

# **Yoma Bank Limited**

## **Audited Financial Statements**

30 September 2019

*UTW (Myanmar) Limited  
Certified Public Accountants  
A member firm of Ernst & Young Global Limited*

## Yoma Bank Limited

### General Information

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#### Directors

|                             |                                    |
|-----------------------------|------------------------------------|
| U Theim Wai @ Mr. Serge Pun | Executive Chairman                 |
| U Tun Myat                  | Independent Non-Executive Director |
| U Myat Thin Aung            | Director                           |
| U Kyi Aye                   | Director                           |
| Daw Aye Aye Soe             | Executive Director                 |

#### Registered Office

Level 5,6,7,8 Tower-2,  
HAGL, Myanmar Centre Tower,  
No. 192, Kabaraye Pagoda Road,  
Bahan Township,  
Yangon, Myanmar.

#### Auditor

UTW (Myanmar) Limited  
Certified Public Accountants  
Partner-in-charge: Swe Swe Lwin

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## **Directors' Report**

The directors are pleased to present their report to the members together with the audited financial statements of Yoma Bank Limited (the "Bank") for the financial year ended 30 September 2019 under the Section 261 of the Myanmar Companies Law 2017.

### **Directors**

The directors of the Bank in office at the date of this report are:

|                             |                                    |
|-----------------------------|------------------------------------|
| U Theim Wai @ Mr. Serge Pun | Executive Chairman                 |
| U Tun Myat                  | Independent Non-Executive Director |
| U Myat Thin Aung            | Director                           |
| U Kyi Aye                   | Director                           |
| Daw Aye Aye Soe             | Executive Director                 |

### **State of the Bank's Affairs**

The principal activities of the Bank are to carry out all business undertakings provided in 2016 Financial Institution Law Section 52, in accordance with the Central Bank of Myanmar. There has been no change in the business of the Bank during the financial year ended 30 September 2019.

### **Financial Performance**

|  | <b>30 September 2019</b><br>(For twelve months)<br>MMK | <b>30 September 2018</b><br>(For six months)<br>MMK |
|--|--|---|
| <b>Financial results</b>   |  |   |
| Revenue (including other operating income)                                 | 285,864,167,760  | 121,133,491,839                                     |
| <b>Profit before general provision, depreciation, amortization and tax</b> | <b>37,850,400,762</b>                                  | <b>15,327,068,206</b>                               |
| Less: Depreciation and amortization  | 5,282,775,587  | 2,384,457,698                                       |
| <b>Profit before general provision and tax</b>                             | <b>32,567,625,175</b>                                  | <b>12,942,610,508</b>                               |
| Less: 2% general provision for bad and doubtful debts                      | 6,091,403,388  | —   |
| Less: Income tax expense   | 8,134,725,724  | 3,226,745,481                                       |
| Add: Dividend income   | 6,780,000  | —   |
| <b>Profit after tax for the year/period</b>                                | <b>18,348,276,063</b>                                  | <b>9,715,865,027</b>                                |

**Directors' Report**

**Transfers to Reserve Account**

During the financial year ended 30 September 2019 and for the financial period ended 30 September 2018, the Bank has transferred the following amounts to Reserve accounts as required by Section 35(a) of the Financial Institutions of Myanmar Law, and as required by CBM Instruction No 17/2017.

|                                    | <u>30 September 2019</u><br>(For twelve months)<br>MMK | <u>30 September 2018</u><br>(For six months)<br>MMK |
|------------------------------------|--|---|
| Statutory reserve fund             | 6,109,919,863  | 2,428,966,258                                       |
| Reserve for contingencies          | 1,000,000  | 1,000,000   |
| Adjustment for unclaimed deposits  | —  | (3,822,355,021)                                     |
| Reserve for bad and doubtful debts | 6,241,403,388  | 3,552,308,564                                       |
| <b>Total reserves</b>              | <b>12,352,323,251</b>                                  | <b>2,159,919,801</b>                                |

**Dividend**

There has been no dividend proposed by the Board of Directors of the Bank for the financial year ending September 30, 2019.

**Converted loan to shares**

During the year, International Finance Corporation (“IFC”) became a shareholder.

**Risks and Uncertainties**

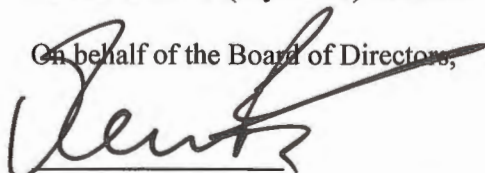
The Bank has developed and implemented a risk management policy which identifies major risks which may threaten the existence to the Bank. The same has also been adopted by the Board of Directors and is also subject to its review from time to time.

The Bank did not face any risks and uncertainties during the current financial year.

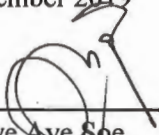
**Auditor**

The financial statements have been audited by Daw Swe Swe Lwin, Certified Public Accountant and Partner of UTW (Myanmar) Limited.

On behalf of the Board of Directors,



U Theim Wai  
Executive Chairman  
Yoma Bank Limited  
22 November 2019



Daw Aye Aye Soe  
Executive Director  
Yoma Bank Limited  
22 November 2019



# YOMA BANK

The Responsible Bank.

## Statement by the Directors

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We, U Theim Wai and Daw Aye Aye Soe, being two of the Directors of Yoma Bank Limited (the “Bank”), do hereby state that in the opinion of the Directors:

- (i) the accompanying financial statements together with the notes thereto are drawn up so as to present fairly, in all material respects, the state of affairs of the Bank as at 30 September 2019 and the results of the business, changes in equity and cash flow of the Bank for the financial year ended on that date and;
- (ii) 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.

On behalf of the Board of Directors,

U Theim Wai  
Executive Chairman  
Yoma Bank Limited  
22 November 2019

Daw Aye Aye Soe  
Executive Director  
Yoma Bank Limited  
22 November 2019



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## Independent Auditor's Report

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### Report on the Financial Statements

We have audited the accompanying financial statements of Yoma Bank Limited (the "Bank"), which comprise the statement of financial position as at 30 September 2019, statement of comprehensive income, statement of changes in equity, and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

#### *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 and the provisions of the Myanmar Companies Law. This responsibility includes:

- (a) 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;
- (b) selecting and applying appropriate accounting policies; and
- (c) 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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Unit #20-06 to 10, Level 20  
Junction City Tower  
No. 3A, Bogyoke Aung San Road,  
Pabedan Township, Yangon

Tel: +95 9253493-9

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## Independent Auditor's Report

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### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Yoma Bank Limited as at 30 September 2019, and its financial performance and cash flows for the year then ended in accordance with the Myanmar Financial Reporting Standards, 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 Notification No. 17/2017, *Asset Classification and Provisioning Regulations*, and the Financial Institutions Law 2016 section 39.

### *Report on Other Legal and Regulatory Requirements*

In accordance with the provisions of the Myanmar Companies Law and Financial Institutions Law, we also report that:

- (a) In accordance with section 280 (a) and (b) of the Myanmar Companies Law, we have obtained all the information and explanations provided by the Bank;
- (b) Books of accounts have been maintained by the Bank as required by Section 258 of the Myanmar Companies Law; and
- (c) Accounts and records have been maintained by the Bank including the preparation of financial statements in compliance with the regulations as required by Section 84 of the Financial Institutions Law.

Also, in accordance with Section 89 of the Financial Institutions of Myanmar Law, we report that the financial statements present completely, fairly and properly, in all material respects, present fairly the operations of the Bank and the information obtained from the Bank are satisfactory.

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Swe Swe Lwin  
Partner  
(PA No. 1212)  
UTW (Myanmar) Limited  
Firm Reg: ACC006  
Certified Public Accountants



The Republic of the Union of Myanmar  
22 November 2019

**Yoma Bank Limited**

**Statement of comprehensive income  
For the year ended 30 September 2019  
And for the period ended 30 September 2018**

|   | Notes | 30 September 2019<br>(For twelve months)<br>MMK | 30 September 2018<br>(For six months)<br>MMK |
|---|-------|---|--|
| Interest income                                       | 4     | 265,516,220,862                                 | 109,987,996,452                              |
| Interest expense                                      | 5     | 169,933,236,777                                 | 73,298,885,741                               |
| <b>Net interest income</b>                            |       | <b>95,582,984,085</b>                           | <b>36,689,110,711</b>                        |
| Fees and commission income                            | 6     | 17,329,928,456                                  | 8,817,054,398                                |
| Other income  | 7     | 2,963,367,975                                   | 2,269,060,018                                |
| Gain on disposal of property and equipment            |       | 47,870,467                                      | 59,380,971                                   |
| <b>Non- interest income</b>                           |       | <b>20,341,166,898</b>                           | <b>11,145,495,387</b>                        |
| <b>Total operating income</b>                         |       | <b>115,924,150,983</b>                          | <b>47,834,606,098</b>                        |
| Personnel expenses                                    | 8     | 36,157,067,978                                  | 15,385,427,194                               |
| General and administrative expense                    | 9     | 12,311,166,196                                  | 4,959,404,894                                |
| Rent expense  |       | 6,136,441,644                                   | 2,624,656,708                                |
| Depreciation expense                                  | 15    | 4,094,062,726                                   | 1,912,276,610                                |
| Amortisation expense                                  | 16    | 1,188,712,861                                   | 472,181,088                                  |
| Other expenses  | 10    | 14,094,811,091                                  | 6,658,727,448                                |
| Specific provision on non-performing loans            | 13,17 | 9,374,263,312                                   | 2,879,321,648                                |
| <b>Total operating expenses</b>                       |       | <b>83,356,525,808</b>                           | <b>34,891,995,590</b>                        |
| <b>Profit before general provision and taxation</b>   |       | <b>32,567,625,175</b>                           | <b>12,942,610,508</b>                        |
| Less: 2% general provision for bad and doubtful debts | 23    | 6,091,403,388                                   | —  |
| Less: Income tax expense                              | 11    | 8,134,725,724                                   | 3,226,745,481                                |
| Add: Dividend income                                  | 14    | 6,780,000                                       | —  |
| <b>Profit for the year/period</b>                     |       | <b>18,348,276,063</b>                           | <b>9,715,865,027</b>                         |
| <b>Other comprehensive income</b>                     |       | <b>—</b>  | <b>—</b>                                     |
| <b>Total comprehensive income for the year/period</b> |       | <b>18,348,276,063</b>                           | <b>9,715,865,027</b>                         |

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



Executive Chairman



Executive Director



Chief Financial Officer

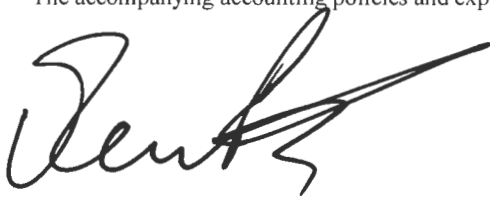


**Yoma Bank Limited**

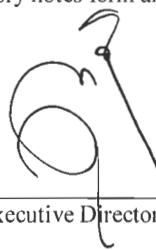
**Statement of financial position  
As at 30 September 2019 and 2018**

|                                     | Notes | 30 September 2019<br>MMK | 30 September 2018<br>MMK |
|-------------------------------------|-------|--------------------------|--------------------------|
| <b>Assets</b>                       |       |                          |                          |
| Cash in hand and at banks           | 12    | 233,238,992,861          | 167,354,815,748          |
| Interbank placements                |       | 150,504,504,000          | 54,554,000,000           |
| Loans and advances, net             | 13    | 1,846,435,267,741        | 1,540,942,165,251        |
| Investment securities               | 14    | 481,388,999,789          | 450,193,699,900          |
| Property and equipment              | 15    | 27,690,572,936           | 27,195,674,848           |
| Software, licenses and rights       | 16    | 4,904,510,316            | 4,223,720,580            |
| Other assets                        | 17    | 74,170,133,231           | 64,134,195,821           |
| <b>Total assets</b>                 |       | <b>2,818,332,980,874</b> | <b>2,308,598,272,148</b> |
| <b>Liabilities</b>                  |       |                          |                          |
| Due to non-bank customers           | 18    | 2,566,566,422,397        | 2,091,794,217,156        |
| Interbank deposits                  |       | 483,823,187              | 1,235,438,300            |
| Funds restricted for LIFT-AFP       | 19    | 4,459,754,524            | 5,267,269,862            |
| Borrowings                          | 20    | —                        | 4,855,000,000            |
| Accruals and other liabilities      | 21    | 100,635,483,014          | 88,868,968,529           |
| <b>Total liabilities</b>            |       | <b>2,672,145,483,122</b> | <b>2,192,020,893,847</b> |
| <b>Equity</b>                       |       |                          |                          |
| Share capital                       | 22    | 32,260,440,000           | 27,240,000,000           |
| Share premium                       | 22    | 30,130,000,000           | 30,130,000,000           |
| Retained earnings                   |       | 27,507,528,311           | 15,270,172,111           |
| Reserves                            | 23    | 56,289,529,441           | 43,937,206,190           |
| <b>Total equity</b>                 |       | <b>146,187,497,752</b>   | <b>116,577,378,301</b>   |
| <b>Total liabilities and equity</b> |       | <b>2,818,332,980,874</b> | <b>2,308,598,272,148</b> |

