

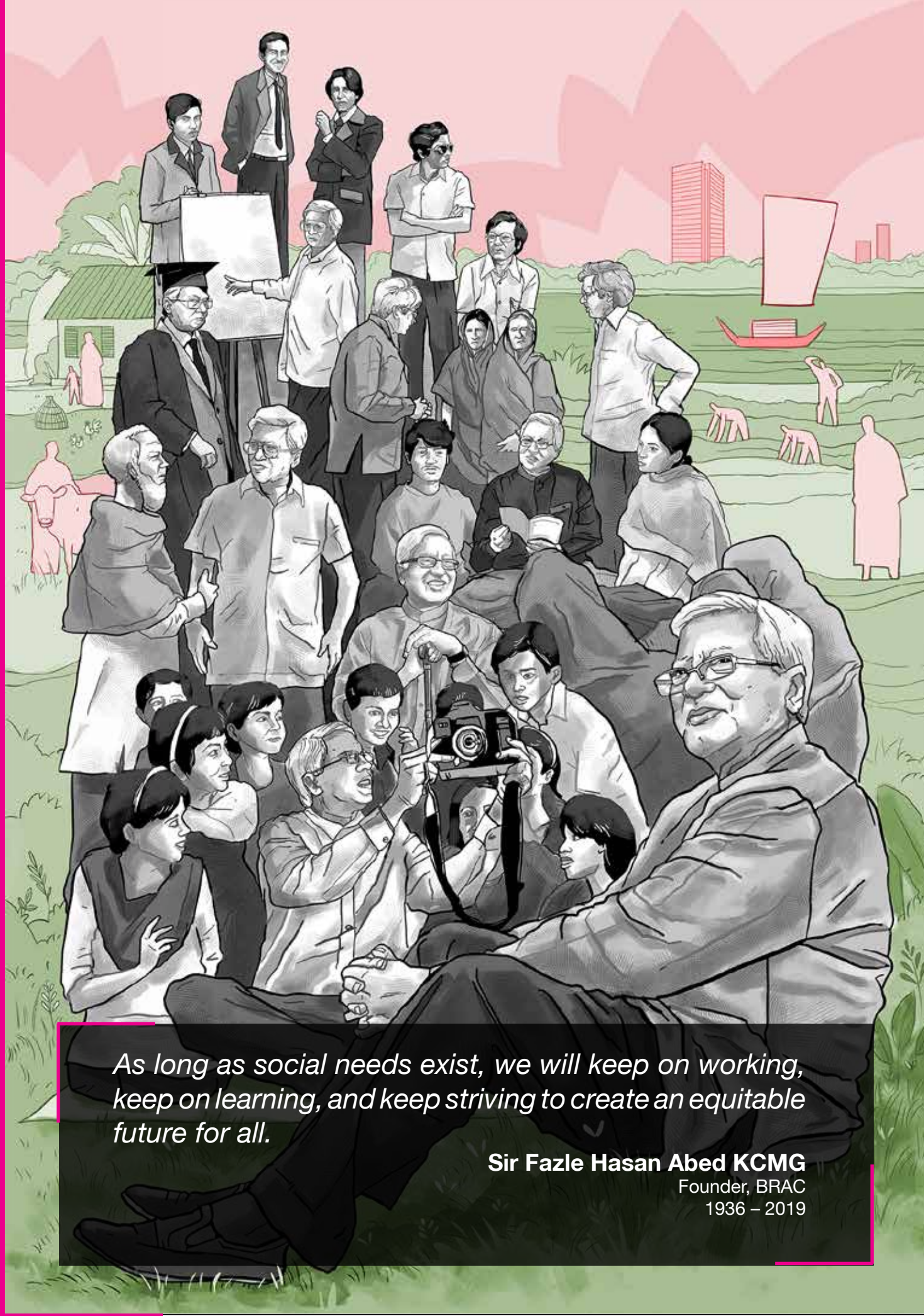


# ANNUAL REPORT 2020

**BRAC MYANMAR  
MICROFINANCE  
COMPANY LIMITED**







*As long as social needs exist, we will keep on working, keep on learning, and keep striving to create an equitable future for all.*

**Sir Fazle Hasan Abed KCMG**  
Founder, BRAC  
1936 – 2019

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# LETTER FROM THE BOARD CHAIRPERSON

## RESILIENCE IN TIMES OF CRISIS

The year 2020 was an unprecedented time for all of us due to the profound impact caused by the COVID-19 pandemic. As I reflect upon the year, I first and foremost remember the billions of people around the world who have been severely affected by the deadly virus. Millions of lives were lost. Millions more around the world lost their jobs, sometimes their only form of livelihood. And like any catastrophe, natural or human-made, the severity of the pandemic was more acutely felt by people living in poverty and marginalised conditions. It is heartbreaking to see that for the first time in 20 years, global poverty is likely to increase as a result of the COVID-19 pandemic.

Though the pandemic unfolded at different speeds and intensities in the six countries where BRAC International operates its microfinance entities, we have strived to not only look out for our own health and that of our families, collectively as the BRAC family, but also to assure our clients that we remain committed to stand beside them during this difficult time. BRAC's mission to empower people and communities in situations of poverty, illiteracy, disease and social injustice was put to the test once again, and was exhibited through the actions of every member of BRAC's staff.

It is in challenging times like these that we remember the vision of our founder Sir Fazle Hasan Abed. The year 2020 also marked the first death anniversary of Abed bhai, as we lovingly addressed him. Abed bhai was a pioneer of financial services and social enterprises as crucial tools to address poverty and social injustice. His ideology of 'not to lose sight of people who need us the most' is at the heart of BRAC's DNA, and it is the compass that guides us through these times more than ever before.

BRAC International Microfinance's initial response to COVID-19 aimed to enable our clients to withstand the shock of the pandemic, through providing immediate relief by offering



**DR MUHAMMAD MUSA**  
Board Chairperson  
BRAC Myanmar Microfinance Company Limited  
  
Executive Director  
BRAC International



*Although the world will remember 2020 as the year of the pandemic, let us also remember it as the year of resilience and empathy. Abed bhai always believed that given the right resources, people living in poverty can change their own destinies. Through the collective effort of our partners, investors, host governments, donors and peers, we can create an equitable world where everyone has the opportunity to realise their potential.*

payment holidays. We rolled-out rescheduling and refinancing mechanisms targeting economic recovery and enhancing the inherent resilience of our clients. After a year of the crisis, we remain steadfast in our focus to bring more people under the umbrella of financial inclusion and improve their financial resilience to combat future shocks.

In partnership with BRAC's social development programmes in Myanmar, BRAC Myanmar Microfinance Company Limited (BMMCL) played a vital role in creating awareness amongst our clients and the wider communities about the spread of the virus. We engaged in relief activities for those living in vulnerable conditions. We took special measures to keep our staff safe in the workplace and issued urgent health guidelines following public health directives. We retained all our staff and continued to pay their salaries even as our operations were suspended at various times. We remained on the ground and adapted our strategy as the situation evolved, working in close coordination with our partners and local communities.

Despite the required adjustment to our plan for 2020, BMMCL has remained undeterred in its mission to provide financial services to people living in poverty, particularly women and populations living in rural and hard-to-reach areas. In 2020, we completed the second impact survey, a regular exercise to measure our social impact and develop strategies to improve services and reach more people living in poverty. The findings have reinforced the important role that BMMCL plays in fulfilling a critical gap by providing access to finance to underserved communities. Clients reported greater levels of financial resilience and stability, with a remarkable 74% saying that their ability to save has improved and 53% of clients had improved quality of meals after engaging with BRAC.

The results demonstrate that financial services, when delivered in a responsible way, can strengthen the resilience of people living in poverty. That is why microfinance continues to be an important element of BRAC's holistic approach to development ever since we provided our first loan in Bangladesh in 1974. Moving ahead in 2021, BRAC International Microfinance will resume implementation of its Growth for Impact plan, advancing financial inclusion and creating positive impact in the lives of women we serve.

Although the world will remember 2020 as the year of the pandemic, let us also remember it as the year of resilience and empathy. Abed bhai always believed that given the right resources, people living in poverty can change their own destinies. Through the collective effort of our partners, investors, host governments, donors and peers, we can create an equitable world where everyone has the opportunity to realise their potential.

# MESSAGE FROM THE MANAGING DIRECTOR

2020 was a significant year in the history of Myanmar and for the rest of the world. Our challenges consisted not only of tackling the COVID-19 virus, but also of fighting the impact of the pandemic in our personal and business life. BRAC Myanmar Microfinance Company Limited (BMMCL) felt its duty for making responsible business decisions together with our clients during these difficult times.

By taking lessons from BRAC’s response to the Ebola crisis in 2008 in West Africa, BMMCL took a three-stage approach to respond and recover from the pandemic. The company worked collectively to find ways of becoming resilient and to guarantee the safety of our staff and clients. All staff members worked from home, received COVID-19 prevention and response training, and obtained protective wear. To raise the consciousness among our clients, we distributed COVID-19 awareness leaflets and face masks. To soften the economic consequences, all clients were offered loan rescheduling or refinancing services and the interest expenditures were waived in April and May 2020.

Founded in 2013, the company expanded its outreach to 85 branches across 8 states and regions, making it the third largest microfinance branch network in Myanmar. Despite the crisis, we opened 10 new branches and reached 154,119 clients, of whom 94% are women. In pursuit of our social mission, BMMCL carried out an impact survey using Lean Data<sup>SM</sup> methodology to refine our objectives and improve the social wellbeing of our clients. Becoming a deposit-taking entity permitted us to improve client resilience and focus on client-centricity. Driven by the development of responsible, innovative financial solutions, we could reach more underserved women, smallholder farmers, and persons with disabilities.

In 2020, we partnered with the United Nations Capital Fund (UNCDF) to develop a women centric product, joined forces with the World Bank for continuing a human-centered design digital agriculture loan product, and expanded the loan repayments through the Ongo agent network. We collaborated with the Government to provide loans for tea shop and restaurant owners focusing on their economic recovery from the pandemic.



**MD SAZADUZZAMAN**  
Managing Director  
BRAC Myanmar Microfinance Company Limited

These accomplishments would not have been possible without the tireless efforts of a team of over 800 staff. We are also grateful to the contribution of our investors and donors: Grameen Credit Agricole Microfinance Foundation, Whole Planet Foundation, Livelihood and Food Security Fund, FMO Entrepreneurial Development Bank, The US Development Finance Corporation (DFC), YOMA Bank, AGD Bank, uab Bank, UNCDF, The World Bank, AAR Japan, UK AID DaNa Facility, 60\_Decibels, SPTF and Ongo Mobile banking.



**Finally, I am indebted to our clients, whose incredible spirit and resilience continue to inspire our work. Banking on the strong relationship with our clients in Myanmar, we will continue to increase access to responsible, inclusive, and innovative financial solutions that enable people living in poverty to take control of their own destinies.**



## BRAC INTERNATIONAL

Stichting BRAC International was formed in 2009 as a non-profit foundation in the Netherlands. It governs all entities outside Bangladesh with an objective to engage in charitable and social welfare activities in any country of the world.

## BRAC INTERNATIONAL HOLDINGS B.V.

BRAC International Holdings B.V. (BIHBV) was set up in 2010 as a private limited liability company and is a wholly-owned subsidiary of Stichting BRAC International. BIHBV is a socially responsible for-profit organisation engaging people in sustainable economic and income-generating activities. The core focus of BIHBV is to provide microfinance services to people living in poverty to build financial resilience, contribute to women’s economic empowerment and improve the quality of life in the communities it serves.



# BRAC INTERNATIONAL SAFEGUARDING ACHIEVEMENTS 2020

Safeguarding practices were initiated in BRAC from the very inception of the organisation. However, many of the practices were not formalised until 2019 when the organisation produced the overarching safeguarding policy and the five sub-set policies, namely:

- Child and Adolescent Protection policy
- Sexual Harassment Elimination policy
- Prevention of Workplace Bullying and Violence policy
- Adults with Special Needs policy
- Whistleblowing policy.

In 2020, all these policies were adapted in the BRAC International (BI) countries considering the country context and law by review of the Country Management Team and vetting by a legal counsellor. The policies are now implemented in all the BI Country Offices, the Africa Regional Office in Kenya, and the Dhaka Office in Bangladesh. **All staff members have received training and orientation on safeguarding and the five sub-set policies, along with guidelines on the reporting and response mechanism of the organisation.**

All BI offices now have a committee, known as the Human Resource Compliance Committee (HRCC), in place to review and address the complaints received in an appropriate manner. With awareness raising in all countries on safeguarding, whistleblowing and the reporting mechanism, the number of complaints lodged in 2020 spiked to a number of sixty-nine from only five in 2019.

**STAFF TRAINING ON SAFEGUARDING IS AN ONGOING PROCESS. IT IS INCLUDED IN THE INDUCTION OF ANY NEW STAFF JOINING THE ORGANISATION. A NUMBER OF INITIATIVES WERE TAKEN TO MAINSTREAM SAFEGUARDING WITH OTHER KEY SYSTEMS OF THE ORGANISATION**



An online e-course was developed in 2020 when classroom training could not take place due to the COVID-19 pandemic.



A safeguarding checklist was developed for programme design, safeguarding indicators were developed to include in the Audit Charter.



Monitoring Mechanism and risk management framework, and a checklist was developed to assess safeguarding practices in different BI Countries.



Some of the BI countries have started safeguarding awareness building for their programme participants and informed them of the contact details to report any incident violating the safeguarding policy. The safeguarding clause is included in partnership agreements and partners are also oriented on safeguarding and sub-set policies, procedures, and the reporting mechanism.

Towards the end of 2020, BI reviewed the Sexual Harassment Elimination policy to incorporate the key elements of Protection of Sexual Exploitation and Abuse (PSEA). The revised policy was reviewed and vetted by UNICEF. The BI countries have also conducted a mapping exercise to locate service providers to support victims/survivors of safeguarding incidents.

