,742	42,037,849
Interbank placements	8,500,000	44,649,550
<b>Total cash and cash equivalents</b>	<b>32,187,742</b>	<b>86,687,399</b>

Only interbank placements with maturity of three months or less from the date of acquisition are considered as cash equivalents since these are short-term, highly liquid placements that are readily convertible to known amount of cash and are subject to an insignificant risk of change in value.

**9. Placements with other banks**

Placements with other banks are consist of short-term money market placements with original maturities of one year or less. Placements with banks amounting to USD 75,738,076 (September 30, 2020: USD 52,479,550) which consists of short-term money market placements with original maturities. The respective aging for the placements are as follows:

	September 30, 2021	September 30, 2020
	USD	USD
1-3 months	8,500,000	44,649,550
3-6 months	11,000,000	7,830,000
More than 6 months	56,238,076	-
<b>Total</b>	<b>75,738,076</b>	<b>52,479,550</b>

These placements earn interest from 0.08% to 0.42% and 0.25% to 2.2% per annum as of September 30, 2021 and 2020 respectively and has maturity term ranging from overnight (1 day) to 1 year.

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**10. Loans and advances**

This account consists of:

	September 30, 2021	September 30, 2020
	USD	USD
Term loans	15,910,932	23,160,681
Letters of credit	14,415,633	18,005,234
Revolving credits	12,867,537	16,096,602
Overdraft	7	-
<b>Total</b>	<b>43,194,109</b>	<b>57,262,517</b>

Based on CBM Notification No. 17/2017, there is no specific provision recognized for the year ended September 30, 2021 and September 30, 2020, respectively. There is no overdue outstanding as of September 30, 2021 and September 30, 2020.

**11. Property and equipment**

	Office Equipment	Renovations	Motor Vehicle	Computers and Peripherals	Total
	USD	USD	USD	USD	USD
<b>Cost</b>					
At October 1, 2019	21,088	459,044	22,289	128,111	630,532
Additions	2,550	-	-	8,715	11,265
At September 30, 2020	23,638	459,044	22,289	136,826	641,797
Additions	1,054	-	-	64,563	65,617
Reclassification	1,313	-	-	(1,313)	-
At September 30, 2021	26,005	459,044	22,289	200,076	707,414
<b>Accumulated depreciation</b>					
At October 1, 2019	13,478	385,314	22,288	107,976	529,056
Depreciation	4,100	73,728	-	15,954	93,782
At September 30, 2020	17,578	459,042	22,288	123,930	622,838
Depreciation	3,110	-	-	12,186	15,296
Reclassification	-	-	-	-	-
At September 30, 2021	20,688	459,042	22,288	136,116	638,134
<b>Carrying amount</b>					
At September 30, 2021	5,317	2	1	63,960	69,280
At September 30, 2020	6,060	2	1	12,896	18,959



**MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)**

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**12. Intangible assets**

	September 30, 2021 USD	September 30, 2020 USD
<b>Cost</b>		
Opening balance	829,969	810,005
Additions	95,385	19,964
Closing balance	<u>925,354</u>	<u>829,969</u>
<b>Accumulated depreciation</b>		
Opening balance	785,540	649,330
Amortization for the year	13,379	136,210
Closing balance	<u>798,919</u>	<u>785,540</u>
<b>As at balance</b>	<b><u>126,435</u></b>	<b><u>44,429</u></b>

**13. Other assets**

	September 30, 2021 USD	September 30, 2020 USD
Interest receivables	320,883	413,215
Advance income tax	173,261	-
Prepaid expenses	72,912	119,617
Refundable deposits	38,413	52,431
<b>Total</b>	<b><u>605,469</u></b>	<b><u>585,263</u></b>

**14. Reserves**

	General Reserves <sup>1</sup> USD	Statutory Reserves <sup>2</sup> USD	Total USD
As at October 1, 2019	1,608,084	740,132	2,348,216
Addition	-	419,049	419,049
As at September 30, 2020	1,608,084	1,159,181	2,767,265
Addition	-	138,709	138,709
<b>As at September 30, 2021</b>	<b><u>1,608,084</u></b>	<b><u>1,297,890</u></b>	<b><u>2,905,974</u></b>

<sup>1</sup> In compliance with CBM Notification No 17/2017, 2% of total balance of loans and advances will be set aside as reserve for bad and doubtful debts at the end of the year.

No recovery was recognized since September 30, 2019 pursuant to Letter No. 48/KaKa(1)/4/2/2019-2020 issued by CBM to the Branch in October 2019 where it was clarified that the recovery of general provision is not necessary when the outstanding balance of loans and advances decreased during the period.

<sup>2</sup> Section 35(a) of the Financial Institutions Law of Myanmar 2016 requires, the Branch to provide 25% of Net Profit after Tax in Statutory Reserve account until the account reaches 100% of paid-up capital of the Branch.