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



Executive Chairman



Executive Director



Chief Financial Officer

**Yoma Bank Limited**

**Statement of changes in equity  
For the year ended 30 September 2019  
And for the period ended 30 September 2018**

|   | Notes | Share capital<br>MMK  | Share premium<br>MMK  | Retained earnings<br>MMK | Reserves<br>MMK       | Total Equity<br>MMK    |
|---|-------|-----------------------|-----------------------|--------------------------|-----------------------|------------------------|
| <b>At 1 October 2018</b>                          |       | 27,240,000,000        | 30,130,000,000        | 15,270,172,111           | 43,937,206,190        | 116,577,378,301        |
| Share capital issue                               | 22    | 5,020,440,000         | —                     | —                        | —                     | 5,020,440,000          |
| Amount transferred to statutory reserves          | 23    | —                     | —                     | (6,109,919,863)          | 6,109,919,863         | —                      |
| Amount transferred to reserve for contingencies   | 23    | —                     | —                     | (1,000,000)              | 1,000,000             | —                      |
| Adjustment for unclaimed deposits                 | 23    | —                     | —                     | —                        | —                     | —                      |
| Adjustment to reserves for bad and doubtful debts | 23    | —                     | —                     | —                        | 6,241,403,388         | 6,241,403,388          |
| Total comprehensive income for the year           |       | —                     | —                     | 18,348,276,063           | —                     | 18,348,276,063         |
| <b>At 30 September 2019</b>                       |       | <b>32,260,440,000</b> | <b>30,130,000,000</b> | <b>27,507,528,311</b>    | <b>56,289,529,441</b> | <b>146,187,497,752</b> |

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



Executive Chairman



Executive Director



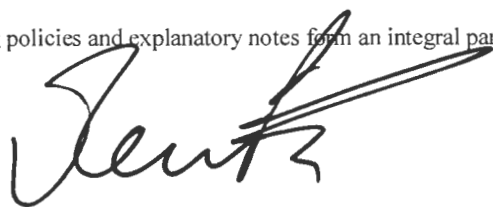
Chief Financial Officer

**Yoma Bank Limited**

**Statement of changes in equity  
For the year ended 30 September 2019  
And for the period ended 30 September 2018**

|   | Notes | Share capital<br>MMK  | Share premium<br>MMK  | Retained earnings<br>MMK | Reserves<br>MMK       | Total Equity<br>MMK    |
|---|-------|-----------------------|-----------------------|--------------------------|-----------------------|------------------------|
| <b>At 1 April 2018</b>                            |       | 27,240,000,000        | 30,130,000,000        | 11,536,581,906           | 41,777,286,389        | 110,683,868,295        |
| Share capital issue                               | 22    | —                     | —                     | —                        | —                     | —                      |
| Amount transferred to statutory reserves          | 23    | —                     | —                     | (2,428,966,258)          | 2,428,966,258         | —                      |
| Amount transferred to reserve for contingencies   | 23    | —                     | —                     | (1,000,000)              | 1,000,000             | —                      |
| Adjustment for unclaimed deposits                 | 23    | —                     | —                     | —                        | (3,822,355,021)       | (3,822,355,021)        |
| Adjustment to reserves for bad and doubtful debts | 23    | —                     | —                     | (3,552,308,564)          | 3,552,308,564         | —                      |
| Total comprehensive income for the period         |       | —                     | —                     | 9,715,865,027            | —                     | 9,715,865,027          |
| <b>At 30 September 2018</b>                       |       | <b>27,240,000,000</b> | <b>30,130,000,000</b> | <b>15,270,172,111</b>    | <b>43,937,206,190</b> | <b>116,577,378,301</b> |

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



Executive Chairman



Executive Director



Chief Financial Officer

**Yoma Bank Limited**

**Statement of cash flows**

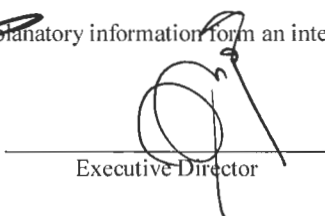
**For the year ended 30 September 2019**

**And for the period ended 30 September 2018**

| Notes  | 30 September 2019<br>MMK | 30 September 2018<br>MMK |
|--|--------------------------|--------------------------|
| <b>Cash flows from operating activities</b>                        |                          |                          |
| Profit before general provision and taxation                       | 32,567,625,175           | 12,942,610,508           |
| Adjustments for:   |                          |                          |
| Specific provision for non-performing loans and mortgaged property | 13,17 9,374,263,312      | 2,879,321,648            |
| Adjustment on specific provision for write-off                     | 111,077,743              | —                        |
| Adjustment on AFP provision  | (719,744,754)            | —                        |
| Depreciation of property and equipment                             | 15 4,094,062,726         | 1,912,276,610            |
| Amortization of software, license and rights                       | 16 1,188,712,861         | 472,181,088              |
| Adjustment for foreign exchange difference on specific provision   | 13 (10,289,409)          | 229,502,002              |
| Write-off of property and equipment                                | 15 516,398,000           | 97,100,167               |
| Adjustment for property and equipment                              | 15 732,219               | 1,109,314                |
| Adjustment for software, license and rights                        | 16 297,296               | —                        |
| Adjustment for unclaimed deposit                                   | 23 —                     | (3,822,355,021)          |
| Adjustment to reserve for bad and doubtful debts                   | 23 150,000,000           | —                        |
| Dividend income  | 14 6,780,000             | —                        |
| Loss on disposal of property and equipment                         | —                        | 26,818,237               |
| Gain on disposal of property and equipment                         | (47,870,467)             | (59,380,971)             |
| <b>Operating cash flows before changes in working capital</b>      | <b>47,232,044,702</b>    | <b>14,679,183,582</b>    |
| Increase in loans and advances to customers                        | (312,070,169,429)        | (177,451,495,305)        |
| Increase in other assets   | (4,114,390,317)          | 4,455,382,934            |
| Increase in due to non-bank customers and interbank deposits       | 474,020,590,128          | 280,617,605,938          |
| (Decrease)/increase in fund restricted for LIFT-AFP                | (807,515,338)            | 2,945,789,902            |
| Increase in accruals and other liabilities                         | 3,631,788,761            | 4,996,508,325            |
| <b>Cash flows generated from operating activities</b>              | <b>207,892,348,507</b>   | <b>130,242,975,376</b>   |
| Income taxes paid  | (8,099,787,047)          | (3,138,042,537)          |
| <b>Net cash flows generated from operating activities</b>          | <b>199,792,561,460</b>   | <b>127,104,932,839</b>   |
| <b>Cash flows used in investing activity</b>                       |                          |                          |
| Purchase of property and equipment                                 | 15 (5,109,270,565)       | (3,473,293,189)          |
| Proceeds from (investment in) government securities                | 14 (31,195,820,431)      | (188,151,944,496)        |
| Investment in available-for-sale securities                        | 14 520,542               | (242,153,307)            |
| Interbank placements   | (95,950,504,000)         | (4,309,000,000)          |
| Proceeds from sale of property and equipment                       | 51,050,000               | 102,500,000              |
| Purchase of software, license & rights                             | (1,869,799,893)          | (217,738,350)            |
| <b>Net cash flows used in investing activities</b>                 | <b>(134,073,824,347)</b> | <b>(196,291,629,342)</b> |

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

  
Executive Chairman

  
Executive Director

  
Chief Financial Officer

**Yoma Bank Limited**


**Statement of cash flows**

**For the year ended 30 September 2019**

**And for the period ended 30 September 2018**

| Notes  | <u>30 September 2019</u> | <u>30 September 2018</u> |
|--|--------------------------|--------------------------|
|  | MMK                      | MMK                      |
| <b>Cash flows from financing activity</b>                  |                          |                          |
| Proceeds from issuance of shares                           | 5,020,440,000            | —                        |
| Payment of borrowings – IFC                                | (4,855,000,000)          | —                        |
| <b>Net cash flows used in financing activities</b>         | <u>165,440,000</u>       | <u>—</u>                 |
| <b>Net increase in cash and cash equivalents</b>           | 65,884,177,113           | (69,186,696,503)         |
| Cash and cash equivalents at 1 October                     | 167,354,815,748          | 236,541,512,251          |
| <b>Cash and cash equivalents at end of the year/period</b> | <u>233,238,992,861</u>   | <u>167,354,815,748</u>   |

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



Executive Chairman



Executive Director



Chief Financial Officer

## **Yoma Bank Limited**

### **Notes to the financial statements**

**For the financial year ended 30 September 2019**

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#### **1. Corporate information**

Yoma Bank Limited (the “Company” or the “Bank”) is a private company and incorporated in Myanmar on May 19, 1993 under The Myanmar Companies Act. The Bank was re-registered at Directorate of Investment and Company Administration with the Company registration no. 193771947 under Myanmar Companies Law 2017. Its holding company is First Myanmar Investment Limited, also incorporated in Myanmar and is listed on the Yangon Stock Exchange on 25 March 2016. The Bank was permitted to carry out banking business under License No. MaVaBa/P - 5/(7) 1993 issued by the Central Bank of Myanmar (“CBM”) according to Section 57 of the Central Bank of Myanmar Law. The principal activities of the Bank are to carry out all business undertakings provided in 2016 Financial Institution Law Section 52, in accordance with the Central Bank of Myanmar. The Bank renewed its Authorized Dealer License with license no. CBM-FEMD-95/2013 with the CBM.

The registered office of the Company is located at Level 5,6,7,8 Tower-2, HAGL, Myanmar Centre Tower, No. 192, Kabaraye Pagoda Road, Bahan Township, Yangon, Myanmar.

#### **2. Summary of significant accounting policies**

##### **(a) Basis of preparation**

The financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for an asset. The functional and presentation currency used in the financial statements is the Myanmar Kyats (“MMK”).

Based on the CBM Notification Letter No. 2224/ka ka (1)/535/2017-2018 dated 30 March 2018, all financial institutions should close their accounts for the transition period from 1 April 2018 to 30 September 2018. Accordingly, the Bank then prepared its financial statement for the period ended 30 September 2018 as its transition to the new accounting period. The amounts presented in the financial statements are not entirely comparable. 30 September 2018 amounts consist of six months period balances from 1 April to 30 September 2018 while 30 September 2019 amounts consist of one fiscal year balances from 1 October 2018 to 30 September 2019.

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

The financial statements have been prepared in accordance with 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* dated 7 July 2017 and the Financial Institutions Law 2016 section 39.

**2. Summary of significant accounting policies (contd.)**

**(b) Use of estimates and judgements**

The preparation of the financial statements in conformity with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

*(i) Going concern*

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

*(ii) Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of, in the absence of observable market data, the financial assets will be carried at cost less impairment loss. The valuation of financial instruments is described in more detail in Note 24.

*(iii) Recognition of impaired loans and advances*

The Bank reviews its loan portfolios to assess impairment at each balance sheet 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 payment status 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 as set out in Note 2(j).

**2. Summary of significant accounting policies (contd.)**

**(b) Use of estimates and judgements (contd.)**

*(iv) Impairment losses on loans and advances*

The Bank reviews individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the income statement. The Bank recognizes 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. The impairment methodology is disclosed in more detail in Note 2(j).

*(v) Impairment of available-for-sale equity investments*

The Bank determines that available-for-sale equity investments are impaired when there has been a significant prolonged decline in fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgement, the Bank evaluates among other factors, the volatility in share price. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financial cash flows.

**(c) Foreign currency transactions**

*(i) Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates (“the functional currency”). The financial statements are presented in MMK, which is the Bank’s functional and presentation currency.

*(ii) Transactions and balances*

Transactions in currency other than the functional currency (“functional currency”) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.



**2. Summary of significant accounting policies (contd.)**

**(d) Interest income and expenses**

Interest income and expense for all interest-bearing financial instruments are recognized within “interest income” and “interest expense” in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premium or discounts.

**(e) Fees and commission income**

Fees and commission are generally recognized on an accrual basis when the service has been provided. This includes loan and overdraft fees, commissions from hire purchase - AFP, remittance fees, trade finance fees and others.

**(f) Dividend income**

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

**(g) Other income**

Other income includes gains or losses resulting from foreign exchange, insurance agent commission, rental income and others.

**(h) Employee benefits**

Eligible employees may participate in the Bank’s defined contribution plan under which the Bank pays fixed contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Bank has no further payment obligations once the contributions have been paid. The employer’s contributions are recognized in “Personnel expenses” when the employer’s contributions are made and when benefits are paid.

**2. Summary of significant accounting policies (contd.)**

**(i) Tax expenses**

All tax expenses are current taxes and recognized in the income statement. Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantively enacted at the reporting date.

