

ANNUAL REPORT

FY 2019 - 2020



Welcome to AYA

"Your happiness, our business"

Welcome to the world of banking with AYA where our customers are our only priority. We value all our customers and take pride in offering fast and reliable banking.

CONTENTS
ANNUAL REPORT
FY 2019 - 2020

4

- Our Mission
- Corporate Values
- Corporate Goals
- Brand Promise

6

Corporate Profile

8

Milestones and
Achievements

10

Bank Overview and Awards

12

Message from the Chairman

16

Board of Directors

26

Overall Organization Chart

28

Corporate Governance

34

Learning and
Development

36

Enterprise and Risk
Management

42

Operations Review

48

Corporate Social
Responsibility

52

Financial Statements

Our Mission

To be recognized as the leading bank in Myanmar through pursuit of excellence and long-term sustainable growth for the bank and its stakeholders.

Corporate Values

- We pursue our objectives with EXCELLENCE
- We progress as a TEAM
- We think and act in all HONESTY
- We maintain INTEGRITY at all times
- We CARE for our customers, our colleagues and the people we interact with
- We always act with SINCERITY

Corporate goals

1. For Customers

To achieve high level of customer satisfaction by:

- a. providing honest, efficient and courteous service
- b. offering a full range of products and services
- c. providing easy accessibility in terms of reach and delivery channels
- d. employing technology as the enabler for all customer service endeavors

2. For the Community

To be a good corporate citizen and build long term sustainable and active engagement with the community we serves

3. For Staff

To ensure a highly competent and dedicated work-force by implementing transparent policies, and fostering staff well-being and goodwill.

4. For Shareholders

To build sustained shareholder value through rapid growth international standards of governance, risk and compliance.

Brand Promise - Your Trusted Partner

Your Trusted Partner is a declaration to our customers that:

“AYA Bank (Ayeyarwady Bank) is the bank of choice for anyone who is looking for fast, reliable, honest banking relationships at a reasonable cost. AYA Bank offers the full range of retail and commercial banking products and services and is in tune with domestic customs and international standards in its governance and operations. For your long-term banking needs, AYA Bank is your trusted partner in Myanmar.”





ANNUAL REPORT
CORPORATE
PROFILE
2019 - 2020

License:

Central Bank of Myanmar –Ma Ba Pa/ P-223 (7) 2010.

AYA Bank (Ayeyarwady Bank) received a new banking license from the Central Bank of Myanmar on 2nd July 2010 to operate as an investment and development banking business and commenced operations on 11 August 2010 with the opening of the branch at the Nay Pyi Taw Registered Office. The founder and main shareholder of AYA Bank is U Zaw Zaw, a well-respected entrepreneur, business leader and philanthropist of Myanmar with diversified business interests in agriculture, construction, manufacturing and hospitality.

AYA Bank has always strived to achieve international standards in its banking operations and it is constantly improving its corporate governance, risk management and compliance measures by adopting global best practices. The bank has engaged experts and consultants with broad industrial and international experience, and continues to invest significantly in its employees, systems and technology in order to build a solid foundation to grow the business. It believes the efforts will ensure sustainable long-term growth and improve the returns of the stakeholders and the lives of the people of Myanmar.

AYA Bank is the second largest private bank with nationwide presence providing a full suite of corporate, retail and commercial banking products and solutions for both local and international customers, through the extensive branch network present in every state and division of the country. Leveraging on technology and differentiated customer service has been key to rapidly growing the customer base. In less than 10 years, AYA Bank has opened 265 branches and 770 ATMs countrywide as of September 2020.

AYA Bank is the first bank in Myanmar to implement Centralized Core Banking System, and continuously strives to offer the best financial services and products in the market. Extending beyond the domestic banking services, AYA Bank is providing International Banking Services to support Clients to implement their projects and plans. For the immediate future, the Bank will continue to extend its reach throughout Myanmar, establish relationships with new customers and foreign partners, and strengthen the Bank's capital and risk management controls. The Bank will also emphasize on improving our human capital, and foster a corporate culture of innovation through technology so as to provide new products and services for our customers. As the process of banking sector reform deepens in the banking industry, the Bank will be well placed to become the best bank in Myanmar.

AWARDS & ACCOLADES



Best Commercial Bank 2017 Myanmar by World Finance
Best Retail Bank 2017 - Myanmar by World Finance
Best CSR by Asiamoney
Best Regional Partner in Southeast Asia By CFI



Best Banking Group 2015 by World Finance
Most Sustainable Bank 2015 by World Finance
Best Private Bank 2015 by World Finance



Best Private Bank 2013 by World Finance



Best Banking Group 2016 by World Finance
Most Sustainable Bank 2016 by World Finance
Best Private Bank 2016 by World Finance



Best Private Bank 2014 by World Finance
Best Retail Bank 2014 by World Finance
Fastest Growing Retail Bank Myanmar 2014 by
Global Banking & Finance Review Awards
Most Innovative Banking Services (AYA iBanking)
Myanmar 2014 by Global Banking & Finance Review Awards
Banker of the year 2014 by Myanmar Times



ANNUAL REPORT
2019 - 2020

**MESSAGE FROM
THE CHAIRMAN**

Dear Shareholders,

As I write to you in the aftermath of an extraordinary year, it is with an immense sense of pride and responsibility that I share AYA Bank's Annual Report for the Financial Year 2019-2020.

This past year has tested the resilience of businesses around the globe, and our bank was no exception. However, as a testament to our robust business model, innovative strategies, and dedicated team, AYA Bank has continued to exhibit robust growth and profitability in a challenging environment.

Our consistent and strong performance, despite numerous external headwinds, clearly demonstrates the resilience of our business model. For the financial year 2019-2020, we reported a net profit of MMK 20 billion.

We have continued to deliver on our promise to enhance stakeholder value through a balanced approach to growth and risk management. We have embraced technology and have invested significantly in digital infrastructure to meet the evolving needs of our customers, furthering our reach and making our services accessible to all.

As part of our commitment to responsible banking, we have launched several initiatives to promote financial inclusion and sustainable growth. Our sustainability efforts have targeted environmental conservation, community development, and financial literacy, to name a few. We remain committed to driving positive social and economic change.

The Board of Directors and the management team recognize the trust that you have placed in us, and we are grateful for your continued support. Looking ahead, we are optimistic about Myanmar's growth prospects and AYA Bank's role in contributing to that journey.

The bank is well-positioned to seize opportunities in the evolving banking landscape. Our investments in technology and people, coupled with our focus on sustainable and inclusive growth, will continue to drive our performance in the coming years.

Let me conclude by extending my gratitude to our customers for their loyalty, our staff for their dedication, our regulators for their guidance, and you, our shareholders, for your unwavering trust and support.

Together, we will continue to build on our strengths, strive for excellence and contribute to the growth of the Myanmar economy.



ANNUAL REPORT
BOARD OF DIRECTORS
2019 - 2020



U Zaw Zaw

Chairman

U Zaw Zaw is a successful business magnate and presently the Patron (Honorary Chairman) of AYA Bank. He was the Founder of the bank and held the position of Chairman since the inception of the Bank. U Zaw Zaw graduated from the University of Yangon with a major in Mathematics. With a combination of overseas experiences and personal strength, U Zaw Zaw founded Max Myanmar Company in 1995 and AYA Bank in 2010. His achievements include steering the management and growth of AYA Financial Group and Max Myanmar Group of Companies, major conglomerates in Myanmar. He is an established and well-connected entrepreneur and business leader in Myanmar, with 28 years of management experience. He is currently serving as the president of the Myanmar Football Federation since 2005 and vice president of ASEAN Football Federation (AFF) and Asian Football Confederation (AFC). He relentlessly provides both funding and effort for the development of soccer in Myanmar. As a firm believer of contributing to the society and helping the needy, he has supported various philanthropic causes through the Ayeyarwady Foundation, including the Yankin Children Hospital, Ayeyarwady Covid-19 Center, and a wide range of corporate social responsibility initiatives nationwide.



Daw Khin Saw Oo

Vice Chairman-1

Daw Khin Saw Oo, the Executive Chairman of AYA Bank, a veteran banker with over forty years of experience in central banking and economic research, is a member of the Board of Directors of AYA Bank. She held the position of Vice-Chairman since she joined the AYA Bank in January 2018. She holds a master's degree in International Affairs (Economic Policy Management) from Columbia University of New York, U.S.A and Bachelor of Economics (Mathematical Statistics) from Institute of Economics, Yangon. She also got the Diploma in Economic Planning from Institute of Economics, Yangon. She was formerly Deputy Governor of the Central Bank of Myanmar and retired in July 2017. She started her profession as a Technical Assistant to Executive Director in the South East Asia Voting Group Office, International Monetary Fund (IMF). With her extensive experience and strong commitment driving her towards the achievement of the bank's business strategy, mission, and vision, she has continued to provide the bank strategies, which has led to the phenomenal growth of the AYA Bank.



U Than Zaw

Vice-Chairman-2

U Than Zaw is a member of the Board of Directors of AYA Bank and presently holds the position of Vice Chairman-2. He was appointed as the Managing Director to AYA Bank from 2011 to 2013. During his tenure, he has led the fledging Bank to grow its brand and network in Myanmar. He also heads Ayeyar Myanmar Insurance Company as a Vice Chairman. His experience includes eight-year tenure with the Olympics Committee as a Treasurer and another two years as the Chief Executive Officer of the Myanmar Football Federation. He is instrumental in strengthening systems and procedures by taking initiatives. U Than Zaw has been giving the guidance at Board level regards to policies, practices to ensure the bank in full compliance with stipulated laws and regulations.



Daw Htay Htay Khaing

Vice Chairman-3

Daw Htay Htay Khaing has been the Co-Founder and Vice Chairman-3 of the Board of Directors since the Bank's inception in 2010. Daw Htay Htay Khaing had completed a Bachelor of Science in Mathematics awarded by the University of Yangon. She displays the high degree of commitment to the growth of AYA Bank. Her accolades do not stop here. She has contributed extensively to the welfare of women in various sectors and plays active roles as a Vice-Chairperson with the Myanmar Women Football Association and as a Trustee with the Myanmar Women Sports Association.



Daw Khin Ma Ma

Executive Director

Daw Khin Ma Ma was appointed as the Deputy Managing Director of Ayeyarwady Bank in 2012 and was also appointed as an Executive Director of the Board in 2013. She obtained the Bachelor of Science degree from University of Yangon. Daw Khin Ma Ma brings along with her a wealth of experience gained through her 17 years in the service industry. With her passion for delivering quality service, she has brought the quality of service offered in all the Bank's branches to a higher level. She plays a pivotal role in human resources matters and provides guidance for capacity building.



U Myint Zaw

Managing Director

U Myint Zaw was appointed as Managing Director of AYA Bank in 2017. He was graduated with B-Econ(Economics) and received Master of Public Administration (MPA) as well. He held various senior positions in Advertising and Marketing for established and reputable international and local companies in private sector. His professional background comes from over 30 years of working experience in different industries for Agriculture, Advertising, Commodity Future Market, Beverage and Soft Drink Industry, Telecommunications and Education. Before joining AYA, U Myint Zaw founded Professional Marketers Association (PMA) and developed Ground Solution Company that provided management and consultancy services. His strong knowledge of marketing and operations in theory and practice rendered invaluable service for the bank. He has proven track record of delivering business impact and optimization of marketing that brings up sustain a strong corporate culture and promoting the service quality.



Chris Tun

Managing Director – Digital Banking

Chris Tun is Managing Director of Digital Banking. Prior to joining AYA Bank, he was the Group CEO of Max Myanmar Holding and CEO of Max Global Investment. Chris has more than twenty years of professional experience including ten years with Big 4 consulting firms. He was a partner for Deloitte Consulting Southeast Asia for Myanmar from 2013 to 2016. Throughout his consulting career, he has specialized in strategy and implementation of business and technology transformation projects for private and public sector clients across the US and Asia. His experience spans several industries, including Public Sector, Telecommunications, Media, Technology, and Financial Services Industry. Chris holds a MBA from the University of Southern Queensland, and a MS in Project Management from the Boston University. He is a Fellow Member of Institute of Directors – Thailand and an Eisenhower Fellow of 2017.



Prof. Dr. Aung Tun Thet

Independent Non- Executive Director

Prof. Dr. Aung Tun Thet was appointed as Independent Non-Executive Director of AYA Bank in 2013, providing specialist advice in areas of Corporate Governance, Management, Human Resource and Corporate Social Responsibility (CSR) activities. During his career, he built a wealth of working experience as a distinguished International and National Civil Servant in the United Nations as well as in Myanmar civil service. He is currently holding the portfolio as an advisor for the Government sector, business community and civil society organizations. He also plays the role as a management consultant in areas of Management, Leadership, Human Resources, Organizational Development and Corporate Governance for various companies. He holds the position of Honorary Professor at University of British Columbia, Vancouver, Canada as well as Visiting Professor at Yangon University of Economics and Yangon University. Prof. Dr. Aung Tun Thet is a leading advocate of Corporate Governance and Corporate Social Responsibility (CSR) in Myanmar.



Dr. Tin Latt

Independent Non- Executive Director

Dr. Tin Latt is an Independent Non-Executive Director (INED) of AYA Bank. He is a Certified Public Accountant (CPA) and graduated from Oxford Brooks University (UK). Having twenty years of professional experience in the auditing field, he brings a strong financial service background and extensive auditing experience to the Board. He is the founder and Managing Director of Management and accountancy training and Managing Partner of MAT Audit and Professional Services, providing Governance, Risk and business advisory, and Auditing services. In 2011-2015, he worked as a member of Parliament commission for Legal affairs and special issues, Republic of the Union of Myanmar. He also published many articles and research papers in the field of risk management, auditing, quality and environmental management and financial management in local and international trade journals and magazines.



U Min Sein

Independent Non-Executive Director

U Min Sein was appointed as an Independent Non-Executive Director of AYA Bank in 2013. He is an accomplished lawyer who is an Advocate of the Supreme Court, a Certified Public Accountant and has been practicing law since 1972. He is the Managing Partner of U Min Sein Law Firm (Yangon), a member of Asia Law Alliance, in association with Christopher Bridges (Singapore). Within his illustrious Curriculum Vitae, he has served as legal advisor to the Embassies, Corporates and Multinational Companies in various industries. As part of his contribution to the society, U Min Sein served as a lecturer in Commercial Law at the Auditor General's Office for twenty years and lecturer in Commercial law to Certified Public Accountant (CPA). He is a Founding Member and Management Committee Member of U Hla Tun Hospice, Cancer Foundation, a charitable organization in Yangon. He displays high sense of duty and responsibility and serves in various capacities of the law across all functional areas at AYA Bank.



Mr. Azeem Azimuddin
*Senior Chief Financial Officer and
Advisor to Chairman*

Mr. Azimuddin was appointed as the Senior CFO and Advisor to Chairman at AYA Bank in 2014. Azeem has 30+ years of diversified experience of international banking & private equity investments with international institutions as well as domestic institutions in Emerging and Frontier Market countries. In his long career, he worked at the Board /CEO/MD/CFO level for 25+ years. He has successful track record of starting, restructuring and turning around financial services as well as manufacturing businesses, and of taking them through Rating, Capital Market Issuance and M&A, processes. In his current role at AYA Bank, he architected the transformation of the bank by implementing key strategic initiatives to re-organize Treasury, Accounting & Finance, Risk & Compliance, and Governance infrastructure.



Mr. Moo Sun
Senior Chief Operating Officer

Mr. Moo Sun was appointed as the Chief Operating Officer of AYA Bank in December 2010. His visionary leadership resulted in re-designation as a Senior Chief Operation Officer of AYA Bank in 2019. Mr. Moo Sun is an experienced banker with considerable exposure in various facets of retail and commercial banking with 30 years of service in the banking industry; He began his career in Malaysia and has also worked Vietnam and Cambodia. Mr. Moo Sun currently guides AYA Bank's operations and spearheads the international banking business unit of the Bank.



U Ko Ko Oo

Senior Chief Risk and Compliance Officer

U Ko Ko Oo was appointed as Senior Chief Risk and Compliance Officer at AYA Bank in 2018. He has been joining AYA Bank in 2010 since its inception and had taken various positions and responsibilities. He became Deputy Managing Director in 2014. He studied Master of Public Administration and brought in his expertise of Strategic Studies and International relations. He developed and implemented the Risk and Compliance Management System for the bank business and support functions. He is managing all aspects of risk to the organization, employees, clients, reputation, assets, and interests of stakeholders. U Ko Ko Oo possesses a powerful commitment to his task. Besides his present responsibility, he cooperatively managed the Bank's administrative matters and Bank Branches Network for new branch opening across Myanmar.



U Minn Wint Oo

Chief Technology Officer

As the Chief Technology Officer, Minn Wint Oo is the strategic founder and executive decision maker with regards to the technological interests of AYA Bank. He is the main driving force for the bank's whole IT systems and infrastructure, including, but not limited to, Data Centers, Network Architecture, Software Development, and Information Security. He is responsible for outlining the bank's technological vision, implementing technology strategies, and ensuring that the technological resources are aligned with business goals. He has been exposed to the full range of various IT projects and functions within Myanmar Banking and IT Industry. For over 25 years, he has continuously contributed to transform the nation Myanmar to digital transformational changes.



Daw May Myat Thu

Chief Operating Officer

Daw May Myat Thu has been on board the AYA Family since 2012 as the Head of Corporate Affairs Department and moved across different functional departments. She is now taking the position of the Chief Operating Officer of the Bank. She graduated with BSc (Hon) Economics and Management from London School of Economics and Political Science (University of London) and was awarded Master of Business Administration from Heriot-Watt University (Edinburgh Business School). Prior to joining the Bank, she has had more than 8 years of working experience in service industry.