Overall, a good attempt has been made to integrate safeguarding in various systems and processes within the organisation to contribute to building a safeguarding culture. However, a lot remains to be done and much more effort needs to be given in awareness building, incident reporting, case management, risk assessments, and capacity building. There are Safeguarding Focal Points in all the offices of BI who are working relentlessly to advocate and support safeguarding initiatives and ensure the safeguarding standards are met adequately.





In all our endeavours, we adhere to the industry's Universal Standards for Social Performance Management and the Client Protection Principles, **placing clients' well-being at the center of everything we do to achieve our mission.** We are committed to enhance our clients' financial awareness through initiatives such as pre-disbursement orientations and financial literacy training. We regularly measure our social performance and desired client-level outcomes to improve our services and achieve long-term impact.

We are embracing financial technology by digitising field operations and adopting alternative delivery channels to increase operational efficiency and offer greater convenience to our clients. **The client value proposition is at the core of our digital transformation efforts, with a particular emphasis on reducing the gap in women's digital financial inclusion.**

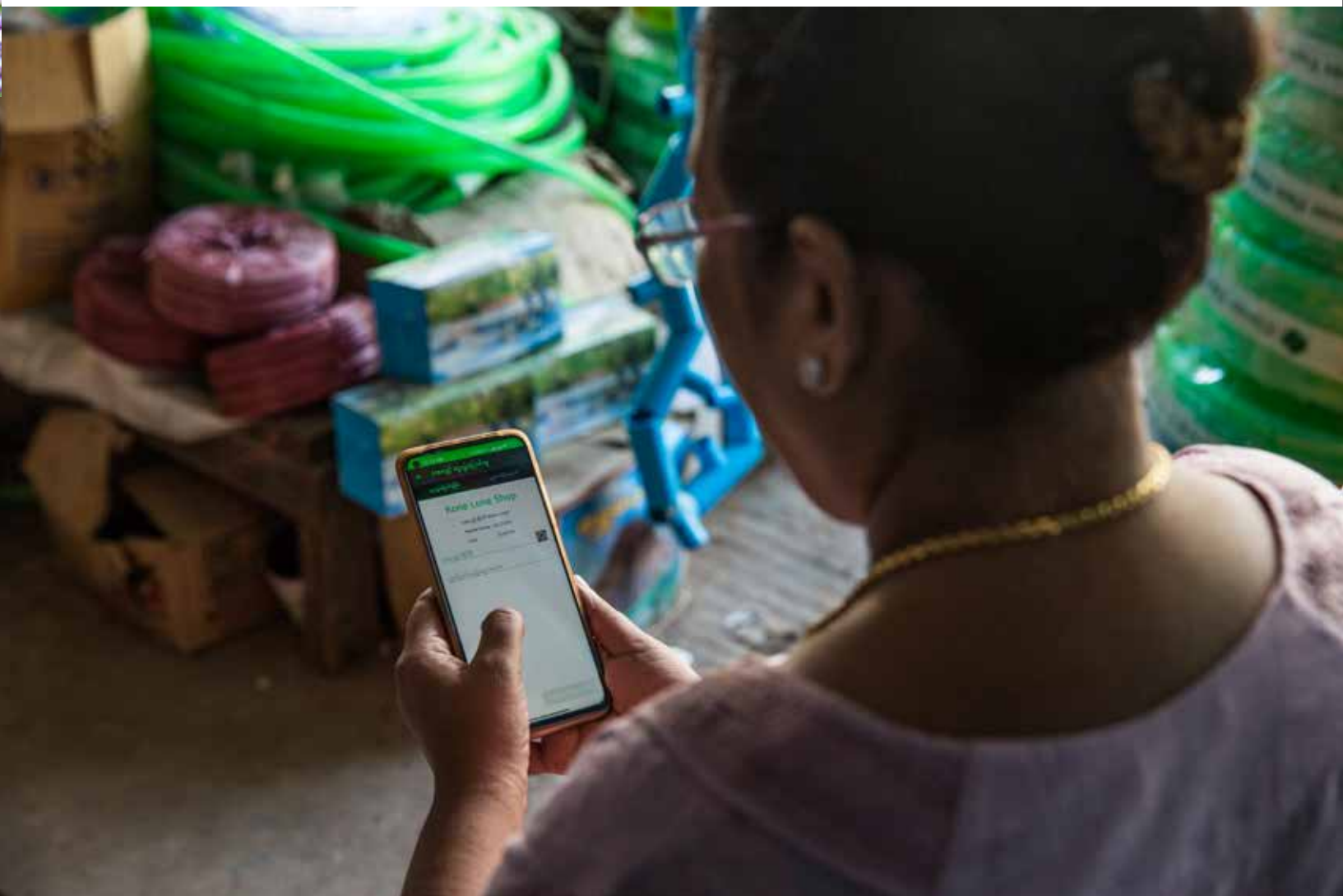
**BRAC believes that sustainable, large-scale change must address and deliver both economic and social progress.** Since we started microfinance activities in Bangladesh in 1974, microfinance has been an integral part of BRAC's holistic approach to development, equipping people with the tools to invest in themselves, their families, and their communities.

# BRAC INTERNATIONAL MICROFINANCE

Following decades of experience and insight in delivering financial services to populations living in poverty in Bangladesh, BRAC first expanded its microfinance operations internationally in 2002 and now operates in six countries in Asia and Africa, serving more than **650,000 clients, 96% of whom are women.**

**Our mission** is to provide a range of financial services responsibly to people at the bottom of the pyramid. We particularly focus on women living in poverty in rural and hard-to-reach areas, to create self employment opportunities, build financial resilience, and harness women's entrepreneurial spirit by empowering them economically.

**We offer inclusive, accessible, and convenient loan and savings products,** tailored to the needs of the local community. Our core credit products include group-based microloans provided exclusively to women, and small enterprise loans for entrepreneurs seeking to grow their businesses. We are also exploring innovative solutions to fulfill the unique financial needs of rural small-holder farmers and the youth population.





# BRAC INTERNATIONAL HOLDINGS B.V.

## SUPERVISORY BOARD



MARILOU VAN GOLSTEIN BROUWERS

Chair

MariLou van Golstein Brouwers is a former chair of the Management Board and founder of Triodos Investment Management B.V., a subsidiary of Triodos Bank.

Ms Brouwers is an international entrepreneurial impact investment banker, with more than 30 years of experience in values-driven business and banking, with immense expertise on impact investing.

She started working for Triodos Bank in 1990 and was involved in the founding of Triodos Investment Management, of which she became the managing director in 2003. She was the chair of the Management Board from January 2015 to December 2018.

Ms Brouwers is currently active in a variety of roles. Within Triodos Bank, she is a member of several boards and involved in the start-up of the Triodos Regenerative Money Centre. She is also a member of the Board of Directors of the Global Impact Investing Network and the Special Working Group on impact economy by the Global Steering Group for Impact Investment. She is chair of the Supervisory Board of B Lab Europe and the Supervisory Board of Qredits, The Netherlands, one of the Women Entrepreneurs Finance Initiative Leadership Champions.

Ms Brouwers has served on the board of directors of banks in Uganda, Kenya, Tanzania, Russia, Afghanistan and Pakistan. She was a member of the Group of Advisors for the United Nations Year of Microcredit in 2004 and 2005, of the Executive Committee of CCAP (2003-2008), the Board of Trustees of Women's World Banking (2003-2012), the Advisory Committee of the Mastercard Foundation Fund for Rural Prosperity (2014-2017) and the Advisory Council on International Affairs Committee for Development Cooperation in The Netherlands. She was chair of SBI Limited (2011-2013), the Steering Committee of the Principles for Responsible Investment / Principles for Investors in Inclusive Finance (2011-2013) and the Advisory Board of Women in Financial Services in The Netherlands (2011-2016). She was also treasurer of the Max Havelaar Foundation (2008-2015).

Ms Brouwers studied business and economics at Erasmus University in Rotterdam.



DR MUHAMMAD MUSA

Director

Dr Muhammad Musa is the Executive Director of BRAC International. He comes with an extensive background in leading humanitarian, social development, and public health organisations at national, international, and cross-cultural settings.

Previously, Dr Musa served as the Executive Director of BRAC Bangladesh, where he successfully upheld BRAC's mission to eliminate poverty and inequality. Under his leadership, BRAC launched the Humanitarian Crisis Management Programme in Cox's Bazaar, Bangladesh, in August 2017, which has given BRAC a strong foundation to stand beside people in crisis anywhere in the world.

Prior to joining BRAC, Dr Musa worked with CARE International for 32 years. Twenty of those years were spent working in Ethiopia, Uganda, South Sudan, Tanzania, Thailand, India, and Bangladesh. He also worked as the Asia Regional Director for CARE International for five years. Dr Musa has been successful in bringing convergence of philanthropic approaches and entrepreneurial methodologies to create sustainable development programming that achieves impact on poverty at large scale.

Dr Musa has a proven track record in strategic leadership, governing board management, and successfully chairing a financial institution and an information technology company in Bangladesh for four years. His expertise lies in external relationship management, brand-building, communications, and fundraising for development projects.

Being adept at people management and conflict resolution, Dr Musa has established a reputation for leading complex organisational change processes in multicultural settings. He is known for his unique ability to attract and develop young professionals for humanitarian and social development leadership roles. He is also an internationally recognised senior management trainer.

Dr Musa holds a Master's degree in Public Health from the Johns Hopkins University, USA, and a post-graduate diploma in Maternal and Child Nutrition from the Netherlands. He completed his Bachelor of Medicine and Bachelor of Surgery (MBBS) at Chittagong Medical College, Bangladesh.



PARVEEN MAHMUD FCA

Director

Parveen Mahmud, in her varied professional career has worked with social innovations, entrepreneurship, and sustainable development. Ms Mahmud started her career with BRAC, and has worked with international NGOs and development agencies. She was the deputy managing director of PKSf, Bangladesh's apex funding organisation for Microfinance Institutes. She is the founding managing director of Grameen Telecom Trust.

She was a partner in ACNABIN & Co, Chartered Accountants. She is the first female president of the Institute of Chartered Accountants of Bangladesh (ICAB), as well as the first female board member of the South Asian Federation of Accountants (SAFA), the apex accounting professional body of SAARC. She is the chairperson of CA Female Forum - Women in Leadership Committee, ICAB and is the vice chairperson of the Women in Leadership Committee of SAFA.

Ms Mahmud sits on numerous boards, including Stichting BRAC International, Apex Footwear Ltd, Grameenphone Ltd, Linde Bangladesh

Ltd, Manusher Jonnyo Foundation, Transparency International Bangladesh, and Centre for Policy Dialogue. She is the chairperson of UCEP Bangladesh, Shasha Foundation, and was chairperson of MIDAS, Shasha Denims Ltd, and Acid Survivors' Foundation. Ms Mahmud is also a member of the International Chamber of Commerce, Bangladesh. She was a member of the National Advisory Panel for SME Development of Bangladesh, founding board member of SME Foundation, and Convenor, SME Women's Forum.

Ms Mahmud is the recipient of Ananyynna Top Ten Women - 2018 Award, Women at Work - 2017 Award from Bangladesh Association of Software and Information Services, and Women of Inspiration Awards 2017 from the Bangladesh Organisation for Learning & Development. She received the Begum Rokeya Shining Personality Award 2006 for women's empowerment from Narikantha Foundation.



GREGORY CHEN

Director

Gregory Chen has worked on financial inclusion for 25 years, with most of his work spanning across South Asia. His work focuses on hands-on advisory and implementation with microfinance institutions and, for the past decade, with newer players in digital finance. This has included work with digital players like bKash, Wave Money and also development organisations including the Aga Khan Development Network, BRAC, and Dvara. His work has included deep technical engagements with more than a dozen financial sector regulators. He has also worked as a corporate banker at Bank of America and with the financial services consulting firm Enclude.

Mr Chen is a member of CGAP's management team and oversees CGAP's policy Engagement. He focuses on helping policy makers adapt to the rapid change in the world of financial services brought on by technology, and particularly to ensure that financial systems can responsibly reach the disadvantaged.

Mr Chen is a regular speaker on microfinance and digital finance at the Boulder Institute for Microfinance, BRAC University, Johns Hopkins, Tufts University, Yale University, and American University, among others. He has a master's degree in international development from Harvard Kennedy School and a bachelor's degree from Wesleyan University.

# BRAC INTERNATIONAL MICROFINANCE MANAGEMENT



SHAMERAN ABED

Managing Director  
BRAC International Holdings B.V.  
Senior Director  
Microfinance & Ultra Poor Graduation  
BRAC and BRAC International

Shameran Abed is Senior Director of BRAC’s Microfinance and Ultra-Poor Graduation programmes. BRAC’s microfinance programme serves more than 8 million clients in seven countries in Asia and Africa, with total assets exceeding USD 3.5 billion. BRAC’s ground-breaking Ultra-Poor Graduation program has helped more than 2 million households pull themselves out of the direst forms of poverty and social deprivation, inspiring BRAC’s Ultra-Poor Graduation Initiative to scale the Graduation approach and help 21 million more people lift themselves from extreme poverty. Abed chairs the board of bKash, BRAC Bank’s mobile financial services subsidiary and one of the world’s largest mobile money providers, and serves on the boards of several institutions including BRAC Bank, BRAC Uganda Bank, and the Global Alliance for Banking on Values (GABV). He is also the chairman of the Microfinance Network and is a member of the Partnership for Responsible Financial Inclusion (PRFI) and the World Economic Forum Financial Inclusion Steering Committee. Abed is a lawyer by training, having been called to the Bar by the Honourable Society of Lincoln’s Inn in the UK.



HANS ESKES

Director  
BRAC International Holdings B.V.

Hans Eskes is a retired audit partner from one of the largest international active audit firms. Presently he holds roles as advisor and as board member in various international companies.

He worked in The Netherlands, Spain and China for clients located throughout Europe, Americas, Africa, and Asia.

