If you were to describe this world, which one of the following would you pick?

It is home to magic, art, beauty, and tens of thousands of years of human talent. Or would you say, even though it may be true, that our world is where we live, but it is a place that doesn’t work for everyone? Our world is our playground, a platform for the creativity of all seven billion of us.

Sometimes it’s hard to believe that a world that works for all of us can be possible. But the opportunities are all around us.

While we all hope for a better future for our world, many of us are building it. If you are a builder, we are betting on you.

The changemaker
The activist
The hero
The mentor

45 years ago, we started building a world we all want to live in. We started in Bangladesh. We listened and learnt, failed and got up again. We never stopped trying. And we never will.

We trust in people, and we take on the impossible, every day. Changing systems of inequity. Turning potential into skill. Ready to go to the end of every last mile, where there are no other signs.

It takes us all to build a world that works for us all.

We listen, pilot, perfect and scale. Our DNA is to build.

As the sun rose this morning, hundreds of thousands of builders rose with it.

Teachers across eight countries opened the colourful doors of the world’s biggest secular private education system. 65,000 artisans picked up their needles and started weaving traditional art into beautiful clothing.

Credit officers in one of the world’s largest microfinance institutions sat down with women in the remotest corners of seven countries.

Whoever you are, wherever you are, doing good is everyone’s business. We have never faced bigger challenges but we have never been more ready. Join the world’s biggest family.

Small is beautiful, scale is necessary.
Here at BRAC, we are many things:

- social enterprise
- non-government organisation
- public forum
- knowledge hub
- social investors
- policy advocates
- university
- crisis responders

and we bring together many different people:

- changemakers
- activists
- heroes
- mentors

inspired by a single vision. Building a world that works for all of us takes all of us. Get onboard:

- follow us
- share the ideas
- partner with us
- take action

Join the world’s biggest family.
We act as a catalyst, creating opportunities for people living in poverty to realise their potential. We specialise in piloting, perfecting and scaling innovations to impact the lives of millions. We were born in Bangladesh, are almost completely self-sustainable through our own network of social enterprises and investments, and operate in 11 countries across Asia and Africa.

VISION, MISSION AND VALUES
A world free from all forms of exploitation and discrimination where everyone has the opportunity to realise their potential.
Empower people and communities in situations of poverty, illiteracy, disease and social injustice. Our interventions aim to achieve large scale, positive changes through economic and social programmes that enable women and men to realise their potential.

Integrity    Innovation    Inclusiveness    Effectiveness

SOCIAL DEVELOPMENT
Eliminating extreme poverty, Expanding financial choices, Employable skills for decent work, Climate change and emergencies, Gender equality, Universal healthcare, Pro-poor urban development, Investing in the next generation.
Country offices: Afghanistan, Bangladesh, Liberia, Myanmar, Nepal, Pakistan, Philippines, Sierra Leone, South Sudan, Tanzania, Uganda

HUMANITARIAN RESPONSE
We have been providing life-saving services to forcibly displaced Myanmar nationals through a multi-sector response since the influx began in September 2018. We are working closely with the government, local and international NGOs and other stakeholders through the Inter Sector Coordination Group.

SOCIAL ENTERPRISES
Solution for social challenges and surplus for greater impact: Initiatives that engage individuals, micro and small enterprises as suppliers, producers and consumers.

INVESTMENTS
Socially responsible companies that assist us in our mission. Our network of investments help us strive towards the goal of self-sustainability.

BRAC UNIVERSITY
An educational institution’s goal is not only to provide the highest quality teaching, but also to inculcate the values essential for tomorrow’s leaders. The journey starts by building a high calibre and supportive faculty and administration team who are capable of teaching the most challenging and up-to-date educational programmes, and empowering them with knowledge and life skills so that they can take on the challenges of building themselves and a better nation.

STICHTING BRAC INTERNATIONAL

AFFILIATES
BRAC USA
BRAC UK
Over recent years, significant investments have been made to ensure the survival and optimal development of children during the first decade of life. Globally, the under-five mortality rate has decreased significantly. Around 20,000 fewer children died every day in 2016 than in 1990. However, this progress has not been universal. Inequities in child mortality between high-income and low-income countries remain large. Reducing these inequities across countries and saving more children’s lives by ending preventable child deaths are important priorities.

We also need to focus on the second decade of children’s lives. A safe, healthy passage from adolescence into adulthood is the right of every child. To fulfil this right, families and societies need to ensure that adolescents and youth acquire the knowledge and skills required to lead productive and fulfilling lives. Calls for investment in children and young people have increased dramatically in recent years. More and more countries agree that policies, which help young people fulfil their potential, also drive economic development.

Challenges persist in both the education and skills sectors. We need to ensure that all children complete their primary schooling and go on to secondary school. Additional efforts are required to empower girls to believe that they are capable of doing everything boys can. The lack of improvement in the quality and outcomes of education is another concern.

The global youth unemployment rate stands at 13 per cent, which is three times higher than the figure for adults. This lack of job opportunities is one of the issues of greatest concern. Globalisation and technology are reshaping the lives of young people worldwide. 85 per cent of jobs that today’s learners will be doing in 2030 do not exist now. There is an urgent need to redesign curricula for secondary, vocational and higher education to develop skills and competences that will meet the needs of the future. Our goal should be to create adaptable learners who are capable of reengineering their own skills and capacities in disrupted economies. Attention must also be paid to developing children and young people’s human qualities and values, such as empathy, cooperation and integrity.

Political instability and conflict are leaving young people vulnerable to violence, disrupting their schooling and access to basic health services and, in many cases, inflicting psychological trauma. We must accelerate efforts to protect children and young people from violence, drug abuse, conflict and poverty, to enable them to lead more productive lives and contribute to society.

Sir Fazle Hasan Abed, KCMG
Founder and Chairperson
LETTER FROM THE EXECUTIVE DIRECTOR

There are more young people today than at any other time in human history. Children and young people make up almost 40% of the world’s population, with specific needs and aspirations for the future, which poses both immense opportunities and challenges. While we as a global community have made significant progress in ensuring a better life for all, there is always more work to be done. One in five children, adolescents and youth is out of school. That is 263 million children and youth across the world.

Today’s young people will be tomorrow’s leaders - in our families, in our workplaces, in our communities. Over a third of the Sustainable Development Goal (SDG) targets highlight the role of young people and the importance of their empowerment, participation, and wellbeing. The SDGs highlight that young people are a driving force for development – however they need to be provided with the skills and opportunities needed to reach their potential.

Therefore we at BRAC International have shifted our strategy to focus on ensuring children and youth have better opportunities.

We have invested in Early Childhood Development programmes in Tanzania, Uganda and Liberia. A dollar invested in early childhood development yields a seven-fold return in the future. Having a strong foundation from an early age leads to more productive citizens in the future.

We believe education is a universal right and no one, no matter the circumstance, should be left behind. 130 million girls between the age of 6 and 17 are out of school and 15 million girls of primary-school age will never enter school. We are building schools only for girls in Afghanistan and Pakistan, places where it is extremely difficult for them to go to school.

In Sub-Saharan Africa alone, 14.2% of the youth population is unemployed, representing massive untapped potential for growth. Everyone should be able to contribute and reap development dividends and our ELA programme ensures just that for our out-of-school adolescent girls. With specialised skills and entrepreneurial lessons, our programme enables them to unlock their potential and contribute to society. We give our girls access to microloans so they can start their own enterprises.

Our newly-launched Skills Development Programme in Nepal connects children and youth to apprenticeships and equips them with the skills needed to not only affect change in their own lives but also in the communities they are a part of.

Our extraordinary strides in the field of development mean that we are ready to provide a better, more equitable life for our children. As our future change-makers, children hold incredible potential for innovation. It is our responsibility to give them what they deserve. We cannot let their potential go unrealised.