Along her career at AYA Bank, Daw May Myat Thu spearheaded the initiatives into getting AYA Bank to be the first Myanmar Bank to be part of the United Nations Global Compact membership and supported the Bank's rapid growth by creating equal job opportunities to all the communities in which the Bank operates in. Upon taking the role of the Chief Operating Officer in March 2020, though she has been through tough and challenging times, was able to manage over 250 branches across the country while putting the health and safety of stakeholders during pandemic period. Her current portfolio includes managing branches across the country, overseeing the fund and currency management as well as in supporting the new Core Banking Project.



Welcome to AYA

"Your happiness, our business"

Welcome to the world of banking with AYA where our customers are our only priority. We value all our customers and take pride in offering fast and reliable banking services.



ANNUAL REPORT
CORPORATE GOVERNANCE
2019 - 2020

The Board, composed of (9) Directors including (3) Independent Non-Executive Directors along with the Senior Management play an essential role in establishing and maintaining the standard of the Bank's corporate governance. Being a financial institution, it is important to embrace good practices of corporate governance and to ensure that the Bank remains adherent to the existing regulations and norms of the prevailing financial laws.

(i) Adhering to Strategic Risk Management System

The Board adheres to Strategic Management System which helps the Bank to better align its strategic objectives and policies to achieve long-term success. The Board sets clear goals, devise plans, and direct senior management to align business activities and allocate resources to meet the objectives. Strategic management system enables the Bank to identify strength and weaknesses, focus on strategically important factors, simplify complex situations, and develop appropriate strategies, understand the environmental changes and gain a sustainable competitive edge.

(ii) Practice an Integrated Business Management System

Corporate governance requires top management to direct and influence what is happening on ground. We practice an integrated business management system so that all business departments' operations and business directions are in line with the strategies set by Board and there is transparency, accountability, traceability, and cross-departmental collaboration. HODs update operational situation on ground at weekly management meetings where all Senior Management can monitor, guide and solve issues which comes in their way of their daily operations.

(iii) Adopt Documented Policy Management System

We adopt one of the best practices of corporate governance, the “Documented Policy Management System”. This system enforces our staff to prepare documented policies, procedures, and processes to set expectations, establish roles and responsibilities, and communicate commitments. Every document needs to be controlled and managed, and there needs to be evidence that employees have read, understood the policy. The policies are to be reviewed annually and/or when necessary, according to regulatory requirement.

(iv) Routine Internal Audits

We invest for routine internal audit programs that can help not only identifying issues and vulnerabilities, but also providing an opportunity to monitor the health of the Bank’s corporate culture. Internal Audit department plan and schedule, audit and produce findings and reports to Audit Committee which will report to Board regularly.

(v) Learning and Development System

Investing in employee training, competency and development is key for an engaged workforce. We support various Learning and Development programs through online portal or in classroom to help our employees effectively develop, up-skill and nurture our workforce.



Board Risk and Compliance Committee (BRCC)

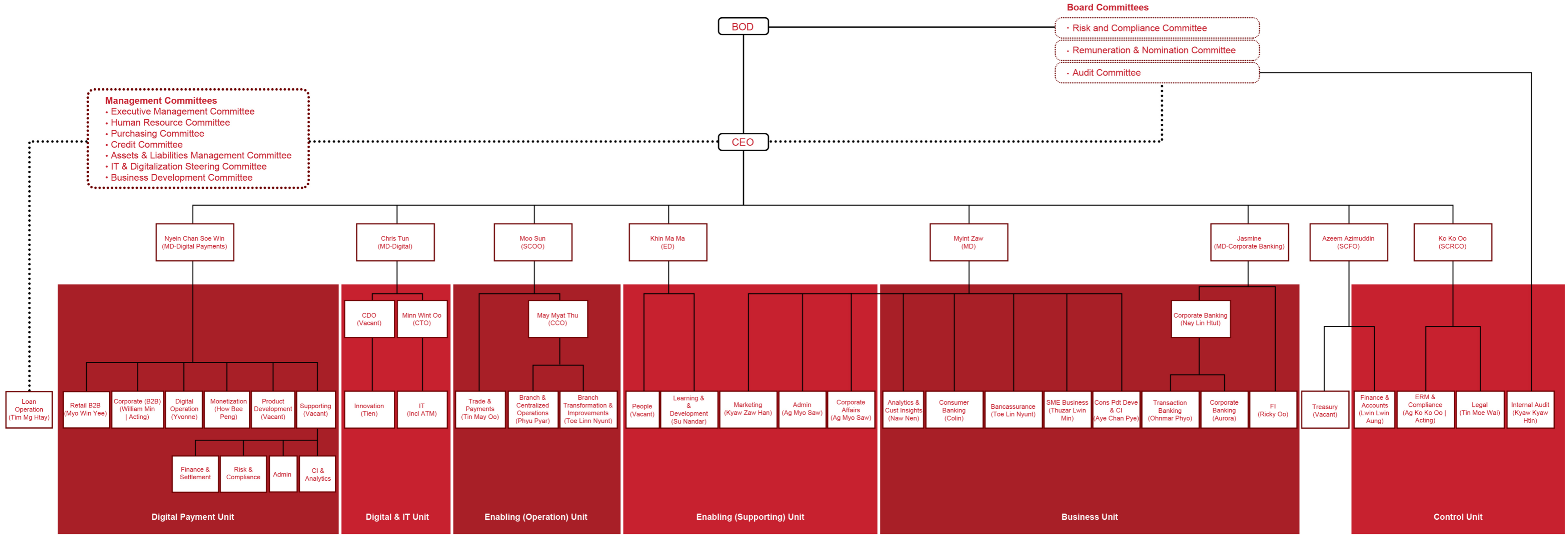
Board Risk and Compliance Committee, chaired by the Vice Chairman of the Board, is responsible for oversight of the risk framework and key risks, the Bank faces and of the Bank's overall risk appetite. It approves the risk framework and the statement of risk appetite, risk tolerance and further recommends to the Board for approval. BRCC oversees Enterprise Risk and Management's responsibilities for the identification, measurement, monitoring, and control of key risks.

Executive Committee (EXCO)

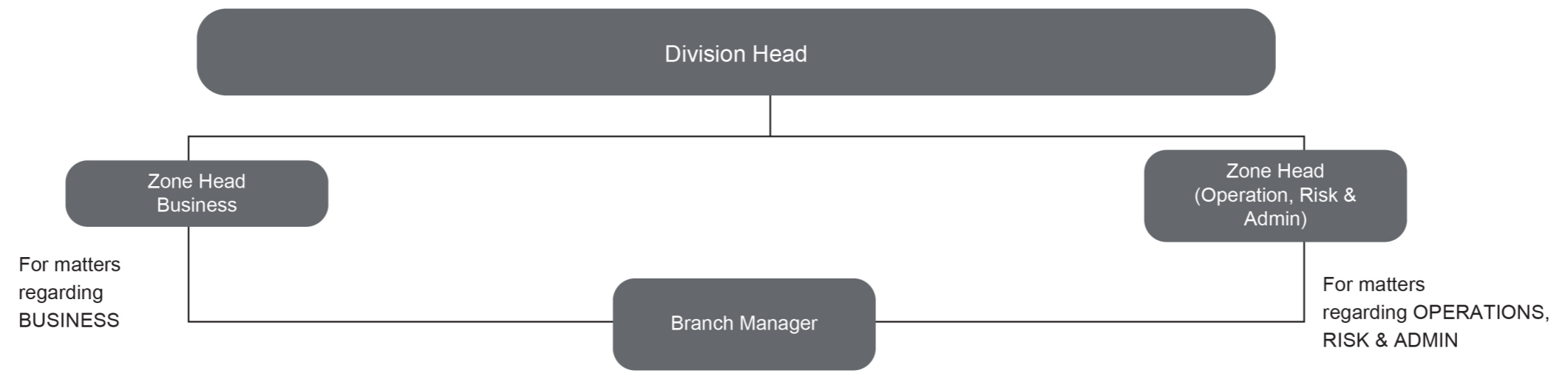
The Executive Committee (EXCO) led by the Executive Chairman of the Bank is the highest decision-making body among the management committees. It is composed of (11) Executive Officers from various functional roles. EXCO may further delegate responsibilities to management level committees or individuals as appropriate. EXCO implements the strategies set by the Board, review Bank's activities, policies, and standards. The Committee makes collective decisions for matters beyond the individual's authority of their own functional roles and being delegated.



Overall Organization Chart



Field Structure







ANNUAL REPORT

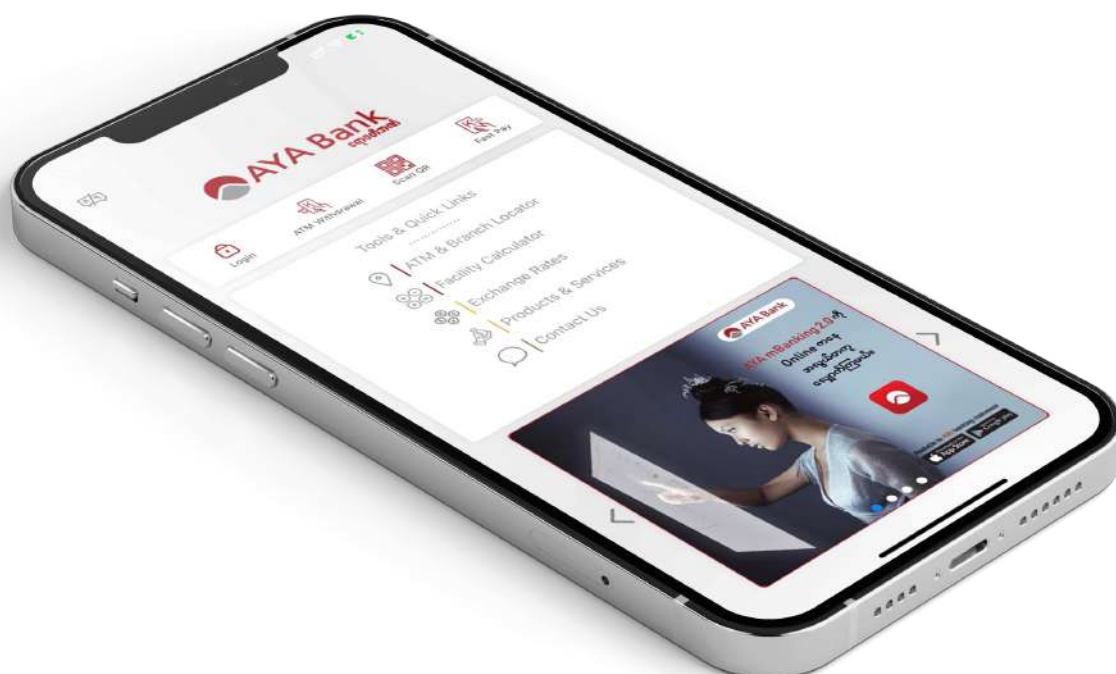
mBANKING, iBANKING and ATMs

2019 - 2020

The Ayeyarwady Bank Limited launched the Internet Banking (iB) System in 2014 to enable the public to access banking services using digital technology at a high standard and speed. In April; Mobile Banking (mB) Version 1.0 System, which can be used on mobile phones, was introduced in January 2015. In October 2019, the Mobile Banking Version 2.0 System was upgraded to make it easier for banking customers to use the services provided by the bank on a day-to-day basis. In addition, the Internet Banking system provides access to not only individual users but also businesses and organizations, making payments more convenient and progressive, as shown in the table below.

Comparison of AYA Mobile Banking financial services

 AYA Mobile Banking Version 1.0 <i>Published Date – 2014 - April</i>	 AYA Mobile Banking Version 2.0 <i>Published Date – 2019 - October</i>
Transfer between AYA accounts	Transfer between AYA accounts
Transfer between own accounts	Transfer between own accounts
Top-up Mobile Numbers	Top-up Mobile Numbers
Bill Payment	Bill Payment
	ATM Withdrawal
	Foreign Exchange Transfer
	Manage Credit Card
	Pay Credit Card Bill
	Fast Pay (Own, Other, Bill Payment, Top-up)
	Request Money
	Tax Payment



Comparison of AYA Mobile Banking financial services

AYA iBanking debut version	AYA iBanking current version
Transfer between AYA accounts	Transfer between AYA accounts
Transfer between own Accounts	Transfer between own Accounts
Top-up Mobile Numbers	Top-up Mobile Numbers
Bill Payment	Bill Payment
Pay Credit Card Bill	Pay Credit Card Bill
Schedule Transfer	Schedule Transfer
	Foreign Exchange Transfer
	Interbank Transfer
	Tax Payment



Comparison of AYA Internet Banking financial services for businesses and organizations

AYA iBanking debut version	AYA iBanking current version
Transfer between AYA accounts	Transfer between AYA accounts
Transfer between own Accounts	Transfer between own Accounts
Top-up Mobile Numbers	Top-up Mobile Numbers
Bill Payment	Bill Payment
Bulk Transfer	Bulk Transfer
Schedule Transfer	Schedule Transfer
	Interbank Transfer
	Tax Payment

AYA Mobile Banking and Internet Banking are working to make the following services available to customers in coming months.

1. Digital Coupon (iTunes Gift Card, Google Gift Card., Etc.)
2. Detailed review of Transaction History
3. Visa Prepaid Card Top up

ATMs Department

The Ayeyarwady Bank Limited provides the public with unlimited access to digital financial services anytime, anywhere with the convenience of an ATM card, Money transfer AYA ATM service was launched in 2012 with the aim of making it possible for bank transfers such as cash withdrawals and deposits to be used without the assistance of bank staff. Implementation began in February.

The following services are available at AYA ATM:

1. Cash Withdrawal
2. Fund Transfer
3. Balance Enquire
4. Pin Change
5. Card less Withdrawal

Future customers of AYA ATM can enjoy the following services:

1. Recharge your mobile.
2. Deposit cash.
3. Pay insurance premium.
4. Apply for personal loan.
5. Pay your bills.
6. Video teller machine (VTM)
7. Recycler machine
8. Vehicle / mobile ATM

AYA ATM service was launched at The Ayeyarwady Bank Limited in 2020. Until the end of September

- Number of ATMs (770)
- ATM Machine Total List and Update

April'2012 to March'2013	36
April'2013 to March'2014	46
April'2014 to March'2015	82
April'2015 to March'2016	110
April'2016 to March'2017	193
April '2017 to September'2018	209
October'2018 to September' 2019	72
October'2019 to September' 2020	22
Total	770





BRANCH OPERATIONS

2019 - 2020

Purpose

To drive operation strategy to meet specific competitive priorities of cost, quality, speed, flexibility, and controls.

Sections and Scopes

1. Operations Compliance and controls

- Branch Operations self- assessment
- Regulatory submissions and liaison with regulators
- Corrective Preventive Actions
- Insurance cover and security arrangements
- Key Controls requirement

- Incident Reporting
- Fraud Management
- Policy and process
- Information Sharing
- Examinations and Audit support

2. Supervision, Administration and Reporting

- New Branch Opening Readiness, Layout Finalization and Resource Support
- FX Exchange Counter readiness and License
- Departmental Budget and Administration
- QMS Support and Maintenance
- CBM and Regulatory approvals
- Branch Equipment and stationary reviews

- Regulatory and Management Reporting
- Centralized Operations
- Business Operations and Core System Support
- Centralized Currency movement and Controls.
- Customer Handling (Contact Center)

3. Centralized Operations

- Centralized Clearing, Cheque Issue and PO dealing
- CMS Collections Services
- Centralized CBM-Net Transaction Support

4. Business Operations and Core System Support

- System Administration and Configuration Support
- Branch Helpdesk Support
- Customization and Configuration of Report
- Liaise with Vendors for configuration

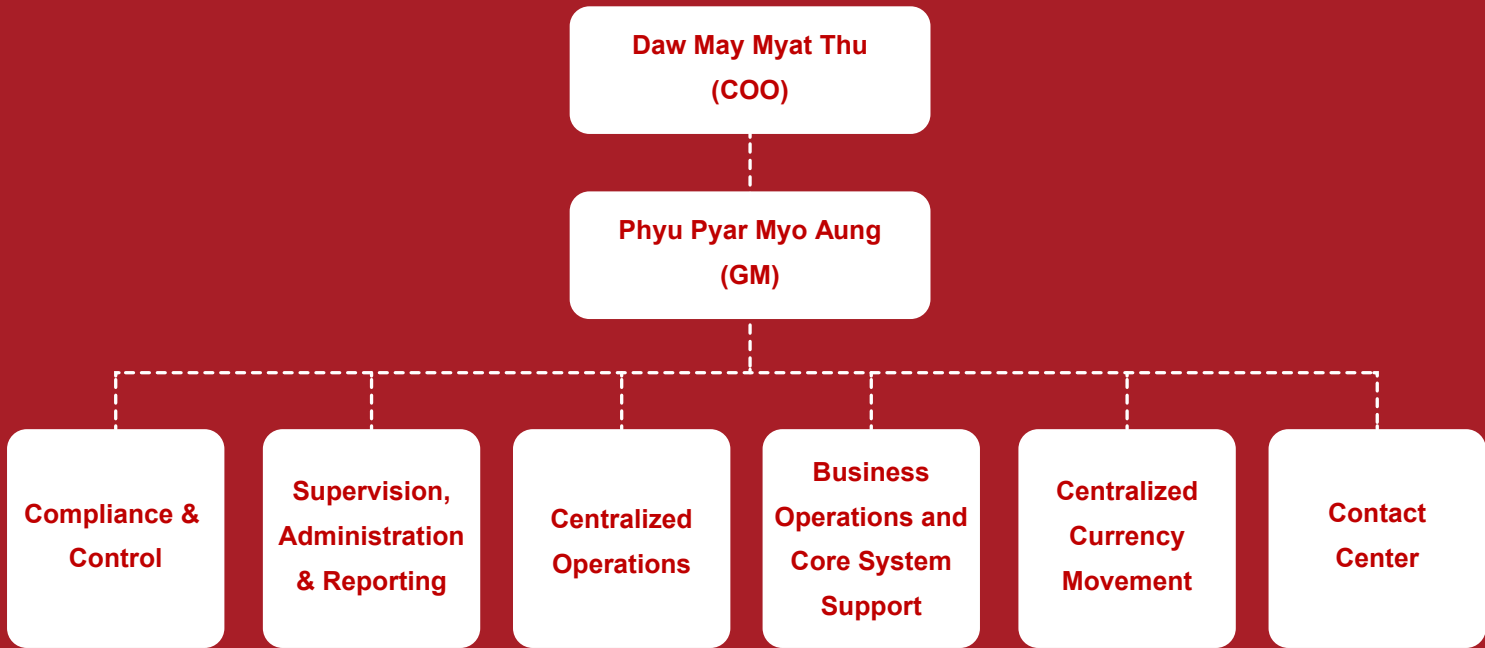
5. Centralized Currency movement and Controls.