**(j) Financial assets and financial liabilities**

**(i) Recognition**

The Bank initially recognizes all financial assets and financial liabilities, including regular way of purchases and sales of financial assets, on the date that they are originated, i.e. the trade date, the date on which the Bank commits to purchase or sell the asset.

A financial asset or financial liability is measured initially at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue.

**(ii) Classification**

The Bank classifies its financial assets and liabilities on the following categories:

**(a) *Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realized later than 12 months after the balance sheet date which are non-current assets. Loans and receivables are reported net of specific allowances in the statement of financial position as "Loans and advances, net". Interest on loans is included in the income statement and is reported as "Interest income". In the case of an impairment, the impairment loss is reported as a reduction from the carrying value of the loan and recognized in the statement of comprehensive income.

**(b) *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 were 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 balance sheet date which are presented as current assets. Held-to-maturity assets are reported in the statement of financial position as "Investment securities". Interest on government securities is included in the in the income statement and is reported as "Interest income".

**2. Summary of significant accounting policies (contd.)**

**(j) Financial assets and financial liabilities (contd.)**

(ii) Classification (contd.)

(c) *Available-for-sale*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets, unless the investment matures or management intends to dispose of the assets within the normal operating cycle. Dividend income on available-for-sale securities is recognized separately in income. Net gains and losses arising from the sale of these securities are reported in the income statement. They are reported under "Investment securities" in the statement of financial position.

(iii) Derecognition

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset are expired or it transfers 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.

(iv) Subsequent measurement

Loans and receivables and held-to-maturity financial assets are subsequently carried at amortized cost using the effective interest method. Available-for-sale financial assets are subsequently carried at fair value if the fair value can be reliably estimated using valuation techniques supported by observable market data, otherwise, those assets will be carried at cost less impairment loss.

(v) Offsetting of 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 and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2. Summary of significant accounting policies (contd.)

(j) Financial assets and financial liabilities (contd.)

(vi) Impairment of financial assets

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and advances or investment securities. When an event occurring after the impairment loss was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

*Financial assets carried at amortized cost*

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the income statement. In accordance with the new CBM notification No. 17/2017 dated 7 July 2017, the Bank determines the impairment loss as follows:

| Days past due          | Classification | Provision on shortfall in security value |
|------------------------|----------------|--|
| 30 days past due       | Standard       | 0%                                       |
| 31 – 60 days past due  | Watch          | 5%                                       |
| 61 – 90 days past due  | Substandard    | 25%                                      |
| 91 – 180 days past due | Doubtful       | 50%                                      |
| Over 180 days past due | Loss           | 100%                                     |

Prior to the new notification, the Bank follows the CBM instruction No. 6 as follows:

| Days past due       | Classification | Provision on security shortfall |
|---------------------|----------------|---------------------------------|
| 6 – 12 months       | Substandard    | Nil                             |
| 12 – 24 months      | Doubtful       | 50%                             |
| More than 24 months | Bad            | 100%                            |

The Bank seeks to use collateral to mitigate its risks on financial assets. The collateral comes in various forms such as cash, real estate, inventories, and other non-financial assets. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's statutory reporting schedule.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Non-financial collateral, such as real estate, is valued based on data provided by approved third party property assessors or other independent sources.

**2. Summary of significant accounting policies (contd.)**

**(j) Financial assets and financial liabilities (contd.)**

(vi) Impairment of financial assets (contd.)

Where collaterals are repossessed, the Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value or fair value less cost to sell for non-financial assets at the repossession date in line with the Bank's policy.

(vii) Reserves for bad and doubtful debts

In accordance with the CBM requirement under Instruction No. 17/2017, the Bank maintains a reserve for bad and doubtful debts 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. As per CBM instruction dated 10 May 2019, this amount is reported under profit before tax. Prior to this instruction, this amount is transferred to the reserve account from profit after tax. As per CBM instruction No. 17/2017, an amount equal to 1.25% of the Risk Weighted Assets is considered as Tier 2 Capital of Capital Adequacy Ratio.

As of 30 September 2019, MMK 23.39 billion of the MMK 37.32 billion balance in the reserve account is included for CAR calculation.

**(k) Repurchase and reverse repurchase agreements**

Securities sold under agreements to repurchase at a specified future date are not derecognized from the statement of financial position as the Bank retains substantially all the risks and rewards of ownership. The corresponding cash received is recognized in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest, as a liability within 'Cash collateral on securities lent and repurchase agreements' reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR.

**2. Summary of significant accounting policies (contd.)**

**(k) Repurchase and reverse repurchase agreements (contd.)**

Conversely, securities purchased under agreements to resell at a specified future date are not recognized in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within 'Cash collateral on securities borrowed and reverse repurchase agreements', reflecting the transaction's economic substance as a loan by the bank. The difference between the purchase and resale prices is recorded in 'Net interest income' and is accrued over the life of the agreement using the EIR.

**(l) Cash and cash equivalents**

Cash and cash equivalents are referred on the cash flow statement comprising of cash in hand, cash balances with banks and other financial institution, and non-restricted current accounts with CBM.

**(m) Property and equipment**

The Bank is allowed to choose either the cost model or the revaluation model as its accounting policy.

Currently, all property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment in value, following the cost model. The Bank intends to apply the revaluation model on its land and buildings once all the approvals in this regard are in place. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of the property and equipment to their residual values over their estimated useful lives of these assets other than the land which is not depreciated. Details of depreciation rates are as follows:

## Yoma Bank Limited

### Notes to the financial statements

For the financial year ended 30 September 2019

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## 2. Summary of significant accounting policies (contd.)

### (m) Property and equipment (contd.)

| <u>Category</u>               | <u>Rate</u>     |
|-------------------------------|-----------------|
| Immovable property – Building | 1.25%           |
| Office equipment              | 10.00% - 20.00% |
| Furniture and fitting         | 5.00%           |
| Motor vehicle                 | 12.50%          |
| Leasehold improvements        | 20.00%          |

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when 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 the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Property and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the impairment loss is recognized in the statement of comprehensive income.

Gains and losses on disposal of property and equipment are the difference between the disposal proceeds and its carrying amount and are recognized in the statement of comprehensive income as a separate line item.

### (n) Software, licenses and rights

Software, licenses and rights are carried at cost less accumulated amortization and allowance for impairment loss (if any). Software, licenses and rights with finite lives are amortized on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the software, licenses and rights may be impaired. The amortization and the amortization method of such software, licenses and rights are reviewed at least at each financial year-end. The amortization expense is recognized in the income statement.

## Yoma Bank Limited

### Notes to the financial statements For the financial year ended 30 September 2019

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#### 2. Summary of significant accounting policies (contd.)

##### (n) Software, licenses and rights (contd.)

Software, licenses and rights with finite useful lives include computer software which have an estimated useful life of 5 years, and licenses which have an estimated useful life of 10 years.

##### (o) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

These assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. No non-financial assets were impaired as at the end of the period.

##### (p) Other liabilities

Other payables 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 payables are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest method.

##### (q) Leases

The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

###### *Bank as a lessee*

Leases that do not transfer to the bank substantially all the risk and benefits incidental to ownership of the lease items are operating lease. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.



**2. Summary of significant accounting policies (contd.)**

**(r) Deferred revenue from performance and trade guarantees**

In the ordinary course of business, the Bank gives guarantees, consisting of letters of credit, guarantees and acceptances. Deferred revenue is initially recognized, for the commission received in advance, from the guarantees offered to the customer in the financial statements (within “Accruals and other liabilities”) at fair value. Subsequent to initial recognition, the Bank’s liability is measured at the higher of the amount initially recognized less, when appropriate, cumulative amortization recognized in the income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

The commission received is recognized in the income statement under “Fees and commission income” on a straight-line basis over the life of the guarantee.

**(s) 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 the amount has been reliably estimated.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

**3. Financial risk management**

The Bank’s financial risk management policies seek to ensure that adequate financial resources are available for the development of the Bank’s business while managing its risks. The Bank’s Board of Directors have delegated operational authority for asset/liability management and managing of market risks to the Asset/Liability Committee (“ALCO”). The ALCO seeks to identify, measure, and manage the key risk exposures to market prices, interest rates, foreign exchange rates, liquidity and capital adequacy within the Bank’s desired risk appetite in accordance with the Bank’s Asset Liability Management (“ALM”) policy. The main areas of financial risks faced by the Bank and the respective policies are set out as follows:

**Yoma Bank Limited**

**Notes to the financial statements  
For the financial year ended 30 September 2019**

**3. Financial risk management (contd.)**

**a) Foreign exchange risk**

Foreign currency risk arises from the exposure to the effects of fluctuation in the prevailing foreign currency exchange rates to earnings and economic value of foreign currency assets and liabilities. The Bank's foreign exchange exposures comprise of trading and non-trading. Non-trading foreign exchange exposures are principally derived from international banking business and foreign currency held due to LIFT-AFP.

Foreign exchange risk is managed through policies and risk limits such as exposure by currency, which are regularly monitored by the Asset/Liability Committee ("ALCO") of the Bank.

Presented below is the Net Open Position (NOP) of the Bank as of 30 September 2019 and 30 September 2018, respectively, based on CBM's instruction No. (14/2016) dated 27 December 2016.

**30 September 2019**

| <b>Currencies</b>    | <b>Assets</b>          | <b>Liabilities</b>     | <b>Net open position</b> |
|----------------------|------------------------|------------------------|--------------------------|
|                      | MMK                    | MMK                    | MMK                      |
| United States Dollar | 125,464,915,583        | 110,883,662,561        | 14,581,253,022           |
| Euro                 | 1,123,747,840          | 614,042,111            | 509,705,729              |
| Singapore Dollar     | 481,962,530            | 28,412,951             | 453,549,579              |
| Japanese Yen         | 1,307,658              | 330,697                | 976,961                  |
| Others               | 6,433,824              | 95,085                 | 6,338,739                |
| <b>Total</b>         | <b>127,078,367,435</b> | <b>111,526,543,405</b> | <b>15,551,824,030</b>    |

**Total Tier I capital 108,799,027,222**

**30 September 2018**

| <b>Currencies</b>    | <b>Assets</b>          | <b>Liabilities</b>     | <b>Net open position</b> |
|----------------------|------------------------|------------------------|--------------------------|
|                      | MMK                    | MMK                    | MMK                      |
| United States Dollar | 154,644,517,669        | 135,611,467,540        | 19,033,050,129           |
| Euro                 | 436,028,189            | 137,582,164            | 298,446,025              |
| Singapore Dollar     | 158,874,513            | 123,162,424            | 35,712,089               |
| Japanese Yen         | 1,483,768              | 288,834                | 1,194,934                |
| Others               | 6,960,935              | 97,864                 | 6,863,071                |
| <b>Total</b>         | <b>155,247,865,074</b> | <b>135,872,598,826</b> | <b>19,375,266,248</b>    |

**Total Tier I capital 84,582,707,249**

NOP ratios as % of Tier I capital as of 30 September 2019 and 30 September 2018 are as follows:

|                  | <b>30 September 2019</b> | <b>30 September 2018</b> |
|------------------|--------------------------|--------------------------|
| <b>NOP ratio</b> | 14%                      | 23%                      |

## Yoma Bank Limited

### Notes to the financial statements

For the financial year ended 30 September 2019

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### 3. Financial risk management (contd.)

#### a) Foreign exchange risk (contd.)

The table below indicates the sensitivity of the currencies which the Bank had significant exposures as of 30 September 2019 and 30 September 2018:

| Foreign currency<br>appreciates<br>(depreciates) | 30 September 2019 |              |              |          |           |
|--|-------------------|--------------|--------------|----------|-----------|
|  | USD               | EUR          | SGD          | JPY      | OTHERS    |
| +10.00%  | 1,458,125,302     | 50,970,573   | 45,354,958   | 97,696   | 633,874   |
| -10.00%  | (1,458,125,302)   | (50,970,573) | (45,354,958) | (97,696) | (633,874) |

| Foreign currency<br>appreciates<br>(depreciates) | 30 September 2018 |              |             |           |           |
|--|-------------------|--------------|-------------|-----------|-----------|
|  | USD               | EUR          | SGD         | JPY       | OTHERS    |
| +10.00%  | 1,903,305,013     | 29,844,602   | 3,571,209   | 119,493   | 686,307   |
| -10.00%  | (1,903,305,013)   | (29,844,602) | (3,571,209) | (119,493) | (686,307) |

The analysis calculates the effect of a reasonably possible movement of the currency rate against MMK, with all other variables held constant on the statement of income. A negative amount reflects a potential net reduction in statement of income while a positive amount reflects a net potential increase. There is no other impact on the Bank's equity other than those already affecting the statements of income.

#### b) Interest rate risk

Interest rate risk arises from the potential change in interest rates which may have an adverse effect on the net interest income of the Bank in the current reporting period, and/or future periods. Interest rate risk arises from the structure and characteristics of the Bank's assets and liabilities, and in the mismatch in repricing dates of its assets and liabilities.

The Bank is not significantly exposed to interest rate risk since all of its financial assets and liabilities are subject to fixed interest rates.