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**NOTES TO FINANCIAL STATEMENTS  
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**15. Demand deposits**

	September 30, 2021	September 30, 2020
	USD	USD
Customers	36,220,808	32,081,111
Banks	2,555,336	5,993,753
<b>Total</b>	<b>38,776,144</b>	<b>38,074,864</b>

**16. Time deposits**

	September 30, 2021	September 30, 2020
	USD	USD
Customers	10,597,215	17,987,604
Banks		12,304,166
<b>Total</b>	<b>19,597,215</b>	<b>30,291,770</b>

**17. Other liabilities**

	September 30, 2021	September 30, 2020
	USD	USD
Accrued payable	188,445	134,261
Tax provision	222,163	121,782
Others	68,774	10,139
Interest payable	7,194	59,260
Advance from Maybank foundation	1,903	1,903
Deferred income bank guarantee	-	(5,676)
<b>Total</b>	<b>488,479</b>	<b>321,669</b>

**MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)****NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021****18. Interest income**

	September 30, 2021	September 30, 2020
	USD	USD
Loans	2,259,773	4,003,184
Placements	183,905	1,087,804
Current accounts	3,391	7,734
<b>Total</b>	<b>2,447,069</b>	<b>5,098,722</b>

**19. Interest expense**

This account consists of interest expense incurred on deposits amounting to USD 315,000 or equivalent to MMK 470,506,142 and USD 1,819,246 or equivalent to MMK 2,577,067,614 for the year ended September 30, 2021 and for the year ended September 30, 2020, respectively.

**20. Operating expenses**

	September 30, 2021	September 30, 2020
	USD	USD
Basis salary, allowance and bonuses	882,909	850,255
Establishment cost	178,461	149,715
Other employee benefits	127,274	47,662
Rent expenses	125,366	131,545
Marketing and advertising	92,927	93,255
Bank charges	71,345	73,539
Banking license fees	65,625	80,902
Professional fees	56,808	27,250
Depreciation and amortization	28,675	229,992
Others	28,670	16,311
Repair and maintenance	16,760	10,525
Electricity charges	10,467	9,540
Swift charges	8,986	9,129
Printing and stationery	5,475	6,545
Subscription fees	2,363	7,775
Insurance expenses	1,445	1,207
Telecommunication expense	1,362	6,022
<b>Total</b>	<b>1,704,918</b>	<b>1,751,169</b>

**MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)**

**NOTES TO FINANCIAL STATEMENTS  
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**21. Income tax expense**

	September 30, 2021 USD	September 30, 2020 USD
Current year tax	222,158	569,456
Under provision of current year tax in prior years	8,287	-
	<b>230,445</b>	<b>569,456</b>

Domestic income tax is calculated at 25% (September 30, 2020: 25%) of the estimated assessable profit for the year.

The total charge for the year can be reconciled to accounting as follows:

	September 30, 2021 USD	September 30, 2020 USD
Income before tax	785,280	2,245,653
Income tax expense calculated at statutory rate 25%	196,320	561,413
Effects of expenses that are not deductible in determining taxable profit	25,838	8,043
Income tax expense recognized in profit or loss	222,158	569,456

**22. Guarantees and commitments**

	September 30, 2021 USD	September 30, 2020 USD
<b>Guarantees:</b>		
Performance bond	193,982	3,277,262
Financial guarantee	250,000	4,363,528
Letters of credit	1,094,346	104,688
<b>Commitment</b>		
Undrawn overdraft	-	100,000
<b>Total guarantees and commitment</b>	<b>1,538,328</b>	<b>7,845,478</b>

Guarantees are contracts that contingently require the Branch to make payments to a guaranteed party based on an event or a change in an underlying asset and liability.

	September 30, 2021 USD	September 30, 2020 USD
<b>Operating lease commitments:</b>		
Under 1 year	45,360	43,659
<b>Total operating lease commitments</b>	<b>45,360</b>	<b>43,659</b>

Operating lease commitments include apartment and building lease agreements for the Branch. The Branch has in most instances, prepaid majority of these future rental payments, and has committed to paying remaining future rental payments in accordance with the agreements.

**MALAYAN BANKING BERHAD (MAYBANK) (YANGON BRANCH)**

**NOTES TO FINANCIAL STATEMENTS  
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**23. Significant events during the financial year and subsequent to the end of the financial year**

- a) During late February and March 2020, and again in September and October 2020, and most recently in July and August 2021, the COVID-19 pandemic has severely impacted economies around the world. In many countries including Myanmar, businesses have been forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including border closures, travel bans, quarantines, social distancing and closures of non-essential services have triggered significant disruption to businesses worldwide, resulting in an economic slowdown. Governments and Central Banks have responded with monetary and fiscal interventions to stabilise economic conditions.
  
- b) On February 1, 2021, a state of emergency was declared in Myanmar following a sudden unplanned change of Government. Following this, there were limitations on certain communication networks, travel bans and curfews imposed. Civil protests, boycotts and unstable economic conditions have occurred and they may continue. This challenging political and macro-economic situation has resulted in disruption to a number of banking services particularly in respect to the Myanmar Kyat availability and foreign exchange transactions, temporary closure of operations, human resource difficulties and uncertainties of investments in the country. In addition, limited economic sanctions on selective entities and individuals have been imposed. As such, some disruptions to businesses in Myanmar are to be expected, which may lead to an economic slowdown and could compound the economic challenges already brought about by the COVID-19 pandemic in the country.

As the situation is still evolving and outcomes are uncertain, the Branch will continuously monitor the situation and the impact on its operations and its financial performance. The Company will also be taking appropriate and timely measures to minimise the adverse impact on its operations and financial performance.

Therefore, management believe that the financial position and results of operations as of and for the financial year ended September 2021 have not been adversely impacted due to the COVID-19 pandemic and current political situation and there are no adjusting events except for lower revenue registered.