During this career his client portfolio became a reflection of most industries and activities that form an important part of society. Within his portfolio he was not only responsible for companies listed on the stock exchanges in London, Frankfurt and Amsterdam, but also for clients active in the financial sector, education, medical institutions and cultural foundations.

Eskes holds a master degree of the Dutch Institute of Chartered Auditors, trainings in the different accounting frameworks and the INSEAD leadership development programs.



BRIDGET DOUGHERTY

Director  
Operations  
BRAC International Holdings B.V.

Bridget Dougherty is the Director of Operations, BRAC International Holdings B.V. Dougherty is responsible for strengthening and supporting the maturing of their Financial Institutions in line with their Growth for Impact strategy, including digital transformation and impact measurement. Dougherty has fifteen years of experience in consulting, project management, process improvement, and systems implementation, working the last ten years in private sector development and financial inclusion.

Prior to joining BRAC, Dougherty was the Project Manager for the Partnership for Responsible Financial Inclusion at the Center for Financial Inclusion at Accion, and has held several other positions including Program Manager for Truelift, and as Executive Operations Manager at an NGO in Vietnam that worked to promote economic development in sectors that had strong market inclusion for the poor and positive global growth prospects. Dougherty began her career at Accenture, where she project managed and deployed large-scale system implementations for Fortune 100 and 500 corporations. She holds a BA in Economics and Spanish from the University of Illinois at Urbana-Champaign.



SYED ABDUL MUNTAKIM

Ag. Director  
BRAC International Holdings B.V.  
Director  
Finance, BRAC International

Mr Muntakim is a Chartered Management Accountant with over 18 years of experience in the FMCG commercial and corporate financial management.

Prior to joining BRAC, he was a Commercial Finance Controller in the Global Operations function of British American Tobacco (BAT) plc. His previous roles include Senior Commercial Audit Manager, Regional Finance Manager, Europe Region and Management Accountant in BAT London, UK. He also worked as the Corporate Analysis Manager and Leaf Finance Manager for BAT in Bangladesh.

Mr Muntakim is a member (ACMA) of the Chartered Institute of Management Accountants (CIMA), UK and Chartered Global Management Accountant (CGMA) of the Association of International Certified Public Accountants, a joint accounting association of AICPA, USA, and CIMA in the UK.

# BRAC MYANAMR MICROFINANCE COMPANY LIMITED GOVERNANCE AND MANAGEMENT

## BOARD OF DIRECTORS

Dr. Muhammad Musa	Chairperson
Shameran Abed	Director
Johannes Maria Antonius Eskes	Director
Syed Abdul Muntakim	Director
ATM Tariqul Islam	Director
Md. Sazaduzzaman	Managing Director & Ex-officio

## MANAGEMENT TEAM

Md. Sazaduzzaman	Managing Director
Sakib Ahmed Chowdhury	Head of Internal Audit
Md. Ehsanul Islam	Head of Operation
Ngwe Sin Nyunt Hlaing	Head of Finance
Naw Phyu Zar Thwin	Head of Human Resources



OUR PARTNERS











PROGRAMME OVERVIEW









## COUNTRY SITUATION

Myanmar is one of the fastest growing economies in East Asia. The country has been prioritising financial inclusion through several initiatives reflected in its Financial Inclusion Roadmap 2019-2023.

Despite these initiatives, only 26% of Myanmar's adult population have access to financial services. A large majority of the population saves through informal means, and access to credit from formal financial institutions is highly constrained. People living in poverty are further deprived from access to financial services, as are people living in rural and hard-to-reach areas.

## OUR APPROACH

BRAC Myanmar Microfinance Company Limited (BMMCL) was launched in 2013, and has grown to be the third largest microfinance institution in the country in terms of branch network. Our mission is to provide inclusive, accessible, and affordable financial services to people living at the bottom of the pyramid. We particularly focus on women living in poverty in rural and hard-to-reach areas to create self-employment opportunities, build financial resilience, and harness their entrepreneurial spirit by empowering them economically.

Our core products include a group-based microloan provided exclusively to women, small enterprise loans for entrepreneurs seeking to expand their businesses, and microenterprise loans designed exclusively for women. We also provide credit to smallholder farmers and have an inclusive financing product for persons with disabilities. Starting from 2020, we have started providing voluntary savings deposit services to our clients.

In all our endeavours, we adhere to the Universal Standards for Social Performance Management and the Client Protection Principles, placing clients' well-being at the center of everything we do to achieve our mission.

## SNAPSHOT RESPONSE TO COVID-19

The COVID-19 pandemic has had a profound impact in the lives of our clients. BMMCL took a three-stage approach to respond to the crisis.

**In the relief phase,** we collaborated with BRAC's social development programmes to raise public awareness on COVID-19. All staff received training on COVID-19 prevention and response and protective wear to ensure their safety from the virus. We distributed around 300,000 masks to our borrowers and their family members and almost 150,000 people across the country were reached with awareness messages through pamphlets and phone calls. We distributed food, cash and Personal Protective Equipment (PPE) to the quarantine centers, COVID-19 infected clients, vulnerable households, pregnant clients and to clients with disabilities.

In addition, we conducted rapid assessments to understand the impact of the pandemic on clients' livelihoods and to plan our activities to support them better. We offered payment holidays to clients, suspended operations temporarily, and continued to pay staff salaries with the goal of being ready once in-country operations recommence.

**In the recovery phase,** the focus was on restoring people's livelihoods and economic situation that existed immediately prior to the onset of the crisis. We have been working actively to support the government's COVID-19 response by providing recovery loans to economically affected tea shops and restaurants in the Bago and Mandalay region. We provided loan rescheduling options and refinanced existing clients to enhance their financial resilience. As at December 2020, 5,243 loans have been rescheduled and 2,267 loans have been refinanced, totalling USD 2.03 million.

**In the rebuild phase,** the focus is on improving people's economic and social situations at an individual and community level by deepening financial inclusion through branch expansions and developing new products so that they are in a stronger position going forward.

## MOVING FORWARD

Alongside its mission and five-year strategic plan, BMMCL will pursue to realise transformative impact through scaling-up of customised, client-centric products, digitisation of field operations, introduction of alternative delivery channels, and expansion into new, underserved territories.

We aim to develop two new client-centric products and roll-out the use of Digital Field Applications to all branches by the end of 2021. Driven by the aspiration to enable more flexibility and convenience for our clients, we will expand loan repayments via agent banking for both Group Loan and Small Enterprise Loan in more branches. We also plan to set up a toll-free number for client complaints and enhance their financial awareness through pre-disbursement orientations and providing financial literacy.





# SOCIAL PERFORMANCE RESULTS

We started to measure our social performance and desired client-level outcomes from 2019 using Lean Data<sup>SM</sup> methodology on five social outcome focus areas of BRAC International Microfinance: quality of life, financial resilience, women's economic empowerment, self-employment and livelihood opportunities, and household welfare. This regular annual exercise complements our Social Performance Management and Client Protection initiatives, and enables us to set targets and define strategies to reach more people living in poverty to achieve long-term impact at scale.

The second impact survey was completed in 2020 using Lean Data<sup>SM</sup> methodology in partnership with 60 Decibels. All respondents were women.

## HIGHLIGHTS

FROM BMMCL'S 2020 IMPACT SURVEY

**77%** of clients said their quality of life had improved after engaging with BRAC

**80%** of clients earned more after engaging with BRAC

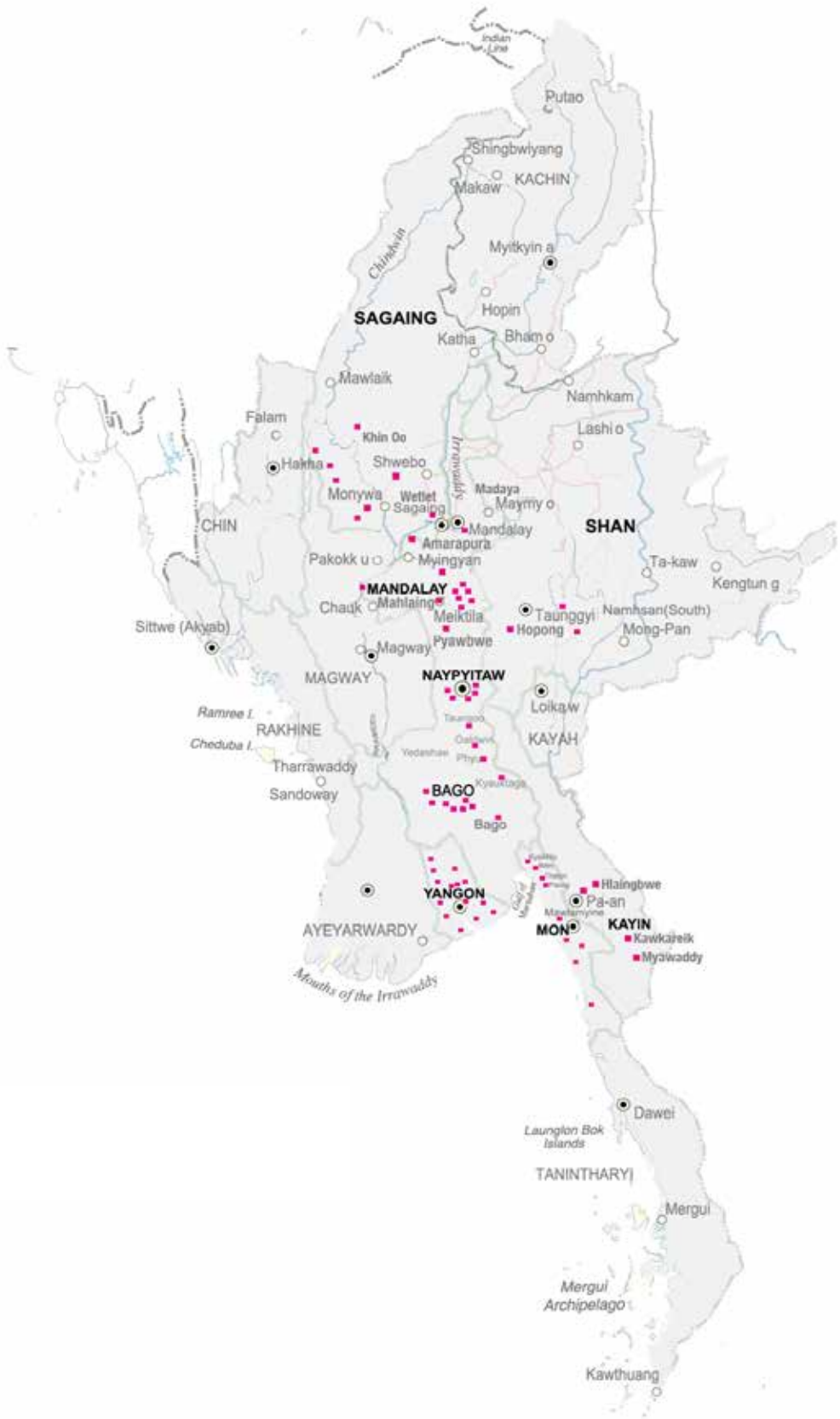
**74%** of clients saved more after engaging with BRAC

**75%** of clients planned their finances better after engaging with BRAC

**53%** of clients reported improved quality of meals after engaging with BRAC



# BRANCH LOCATIONS







## OPERATIONAL HIGHLIGHTS

**52%** outreach to people living in rural areas

**45%** outreach to people living in poverty\*

**94%** of clients are women

**154,119** clients

**72,894** savers

USD **4.54 million** mobilised as savings

**85** branches

USD **54.45 million** disbursed in loans in 2020

\*Population living below \$5.50/day

\*As at December 2020



## THE DREAM CHASER

Khin Thu runs a pig farm with her spouse and son in Shwe Nat Taung, Mon State. She is 51 years old, but age could not stop her from pursuing her dreams.

She started the farm in 2007 to support her family. Her husband served in the army for 20 years but his income was not enough to cover the expenses of the five member family.

Although Khin Thu is successful now, her journey as an entrepreneur was not easy. “I struggled to gather the initial capital because I did not have enough money of my own,” recalled Khin Thu. “I had no options other than borrowing money with very high interests from informal moneylenders,” said Khin Thu.

Khin Thu heard about BRAC from one of her friends and applied for a agriculture loan of 1.5 million Kyat in 2019. She used the money to buy more piglets and feed, and turned her backyard into a full-fledged farm.

“I started with only three pigs in 2007. Now I have 19 pigs and four sows”, said a smiling Khin Thu. “My monthly income has increased by three times after taking my first loan from BRAC and I deposit 3,000 kyats in my BRAC savings account every month. BRAC’s interest rate is low compared to other institutions and that helps me to save more of my profits”, she added.

Khin Thu has two sons. One is married and the other helps her to manage the firm. She also has a four year old grandson who keeps her busy all the time.

“I’m very relaxed now”, said Khin Thu. “I love spending time with my family and grandson. I have enough money now and I am planning to build a big firm outside of my house like I have always dreamt of”, Khin Thu said happily.



*I love spending time with my family and grandson. I have enough money now and I am planning to build a big firm outside of my house like I have always dreamt of*



# BRAC INTERNATIONAL PROGRAMMES



Our **Education programme** focuses on raising awareness on gender and child rights and developing a child-friendly learning atmosphere. Our programme complements the mainstream schooling system by supporting government primary and secondary schools to improve quality and strengthen capacity. We also provide training with support from local vocational and technical institutes.



Our **Early Childhood Development programme** is an investment towards breaking intergenerational cycles of poverty and facilitating economic growth. We provide early learning opportunities through our Play Labs to 3 to 6 year olds, with a low cost and play-based early learning model. Our Play Labs are safe play spaces, providing cost effective local learning materials to children in marginalised communities.



The **Agriculture, Food Security and Livelihood programme** focuses on four strategic directions - a) Strengthen pro-poor market systems, b) Make agriculture systems more resilient to climate change, c) Improve food and nutrition security, and d) Empower women and youth across the value chain.