- Currency movement Planning and execution to and from branches, branches to Depot and from CBM
- Liaise with CBM Currency and other Bank for currency movement
- Currency shipments
- ATM Cash Replenishment
- Security Arrangement

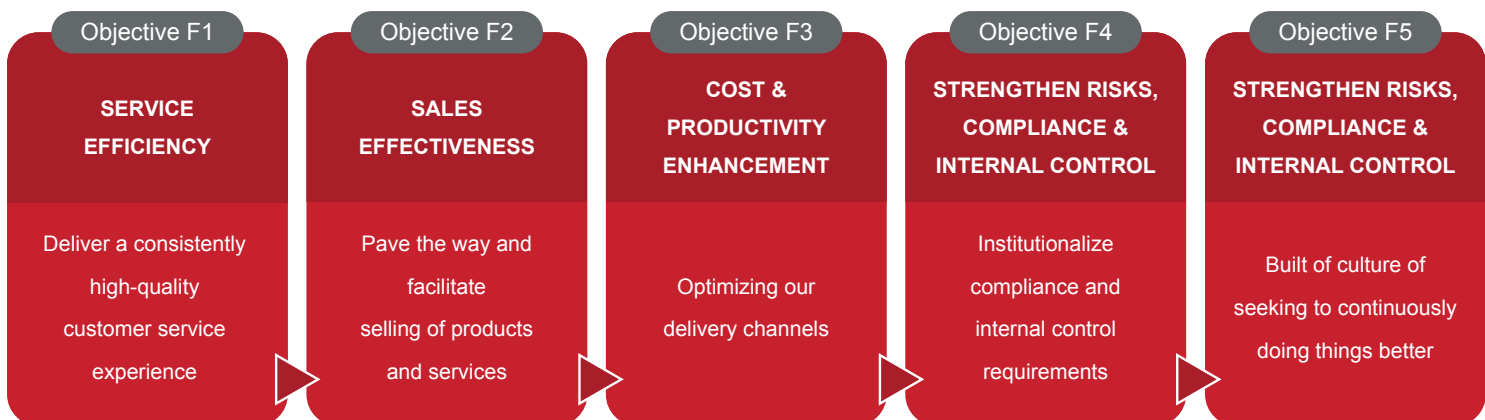
6. Customer's Service handling (Contact Center)

- Customer Complaint handling on all channels – emails, phone, and social media
- Liaising with HODs and Department Leads for escalation of queries
- Training for contact centre staff
- Support customer complaints via branches

Organization Structure



Core Targets and Deliverables





**Performance Up to Date -
Opened 265th branch in 2020**

**New Branches opened during 2019
October 1 to 2020 September 30**

**Yangon (105)
University Avenue-2
Branch**



**Yangon (106)
Kyimyindine-Zaygyi
Branch**



**Mandalay (26) Yaw
Min Gyi Branch**



**MDY-27 (Ohnchaw)
Branch**



Meikhtila (2) Branch



**Mawlamyaing (3)
Branch**



Hinthada (2) Branch



Hakha Branch



**Yangon (107) Shwe
Hin Tha Condo
Branch**



**Myawaddy (2)
Branch**



**Kyauk Ta Ga
Branch**



**Yangon (108) Tamwe
158ST Branch**



New Branches opened during 2019
October 1 to 2020 September 30

Yangon (109)
S/OKA Thumin Galar
Branch



Patheingyi (3) Branch



Naung Cho Branch



Yangon (110)
Hlaing Bata
Branch



Darka Branch



Pinlon Branch



Kawkaeyik Branch



Yangon (111)
South Okkalapa
Myitta Road



Yatsauk Branch



Yangon (112)
Shwedagon Pagoda
Road



Pharkant (2)
Sai Taung Branch





ANNUAL REPORT

LEARNING & DEVELOPMENT

2019 - 2020

AYA L&D 2019-2020

In AYA Bank, Learning & Development Department aims to provide effective learning solutions to train and develop mindset of being trusted partners and also support capacity development for sustainable success of the organization. In order to bridge the competence shift along transformation journey, L&D Strategy is set with the four areas below;

1. CULTIVATE “Learning Culture” that elevates the Growth Mindset of the employees to move the Organisation to next level.
2. ANCHOR “Competency Based Development Process” to ensure the impactful learning interventions that supports business strategy and also talent planning.
3. REVITALISE “L&D Portfolio” in accordance with the needs and utilize the full benefit of digital platforms for efficient learning solutions applicable across the Organisation.
4. ENHANCE “Leadership and Strategic Capabilities” to enable leaders to drive strategic agenda and develop high performing teams in digital transformation journey.

Along the way of Transformation journey, L&D had been working for relevant skill sets frameworks all AYA Employees and also initiated to provide digital learning opportunities across the Bank.



From early 2020, COVID 19 Pandemic had turned to explore new ways of workings in every aspects of business functions in the Organisations to ensure the business continuity. Ways of engagement and delivery approach had come to transform in Learning & Development function such as digital learning paths and online training sessions. AYA Bank had implemented Office365 Platform to enhance collaboration effectively and efficiently. Taking full benefit of being connected in Office 365 Platform, Learning & Development had SharePoint Platform as L&D Learning Portal where all AYA Staffs can access Programs, Product Knowledge, Internal Processes and Learning Contents from anytime and anywhere. Appreciating enormous support from IT Dept, training sessions on applications of digital communication tools were delivered for digital awareness among AYA Staffs.



Training Programs 2019-2020

Training Programs 2019-2020 were organized to ensure Employees' engagement and building competence by upskilling / reskilling to equip new mindset / skillset which are critical to work as trusted partners along with transformation agenda. These included Engagement Calls sessions with Top Management members, Leadership Development Programs, Compliance Awareness Programs, Internal Knowledge Sharing Programs, Product, System and Process Trainings and Functional Capacity Development Programs. Below depicts summary of training courses and programs conducted.

Course	Basic Banking		Supervisory (Branch)		Special Program		Knowledge Sharing	
	Batch	Pax	Batch	Pax	Batch	Pax	Times	Pax
2018	3	193	2	153	2	153	2	134
2019	8	546					8	230
2020	3	171					7	412
2021								
TOTAL	14	910	2	153	2	153	17	776



Skillset Frameworks and Process

New skill development Frameworks were established with three skillset areas in five levels of proficiencies to ensure competency and career development of AYA Staff. Those will become one of the promotions criteria for all AYA Staffs.

Blended learning interventions were initiated from the Leadership Development Programs and new Core Banking System / Process trainings where AYA's staff were provided digital learning platform to access pre-work course followed by more deep discussions with real case studies to apply in day-to-day operations.

In year 2020 had shifted from challenges to opportunities and started new ways of working in providing effective learning programs and efficient learning solutions for all AYA Staffs.

Career Development (Local)		Career Development (Oversea)		Career Development (Online)		AYA Essentials		Seminar/ AYA Talk	
Times	Pax	Times	Pax	Times	Pax	Times	Pax	Times	Pax
46	548	5	8	1	2	75	8218	2	541
34	568	2	4	1	3	54	5221	4	303
14	99			4	17	54	6823	2	100
				2	8	22	7349		
94	1215	7	12	38	235	205	27611	8	944



CORPORATE SOCIAL RESPONSIBILITY

2019 - 2020

AYA Bank, the largest component of AYA Financial Group, was founded in 2010 and consistently strives for the highest level of business performance as well as seriously takes account of responsibilities to the society. The bank, in cooperation with Ayeyarwady Foundation, navigates various CSR initiatives to help support the state's development activities in Myanmar and wellbeing of the community. To build trust and give back to the community, AYA Bank's CSR strategies are developed base on four main pillars: Healthy Lifestyle, Gender Equality, Digital Innovation and Natural Disaster.

Ayeyarwady foundation started its operation in 2008 by supporting and donating lifesaving materials, supporting the victims and families of Cyclone Nargis in their rehabilitations efforts and set up in 2010 as a non-profit organization to focus on five pillars of philanthropic activities: Health, Education, Disaster Management, Youth Development and Sports Programs and Responsible Business Practice Program.



Since the beginning of Covid-19 pandemic in Myanmar in March 2020, AYA Bank through Ayeyarwady Foundation has been participating in measures against COVID-19 and doing its utmost to combat pandemic in collaboration with Ministry of Health and Sports (MOHS). The Foundation commenced the contribution for COVID-19 prevention and treatment with MMK 100 million (\$ 74,000) worth medical aids including medical supplies, hospital equipment and preventive materials to Waibargi Hospital and Yankin Children Hospital in Yangon. Ayeyarwady Foundation also donated 15,000 bags of rice to the areas in need due to COVID-19 in Myanmar. The Foundation extended donation to monasteries and nunneries with cash, rice bags and masks. With constant encouragement to social communities, Ayeyarwady Foundation encouraged the children from orphanage and people from home for the aged in hard time of COVID-19 crisis, with the contributions of cash aids, rice aids and other food stuffs.

Furthermore, Ayeyarwady Foundation has set up quarantine camps converted from AYA Bank Training Center, three camps of Myanmar National Football Teams and National Football Academy (Yangon), which can hold 350 to be quarantined. The Foundation also funded MMK 500 million (\$ 0.37 million) worth of Health Insurance Benefit for Caregivers in Myanmar, who were actively working relentlessly across the country to contain and fight against the COVID-19 spread.

In June, Ayeyarwady Foundation continued contributions against COVID-19 in Myanmar, arranging the accommodations for 200 migrant workers who returned from Thailand as they were in difficulties to ease for quarantine in border town Myawaddy, Kayin State. The Foundation also contributed necessities, both cash and in kind to the quarantine centers in Myawaddy. The Foundation, in support of COVID-19 prevention and treatment, also donated medical equipment and cash, worth MMK 28 million (\$ 20,000) to hospitals in Sittwe, Rakhine State.

In September, in an effort to combat an alarming increase of COVID-19 cases, Ayeyarwady Foundation

constructed an emergency a temporary hospital at Thuwunna Youth Training Center to treat coronavirus patients. The hospital has a capacity to accommodate more than 500 beds with 100 medical staffs and volunteers. While clinical matters were taken care by the Ministry of Health and Sports, the Ayeyarwady Foundation offered medical equipment, accommodation and food to health personnel, volunteers and the patients. Through a combination of valuable human resources and other assistance, Ayeyarwady Center has treated more than 10,000 patients and tested more than 20,000 for the Covid-19 virus. With relentless efforts, more than 9,000 patients, including emergency patients, were able to return home healthily.

In October, as part of the requirements for the prevention of spread of corona virus, Ayeyarwady Foundation built COVID-19 Test Centre in Taikkyi to test highway truck drivers and handed over the Centre to the Yangon Region government on completion. With its continuous endeavors, Ayeyarwady Foundation, under the guidance of the Ministry of Health and Sports and Chief Minister of Mandalay Region, constructed 300-bed COVID-19 Treatment Centre in Mandalay. Donations in cash (MMK 45.8 million (\$34,000) and necessary supplies in kinds for COVID-19 prevention and treatment outreached to South Okkalapa Hospital in Yangon and Ayeyarwady Region.

In response to the COVID-19 pandemic and global air pollution, Ayeyarwady Foundation also planned to produce 5 million masks and distribute them to the needy and low-income people for free. The mask-making machines are now running and can produce up to 50,000 masks per day.

AYA Bank, in cooperation with the Ministry of Health and Sports, is working tirelessly to overcome the COVID-19 pandemic, and to ensure the healthcare and medical treatment for our customers, staffs and public.

AYA Bank integrated social responsibilities within core management systems and decision-making processes. Regarding internal CSR, AYA Bank drives initiatives that covered various categories for well-being of staff. AYA Bank



is committed to a work environment in which all individuals are treated with respect and dignity and to ensure that all its employees can work in an environment free from unlawful harassment, discrimination and retaliation. AYA Bank also established Non-Discrimination Policy that applied to all applicants and employees of AYA Bank and covered Equal Employment Opportunity, Retaliation and Sexual Harassment/ Harassment. To exercise this, AYA Bank also developed 'Grievance Channel' to handle sexual harassment and provided awareness session to all staff for gender equality.

'Two head offices already allocated 'Lactation Room' for mothers in accordance with UNICEF guidelines since 60% of AYA Bank staff are women.

AYA Bank provided COVID-19 Health Insurance Plan to all staff and implemented 'Sharing with Care' program to provide additional cash to non-clerical staff on top of their salary. . Under 'Sharing with Care' program, to ease difficulties during COVID-19 pandemic, AYA Bank distributed basic necessities to more than 2,200 non-clerical staff. As a humanitarian response, at the beginning of COVID-19 pandemic, AYA Bank granted 'Stay Home' with full salary for elderly staff, pregnant woman, mothers with child under six months, staff staying in lockdown areas and staff who are unfit to work. This arrangement was also extended until now as 'Work From Home'. To avoid using public transportation for the staff commuting to branches and head office, transportation arrangement with office ferries is provided. In the case of staff tested COVID-19 positive, AYA Bank took care not only of the staff but also of their family by provision of additional cash, and quarantine facility arrangement together with 'family care package' and 'healthcare package'.

U Zaw Zaw, Chairman of AYA Financial Group and Chairman of the Ayeyarwady Foundation, who has already contributed more than \$11 million to the country's COVID-19 measures, donated a further 2 billion kyats (\$1.5 million) to the COVID-19 vaccine fund raised by the National Committee on COVID-19 Prevention, Control and Treatment.

Apart from COVID-19 prevention and treatment, Ayeyarwady Foundation emphasized on conservation of Inle Lake for its water levels continue to decrease. Inle Lake, located in part of Shan Hills in Myanmar, is one of the top icons for Myanmar tourism and Myanmar environmental image. The foundation had steadily supported a multipurpose amphibian dredger and a professional staff over three years to eliminate common emergent aquatic weeds, such as water iris, bulrush, tulle, cattail, and water-borne algae. Along with the vision of conservation for Inle lake, Ayeyarwady Foundation also built the roads between thirty-four villages since 2016, and its support for the whole working process is MMK 800 million (\$0.6 million).

AYA Bank together with Ayeyarwady Foundation consistently made best endeavors to support health initiatives and promote environmental practices in 2020. AYA Bank is committed to continue to develop implement a wide range of corporate social responsibility programs covering a broad spectrum of compiled social, economic, and environmental issues often associated with rapidly changing society in which we operate.





ANNUAL REPORT

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

2019 - 2020

AYEYARWADY BANK LIMITED

Report of the directors

The directors present their report together with the audited financial statements of Ayeyarwady Bank Limited (the "Bank") for the year ended September 30, 2020.

1. DIRECTORS

The directors of the Company in office at the date of this report are

- U Zaw Zaw
- Daw Htay Htay Khine
- Daw Khin Saw Oo
- Daw Khin Ma Ma
- U Min Sein@Balawonikaykaray
- U Myint Zaw
- U Than Zaw
- Dr. Aung Tun Thet
- Dr. Tin Latt

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is to provide full banking services with two hundred and sixty-five branches across Myanmar.

3. DIRECTORS' INTEREST IN SHARES OR DEBENTURES

The directors holding office at the end of the financial year had no interests in the share capital of the Company as recorded in the register of directors' shareholdings kept by the Company, except as follows:

Shareholdings registered in name of director

Name of directors	At beginning of Year or date of appointment, if later	At end of year
U Zaw Zaw	901,000	901,000
Daw Htay Htay Khine	170,000	170,000
U Than Zaw	34,000	34,000

4. RESULTS OF THE BANK

The financial position of the Bank as at September 30, 2020 and the financial performance of the Bank for the year then ended are set out on page 6 and page 7, respectively.

5. DIVIDENDS

No dividend has been proposed by the Board of Directors of the Company for the year ended September 30, 2020.

Office : Yangon, Myanmar

No.416, Corner of Maharbandoola Road
& Maharbandoola Garden Street, Kyauktada Township.

Block No.(3/B), Quarter No-23(G-1)
Corner of Strand Road & Thit Taw Road,
River View Point Condominium, Ahlone Township

T +951 370500

F +951 370501

E info@ayabank.com.mm

www.ayabank.com

www.facebook.com/ayabank



6. AUDITORS

The financial statements have been audited by Ya Min Than, Certified Public Accountant and Engagement Partner of Win Thin and Associates Audit firm.

On behalf of the Board of Directors,



Myint Zaw
Managing Director
Ayeyarwady Bank Limited



Than Zaw
Vice Chairman
Ayeyarwady Bank Limited



Khin Saw Oo
Executive Chairman
Ayeyarwady Bank Limited

Date: October 31, 2021

**AYEYARWADY BANK LIMITED
STATEMENT BY DIRECTORS**

The Directors are pleased to submit their statement to the members, together with the audited statement of financial position of Ayeyarwady Bank Limited (the "Bank"), the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows together with the notes to the financial statements for the year ended September 30, 2020. These have been prepared in accordance with the provisions of Myanmar Companies Law (the "Law") and the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

In case of IFRS 9 Financial Instruments: Impairment of Financial Asset, the Bank continues to apply International Accounting Standards 39, Financial Instruments: Recognition and Measurement with loan loss provisioning modified by the Central Bank of Myanmar ("CBM") Notification No. 17/2017, Asset Classification and Provisioning Regulations, and CBM Instruction Letter No.MaBaBa/MP/FIR/(154/2020) dated May 5, 2020 to all financial institutions for extension period till August 31, 2023 for full compliance and the Section 39 of Financial Institution Law ("FIL") 2016.