Faruque Ahmed
Executive Director
BRAC International

MESSAGE FROM THE COUNTRY REPRESENTATIVE

The year 2017 has been an exciting year for BRAC team in Myanmar!

I am enthusiastic of the great work done so far and for the new challenges ahead.

2017 was a great year for our microfinance programme. We reached almost 63,000 women in 15% of the youth in 5 regions of Myanmar and our outstanding loan portfolio grew by 8.9 million. We are proud of the results achieved and we are confident that our programme will continue to expand, serving an increasing number of women in need and offering credit to those left out from the formal financial sector.

We are highly committed in promoting inclusive finance that could reach the most excluded segments of the society. For this reason, we launched two new initiatives aimed at including vulnerable groups.

First, we started a project using financial diaries to collect data from rural women with the aim of gathering insights of their financial needs and thus adapt our financial services. Second, we initiated a pilot project with customised credit to people with disabilities. We are poised to become the pioneer in targeting people with disabilities through truly inclusive microloans.

We also continued the implementation of our disaster risk reduction and resilience building programme to strengthen our organisational capacity for humanitarian response by building safer and more resilient communities in Myanmar.

The project will be followed by further phases in 2018 to implement a local model of building disaster preparedness and emergency response capabilities of local actors, institutions, vulnerable communities.

We designed a new strategy to expand our programmes to include agriculture, health, nutrition and youth.

I look forward to continuing this incredible journey for realising, in Myanmar and all over the world, the dream that animates all of us, part of BRAC family: a world free from all forms of exploitation and discrimination where everyone has the opportunity to realize their potential.

ATM Tariqul Islam, Ph.D.
Country Representative
BRAC in Myanmar
WHAT WE DO

Our main approach is to build local capacity. In partnership with the Bill & Melinda Gates Foundation, BRAC International and BRAC Myanmar are piloting a model for developing local emergency preparedness and response capacities. Through a participatory, community-based inclusive approach, our project will work with schools, communities and regional governments in Bago and Yangon to strengthen humanitarian localization.

EMERGENCY PREPAREDNESS AND RESPONSE

Myanmar is exposed to multiple natural hazards. The coastal regions are exposed to cyclones, storm surges, tsunami and strong wind while major parts of the country are at risk from earthquakes and fires. Heavy rainfall induced flooding is a recurring phenomenon across the country while some parts of the country are exposed to landslides and droughts. Cyclone Nargis in 2008 claimed 140,000 lives.

We established an emergency preparedness and response programme in 2016 to strengthen our organisational capacity on emergency response in order to build safer and more resilient communities.

HIGHLIGHTS

- Monitored monthly country safety and security situations and developed 46 weekly safety and security reports
- Updated Country Risk Assessment and Multi Hazard Risk Assessment on quarterly basis
- Organized the thematic workshop on “Myanmar Action Plan on DRR (MAPDRR) and People Most at Risk” together with UNICEF and five other INGOs.
- Conducted a Safety and Security Risk Management training to 40 branch managers of BRAC Myanmar Microfinance Company Limited. We have provided basic first aid training to all branch managers with support from external first aid trainers.
- Conducted workshop to draft the disaster preparedness plan for BRAC Myanmar with 30 representatives from UNs, INGOs and local NGOs.
- Contributed to the Myanmar version of the Core Humanitarian Standards
- Became a member of the Basic Education Sub Sector Working Group on Education in Emergency (EiE).
- Participated in key national workshops and provided technical inputs to: National Earthquake Preparedness and Response Plan, National WASH strategy, 4th Regional Monsoon Forum, Calculating Costs and Benefits of Community Driven Resilience Programmes in Myanmar, Urban Disaster Risk Reduction (DRR).
MICROFINANCE

Myanmar has some of the lowest levels of financial inclusion. More than 70% of adults do not have access to formal financial institutions (World Bank, 2016). We started our microfinance programme in 2014 to provide inclusive financial access to households living in poverty in both rural and urban Myanmar. We create employment and income opportunities for people living in poverty, with particular emphasis on women who have been left out of mainstream financial systems.

WHAT WE DO

We operate with an integrated development approach for sustainable poverty reduction by combining both economic and social development. Our microfinance activities are therefore a part of a broader, holistic approach to development, called the "microfinance-plus approach".

We offer inclusive financing to people living in poverty in Myanmar through two different types of services: microfinance group loans and individual loans for small enterprises. Currently we are working to develop products related to disability inclusive microfinance and women enterprise development.

Complementing to this, we provide financial literacy training and have instituted a range of client protection measures that distinguish us for our commitment towards client-centric financial service delivery.

HIGHLIGHTS

Operating 42 branches in five regions
Expanded the microfinance programme in two regions (Sagaing Region and Nay Pyi Taw Council area)
In 2017, disbursed microloan USD 19.57 million and number of loans disbursed 65,085
Provided collateral free small enterprise loan USD 270,558 and number of loans disbursed 168 among the entrepreneurs
Since 2016, increased principal loan outstanding by 58% and principal loan outstanding balance is USD 9 million as on December 2017.
Launched the digital financial diaries project to explore microfinance product diversification.
Started the people with disabilities project to address specific needs and offer customized social & financial services to people with disabilities.
Initiated big data analysis, digital credit scoring and mobile money channel to small holder farmers
Become the member of Job creation Sub Sector Working Group
Daw Myint Kyi, lives in Htauk Kyant, located in the outskirts of Yangon region. She runs a bamboo baskets weaving enterprise. She lives with her family and she has two sons.

The bamboo baskets enterprise is her family business which started over 50 years ago. The technique and skills of making baskets are part of the family treasure as Daw Myint Kyi’s father taught her and her sisters how to make the baskets when the girls were very young. Now, the craft of bamboo basket weaving is handed down from one generation to another and the two sisters run the business together.

The sisters buy the bamboo from Bayintaung market in Yangon and handcraft beautiful baskets that are sold at a market in Yangon. They usually collect and accept the orders, and then send the baskets to the markets. Her father said “I started this business in 1964. It became a family business and my daughters didn’t need to go outside for income. They can work from home and get an income that we can all survive on. The business is better now.”

Daw Myint Kyi said “I am so happy about this business because I don’t need to go outside and I can work with my family at home. My sons are not interested in this business. They want to work outside.”

The business generates around 10 lakhs (USD 740) per month. The flow of income is highly dependent on the number of baskets they can produce. “Sometimes we cannot make too much because of health issues. However, having a business on our own is better because we are able to plan our work and take decision independently” she said.

Daw Myint Kyi invested and strengthened the business by borrowing from BRAC. Now she has received her third loan and she wants to get a fourth loan to invest in the purchase of higher quantity raw materials at a lower price for handcrafting the baskets. “I am comfortable to take loan from BRAC Myanmar. We have good relationship and I am familiar with BRAC Myanmar. The staff is friendly and kind!” Daw Myint Kyi said.

My Name is Ma Khin Nwe Aye and I am from the Bago region. I never completed school and am not very educated. However, I always enjoyed baking and I did not let my lack of education stop me from pursuing my dreams. I started a small bakery business with my husband and I am doing well enough to be able to support my children. I have three children and they are all are in school. The eldest one is 12 years old, the second one is 8 years and the youngest one is 5 years old. I want to provide my children with education. Although I want them to be doctors and engineers, I will accept and support what they want to be.

We started the business right after we got married. I am happy to say that we are doing so well that we need funding to expand our business. I want to attract more customers and I want to start producing packaged bakery. I want to extend my business with machine for packaging. When the business extends, it directly affects our children education and futures.

Initially, I borrowed 150,000 Kyats (USD 113) from BRAC in 2014. Now I borrowed 20 lakhs Kyats (USD 1,500). I have nine employees at my bakery business. I will extend my bakery business with the next loan by purchasing a machine for packaging which will reduce the time needed and human resource, and production will be high which will generate more profit.