## Yoma Bank Limited

### Notes to the financial statements For the financial year ended 30 September 2019

#### 3. Financial risk management (contd.)

##### c) Credit risk

Credit risk is the risk of financial loss that results from customers failing to meet their obligations. Credit risk arises primarily from lending activities and represents the major risk of the Bank. The Board of Directors of the Bank approves major policies and limits that govern monitoring of the credit risk. The Board of Directors delegates authority to the Credit Committee for overseeing the credit risk of the Bank. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk acceptable in relation to one borrower, or group of borrowers and industry segments. Such risks are monitored on a regular basis and are subject to annual or more frequent review. Limits on the single customer, by group of customers and by industry sectors were adopted by the Bank for monitoring of the credit risks.

##### *Credit-related commitments risks*

The Bank makes available to its customers guarantees that may require that the Bank makes payment on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

The following table below shows the maximum exposure to credit risk by class of financial assets:

MMK (*In millions*)

| 30 September 2019                         | Maximum exposure to credit risk | Fair value of collateral and credit enhancements held |                                   |                  |                |                  | Net exposure       |
|---|---------------------------------|---|-----------------------------------|------------------|----------------|------------------|--------------------|
|   |                                 | Cash  | Letters of credit/bank guarantees | Property         | Other          | Net collateral   |                    |
| <b>Financial assets</b>                   |                                 |   |                                   |                  |                |                  |                    |
| Interbank placements                      | 150,505                         | —   | —                                 | —                | —              | —                | 150,505            |
| Loans and advances                        | 1,931,779                       | 42,578  | —                                 | 3,633,019        | 747,415        | 4,423,012        | (2,491,233)        |
| Investment securities                     | 481,389                         | —   | —                                 | —                | —              | —                | 481,389            |
| Trade guarantees                          | 15,109                          | —   | —                                 | 29,299           | 6,758          | 36,057           | (20,948)           |
| Letter of credit (foreign currency)       | 30,492                          | 4,677   | —                                 | 5,999            | —              | 10,676           | 19,816             |
| Performance guarantees (Foreign currency) | 2,916                           | 1,086   | —                                 | 1,197            | —              | 2,283            | 633                |
| Performance guarantees                    | 4,739                           | 1,898   | —                                 | 951              | —              | 2,849            | 1,890              |
| <b>Total</b>                              | <b>2,616,929</b>                | <b>50,239</b>   | <b>—</b>                          | <b>3,670,465</b> | <b>754,173</b> | <b>4,474,877</b> | <b>(1,857,948)</b> |

**Yoma Bank Limited**

**Notes to the financial statements  
For the financial year ended 30 September 2019**

**3. Financial risk management (contd.)**

**c) Credit risk (cont'd)**

MMK (*In millions*)

| 30 September 2018                         | Maximum exposure to credit risk | Fair value of collateral and credit enhancements held |                                   |                  |                |                  | Net exposure       |
|---|---------------------------------|---|-----------------------------------|------------------|----------------|------------------|--------------------|
|   |                                 | Cash  | Letters of credit/bank guarantees | Property         | Other          | Net collateral   |                    |
| <b>Financial assets</b>                   |                                 |   |                                   |                  |                |                  |                    |
| Interbank placements                      | 54,554                          | —   | —                                 | —                | —              | —                | 54,554             |
| Loans and advances                        | 1,608,129                       | 31,416  | —                                 | 2,766,569        | 634,243        | 3,432,228        | (1,824,099)        |
| Investment securities                     | 450,194                         | —   | —                                 | —                | —              | —                | 450,194            |
| Trade guarantees                          | 18,467                          | —   | —                                 | 17,860           | 6,198          | 24,058           | (5,591)            |
| Letter of credit (foreign currency)       | 53,576                          | 13,841  | —                                 | —                | —              | 13,841           | 39,735             |
| Performance guarantees (Foreign currency) | 2,153                           | 1,232   | —                                 | 780              | —              | 2,012            | 141                |
| Performance guarantees                    | 2,909                           | 1,645   | —                                 | 51               | —              | 1,696            | 1,213              |
| <b>Total</b>                              | <b>2,189,982</b>                | <b>48,134</b>   | <b>—</b>                          | <b>2,785,260</b> | <b>640,441</b> | <b>3,473,835</b> | <b>(1,283,853)</b> |

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

|  | 30 September 2019  |                            | 30 September 2018  |                            |
|--|--------------------|----------------------------|--------------------|----------------------------|
|  | Loans and advances | Investments <sup>(1)</sup> | Loans and advances | Investments <sup>(1)</sup> |
|  | MMK                | MMK                        | MMK                | MMK                        |
| <i>(In millions)</i>                                       |                    |                            |                    |                            |
| <b>Neither past due nor impaired</b>                       | <b>1,699,925</b>   | <b>478,760</b>             | <b>1,451,568</b>   | <b>447,565</b>             |
| <b>Past due but no provision</b>                           |                    |                            |                    |                            |
| Standard - 30 days   | 71,602             | —                          | 40,428             | —                          |
| Watch - 31 to 60 days                                      | 15,117             | —                          | 8,787              | —                          |
| Substandard - 61 to 90 days                                | 9,562              | —                          | 4,374              | —                          |
| Doubtful - 91 to 180 days                                  | 12,823             | —                          | 9,232              | —                          |
| Loss - Over 180 days                                       | 14,256             | —                          | 14,368             | —                          |
| <b>Total past due but not impaired</b>                     | <b>123,360</b>     | <b>—</b>                   | <b>77,189</b>      | <b>—</b>                   |
| <b>Loans with specific provision – Loss category</b>       |                    |                            |                    |                            |
| Watch - 31 to 60 days                                      | 971                | —                          | —                  | —                          |
| Substandard - 61 to 90 days                                | 190                | —                          | 1,424              | —                          |
| Doubtful - 91 to 180 days                                  | 4,501              | —                          | 6,769              | —                          |
| Loss - Over 180 days                                       | 37,026             | —                          | 16,953             | —                          |
| <b>Total loans with specific provision – Loss category</b> | <b>42,688</b>      | <b>—</b>                   | <b>25,146</b>      | <b>—</b>                   |
|  | <b>1,865,973</b>   | <b>478,760</b>             | <b>1,553,903</b>   | <b>447,565</b>             |

(1) Investments exclude equity securities which are not exposed to credit risk. The investments that are neither past due nor impaired includes government securities that substantially have a high credit-rating in Myanmar.

## Yoma Bank Limited

### Notes to the financial statements

For the financial year ended 30 September 2019

#### 3. Financial risk management (contd.)

##### c) Credit risk (contd.)

At 30 September 2019 and 30 September 2018, the fair value of collateral that the bank holds relating to impaired loans with specific provision under the Loss category amounts to MMK 23.88 billion and MMK 19.16 billion, respectively. The collateral consists of properties from borrowers.

##### d) Liquidity and cash flow risk

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Bank will be specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

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

|   | Less than 1 Year         | More than 1 Year       | Total                    |
|---|--------------------------|------------------------|--------------------------|
|   | MMK                      | MMK                    | MMK                      |
| <b>Balance at 30 September 2019</b>         |                          |                        |                          |
| <b>Non-derivative financial assets</b>      |                          |                        |                          |
| Cash in hand and at banks                   | 233,238,992,861          | —                      | 233,238,992,861          |
| Interbank placements                        | 150,504,504,000          | —                      | 150,504,504,000          |
| Loans and advances, net                     | 1,846,435,267,741        | —                      | 1,846,435,267,741        |
| Investments                                 | 216,032,745,739          | 265,356,254,050        | 481,388,999,789          |
| Other assets                                | 48,635,418,514           | 484,887,178            | 49,120,305,692           |
| <b>Total</b>                                | <b>2,494,846,928,855</b> | <b>265,841,141,228</b> | <b>2,760,688,070,083</b> |
| <b>Non-derivative financial liabilities</b> |                          |                        |                          |
| Due to non-bank customers                   | 2,566,566,422,397        | —                      | 2,566,566,422,397        |
| Interbank liabilities                       | 483,823,187              | —                      | 483,823,187              |
| Funds segregated for LIFT-AFP               | —                        | 4,459,754,524          | 4,459,754,524            |
| Borrowings                                  | —                        | —                      | —                        |
| Accruals and other liabilities              | 55,414,746,494           | —                      | 55,414,746,494           |
| <b>Total</b>                                | <b>2,622,464,992,078</b> | <b>4,459,754,524</b>   | <b>2,626,924,746,602</b> |

**Yoma Bank Limited**

**Notes to the financial statements**

**For the financial year ended 30 September 2019**

**3. Financial risk management (contd.)**

**d) Liquidity and cash flow risk**

|   | <u>Less than 1 Year</u>  | <u>More than 1 Year</u> | <u>Total</u>             |
|---|--------------------------|-------------------------|--------------------------|
|   | MMK                      | MMK                     | MMK                      |
| <b>Balance at 30 September 2018</b>         |                          |                         |                          |
| Non-derivative financial assets             |                          |                         |                          |
| Cash in hand and at banks                   | 167,354,815,748          | —                       | 167,354,815,748          |
| Interbank placements                        | 54,554,000,000           | —                       | 54,554,000,000           |
| Loans and advances, net                     | 1,540,942,165,251        | —                       | 1,540,942,165,251        |
| Investments                                 | 234,533,430,609          | 215,660,269,291         | 450,193,699,900          |
| Other assets                                | 31,705,341,094           | 632,244,511             | 32,337,585,605           |
| <b>Total</b>                                | <b>2,029,089,752,702</b> | <b>216,292,513,802</b>  | <b>2,245,382,266,504</b> |
| <b>Non-derivative financial liabilities</b> |                          |                         |                          |
| Due to non-bank customers                   | 2,091,794,217,156        | —                       | 2,091,794,217,156        |
| Interbank liabilities                       | 1,235,438,300            | —                       | 1,235,438,300            |
| Funds segregated for LIFT-AFP               | —                        | 5,267,269,862           | 5,267,269,862            |
| Borrowings                                  | —                        | 4,855,000,000           | 4,855,000,000            |
| Accruals and other liabilities              | 47,058,298,647           | —                       | 47,058,298,647           |
| <b>Total</b>                                | <b>2,140,087,954,103</b> | <b>10,122,269,862</b>   | <b>2,150,210,223,965</b> |

The Bank monitors and maintains a level of bank balances deemed adequate by the directors to finance the operation and mitigate the effects of fluctuation in cash flow. In addition, the Bank maintains a statutory deposit with the CBM which should not be less than 5.00% of deposits. The Bank regularly monitors its liquidity position to ensure also compliance with the 70% to 80% loan to deposit ratio as mandated by the CBM as per FISD Instruction No. (1/2008). The ratios during the year are as follows:

|          | <u>30 September 2019</u> | <u>30 September 2018</u> |
|----------|--------------------------|--------------------------|
| Year-end | 72.69%                   | 74.24%                   |
| Maximum  | 73.88%                   | 74.86%                   |
| Minimum  | 71.58%                   | 70.95%                   |
| Average  | 72.87%                   | 72.85%                   |

The Bank's liquidity ratios as of 30 September 2019 and 30 September 2018 were 25.30% and 25.62%, respectively and hence more than 20% fixed by the CBM as per Notification No. (19/2017).

**3. Financial risk management (contd.)**

**d) 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 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.

**e) 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:

- Inadequate documentation, legal or regulatory incapacity, insufficient authority of a counterparty and uncertainty about the validity or enforceability of a contract in counterparty insolvency. 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);
- Failure to protect the Bank's property; possibility of civil claims (including acts or other events which may lead to litigation or other disputes); and loss or increased charges associated with changes in, or errors in the interpretation of, taxation rates or law.

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

The Bank identifies and manages legal and compliance risk through effective use of its internal and external legal and compliance advisers.



## Yoma Bank Limited

### Notes to the financial statements

For the financial year ended 30 September 2019

### 3. Financial risk management (contd.)

#### f) 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.

|   | <u>30 September 2019</u> | <u>30 September 2018</u> |
|---|--------------------------|--------------------------|
|   | MMK                      | MMK                      |
| <i>(In millions)</i>                      |                          |                          |
| Tier 1 capital                            | 108,799                  | 84,583                   |
| Tier 2 capital                            | 23,389                   | 19,797                   |
| Deductible equity investment              | —                        | (2,421)                  |
| <b>Total capital</b>                      | <b>132,188</b>           | <b>101,959</b>           |
| Risk weighted assets                      | 1,871,119                | 1,583,800                |
| Tier 1 capital ratio                      | 5.81%                    | 5.34%                    |
| Capital adequacy ratio                    | 7.06%                    | 6.44%                    |
| Minimum tier 1 capital adequacy ratio     | 4.00%                    | 4.00%                    |
| Minimum regulatory capital adequacy ratio | 8.00%                    | 8.00%                    |

On 7 July 2017, CBM has issued Instruction No. 16/2017 for the revised method of capital adequacy ratio calculation and its related components. This new instruction has significantly increased the composition of the risk weighted assets subjecting most of the loans to 100% risk weight including the off-balance sheet items. In addition, for the capital components, general loss reserve on credit losses has been limited to the lower of 1.25% of the total risk weighted assets and 2% general loss reserve on credits. Total equity investment and related party lending are also removed from the capital calculation. The regulation is effective immediately from the date of the issuance.