Through our **Health programme** we partner with respective governments to reduce child mortality, improve maternal and child health, and combat diseases. We work at the community and facility level to strengthen the capacity of female community health volunteers, health workers, and doctors so that they can provide educational, preventive, and curative health services.



Through our **Youth Empowerment programme** we provide life-saving and life-transforming services to adolescent girls to prevent unintended pregnancies, improve their awareness on harmful practices, and empower them financially. We create safe spaces by establishing clubhouses for girls aged 10-21, especially those who are vulnerable, dropped out of school, and at the risk of early marriage and pregnancy.



The **Ultra-Poor Graduation** approach is a comprehensive, time-bound, integrated and sequenced set of interventions that aim to enable extreme and ultra-poor households to achieve key milestones towards sustainable livelihoods and socio-economic resilience, in order to progress along a pathway out of extreme poverty.



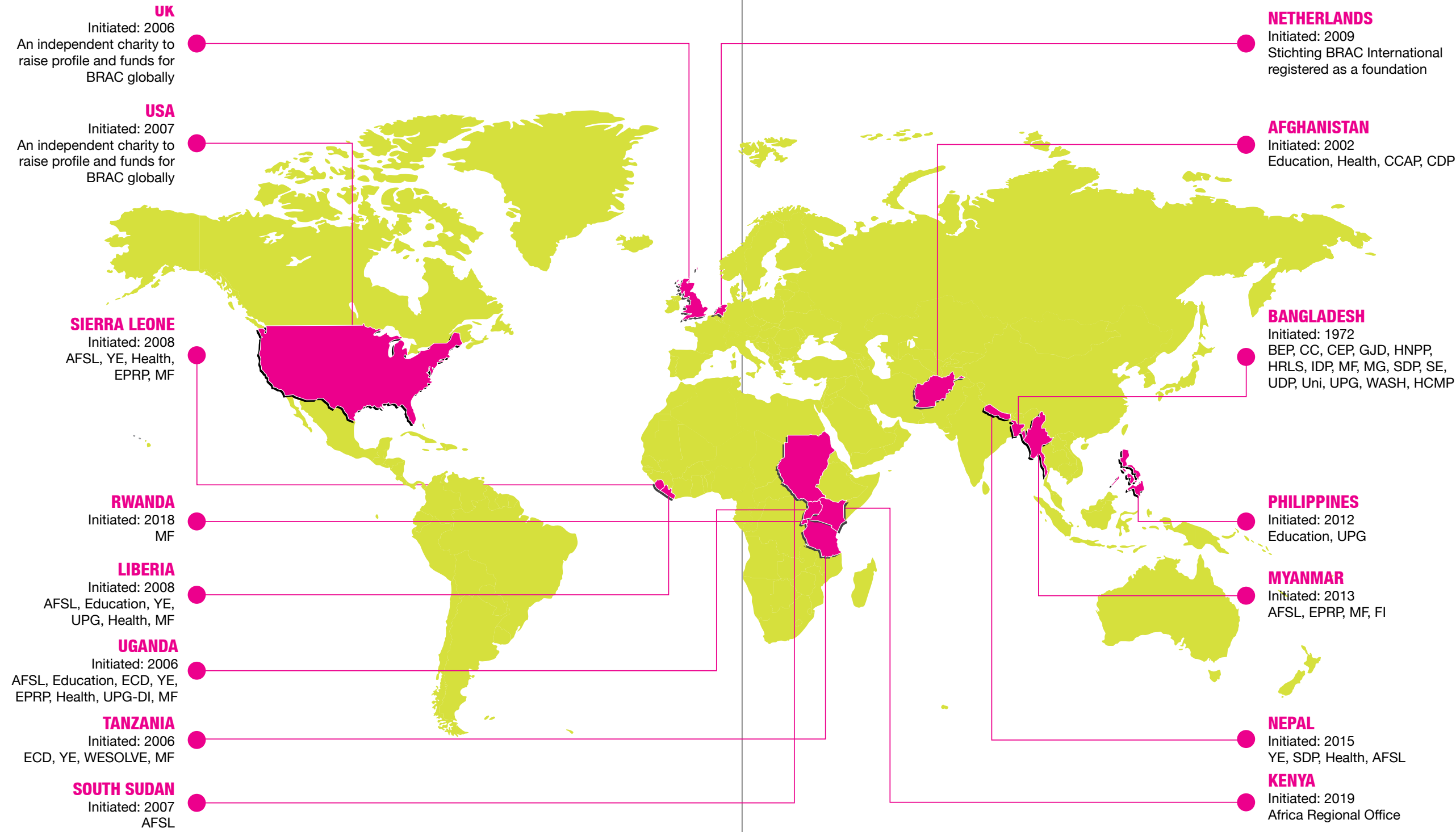
Through our **Emergency Preparedness and Response programme** we build local emergency preparedness and response capacities in communities, schools, and local governments. Using a participatory and inclusive approach, our interventions in urban, rural, and refugee settings prioritise the equitable participation of all groups, particularly women and youth, to ensure that they are able to mitigate risks, save lives, protect livelihoods, and build back better from disasters and crises.



Through our **Microfinance programme**, we provide a range of financial services responsibly to people at the bottom of the pyramid. We particularly focus on women living in poverty in rural and hard to reach areas, to create self-employment opportunities, build financial resilience, and harness women's entrepreneurial spirit by empowering them economically.



# BRAC ACROSS THE WORLD



**AFSL:** Agriculture, Food Security and Livelihood  
**BEP:** BRAC Education Programme  
**CC:** Climate Change  
**CCAP:** Citizens' Charters Afghanistan Project  
**CEP:** Community Empowerment Programme  
**CDP:** Community Development Programme

**ECD:** Early Childhood Development  
**EPRP:** Emergency Preparedness and Response Programme  
**FI:** Financial Inclusion  
**GJD:** Gender Justice and Diversity  
**HNPP:** Health, Nutrition and Population Programme  
**HRLS:** Human Resources and Legal Aid Services  
**HCMP:** Humanitarian Crisis Management Programme

**IDP:** Integrated Development Programme  
**MG:** Migration  
**MF:** Microfinance  
**SE:** Social Enterprises  
**SDP:** Skills Development Programme  
**UDP:** Urban Development Programme

**Uni:** University  
**WASH:** Water, Sanitation and Hygiene  
**UPG:** Ultra Poor Graduation  
**UPG-DI:** Ultra Poor Graduation-Disability Inclusive  
**WE SOLVE:** Women Entrepreneurship through Solar Value chain for Economic Development  
**YE:** Youth Empowerment



# FINANCIAL STATEMENTS

## OPERATIONAL AND FINANCIAL HIGHLIGHTS OF BRAC MYANMAR MICROFINANCE COMPANY LIMITED

### NET INCOME

BRAC Myanmar Microfinance Company Limited completed its seventh years of operation in 2020. Net profit before tax for the year 2020 was USD 309,401 as against net profit before tax USD 821,048 in 2019.

Interest income earned during the year is USD 7,001,929 in 2020 as against USD 5,397,953 in 2019.

### OPERATING EXPENSES

Total operating expenses for the year was USD 4,927,747 as against USD 3,808,354 in 2019 showing an increase of 29%. This is mainly due to the opening of 10 new branches in 2020 increasing total number of branches to 85.

### PROVISIONS FOR IMPAIRMENT LOSSES

This year amount charged for impairment of loans is USD 689,572 as against USD 273,041 in 2019. Total loan loss reserve was USD 697,694 (2019: USD 485,869) representing 1.61% (2019: 1%) of gross portfolio. Portfolio at Risk (PAR>30) is 6.54%.

### FINANCIAL POSITION

In 2020 the company's total assets increased by 77% to USD 56,255,787. Loans and advances to customers increased by 62% and is now 78% of total assets.

### FIVE YEAR PERFORMANCE REVIEW

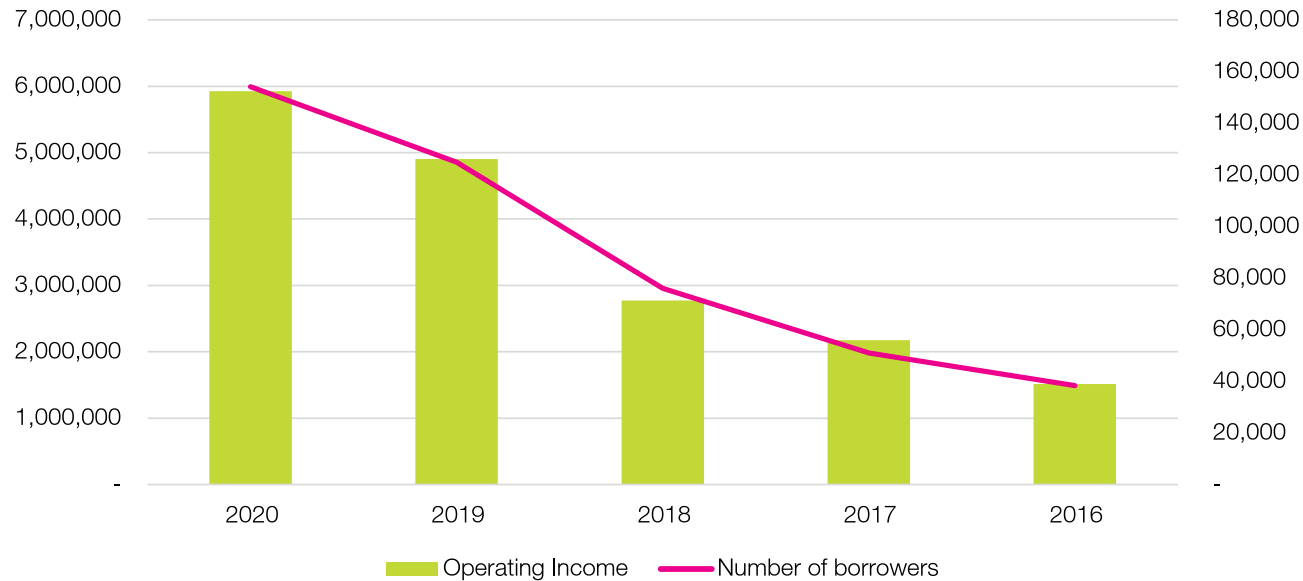
Currency	2020	2019	2018	2017	2016
	USD	USD	USD	USD	USD
Income Statement					
Operating Income	5,926,720	4,902,443	2,774,434	2,173,129	1,513,942
Net Profit/(loss) before Tax	309,401	821,048	252,629	35,094	(206,702)
Financial Position					
Total Assets	56,255,787	31,738,859	18,065,816	10,003,967	6,908,676
Net Equity	17,929,470	13,411,400	7,286,851	5,568,553	5,196,844
Loan to Customer (net)	43,919,594	27,053,529	13,398,300	8,951,932	5,644,011
Cash at Bank	10,718,228	3,616,925	4,200,047	756,356	1,048,668



FIVE YEAR PERFORMANCE REVIEW (CONTINUED)

Contribution to government exchequer					
Income Taxes	159,902	231,705	-	-	-
Withholding tax	263,988	171,516	59,305	66,974	23,757
Social Security and pension	43,252	31,480	34,308	24,881	16,949
Returns and Ratio					
Return on Asset	0.70%	3.30%	1.80%	0.42%	-4%
Cost to Income	87%	83%	91%	98%	120%
Operational Statistics					
Total Borrowers	154,119	124,889	75,998	50,977	38,270
PAR>30	6.54%	0.83%	1.42%	0.79%	-

OPERATING INCOME VS NUMBER OF BORROWERS



BRAC MYANMAR MICROFINANCE COMPANY LIMITED

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

KHIN SU HTAY & ASSOCIATES LIMITED  
CERTIFIED PUBLIC ACCOUNTANTS



BRAC MYANMAR MICROFINANCE COMPANY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

General information

Directors:

Mr. Shameran Abed	-	Director
Dr. Muhammad Musa	-	Director
Mr. Johannes Maria Antonius Eskes	-	Director
Mr. M Anowar Hossain	-	Director
Mr. Syed Abdul Muntakim	-	Director
Mr. ATM Tariqul Islam	-	Director
Mr. Md Sazaduzzaman	-	Director

Administrator

Mr. Md Sazaduzzaman	-	Managing Director
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Principal place of Business

No 17, Pyi Thar Yar Housing  
Street 1, 15 Ward  
Yankin 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

KBZ Bank

No.33 to 49, Corner of Bank St &  
Mahabandoola Garden St  
Kyauktada Township, Yangon

AYA Bank

No (12),Thanthumar St,  
Thanthumar Housing ,Thingankunn  
Yangon, Myanmar

YOMA Bank

No-05/B,Ground Floor,Myanmar Plaza,  
Corner of Kabaraye Road & Sattmu 1 Rd,  
Bahan township,Yangon

Myanma Economic Bank

Branch (1) 43-45 Pansodan St.  
Kyauktada Township, Yangon

CB Bank

No (4/6),Thanthumar St,Thingangkuun  
Yangon, Myanmar

AGD Bank

No (73/75),Sule Pagoda Road,  
Kyauktada Township, Yangon,Myanmar.

UAB Bank

Building (41) Room (01/02)  
Yankin Palm Village Housing  
Yan Shin Road  
(5) Quarter, Yankin Township,  
Yangon Division

BRAC MYANMAR MICROFINANCE COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2020, 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 re-registered under the Myanmar Companies Law 2017 on 29 October 2018 with its new registration number 108090278 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 realize 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 ground-breaking 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 30 townships in Myanmar including extending loan facilities.

f) **Financial performance**

The Company's performance during the year ended 31 December 2020 is as follows:

- Interest income on loans increased by 17% from MMK 8,182 million in 2019 to MMK 9,578 million in 2020.
- Loans and advances to customers increased by 45% from MMK40,033 million in 2019 to MMK 58,373 million in 2020. Loan disbursement decreased by 3% from MMK 75,252 million in 2019 to MMK 73,180 million in 2020. Loan realisation decreased by 2% from MMK 55,926 million in 2019 to MMK million 55,105 in 2020.
- Operating expenses increased by 17% from MMK 5,772 million in 2019 to MMK 6,741 million in 2020.
- Total Assets increased by 59% from MMK 46,967 million in 2019 to MMK 74,769 million in 2020.
- During the year, the Company had a net profit of MMK 204 million (2019 – profit of MMK 893 million).

g) **Results from operation**

The results for the Company's operation for the year ended 31 December 2020 are set out on page 39.

h) **Composition of Directors**

The directors who served during the year and up to the date of this report are set out on page 31.