The organisation which provides loans with the low interest rate helps communities to develop their businesses. BRAC not only provides financial support but also indirectly supports other sectors like children’s education, health and other essentials.
In Myanmar, women are starting their own businesses and earning money for their family. I immediately joined my family business after graduating at 26. My family was in the wood selling and production business and I was always keen on joining. However, after a few years, I started my own business with my husband. My husband and I started selling materials for building houses three years ago. My neighbourhood was experiencing a boom and there are many factories nearby as well. We did really well in the first years but now we are thinking about expanding our business into selling construction materials as well. Unfortunately, it is extremely difficult for young entrepreneurs like my husband and I to get access loans for business expansion. My family has helped all they can but we needed additional funding to make the expansion happen. Luckily for us, that is around when BRAC started offering small enterprise loans. The terms were really good for us and the monthly instalments also worked for us. We borrowed 30 lakhs Kyats (USD 2,300) as a first loan and used this money to expand into selling construction materials. We are not planning on stopping there and am already planning another loan to expand the business further. I am extremely grateful organisations like BRAC who are helping our economy by letting entrepreneurs like us get access to credit. I believe thanks to loans like this, the economy in Myanmar will grow and we will spur innovation.
BRAC International Holdings BV has the role to consolidate the financial results of all country operations in six countries. The consolidated financial statements include the financial data of the stand-alone parent organisation, its group companies and other legal entities over which the foundation has control.

In line with the guidelines for corporate governance in the Netherlands, the Board decided to adopt a two-tier governance structure to create a clear division between executive and supervisory responsibilities from the end of 2016.

SUPERVISORY BOARD

The Supervisory Board is charged with the overall supervision of the policies pursued by the Management Board and its associated institutions and/or entities. The Management Board is charged with the daily management, the preparation of the budget, the financial statements and the long-term strategy plan. The Supervisory Board has stipulated specific restrictions that require its approval. The Supervisory Board exists out of the following members:

Sir Fazle Hasan Abed KCMG, Chair
Dr. Muhammad Musa, Member
Ms. Parveen Mahmud, Member
Ms. Sylvia Borren, Member
Mr. Faruque Ahmed, Member
Mr. Hans Eskes, Member
Mr. Saif Md Imran Siddique, Secretary of the Committee

MANAGEMENT BOARD

The Management Board consists of the following members:

Managing Director
Mr. Faruque Ahmed

Director
Mr. Hans Eskes

In the discharge of their duties, the Directors shall be guided by the interests of the Company and the business carried on by the Company. The Management Board may decide to appoint one or more authorised signatories and to determine their authority and title.

GROUP FINANCE AND AUDIT COMMITTEE

Composition of the present finance and audit committee is as follows:

Ms. Parveen Mahmud, Chair
Dr. Muhammad Musa, Member
Ms. Sylvia Borren, Member
Mr. Faruque Ahmed, Member
Mr. Hans Eskes, Member
Mr. Saif Md Imran Siddique, Secretary of the Committee

The primary function of the finance and audit committee is to assist the governing board in fulfilling its responsibilities on the:

- Financial reporting and budgeting processes
- System of internal controls and risk assessment
- Compliance with legal and regulatory requirements
- Qualifications, independence, and performance of the external auditors
- Qualifications, independence, and performance of the internal audit function

LOCAL BOARDS

Each country entity has a local board. We pursue microfinance and development activities through separate entities in countries where it is required. The local board members are appointed by Stichting BRAC International’s board. The business of the local entities is managed by these local boards. Further details of the roles of the local board are available in the respective incorporation documents of these entities.

ADVISORY COUNCIL

In 2015, BI decided to form advisory councils to strengthen governance, support advocacy at the national level and enhance credibility.

The council members, who are country nationals, provide the country leadership with advice and support on standards and policies, and the development and implementation of programmes. They advise on key external developments and trends nationally, and promote BRAC’s mission through effective and strategic working relationships with key stakeholders and civil society partners in the countries. They also support information sharing and relevant advocacy on behalf of BRAC.

ACCOUNTABILITY AND TRANSPARENCY

The internal audit department conducts periodical audits at all our cost centres on a sample basis. Audits take place at least once a year and twice or more in locations and on programmes where a closer watch is warranted. In addition, special investigations are conducted in case of fraud or irregularities that may be detected. A ‘whistle blower’ policy is in place and HR takes actions as and when required.

External audit of Stichting BRAC International, BRAC International Holdings BV and all of our legal entities are undertaken annually. Financial transparency is ensured by BRAC International’s finance and accounts division, which prepares financial statements following the International Financial Reporting Standards and the laws of relevant countries.

The summary of all audits and investigations are submitted to the audit and finance committee on a half yearly basis.
GOVERNANCE

BRAC Myanmar Microfinance Company Ltd

Shameran Abed – Managing Director
S N Kairy – Director
Faruque Ahmed – Director
ATM Tariqul Islam Ph.D– Country Representative

MANAGEMENT

ATM Tariqul Islam Ph.D– Country Representative
Sharmin Sultana - Head of Finance
Md. Sazaduzzaman - General manager, Microfinance
Lian Huai - Head of Human Resource and Training
Md. Shariful Islam - Head of Internal Audit
Aung Koko - Emergency Response Coordinator

DEVELOPMENT PARTNERS

Bill & Melinda Gates Foundation
Whole Planet Foundation
GRAMEEN Crédit Agricole
Microfinance Foundation
Maybank
FINANCIAL HIGHLIGHTS

Net Income

BRAC Myanmar Microfinance Company Limited completed its fourth years of operation in 2017. Net profit before tax was USD 35,094 as against net loss before tax USD 206,702 in 2016.

Interest income earned during the year is USD 2,151,248 as against USD 1,358,897 in 2016.

Operating expenses

Total operating expenses for the year was USD 2,071,585 as against USD 1,636,738 in 2016 showing an increase 27%. In 2017 an additional 7 branches were opened resulting the total number of branches to 41.

Provisions for Impairment losses

This year amount charged for impairment of loans is USD 66,450 as against 83,906 in 2016 showing an decrease of 21%. Total reserve as against impairment in 2017 was USD 161,508 and USD 109,831 in 2016 representing 1.78% of gross portfolio. Portfolio at Risk (PAR>30) is 0.79%.

Financial Position

In 2017 the company’s total assets increased by 45% to USD 10,003,967. Loans and advances to customers increased by 59% and is now 89% of total assets.

PERFORMANCE REVIEW

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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>9,930</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,185</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Security and pension</td>
<td>24,881</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>16,949</td>
<td></td>
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<tr>
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<tr>
<td>------------------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Total Borrowers</td>
<td>50,977</td>
<td>38,270</td>
<td>16,837</td>
<td>2,433</td>
<td>-</td>
</tr>
<tr>
<td>PAR&gt;30</td>
<td>0.79%</td>
<td>0.02%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**GENERAL INFORMATION**

**DIRECTORS**
- Mr. Shameran Abed - Managing Director
- Mr. Faruque Ahmed - Director
- Mr. Shib Narayan Kairy - Director

**ADMINISTRATORS**
- Mr. ATM Tariqul Islam - Country Representative (Appointed on 2 October 2017)
- Mr. Kazi Faisal Bin Serai - Country Representative (Resigned on 27 May 2017)

**PRINCIPAL PLACE OF BUSINESS**
168, Kyun Shwe Myaing Lane 2
Bogyoke Ywa, Thuwunna
Thingangyun Township
Yangon, Myanmar

**AUDITORS**
Khin Su Htay & Associates Limited
Certified Public Accountants
Building No. C 1, Room No. 005 (Ground Floor), Hninnsi Street
Yuzana Highway Complex, Kamayut Township
Yangon, Myanmar

**BANKERS**

**OPERATING INCOME VS NUMBER OF BORROWERS**

- Operating Income
- Numbers of Borrowers
The directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 31 December 2017, which disclose the state of affairs of BRAC Myanmar Microfinance Company Limited.

a) Registration
BRAC Myanmar Microfinance Company Limited is a wholly owned subsidiary company of BRAC International Holdings B.V., a limited liability company registered under the laws of the Netherlands, with its registered office in The Hague.