On 10 October 2018, the CBM approved the request of the Bank for converting the International Finance Corporation (IFC)'s convertible loan amounting to MMK 4.23 billion (out of MMK 4.86 billion) to 145,029 equity shares of the Bank. It was converted on 23 May 2019 (see Note 22).

On 18 July 2019, the CBM approved the request of the Bank for converting IFC's remaining convertible loan amounting to MMK 474.6 million to 3,643 equity shares of the Bank. It was converted on 30 August 2019 (see Note 22).

Yoma Bank Limited

Notes to the financial statements  
For the financial year ended 30 September 2019

4. Interest income

|   | <b>30 September 2019</b><br>(For twelve months)<br>MMK | <b>30 September 2018</b><br>(For six months)<br>MMK |
|---|--|---|
| <b>Operations:</b>                      |  |   |
| Interest from demand loans              | 102,134,787,785  | 38,766,118,712                                      |
| Interest from overdrafts                | 68,415,526,845   | 32,442,210,906                                      |
| Interest from hire purchase             | 21,986,066,445   | 10,464,467,035                                      |
| Interest from home loan                 | 11,992,093,778   | 3,518,902,544                                       |
| Interest from hire purchase-AFP         | 8,827,557,856  | 4,740,899,086                                       |
| Interest from staff loans               | 103,130,945  | 42,883,436  |
| <b>Total operating interest income</b>  | <b>213,459,163,654</b>                                 | <b>89,975,481,719</b>                               |
| <b>Investments:</b>                     |  |   |
| Interest from investment securities     | 35,637,957,081   | 15,023,475,558                                      |
| Interest from interbank placements      | 12,678,462,609   | 2,554,430,561                                       |
| <b>Total investment interest income</b> | <b>48,316,419,690</b>                                  | <b>17,577,906,119</b>                               |
| Interest from trade finance             | 3,740,637,518  | 2,434,608,614                                       |
| <b>Total interest income</b>            | <b>265,516,220,862</b>                                 | <b>109,987,996,452</b>                              |

*Interest income rates*

| <b>Type</b>  | <b>Rates</b>         |
|--|----------------------|
| Interest on loans and overdrafts                                       | 12.00% to 13.00% p.a |
| Interest on 5-year Myanmar Treasury bonds                              | 7.25% to 10.20% p.a  |
| Interest on interbank placements and other government securities – MMK | 3.00% to 11.50% p.a  |
| Interest on interbank placements – foreign currency                    | 1.50% to 3.03% p.a   |

## Yoma Bank Limited

### Notes to the financial statements

For the financial year ended 30 September 2019

#### 5. Interest expense

|  | <b>30 September 2019</b> | <b>30 September 2018</b> |
|--|--------------------------|--------------------------|
|  | (For twelve months)      | (For six months)         |
|  | MMK                      | MMK                      |
| Fixed deposit                            | 84,948,198,684           | 40,087,746,917           |
| Savings deposit                          | 49,150,274,521           | 17,776,652,424           |
| Call deposit                             | 34,086,815,124           | 14,977,675,888           |
| J Zu deposits                            | 1,387,896,811            | 172,025,126              |
| Interest expense from customer deposits  | 169,573,185,140          | 73,014,100,355           |
| Interest expense from borrowings         | 360,051,637              | 227,492,235              |
| Interest expense from interbank deposits | —                        | 57,293,151               |
| <b>Total interest expense</b>            | <b>169,933,236,777</b>   | <b>73,298,885,741</b>    |

The savings deposit rate was changed from 8.25% to 8.00% p.a. starting 1 July 2019 and is calculated on the minimum balance of the account during the period from the 5<sup>th</sup> day to end of the month.

Fixed deposit rates are as follows:

|           | <b>30 September 2019</b> | <b>30 September 2018</b> |
|-----------|--------------------------|--------------------------|
| 1 month   | 8.00%                    | 8.00%                    |
| 2 months  | 8.50%                    | 8.50%                    |
| 3 months  | 8.75%                    | 8.75%                    |
| 6 months  | 9.25%                    | 9.50%                    |
| 9 months  | 9.50%                    | 9.75%                    |
| 12 months | 9.75%                    | 10.00%                   |

## Yoma Bank Limited

### Notes to the financial statements

For the financial year ended 30 September 2019

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#### 5. Interest expense (contd.)

In October 2017, the Bank has started offering new call deposit rate of 6.00% for any amount MMK 100,000 and above.

The Bank's J Zu deposit account offers a fixed deposit rate of 3.00% plus prize pool.

#### 6. Fees and commission income

|  | <b>30 September 2019</b> | <b>30 September 2018</b> |
|--|--------------------------|--------------------------|
|  | (For twelve months)      | (For six months)         |
|  | MMK                      | MMK                      |
| Loan and overdraft fees                      | 7,391,148,551            | 3,109,098,026            |
| Fees and commissions from hire purchase, AFP | 2,955,035,740            | 2,267,571,664            |
| Trade finance fees                           | 2,548,327,564            | 1,243,157,736            |
| Remittance fees                              | 1,928,019,678            | 1,150,074,611            |
| Payment order fees                           | 45,997,899               | 29,462,725               |
| Locker rental fees                           | 22,932,500               | 13,614,000               |
| Swift charges                                | 13,735,081               | 6,367,330                |
| Commissions                                  | 2,838,851                | 3,951,229                |
| Other charges and fees                       | 2,421,892,592            | 993,757,077              |
| <b>Total fees and commission income</b>      | <b>17,329,928,456</b>    | <b>8,817,054,398</b>     |

**Yoma Bank Limited****Notes to the financial statements****For the financial year ended 30 September 2019****7. Other income**

|   | <b>30 September 2019</b> | <b>30 September 2018</b> |
|---|--------------------------|--------------------------|
|   | (For twelve months)      | (For six months)         |
|   | MMK                      | MMK                      |
| Rental income                                 | 1,037,902,344            | 231,529,911              |
| Insurance agent commission                    | 970,505,377              | 466,806,357              |
| Revaluation gain (loss) on foreign currency   | 631,042,627              | 1,050,395,800            |
| Miscellaneous receipts                        | 156,035,146              | 486,001,571              |
| LIFT-AFP reimbursement                        | 104,415,305              | 12,308,009               |
| Net profit from foreign currency transactions | 63,467,176               | 22,018,370               |
| <b>Total other income</b>                     | <b>2,963,367,975</b>     | <b>2,269,060,018</b>     |

**8. Personnel expenses**

|  | <b>30 September 2019</b> | <b>30 September 2018</b> |
|--|--------------------------|--------------------------|
|  | (For twelve months)      | (For six months)         |
|  | MMK                      | MMK                      |
| Salaries and wages                                   | 14,066,362,069           | 6,599,866,651            |
| Other welfare benefits                               | 12,536,689,011           | 5,193,179,565            |
| Employee bonuses                                     | 6,399,333,324            | 2,600,000,000            |
| Employee allowance                                   | 2,433,352,384            | 636,929,887              |
| Employer's contribution to defined contribution plan | 538,959,540              | 268,230,870              |
| Income tax and social security contribution          | 182,371,650              | 87,220,221               |
| <b>Total personnel expenses</b>                      | <b>36,157,067,978</b>    | <b>15,385,427,194</b>    |

**Yoma Bank Limited**

**Notes to the financial statements**

**For the financial year ended 30 September 2019**

**9. General and administrative expense**

|   | <b>30 September 2019</b> | <b>30 September 2018</b> |
|---|--------------------------|--------------------------|
|   | (For twelve months)      | (For six months)         |
|   | MMK                      | MMK                      |
| Marketing and advertising                       | 4,230,134,212            | 1,315,387,472            |
| Telecommunication and postage                   | 2,210,716,799            | 900,763,822              |
| Office supplies                                 | 1,559,972,981            | 862,278,900              |
| Travel and entertainment                        | 1,305,438,656            | 518,209,319              |
| Repair and maintenance                          | 947,084,096              | 326,924,017              |
| Utilities expense                               | 568,321,958              | 289,462,402              |
| IT and software costs                           | 322,547,320              | 141,127,126              |
| Remittance handling expenses                    | 113,973,159              | 62,185,229               |
| Swift charges                                   | 76,389,974               | 16,764,027               |
| Other administrative expenses                   | 976,587,041              | 526,302,580              |
| <b>Total general and administrative expense</b> | <b>12,311,166,196</b>    | <b>4,959,404,894</b>     |

**10. Other expenses**

|   | <b>30 September 2019</b> | <b>30 September 2018</b> |
|---|--------------------------|--------------------------|
|   | (For twelve months)      | (For six months)         |
|   | MMK                      | MMK                      |
| Consultancy expenses                    | 8,857,698,666            | 5,005,348,187            |
| Rates and taxes                         | 2,786,285,904            | 1,075,284,997            |
| Other losses and write-off              | 837,870,600              | 123,918,404              |
| Legal fees                              | 700,170,550              | 48,666,683               |
| Insurance                               | 251,959,759              | 74,445,849               |
| Auditor fees                            | 224,395,108              | 101,229,435              |
| Assessors fees                          | 203,425,728              | 89,571,139               |
| Amortization of rent expense            | 58,496,278               | 86,862,966               |
| Maintenance fees for correspondent bank | 31,417,971               | 14,393,378               |
| Home loans expenses                     | 16,941,450               | 1,454,800                |
| Refunds, discounts and interest         | 6,216,197                | 12,711,082               |
| Other fees and expenses                 | 119,932,880              | 24,840,528               |
| <b>Total other expenses</b>             | <b>14,094,811,091</b>    | <b>6,658,727,448</b>     |

## Yoma Bank Limited

### Notes to the financial statements For the financial year ended 30 September 2019

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#### 11. Income tax expense

A reconciliation of tax expense and the accounting profit multiplied by Myanmar's income tax rate for 2019 and 2018 is as follows:

|   | <u>30 September 2019</u><br>(For twelve months)<br>MMK | <u>30 September 2018</u><br>(For six months)<br>MMK |
|---|--|---|
| Profit before taxation  | 32,567,625,175   | 12,942,610,508                                      |
| Less: Gain on disposal of asset   | 47,870,467   | 59,380,971  |
| Profit subject to statutory income tax                                      | <u>32,519,754,708</u>                                  | <u>12,883,229,537</u>                               |
| At Myanmar's statutory income tax of rate of 25% +10% tax on sale of assets | <u>8,134,725,724</u>                                   | <u>3,226,745,481</u>                                |
| <b>Income tax recognized in statement of comprehensive income</b>           | <b><u>8,134,725,724</u></b>                            | <b><u>3,226,745,481</u></b>                         |

#### 12. Cash in hand and at banks

|   | <u>30 September 2019</u><br>MMK | <u>30 September 2018</u><br>MMK |
|---|---------------------------------|---------------------------------|
| Cash in hand  | 61,543,528,986                  | 47,505,692,571                  |
| Cash and balances with CBM                                    | 156,136,109,732                 | 82,942,706,593                  |
| Cash and balances with banks and other financial institutions | <u>15,559,354,143</u>           | <u>36,906,416,584</u>           |
| <b>Total cash in hand and at banks</b>                        | <b><u>233,238,992,861</u></b>   | <b><u>167,354,815,748</u></b>   |

Yoma Bank Limited

Notes to the financial statements  
For the financial year ended 30 September 2019

13. Loans and advances, net

a) *By loan type*

|                                  | <u>30 September 2019</u> | <u>30 September 2018</u> |
|----------------------------------|--------------------------|--------------------------|
|                                  | MMK                      | MMK                      |
| Demand loans                     | 955,772,137,874          | 690,595,635,494          |
| Overdraft                        | 526,969,970,394          | 501,595,271,100          |
| Hire purchase                    | 166,922,734,182          | 176,477,652,455          |
| Home loan                        | 120,478,620,921          | 70,572,745,193           |
| Hire purchase – AFP              | 64,500,251,557           | 72,118,640,800           |
| Staff loans                      | 1,223,580,802            | 1,092,401,668            |
| <b>Subtotal</b>                  | <b>1,835,867,295,730</b> | <b>1,512,452,346,710</b> |
| Trade financing                  | 30,106,230,768           | 41,451,010,359           |
| <b>Loans and advances, gross</b> | <b>1,865,973,526,498</b> | <b>1,553,903,357,069</b> |
| Less: Specific allowance*        | 19,538,258,757           | 12,961,191,818           |
| <b>Loans and advances, net</b>   | <b>1,846,435,267,741</b> | <b>1,540,942,165,251</b> |

\*The specific allowance includes loans and advances and LIFT-AFP amounting to MMK 13.66 billion and MMK 5.87 billion, respectively.