In the opinion of the Directors, the statement of financial position of the Bank and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows, together with the notes thereon, as set out on pages 6 to 59, are drawn up so as to give a true and fair view of the financial position of the Bank as at September 30, 2020, and the financial performance, changes in equity and cash flows of the Bank for the year then ended and at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts when they fall due.

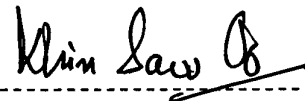
On behalf of the Board of Directors,



Myint Zaw
Managing Director
Ayeyarwady Bank Limited



Than Zaw
Vice Chairman
Ayeyarwady Bank Limited



Khin Saw Oo
Executive Chairman
Ayeyarwady Bank Limited

Date: October 31, 2021



ဝင်းသင်နှင့်အဖွဲ့၊ တရားစစ်များ။

WIN THIN & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

HEAD OFFICE:- Room (2B/2C) 1st Floor, Rose Condominium, No.182/194, Botahtaung Pagoda Road, Pazundaung Township, Yangon Region, Myanmar. Tel: 95-1-8201798, 8296164, Fax: 95-1-8245671 Email: info@winthinassociates.com

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

Ref: 114/A-88/ September 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of AYEYARWADY BANK LIMITED

Opinion

We have audited the financial statements of Ayeyarwady Bank Limited (the "Bank"), which comprise the statement of financial position as at September 30, 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 59.

In our opinion, the financial statements present fairly, in all material aspects, the financial position of the Bank as at September 30, 2020 and its financial performance and cash flows for the year then ended in accordance with the provisions of Myanmar Companies Law (the "Law") and the International Financial Reporting Standards ("IFRS"). In case of IFRS 9 Financial Instruments: Impairment of Financial Asset, the Bank continues to apply International Accounting Standards 39, Financial Instruments: Recognition and Measurement with loan loss provisioning modified by the Central Bank of Myanmar ("CBM") Notification No. 17/2017, Asset Classification and Provisioning Regulations, and CBM Instruction Letter No.MaBaBa/MP/FIR/(154/2020) dated May 5, 2020 to all financial institutions for extension period till August 31, 2023 for full compliance and the Section 39 of Financial Institution Law ("FIL") 2016 so as to give a true and fair view of the state of affairs of the Bank as at September 30, 2020, and the results, changes in equity and cash flows of the Bank for the financial period ended on that date.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) issued by International Auditing and Assurance Standards Board (the "IAASB"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis of accounting - Restriction on distribution or use

We draw attention to Note 2.1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Bank in complying with the financial reporting provisions required by its shareholders and business partners. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Bank, its shareholders and business partners and should not be distributed to or used by parties other than the Bank, its shareholders and business partners without prior consent. Our opinion is not modified in respect of this matter.

Other Matters

Another set of financial statements of the Bank for the year ended September 30, 2020 were prepared by management in accordance with Myanmar Companies Law (the "Law") and the Myanmar Financial Reporting Standards ("MFRS") including the modification of the requirements of Myanmar Accounting Standards 39, *Financial Instrument: Recognition and Measurement* in respect of loan loss provision by the Central Bank of Myanmar ("CBM") Notification No. 17/2017, *Asset Clarification and Provisioning Regulations*, and CBM Instruction Letter No.MaBaBa/MP/FIR/(154/2020) dated May 5, 2020 to all financial institutions for extension period till August 31, 2023 for full compliance and the Section 39 of Financial Institution Law ("FIL") 2016 and authorised for issue by the Board of Directors on May 31, 2021. We had expressed an unmodified opinion on those financial statements on May 31, 2021.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements in accordance with the accounting policies as described in Note 2.1 to the financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

The directors are responsible for overseeing the Bank's financial reporting process.

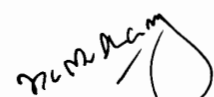
Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our considerations are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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



Ya Min Than (PAPP-418)
B.Com., CPA, DBL
Engagement Partner
WIN THIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS



Date: October 31, 2021


AYEYARWADY BANK LIMITED

STATEMENT OF FINANCIAL POSITION
September 30, 2020

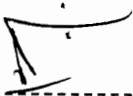
<i>In Kyats millions</i>	Note	September 30, 2020	September 30, 2019 (Restated)	October 1, 2018 (Restated)
ASSETS				
Cash and cash equivalents	8	954,799.1	865,507.3	761,552.2
Placement with other financial institutions	9	420,299.5	357,576.6	282,406.0
Investment securities	10	2,861,874.6	1,417,392.2	1,270,654.8
Loan and advances	11	3,167,728.7	2,967,790.6	2,740,447.8
Bills receivable		15,416.9	50,649.3	47,990.8
Other assets	15	151,743.1	141,884.1	153,850.1
Property, plant and equipment	12	357,640.9	348,614.8	357,301.5
Right-of-use assets	13	29,045.5	32,989.5	38,147.9
Intangible assets	14	11,515.8	6,437.5	4,388.5
Total Assets		7,970,064.1	6,188,841.9	5,656,739.6
LIABILITIES				
Deposits from banks	16	40,242.8	42,293.0	23,584.6
Deposits from customers	17	7,489,574.8	5,691,887.8	5,263,108.3
Repurchase agreement		-	70,448.4	-
Other liabilities	18	106,480.0	126,237.4	151,202.9
Lease liabilities	19	21,667.6	22,819.2	28,671.8
Subordinated Debt	20	52,340.0	-	-
Total Liabilities		7,710,305.2	5,953,685.8	5,466,567.6
EQUITY				
Share capital	21	130,000.0	130,000.0	125,000.0
Reserves	22	99,901.6	90,387.0	65,629.4
Retained earnings		29,857.3	14,769.1	(457.4)
Total Equity		259,758.9	235,156.1	190,172.0
Total Liabilities and Equity		7,970,064.1	6,188,841.9	5,656,739.6
OFF-BALANCE SHEET				
Contingent liabilities	29	238,807.1	369,441.8	252,042.9
Commitments	30	151,259.1	141,528.2	137,704.0

The accompanying notes form part of the financial statements

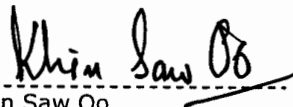
On behalf of the Board of Directors,



Myint Zaw
Managing Director
Ayeyarwady Bank Limited



Than Zaw
Vice Chairman
Ayeyarwady Bank Limited



Khin Saw Oo
Executive Chairman
Ayeyarwady Bank Limited

Date: October 31, 2021


AYEYARWADY BANK LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year Ended September 30, 2020


<i>In Kyats millions</i>	Note	October 1, 2019 to September 30, 2020	October 1, 2018 to September 30, 2019 (Restated)
Interest income	23	493,259.9	452,859.8
Interest expense	23	(387,329.1)	(359,728.7)
Net interest income		105,930.8	93,131.1
Fee and commission income	24	52,836.5	54,723.0
Fee and commission expense	24	(4,129.3)	(5,091.4)
Other expense	25	(4,952.5)	(3,674.9)
Net non-interest income		43,754.7	45,956.7
Income before operating expenses		149,685.5	139,087.8
General and administrative expense	26	(69,683.8)	(62,382.2)
Operating lease expense	30	(908.0)	(859.5)
Depreciation and amortisation	12/13/14	(24,311.9)	(24,031.5)
Other operating expense	27	(3,175.9)	(2,171.2)
Specific allowance	11	(18,418.7)	(10,373.7)
2% general loan loss provision		(4,500.0)	(19,500.0)
Total expenses		(120,998.3)	(119,318.1)
Profit before tax		28,687.2	19,769.7
Income tax (expense)/ credit	28	(8,559.5)	714.4
Net profit for the year representing total comprehensive income for the year		20,127.7	20,484.1

The accompanying notes form part of the financial statements.


On behalf of the Board of Directors,



 Myint Zaw
 Managing Director
 Ayeyarwady Bank Limited



 Than Zaw
 Vice Chairman
 Ayeyarwady Bank Limited



 Khin Saw Oo
 Executive Chairman
 Ayeyarwady Bank Limited

Date: October 31, 2021

AYEYARWADY BANK LIMITED

STATEMENT OF CHANGES IN EQUITY
Year Ended September 30, 2020

<i>In Kyats millions</i>	Note	Share Capital	Reserves	Retained Earnings	Total
Balance at April 1, 2018		120,000.0	41,422.0	352.2	161,774.2
Issued shares	19	5,000.0	-	-	5,000.0
Total comprehensive income for the year		-	-	30,020.7	30,020.7
Transfer to Statutory Reserves	20	-	7,724.7	(7,724.7)	-
Transfer to General Reserves	20	-	16,482.7	(16,482.7)	-
Adjustment for IFRS-16 Leasing		-	-	(6,622.9)	(6,622.9)
Balance at September 30, 2018 (Restated)		125,000.0	65,629.4	(457.4)	190,172.0
Issued shares	19	5,000.0	-	-	5,000.0
Total comprehensive income for the year		-	-	20,888.3	20,888.3
Transfer to Statutory Reserves	20	-	5,257.6	(5,257.6)	-
Transfer to General Reserves	20	-	19,500.0	-	19,500.0
Adjustment for IFRS-16 Leasing		-	-	(404.2)	(404.2)
Balance at September 30, 2019 (Restated)		130,000.0	90,387.0	14,769.1	235,156.1
Issued shares	19	-	-	-	-
Total comprehensive income for the year		-	-	20,293.2	20,293.2
Prior Year Adjustments		-	-	(24.9)	(24.9)
Transfer to Statutory Reserves	20	-	5,014.6	(5,014.6)	-
Transfer to General Reserves	20	-	4,500.0	-	4,500.0
Adjustment for IFRS-16 Leasing		-	-	(165.5)	(165.5)
Balance at September 30, 2020		130,000.0	99,901.6	29,857.3	259,758.9

The accompanying notes form part of the financial statements.

AYEYARWADY BANK LIMITED

STATEMENT OF CASH FLOWS
Year Ended September 30, 2020

<i>In Kyats millions</i>	Note	October 1, 2019 to September 30, 2020	October 1, 2018 to September 30, 2019 (Restated)
Cash flows from operating activities			
Profit before tax		28,687.2	19,769.7
Adjustment for:			
- Depreciation of property, plant and equipment	12	18,312.6	18,235.6
- Depreciation of right-of-use assets		5,729.7	5,592.0
- Amortisation of intangible assets	13	269.6	203.9
- 2% general loan loss reserve		4,500.0	19,500.0
- Specific allowance		18,328.7	10,373.7
- Effects of fixed assets written off	12	13.2	9.1
- (Gain)/ Loss on disposal of property, plant and equipment		(126.8)	12.9
		<u>75,714.2</u>	<u>73,696.9</u>
Changes in			
- Cash and balances with central bank/related corporations - restricted		1,832.8	(35,774.0)
- Placement with other financial institutions		(62,722.9)	(75,170.6)
- Investment securities		(1,444,482.4)	(146,737.4)
- Loan and advances		(218,266.8)	(237,716.5)
- Bills receivable		35,232.2	(2,658.5)
- Other assets		(9,791.9)	14,122.2
- Deposits from banks		(2,050.2)	18,708.4
- Deposits from customers		1,797,662.1	428,779.5
- Repurchase agreement		(70,448.4)	70,448.4
- Other liabilities		(28,372.1)	(24,385.9)
		<u>74,306.6</u>	<u>83,312.5</u>
Income tax paid		(11.7)	(2,021.4)
Net cash from operating activities		<u>74,294.9</u>	<u>81,291.1</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(23,448.3)	(16,614.8)
Acquisition of right-of-use assets		(1,785.6)	(433.7)
Acquisition of intangible assets		(9,461.2)	(2,252.9)
Proceeds from disposal of property, plant and equipment		336.5	7,043.9
Net cash used in investing activities		<u>(34,358.6)</u>	<u>(12,257.5)</u>
Cash flows from financing activities			
Repayment of lease liabilities		(1,151.6)	(5,852.5)
Issue of share capital	19	-	5,000.0
Subordinated Debt	18	52,340.0	-
Net cash from financing activities		<u>51,188.4</u>	<u>(852.5)</u>
Net increase in cash and cash equivalents		91,124.6	68,181.1
Cash and cash equivalents at beginning of the year		<u>503,601.9</u>	<u>435,420.8</u>
Cash and cash equivalents at end of the year (Note 8)		<u>594,726.5</u>	<u>503,601.9</u>

The accompanying notes form part of the financial statements. These notes form an integral part of and should be read in conjunction with the financial statements.

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended September 30, 2020

1. GENERAL

Ayeyarwady Bank Limited (the "Bank") is a private limited banking company registered by Ministry of National Planning and Economic Development, Directorate of Investment and Company Administration by its Registration No. 110312156 (former Registration No. 397 of 2010-2011) incorporated on June 14, 2010.

A Banking License No. MaPaBa/P-23/ (7) 2010 was issued on July 2, 2010 by the Central Bank of Myanmar ("CBM") to perform the functions initially restricted to item (a), (b), (h) and (i) of Section 25 of The Financial Institutions of Myanmar Law (1990) with provision that any additional functions will have to be applied for and approved in advance by the CBM.

The Bank was granted a Money Changer Licence No.CBM, FE MD (15/2011) dated October 24, 2011, and an Authorized Dealer Licence No. CBM, FE MD (77/2011) dated November 25, 2011. The Bank can therefore provide all banking services and transactions in both local and foreign currencies at the same time.

Pursuant to the enactment of the Financial Institutions Law in January 2016 ("FIL 2016"), the CBM issued Instruction 6/2016 dated June 30, 2016, directing all banks to surrender their licenses under Section 176, and to apply for a new one under Section 11 of the FIL2016.

As directed by the CBM, the Bank also surrendered the license mentioned in paragraphs above and simultaneously reapplied for the new license under FIL2016. The new license number MA BA BA / PA BA (R)-13/08/2016 was issued under FIL2016 on August 24, 2016. The new license for Commercial Banking Business is unconditional and more wide-ranging than the license surrendered by the Bank.

As at September 30, 2020, the Bank has established two hundred and sixty-five (265) branches all in Myanmar.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The financial statements are prepared to assist the Bank in complying with the financial reporting provisions required by its shareholders and business partners. The financial statements have been prepared in accordance with the provisions of Myanmar Companies Law (the "Law") and the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). In case of IFRS 9 Financial Instruments: Impairment of Financial Assets, the Bank continues to apply International Accounting Standards 39, Financial Instruments: Recognition and Measurement with loan loss provisioning modified by the Central Bank of Myanmar ("CBM") Notification No. 17/2017, Asset Classification and Provisioning Regulations, and CBM Instruction Letter No. MaBaBa/MP/FIR/(154/2020) dated May 5, 2020 to all financial institutions for extension period till August 31, 2023 for full compliance and the Section 39 of Financial Institution Law ("FIL") 2016.

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended September 30, 2020

2.2 Basis of preparation of financial statements

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2.3 New and revised IFRS Issued but not yet effective

The Bank has not applied the following relevant and new revised IFRSs that have been issued but not effective as at the reporting date:

Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IFRSs	Annual Improvements to IFRSs 2015 to 2017 Cycle
IFRIC 23	Uncertainty over Income Tax Payments
IAS 17	Insurance Contracts
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an investor and its Associates or Joint Venture (amendments)
Amendments to IFRS 3	Definition of a business
Amendments to IAS 1 and IAS 8	Definition of material
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards

Effective for annual periods beginning on or after January 1, 2020

The management anticipates that the adoption of the above IFRSs in future periods will not have a material impact on the financial statements on the Bank in the period of their initial adoption except for the following:

2.3 New and revised IFRS Issued but not yet effective (cont'd)

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the Impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2022.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

IFRS 10 and IAS 28 (Amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Bank's financial statements in future periods should such transactions arise.

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended September 30, 2020

2.3 New and revised IFRS Issued but not yet effective (cont'd)

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASB Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

2.4 Financial instruments

Financial assets and financial liabilities are recognised in the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.5 Financial Assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended September 30, 2020

2.5 Financial Assets (cont'd)

2.5.1 Amortised cost

Financial assets are measured at amortised cost if the financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. Gains and/or losses are recognised in profit or loss upon derecognition, reclassification or Impairment, and through the amortisation process. Interest Income calculated using the effective interest method is recognised in profit or loss. A modification gain or loss is recognised in profit or loss when the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset.

Financial assets measured at amortised cost are classified as current assets, except for those having maturity later than 12 months after the reporting date which are classified as non-current.

2.5.2 Fair Value Through Other Comprehensive Income (FVOCI)

Assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and for selling the financial assets, where those cash flows represent SPPI, are measured at FVOCI. Subsequent to initial recognition, financial assets at FVOCI are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses and interest income are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

2.5.3 Fair Value Through Profit or Loss (FVTPL)

Financial assets measured at FVTPL are financial assets that do not meet the criteria for amortised cost or FVOCI. On initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

2.5.4 Debt Instruments

Debt instruments are those instruments that meet the definition of financial liability from the issuers' perspective. The classification and subsequent measurement of debt instruments depend on the Bank's business model for managing the asset and the contractual cash flow characteristics of the asset.

2.5.5 Equity Instruments

Equity instruments are financial assets that meet the definition of equity, that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest. The Bank subsequently measures all equity instruments at FVTPL, except where the Bank has elected, at initial recognition, to irrevocably designate an equity instrument at FVOCI. When the election to FVOCI is made, fair value gains or losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Dividend representing the returns on such investments, continues to be recognised in profit or loss when the Bank's right to receive such payments is established.

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended September 30, 2020

2.5 Financial Assets (cont'd)

2.5.6 Impairment of financial assets

From April 1, 2018, the Bank continues to apply International Accounting Standards 39, Financial Instruments: Recognition and Measurement with loan loss provisioning modified by the Central Bank of Myanmar ("CBM") Notification No. 17/2017, Asset Classification and Provisioning Regulations, and the Section 39 of Financial Institution Law ("FIL") 2016.