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 practice. 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 2020 the Company had seven 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 behaviours 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 Managing Director who is assisted by the heads of divisions, departments and units. The organization structure of the Company comprises of the following divisions:

- Micro Finance Program (MF)
- Finance & Accounts;
- Administration
- Internal audit;
- Monitoring Unit;
- IT and MIS;
- Human resources and training;
- Communications.
- Public Relations

m) **Related party transactions**

Related party transactions are disclosed in Note 23 and 27 to the financial statements.

n) **Future development plans**

**Microfinance Program**

Maximum 20 new branch expansion with rural focus and the number of borrowers will be increased by 68,678.

Product innovation and expansion focusing on Agriculture loan and Person with disabilities loan product roll out at least to 60% MF branches.

To adapt and implement responsible inclusive financing across the operation focusing on Universal Standard of Social Performance Management and global standard client protection principles (SMART Campaign) along with client resilient building with Voluntary deposit services reach at least to our 60% client.

Continue digital innovation like Mobile money services expansion to 50 branches (for loan repayment of enterprise loan client) and implementation of Digital Field Application solution for bringing front end operational efficiency.



- o)

Key achievement in 2020

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

  - The Microfinance borrower size increased by 29,230 in 2020.
  - 774 staffs of different departments received Psychological Training and Sexual Harassment Training in 2020.
- 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 2020, the company had a total staff of 839. The female staff are 750 and male are 89.
- r)

Employees’ welfare

Management/employee relationship

There were continued good relation between employees and management for the year 2020. There were no unresolved complaints received by management from the employees during the year. New performance incentive schemes were introduced in 2016 which is helping to identify staffs who needs more care and capacity development.

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.

Training

Training and development of staff capacity is one of the key priorities of the Company. This year all the Branch Accountants received hands-on training on their day to day responsibilities. All the program staffs from received training as prescheduled. The Company will continue to train, re-train and develop its staff in order to improve service delivery and innovation.

Medical assistance

The Company reimburses medical expenses incurred by employees for medical treatment.

Social security contribution

All eligible employees are required to contribute National Social Security Scheme managed by Social Security Board at the rate 5% of salary maximum of MMK 15,000. As a employer BRAC pays 3% of this social security contribution on behalf of the employees.

As a result of contribution to this security fund, employees get sickness benefits, maternity benefits and grant, paternity benefits and grant, medical benefits, funeral grant, and many more.

- s)

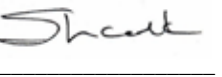
Auditors

The auditors, Khin Su Htay & Associates Limited, have indicated their willingness to accept re-appointment.
- t)

Approval of the financial statements


The financial statements were approved by the directors at a meeting held on 01/04/2021.

By order of the Board



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Director



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Director



BRAC MYANMAR MICROFINANCE COMPANY LIMITED

STATEMENT OF DIRECTORS’ RESPONSIBILITIES

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 2020, the statement of profit or loss, the statement of other 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 for such internal controls as the directors determine are necessary to enable the preparation of 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 safe guarding the assets of the company.

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 as at the end of the financial year and of the operating results of the Company for that year. It also requires the directors to ensure the Company keeps proper accounting records that disclose with reasonable accuracy the financial position of the Company.


The directors accept responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with International Financial Reporting Standards. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and the profit and cash flow for the year ended 31 December 2020. 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.

Approval of the financial statements

The financial statements, as indicated above, were approved by the board of directors on 01/04/2021 and were signed on its behalf by:

  
Director

  
Director



KHIN SU HTAY & ASSOCIATES LIMITED  
Certified Public Accountants  
(Company Registration No: 100124548)

# C1/005, Ground Floor, Hninnsi Street, Yuzana Highway Complex,  
Narnat Taw Road, Kamayut Township, Yangon, Myanmar  
Email : [thantint@kshal.com](mailto:thantint@kshal.com)  
Tel: (95-09) 799657902

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 as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including 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 2020 and the results, 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 (IFRSs) and for such control as management determines 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.





**KHIN SU HTAY & ASSOCIATES LIMITED**  
Certified Public Accountants  
(Company Registration No: 100124548)

# C1/005, Ground Floor, Hninnsi Street, Yuzana Highway Complex,  
Narnat Taw Road, Kamayut Township, Yangon, Myanmar  
Email : thantint@kshal.com  
Tel: (95-09) 799657902

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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 (P.A 103)  
**Managing Director**  
**Khin Su Htay & Associates Limited**



Yangon,  
Date: 01 April 2021

**BRAC MYANMAR MICROFINANCE COMPANY LIMITED**

STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 Kyats	2019 Kyats	2020 USD	2019 USD
Service charge on loan	4	9,578,568,705	8,182,172,497	7,001,929	5,397,953
Interest and other financial expenses	5	(2,751,547,631)	(2,154,813,645)	(2,011,380)	(1,421,576)
<b>Net income from service charge</b>		<b>6,827,021,074</b>	<b>6,027,358,852</b>	<b>4,990,549</b>	<b>3,976,377</b>
Membership and other fees	6	936,389,178	1,014,332,408	684,500	669,177
Other income	7	36,527,560	45,191,320	26,702	29,814
Grant income	8	307,755,653	344,199,104	224,969	227,075
		1,280,672,391	1,403,722,832	936,171	926,066
<b>Total operating income</b>		<b>8,107,693,465</b>	<b>7,431,081,684</b>	<b>5,926,720</b>	<b>4,902,443</b>
Impairment loss on loan	16.2	(943,327,538)	(413,872,647)	(689,572)	(273,041)
<b>Operating income after impairment charge</b>		<b>7,164,365,927</b>	<b>7,017,209,037</b>	<b>5,237,148</b>	<b>4,629,402</b>
Staff costs	9	(4,366,456,613)	(3,339,912,907)	(3,191,878)	(2,203,412)
Other operating expenses	10	(2,215,053,238)	(2,322,697,221)	(1,619,203)	(1,532,333)
Depreciation and amortization	11	(159,599,135)	(110,061,570)	(116,667)	(72,610)
<b>Total operating cost</b>		<b>(6,741,108,986)</b>	<b>(5,772,671,698)</b>	<b>(4,927,747)</b>	<b>(3,808,354)</b>
<b>Profit/ (loss) before tax</b>		<b>423,256,941</b>	<b>1,244,537,338</b>	<b>309,401</b>	<b>821,048</b>
Income tax expenses		(218,744,265)	(351,216,012)	(159,902)	(231,705)
<b>Profit for the year</b>		<b>204,512,676</b>	<b>893,321,326</b>	<b>149,499</b>	<b>589,343</b>

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

Head of Finance  
BRAC Myanmar Microfinance  
Company Limited

Director  
BRAC Myanmar Microfinance  
Company Limited

Managing Director  
BRAC Myanmar Microfinance  
Company Limited

Director  
BRAC Myanmar Microfinance  
Company Limited



BRAC MYANMAR MICROFINANCE COMPANY LIMITED

STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020	2019	2020	2019
		Kyats	Kyats	USD	USD
Profit for the year	12	204,512,676	893,321,326	149,499	589,343
<b>Other comprehensive income</b>					
Unrealized exchange gain/ (loss)		1,214,736,165	160,326,709	887,972	105,771
<b>Total comprehensive (loss)/income for the year, net of tax</b>		<b>1,419,248,841</b>	<b>1,053,648,035</b>	<b>1,037,470</b>	<b>695,114</b>

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

  
Head of Finance  
BRAC Myanmar Microfinance  
Company Limited

  
Managing Director  
BRAC Myanmar Microfinance  
Company Limited

  
Director  
BRAC Myanmar Microfinance  
Company Limited

  
Director  
BRAC Myanmar Microfinance  
Company Limited

BRAC MYANMAR MICROFINANCE COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 Kyats	2019 Kyats	2020 USD	2019 USD
Assets					
Property and equipment	13	300,555,307	256,100,547	226,134	173,064
Intangible assets	14	49,926,370	88,520,882	37,564	59,819
Other assets	15	1,799,955,787	1,236,405,020	1,354,267	835,522
Loans to customer	16	58,373,531,893	40,033,812,289	43,919,594	27,053,529
Cash and cash equivalents	17	14,245,597,001	5,352,325,203	10,718,228	3,616,925
Total assets		74,769,566,358	46,967,163,941	56,255,787	31,738,859
Equity					
Share capital	18	22,230,770,000	19,666,150,000	16,450,000	13,289,735
Retained earnings	19	1,599,288,152	180,039,312	1,203,287	121,665
Currency translation		-	-	276,183	-
Total equity		23,830,058,152	19,846,189,312	17,929,470	13,411,400
Liabilities					
Donor grants	20	2,632,907,270	1,825,781,007	1,980,970	1,233,803
Loans and borrowings	21	39,150,816,958	18,686,215,802	29,456,638	12,627,528
Related party payables	22	1,949,650,560	1,896,661,842	1,466,895	1,281,701
Member savings payable	23	5,933,142,301	3,782,426,577	4,464,030	2,556,039
Other liabilities	24	1,272,991,117	929,889,402	957,784	628,389
Total liabilities		50,939,508,205	27,120,974,629	38,326,317	18,327,460
Total equity and liabilities		74,769,566,357	46,967,163,941	56,255,787	31,738,859

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

  
Head of Finance  
BRAC Myanmar Microfinance  
Company Limited

  
Managing Director  
BRAC Myanmar Microfinance  
Company Limited

  
Director  
BRAC Myanmar Microfinance  
Company Limited

  
Director  
BRAC Myanmar Microfinance  
Company Limited



BRAC MYANMAR MICROFINANCE COMPANY LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share Capital Kyats	Share money deposit Kyats	Retained earnings Kyats	Donor Grant Kyats	Total equity Kyats	Total equity USD
At 1 January 2019	10,967,370,000	-	(920,935,370)	1,248,185,174	11,294,619,804	7,286,851
Share Capital	8,698,780,000	-	-	-	8,698,780,000	5,878,348
Profit/(Loss) for the year	-	-	893,321,326	-	893,321,326	589,343
Other comprehensive income	-	-	160,326,709	-	160,326,709	105,771
Impact of IFRS 9 initial recognition	-	-	47,326,646	-	47,326,646	31,222
Donor Grants	-	-	-	577,595,833	577,595,833	390,320
Foreign currency translation differences	-	-	-	-	-	363,346
<b>At 31 December 2019</b>	<b>19,666,150,000</b>	<b>-</b>	<b>180,039,312</b>	<b>1,825,781,007</b>	<b>21,671,970,319</b>	<b>14,645,202</b>
At 1 January 2020	19,666,150,000	-	180,039,311	-	19,846,189,311	14,645,202
Share Capital	2,564,620,000	-	-	-	2,564,620,000	1,750,000
Profit/(Loss) for the year	-	-	204,512,676	-	204,512,676	149,499
Other comprehensive income	-	-	1,214,736,165	-	1,214,736,165	887,972
Foreign currency translation differences	-	-	-	-	-	496,797
<b>At 31 December 2020</b>	<b>22,230,770,000</b>	<b>-</b>	<b>1,599,288,152</b>	<b>-</b>	<b>23,830,058,152</b>	<b>17,929,470</b>

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

BRAC MYANMAR MICROFINANCE COMPANY LIMITED

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 Kyats	2019 Kyats	2020 USD	2019 USD
<b>Cash flows from operating activities</b>					
Net cash flow from operations	12	1,146,542,775	1,541,963,299	808,698	1,016,695
Loan disbursements		(73,180,140,130)	(75,252,100,000)	(53,494,646)	(49,645,411)
Loan collection		55,105,265,393	55,926,957,865	40,281,921	36,896,204
<b>Net cash used in operating activities</b>		<b>(16,928,331,962)</b>	<b>(17,783,178,836)</b>	<b>(12,404,026)</b>	<b>(11,732,513)</b>
<b>Cash flows from investing activities</b>					
Acquisition of property and equipment		(165,459,383)	(135,793,995)	(124,490)	(89,586)
Acquisition of intangible asset		-	(42,812,094)	-	(28,931)
<b>Net cash used in investing activities</b>		<b>(165,459,383)</b>	<b>(178,606,089)</b>	<b>(124,490)</b>	<b>(118,517)</b>
<b>Cash flows from financing activities</b>					
Members savings		2,150,715,724	1,689,683,267	1,618,174	1,141,832
capital		2,564,620,000	8,698,780,000	1,929,591	5,878,348
Grant received in advance		807,126,263	577,595,833	607,273	390,320
Term loan		20,464,601,156	5,837,978,568	15,397,337	3,945,113
<b>Net cash from financing activities</b>		<b>25,987,063,143</b>	<b>16,804,037,668</b>	<b>19,552,376</b>	<b>11,355,614</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>8,893,271,798</b>	<b>(1,157,747,257)</b>	<b>7,023,860</b>	<b>(495,416)</b>
Cash and cash equivalents at 1 January		5,352,325,203	6,510,072,460	3,616,925	4,200,047
Effect of exchange rate fluctuation on cash		-	-	77,443	(87,706)
<b>Cash and cash equivalents at 31 December</b>	17	<b>14,245,597,000</b>	<b>5,352,325,203</b>	<b>10,718,228</b>	<b>3,616,925</b>