b) *Non-performing loans and allowance for impairment losses by collectability*

|                      | <u>30 September 2019</u> |                           | <u>30 September 2018</u> |                           |
|----------------------|--------------------------|---------------------------|--------------------------|---------------------------|
|                      | MMK                      | MMK                       | MMK                      | MMK                       |
| <i>(In millions)</i> | <b>Principal</b>         | <b>Specific Allowance</b> | <b>Principal</b>         | <b>Specific Allowance</b> |
| Standard             | 1,771,527                | 20                        | 1,491,996                | 20                        |
| Watch                | 16,088                   | 8                         | 8,787                    | —                         |
| Substandard          | 9,752                    | 20                        | 5,798                    | 35                        |
| Doubtful             | 17,324                   | 451                       | 16,001                   | 473                       |
| Loss                 | 51,282                   | 13,157                    | 31,321                   | 5,675                     |
| <b>Total</b>         | <b>1,865,973</b>         | <b>13,656</b>             | <b>1,553,903</b>         | <b>6,203</b>              |



**Yoma Bank Limited**

**Notes to the financial statements**

**For the financial year ended 30 September 2019**

**13. Loans and advances, net (contd.)**

A reconciliation of the specific allowance for impairment losses for the loans and advances is presented below as follows:

|  | <u>30 September 2019</u> | <u>30 September 2018</u> |
|--|--------------------------|--------------------------|
|  | MMK                      | MMK                      |
| <b>Balances at beginning of period/year</b>                    | 12,961,191,818           | 9,688,435,254            |
| Charge for the period/year                                     | 7,196,023,359            | 2,879,321,648            |
| Adjustment for restructured loans                              | 111,077,743              | 163,932,914              |
| Adjustment for foreign exchange difference                     | (10,289,409)             | 229,502,002              |
| <b>Total allowance for impairment losses by collectability</b> | <b>20,258,003,511</b>    | <b>12,961,191,818</b>    |
| Transferred from LIFT-AFP <sup>(1)</sup>                       | (719,744,754)            | —                        |
| <b>Balances at end of period/year</b>                          | <b>19,538,258,757</b>    | <b>12,961,191,818</b>    |

*Repossessed collateral*

The Bank took possession of collaterals amounting to MMK 3.21 billion with a fair value of MMK 5.17 billion and MMK 4.87 billion with a fair value of MMK 8.47 billion as at 30 September 2019 and 30 September 2018, respectively, which the Bank is in the process of selling.

<sup>(1)</sup> In 2018, the Bank and the Fund has agreed to transfer AFP fund amounting to MMK 6.59 billion as part of the specific provision. During the year, the Bank has used the provision amounting to MMK 719.74 million for its HP AFP product.

**14. Investment securities**

|   | <u>30 September 2019</u> | <u>30 September 2018</u> |
|---|--------------------------|--------------------------|
|   | MMK                      | MMK                      |
| <b>Held-to-maturity:</b>                    |                          |                          |
| - Myanmar Treasury bonds                    | 500,000,000              | 40,500,000,000           |
| - Money market (deposit auction)            | 35,000,000,000           | 29,000,000,000           |
| - Myanmar Treasury bills                    | —                        | —                        |
| <b>Total held-to-maturity investments</b>   | <b>35,500,000,000</b>    | <b>69,500,000,000</b>    |
| <b>Available-for-sale securities:</b>       |                          |                          |
| - Myanmar Treasury bonds                    | 267,217,068,039          | 213,530,828,834          |
| - Myanmar Treasury bills                    | 176,043,388,323          | 164,533,807,097          |
| - Investment in Digital Money Myanmar       | 2,364,930,800            | 2,364,930,800            |
| - Investment in Myanmar Payment Union       | 200,000,000              | 200,000,000              |
| - Investment in MICT                        | 56,500,000               | 56,500,000               |
| - Investment in SWIFT                       | 6,072,627                | 6,593,169                |
| - Investment in Myanmar Credit Bureau       | 1,040,000                | 1,040,000                |
| <b>Total available-for-sale investments</b> | <b>445,888,999,789</b>   | <b>380,693,699,900</b>   |
| <b>Total investments securities</b>         | <b>481,388,999,789</b>   | <b>450,193,699,900</b>   |

**Yoma Bank Limited**

**Notes to the financial statements**

**For the financial year ended 30 September 2019**

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**14. Investment securities (contd.)**

|                    | <u>30 September 2019</u> | <u>30 September 2018</u> |
|--------------------|--------------------------|--------------------------|
|                    | MMK                      | MMK                      |
| <b>Current</b>     | 216,032,745,739          | 234,533,430,609          |
| <b>Non-current</b> | 265,356,254,050          | 215,660,269,291          |

No impairment losses were incurred for the year ended 30 September 2019 and for the period ended 30 September 2018.

Available-for-sale securities consists of government securities and unquoted equity investments. These equity investments are carried at cost less impairment because the fair value cannot be reliably estimated using valuation techniques supported by observable market data.

The Bank has recognized dividend income from MICT amounting to MMK 6.78 million for the year ended 30 September 2019.

**Yoma Bank Limited**

**Notes to the financial statements**

**For the financial year ended 30 September 2019**

**15. Property and equipment**

|  | <b>Land</b>           | <b>Building</b>  | <b>Office<br/>equipment</b> | <b>Furniture<br/>and fitting</b> | <b>Motor vehicle</b> | <b>Leasehold<br/>improvements</b> | <b>Total</b>      |
|--|-----------------------|------------------|-----------------------------|----------------------------------|----------------------|-----------------------------------|-------------------|
|  | MMK                   | MMK              | MMK                         | MMK                              | MMK                  | MMK                               | MMK               |
|  | <i>(In thousands)</i> |                  |                             |                                  |                      |                                   |                   |
| <b><u>Cost</u></b>                     |                       |                  |                             |                                  |                      |                                   |                   |
| <b>At 1 Oct 2018</b>                   | 5,037,559             | 5,315,284        | 14,398,937                  | 2,522,116                        | 3,023,350            | 7,582,157                         | 37,879,403        |
| Additions                              | —                     | 1,405,796        | 3,137,933                   | 289,423                          | 54,920               | 221,199                           | 5,109,271         |
| Disposal                               | —                     | —                | (3,991)                     | —                                | (144,915)            | —                                 | (148,906)         |
| Adjustment                             | —                     | —                | (579)                       | (33)                             | —                    | (1,386,113)                       | (1,386,725)       |
| Write-offs                             | (184,180)             | (234,651)        | (391,190)                   | (104,216)                        | (1,410)              | (856)                             | (916,503)         |
| <b>At 30 Sept 2019</b>                 | <b>4,853,379</b>      | <b>6,486,429</b> | <b>17,141,110</b>           | <b>2,707,290</b>                 | <b>2,931,945</b>     | <b>6,416,387</b>                  | <b>40,536,540</b> |
| <b><u>Accumulated depreciation</u></b> |                       |                  |                             |                                  |                      |                                   |                   |
| <b>At 1 Oct 2018</b>                   | —                     | 551,557          | 4,935,567                   | 392,886                          | 1,571,136            | 3,232,582                         | 10,683,728        |
| Charge for the financial year          | —                     | 63,473           | 2,112,969                   | 123,900                          | 344,514              | 1,449,206                         | 4,094,062         |
| Disposals                              | —                     | —                | (3,990)                     | —                                | (141,735)            | —                                 | (145,725)         |
| Adjustment                             | —                     | —                | (580)                       | —                                | —                    | (1,385,413)                       | (1,385,993)       |
| Write-offs                             | —                     | (58,281)         | (302,339)                   | (37,375)                         | (1,410)              | (700)                             | (400,105)         |
| <b>At 30 Sept 2019</b>                 | <b>—</b>              | <b>556,749</b>   | <b>6,741,627</b>            | <b>479,411</b>                   | <b>1,772,505</b>     | <b>3,295,675</b>                  | <b>12,845,967</b> |
| <b>Net book value at 30 Sept 2019</b>  | <b>4,853,379</b>      | <b>5,929,680</b> | <b>10,399,483</b>           | <b>2,227,879</b>                 | <b>1,159,440</b>     | <b>3,120,712</b>                  | <b>27,690,573</b> |

**Yoma Bank Limited**

**Notes to the financial statements**

**For the financial year ended 30 September 2019**

**15. Property and equipment (contd.)**

|                                       | <b>Land</b>           | <b>Building</b>  | <b>Office equipment</b> | <b>Furniture<br/>and fitting</b> | <b>Motor vehicle</b> | <b>Leasehold<br/>improvements</b> | <b>Total</b>      |
|---------------------------------------|-----------------------|------------------|-------------------------|----------------------------------|----------------------|-----------------------------------|-------------------|
|                                       | MMK                   | MMK              | MMK                     | MMK                              | MMK                  | MMK                               | MMK               |
|                                       | <i>(In thousands)</i> |                  |                         |                                  |                      |                                   |                   |
| <b>Cost</b>                           |                       |                  |                         |                                  |                      |                                   |                   |
| <b>At 1 April 2018</b>                | 4,187,059             | 5,123,304        | 12,708,522              | 2,402,508                        | 3,232,935            | 7,378,603                         | 35,032,931        |
| Additions                             | 850,500               | 198,820          | 1,795,956               | 200,171                          | 48,000               | 379,846                           | 3,473,293         |
| Disposal                              | —                     | —                | —                       | —                                | (256,845)            | —                                 | (256,845)         |
| Adjustment                            | —                     | (840)            | (270)                   | —                                | —                    | (176,292)                         | (177,402)         |
| Write-offs                            | —                     | (6,000)          | (105,271)               | (80,563)                         | (740)                | —                                 | (192,574)         |
| <b>At 30 Sept 2018</b>                | <b>5,037,559</b>      | <b>5,315,284</b> | <b>14,398,937</b>       | <b>2,522,116</b>                 | <b>3,023,350</b>     | <b>7,582,157</b>                  | <b>37,879,403</b> |
| <b>Accumulated depreciation</b>       |                       |                  |                         |                                  |                      |                                   |                   |
| <b>At 1 April 2018</b>                | —                     | 520,283          | 4,090,717               | 348,941                          | 1,581,095            | 2,689,090                         | 9,230,126         |
| Charge for the financial period       | —                     | 31,595           | 924,222                 | 58,986                           | 177,688              | 719,785                           | 1,912,276         |
| Disposals                             | —                     | —                | —                       | —                                | (186,907)            | —                                 | (186,907)         |
| Adjustment                            | —                     | —                | —                       | —                                | —                    | (176,293)                         | (176,293)         |
| Write-offs                            | —                     | (321)            | (79,372)                | (15,041)                         | (740)                | —                                 | (95,474)          |
| <b>At 30 Sept 2018</b>                | <b>—</b>              | <b>551,557</b>   | <b>4,935,567</b>        | <b>392,886</b>                   | <b>1,571,136</b>     | <b>3,232,582</b>                  | <b>10,683,728</b> |
| <b>Net book value at 30 Sept 2018</b> | <b>5,037,559</b>      | <b>4,763,727</b> | <b>9,463,370</b>        | <b>2,129,230</b>                 | <b>1,452,214</b>     | <b>4,349,575</b>                  | <b>27,195,675</b> |

Yoma Bank Limited

Notes to the financial statements  
For the financial year ended 30 September 2019

16. Software, licenses & rights

|  | <u>Computer software</u> | <u>Licenses &amp; rights</u> | <u>Total</u>         |
|--|--------------------------|------------------------------|----------------------|
|  | MMK                      | MMK                          | MMK                  |
| <b>Cost</b>                                |                          |                              |                      |
| At 1 October 2018                          | 3,688,903,678            | 2,256,297,888                | 5,945,201,566        |
| Additions                                  | 1,869,799,893            | —                            | 1,869,799,893        |
| Adjustments                                | (297,296)                | —                            | (297,296)            |
| <b>At 30 September 2019</b>                | <b>5,558,406,275</b>     | <b>2,256,297,888</b>         | <b>7,814,704,163</b> |
| <b>Amortization</b>                        |                          |                              |                      |
| At 1 October 2018                          | 1,292,685,022            | 428,795,964                  | 1,721,480,986        |
| Charged during the year                    | 963,083,065              | 225,629,796                  | 1,188,712,861        |
| <b>At 30 September 2019</b>                | <b>2,255,768,087</b>     | <b>654,425,760</b>           | <b>2,910,193,847</b> |
| <b>Net book value at 30 September 2019</b> | <b>3,302,638,188</b>     | <b>1,601,872,128</b>         | <b>4,904,510,316</b> |
| <b>Cost</b>                                |                          |                              |                      |
| At 1 April 2018                            | 3,471,165,328            | 2,256,297,888                | 5,727,463,216        |
| Additions                                  | 217,738,350              | —                            | 217,738,350          |
| <b>At 30 September 2018</b>                | <b>3,688,903,678</b>     | <b>2,256,297,888</b>         | <b>5,945,201,566</b> |
| <b>Amortization</b>                        |                          |                              |                      |
| At 1 April 2018                            | 933,318,832              | 315,981,066                  | 1,249,299,898        |
| Charged during the period                  | 359,366,190              | 112,814,898                  | 472,181,088          |
| <b>At 30 September 2018</b>                | <b>1,292,685,022</b>     | <b>428,795,964</b>           | <b>1,721,480,986</b> |
| <b>Net book value at 30 September 2018</b> | <b>2,396,218,656</b>     | <b>1,827,501,924</b>         | <b>4,223,720,580</b> |