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

For financial assets measured at amortised cost, If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the Impairment not been recognized.

Objective evidence of Impairment could include:

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

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

For financial assets that are carried at cost, the amount of the Impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

Credit quality - Classification of loans and advances, specific provisions and general provisions

Classification of loans and advances

The Bank categorises its loans and advance in accordance to IFRS 7 Financial Instruments: Disclosures to be categorised into "impaired", "past due but not impaired" and "current, standard and not impaired". Past due loans refer to loans that are overdue by one day or more. Impaired loans are non-performing loans with specific allowances made.

Furthermore, the Bank also categorises their loans past due in accordance with CBM Notification No. 17/2017 Asset Classification and Provisioning Regulations.

The Bank categorises its loans and advances in accordance with CBM's regulation No. 17/2017 on Loan Grading and Provisioning. In additional, loans and advances are required under IFRS 7 to be

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended September 30, 2020

2.5 Financial Assets (cont'd)

categorised into "impaired", "past due but not impaired" and "current, standard and not Impaired". Past due loans refer to loans that are overdue by one day or more. Impaired loans are non-performing loans with specific allowances made.

(i) Performing loans

Current and Standard grades indicate that the timely repayment of the outstanding credit facilities is not in doubt and the credit facility does not exhibit any potential weakness in repayment capability, business, cash flow or financial position of the borrower.

Watch grade indicates that the borrower exhibits potential weaknesses that, if not corrected in a timely manner, may affect future repayments and warrant close attention by the Bank.

Sub-standard grade indicates that the credit facilities exhibit definable weaknesses either in respect of business, cash flow or financial position of the borrower that may jeopardize repayment on existing terms.

2.5.6 Impairment of financial assets

(ii) Non-performing loans

In accordance with CBM Notification No. 17/2017 *Asset Classification and Provisioning Regulations*, "non-performing" means a loan or advance that is no longer generating income and which is classified as doubtful or loss.

In determining if the loan is non-performing, management also considers several factors such as expected future cash flows, the financial ability of the borrower to meet its obligations, and business and economic conditions.

Doubtful grade indicates that the credit facilities exhibit severe weaknesses such that the prospect of full recovery of the outstanding credit facilities is questionable and the prospect of a loss is high, but the exact amount remains undeterminable.

Loss grade indicates the amount of loan recovery is assessed to be insignificant. As per the CBM's Instruction, all loans with repayments over 180 days past due are classified as "Loss".

Specific Provisions

The Bank makes specific provision for impairment of loans and advances and other assets on and off-balance sheet in accordance with CBM Notification No. 17/2017 *Asset Classification and Provisioning Regulations*.

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

The specific provision shall be recorded in the Bank's accounts and charged to the profit and loss account in the month in which it occurs and shall not be spread over future periods. The Bank can however stagger the shortfall in the specific provisioning in equal amounts over a period of three years from the date of the Notification as prescribed in CBM Notification No. 17/2017 *Assets Classification and Provisioning Regulations*, and CBM Instruction Letter No. MaBaBa /MP /FIR/ (154/2020) dated May 5, 2020 to all financial institutions for extension period till August 31, 2023 for full compliance.

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended September 30, 2020

2.5 Financial Assets (cont'd)

Collaterals and credit enhancements are disclosed in Note 5.1.1.1.

General Provisions

Banks are required to maintain general loan loss reserve by making general loan provision up to 2% (September 2019: 2%) of total outstanding of loans and advances in accordance to CBM Notification No. 17/2017, *Assets Classification and Provisioning Regulations* and Letter No.2621/Ka Ka (1)/3/507/2018-2019 dated May 10, 2019 to charge as expense in the statement of profit or loss and other comprehensive income.

2.5.7 Derecognition of financial assets

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

2.6 Financial liabilities and equity instruments

2.6.1 Classification as debt or equity

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

2.6.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognised at the proceeds received, net of direct issue costs. Repurchase of the Bank's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

2.7 Financial liabilities

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

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Bank, are measured in accordance with the specific accounting policies set out below.

2.7.1 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

2.7 Financial liabilities (cont'd)

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

2.7.1 Financial liabilities at FVTPL (cont'd)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Bank that are designated by the Bank as at FVTPL are recognised in profit or loss. Fair value is determined in the manner described financial liabilities measured subsequently at amortised cost. Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating Interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (Including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

2.7.2 Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it Incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended September 30, 2020

2.7 Financial liabilities (cont'd)

measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above); and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

2.7.3 Derecognition of financial liabilities

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

When the Bank exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

2.8 Revenue recognition

2.8.1 Interest income and expense

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments "at Fair Value Through Profit or Loss".

In accordance to the CBM Notification No. 17/2017 *Assets Classification and Provisioning Regulations*, all interest income from non-performing loans is suspended under Loans and advances (Note 11) and shall only be recognized as income when the interest has been collected by the Bank.

2.8.2 Fees and commission income

The Bank's fee and commission income includes six types of fees and commission Income as follows and the assessment for each type of fee and commission income will be based on the five steps mentioned above.

- Service charges
- Exchange fees
- Commission fees
- Commitment fees

2.8 Revenue recognition (cont'd)

- Default fees
- SWIFT & Telex charges

Income is earned from a diverse range of services provided by the Bank to its customers. Fee income is accounted for as follows:

- Income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, commission arising from issuance of Payment Orders, Telegraphic Transfer and remittance and other services);
- income earned from the provision of financial facilities to customers is recognised as revenue as the services are provided (for example, default fees on loans, service charges and commitment fee for loans overdrafts), usually on a time - apportion basis as per the contracts.

2.8.2 Fees and commission income (cont'd)

The application of the requirements new IFRS 15 Revenue from contracts with customers has not resulted in the difference in recognition of fees and commission income of the Bank as IFRS 15 Revenue from contracts with customers requires satisfaction of performance obligation, and there is no change in recognition method upon adoption of IFRS 15.

2.9 Leasing

The Bank has adopted IFRS 16 with an initial application of 1 January 2019 and applied the full retrospective approach for transition to IFRS 16. Right-of-use assets and liabilities will be measured at the same amount, taking into consideration prepayments and accruals recognized as at each financial year.

The Bank has elected to apply the practical expedients not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

The Bank as a lessee

The Bank assesses whether a contract is or contains a lease at inception of a contract. At the date of initial application for leases previously classified as an operating lease applying MAS 17, the Bank shall choose, on a lease by lease basis, to measure at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under MAS 37.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. In estimating the lease liability and the corresponding right-of-use asset, the Bank considers the non-cancellable period, extension and termination options, rent free periods and estimated reinstatement cost. The extension and termination options are included in the lease term when it is reasonably certain to be exercised. The discount rate used to compute the present value of the lease payments in deriving the lease liability was estimated using the Bank's incremental borrowing rate which is defined as the rate of interest that the lessee would have to

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended September 30, 2020

2.9 Leasing (cont'd)

pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use-asset in a similar economic environment.

Leases under MAS 17 (adopted prior to 1 January 2019)

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

Operating lease — as a lessee

Operating lease payments are recognized as an operating expense in statement of income on a straight-line basis over the lease term.

2.10 Foreign currencies

The financial statements of the Bank are measured and presented in the currency of the primary economic environment in which the Bank operates (its functional currency). The functional currency of the Bank is assessed to be the Myanmar Kyat by management.

In preparing the financial statements for the Bank, transactions in currencies other than the Bank's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in

foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period.

2.11 Employee benefits

2.11.1 Short-term and other long-term employee benefits

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

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

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

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended September 30, 2020

2.12 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

2.12.1 Current tax

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

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

2.12.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.12.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

2.13 Property, Plant and equipment

Properties in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Bank's accounting policy. Such properties are classified and included in the respective categories of property, plant and equipment. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Buildings, fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

2.13 Property, Plant and equipment(cont'd)

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

• Buildings	50 years
• Leasehold improvements	Over period of the lease
• Office machine and other equipment	10 years
• Furniture, fixtures and fittings	10 years
• Electrical equipment and computer accessories	5 years
• Motor vehicles	10 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated useful lives, residual values and depreciation method are reviewed at end of each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

2.14 Intangible Assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their estimated useful life of 5 years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

2.15 Impairment of tangible and intangible assets other than goodwill

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

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

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

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

2.15 Impairment of tangible and intangible assets other than goodwill (cont'd)

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.16 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 risk 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 '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 effective interest rate.

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 'repurchase agreements', reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is treated as interest income and is accrued over the life of agreement using the effective interest rate.

2.17 Provisions

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

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

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

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended September 30, 2020

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

3.1 Critical judgements in applying accounting policies

In the process of applying the Bank's accounting policies, which are described in Note 2 to the financial statements, the management did not make any critical judgements that have a significant effect on the amount recognised in the financial statements.

3.2 Key sources of estimation uncertainty

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

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, *Asset Classification and Provisioning Regulations* including its annexure on the criteria for the valuation of security and collateral and the impairment methodology is disclosed in more detail in Note 2.4.6 and CBM Instruction Letter No.MaBaBa/MP/FIR/(154/2020) dated May 5, 2020 to all financial institutions for extension period till August 31, 2023 for full compliance.

A loan is impaired when there is objective evidence that events since the loan was granted, have affected expected cash flows from the loan. The impairment loss is the difference between the carrying value of the loan and the present value of estimated future cash flows at the loan's original effective interest rate. The Bank reviews its loans and advances to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in profit or loss, management exercises judgement on whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the loan before the decrease can be identified within an individual loan.

All impaired loans that exceed specific thresholds are individually assessed for impairment. Impairment losses are recognized in line with its internal policy on determining impaired loans as set out in Note 2.5.6. These estimates take into account the customer's debt capacity and financial flexibility; the amount and sources of cash flows; and the realisable value of any security held. Estimating the quantum and timing of future recoveries involves significant judgement. The size of receipts will depend on the future performance of the borrower and the value of security, both of which will be affected by future economic conditions. Additionally, collateral may not be readily marketable. The actual amount of future cash flows and the date they are received may differ from these estimates. Consequently, actual losses incurred may differ from those recognised in these financial statements.

3.2 Key sources of estimation uncertainty (Cont'd)

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets sections of Note 2.6). The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed. The Bank monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to reclassification of those assets.

Useful life of property, plant and equipment and intangible assets

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

Uncertain tax positions

The Bank is subject to income taxes in Myanmar. In determining income tax liabilities, management is required to estimate the amount of 2% general loan loss provision and the deductibility of certain expenses ("uncertain tax positions"). There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, the Bank makes adjustment for such differences in the income tax of the period in which such determination is made.

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended September 30, 2020

4. FINANCIAL INSTRUMENTS

4.1 Categories of financial instruments

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

<i>in Kyats millions</i>	September 30, 2020	September 30, 2019 (Restated)	October 1, 2020 (Restated)
Financial assets			
Loans and receivables:			
Cash and cash equivalents	954,799.1	865,507.3	761,552.2
Placement with other financial institutions	420,299.5	357,576.6	282,406.0
Loan and advances, net	3,167,728.7	2,967,790.6	2,740,447.8
Bills receivable	15,416.9	50,649.3	47,990.8
Other assets	92,518.5	79,333.5	114,246.2
Held-to-maturity investments			
Government securities	2,859,481.1	1,384,998.6	1,198,261.3
Government autions	-	30,000.0	70,000
Available-for-sale financial assets			
Unquoted equity share	2,393.6	2,393.6	2,393.6
	<u>7,512,637.4</u>	<u>5,738,249.5</u>	<u>5,217,297.9</u>
Financial liabilities			
At amortised cost:			
Deposit from banks	40,242.8	42,293.0	23,584.6
Deposit from customers	7,489,574.8	5,691,887.8	5,263,108.3
Repurchase agreement	-	70,448.5	-
Other liabilities	96,944.6	119,280.7	141,393.4
Subordinated debt	52,340.0	-	-
Lease liabilities	21,667.6	22,819.2	28,671.7
	<u>7,700,769.9</u>	<u>5,946,729.3</u>	<u>5,456,758.1</u>

4.2 Fair value of financial assets and liabilities

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

As at the end of each reporting period, the Bank did not hold any financial instruments which are measured at fair value on a recurring basis. The unquoted equity investments classified as available-for-sale, are carried at cost, less impairment because the fair value cannot be reliably estimated using valuation techniques supported by observable market data determined.

Except for long term Government treasury bonds which are classified as held-to-maturity, management considers that the carrying amounts of the financial assets and liabilities of the Bank recorded as amortised cost in the financial statements approximates their fair value, due to the relative short-term maturity of those financial instruments.

As quoted prices are not available from active markets, the fair value of the Government treasury bonds was determined using a discounted cash flow method, based on the contractual cash flows and current coupon rates as at the end of each reporting period. As at the end of the financial year, these instruments which are recorded at amortised cost approximates the fair value.

5. FINANCIAL RISK MANAGEMENT

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

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

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

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

5.1 Credit Risk

Credit risk is considered to be the risk of loss due to inability or unwillingness of the counterparty to fulfil its payment obligations to the Bank. Management has a credit policy in place. The Bank generally holds full collaterals against the credit facilities granted and the right to dispose of the collaterals when certain exposure thresholds are exceeded. The Bank generally only accepts land and buildings as collaterals, with other types of collaterals such as golds and machineries making up the minority of the population of collateral held. Credit evaluations to derive the Bank's risk exposures according to internal policies are performed on all clients at the inception of the loans and at loan roll over dates.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for loans and advances, which is a common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances include charges over land and buildings, gold, equipment, contract financing, guarantees, project contracting and residential properties.

All credit lending to non-bank customers is generally secured. In addition, in order to minimise credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

The fair value of collateral is valued by an independent assessor is based on valuation techniques commonly used for the corresponding assets, done before the inception of the loan. Loans are usually given between the margins of 30% to 70% of the Forced Sale Value, which is also independently estimated. There is periodic revaluation of the collaterals in subsequent periods and at the renewal/roll-over of a loan, the customer is questioned about any changes to the collateral at which point the need for a reappraisal will be decided.

The credit risk management and control are centralized with the Credit Committee, which reports to the Board of Directors on a monthly basis. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate

The Bank's policy requires the review of individual credit facility on a periodic basis or when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss on a case-by-case basis and subject to the approval of Credit Committee.

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended September 30, 2020

5.1 Credit Risk (cont'd)

5.1.1 Maximum exposure to credit risk

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

<i>In Kyats millions</i>	September 30, 2020	September 30, 2019	October 1, 2018
Cash and cash equivalents	463,514.8	428,501.7	392,087.7
Placement with other financial institutions	420,299.5	357,576.6	282,406.0
Investment securities	2,861,874.7	1,417,392.2	1,270,654.8
Loan and advances	3,167,728.7	2,967,790.6	2,740,447.8
Bills receivable	15,416.9	50,649.3	47,990.8
Other assets	92,518.5	79,333.5	114,246.2
Off-Balance Sheet			
Contingent liabilities	238,807.1	369,441.8	252,042.9
Undrawn loan commitments	151,259.1	141,528.2	137,704.0
Total maximum exposure to credit risk	7,411,419.3	5,812,213.9	5,237,580.2

5.1.1.1 Collateral and other credit enhancements

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

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

- Charges over land and buildings
- Charges over machines
- Mortgages over residential properties
- Gold
- Guarantees
- Charges over receivables

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 (Repossessed assets under the categories of other assets) 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.

As at September 30, 2020, 98% (September 30, 2019: 94%) of the carrying amount of loans and overdrafts as disclosed in note 11 are backed by tangible, realisable collateral and credit enhancements.

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended September 30, 2020

5.1 Credit Risk (cont'd)

5.1.2 Credit risk by industry

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

<i>In Kyats millions</i>	September 30, 2020	September 30, 2019
Agricultural	14,617.4	11,923.5
Construction	564,991.3	500,730.5
Livestock	22,119.0	15,840.9
Manufacturing	311,465.7	342,796.3
Service	594,811.9	580,874.8
Trading	1,175,820.7	1,130,312.7
Transportation	71,076.7	60,280.4
General	488,797.0	382,001.0
Interest in suspense	(36,919.2)	(36,246.4)
Specific allowance	(39,051.8)	(20,723.1)
	3,167,728.7	2,967,790.6

5.1.3 Credit quality of loans and advances

The Bank adopts an internally developed credit rating scale, which generally corresponds to the classification set out in the CBM Notification No. 17/2017 *Asset Classification and Provisioning Regulations* (Note 2.4.6). The following tables sets out the credit classification of the Bank's loans and advances as at September 30, 2020.

<i>In Kyats millions</i>	September 30, 2020	September 30, 2019
Current and Standard	2,706,299.3	2,430,113.9
Watch	34,305.0	76,748.3
Sub-standard	23,560.0	23,252.9
Doubtful	37,579.1	41,054.1
Loss	441,956.3	453,590.9
Interest in suspense	(36,919.2)	(36,246.4)
	3,206,780.5	2,988,513.7
Less: Specific allowance	(39,051.8)	(20,723.1)
	3,167,728.7	2,967,790.6

Details of specific allowances by collectability are as follows:

<i>In Kyats millions</i>	September 30, 2020	September 30, 2019
Current and Standard	-	-
Watch	56.1	86.2
Sub-standard	-	0.1
Doubtful	1,667.4	1,336.7
Loss	37,328.3	19,300.1
Balance at end of the year	39,051.8	20,723.1

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended September 30, 2020

5.1 Credit Risk (cont'd)

5.1.3 Credit quality of loans and advances (cont'd)

A reconciliation for the movement in specific allowance for impairment losses for the loans and advances is presented below.