BRAC Myanmar Microfinance Company Limited was incorporated as a limited liability company under the company Act on 15 October 2013 with its registration number 559 FC/13-14 and registered office in Yangon, Myanmar.

The objective of the company is to operate microfinance programme in Myanmar with a mandate to contribute towards alleviating poverty and attaining Sustainable Development Goals (SDGs) through promoting employment and income generating activities for the poor women.

b) Vision
A world free from all forms of exploitation and discrimination where everyone has the opportunity to realise their potential.

c) Mission
The Company’s mission is to empower people and communities in situations of poverty, illiteracy, disease and social injustice. The interventions aim to achieve large scale, positive changes through economic and social programmes that enable men and women to realise their potential.

d) Our values
Innovation - the Company has been an innovator in the creation of opportunities for the poor to lift themselves out of poverty. We value creativity in programme design and strive to display global leadership in groundbreaking development initiatives.

Integrity - the Company values transparency and accountability in all our professional work, with clear policies and procedures, while displaying the utmost level of honesty in our financial dealings. The Company holds these to be the most essential elements of our work ethic.

Inclusiveness - the Company is committed to engaging, supporting and recognizing the value of all members of society, regardless of race, religion, gender, nationality, ethnicity, age, physical or mental ability, socioeconomic status and geography.

Effectiveness - the Company values efficiency and excellence in all our work, constantly challenging ourselves to perform better, to meet and exceed programme targets, and to improve and deepen the impact of our interventions.

e) Principal activities
The Company provides Microfinance services to improve the livelihood of poor people in over 37 townships in Myanmar including extending loan facilities. The company started a new product called Small Enterprise Programme (SEP) giving individual loans to clients.

f) Financial performance
The Company’s performance during the year ended 31 December 2017 is as follows:

- Interest income on loans increased by around 7% from MMK 1,698 million in 2016 to MMK 2,557 million in 2017.
- Loans and advances to customers increased by 58% from MMK 7,704 million in 2016 to MMK 12,192 million in 2017.
- Loan disbursement increased by 70% from MMK 10,081 million in 2016 to MMK 27,031 million in 2017. Loan realisation increased by 103% from MMK 11,006 million in 2016 to MMK 22,478 million in 2017.
- Operating expenses increased by 30% from MMK 2,031 million in 2016 to MMK 2,819 million in 2017.
- Total asset increased by 44% from MMK 3,430 million in 2016 to MMK 13,625 million in 2017.
- During the year, the company had a net profit of MMK 49.5 million (2016-loss of MMK 287.5 million).

g) Results from operation
The results for the Company’s operation for the year ended 31 December 2017 are set out on Page 36.

h) Composition of Directors
The directors who served during the year and up to the date of this report are set out on Page 28.

i) Directors’ benefits
No director has received or entitled to receive any benefits during the financial year.

j) Corporate governance
The directors are committed to the principles of good corporate governance and recognize the need to conduct the business in accordance with generally accepted best practices. In so doing the directors therefore confirm that:

- The Board of Directors met regularly throughout the year;
- They retain full and effective control over the Company;
- The Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance; and
- They bring skills and experience from their own spheres of business to complement the professional experience and skills of the management team.

In 2017 the company had three directors. The Board continued to carry out its role of formulating policies and strategies of the Company, reviewing the business plan, ensure that the accounting system is maintained in accordance with acceptable standards, the books of the Company are kept properly, and that accounts are checked by authorized auditors, as well as recruitment and development of key personnel.

k) Risk management
The board accepts the final responsibility for the risk management and internal control system of the Company. The management ensures that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Company’s assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviour towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no-system of internal control can provide absolute assurance against misstatement or losses, the Company’s system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

l) Management structure
The Company is under the supervision of the Board of Directors and the day-to-day management is entrusted to the Country Representative who is assisted by the heads of divisions, departments and units. The organization structure of the Company comprises of the following divisions:
m) Related party transactions

Related party transactions are disclosed in Note 13 and 26 to the financial statements.

n) Future development plans

- Microfinance Program
  - New 20 Microfinance branches shall be opened in 2018 and increasing the number of borrowers by approximately 28,000.
  - Exploring new innovations such as mobile money to enhance service delivery.
  - During 2018, a new disability friendly product will be designed meeting the need of people with disability.
  - Finally, as in 2017 BRAC earned profit, very soon it will be eligible for taking voluntary savings as deposit taking institutions which would potentially help BRAC retain and attract more customers.

o) Key achievement in 2017

The following are the Company’s key achievements for the year:

- The Microfinance borrower size increased by 12,707 in 2017 (Total borrower as of 2017 is 50,977).
- Launched the new product named SEP. Its portfolio as at 31 December 2017 is MMK 313 million.
- Staffs from different departments received total 38 trainings in various financial, operational and management competency issues.

p) Solvency

The Board of directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of directors has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

q) Gender parity

In 2017, the company had a total staff of 389. The female staff are 327 and male 62.

r) Employees’ welfare

Management/employee relationship

There were continued good relation between employees and management for the year 2017. There were no unresolved complaints received by management from the employees during the year. New performance incentive schemes which were introduced in 2016 continued in 2017.

The Company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties.
The company’s directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 31 December 2017, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Myanmar and for such internal controls as the directors determine are necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. The directors’ responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. They are also responsible for safeguarding the assets of the company. Under the Companies Act of Myanmar, the directors are required to prepare financial statements for each year that give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and cash flow for the year ended 31 December 2017. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The directors have made an assessment of the company’s ability to continue as a going concern and have no reason to believe the company will not be a going concern for the next twelve months from the date of this statement. The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the International Financial Reporting Standards and Companies Act of Myanmar.

Approval of the financial statements

The financial statements, as indicated above, were approved by the board of directors on 09 March 2018 and were signed on its behalf by:

Director
BRAC Myanmar Microfinance Company Limited

Director
BRAC Myanmar Microfinance Company Limited

INDEPENDENT AUDITOR’S REPORT
To the members of BRAC Myanmar Microfinance Company Limited

Opinion
We have audited the financial statements of BRAC Myanmar Microfinance Company Limited (“BRAC” or also referred as “the Company”), which comprise the statement of financial position of the Company as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements of the Company are properly drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 December 2017 and changes in equity and cash flows of the Company for the year then ended. The accounting records required by the Company have been properly kept.

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

Responsibilities of Management of the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standard (IFRS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 for 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 Company’s internal control.

INDEPENDENT AUDITOR’S REPORT
To the members of BRAC Myanmar Microfinance Company Limited

Opinion
We have audited the financial statements of BRAC Myanmar Microfinance Company Limited (“BRAC” or also referred as “the Company”), which comprise the statement of financial position of the Company as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements of the Company are properly drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 December 2017 and changes in equity and cash flows of the Company for the year then ended. The accounting records required by the Company have been properly kept.