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

<i>These notes form an integral part of and should be read in conjunction with the accompanying financial statements.</i>	
1.	<p><b>Reporting entity</b></p> <p>BRAC Myanmar Microfinance Company Limited is a wholly owned subsidiary of BRAC International Holdings B. V., a limited liability company registered under the laws of Netherlands, with its registered office in The Hague.</p> <p>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 re-registered under Myanmar Companies Law 2017 on 29 October 2018 with its new registration number 108090278 and registered office in Yangon, Myanmar.</p> <p>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.</p>
2.	<p><b>Basis of preparation</b></p> <p>a. <b>Statement of compliance</b></p> <p>These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).</p> <p>The financial statements were issued by the Board of Directors on 01 April 2021.</p> <p>b. <b>Basis of measurement</b></p> <p>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.</p> <p>c. <b>Functional and presentation currency</b></p> <p>The financial statements are presented in Myanmar Kyats, which is the Company's functional currency.</p> <p><b>Memorandum figures</b></p> <p>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.</p> <p>The exchange rates used to translate the MMK figures to USD memorandum were as follows:</p> <ul style="list-style-type: none"><li>• Assets and liabilities were translated at the closing rate at 31 December 2020 which of MMK 1,329.10 (2019:MMK 1,479.80);</li><li>• Income and expenses were translated using an average exchange rate for the period of MMK 1,367.99 (2019: MMK 1,515.79);</li></ul>

2.	<p><b>Basis of preparation (continued)</b></p>
d.	<p><b>Use of estimation and judgments</b></p> <p>The preparation of Company's financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of financial statements and reported amounts of revenues and expenses during the reported period. Actual results ultimately may differ from these estimates.</p> <p>Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.</p>
3.	<p><b>Significant accounting policies</b></p> <p>a. <b>Foreign currency transactions</b></p> <p>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.</p> <p>Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which is recognised directly in equity.</p> <p>b. <b>Revenue recognition</b></p> <p>Revenue is recognized on accrual basis.</p> <p><b>(i) Interest income on loans and advances</b></p> <p>Interest income and expenses are recognized on accrual basis taking into account the effective interest rate.</p> <p>Interest income includes the amortization of any discount at premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.</p> <p>The effective rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability ( or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.</p> <p>The calculation of the effective interest rate includes all fees and charges paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.</p> <p>The requirements of IFRS 9 require the suspension of recognition of interest on the impaired part of the loan and interest on the impaired part of the loan.</p>



3. Significant accounting policies (continued)

b. Revenue recognition (continued)

(ii) Membership fees and other charges

Membership fees and other charges are recognized on an accrual basis when the service has been provided.

(iii) Other income

Other income comprises of house rent received from local staff for using the office residence and gain on foreign currency translation.

c. Grants income

Grants and contributions from donor organisations or individuals constitute an important part of BRAC Myanmar Microfinance Company Limited's resources as some its MFI operation/ projects are partially financed by grants and contributions provided by donors. Grants are assistance in the form of transfers of resources to the company, in return for past or future compliance with certain terms and conditions relating to the operating activities of the Company. Grants or contributions from donor can be of 4 categories-

- i. Unrestricted
- ii. Restricted
- iii. Grants investment in Fixed asset
- iv. Contribution in kind

The Company received grants from donors of different projects are all restricted grants. Restricted grants refer to grants that must be spent in the exact way the donor agreement describes.

All restricted grants received are initially recorded in the grant received in advance account as liabilities for the period in accordance with IAS 20. Periodically, a portion of the grant is recognised as revenue, based on the expenses incurred for the period. This method follows the proposition that the Company earns its revenue based on its activities or performance, as expressed in its expenses. The revenue is always equal to expenses; unspent portion of the grant remains as a liability.

The portion of the grants utilized to disburse group loans, are transferred as deferred income in loans to group members.

For projects and programs, any expenditures yet to be funded but for which funding has been agreed at the end of the reporting period is recognized as Grants receivable.

d. 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 statement of financial position date, and any adjustment to tax payable in respect of previous years.

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 2020 the Company earned profits and paid MMK 218 million as advance tax to the tax authorities.

3. Significant accounting policies (continued)

e. Financial assets and liabilities

(i) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

(1) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the entity's accounting policies related to financial assets and financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI-debt investment; FVOCI-equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Significant accounting policies (continued)

e. Financial assets and liabilities (continued)

(i) IFRS 9 Financial Instruments (continued)

On initial recognition of an equity investment that is not held for trading, the entity may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the entity may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at amortised cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value using the effective interest method. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Debt investments at FVTPL	These assets are subsequently measured at Fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairments are recognised in profit and loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investment at FVTPL	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2020 relates solely to the new impairment requirements, as described further below.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the entity’s financial assets as at 1 January 2020.

3. Significant accounting policies (continued)

e. Financial assets and liabilities (continued)

(i) IFRS 9 Financial Instruments (continued)

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortised cost	5,352,325,203	5,352,325,203
Deposits	Held to maturity	Amortised cost	-	-
Loans to customer	Loans and receivables	Amortised cost	40,033,812,289	40,033,812,289
Other assets	Loans and receivables	Amortised cost	1,236,405,020	1,236,405,020
Total financial assets			46,622,542,512	46,622,542,512

Loans and advances to customers that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

(2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The financial assets at amortized cost consist of Loans and advances to customers, cash and cash equivalents, short term deposits and trade receivables.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The entity measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and other debt securities and bank balances for which credit risk (i.e. the risk of default occurring
- over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the entity considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and assessment and including forward-looking information.



3. Significant accounting policies (continued)

e. Financial assets and liabilities (continued)  
(i) IFRS 9 Financial Instruments (continued)

The entity assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The entity considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the entity in full, without recourse by the entity to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the entity is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the entity expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the entity assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to loans and advances to customers are presented in the statement of profit or loss and OCI under “Net movement in impairment losses on loans and advances”

Impact of the new impairment model

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The entity has determined that the application of IFRS 9’s impairment requirements at 1 January 2020 results in an additional impairment allowance as follows;

	MMK
Impairment allowance at 31 December 2019 under IAS 39	85,195,452
<b>Impairment allowance increased at 1 January 2020 on:</b>	
Loans and advances to customers as at 31 December 2019	842,109,154
Deposits	-
Other assets	-
Cash and cash equivalents	-
<b>Impairment allowance as at 1 January 2020 using IFRS 9</b>	<b>927,304,606</b>

3. Significant accounting policies (continued)

e. Financial assets and liabilities  
(ii) IFRS 15 Revenue from contracts with customers

IFRS 15, revenue from contracts with customers, which replaced IAS 18, revenue and IAS 11, construction contracts, has been applied effective from 1 January 2019. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The standard establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model governing revenue recognition. The five-step model requires the entity to (i) identify the contract with the customer, (ii) identify each of the performance obligations included in the contract, (iii) determine the amount of consideration in the contract, (iv) allocate the consideration to each of the identified performance obligations and (v) recognize revenue as each performance obligation is satisfied.

There are no significant impacts from the adoption of IFRS 15 in relation to the timing of when the entity recognizes revenues or when revenue should be recognized gross as a principal or net as an agent. Therefore, BRAC will continue to recognize fee and commission income charged for services provided by the entity as the services are provided (for example on completion of the underlying transaction). Revenue recognition for interest income on loans and advances is recognized based on requirements of IFRS 9.

f. 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 comprises its 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.

iii. 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 of 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.

BRAC MYANMAR MICROFINANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

3. Significant accounting policies (continued)

f. Property and equipment (continued)

iii. Depreciation (continued)

Furniture & Fixtures	10%
Computer/Laptop	33.33%
Equipments	20.00%
Vehicles	20%

Management reviews the depreciation methods, residual value and useful life of an asset at the year end and any change considered to be appropriate in accounting estimate is recorded through the statement of profit or loss.

g. Intangible asset

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

The Company has accounting software Sbi Cloud acquired during the year and it is amortised on a straight line basis over its finite useful life of 4 years.

h. Operating lease

BRAC is involved in operating leases as the lessee for rental property serving as office space. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease, which is typically twelve (12) months.

i. Provisions

A provision is recognised if, as a result of a past event, BRAC Myanmar Microfinance Company Limited has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The loan loss provision is calculated based on the ageing of default loans in the portfolio on the following basis:

Name	Period of default	Provision % on default loans*
Current	Performing loans	1%
Sub-standard	30 days past due	10%
Watch	31- 60 days past due	50%
Doubtful	61-90 days past due	75%
Loan loss	over 90 days past due	100%

As per government directive (7/2020), this year provision has changed to 1% for all catogeory loans in 2020.

j. Related party transactions

Related parties comprise directors, subsidiaries of Stichting BRAC International and key management personnel of the company and companies with common ownership and/or directors.

BRAC MYANMAR MICROFINANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

3. Significant accounting policies (continued)

k. Adoption of new and revised standards

i) New and amended standards adopted by the Company

The Company has adopted the following standards for the first time for the financial year beginning on or after 1 January 2019:

New amendments or interpretation	Effective date
IFRS 9 Financial Instruments	1 January 2019
IFRS 15 Revenue from contracts with customers	
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	
Transfers of Investment Property (Amendments to IAS 40)	
Annual Improvements to IFRSs 2014-2016 Cycle (Amendments to IFRS 1 and IAS 28)	
IFRIC 22 Foreign Currency Transactions and Advance Consideration	

New amendments or interpretation effective for annual periods beginning on or after 1 January 2019 are summarized below:

New amendments or interpretation	Effective date
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over income tax treatments	
Prepayment Features with Negative Compensation (Amendments to IFRS 9) Ventures	
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	
Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)	
Annual Improvements to IFRSs 2015-2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)	

All Standards and Interpretations were adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

IAS 28, IAS 19, are not applicable to the business of the entity and will therefore have no impact on future financial statements. The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors.



BRAC MYANMAR MICROFINANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

3. Significant accounting policies (continued)

k. Adoption of new and revised standards (continued)

IFRS 16 Leases (continued)

IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors. Management is still assessing the impact of this standard on the Company's financial Statements.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- judgments made;
- assumptions and other estimates used; and
- the potential impact of uncertainties that are not reflected.

The interpretation is not expected to have a significant impact on the financial statements of the Company.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The amendments clarify those financial assets containing prepayment features with negative compensation can now be measured at amortized cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

BRAC MYANMAR MICROFINANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 Kyats	2019 Kyats	2020 USD	2019 USD
4. Service charge on loan				
Group loans (Microfinance)	6,221,512,095	6,169,829,037	4,547,922	4,070,367
Small Enterprises Program (SEP)	1,560,997,395	1,209,268,744	1,141,088	797,780
Woman Enterprise Programme (WEP)	1,217,071,820	749,565,681	889,679	494,504
Digital Agriculture Loan	569,503,685	48,324,333	416,307	31,881
Covid 19 Economic recovery	30,688	-	22	-
Inclusive finance to disable person	9,453,022	5,184,702	6,910	3,420
	9,578,568,705	8,182,172,497	7,001,929	5,397,953
5. Interest and other financial expenses				
Interest on member savings	601,256,379	354,659,133	439,518	233,976
Interest on long term loan	1,940,246,193	1,650,831,098	1,418,319	1,089,088
Interest on short term loan	63,288,170	-	46,264	-
Other financial expenses-				
Fund management fees	146,756,889	149,323,414	107,279	98,512
	2,751,547,631	2,154,813,645	2,011,380	1,421,576
6. Membership and other fees				
Membership fee	-	52,020,500	-	34,319
Loan appraisal fee	-	511,258,500	-	337,288
Sales of passbook	-	33,518,500	-	22,113
Death benefit fee	-	9,157,000	-	6,041
Insurance fee	-	47,997,500	-	31,665
Interest income on employee loan	15,627,147	11,075,220	11,423	7,307
Fees on Loan	920,762,031	349,305,188	673,077	230,444
	936,389,178	1,014,332,408	684,500	669,177
7. Other income				
Non-operational	45,903,926	45,707,626	33,556	30,154
Realized exchange gain/(loss)	(9,376,366)	(516,306)	(6,854)	(341)
	36,527,560	45,191,320	26,702	29,814
8. Grants income				
Transferred to statement of income and expenses	304,910,466	341,758,136	222,889	225,465
Transferred from deferred grant (depreciation)	2,845,187	2,440,968	2,080	1,610
	307,755,653	344,199,104	224,969	227,075
9. Staff Costs				
Salaries	3,788,365,736	3,020,327,356	2,769,293	1,992,574
Per diem	-	2,281,740	-	1,505
Leave salaries	199,848,636	35,601,598	146,089	23,487
Social Security benefit expense	59,168,071	47,717,572	43,252	31,480
Staff bonus	319,074,170	233,984,641	233,243	154,365
	4,366,456,613	3,339,912,907	3,191,878	2,203,412