<i>In Kyats millions</i>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Balance at beginning of year/period	20,723.1	10,349.4
Specific allowance recognised in profit or loss	22,109.3	13,733.6
Write-back of specific allowance	(3,780.6)	(3,359.9)
Balance at end of year	<u>39,051.8</u>	<u>20,723.1</u>

The table below sets out information about the loans and advances held by the Bank required under IFRS 7 *Financial Instruments: Disclosures*:

<i>In Kyats millions</i>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Current, Standard and not impaired	2,826,119.0	2,430,113.9
Past due but not impaired	417,580.7	594,646.2
Specific allowance	(39,051.8)	(20,723.1)
Interest in suspense	(36,919.2)	(36,246.4)
	<u>3,167,728.7</u>	<u>2,967,790.6</u>

Current, Standard and not impaired includes current loans with regular repayment and standard loans with repayment between 1 to 30 days. The past due loans and advances are not impaired as they are secured by tangible realizable collateral (referred to Note 5.1.1.1).

5.2 Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its cash flows obligations when they are due, such as upon the maturity of deposits or arising from loan draw-downs.

It is unusual for any bank to completely match the maturity profile of its assets and liabilities since business transacted is often of different terms and of different types. Therefore, controlled mismatching of the maturities of assets and liabilities is fundamental to the management of liquidity of the Bank.

The objective of liquidity risk management is to ensure that the Bank has the ability to generate sufficient cash or its equivalents, in a timely and cost effectively manner, to meet its commitments as they fall due.

The management of liquidity risk is centralised in the Treasury Department who reports to the Management and Asset/Liability Committee ("ALCO"). ALCO meeting is held on a monthly basis or more frequently, as required, to oversee liquidity risk management of the Bank and is supplemented by a "Funds Meeting" which is held weekly in addition to any meetings called by the Executive Management on a need to basis. The Bank has in place Business Contingency Plan ("BCP") and Contingency Funding Plan ("CFP") which include disaster situation facing by the Bank. The BCP covers operational steps and procedure of how to handle money transactions during disaster situation, while the CFP covers steps required to measures to ensure any liquidity related issues are addressed. The BCP & CFP are formulated to meet all contingencies arising not only from the ordinary course of business but also on liquidity crisis situation.

5.2 Liquidity Risk (cont'd)

As part of its liquidity risk management framework set by CBM regulations and the ALCO the Bank is required to maintain adequate liquid assets to manage its short-term liquidity. The Bank relies for its short-term liquidity on investments in government securities, borrowings from CBM, Repurchase Agreements ("Repo") of government securities and holding cash reserves. This serves to ensure full cash inflows are available to meet customer withdrawals upon maturity or earlier.

The Bank's liquidity ratios as of September 30, 2020 and September 30, 2019 were 50.39% and 32.79% respectively and hence more than 20% fixed by the CBM as per CBM Notification No. 19/2017 Liquidity Ratio.

5.2.1 Maturity analysis

The table below analyses the Bank's financial assets and liabilities on a contractual undiscounted cash flow basis, grouped based on the remaining contractual maturities as at the end of the reporting period. The adjustment column includes items which are part of the contractual undiscounted cash flows, such as interest payable or receivable, but are not included in the carrying amount of the financial instruments in the statement of financial position.

On a behavioral basis, the expected cash flows of some of these financial liabilities could vary significantly from the disclosures below. While deposits from customers are contractually on demand, these deposits have remained and are expected to remain relatively stable, and has been a source of long-term funding for the Bank, based on historical trends. Similarly, while undrawn loan commitments are contractually available on demand, these are not all expected to be drawn upon immediately, and, available at the discretion of the Bank which has the defector right to cancel the availability of the drawdown portion of loans.

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended September 30, 2020

5.2 Liquidity Risk (Cont'd)

In Kyats millions

	On demand or less than 3 months	3 months to 12 months	Over 1 year	No specific maturity	Adjustment	Total
As at September 30, 2020						
Assets						
Cash and cash equivalents	954,799.1	-	-	-	-	954,799.1
Placement with other financial institutions	413,312.9	7,817.9	-	-	(831.3)	420,299.5
Investment securities	822,625.6	327,952.7	2,220,551.7	2,393.5	(511,648.9)	2,861,874.6
Loan and advances	818,998.7	1,216,921.0	1,556,384.9	-	(424,575.9)	3,167,728.7
Bills receivable	15,416.9	-	-	-	-	15,416.9
Other assets	92,140.2	-	378.5	-	-	92,518.7
	3,117,293.4	1,552,691.6	3,777,315.1	2,393.5	(937,056.1)	7,512,637.5
Liabilities						
Deposits from banks	(40,242.8)	-	-	-	-	(40,242.8)
Deposits from customers	(6,346,397.7)	(1,295,905.7)	(242,627.6)	-	395,356.2	(7,489,574.8)
Other liabilities	(95,733.2)	-	(1,211.4)	-	-	(96,944.6)
Subordinated debt	-	-	(52,340.0)	-	-	(52,340.0)
Lease liabilities	(484.8)	(1,454.4)	(19,728.4)	-	-	(21,667.6)
	(6,482,858.5)	(1,297,360.1)	(315,907.4)	-	395,356.2	(7,700,769.8)
On-Balance Sheet Liquidity Gap	(3,365,565.1)	255,331.5	3,461,407.7	2,393.5	(541,699.9)	(188,132.3)
Off-Balance Sheet						
Contingent liabilities	(143,237.9)	(63,104.8)	(32,464.4)	-	-	(238,807.1)
Commitments	(53,679.7)	(94,560.4)	(3,019.0)	-	-	(151,259.1)
Off-Balance Sheet Liquidity Gap	(196,917.6)	(157,665.2)	(35,483.4)	-	-	(390,066.2)
Net Liquidity Gap	(3,562,482.7)	97,666.3	3,425,924.3	2,393.5	(541,699.9)	(578,198.5)

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended September 30, 2020

5.2 Liquidity Risk (Cont'd)

In Kyats millions

As at September 30, 2019
(Restated)

Assets

	On demand or less than 3 months	3 months to 12 months	Over 1 year	No specific maturity	Adjustment	Total
Cash and cash equivalents	865,507.3	-	-	-	-	865,507.3
Placement with other financial institutions	353,481.7	5,099.4	-	-	(1,004.5)	357,576.6
Investment securities	255,067.0	182,852.0	1,267,565.1	2,393.5	(290,485.4)	1,417,392.2
Loan and advances	723,639.7	649,792.6	2,157,820.0	-	(563,461.7)	2,967,790.6
Bills receivable	50,649.3	-	-	-	-	50,649.3
Other assets	79,010.3	-	323.3	-	-	79,333.6
	2,327,355.3	837,744.0	3,425,708.4	2,393.5	(854,951.6)	5,738,249.6

Liabilities

Deposits from banks	(42,293.0)	-	-	-	-	(42,293.0)
Deposits from customers	(5,074,710.7)	(986,726.7)	-	-	369,549.6	(5,691,887.8)
Repurchase agreement	(70,448.4)	-	-	-	-	(70,448.4)
Other liabilities	(118,069.4)	-	(1,211.4)	-	-	(119,280.8)
Lease liabilities	(165.3)	(495.9)	(22,158.0)	-	-	(22,819.2)
	(5,305,686.8)	(987,222.6)	(23,369.40)	-	369,549.6	(5,946,729.2)

**On-Balance Sheet
Liquidity Gap**

	(2,978,331.5)	(149,478.6)	3,402,339.0	2,393.5	(485,402.0)	(208,479.6)
--	---------------	-------------	-------------	---------	-------------	-------------

Off-Balance Sheet

Contingent liabilities	(271,259.0)	(37,530.7)	(60,652.1)	-	-	(369,441.8)
Commitments	(51,564.7)	(89,657.2)	(306.3)	-	-	(141,528.2)

**Off-Balance Sheet
Liquidity Gap**

	(322,823.7)	(127,187.9)	(60,958.4)	-	-	(510,970.0)
--	-------------	-------------	------------	---	---	-------------

Net Liquidity Gap

	(3,301,155.2)	(276,666.5)	3,341,380.6	2,393.5	(485,402.0)	(719,449.6)
--	---------------	-------------	-------------	---------	-------------	-------------

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended September 30, 2020

5.2 Liquidity Risk (Cont'd)

In Kyats millions

As at October 1, 2018 (Restated)

Assets

	On demand or less than 3 months	3 months to 12 months	Over 1 year	No specific maturity	Adjustment	Total
Cash and cash equivalents	761,786.5	-	-	-	(234.3)	761,552.2
Placement with other financial Institutions	283,938.7	-	-	-	(1,532.7)	282,406.0
Investment securities	259,046.2	177,455.9	1,106,901.1	2,393.5	(275,141.9)	1,270,654.8
Loan and advances	956,941.4	904,949.6	1,445,334.0	-	(566,777.2)	2,740,447.8
Bills receivable	47,990.8	-	-	-	-	47,990.8
Other assets	114,057.6	-	188.6	-	-	114,246.2
	<u>2,423,761.2</u>	<u>1,082,405.5</u>	<u>2,552,423.7</u>	<u>2,393.5</u>	<u>(843,686.1)</u>	<u>5,217,297.8</u>

Liabilities

Deposits from banks	(22,921.8)	(730.4)	-	-	67.6	(23,584.6)
Deposits from customers	(4,635,850.9)	(969,608.8)	-	-	342,351.4	(5,263,108.3)
Other liabilities	(140,182.0)	-	(1,211.4)	-	-	(141,393.4)
Lease liabilities	(1,513.5)	(4,540.5)	(22,617.7)	-	-	(28,671.7)
	<u>(4,800,468.2)</u>	<u>(974,879.7)</u>	<u>(23,829.10)</u>	<u>-</u>	<u>342,419.0</u>	<u>(5,456,758.0)</u>

**On-Balance Sheet
Liquidity Gap**

	(2,376,707.0)	107,525.8	2,528,594.6	2,393.5	(501,267.1)	(239,460.2)
--	---------------	-----------	-------------	---------	-------------	-------------

**Off-Balance Sheet
Contingent liabilities
Commitments**

	(189,878.3)	(34,410.3)	(27,754.3)	-	-	(252,042.9)
	<u>(23,154.0)</u>	<u>(103,546.1)</u>	<u>(11,003.9)</u>	<u>-</u>	<u>-</u>	<u>(137,704.0)</u>

**Off-Balance Sheet
Liquidity Gap**

	(213,032.3)	(137,956.4)	(38,758.2)	-	-	(389,746.9)
--	-------------	-------------	------------	---	---	-------------

Net Liquidity Gap

	<u>(2,589,739.3)</u>	<u>(30,430.6)</u>	<u>2,489,836.4</u>	<u>2,393.5</u>	<u>(501,267.1)</u>	<u>(629,207.1)</u>
--	----------------------	-------------------	--------------------	----------------	--------------------	--------------------

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended September 30, 2020

5.3 Interest Rate Risk

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

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

The interest rates charged or granted by the Bank are determined by a committee with oversight by Board of Directors. These interest rates are set within a band determined by the Central Bank of Myanmar. As of September 30, 2020, the interest rates on loans are subject to the following maximum caps:

- Loans and advances: 10% - 11 % per annum (Sep 2019: 12.5%-13 % per annum)
- Overdraft: 9 % per annum (Sep 2019: 12% per annum)

As at September 30, 2020, the interest rates on deposits are subject to the following minimums:

- Saving deposits: 6 % per annum (Sep 2019: 8% per annum)
- Fixed deposits: 7-8.5 % per annum (Sep 2019: 8-10% per annum)
- Call deposits: 2% per annum (Sep 2019: 2% per annum)

The tables below summarises the Bank's exposure to interest rate repricing risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended September 30, 2020

5.3 Interest Rate Risk (cont'd)

In Kyats millions

As at September 30, 2020

Assets

Cash and cash equivalents
Placement with other financial institutions
Investment securities
Loan and advances
Bills receivable
Other assets

	Weighted average interest rate (In %)	Within 3 months	3 months to 12 months	Over 1 year	Non-interest bearing	Total
	-	-	-	-	954,799.1	954,799.1
	1.04%	369,469.5	50,830.0	-	-	420,299.5
	9.21%	789,688.4	327,952.7	1,741,840.0	2,393.6	2,861,874.7
	10.20%	730,967.2	1,072,159.3	1,364,602.2	-	3,167,728.7
	-	-	-	-	15,416.9	15,416.9
	-	-	-	-	92,518.7	92,518.7
		<u>1,890,125.1</u>	<u>1,450,942.0</u>	<u>3,106,442.2</u>	<u>1,065,128.3</u>	<u>7,512,637.6</u>

Liabilities

Deposits from banks
Deposits from customers
Other liabilities
Subordinated debt
Lease liabilities

	-	-	-	-	(40,242.8)	(40,242.8)
	6.00%	(5,506,347.8)	(1,208,882.1)	(207,374.0)	(566,970.9)	(7,489,574.8)
	-	-	-	-	(96,944.6)	(96,944.6)
	-	-	-	(52,340.0)	-	(52,340.0)
	8.75% - 10.25%	(484.8)	(1,454.4)	(19,728.4)	-	(21,667.6)
		<u>(5,506,832.6)</u>	<u>(1,210,336.5)</u>	<u>(279,442.4)</u>	<u>(704,158.3)</u>	<u>(7,700,769.8)</u>

Net Interest Gap

	<u>(3,616,707.5)</u>	<u>240,605.5</u>	<u>2,826,999.8</u>	<u>360,970.0</u>	<u>(188,132.2)</u>
--	----------------------	------------------	--------------------	------------------	--------------------

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended September 30, 2020

5.3 Interest Rate Risk (cont'd)

<i>In Kyats millions</i>	Weighted average interest rate (in %)	Within 3 months	3 months to 12 months	Over 1 year	Non-interest bearing	Total
As at September 30, 2019 (Restated)						
Assets						
Cash and cash equivalents	-	-	-	-	865,507.3	865,507.3
Placement with other financial institutions	3.10%	268,712.0	88,864.6	-	-	357,576.6
Investment securities	9.40%	254,987.1	176,963.1	983,048.5	2,393.5	1,417,392.2
Loan and advances	12.70%	647,418.4	461,494.7	1,858,877.5	-	2,967,790.6
Bills receivable	-	-	-	-	50,649.3	50,649.3
Other assets	-	-	-	-	79,333.6	79,333.6
		<u>1,171,117.5</u>	<u>727,322.4</u>	<u>2,841,926.0</u>	<u>997,883.7</u>	<u>5,738,249.6</u>
Liabilities						
Deposits from banks	-	-	-	-	(42,293.0)	(42,293.0)
Deposits from customers	7.50%	(4,391,253.0)	(910,856.1)	-	(389,778.7)	(5,691,887.8)
Repurchase agreement	7.00%	(70,448.4)	-	-	-	(70,448.4)
Other liabilities	-	-	-	-	(119,280.8)	(119,280.8)
Lease liabilities	8.75% - 10.25%	(165.3)	(495.9)	(22,158.0)	-	(22,819.2)
		<u>(4,461,866.7)</u>	<u>(911,352.0)</u>	<u>(22,158.0)</u>	<u>(551,352.5)</u>	<u>(5,946,729.2)</u>
Net Interest Gap		<u>(3,290,749.2)</u>	<u>(184,029.6)</u>	<u>2,819,768.0</u>	<u>446,531.2</u>	<u>(208,479.6)</u>

AYYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended September 30, 2020

5.3 Interest Rate Risk (cont'd)

<i>In Kyats millions</i>	Weighted average interest rate (in %)	Within 3 months	3 months to 12 months	Over 1 year	Non-interest bearing	Total
As at October 1, 2018 (Restated)						
Assets						
Cash and cash equivalents	10.0%	9,500.0	-	-	752,052.2	761,552.2
Placement with other financial institutions	2.8%	265,892.0	16,514.0	-	-	282,406.0
Investment securities	9.1%	251,158.5	162,282.3	854,820.5	2,393.5	1,270,654.8
Loan and advances	12.6%	880,509.2	759,658.3	1,100,280.3	-	2,740,447.8
Bills receivable	-	-	-	-	47,990.8	47,990.8
Other assets	-	-	-	-	114,246.2	114,246.2
		<u>1,407,059.7</u>	<u>938,454.6</u>	<u>1,955,100.8</u>	<u>916,682.7</u>	<u>5,217,297.8</u>
Liabilities						
Deposits from banks	9.7%	(33.0)	(665.5)	-	(22,886.1)	(23,584.6)
Deposits from customers	7.5%	(4,029,873.2)	(894,384.2)	-	(338,850.9)	(5,263,108.3)
Other liabilities	-	-	-	-	(141,393.4)	(141,393.4)
Lease liabilities	8.75% - 10.25%	(1,513.5)	(4,540.5)	(22,617.7)	-	(28,671.7)
		<u>(4,031,419.7)</u>	<u>(899,590.2)</u>	<u>(22,617.7)</u>	<u>(503,130.4)</u>	<u>(5,456,758.0)</u>
Net Interest Gap		<u>(2,624,360.0)</u>	<u>38,864.4</u>	<u>1,932,483.1</u>	<u>413,552.3</u>	<u>(239,460.2)</u>

AYEYARWADY BANK LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

Year ended September 30, 2020

5.4 Currency risk

Currency risk is the potential adverse impact on the Bank's earnings and economic value due to currency rate movement. The Bank is exposed to currency risk in the spot foreign exchange markets. The Bank mitigates currency risk by attempting to square its Net Open Position on a daily basis through active trading as well as participating in CBM auctions of USD.