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

Responsibilities of Management of the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standard (IFRS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 for 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 Company’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 Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Than Tint
CPA (PA 103)
Managing Director
Khin Su Htay & Associates Limited
09 March 2018

### BRAC MYANMAR MICROFINANCE COMPANY LIMITED

**STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2017**

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Kyats</td>
<td>USD</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and equipment</td>
<td>4</td>
<td>176,531,160</td>
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<tr>
<td>Intangible assets</td>
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<td>86,706,537</td>
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<tr>
<td>Other assets</td>
<td>6</td>
<td>129,477,114</td>
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<tr>
<td>Loans to customer</td>
<td>7</td>
<td>12,192,530,997</td>
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<td>Cash and cash equivalents</td>
<td>8</td>
<td>1,030,156,863</td>
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<tr>
<td><strong>Total assets</strong></td>
<td><strong>13,625,403,271</strong></td>
<td><strong>9,430,342,502</strong></td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>9</td>
<td>7,332,540,000</td>
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<tr>
<td>Share money deposit</td>
<td>10</td>
<td>684,885,345</td>
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<td>Donor grant</td>
<td>11</td>
<td>866,474,756</td>
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<tr>
<td>Retained earnings</td>
<td>12</td>
<td>(1,301,803,971)</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td><strong>7,584,369,130</strong></td>
<td><strong>7,093,692,424</strong></td>
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<tr>
<td><strong>Liabilities</strong></td>
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<td></td>
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<tr>
<td>Term loan</td>
<td>13</td>
<td>3,261,228,785</td>
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<tr>
<td>Related party payables</td>
<td>14</td>
<td>1,144,603,245</td>
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<tr>
<td>Member savings payable</td>
<td>15</td>
<td>1,536,774,107</td>
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<tr>
<td>Other liabilities</td>
<td>16</td>
<td>98,428,003</td>
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<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>6,041,034,140</strong></td>
<td><strong>2,386,650,078</strong></td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td><strong>13,625,403,271</strong></td>
<td><strong>9,430,342,502</strong></td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of these financial statements.
BRAC MYANMAR MICROFINANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2017

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Kyats</td>
<td>Kyats</td>
<td>USD</td>
<td>USD</td>
</tr>
<tr>
<td>Service charge on loan</td>
<td>17</td>
<td>2,927,848,944</td>
<td>1,686,499,870</td>
<td>2,151,248</td>
</tr>
<tr>
<td>Interest expense</td>
<td>18</td>
<td>407,092,619</td>
<td>113,875,325</td>
<td>290,113</td>
</tr>
<tr>
<td>Net income from service charge</td>
<td></td>
<td>2,520,756,325</td>
<td>1,572,624,545</td>
<td>1,862,135</td>
</tr>
<tr>
<td>Membership and other fees</td>
<td>19</td>
<td>57,785,213</td>
<td>83,197,115</td>
<td>42,461</td>
</tr>
<tr>
<td>Other income</td>
<td>20</td>
<td>26,166,021</td>
<td>16,603</td>
<td>16,603</td>
</tr>
<tr>
<td>Grant income</td>
<td>21</td>
<td>4,935,822,244</td>
<td>3,206,288,813</td>
<td>2,320,994</td>
</tr>
<tr>
<td>Total operating income</td>
<td></td>
<td>2,957,628,559</td>
<td>1,878,923,060</td>
<td>2,173,129</td>
</tr>
<tr>
<td>Impairment loss on loan</td>
<td>7</td>
<td>90,438,716</td>
<td>104,134,679</td>
<td>66,450</td>
</tr>
<tr>
<td>Operating income after impairment charge</td>
<td></td>
<td>2,867,189,843</td>
<td>1,774,788,381</td>
<td>2,106,679</td>
</tr>
<tr>
<td>Staff costs</td>
<td>22</td>
<td>1,715,574,171</td>
<td>1,233,659,818</td>
<td>1,260,525</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>23</td>
<td>1,045,919,742</td>
<td>786,454</td>
<td>786,454</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>24</td>
<td>57,933,079</td>
<td>46,333,254</td>
<td>42,567</td>
</tr>
<tr>
<td>Total operating cost</td>
<td></td>
<td>2,819,426,992</td>
<td>2,031,322,433</td>
<td>2,071,585</td>
</tr>
<tr>
<td>Profit/(Loss) before tax</td>
<td></td>
<td>47,762,851</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Income tax expenses</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net Profit/(Loss) after tax</td>
<td></td>
<td>47,762,851</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Other Comprehensive Income

| Unrealized exchange gain/(loss) | | 1,778,536 | (21,066,021) | 1,307 | (25,031) |
| Net Profit/(Loss) | | 49,541,387 | 287,599,073 | 38,401 | 231,733 |

The accompanying notes form an integral part of these financial statements.

Head of Finance
BRAC Myanmar Microfinance Company Limited

Country Representative
BRAC Myanmar Microfinance Company Limited

Director
BRAC Myanmar Microfinance Company Limited

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2017

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Kyats</td>
<td>Kyats</td>
</tr>
<tr>
<td>Share capital deposit</td>
<td>2017</td>
<td>635,880,000</td>
</tr>
<tr>
<td>Profit/(Loss) for the year</td>
<td></td>
<td>49,541,387</td>
</tr>
<tr>
<td>Donor grants</td>
<td></td>
<td>441,135,320</td>
</tr>
<tr>
<td>Foreign currency translation differences</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Total equity</td>
<td></td>
<td>7,584,369,130</td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of these financial statements.
BRAC MYANMAR MICROFINANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2017

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017 Kyats</th>
<th>2016 Kyats</th>
<th>2017 USD</th>
<th>2016 USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash flow from operations</td>
<td>25</td>
<td>348,988,635</td>
<td>160,605,628</td>
<td>256,421</td>
</tr>
<tr>
<td>Loan disbursements</td>
<td>(27,020,950,000)</td>
<td>(15,937,750,000)</td>
<td>(19,853,747)</td>
<td>(12,841,839)</td>
</tr>
<tr>
<td>Loan collection</td>
<td>22,478,830,830</td>
<td>11,025,699,724</td>
<td>16,916,408</td>
<td>9,083,996</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>(4,193,130,535)</td>
<td>(3,080,019)</td>
<td>(3,828,476)</td>
<td></td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of property &amp; equipment</td>
<td>(46,655,587)</td>
<td>(51,913,907)</td>
<td>(34,280)</td>
<td>(41,830)</td>
</tr>
<tr>
<td>Acquisition of intangible asset</td>
<td>(65,463,294)</td>
<td>(34,132,680)</td>
<td>(48,099)</td>
<td>(27,502)</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>(112,118,881)</td>
<td>(82,380)</td>
<td>(69,332)</td>
<td></td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members savings</td>
<td>201,609,894</td>
<td>867,797,635</td>
<td>148,025</td>
<td>635,749</td>
</tr>
<tr>
<td>Proceeds from issue of share capital</td>
<td>635,880,000</td>
<td>2,408,780,000</td>
<td>466,872</td>
<td>1,764,674</td>
</tr>
<tr>
<td>Grant received in advance</td>
<td>441,135,320</td>
<td>189,299,000</td>
<td>320,888</td>
<td>138,681</td>
</tr>
<tr>
<td>Term loan</td>
<td>3,261,228,785</td>
<td>2,394,441</td>
<td>2,394,441</td>
<td></td>
</tr>
<tr>
<td>Share money deposit</td>
<td>(635,880,000)</td>
<td>1,320,765,345</td>
<td>(466,872)</td>
<td>967,594</td>
</tr>
<tr>
<td>Net cash from financing activities</td>
<td>3,903,073,999</td>
<td>4,786,641,980</td>
<td>2,866,354</td>
<td>3,506,697</td>
</tr>
<tr>
<td>Net increase/(decrease) in cash and cash equivalents</td>
<td>(401,275,417)</td>
<td>(50,849,255)</td>
<td>(296,945)</td>
<td>(391,110)</td>
</tr>
<tr>
<td>Cash and cash equivalents at 1 January</td>
<td>1,431,432,280</td>
<td>1,486,281,535</td>
<td>1,048,668</td>
<td>1,132,377</td>
</tr>
<tr>
<td>Effect of exchange rate fluctuation on cash</td>
<td>-</td>
<td>-</td>
<td>4,652</td>
<td>307,402</td>
</tr>
<tr>
<td>Cash and cash equivalents at 31 December</td>
<td>8</td>
<td>1,030,156,863</td>
<td>1,431,432,280</td>
<td>756,356</td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of these financial statements.

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

These notes form an integral part of the financial statements.