**Yoma Bank Limited**

**Notes to the financial statements  
For the financial year ended 30 September 2019**

**17. Other assets**

|   | <u>30 September 2019</u>     | <u>30 September 2018</u>     |
|---|------------------------------|------------------------------|
|   | MMK                          | MMK                          |
| Interest receivable from loan customers                               | 31,970,132,042               | 17,518,925,138               |
| Interest receivable from investments                                  | 11,591,584,450               | 9,616,848,427                |
| Prepaid expenses  | 22,198,809,981               | 27,377,253,035               |
| Account receivable for FX-Swaps                                       | 4,922,013,471                | 3,789,075,070                |
| Account receivable – others <sup>(1)</sup>                            | 151,688,550                  | 476,664,013                  |
| Property repossessed from borrower (Land and building) <sup>(2)</sup> | 3,213,783,740                | 4,870,984,416                |
| Debit notes receivable  | —                            | 201,140,800                  |
| Deferred rent   | 122,120,997                  | 180,617,275                  |
| Claims account  | —                            | 102,687,647                  |
| <b>Total other assets</b>   | <b><u>74,170,133,231</u></b> | <b><u>64,134,195,821</u></b> |

<sup>(1)</sup> Accounts receivable - others includes receivable from First Myanmar Investment Limited (“FMI”) for the purchase of shares in Digital Money Myanmar Limited (“Wave Money”) amounting to MMK 6.21 billion. This amount has been settled already as of 30 September 2018. On 31 May 2016, FMI and Yoma Bank entered into an agreement for transfer of sale shares in Wave Money, whereby Yoma Bank agreed to transfer its interest, representing 44% in aggregate of the total shares of Wave Money. On 30 March 2018, Yoma Bank and FMI agreed that the consideration for the sale of 34% of the total shares in Wave Money is MMK 25.8 billion, wherein, Yoma Bank received MMK 18.03 billion as payment from FMI and recognized a gain on sale amounting to MMK 6.21 billion in which capital gains tax was paid. The consideration for the remaining 10% interest on shares is yet to be determined as at 30 September 2019.

<sup>(2)</sup> The Bank took possession of properties which were held as security for defaulted loan. The repossessed properties were carried at the lower of the carrying amount of the loan outstanding and fair value of the property. The carrying amount of the asset as of 30 September 2019 and 30 September 2018 are MMK 3.21, net of specific provision amounting to MMK 2.33 billion, and MMK 4.87 billion, net of specific provision amounting to MMK 0.15 billion, respectively. The repossessed properties will be sold as soon as practicable, at auction, to settle the outstanding debt.

**18. Due to non-bank customers**

|  | <u>30 September 2019</u>        | <u>30 September 2018</u>        |
|--|---------------------------------|---------------------------------|
|  | MMK                             | MMK                             |
| Fixed deposits                         | 893,784,711,850                 | 881,070,880,430                 |
| Savings deposits                       | 755,397,160,300                 | 524,511,327,456                 |
| Call deposits                          | 697,132,725,024                 | 505,316,295,092                 |
| Current deposits                       | 102,512,877,464                 | 97,251,725,910                  |
| Foreign currency                       | 58,277,361,002                  | 53,226,327,457                  |
| J Zu Account                           | 29,969,157,091                  | 17,033,941,210                  |
| Smart Account                          | 29,492,429,666                  | 13,383,719,601                  |
| <b>Total due to non-bank customers</b> | <b><u>2,566,566,422,397</u></b> | <b><u>2,091,794,217,156</u></b> |

## Yoma Bank Limited

### Notes to the financial statements

For the financial year ended 30 September 2019

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#### 19. Funds restricted for LIFT-AFP

On December 18, 2015, the Bank signed a grant support agreement (“LIFT Agreement”) with the Livelihoods and Food Security Trust Fund (“LIFT”), which is a multi-donor trust fund managed by the United Nations Office for Project Services (“UNOPS”) to implement two programs – Partial Risk Guarantee Fund (“PRGF”) and Individual Development Accounts (“IDA”). Based on the amendment on 19 December 2017, the amount for the AFP has been amended from USD 12.5 million to USD 12.2 million, for the IDA from USD 4 million to USD 2.5 million, and the remainder of USD 0.41 million is for reimbursable operating and indirect costs of the Bank to implement the two programs.

On 30 October 2018, the Bank and UNOPS agreed on the formal proposal for a no-cost extension of the AFP through 31 December 2019. The implementation strategy and budget categories remain unchanged from the revised budget.

As part of the AFP, per the LIFT Agreement, a PRGF will guarantee a portion the Bank’s agricultural hire purchase lending and under secured lending. Per the agreement, the Bank may reclassify the PRGF as part of the “reserve for bad and doubtful debts”. IDA funds can be utilized by the Bank to implement a small savings deposit program to promote financial inclusion.

All AFP expenses are recorded in the income statement based on the nature of the expense incurred for LIFT-AFP.

|   | <u>30 September 2019</u> | <u>30 September 2018</u> |
|---|--------------------------|--------------------------|
|   | MMK                      | MMK                      |
| AFP Foreign Currency Deposits<br>(HP funds)                 | —                        | —                        |
| AFP Foreign Currency Deposits<br>(IDA saving funds)         | 3,829,000,000            | 3,900,000,000            |
| AFP MMK Deposits (HP funds)                                 | —                        | —                        |
| AFP Foreign Currency Deposits<br>(Operating expenses funds) | 630,754,524              | 1,367,269,862            |
| <b>Total funds restricted for LIFT-AFP</b>                  | <b>4,459,754,524</b>     | <b>5,267,269,862</b>     |

#### 20. Borrowings

The IFC loan is a medium-term convertible loan that has been converted to equity during 2019.

On 10 October 2018, the CBM approved the request of the Bank for converting the International Finance Corporation’s convertible loan amounting to MMK4.23 billion (out of MMK4.86 billion) to 145,029 equity shares of the Bank. It was converted on 23 May 2019.

On 18 July 2019, the CBM approved the request of the Bank for converting IFC’s remaining convertible loan amounting to MMK 474.6 million to 3,643 equity shares of the Bank. It was converted on 30 August 2019.

**Yoma Bank Limited****Notes to the financial statements****For the financial year ended 30 September 2019****21. Accruals and other liabilities**

|   | <b>30 September 2019</b> | <b>30 September 2018</b> |
|---|--------------------------|--------------------------|
|   | MMK                      | MMK                      |
| Interest payable to depositors              | 29,176,070,419           | 23,460,697,621           |
| Accrued expenses (Item due and unpaid)      | 11,619,346,912           | 7,552,399,490            |
| Sundry deposit – interest in suspense       | 20,243,577,745           | 9,048,364,730            |
| Sundry deposit                              | 10,245,677,269           | 18,238,306,360           |
| Tax provision                               | 8,134,725,724            | 6,371,478,894            |
| Deferred revenue                            | 5,449,741,134            | 10,167,166,055           |
| Account payable for FX-Swaps                | 4,837,812,677            | 4,226,405,148            |
| Unclaimed liabilities                       | 4,061,572,715            | 4,146,047,786            |
| Card settlement account                     | 3,534,136,567            | 3,019,033,706            |
| Payment order                               | 1,747,034,933            | 1,223,069,700            |
| Remittance in transit                       | 870,908,437              | 827,227,028              |
| Accrual unearned account-Penalty interest   | 405,583,215              | 560,460,616              |
| Other provision                             | 294,448,100              | —                        |
| Gift cheque account                         | 13,132,995               | 27,796,995               |
| Account payable – others                    | 1,714,172                | —                        |
| Debit note issued account                   | —                        | 514,400                  |
| <b>Total accruals and other liabilities</b> | <b>100,635,483,014</b>   | <b>88,868,968,529</b>    |



## Yoma Bank Limited

### Notes to the financial statements

For the financial year ended 30 September 2019

#### 22. Share capital

The total amount of issued and paid-up capital was made in accordance with section 60(B) of the Myanmar Companies Law.

|   | 30 September 2019 |                   | 30 September 2018 |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | No. of shares     | MMK ('000)        | No. of shares     | MMK ('000)        |
| <b>Issued and fully paid</b>              |                   |                   |                   |                   |
| As at beginning of year                   | 2,724,000         | 27,240,000        | 2,724,000         | 27,240,000        |
| Issuance of share during the year         | 31,544            | 315,440           | -                 | -                 |
| Issuance of share – IFC convertible loan* | 148,672           | 4,705,000         | -                 | -                 |
| <b>As at end of the year</b>              | <b>2,904,216</b>  | <b>32,260,440</b> | <b>2,724,000</b>  | <b>27,240,000</b> |

The Bank has issued 150,000 shares and 112,000 shares at a premium rate of MMK 115,000 per share in fiscal year 2016 and 2017, respectively. During the group reporting to the majority shareholder of the Bank for the year ended 31 March 2019, the share premium amounting to MMK 30.13 billion formed part of its share capital in compliance with the Myanmar Companies Law, however, for this fiscal year ended 30 September 2019, all share premium is presented as a separate line item in the statement of financial position in compliance with the instruction from the CBM to the Bank.

\*During the year, the Bank obtained approval for their IFC convertible loan to equity for a total number of 148,672 shares in two tranches:

- First tranche, on 23 May 2019, the Bank converted the total amount of MMK 4.23 billion equivalent to 145,029 shares;
- Second tranche, on 30 August 2019, the Bank converted the total amount of MMK 474.6 million equivalent to 3,643 shares.

## Yoma Bank Limited

### Notes to the financial statements

For the financial year ended 30 September 2019

#### 23. Reserves

The details of reserve are as follows:

|   | <u>30 September 2019</u> | <u>30 September 2018</u> |
|---|--------------------------|--------------------------|
|   | MMK                      | MMK                      |
| <b>Statutory reserve fund <sup>(1)</sup></b>                    |                          |                          |
| Opening balance   | 12,791,139,050           | 10,362,172,792           |
| Additions for the year  | 6,109,919,863            | 2,428,966,258            |
| <b>Total statutory reserve fund</b>                             | <b>18,901,058,913</b>    | <b>12,791,139,050</b>    |
| <b>Reserve for contingencies</b>                                |                          |                          |
| Opening balance   | 68,000,000               | 3,889,355,021            |
| Additions for the year  | 1,000,000                | 1,000,000                |
| Adjustment for unclaimed deposits                               | —                        | (3,822,355,021)          |
| <b>Total reserve for contingencies</b>                          | <b>69,000,000</b>        | <b>68,000,000</b>        |
| <b>Reserve for bad and doubtful debts <sup>(2)</sup></b>        |                          |                          |
| Opening balance   | 31,078,067,140           | 27,525,758,576           |
| Additions for the year – general provision <sup>(3)</sup>       | 6,091,403,388            | 3,552,308,564            |
| Adjustment to reserve for bad and doubtful debts <sup>(4)</sup> | 150,000,000              | —                        |
| <b>Total reserve for bad and doubtful debts</b>                 | <b>37,319,470,528</b>    | <b>31,078,067,140</b>    |
| <b>Total reserves</b>   | <b>56,289,529,441</b>    | <b>43,937,206,190</b>    |

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

(2) In compliance with CBM Instruction 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 fiscal year.

(3) In compliance with Letter No. 2224/Ka Ka (1)/535/2017-2018 dated 30 March 2018, issued by the CBM, the Bank has closed its accounts for the transition period from 1 April 2018 to 30 September 2018 as a result of the change in the financial year from 31<sup>st</sup> March to 30<sup>th</sup> September of each year. Since the reserves are required to be set aside at the end of the fiscal year, the Bank has only set aside for six months based on its new financial period ended 30 September 2018 while the Bank has set aside for one full year for the financial year ended 30 September 2019.

(4) Based on the CBM Notification Letter No. 74/KaKa (1)/3/17/2019-2020 dated 8 October 2019, issued by the CBM, and approved in the Bank's BOD minutes of meeting, the Bank, as agreed with IFC, transferred the MMK 150 million to the reserves for bad and doubtful debt.