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	2020	2019	2020	2019
	Kyats	Kyats	USD	USD
10. Other operating expenses				
Occupancy expenses (N-10.1)	536,966,396	374,053,389	392,522	246,771
Travel & transportation expenses (N-10.2)	302,632,346	364,374,660	221,224	240,386
Maintenance and general expenses (N-10.3)	510,730,455	855,720,881	373,344	564,537
Software maintenance expense	160,779,727	-	117,530	-
Stationary expenses	106,211,611	124,315,979	77,641	82,014
Staff training cost	57,920,726	71,180,118	42,340	46,959
HO logistics expenses	462,815,081	450,733,719	338,318	297,359
Audit and professional fee (N-10.4)	76,996,896	82,318,475	56,285	54,307
	<u>2,215,053,238</u>	<u>2,322,697,221</u>	<u>1,619,203</u>	<u>1,532,333</u>
10.1 Occupancy expenses				
Rent	501,709,738	346,390,888	366,750	228,521
Utilities	35,256,658	27,662,501	25,773	18,250
	<u>536,966,396</u>	<u>374,053,389</u>	<u>392,522</u>	<u>246,771</u>
10.2 Travel & transportation expenses				
Travel and transportation	263,614,127	280,743,699	192,702	185,213
Technical team visit cost	4,647,303	-	3,397	-
Air tickets & VISA cost	34,370,916	83,630,961	25,125	55,173
	<u>302,632,346</u>	<u>364,374,660</u>	<u>221,224</u>	<u>240,386</u>
10.3 Maintenance and general expenses				
Wi-Fi and Mobile SIM & Bill	75,647,589	45,808,721	55,298	30,221
Maintenance and general expenses	78,360,065	141,315,925	57,281	93,229
Meals	65,105,354	117,714,112	47,592	77,659
Accommodation (hotel fare)	43,758,487	58,541,849	31,987	38,621
Meeting expenses	5,313,000	14,700,824	3,884	9,698
Design and development	-	-	-	-
Advertisement	4,908,780	-	3,588	-
Other Office Expenses	982,833	-	718	-
Social Performance Management expense	778,150	-	569	-
Loss on disposal of property and equipment	2,353,758	-	1,721	-
Covid 19 Expense	68,356,776	-	49,969	-
Need assessment cost	-	18,600,000	-	12,271
Bank charge	27,844,266	20,962,036	20,354	13,829
Medical expenses	9,576,062	5,268,406	7,000	3,476
Uniform cost	3,200,000	28,998,000	2,339	19,131
Business license & registration	19,559,795	55,921,510	14,298	36,893
Visibility & communication expense	3,151,800	6,920,773	2,304	4,566
Vehicle maintenance & fuel	77,340,936	55,375,336	56,536	36,532
Digitalization expense (ongo)	19,967,600	-	14,596	-
Baseline and Endline Study	2,235,104	965,700	1,634	637
Assets distribution of grant project	-	151,151,290	-	99,718
Event and workshop expense	91,800	5,059,268	67	3,338
Cash and bank write off	100,000	195,000	73	129
Automation expenses	-	105,697,669	-	69,731
Program Supplies	698,300	-	510	-
Member death benefit	1,400,000	21,100,000	1,023	13,920
Fixed asset write-off	-	1,424,462	-	940
	<u>510,730,455</u>	<u>855,720,881</u>	<u>373,344</u>	<u>564,537</u>

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	2020	2019	2020	2019
	Kyats	Kyats	USD	USD
10.4 Audit and professional fee				
Professional & consultancy fee	67,416,896	66,898,475	49,282	44,134
Audit fee	9,580,000	15,420,000	7,003	10,173
	<u>76,996,896</u>	<u>82,318,475</u>	<u>56,285</u>	<u>54,307</u>
11. Depreciation & amortization				
Depreciation	121,004,623	67,958,465	88,454	44,834
Amortization	38,594,512	42,103,105	28,213	27,776
	<u>159,599,135</u>	<u>110,061,570</u>	<u>116,667</u>	<u>72,610</u>
12. Cash generated from operations				
Net profit/(loss) for the year	204,512,676	893,321,326	149,499	589,343
Other comprehensive income/(expenses)	1,214,736,165	160,326,709	887,972	105,771
Depreciation & amortization	159,599,135	110,061,570	116,667	72,610
Loan loss provision	943,327,538	413,872,647	689,572	273,041
Cash flow before changes in working capital	<u>2,522,175,514</u>	<u>1,577,582,252</u>	<u>1,843,709</u>	<u>1,040,765</u>
Changes in working capital				
Decrease/(increase) of receivables and other current assets	(563,550,767)	(787,903,886)	(424,009)	(532,439)
Decrease/(increase) in interest receivable	(1,208,172,405)	(307,851,331)	(909,015)	(208,036)
Increase/(decrease) of related party payables	52,988,718	584,538,984	39,868	395,012
Increase/(decrease) of current liabilities	343,101,715	475,597,279	258,146	321,393
Net cash generated from operations	<u>1,146,542,775</u>	<u>1,541,963,299</u>	<u>808,698</u>	<u>1,016,695</u>



13. Property and equipment	Furniture & Fixtures		Computer		Equipment		Motor vehicles		Total		Total	
	Kyats		Kyats		Kyats		Kyats		Kyats		USD	
Cost												
At 1 January 2019	106,175,050	89,886,740	47,092,010	115,842,000	358,995,800	231,610						
Additions	45,698,000	62,985,101	17,780,850	10,945,000	137,408,951	90,652						
Transfer to NGO	-	-	(254,000)	-	(254,000)	(168)						
Write-off	(1,921,082)	(612,075)	(1,404,628)	(834,000)	(4,771,785)	(3,148)						
Effect of movements in exchange rate	-	-	-	-	-	13,111						
At 31 December 2019	149,951,968	152,259,766	63,214,232	125,953,000	491,378,966	332,057						
At 1 January 2020	149,951,968	152,259,766	63,214,232	125,953,000	491,378,966	332,057						
Additions	31,651,335	46,764,198	9,988,200	77,055,650	165,459,383	124,490						
Asset Disposal	(1,225,786)	-	(1,697,500)	-	(2,923,286)	(2,199)						
Transfer to NGO	-	-	-	-	-	-						
Write-off	(2,403,294)	(9,394,761)	(4,105,434)	(141,000)	(16,044,489)	(12,072)						
Effect of movements in exchange rate	-	-	-	-	-	37,651						
At 31 December 2020	177,974,223	189,629,203	67,399,498	202,867,650	637,870,574	479,927						
Accumulated depreciation												
At 1 January 2019	26,872,290	43,197,995	32,039,629	68,620,869	170,730,783	110,149						
Additions	12,562,991	21,282,877	10,249,724	23,862,873	67,958,465	44,834						
Transfer to NGO	-	-	(63,679)	-	(63,679)	(42)						
Write-off	(854,415)	(570,054)	(1,272,125)	(650,556)	(3,347,150)	(2,208)						
Effect of movements in exchange rate	-	-	-	-	-	6,261						
At 31 December 2019	38,580,866	63,910,818	40,953,549	91,833,186	235,278,419	158,993						
At 1 January 2020	38,580,866	63,910,818	40,953,549	91,833,186	235,278,419	158,993						
Additions	17,822,885	34,820,123	13,365,182	17,741,146	83,749,336	61,221						
Depreciation Rate Change	32,686,754	3,302,156	-	-	35,988,910	26,308						
Write-off	(1,089,262)	(8,876,555)	(3,724,912)	-	(13,690,729)	(10,008)						
Asset Disposal	(2,884,680)	-	(1,125,989)	-	(4,010,669)	(3,018)						
Effect of movements in exchange rate	-	-	-	-	-	20,296						
At 31 December 2020	85,116,563	93,156,542	49,467,830	109,574,332	337,315,267	253,792						
Carrying amount												
At 1 January 2019	79,302,760	46,688,745	15,052,381	47,221,131	188,265,017	121,462						
At 31 December 2019	111,371,102	88,348,948	22,260,683	34,119,814	256,100,547	173,064						
At 31 December 2020	92,857,660	96,472,661	17,931,668	93,293,318	300,555,307	226,134						

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14. Intangible assets	2020	2019	2020	2019
	Kyats	Kyats	USD	USD
<b>Cost</b>				
At 1 January	168,412,418	125,600,324	113,808	81,032
Additions	-	42,812,094	-	28,931
Currency translation adjustment	-	-	12,904	3,845
<b>At 31 December</b>	<b>168,412,418</b>	<b>168,412,418</b>	<b>126,712</b>	<b>113,808</b>
<b>Accumulated amortization</b>				
At 1 January	79,891,536	37,788,431	53,988	24,380
Additions	38,594,512	42,103,105	28,213	27,776
Currency translation adjustment	-	-	6,947	1,831
<b>At 31 December</b>	<b>118,486,048</b>	<b>79,891,536</b>	<b>89,148</b>	<b>53,988</b>
<b>Carrying amount At 31 December</b>	<b>49,926,370</b>	<b>88,520,882</b>	<b>37,564</b>	<b>59,819</b>
<b>15. Other assets</b>				
Advance to third parties	-	177,585,000	-	120,006
Advance office rent	284,256,880	-	213,872	-
Receivable from BRAC Myanmar	136,650,039	363,126,615	102,814	245,389
Receivable from other office	-	-	-	-
Receivable from partner org.	-	12,660,000	-	8,555
Advance corporate income tax	1,227,013,220	348,933,015	923,191	235,797
Receivable from donor	31,372,442	238,258,499	23,604	161,007
Employee motor cycle Loan	120,663,206	95,841,891.00	90,786	64,767
	<b>1,799,955,787</b>	<b>1,236,405,020</b>	<b>1,354,267</b>	<b>835,522</b>
<b>16. Loan to customers</b>				
Group loans (Microfinance)	32,863,942,762	27,852,530,655	24,726,464	18,821,821
Small Enterprise Program (SEP)	8,037,106,944	6,471,335,140	6,047,030	4,373,115
Woman Enterprise Programme (WEP)	6,393,837,276	4,679,626,648	4,810,652	3,162,337
Digital Agriculture Loan	10,275,113,939	896,250,000	7,730,881	605,656
Inclusive Finance (Disability)	75,200,305	33,211,239	56,580	22,443
Covid 19 Economic Recovery	172,500,000	-	129,787	-
Loans write off	(244,435,005)	(190,127,193)	(183,910)	(128,482)
	<b>57,573,266,221</b>	<b>39,742,826,489</b>	<b>43,317,483</b>	<b>26,856,890</b>
Add: Interest receivable	1,727,570,278	519,397,873	1,299,805	350,992
Less: Impairment loss on loans	(927,304,606)	(228,412,073)	(697,694)	(154,353)
	<b>58,373,531,893</b>	<b>40,033,812,289</b>	<b>43,919,594</b>	<b>27,053,529</b>
<b>16.1 The movement of loans is shown below:</b>				
Opening balance	39,742,826,489	20,607,811,547	26,856,890	13,295,362
Add: Loans disbursement	73,180,140,130	75,252,100,000	53,494,646	49,645,411
Less: Loan realization	(55,105,265,393)	(55,926,957,865)	(40,281,921)	(36,896,204)
Loans write off	(244,435,005)	(190,127,193)	(178,682)	(125,431)
Translation adjustment	-	-	3,426,550	937,752
Principal outstanding	<b>57,573,266,221</b>	<b>39,742,826,489</b>	<b>43,317,483</b>	<b>26,856,890</b>
Add: Interest receivable	1,727,570,278	519,397,873	1,299,805	350,992
Less: Impairment loss on loans	(927,304,606)	(228,412,073)	(697,694)	(154,353)
	<b>58,373,531,893</b>	<b>40,033,812,289</b>	<b>43,919,594</b>	<b>27,053,529</b>

BRAC MYANMAR MICROFINANCE COMPANY LIMITED

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	2020	2019	2020	2019
	Kyats	Kyats	USD	USD
16. Loan to customers <i>(continued)</i>				
16.2 Movement of impairment loss on loans				
At 1 January	228,412,073	51,993,265	171,855	33,544
Impact of IFRS 9	842,109,154	(47,326,646)	615,581	(31,222)
Charge for the year	101,218,384	413,872,647	73,991	273,041
Loan write off	(199,998,158)	(157,499,219)	(146,199)	(103,906)
Interest Receivable Write off	(44,436,847)	(32,627,974)	(32,483)	(21,525)
Currency translation adjustment	-	-	14,949	4,422
	<b>927,304,606</b>	<b>228,412,073</b>	<b>697,694</b>	<b>154,353</b>

As per Microfinance Supervisory Committee notification no (5/2016) issued on 26 August, 2016, loan loss reserve balance shall be as follows-

	Principal Outstanding MMK	Provision Rate	Provision Required MMK	
No past due	50,633,697,051	1%	506,336,971	
1-30 days	3,174,077,511	1%	31,740,775	
31-60 days	1,560,688,575	1%	15,606,886	
61-90 days	784,632,904	1%	7,846,329	
91-over	1,420,170,180	1%	14,201,702	
	<b>57,573,266,221</b>		<b>575,732,662</b>	
	2020	2019	2020	2019
	Kyats	Kyats	USD	USD

17. Cash and cash equivalents

Cash in hand	6,706,422	17,107,965	5,046	11,561
Cash at bank	14,238,890,579	5,335,217,238	10,713,182	3,605,364
	<b>14,245,597,001</b>	<b>5,352,325,203</b>	<b>10,718,228</b>	<b>3,616,925</b>

As at 31 December 2020 the company has cash balance in its account with following banks-

	MMK	USD	Total MMK
KBZ Bank	436,554,752	200,647.80	703,235,731
CB Bank	92,385,767	30,447.25	132,853,207
AYA Bank	43,950,294	-	43,950,294
AGD Bank	2,100,061,953	-	2,100,061,953
UAB Bank	1,773,330	7,500,110.00	9,970,169,531
MEB Bank	77,730,495	-	77,730,495
YOMA Bank	34,394,206	884,104.68	1,209,457,736
MAY Bank	1,431,632	-	1,431,632
	<b>2,788,282,429</b>	<b>8,615,310</b>	<b>14,238,890,579</b>

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18. Share capital

The Company's share capital includes 2,223,077 ordinary shares of Kyats 10,000 each, issued and fully paid as detailed below:

At 31 December 2020	No. of Shares	Kyats	USD
BRAC International Holdings B.V.	2,223,075	22,230,750,000	16,449,985
Mr. Shameran Abed	2	20,000	15
	<b>2,223,077</b>	<b>22,230,770,000</b>	<b>16,450,000</b>

The holders of the ordinary shares are entitled to receive dividends as and when declared by the company. All ordinary shares carry one vote per share without restrictions. As at 31 December 2020, the company had share capital of MMK 22,230,770,000.