1. Reporting entity
BRAC Myanmar Microfinance Company Limited is a wholly owned subsidiary company of BRAC International Holdings B. V., a limited liability company registered under the laws of Netherlands, with its registered office in The Hague.

BRAC Microfinance Myanmar Company Limited was incorporated as a limited liability company under the Companies Act on 15 October 2013 with its registration number 559 FC/13-14 and registered office in Yangon, Myanmar.

The objectives of the company is to operate microfinance business in Myanmar with a mandate to contribute towards alleviating poverty and attaining Millennium Development Goals through promoting employment and income generating activities for the poor women.

2. Basis of preparation

a. Statement of compliance
These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were issued by the Board of Directors on 09 March 2018.

b. Basis of measurement

The financial statements are prepared under the historical cost convention except for the financial instruments at fair value through profit and loss which are measured at fair value when required.

c. Functional and presentation currency

The financial statements are presented in Myanmar Kyats, which is the Company’s functional currency.

Memorandum figures

The memorandum column representing the results in United States Dollars (USD) are for presentation purposes only, and do not form part of the audited financial statements.

The exchange rates used to translate the MMK figures to USD memorandum were as follows:

- Assets and liabilities were translated at the closing rate at 31 December 2017 which of MMK 1,362 (2016:MMK 1,365);
- Income and expenses were translated using an average exchange rate for the period of MMK 1,361 (2016: MMK 1,241.08);

3. Significant accounting policies

a. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date.
NOTES TO THE FINANCIAL STATEMENTS
BRAC MYANMAR MICROFINANCE COMPANY LIMITED
YEAR ENDED 31 DECEMBER 2017

b. Interest income and other income
Interest income and expenses are recognised on an accrual basis taking into account the effective interest rate of the interest earning asset or the interest bearing liability.

(i) Interest income on loans and advances
Interest income on loans and advances (service charges) on regular loans that is, loans where no amounts are overdue as at the end of the reporting period are recognised on an accrual basis as income.

(ii) Membership fees and other charges
Membership fees and other charges are recognised on an accrual basis when the service has been provided.

(iii) Other Income
Other income comprises of house rent received from local staff or using the office residence and gain on foreign currency translation.

i) Income Tax
Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the date such tax is levied.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. During the year 2017 the Company earned profits but was not liable for tax in accordance with the Myanmar Tax Law because of its tax losses in prior years.

c. Financial assets and liabilities

(i) Recognition
The Company initially recognises loans and advances, deposits, and other liabilities on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company did not have any financial assets and liabilities designated at fair value through profit or loss.

A financial asset or financial liability is initially measured at fair value (for an item not subsequently measured at fair value through profit or loss). The transaction costs that are directly attributable to its acquisition or issue is directly charged to comprehensive income.

(ii) Classification
The company classifies non-derivative financial assets into loans and receivables which includes cash and cash equivalents, loans and advances and any other receivables and the Company classifies its non-derivative financial liabilities as other financial liabilities.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and cash at bank with maturity of less than 3 months, which are highly liquid assets and are subject to insignificant risk of changes in fair value, and are used by the Company in the management of its short term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

Loans and receivables
Loans originated by the company by providing finance directly to borrowers is categorized as loans to group members and is carried at amortized cost. All loans and advances are recognized when cash is advanced to borrowers.

Other receivables
Other assets comprise prepayments other recoverable which arise during the normal course of business; they are carried at original invoice amount less provision made for impairment losses. A provision for impairment of other receivables is established when there is objective evidence that the fund will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount.

Other financial liabilities
Other financial liabilities comprise members savings, related party payables and other liabilities. These liabilities are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received.

(iii) De-recognition
The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all of the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expires.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of ownership of the transferred assets. In such transactions, the asset is derecognised. In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if it does not retain control over the asset. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers in which control over the asset is retained, Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Company writes off certain loans when they are determined to be uncollectible.

(iv) Off-setting
Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the organisation has a legal right to set-off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as currency exchange gain and losses.

(e) Fair value measurement
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction on the measurement date.

When available, Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market for instruments is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm’s length basis.
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BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

If a market for a financial instrument is not active, the company establishes fair value using a valuation technique. Valuation techniques include using recent arm’s length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models (if required).

(ii) Impairment of financial assets

At each statement of financial position date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, indications that a borrower or issuer will enter bankruptcy, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset’s original effective interest rate.

Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

e. Property and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Costs comprise the purchase price and any cost directly attributable in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

Subsequent to initial recognition, property and equipment are stated at cost less accumulated depreciation and impairment losses. The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. Major improvements that increase the life of the asset are capitalized.

ii. Subsequent cost

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The costs of the day-to-day servicing and maintenance of property and equipment are recognised in the statement of comprehensive income as incurred.

ii. Depreciation

All property and equipment are depreciated on a straight line basis to write off the costs of the assets over the expected useful lives. Depreciation is recognised as an expense in profit or loss at each component of an item of property and equipment unless it is included in the carrying amount of another asset.

Depreciation is recognised from the date that the property and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.
5. Intangible assets

Cost
At 1 January 34,132,680 - 25,006 -
Additions 65,463,204 34,132,680 48,099 27,502
Disposal adjustment - - - -
Currency translation adjustment - - 20 (2,497)
At 31 December 99,595,974 34,132,680 73,125 25,006

Accumulated amortization
At 1 January 4,266,585 - 3,126 -
Charge for the year 8,622,852 4,266,585 6,336 3,438
Disposal adjustment - - - -
Currency translation adjustment - - 2 (312)
At 31 December 12,889,437 4,266,585 9,464 3,126

Carrying amount
At 31 December 86,706,537 29,866,095 63,661 21,880

6. Other assets

Advance to third parties 129,720,000 86,959,998 95,242 63,707
Advance to staff - 350,000 - 256
Receivable from BRAC Myanmar 2,564,893 - 1,883 -
Receivable from Donor 7,192,821 - 5,281 -
139,477,714 87,309,998 102,407 63,963

7. Loan to customers

Group loans 12,033,814,170 7,817,773,392 8,835,400 5,727,307
Small Enterprises Program (SEP) 313,748,497 - 230,359 -
Loans write off (20,383,666) (12,329,895) (14,966) (9,033)
12,327,179,001 7,805,443,497 9,050,792 5,718,274
Add: Interest receivable 85,326,292 48,551,018 62,648 35,569
Less: Impairment loss on loans (219,974,296) (149,919,246) (161,508) (109,831)
12,192,530,997 7,704,075,269 8,951,932 5,644,011

7.1 The movement on the loan accounts is analyzed as shown below

Opening balance 7,805,443,497 2,905,723,116 5,718,274 2,210,804
Add: Loans disbursement 27,020,950,000 15,937,750,000 15,853,747 12,841,839
Less: Loan realization (22,478,830,830) (11,025,699,724) (16,516,408) (8,883,956)
Add: Loans write off (20,383,666) (12,329,895) (14,966) (9,033)
Translation adjustment - - 10,156 (449,479)
Principal outstanding 12,327,179,001 7,805,443,497 9,050,792 5,718,274
Add: Interest receivable 85,326,292 48,551,018 62,648 35,569
Less: Impairment loss on loans (219,974,296) (149,919,246) (161,508) (109,831)
12,192,530,997 7,704,075,269 8,951,932 5,644,011

4. Property and equipment

Furniture & Fixtures Computer Equipment vehicles Total Total
Cost
At 1 January 2016 48,504,950 35,783,856 19,298,500 88,734,000 192,321,306 146,922
Additions 22,793,000 16,417,747 8,715,160 3,988,000 51,913,907 41,830
Write-off - - - - - -
Effect of movements in exchange rate - - - - - (9,825)
At 31 December 2016 71,297,950 52,201,603 28,013,660 92,722,000 244,235,213 178,927