**Yoma Bank Limited**

**Notes to the financial statements  
For the financial year ended 30 September 2019**

**24. Fair value of financial instruments**

| <b>30 September 2019</b>           | <b>Carrying Value</b>    | <b>Fair Value</b>        |
|------------------------------------|--------------------------|--------------------------|
|                                    | MMK                      | MMK                      |
| <b>Financial assets</b>            |                          |                          |
| Cash in hand and at banks          | 233,238,992,861          | 233,238,992,861          |
| Interbank placements               | 150,504,504,000          | 150,504,504,000          |
| Loans and advances, net            | 1,846,435,267,741        | 1,846,435,267,741        |
| Investment securities              | 481,388,999,789          | 481,388,999,789          |
| Other assets                       | 49,120,305,692           | 49,120,305,692           |
| <b>Total financial assets</b>      | <b>2,760,688,070,083</b> | <b>2,760,688,070,083</b> |
| <b>Financial liabilities</b>       |                          |                          |
| Due to non-banks customers         | 2,566,566,422,397        | 2,566,566,422,397        |
| Interbank deposits                 | 483,823,187              | 483,823,187              |
| Funds restricted for LIFT-AFP      | 4,459,754,524            | 4,459,754,524            |
| Borrowings                         | —                        | —                        |
| Other liabilities                  | 55,414,746,494           | 55,414,746,494           |
| <b>Total financial liabilities</b> | <b>2,626,924,746,602</b> | <b>2,626,924,746,602</b> |
| <b>30 September 2018</b>           |                          |                          |
|                                    | <b>Carrying Value</b>    | <b>Fair Value</b>        |
|                                    | MMK                      | MMK                      |
| <b>Financial assets</b>            |                          |                          |
| Cash in hand and at banks          | 167,354,815,748          | 167,354,815,748          |
| Interbank placements               | 54,554,000,000           | 54,554,000,000           |
| Loans and advances, net            | 1,540,942,165,251        | 1,540,942,165,251        |
| Investment securities              | 450,193,699,900          | 450,193,699,900          |
| Other assets                       | 32,337,585,605           | 32,337,585,605           |
| <b>Total financial assets</b>      | <b>2,245,382,266,504</b> | <b>2,245,382,266,504</b> |
| <b>Financial liabilities</b>       |                          |                          |
| Due to non-banks customers         | 2,091,794,217,156        | 2,091,794,217,156        |
| Interbank deposits                 | 1,235,438,300            | 1,235,438,300            |
| Funds restricted for LIFT-AFP      | 5,267,269,862            | 5,267,269,862            |
| Borrowings                         | 4,855,000,000            | 4,855,000,000            |
| Other liabilities                  | 47,058,298,647           | 47,058,298,647           |
| <b>Total financial liabilities</b> | <b>2,150,210,223,965</b> | <b>2,150,210,223,965</b> |

The fair value of financial assets and financial liabilities approximates its carrying values because financial assets and liabilities significant amount have short-term period/or the interest rate is frequently reviewed.

## Yoma Bank Limited

### Notes to the financial statements

For the financial year ended 30 September 2019

#### 25. Related party transactions

##### Transactions with key management personnel

|   | <u>30 September 2019</u> | <u>30 September 2018</u> |
|---|--------------------------|--------------------------|
|   | (For twelve months)      | (For six months)         |
|   | MMK                      | MMK                      |
| <i>(In thousands)</i>                   |                          |                          |
| Salaries, wages, bonuses and allowances | 4,551,162                | 1,986,035                |
| Benefit in kind                         | 3,000                    | 1,500                    |
|   | <u>4,554,162</u>         | <u>1,987,535</u>         |

The benefit-in-kind transaction represents the estimated rental expense of the motor vehicles purchased by the Bank for the use by the key management personnel.

##### Other transactions with related parties

Related party transactions are conducted on an arm's length basis and on normal commercial terms, which are not favourable than those generally available to the public.

In the normal course of its banking business, the Bank has carried out transactions with related parties on terms agreed between the parties. In addition to those disclosed elsewhere in the financial statements, the following significant related party transactions took place during the financial year.

|  | <u>30 September 2019</u> | <u>30 September 2018</u> |
|--|--------------------------|--------------------------|
|  | (For twelve months)      | (For six months)         |
|  | MMK                      | MMK                      |
| <i>(In thousands)</i>                  |                          |                          |
| <b>Loans</b>                           | —                        | <b>848,604</b>           |
| <b>Deposits</b>                        | <b>80,115,260</b>        | <b>38,616,323</b>        |
| <b>Receivable from holding company</b> | —                        | —                        |
| Gain on disposal of assets             | —                        | —                        |
| Interest income                        | 80,986                   | 44,340                   |
| Other income                           | 86,076                   | 86,410                   |
| <b>Total revenues</b>                  | <u><b>167,062</b></u>    | <u><b>130,750</b></u>    |
| Interest expense on deposits           | 2,594,608                | 634,325                  |
| Rental expenses                        | 64,050                   | 28,350                   |
| General and administrative expense     | 407,823                  | 152,044                  |
| <b>Total expenses</b>                  | <u><b>3,066,481</b></u>  | <u><b>814,719</b></u>    |

## Yoma Bank Limited

### Notes to the financial statements

For the financial year ended 30 September 2019

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#### 25. Related party transactions (contd.)

In 2018, loans include a loan made to a director and JJ & Pun Tiostone Co., Ltd., an affiliate. The loans are collateralized by residential property and land and building, respectively. Interest income is derived from the aforementioned loans.

During the current year, both loans made to a director and JJ & Pun Tiostone Co., Ltd. were fully paid and settled on 26 September 2019 and 6 June 2019, respectively.

#### Other transactions with related parties

*Rental expenses were paid to the following:*

|                                | <b>30 September 2019</b> | <b>30 September 2018</b> |
|--------------------------------|--------------------------|--------------------------|
|                                | (For twelve months)      | (For six months)         |
|                                | MMK                      | MMK                      |
| <i>(In thousands)</i>          |                          |                          |
| FMI Garden Development Limited | 45,150                   | 18,900                   |
| Thanlyin Estate Development    | 18,900                   | 9,450                    |
| <b>Total rental expenses</b>   | <b>64,050</b>            | <b>28,350</b>            |

*General and administrative expenses includes various operations charges to the following:*

|  | <b>30 September 2019</b> | <b>30 September 2018</b> |
|--|--------------------------|--------------------------|
|  | (For twelve months)      | (For six months)         |
|  | MMK                      | MMK                      |
| <i>(In thousands)</i>                            |                          |                          |
| Yoma Fleet Limited                               | 358,187                  | 91,014                   |
| SPA Company Limited                              | 33,333                   | 50,000                   |
| Thanlyin Estate Development                      | 8,268                    | 5,838                    |
| Pun Hlaing International Hospital                | 2,751                    | 2,816                    |
| FMI Garden Development Limited                   | 5,284                    | 2,376                    |
| <b>Total general and administrative expenses</b> | <b>407,823</b>           | <b>152,044</b>           |

**Yoma Bank Limited**

**Notes to the financial statements**

**For the financial year ended 30 September 2019**

**26. Maturity analysis of assets and liabilities**

The table shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

|                                  | <b>Less than 1 Year</b>  | <b>More than 1<br/>Year</b> | <b>Total</b>             |
|----------------------------------|--------------------------|-----------------------------|--------------------------|
|                                  | MMK                      | MMK                         | MMK                      |
| <b>Balance at September 2019</b> |                          |                             |                          |
| <b>Assets</b>                    |                          |                             |                          |
| Cash in hand and at banks        | 233,238,992,861          | —                           | 233,238,992,861          |
| Interbank placements             | 150,504,504,000          | —                           | 150,504,504,000          |
| Loans & advances, net            | 1,846,435,267,741        | —                           | 1,846,435,267,741        |
| Investment securities            | 216,032,745,739          | 265,356,254,050             | 481,388,999,789          |
| Property and equipment           | —                        | 27,690,572,936              | 27,690,572,936           |
| Software, licenses & rights      | —                        | 4,904,510,316               | 4,904,510,316            |
| Other assets                     | 54,568,786,011           | 19,601,347,220              | 74,170,133,231           |
| <b>Total assets</b>              | <b>2,500,780,296,352</b> | <b>317,552,684,522</b>      | <b>2,818,332,980,874</b> |
| <b>Liabilities</b>               |                          |                             |                          |
| Due to non-bank customers        | 2,566,566,422,397        | —                           | 2,566,566,422,397        |
| Interbank deposits               | 483,823,187              | —                           | 483,823,187              |
| Funds restricted for LIFT-AFP    | —                        | 4,459,754,524               | 4,459,754,524            |
| Borrowings                       | —                        | —                           | —                        |
| Accruals and other liabilities   | 96,573,910,299           | 4,061,572,715               | 100,635,483,014          |
| <b>Total liabilities</b>         | <b>2,663,624,155,883</b> | <b>8,521,327,239</b>        | <b>2,672,145,483,122</b> |
| <b>Net assets</b>                | <b>(162,843,859,531)</b> | <b>309,031,357,283</b>      | <b>146,187,497,752</b>   |

**Yoma Bank Limited**

**Notes to the financial statements**

**For the financial year ended 30 September 2019**

**26. Maturity analysis of assets and liabilities (contd.)**

|                                     | <b>Less than 1 Year</b>  | <b>More than 1<br/>Year</b> | <b>Total</b>             |
|-------------------------------------|--------------------------|-----------------------------|--------------------------|
|                                     | MMK                      | MMK                         | MMK                      |
| <b>Balance at 30 September 2018</b> |                          |                             |                          |
| <b>Assets</b>                       |                          |                             |                          |
| Cash in hand and at banks           | 167,354,815,748          | —                           | 167,354,815,748          |
| Interbank placements                | 54,554,000,000           | —                           | 54,554,000,000           |
| Loans & advances, net               | 1,540,942,165,251        | —                           | 1,540,942,165,251        |
| Investment securities               | 234,533,430,609          | 215,660,269,291             | 450,193,699,900          |
| Property and equipment              | —                        | 27,195,674,848              | 27,195,674,848           |
| Software, licenses & rights         | —                        | 4,223,720,580               | 4,223,720,580            |
| Other assets                        | 42,759,266,348           | 21,374,929,473              | 64,134,195,821           |
| <b>Total assets</b>                 | <b>2,040,143,677,956</b> | <b>268,454,594,192</b>      | <b>2,308,598,272,148</b> |
| <b>Liabilities</b>                  |                          |                             |                          |
| Due to non-bank customers           | 2,091,794,217,156        | —                           | 2,091,794,217,156        |
| Interbank deposits                  | 1,235,438,300            | —                           | 1,235,438,300            |
| Funds restricted for LIFT-AFP       | —                        | 5,267,269,862               | 5,267,269,862            |
| Borrowings                          | —                        | 4,855,000,000               | 4,855,000,000            |
| Accruals and other liabilities      | 84,722,920,743           | 4,146,047,786               | 88,868,968,529           |
| <b>Total liabilities</b>            | <b>2,177,752,576,199</b> | <b>14,268,317,648</b>       | <b>2,192,020,893,847</b> |
| <b>Net assets</b>                   | <b>(137,608,898,243)</b> | <b>254,186,276,544</b>      | <b>116,577,378,301</b>   |

## Yoma Bank Limited

### Notes to the financial statements

For the financial year ended 30 September 2019

#### 27. Guarantees and commitments

|   | <u>30 September 2019</u>     | <u>30 September 2018</u>     |
|---|------------------------------|------------------------------|
|   | MMK                          | MMK                          |
| <b><u>Guarantees:</u></b>                 |                              |                              |
| Letters of credit (foreign currency)      | 30,491,751,722               | 53,575,591,858               |
| Performance guarantees                    | 4,739,223,234                | 2,909,428,769                |
| Performance guarantees (foreign currency) | 2,915,993,569                | 2,152,918,560                |
| Trade guarantees                          | —                            | —                            |
| <b>Total guarantees and commitments</b>   | <b><u>38,146,968,525</u></b> | <b><u>58,637,939,187</u></b> |

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.

|                                 | <u>30 September 2019</u>      | <u>30 September 2018</u>      |
|---------------------------------|-------------------------------|-------------------------------|
|                                 | MMK                           | MMK                           |
| <b><u>Commitments:</u></b>      |                               |                               |
| Undrawn overdraft               | 95,911,733,102                | 95,676,602,882                |
| Undrawn trade credit facilities | 51,279,587,927                | 52,117,287,487                |
| <b>Total commitments</b>        | <b><u>147,191,321,029</u></b> | <b><u>147,793,890,369</u></b> |

|  | <u>30 September 2019</u>     | <u>30 September 2018</u>     |
|--|------------------------------|------------------------------|
|  | MMK                          | MMK                          |
| <b><u>Operating lease commitments:</u></b> |                              |                              |
| Under 1 year                               | 326,025,908                  | 1,075,520,879                |
| 1 to 5 years                               | 10,129,337,763               | 13,831,097,816               |
| Over 5 years                               | 823,390,996                  | 874,466,920                  |
| <b>Total operating lease commitments</b>   | <b><u>11,278,754,667</u></b> | <b><u>15,781,085,615</u></b> |

Operating lease commitments include land and building lease agreements for branches and head office. The Bank have, in most instances prepaid, a majority of these future rental expenses, and have committed to paying remaining future rental payments in accordance with these agreements.

#### 28. Approval of financial statements

The financial statements for the year ended 30 September 2019 have been authorized for issue by the Board of Directors on 22 November 2019.