*In Kyats millions***As at September 30, 2020****Assets**

	USD	EUR	SGD	Others	Total
Cash and cash equivalents	111,672.3	2,943.7	3,181.6	302.1	118,099.7
Placement with other financial institutions	378,156.5	-	-	-	378,156.5
Loan and advances	31,414.1	-	-	-	31,414.1
Bills receivable	15,390.9	-	-	26.0	15,416.9
Other assets	1,963.0	(3.6)	1.0	-	1,960.4
	538,596.8	2,940.1	3,182.6	328.1	545,047.6

Liabilities

Deposits from banks	(6,838.3)	(4.2)	(0.1)	-	(6,842.6)
Deposits from customers	(310,808.9)	(3,602.2)	(419.5)	-	(314,830.6)
Other liabilities	(32,822.0)	(2,343.2)	(365.5)	-	(35,530.7)
Subordinated debt	(52,340.0)	-	-	-	(52,340.0)
	(402,809.2)	(5,949.6)	(785.1)	-	(409,543.9)

Net Currency Gap

	135,787.6	(3,009.5)	2,397.5	328.1	135,503.7
--	-----------	-----------	---------	-------	-----------

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended September 30, 2020

5.4 Currency risk (cont'd)

In Kyats millions

	USD	EUR	SGD	Others	Total
As at September 30, 2019					
Assets					
Cash and cash equivalents	69,760.6	5,675.5	7,052.3	229.1	82,717.5
Placement with other financial institutions	313,457.6	-	-	-	313,457.6
Loan and advances	43,984.0	-	-	-	43,984.0
Bills receivable	50,617.8	-	-	31.5	50,649.3
Other assets	2,436.0	(6.6)	1.2	-	2,430.6
	480,256.0	5,668.9	7,053.5	260.6	493,239.0
Liabilities					
Deposits from banks	(9,390.8)	(4.6)	(0.1)	-	(9,395.5)
Deposits from customers	(221,184.3)	(1,552.2)	(686.6)	-	(223,423.1)
Other liabilities	(42,202.9)	(515.1)	(403.9)	-	(43,121.9)
	(272,778.0)	(2,071.9)	(1,090.6)	-	(275,940.5)
Net Currency Gap	207,478.0	3,597.0	5,962.9	260.6	217,298.5

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended September 30, 2020

5.4 Currency risk (cont'd)

5.4.1 Currency sensitivity

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

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

<i>In Kyats millions</i>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
USD	13,578.8	20,747.8
EUR	(301.0)	359.7
SGD	239.7	596.3
Others	<u>32.8</u>	<u>26.1</u>

6 CAPITAL MANAGEMENT

The objectives of the Bank's capital management are to maintain an optimal level of capital, which is adequate to support business growth, commensurate with the Bank's risk profile and meet the regulatory requirements. The management of capital funds is centralised in the Treasury department and monitored daily by the Finance department.

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

As at September 30, 2020, the Bank reported a Tier 1 capital ratio of 5.47% (4% fixed by CBM) and capital adequacy ratio of 8.13% (8% fixed by CBM) based on the revised computation method.

7 RELATED PARTY TRANSACTIONS

The Bank's shareholders are disclosed in Note 18. The Bank is controlled by U Zaw Zaw ("Controlling Shareholder"). Shareholders with more than 10% shares in the Bank are considered to have significant influence on the Bank ("Significant Shareholders"). The Bank's related parties are determined based on the CBM Directive 11/2019 dated March 25, 2019 and IAS 24 Related party disclosures.

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended September 30, 2020

7. RELATED PARTY TRANSACTIONS (cont'd)

7.1 Compensation of Key Management Personnel

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any director (whether executive or otherwise) of the Bank.

The following table sets out the compensation for Key Management Personnel of the Bank in exchange for services rendered to the Bank for the period they served during the year:

<i>In Kyats millions</i>	October 01, 2019 to September 30, 2020	October 01, 2018 to September 30, 2019
Short term employee benefits	1,673.3	1,537.6

7.2 Transactions with Related Parties

All related party transactions were made in the ordinary course of business on an arm's length basis. In addition to information disclosed elsewhere in the financial statements, the following table sets out other significant transactions and balances with related parties:

<i>In Kyats millions</i>	October 01, 2019 to September 30, 2020	October 01, 2018 to September 30, 2019
Transactions with related parties during the financial year:		
Expenses paid/accrued	1,023.6	1,059.7
Other payments to related parties during the financial year:		
Payments for property, plant and equipment	9,460.4	9,474.3
	September 30, 2020	September 30, 2019
Balances from related parties as at the end of financial year:		
Deposits held	1,541.2	3,082.3

8 CASH AND CASH EQUIVALENTS

<i>In Kyats millions</i>	September 30, 2020	September 30, 2020
Cash on hand	491,284.3	437,005.6
Account with Central Bank of Myanmar	360,072.6	361,905.4
Account with foreign banks	95,790.7	48,782.2
Account with state-owned banks	5,473.5	11,054.5
Account with private and other banks	2,178.0	6,759.6
	954,799.1	865,507.3
Less: Cash and balances with central bank of Myanmar - restricted for 3.5% minimum reserve (September 30, 2019: 5% minimum reserve)	(360,072.6)	(361,905.4)
	594,726.5	503,601.9

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended September 30, 2020

8 CASH AND CASH EQUIVALENTS(cont'd)

Pursuant to the Central Bank of Myanmar ("CBM") Notification No.6/2020 Minimum Reserve Requirement on 3.5% of deposit balance, the Bank maintained 345,372.3 million Kyats and 11.2 million United State Dollars (September 30, 2019: 349,590.2 million Kyats and 8.0 million United State Dollars) in deposit account at Central Bank of Myanmar which is equivalent to total 360,072.6 million Kyats (September 30, 2019: 361,905.4 million Kyats).

9 PLACEMENT WITH OTHER FINANCIAL INSTITUTIONS

<i>In Kyats millions</i>	September 30, 2020	September 30, 2019
Placement with foreign banks	420,299.5	354,511.0
Placement with domestic private banks	-	3,065.6
	<u>420,299.5</u>	<u>357,576.6</u>

10 INVESTMENT SECURITIES

<i>In Kyats millions</i>	September 30, 2020	September 30, 2019 (Restated)	October 1, 2018 (Restated)
At amortised cost,			
- Government treasury bonds (Note 10.1)	2,072,918.3	1,240,887.5	1,059,442.7
- Government treasury bills	786,562.8	144,111.2	138,818.6
- Central Bank deposit auctions	-	30,000.0	70,000.0
	<u>2,859,481.1</u>	<u>1,414,998.7</u>	<u>1,268,261.3</u>
Unquoted equity shares at cost	2,393.5	2,393.5	2,393.5
	<u>2,861,874.6</u>	<u>1,417,392.3</u>	<u>1,270,654.8</u>

10.1 Government treasury bonds

Due to initial application of IFRS 9, the following financial statement line items are affected.

In kyats million

	September 30, 2020	September 30, 2019 (Restated)	October 1, 2018 (Restated)
Reported balance	2,072,981.4	1,241,185.7	1,059,599.7
Adjustment for IFRS 9			
Impact on interest income and investment securities			
Prior year adjustment	(298.2)	(157.0)	-
Current year adjustment	235.1	(141.2)	(157.0)
Balance (Restated)	<u>2,072,918.3</u>	<u>1,240,887.5</u>	<u>1,059,442.7</u>

The impact of the adoption of IFRS 9 on the full year of 2018 and full year of 2019 results are as follows:

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended September 30, 2020

10 INVESTMENT SECURITIES (cont'd)

In kyats million

	2018 Reported as	IFRS 9 impacts	2018 Restated as
Income statements			
Interest income (Note 23)	202,501.2	(157.0)	202,344.2
Total comprehensive income for the year	30,177.7	(157.0)	30,020.7
Statement of financial position			
Investment securities	1,270,811.8	(157.0)	1,270,654.8
Retained earnings	6,322.5	(157.0)	6,165.5

In kyats million

	2019 Reported as	IFRS 9 impacts	2019 Restated as
Income statements			
Interest income (Note 23)	453,001.0	(141.2)	452,859.8
Total comprehensive income for the year	21,029.5	(141.2)	20,888.3
Statement of financial position			
Investment securities	1,417,690.4	(298.2)	1,417,392.2
Retained earnings	22,094.4	(298.2)	21,796.2

11 LOANS AND ADVANCES

In Kyats millions

	September 30, 2020	September 30, 2019
Demand loans	2,338,088.8	2,143,581.7
Overdrafts	436,838.6	523,682.6
Hire purchase	431,785.7	318,735.9
Staff loans	3,902.9	3,818.3
Credit card receivables from customers	33,083.7	34,941.6
Interest in suspense	(36,919.2)	(36,246.4)
Loans and advances, gross	3,206,780.5	2,988,513.7
Less: Specific allowance	(39,051.8)	(20,723.1)
Loans and advances, net	3,167,728.7	2,967,790.6

During the year, the Bank had provided the specific allowance amounting 18,328.7 million Kyats on the shortfall of collaterals based on CBM Notification No. 17/2017, *Assets Classification and Provisioning Regulations*, and CBM Instruction Letter No. MaBaBa/MP/FIR/ (154/2020) dated May 5, 2020 to all financial institutions for extension period till August 31, 2023 for full compliance.

NOTES TO THE FINANCIAL STATEMENTS
Year ended September 30, 2020

12 PROPERTY, PLANT AND EQUIPMENT

<i>In Kyats millions</i>	Building	Land	Office machine and other equipment	Furniture, fixtures and fittings	Electrical equipment and computer accessories	Motor vehicles	Total
Cost							
Balance at October 1, 2018	148,155.4	159,335.7	32,426.4	5,678.2	41,519.5	12,211.5	399,326.7
Additions	7,246.1	2,419.6	915.2	735.6	4,065.7	1,232.6	16,614.8
Disposals	(1,862.1)	(4,651.6)	-	-	(0.5)	(1,225.3)	(7,739.5)
Write offs	-	-	(2.6)	(4.5)	(22.4)	(0.6)	(30.1)
Reclassifications	903.5	(951.0)	-	-	47.5	-	-
Balance at September 30, 2019	154,442.9	156,152.7	33,339.0	6,409.3	45,609.8	12,218.2	408,171.9
Additions	9,997.9	9,435.7	1,041.6	65.3	2,347.1	560.7	23,448.3
Transfer	-	-	-	-	4,113.3	-	4,113.3
Disposals	-	-	-	-	(3.3)	(599.3)	(602.6)
Write offs	-	-	(2.3)	(12.3)	(37.9)	-	(52.5)
Reclassifications	498.7	(983.6)	-	148.5	336.4	-	-
Balance at September 30, 2020	164,939.5	164,604.8	34,378.3	6,610.8	52,365.4	12,179.6	435,078.4
Accumulated depreciation							
Balance at October 1, 2018	12,799.1	-	7,541.8	1,108.8	16,753.8	3,821.7	42,025.2
Depreciation for the year	5,044.7	-	3,282.6	604.0	8,088.1	1,216.2	18,235.5
Disposals	-	-	-	-	(0.1)	(682.7)	(682.7)
Write offs	-	-	(1.6)	(1.9)	(17.2)	(0.3)	(21.0)
Reclassifications	-	-	-	-	-	-	-
Balance at September 30, 2019	17,843.8	-	10,822.8	1,710.9	24,824.6	4,355.0	59,557.1
Depreciation for the year	4,497.5	-	3,363.6	656.2	8,595.0	1,200.2	18,312.5
Disposals	-	-	-	-	(1.4)	(391.4)	(392.8)
Write offs	-	-	(1.3)	(6.3)	(31.7)	-	(39.3)
Reclassifications	-	-	-	-	-	-	-
Balance at September 30, 2020	22,341.3	-	14,185.1	2,360.8	33,386.5	5,163.8	77,437.5
Carrying amount							
As at September 30, 2019	136,599.1	156,152.7	22,516.2	4,698.4	20,785.2	7,863.2	348,614.8
As at September 30, 2020	142,598.2	164,604.8	20,193.2	4,250.0	18,978.9	7,015.8	357,640.9

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended September 30, 2020

13 RIGHT-OF-USE ASSETS

Due to initial application of IFRS 16, the movement of the Right-Of-Use Assets is as follows:

In Kyats millions

	September 30, 2020	September 30, 2019 (Restated)	October 1, 2018 (Restated)
Cost			
Opening	54,704.7	54,271.0	-
Adjustment for IFRS 16	1,785.7	433.7	54,271.0
Balance (Restated)	56,490.4	54,704.7	54,271.0
Accumulated depreciation			
Opening	21,715.2	16,123.1	-
Adjustment for IFRS 16	5,729.7	5,592.1	16,123.1
Balance (Restated)	27,444.9	21,715.2	16,123.1
Carrying amount	29,045.5	32,989.5	38,147.9

The Bank leases mainly land and buildings for its head office and branches.

The following financial statement line items are affected due to the impact of the adoption of IFRS 16 (on the full year of 2018 and full year of 2019) and the results are as follows:

In Kyats millions

	2018 Reported as	IFRS 16 impacts	2018 Restated as
Income statements			
Amortisation (Including Depreciation and amortisation)	(8,355.0)	(2,792.0)	(11,147.0)
Finance cost (Including interest expenses)	(167,482.2)	(1,490.9)	(168,973.1)
Rental expenses (including Operating lease expenses)	(3,827.8)	3,528.6	(299.2)
Income tax expenses	(10,367.0)	188.6	(10,178.4)
Total comprehensive income for the year	30,020.7	(565.7)	29,455.0
Statement of financial position			
Right-of-use assets (Note 13)	-	54,271.0	54,271.0
Accumulated amortisation(Disclosed under Right- of -use assets (Note 13)	-	(16,123.1)	(16,123.1)
Lease liabilities (Note 19)	-	(28,671.8)	(28,671.8)
Other assets (including prepayment & deferred tax assets)(Note 15)	168,737.7	(14,887.6)	153,850.1
Other liabilities including deferred tax liabilities (Note 18)	(149,991.5)	(1,211.4)	(151,202.9)
Retained earnings	(6,165.5)	6,622.9	457.4

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended September 30, 2020

13 RIGHT-OF-USE ASSETS (CONT'D)

In Kyats millions

	2019 Reported as	IFRS 16 impacts	2019 Restated as
Income statements			
Amortisation (Including Depreciation and amortisation)	(18,439.5)	(5,592.0)	(24,031.5)
Finance cost (Including interest expenses)	(357,190.2)	(2,538.5)	(359,728.6)
Rental expenses (including Operating lease expenses)	(8,451.0)	7,591.5	(859.5)
Income tax expenses	579.6	134.8	714.3
Total comprehensive income for the year	20,888.3	(404.2)	20,484.1
Statement of financial position			
Right-of-use assets (Note 13)	-	54,704.7	54,704.7
Accumulated amortisation (Disclosed under Right-of-use assets (Note 13))	-	(21,715.2)	(21,715.2)
Lease liabilities (Note 19)	-	(22,819.2)	(22,819.2)
Other assets (including prepayment & deferred tax assets) (Note 15)	157,870.1	(15,986.0)	141,884.1
Other liabilities including deferred tax liabilities (Note 18)	(125,026.0)	(1,211.4)	(126,237.4)
Retained earnings	(21,796.2)	7,027.1	(14,769.1)

14 INTANGIBLE ASSETS

In Kyats millions

Software

Cost

At the acquisition and balance at October 1, 2018

4,388.5

Additions

2,252.9

Balance at September 30, 2019

6,641.4

Additions

9,461.2

Transfer

(4,113.3)

Balance at September 30, 2020

11,989.3

Accumulated depreciation

At the acquisition and balance at October 1, 2018

-

Amortization for the year

203.9

Balance at September 30, 2019

203.9

Amortization for the year

269.6

Balance at September 30, 2020

473.5

Carrying amount

As at September 30, 2019

6,437.5

As at September 30, 2020

11,515.8

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended September 30, 2020

15 OTHER ASSETS

<i>In Kyats millions</i>	September 30, 2020	September 30, 2019 (Restated)	October 1, 2018 (Restated)
Interest receivable	144,941.4	104,747.4	62,392.4
Interest in suspense	(66,496.5)	(37,702.2)	-
Prepayments (Note 13)	18,010.8	22,133.0	16,924.3
Repossessed assets	37,506.1	36,750.0	19,500.0
Other receivables	9,216.5	8,046.4	8,237.6
Stock	3,707.5	3,667.5	3,179.6
Receivable from credit card providers	3,541.7	3,210.4	42,031.2
Foreign remittance (inward) of foreign banks	-	556.4	925.0
National payment switch	-	-	421.2
Private accounts	898.7	135.1	44.4
Draft, cheques and debit notes receivable	38.4	16.8	5.8
Deferred tax assets (Note 13)	378.5	323.3	188.6
	<u>151,743.1</u>	<u>141,884.1</u>	<u>153,850.1</u>

The Bank took possession of properties (land) which were held as security for defaulted loan with the intention for sale. The repossessed properties were carried at the lower of the carrying amount of the loan outstanding and fair value of the property.

16 DEPOSITS FROM BANKS

<i>In Kyats millions</i>	September 30, 2020	September 30, 2019
Current deposits of state banks	27,683.8	21,590.2
Current deposits of foreign banks	8,987.2	10,453.4
Current deposits (internal remittance) of private banks	58.6	8,195.1
Current deposits of private banks	3,252.8	1,821.2
Other deposits of foreign banks	260.4	233.1
	<u>40,242.8</u>	<u>42,293.0</u>

17 DEPOSITS FROM CUSTOMERS

<i>In Kyats millions</i>	September 30, 2020	September 30, 2019
Saving deposits of customers	4,176,459.3	3,461,072.2
Fixed deposits of customers	1,908,035.6	1,205,526.2
Call deposits of customers	838,109.0	635,510.7
Current deposits of customers	566,970.9	389,778.7
	<u>7,489,574.8</u>	<u>5,691,887.8</u>

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended September 30, 2020

18 OTHER LIABILITIES

<i>In Kyats millions</i>	September 30, 2020	September 30, 2019 (Restated)	October 1, 2018 (Restated)
Accrued interest payable	56,268.8	39,898.9	45,102.6
Sundry deposits	35,786.4	41,989.9	29,629.0
FE Equivalent Account	(27,479.8)	-	-
Payment order account	11,177.3	17,208.6	11,057.7
Card payables	13,710.8	14,656.0	53,752.9
Income tax payable	8,531.4	6,071.9	8,304.7
Wages and salary payable	2,177.5	1,378.7	436.4
Unearned income	1,004.0	884.7	1,504.8
Sundry creditors	2,846.6	2,383.6	8.6
Unclaimed liabilities	1,202.1	491.0	70.4
Debit notes payable	43.5	62.7	124.4
Deferred tax liabilities (Note 13)	1,211.4	1,211.4	1,211.4
	106,480.0	126,237.4	151,202.9

Balance of 5,581.0 million Kyats (September 30, 2019: 4,625.6 million Kyats) pertaining to margin deposits and bank guarantees and import letters of credit are included in the Sundry Deposits balance.