At 1 January 2017 71,297,950 52,201,603 28,013,660 92,722,000 244,235,213 178,927
Additions 15,879,750 18,727,787 8,140,100 6,970,000 49,717,637 36,530
Write-off (1,539,700) (372,000) (1,150,350) - (3,062,050) (2,250)
Effect of movements in exchange rate - - - - - 369
At 31 December 2017 85,638,000 70,557,390 35,003,410 99,692,000 290,890,800 213,576
7.2 Movement of impairment on loans

At 1 January  
90,438,716  104,134,679  66,450 83,906
Charge for the year  2017 2016 2017  2016
90,438,716  104,134,679  66,450 83,906
Loan write off  (20,383,666)  (12,296,118)  (14,077) (9,008)
Currency translation adjustment  -  (33,777)  -  (27)
219,974,296  149,919,246  161,508 109,831

7.2.a Impairment loss on loans

Principal outstanding (Kyats)
Provision rate (Kyats)
For general provision
No past due 12,023,185,889 1% 120,231,859
For specific provision
1-30 days 206,116,936 10% 20,611,694
31-60 days 27,449,368 50% 13,724,684
61-90 days 20,082,993 75% 15,062,245
91-over 50,343,815 100% 50,343,815
12,327,179,001 219,974,296

8. Cash and cash equivalents

Cash at hand 15,758,727 13,617,767 11,570 9,970
Cash at bank 1,030,756,655 1,431,432,281 786,358 1,048,688

9. Share capital

Share capital 7,332,540,000 6,686,660,000 5,383,658 4,905,978

10. Share money deposit

Applied for Share capital 684,885,345 1,329,765,345 502,853 967,594

11. Donor grant

Grant received in advance (note- 11.1)  387,035,320 189,290,000 270,143 138,681
Grant investment in loan (note-11.2)  500,893,436 238,313,436 387,734 174,589
687,928,756 427,612,436 637,847 313,269

11.1 Grant received in advance

At 1 January  189,290,000 223,013,436 138,681 174,589
Donation received during the year  459,111,520 189,290,000 339,920 137,672
Donor fund investment in loan (262,499,000) (223,013,436) (192,872) (179,693)
Transferred to statement of financial income (13,208) - - -
Currency translation adjustment 9,183 5,104 2,207 -
367,935,320 189,290,000 270,143 138,681

11.1.1 Donation received during the year

WPF (Whole Planet Foundation) 404,646,040 189,290,000 299,960 137,672
UNCDF 54,465,480 50,960

459,111,520 189,290,000 339,920 137,672

11.2 Grant investment in loans

At 1 January  238,313,436 15,300,000 174,589 -
Donor fund investment in loan 262,499,000 223,013,436 192,872 179,693
Currency translation adjustment 243 (3,094)
500,812,436 238,313,436 367,704 174,589

12. Retained earnings

At 1 January  (1,351,345,357) (1,063,746,284) (989,997) (812,640)
Profit/loss for the year  49,541,387 (866,767,073) 36,401 (231,733)
Currency translation adjustment 54,377 (521,736) 2,207 -
(1,301,803,971) (1,351,345,357) (955,803) (989,997)

13. Term loan

Loan principal 3,245,839,133 - 2,383,138 -
Accrued interest 15,395,452 11,304 - -
3,261,228,785 2,394,441 - -

14. Related party payables

BRAC (Bangladesh) 697,976,886 530,721,255 343,043 388,807
BRAC International Holdings B.V. 836,313,397 1,063,746,284 204,061 115,002
BRAC IT Services Ltd. (biTS) 165,999,664 184,373,977 121,872 36,028
Stichting BRAC International 34,683,788 17,883,541 29,401 33,105
1,144,603,245 811,094,907 486,334 594,209

The amount is payable to BRAC International Holdings B.V., Stichting BRAC International, biTS and BRAC (Bangladesh) represents expenses incurred by BRAC Myanmar Microfinance Company Limited.
## BRAC MYANMAR MICROFINANCE COMPANY LIMITED
### NOTES TO THE FINANCIAL STATEMENTS
#### YEAR ENDED 31 DECEMBER 2017

### 15. Member savings

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>USD</th>
<th>2017</th>
<th>2016</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member savings</td>
<td>1,518,303,844</td>
<td>1,335,142,391</td>
<td>1,114,761</td>
<td>978,126</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on members savings</td>
<td>18,470,263</td>
<td>21,822</td>
<td>13,561</td>
<td>16</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,536,774,107</strong></td>
<td><strong>1,335,164,213</strong></td>
<td><strong>1,128,322</strong></td>
<td><strong>978,142</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 16. Other liabilities

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>USD</th>
<th>2017</th>
<th>2016</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for salary</td>
<td>8,634,726</td>
<td>106,782,661</td>
<td>6,340</td>
<td>78,229</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for leave salary</td>
<td>54,436,355</td>
<td></td>
<td>51,668</td>
<td>33,771</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities for expenses</td>
<td>69,804</td>
<td>10,747</td>
<td>51</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Withholding tax payable</td>
<td>22,013,758</td>
<td></td>
<td>16,163</td>
<td>10,838</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance provision</td>
<td>6,437,359</td>
<td>4,498,031</td>
<td>4,726</td>
<td>3,395</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical expense provision</td>
<td>-</td>
<td>16,407,760</td>
<td>-</td>
<td>11,332</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit fee provision</td>
<td>8,836,001</td>
<td>2,740,000</td>
<td>5,019</td>
<td>2,007</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>98,428,003</strong></td>
<td><strong>190,390,958</strong></td>
<td><strong>72,267</strong></td>
<td><strong>139,481</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 17. Service charge on loan

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>USD</th>
<th>2017</th>
<th>2016</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group loans</td>
<td>2,910,679,198</td>
<td>1,686,499,870</td>
<td>2,138,633</td>
<td>1,358,897</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual loans</td>
<td>17,169,746</td>
<td></td>
<td>12,616</td>
<td>1,358,897</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,927,848,944</strong></td>
<td><strong>1,686,499,870</strong></td>
<td><strong>2,151,248</strong></td>
<td><strong>1,358,897</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 18. Interest and other financial expenses

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>USD</th>
<th>2017</th>
<th>2016</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on member savings</td>
<td>31,073,000</td>
<td>22,096,000</td>
<td>22,831</td>
<td>17,804</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan appraisal fee</td>
<td>32,042,000</td>
<td>25,270,000</td>
<td>25,049</td>
<td>16,830</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales of passbook</td>
<td>13,952,000</td>
<td>10,800,709</td>
<td>10,912</td>
<td>8,703</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other financial expenses</td>
<td>15,057,820</td>
<td>12,336,718</td>
<td>12,819</td>
<td>10,606</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>353,914,000</strong></td>
<td><strong>223,101,410</strong></td>
<td><strong>260,049</strong></td>
<td><strong>179,764</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 19. Membership and other fees

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>USD</th>
<th>2017</th>
<th>2016</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership fee</td>
<td>21,831,421</td>
<td>21,831,421</td>
<td>21,831</td>
<td>21,831</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air tickets &amp; VISA cost</td>
<td>4,080,909</td>
<td>4,080,909</td>
<td>4,080</td>
<td>4,080</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meals</td>
<td>67,098,584</td>
<td>67,098,584</td>
<td>67,098</td>
<td>67,098</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition fee</td>
<td>15,062,371</td>
<td>15,062,371</td>
<td>15,062</td>
<td>15,062</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uniform cost</td>
<td>5,313,600</td>
<td>5,313,600</td>
<td>5,313</td>
<td>5,313</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business license &amp; registration</td>
<td>25,958,466</td>
<td>11,717,700</td>
<td>25,958</td>
<td>11,717</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visibility &amp; communication expense</td>
<td>25,991,759</td>
<td>10,441,900</td>
<td>25,991</td>
<td>10,441</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>312,873,599</strong></td>
<td><strong>267,809,685</strong></td>
<td><strong>229,885</strong></td>
<td><strong>215,789</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 20. Other income

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>USD</th>
<th>2017</th>
<th>2016</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings deposits</td>
<td>1,114,761</td>
<td>978,126</td>
<td>978,126</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per diem</td>
<td>154,200</td>
<td>124</td>
<td>124</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation expenses</td>
<td>123,570,288</td>
<td>112,370</td>
<td>112,370</td>
<td>90,587</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,755,174,177</strong></td>
<td><strong>2,235,859,816</strong></td>
<td><strong>2,126,525</strong></td>
<td><strong>194,021</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 21. Grant income

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>USD</th>
<th>2017</th>
<th>2016</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,358,110</strong></td>
<td><strong>1,358,110</strong></td>
<td><strong>1,358,110</strong></td>
<td><strong>1,358,110</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 22. Staff costs

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>USD</th>
<th>2017</th>
<th>2016</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td><strong>98,428,003</strong></td>
<td><strong>190,390,958</strong></td>
<td><strong>72,267</strong></td>
<td><strong>139,481</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 23. Travel & transportation expenses

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>USD</th>
<th>2017</th>
<th>2016</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,045,919,742</strong></td>
<td><strong>751,302,961</strong></td>
<td><strong>768,494</strong></td>
<td><strong>605,384</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 24. Other operating expenses

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>USD</th>
<th>2017</th>
<th>2016</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,045,919,742</strong></td>
<td><strong>751,302,961</strong></td>
<td><strong>768,494</strong></td>
<td><strong>605,384</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Annual Report 2017

23.4 Audit and professional fee

<table>
<thead>
<tr>
<th>Professional &amp; consultancy fee</th>
<th>Audit fee</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>49,215,823</td>
<td>8,858,501</td>
<td>58,084,324</td>
</tr>
<tr>
<td>3,065,140</td>
<td>4,033,600</td>
<td>7,098,740</td>
</tr>
<tr>
<td>36,562</td>
<td>6,516</td>
<td>43,078</td>
</tr>
<tr>
<td>2,487</td>
<td>3,250</td>
<td>5,737</td>
</tr>
</tbody>
</table>

23. Depreciation & amortization

<table>
<thead>
<tr>
<th>Depreciation</th>
<th>Amortization</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>49,310,227</td>
<td>8,609,662</td>
<td>57,933,079</td>
</tr>
<tr>
<td>42,066,669</td>
<td>2,466,585</td>
<td>44,533,254</td>
</tr>
<tr>
<td>36,231</td>
<td>6,336</td>
<td>42,567</td>
</tr>
<tr>
<td>33,895</td>
<td>3,439</td>
<td>37,333</td>
</tr>
</tbody>
</table>

25. Cash generated from operations

<table>
<thead>
<tr>
<th>Net profit/(loss) for the year</th>
<th>Depreciation &amp; amortization</th>
<th>Loan loss provision</th>
<th>Cash flow before changes in working capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>49,541,387</td>
<td>90,138,716</td>
<td>58,084,324</td>
<td>196,386,242</td>
</tr>
<tr>
<td>(297,690,075)</td>
<td>(46,333,254)</td>
<td>(7,119,740)</td>
<td>137,131,140</td>
</tr>
<tr>
<td>36,401</td>
<td>41,445</td>
<td>144,296</td>
<td>144,296</td>
</tr>
<tr>
<td>(231,733)</td>
<td>(37,333)</td>
<td>(110,493)</td>
<td>(110,493)</td>
</tr>
</tbody>
</table>

26. Financial risk management policies and objectives

The Company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note represents information about the Company's exposure to each of the above risk, its objectives, policies and processes for measuring and managing risk and the Company’s management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of BRAC’s risk management framework.

Risk management policies are established to identify and analyse the risks faced by BRAC, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and BRAC’s activities.

BRAC, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.
Past due but not impaired loans

Loans where contractual interest or principal payments are past due but BRAC believes that impairment is not appropriate on the basis of the stage of collection of amounts owed to BRAC.

Allowance for impairment

BRAC establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

The ageing of loan to customers and the company's exposure to credit risk were:

<table>
<thead>
<tr>
<th>Segment</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current (performing loans)</td>
<td>12,023,185,896</td>
<td>7,017,207,412</td>
</tr>
<tr>
<td>Sub-standard (30-60 days past due)</td>
<td>206,116,936</td>
<td>785,638,085</td>
</tr>
<tr>
<td>Watch (31-60 days past due)</td>
<td>27,449,368</td>
<td>665,384</td>
</tr>
<tr>
<td>Doubtful (61-90 days past due)</td>
<td>26,059,903</td>
<td>736,135</td>
</tr>
<tr>
<td>Loan loss (over 90 days past due)</td>
<td>50,341,815</td>
<td>190,580</td>
</tr>
<tr>
<td>Total loan to customer</td>
<td>13,327,179,001</td>
<td>7,805,443,497</td>
</tr>
</tbody>
</table>

The allowance for impairment for the year was 219,974,296 kyats.

Net loans to customer 2017 2016

<table>
<thead>
<tr>
<th>Segment</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at January 1</td>
<td>149,910,246</td>
<td>58,114,462</td>
</tr>
<tr>
<td>Impairment charge for the year</td>
<td>90,435,716</td>
<td>104,343,673</td>
</tr>
<tr>
<td>Loan write off</td>
<td>(20,383,666)</td>
<td>(12,296,118)</td>
</tr>
<tr>
<td>Interest receivable write off</td>
<td>(3,777)</td>
<td></td>
</tr>
<tr>
<td>Balance as at December 31</td>
<td>219,974,296</td>
<td>149,910,246</td>
</tr>
</tbody>
</table>

BRAC reports loans at their outstanding balance net of loan loss provisions. Adjustments in respect of surplus or deficit in the loan loss reserve are made in the income statement.

Write-off policy

BRAC writes off a loan balance (and any related allowances for impairment losses) when BRAC's Program department determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or the amount is not collectible due to death, dislocation of the borrower or any other natural or humanitarian disaster that affects the livelihood of the borrowers.

(b) Liquidity risk

Liquidity risk is the risk that BRAC will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The objective of liquidity management is to ensure that BRAC has the ability to generate sufficient funds to meet all cash flow obligations as they become due, both under normal and stressed conditions without incurring unacceptable losses or risking damage to the company's reputation.

Management of liquidity risk

BRAC monitors its risk to a shortage of funds by reviewing the cash payment plans. BRAC's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to BRAC's reputation.
BRAC MYANMAR MICROFINANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

Transactions with key management personnel

Key management personnel compensation and transactions

The directors do not get any financial or nonfinancial benefits from the Company. Only one director of the Company controls 1 of the voting shares of the Company.

Other related party transactions

<table>
<thead>
<tr>
<th>Transaction value</th>
<th>Outstanding balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017 Kyats</td>
<td>2016 Kyats</td>
</tr>
<tr>
<td>2017 Kyats</td>
<td>2016 Kyats</td>
</tr>
<tr>
<td>187,688,336</td>
<td>108,186,420</td>
</tr>
<tr>
<td>346,073,927</td>
<td>166,328,591</td>
</tr>
</tbody>
</table>

BRAC International Holdings B.V.
Other related companies

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash. None of the balances are secured.

28. Use of estimates and judgements

Management discussed the development, selection and disclosure of the Organisation’s critical accounting policies and estimates, and the application of these policies and estimates.

Key sources of estimation uncertainty

Fair values of financial instruments

Level 1: Quoted prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset and liability that are not based on observable market data. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.
29. Contingencies

Contingent liabilities are not recognised but disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is reliably estimated.

Contingent assets are not recognised in the financial statements as this may result in the recognition of income which may never be realised.

30. Subsequent events

There were no significant subsequent events occurring in periods after the report date that came to our attention with a material effect on the financial statements at 31 December 2017.

31. Authorisation of financial statements

The financial statements of the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of directors and authorised for issue on 9 March 2018.