19 LEASE LIABILITIES

Due to initial application of IFRS 16, the movement of the lease liabilities is as follows:

In Kyats millions

	September 30, 2020	September 30, 2019 (Restated)	October 1, 2018 (Restated)
Opening	-	-	-
Adjustment as per IFRS 16			
Lease adjustment			
Prior year adjustment	22,819.2	28,671.8	-
Current year adjustment	1,572.6	206.1	28,671.8
Lease payments	(4,765.0)	(8,596.7)	-
Interest expenses	2,040.8	2,538.0	-
Balance (Restated) (Note 13)	21,667.6	22,819.2	28,671.8

The Bank leases mainly land and buildings for its head office and branches.

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended September 30, 2020

20 SUBORDINATED DEBT

<i>In Kyats millions</i>	September 30, 2020	September 30, 2019
Subordinated Debt	52,340.0	-
	52,340.0	-

Pursuant to the issuance by CBM of their Directive 12/2019 on March 25th, 2019, the Bank had entered into an agreement to take the subordinated facility from Mizuho Bank. Following the receipt of the requisite approval from CBM, the Bank received the Subordinated Debt on November 8th, 2019. The Subordinated Debt is in the amount of USD 40 million for a tenor of 10 years. The Investor may not call for the repayment any time earlier, however, the bank may prepay any time after 2 years. The interest is payable on quarterly basis at the rate of 3 months LIBOR plus 3.00% margin.

21 SHARE CAPITAL

	Number of Ordinary Shares	Share Capital (in Kyats millions)
Issued and paid up:		
As at October 1, 2018	1,250,000.0	125,000.0
Issued in the year	50,000.0	5,000.0
As at September 30, 2019	1,300,000.0	130,000.0
Issued in the year	-	-
As at September 30, 2020	1,300,000.0	130,000.0

As at the date of this report, the Bank has the approval from the regulatory authorities for further injection of 10,000 million Kyats as Paid in Capital by the current shareholders and deposited by the Bank with the CBM. Hence, this will increase the Paid in Capital to 140,000 million Kyats.

The following table sets out the shareholders of the Bank as at the end of the reporting period:

S/N	Shareholder	September 30, 2020		September 30, 2019	
		Number of Ordinary Shares held	Percentage	Number of Ordinary Shares held	Percentage
1	U Zaw Zaw	901,000	69.3%	901,000	69.3%
2	Daw Htay Htay Khine	170,000	13.0%	170,000	13.0%
3	U Than Zaw	34,000	2.6%	34,000	2.6%
4	U Soe Tint	63,000	4.9%	63,000	4.9%
5	U Ohn Kyaw @ U Aye Thwin	63,000	4.9%	63,000	4.9%
6	Daw San San	34,000	2.6%	34,000	2.6%
7	U Than Oo	35,000	2.7%	35,000	2.7%
		1,300,000	100.0%	1,300,000	100.0%

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended September 30, 2020

22 RESERVES

<i>In Kyats millions</i>	Statutory Reserves ¹	General Reserves ²	Total
As at October 1, 2018	24,534.2	41,095.2	65,629.4
Addition	5,257.6	19,500.0	24,757.6
As at September 30, 2019	29,791.8	60,595.2	90,387.0
Addition	5,014.6	4,500.0	9,514.6
As at September 30, 2020	34,806.4	65,095.2	99,901.6

¹ Section 35(a) of the Financial Institutions Law of Myanmar 2016 requires, the Bank to provide 25% of Net Profit after Tax in a Statutory Reserve account until the account reaches 100% of paid-up capital of the Bank.

² The Central Bank of Myanmar ("CBM") Notification No. 17/2017 requires the Bank to set aside 2% (September 30, 2019: 2%) of the total balance of Loans and advances as General Reserves. As at the date of this report, the Bank is compliant with this regulatory requirement.

23 NET INTEREST INCOME

Interest income comprises interest arising from various types of lending and investment activities. Interest expense comprises all interest incurred on deposits and borrowings from bank and non-bank customers.

Interest income and expense include the following:

<i>In Kyats millions</i>	October 1, 2019 to September 30, 2020	October 1, 2018 to September 30, 2019 (Restated)
Interest income arising from:		
Loans and advances	310,156.0	318,883.1
Investment securities	167,805.7	119,262.3
Deposits with banks	11,007.0	12,741.4
Trade finance	4,291.2	1,973.0
	<u>493,259.9</u>	<u>452,859.8</u>
Interest expense arising from:		
Deposits from bank and non-bank customers	(381,735.2)	(354,789.1)
Borrowings from banks	(3,553.1)	(2,401.1)
Lease liabilities	(2,040.8)	(2,538.5)
	<u>(387,329.1)</u>	<u>(359,728.7)</u>
Net interest income	<u>105,930.8</u>	<u>93,131.1</u>

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended September 30, 2020

24 FEE AND COMMISSION INCOME, NET

Fees, commission and service charges income are generated from the range of activities that the Bank provides. Below is the breakdown on fees on commission income and expense.

<i>In Kyats millions</i>	October 1, 2019 to September 30, 2020	October 1, 2018 to September 30, 2019
Fee and commission income:		
Service charges	21,268.6	27,355.2
Commission fees	11,271.3	11,548.4
Exchange fees	7,086.7	8,194.2
Commitment fees	6,075.4	3,964.9
Default fees	6,747.2	3,302.1
SWIFT/Telex charges	387.3	358.2
	<u>52,836.5</u>	<u>54,723.0</u>
Fee and commission expense:		
Bank charges	(4,129.3)	(5,091.4)
	<u>(4,129.3)</u>	<u>(5,091.4)</u>
Net fee and commission income	<u>48,707.2</u>	<u>49,631.6</u>

25 OTHER EXPENSE

<i>In Kyats millions</i>	October 1, 2019 to September 30, 2020	October 1, 2018 to September 30, 2019
Foreign exchange loss	(5,167.9)	(3,715.9)
Foreign exchange transaction loss	(12.6)	(258.6)
Others	228.0	299.6
	<u>(4,952.5)</u>	<u>(3,674.9)</u>

26 GENERAL AND ADMINISTRATIVE EXPENSE

<i>In Kyats millions</i>	October 1, 2019 to September 30, 2020	October 1, 2018 to September 30, 2019
Wages and salaries	37,844.3	34,913.4
Supplies and services	6,411.4	5,452.9
Maintenance and repair	6,630.2	5,900.3
Professional fees	6,144.6	5,301.6
Other personnel costs	4,150.1	3,973.2
Rates and taxes	2,677.2	2,256.5
Advertising and branding	4,002.9	2,654.4
Travel and entertainment	683.0	794.8
Social security contributions	722.0	709.5
Insurance	418.1	425.6
	<u>69,683.8</u>	<u>62,382.2</u>

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended September 30, 2020

27 OTHER OPERATING EXPENSE

<i>In Kyats millions</i>	October 1, 2019 to September 30, 2020	October 1, 2018 to September 30, 2019
Miscellaneous expenses	2,712.9	1,705.1
Others	463.0	466.1
	<u>3,175.9</u>	<u>2,171.2</u>

28 INCOME TAX EXPENSE

The Bank estimates income tax expense on profit to approximate Myanmar's corporate tax rate of 25% (September 30, 2019: 25%) of profit before tax, net of tax adjustments.

<i>In Kyats millions</i>	October 1, 2019 to September 30, 2020	October 1, 2018 to September 30, 2019 (Restated)
Profit before tax	28,687.2	19,769.7
Income tax expense calculated at Statutory Rate 25%	7,171.8	4,942.4
Effect of expenses that are not deductible in determining taxable profit	1,142.3	705.0
Adjustments recognised in the current year in relation to the current tax of prior years	-	(7,213.6)
Others	245.4	851.8
Income tax expense/ (credit) recognised in profit or loss	<u>8,559.5</u>	<u>(714.4)</u>

29 CONTINGENT LIABILITIES

The following sets out the Bank's contingent liabilities as at the end of the reporting period, based on the maximum amount the Bank would have to pay if the obligations of the instruments issued are called upon:

<i>In Kyats millions</i>	September 30, 2020	September 30, 2019
Import letters of credit	129,231.6	199,169.2
Bank guarantees	109,575.5	170,272.6
	<u>238,807.1</u>	<u>369,441.8</u>

AYEYARWADY BANK LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
Year ended September 30, 2020**30 COMMITMENTS****30.1 Outstanding commitments**

At the end of the reporting period, the Bank has the following commitments:

<i>In Kyats millions</i>	September 30, 2020	September 30, 2019 (Restated)	October 1, 2020 (Restated)
Undrawn loan commitments	151,259.1	141,528.2	137,704.0
	<u>151,259.1</u>	<u>141,528.2</u>	<u>137,704.0</u>

30.2 Minimum lease payments

<i>In Kyats millions</i>	October 1, 2019 to September 30, 2020	October 1, 2018 to September 30, 2019 (Restated)
Minimum lease payments paid under operating leases recognised as an expense during the year	<u>908.0</u>	<u>859.5</u>
	<u>908.0</u>	<u>859.5</u>

Operating lease payments represent rentals payable by the Bank for its leases of land and buildings for its head office and branches with lease term less than a year.

31 CONTINGENT LIABILITIES

The Bank has provided for tax expenses based on best efforts estimates, which may differ from actual tax assessments levied by the Myanmar tax authority. As a result, the Bank may incur additional tax liabilities upon final assessment from tax authorities. As a result, there may be liabilities on corporate income tax from the Myanmar tax authority.

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended September 30, 2020

32 CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

<i>In Kyats millions</i>	Current	Non-current	Total
As at September 30, 2020			
ASSETS			
Cash and cash equivalents	954,799.1	-	954,799.1
Placement with other financial institutions	420,299.5	-	420,299.5
Investment securities	1,117,641.1	1,744,233.5	2,861,874.6
Loan and advances	1,803,126.5	1,364,602.2	3,167,728.7
Bills receivable	15,416.9	-	15,416.9
Other assets	151,743.1	-	151,743.1
Property, plant and equipment	-	357,640.9	357,640.9
Right-of-use assets	-	29,045.5	29,045.5
Intangibles	-	11,515.8	11,515.8
	4,463,026.2	3,507,037.9	7,970,064.1
LIABILITIES			
Deposits from banks	40,242.8	-	40,242.8
Deposits from customers	7,489,574.8	-	7,489,574.8
Other liabilities	106,480.0	-	106,480.0
Lease liabilities	1,939.2	19,728.4	21,667.6
Subordinated debt	-	52,340.0	52,340.0
	7,638,236.8	72,068.4	7,710,305.3
As at September 30, 2019 (Restated)			
ASSETS			
Cash and cash equivalents	865,507.3	-	865,507.3
Placement with other financial institutions	357,576.6	-	357,576.6
Investment securities	431,950.2	985,442.0	1,417,392.2
Loan and advances	1,108,913.1	1,858,877.5	2,967,790.6
Bills receivable	50,649.3	-	50,649.3
Other assets	141,884.1	-	141,884.1
Property, plant and equipment	-	348,614.8	348,614.8
Right-of-use assets	-	32,989.5	32,989.5
Intangibles	-	6,437.5	6,437.5
	2,956,480.6	3,232,361.3	6,188,841.9
LIABILITIES			
Deposits from banks	42,293.0	-	42,293.0
Deposits from customers	5,691,887.8	-	5,691,887.8
Repurchase agreement	70,448.4	-	70,448.4
Other liabilities	126,237.4	-	126,237.4
Lease liabilities	661.1	22,158.1	22,819.2
	5,931,527.7	22,158.1	5,953,685.8

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended September 30, 2020

32 CURRENT AND NON-CURRENT ASSETS AND LIABILITIES (CONT'D)

<i>In Kyats millions</i>	Current	Non-current	Total
As at October 1, 2018 (Restated)			
ASSETS			
Cash and cash equivalents	761,552.2	-	761,552.2
Placement with other financial institutions	282,406.0	-	282,406.0
Investment securities	413,440.8	857,214.0	1,270,654.8
Loan and advances	1,640,167.5	1,100,280.3	2,740,447.8
Bills receivable	47,990.8	-	47,990.8
Other assets	153,850.1	-	153,850.1
Property, plant and equipment	-	357,301.5	357,301.5
Right-of-use assets	-	38,147.9	38,147.9
Intangibles	-	4,388.5	4,388.5
	3,299,407.4	2,357,332.2	5,656,739.6
LIABILITIES			
Deposits from banks	23,584.6	-	23,584.6
Deposits from customers	5,263,108.3	-	5,263,108.3
Other liabilities	151,202.9	-	151,202.9
Lease liabilities	6,054.1	22,617.7	28,671.8
	5,443,949.9	22,617.7	5,466,567.5

33 EVENTS AFTER REPORTING PERIOD

During the period ending September 2020 the impact of COVID-19 pandemic had adversely impacted the performance of economies around the world and in Myanmar including the financial services sector. Banks continued to implement Business Continuity Plans ("BCP") and measures taken to contain the spread of the virus, including border closures, travel bans, quarantines, social distancing, and closures of non-essential services have continued to trigger significant disruption to businesses, resulting in an economic slowdown. Specifically, after the end of the reporting period, the Government implemented a series of enhanced measures in the form of a mandatory Stay at Home during the holiday periods and subsequently, mandatory lockdowns of several townships in Yangon and other cities.

The situation resulting from COVID-19 was aggravated by the political developments in February and the social unrest that followed which resulted in the effective shut down of banking operations due to branch closures and largescale staff absences.

The Bank has implemented an enhanced BCP and internal policies and procedures to mitigate the impact and to continue to operate despite the difficult operating conditions.

Supporting customers

The Bank's primary focus has been to support all customers through the crises. The Bank has implemented various measures including: (1) business hours and number of operating branches were changed as per the regulator's instruction; (2) electronic channels and communication mode are used to keep social distancing while ensuring minimal interruption to the level of service provided to customers, (3) provided a debt moratorium and grace period for interest payments to customers on a case-by-case basis.

33 EVENTS AFTER REPORTING PERIOD (CONT'D)

Supporting its people

The Bank's aim has been to protect, support and prevent its people from exposure to COVID-19 as well as personal security following Return to Work ("RTW") in April. With banking as an essential service, restoring and maintaining the branch operations has been fundamental to continuing business. Management has implemented actions such as (1) closure of some branches and rotation of staff to work from onsite and off-site, (2) daily (remote) meeting of senior and middle management to discuss and resolve any unforeseen issues.

Managing a strong balance sheet

The Bank also has a committee in place to monitor the liquidity management and cash position despite the current market condition and this remains challenging as at the reporting date. The lockdown / shutdown during most of the post-closing period up to the date of this report, is expected to have a negative impact on the economy in general and business specifically. However, it is still too soon to estimate the full impact as the conditions have yet to fully normalize.

The Bank has allowed borrowers to defer interest payments on case to case following business closures February 2021 onwards. The Bank is also working with customers to also restructure principal repayments, in some cases extending the final maturity of a loan by up to two years.

The Bank has evaluated the impact of all subsequent events and has determined that there were no subsequent events requiring adjustment to or disclosure in the financial statements except for the continuing impact from the COVID-19 pandemic and the social unrest in 2021. However, any effect of their impact has not been affected in the financial statements; and such impact may affect the futures results of the Bank.

Managing liquidity

The Bank has triggered parts of the Contingency Funding Plan (CFP) to ensure the Bank is more liquid than under normal business activities pre-crisis. This has been a proactive measure to mitigate the risk of higher withdrawals by customers. The objective is always to guarantee that customers have access to cash as and when they require.

The Bank loan to deposit ratio (LDR) as of April 30, 2021 was 44.56% (September 30, 2020 43.08%) and the Liquidity Ratio as at April 30, 2021 was 50.59% (September 30, 2020 50.39%). During March and April 2021, the Bank had daily consultations of ALCO members to ensure proactive and prudent management of ALM for unforeseen situation.

Managing risk assessment

Management has implemented internal policies and procedures to run the business with minimal interruption to customer service while meeting the increased regulatory reporting requirements. The risk and compliance team together with internal audit team are identifying the risks that have arisen due to new sanctions and by the new procedures and processes. The team is also in the process of discussion to prepare an audit and risk assessment plan under the guidance of the Audit Committee. Management set the targets for each business segments at the beginning of the new financial year and it reviewed the recent changes in business conditions. Subsequently, it was revised to be more reasonable and in line with recent market conditions. Proper segregation of duties and reasonable level of approval authority has been implemented. The financial reports are prepared on monthly basis and it is reported to the management for the necessary business decision. Management has been managing the economic downturn by increasing the efficiency of people and deployment of resources to other areas that the Bank is more needed.

AYEYARWADY BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended September 30, 2020

34 Authorization of Financial Statements

The Financial Statements of the Bank for the year ended September 30, 2020 have been authorized for issue on October 31, 2021.



No. 416, Corner of Maharbandoola Road & Maharbandoola Garden Street,
Kyauktada Township, Yangon, Myanmar.

Block No. (3/B), Quarter No-23(G-1), Corner of Strand Road & Thit Taw Road,
River View Point Condominium, Ahlone Township, Yangon, Myanmar.

 01 - 231 7777  info@ayabank.com  ayabank.com  [ayabank](https://www.facebook.com/ayabank)  <https://bit.ly/3hDrN8K>  <https://t.me/AYABankMyanmar>