19. Retained earnings

At 1 January	180,039,312	(920,935,370)	121,665	(622,338)
Profit/(loss) for the year	204,512,676	893,321,326	149,499	603,677
Impact of IFRS 9	-	47,326,647	-	31,982
Unrealised gain/(loss)	1,214,736,165	160,326,709	887,972	108,343
Currency translation adjustment	-	-	44,152	-
	<b>1,599,288,152</b>	<b>180,039,312</b>	<b>1,203,287</b>	<b>121,665</b>

20. Donor grant

Grant received in advance (N- 20.1)	1,118,458,226	761,279,500	841,515	514,448
Grant investment in loan (N-20.2)	1,508,640,198	1,055,847,474	1,135,084	713,507
Deferred grant investment in fixed asset (N-20.3)	5,808,846	8,654,033	4,371	5,848
	<b>2,632,907,270</b>	<b>1,825,781,007</b>	<b>1,980,970</b>	<b>1,233,803</b>

20.1 Grant received in advance

At 1 January	761,279,500	180,285,879	514,448	121,831
Donation received during the year (20.1.1)	1,407,433,595	927,060,869	1,058,937	626,477
Donor fund investment in loan	(390,576,088)	-	(293,865)	-
Transferred to Statement of Other Comprehensive Income	-	(7,557,744)	-	(5,107)
Donor fund- investment in Loan	(452,792,724)	-	(340,676)	-
Adjustment against donor receivable	(206,886,057)	(172,831,565)	(155,659)	(116,794)
Adjustment against other prepaid	-	(165,677,939)	-	(111,960)
Currency translation adjustment	-	-	58,331	-
	<b>1,118,458,226</b>	<b>761,279,500</b>	<b>841,515</b>	<b>514,448</b>

20.1.1 Donation received during the year

WPF (Whole Planet Foundation)	452,792,724	663,767,652	340,676	448,552
TLMM (The Leprosy Mission Myanmar)	311,110,337	172,831,565	234,076	116,794
UNOPS(LIFT)	643,530,534	90,461,652	484,185	61,131
	<b>1,407,433,595</b>	<b>927,060,869</b>	<b>1,058,937</b>	<b>626,477</b>



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	2020 Kyats	2019 Kyats	2020 USD	2019 USD
<b>20.2 Donor fund investment in loans</b>				
At 1 January	1,055,847,474	1,055,847,474	713,507	713,507
Donor fund investment in loan	452,792,724	-	340,676	-
Currency translation adjustment	-	-	80,901	-
	<b>1,508,640,198</b>	<b>1,055,847,474</b>	<b>1,135,084</b>	<b>713,507</b>
<b>20.3 Deferred grant- investment in fixed and intangible asset</b>				
Opening balance	8,654,033	12,051,821	6,511	8,144
Asset purchased during the year	-	(956,820)	-	647
Amortization during the year	(2,845,187)	(2,440,968)	(2,080)	1,650
Currency translation adjustment	-	-	(61)	-
	<b>5,808,846</b>	<b>8,654,033</b>	<b>4,371</b>	<b>5,848</b>
<b>21. Loans and borrowings</b>				
Principal outstanding	38,744,962,500	18,298,500,000	29,151,277	12,365,522
Accrued interest	405,854,458	387,715,802	305,360	262,006
	<b>39,150,816,958</b>	<b>18,686,215,802</b>	<b>29,456,638</b>	<b>12,627,528</b>
<b>21.1 Long term loans</b>				
<b>AGD Bank Loan</b>				
Principal outstanding	7,000,000,000	-	5,266,722	-
Accrued interest	28,765,370	-	21,643	-
Total AGD Bank Payable (a)	7,028,765,370	-	5,288,365	-
<b>UAB Bank Loan</b>				
Principal outstanding	9,469,837,500	-	7,125,000	-
Accrued interest	63,288,170	-	47,617	-
Total UAB Bank Payable (b)	9,533,125,670	-	7,172,617	-
<b>MEB</b>				
Principal outstanding	600,000,000	-	451,433	-
Accrued interest	-	-	-	-
Total MEB Bank Payable (c)	600,000,000	-	451,433	-
<b>BV Loan</b>				
Principal outstanding	9,968,250,000	-	7,500,000	-
Accrued interest	147,796,781	-	111,201	-
Total BV Loan Payable (d)	10,116,046,781	-	7,611,201	-
<b>Grameen Credit Agricole Microfinance Fund (GCAMF)</b>				
Principal outstanding	-	400,000,000	-	270,307
Accrued interest	-	3,611,110	-	2,440
Total GCAMF payable (e)	-	403,611,110	-	272,747
<b>FMO</b>				
Principal outstanding	1,661,375,000	3,699,500,000	1,250,000	2,500,000.00
Accrued interest	51,290,800	114,212,814	38,591	77,181.25
Total FMO payable (f)	1,712,665,800	3,813,712,814	1,288,591	2,577,181
<b>DFC</b>				
Principal outstanding	6,645,500,000	7,399,000,000	5,000,000	5,000,000.00
Accrued interest	16,905,118	15,590,510	12,719	10,535.55
Total DFC Payable (g)	6,662,405,118	7,414,590,510	5,012,719	5,010,536
<b>YOMA Bank</b>				
Principal outstanding	3,400,000,000	6,800,000,000	2,558,122	4,595,215.57
Accrued interest	97,808,220	254,301,368	73,590	171,848.47
Total YOMA Bank payable (h)	3,497,808,220	7,054,301,368	2,631,712	4,767,064
<b>Total term loans (a+b+c+d+e+f+g+h)</b>	<b>39,150,816,958</b>	<b>18,686,215,802</b>	<b>29,456,638</b>	<b>12,627,528</b>

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	2020 Kyats	2019 Kyats	2020 USD	2019 USD
<b>22. Related party payables</b>				
BRAC (Bangladesh)	816,418,881	838,124,080	614,264	566,377
BRAC International Holdings B.V.	1,118,015,427	1,026,626,032	841,182	693,760
Stichting BRAC International	15,216,251	31,911,730	11,449	21,565
	<b>1,949,650,560</b>	<b>1,896,661,842</b>	<b>1,466,895</b>	<b>1,281,701</b>
The amount is payable to BRAC International Holdings B.V., Stichting BRAC International and BRAC (Bangladesh) represents services rendered and expenses beared in favour of BRAC Myanmar Microfinance Company Limited.				
<b>23. Member savings</b>				
Member savings	5,929,779,562	3,782,426,577	4,461,500	2,556,039
Interest on members savings	3,362,739	-	2,530	-
	<b>5,933,142,301</b>	<b>3,782,426,577</b>	<b>4,464,030</b>	<b>2,556,039</b>
<b>24. Other liabilities</b>				
Provision for leave salary	207,155,497	66,161,779	155,861	44,710
BRAC IT Services Ltd. (biTS)	133,568,250	344,962,097	100,495	233,114
Liabilities for expenses	77,000,590	12,502,827	57,934	8,449
Withholding tax payable (employee)	28,729,403	23,721,188	21,616	16,030
Withholding tax payable (others)	158,214	-	119	-
Provision for Social Security Benefit	10,281,029	7,606,623	7,735	5,140
Bonus provision	15,000	-	11	-
Income tax Payable	569,960,277	351,216,012	428,832	237,340
Social Welfare Fund	237,722,857	112,298,876	178,860	75,888
Audit fee provision	8,400,000	11,420,000	6,320	7,717
	<b>1,272,991,117</b>	<b>929,889,402</b>	<b>957,784</b>	<b>628,389</b>
<b>25. Financial risk management policies and objectives</b>				

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.

Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the BRAC International Group Audit Committee.

25. Financial risk management policies and objectives (continued)

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers.

Management of credit risk

For risk management reporting purposes, the Company measures, monitors and manage proactively all elements of credit risk exposure (such as individual obligor default risk, country and sector risk). The Company does not have any significant exposure to any individual customer or counterparty.

The model that the Company uses to mitigate this risk is vetting from respective members of the group.

The Board of Directors has delegated responsibility for the management of credit risk to senior management. Program operations and monitoring team are responsible for oversight of the Company's credit risk.

- Formulating credit policies in consultation with business units covering credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities.
- Reviewing and assessing credit risk. BRAC's Program department assesses all credit exposures in excess of designated limits prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to geographies and market segments for loans and advances.
- Developing and maintaining BRAC's risk grading in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures.
- Reviewing compliance of business units with agreed exposure limits including those for selected industries' country risk and product types. Regular reports are provided to BRAC's Program department on the credit quality of local portfolios and appropriate corrective actions to be taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout BRAC in the management of credit risk.

Each branch is required to implement BRAC's credit policies and procedures with credit approval authorities delegated from management. Each branch has a Branch Manager who reports on all credit related matters to senior management. Each branch is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios including those subject to central approval.

BRAC does not hold collateral against loans. The lending portfolio consists of non-securitized microfinance loans mutually guaranteed by group members. Customers are clustered into solidarity groups which collectively secure the loans. Regular audits of branches and credit processes are undertaken by Internal Audit.

25. Financial risk management policies and objectives (continued)

(a) Credit Risk (continued)

Impaired loans

Impaired loans are loans for which BRAC determines that it is probable that it will be unable to collect the principal and interest due according to the contractual terms of the loan.

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:

	2020	2019
	Kyats	Kyats
Current (performing loans)	50,633,697,051	39,249,832,354
Sub-standard (30 days past due)	3,174,077,511	161,299,432
Watch (31-60 days past due)	1,560,688,575	30,832,479
Doubtful (61-90 days past due)	784,632,904	23,671,173
Loan loss (over 90 days past due)	1,420,170,180	277,191,051
<b>Total loans to customer</b>	<b>57,573,266,221</b>	<b>39,742,826,489</b>
Allowance for impairment	(927,304,606)	(228,412,073)
<b>Net loans to customer</b>	<b>56,645,961,615</b>	<b>39,514,414,416</b>
<b>Balance as at 1 January</b>	<b>228,412,072</b>	<b>51,993,265</b>
Impairment charge for the year	101,218,384	413,872,647
Impact of IFRS 9	842,109,154	(47,326,647)
Loan write off	(199,998,158)	(190,127,193)
<b>Balance as at 31 December</b>	<b>971,741,452</b>	<b>228,412,072</b>

BRAC reports loans at their outstanding balance net of allowance made from 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.



25. Financial risk management policies and objectives (continued)

(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 plan. 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.

Country office receives information from regional units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business.

The table below summarises the maturity profile of the Company's financial asset and liabilities based on contractual undiscounted receipts and payments.

	2020 Kyats	2019 Kyats	2020 USD	2019 USD
<b>Financial assets</b>				
Loans to customer	58,373,531,893	40,033,812,289	43,919,594	27,053,529
Cash and cash equivalents	14,245,597,001	5,352,325,203	10,718,228	3,616,925
Other assets	1,799,955,787	1,236,405,020	1,354,267	835,522
Total undiscounted financial assets	74,419,084,680	46,622,542,512	55,992,088	31,505,975
<b>Financial liabilities</b>				
Term loan	39,150,816,958	18,686,215,802	29,456,638	12,627,528
Related party payables	1,949,650,560	1,896,661,842	1,466,895	1,281,701
Member savings payable	5,933,142,301	3,782,426,577	4,464,030	2,556,039
Other liabilities	1,272,991,117	929,889,402	957,784	628,389
Total undiscounted financial liabilities	48,306,600,935	25,295,193,622	36,345,347	17,093,657
<b>Net undiscounted financial assets</b>	<b>26,112,483,745</b>	<b>21,327,348,890</b>	<b>19,646,741</b>	<b>14,412,318</b>

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

Currency Risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign currency exchange rates. The Company is exposed to currency risk on payments that are denominated in a currency other than the functional currency which is MMK. The Company's Strategy of managing the currency risk is using functional currency in transaction as much as possible.

25. Financial risk management policies and objectives (continued)

Capital Management

BRAC's policy is to maintain a strong capital base so as to maintain client, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary share capital, share money deposit, and donor grant . The primary objective of capital management is to maintain a sufficient liquidity.

26. Related parties

Parent and ultimate controlling party

The Company's shares are owned by BRAC International Holdings B.V. which is a subsidiary of Stichting BRAC International.

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

	<u>Transaction value</u>		<u>Outstanding balance</u>	
	2020 Kyats	2019 Kyats	2020 USD	2019 USD
BRAC International Holdings B.V.	91,389,395	252,525,520	1,118,015,427	1,026,626,032
Other related companies	(249,794,524)	185,524,150	965,203,382	1,214,997,907

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.

27. 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.

27. Use of estimates and judgements (continued)

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised:

	Level 1 Kyats	Level 2 Kyats	Level 3 Kyats	Carrying value Kyats	Fair value Kyats
<b>31 December 2020</b>					
<b>Assets</b>					
Cash and cash equivalents	14,245,597,001	-	-	14,245,597,001	14,245,597,001
Loans to customer	-	-	58,373,531,893	58,373,531,893	58,373,531,893
Other assets	-	-	1,799,955,787	1,799,955,787	1,799,955,787
<b>Total assets</b>	<b>14,245,597,001</b>	<b>-</b>	<b>60,173,487,680</b>	<b>74,419,084,680</b>	<b>74,419,084,680</b>
<b>Liabilities</b>					
Loans and borrowings	-	-	39,150,816,958	39,150,816,958	39,150,816,958
Related party payables	-	-	1,949,650,560	1,949,650,560	1,949,650,560
Member savings payable	-	-	5,933,142,301	5,933,142,301	5,933,142,301
Other liabilities	-	-	1,272,991,117	1,272,991,117	1,272,991,117
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>48,306,600,935</b>	<b>48,306,600,935</b>	<b>48,306,600,935</b>
<b>31 December 2019</b>					
<b>Assets</b>					
Cash and cash equivalents	5,352,325,203	-	-	5,352,325,203	5,352,325,203
Loans to customer	-	-	40,033,812,289	40,033,812,289	40,033,812,289
Other assets	-	-	1,236,405,020	1,236,405,020	1,236,405,020
<b>Total assets</b>	<b>5,352,325,203</b>	<b>-</b>	<b>41,270,217,309</b>	<b>46,622,542,512</b>	<b>46,622,542,512</b>
<b>Liabilities</b>					
Loans and borrowings	-	-	18,686,215,802	18,686,215,802	18,686,215,802
Related party payables	-	-	1,896,661,842	1,896,661,842	1,896,661,842
Member savings payable	-	-	3,782,426,577	3,782,426,577	3,782,426,577
Other liabilities	-	-	929,889,402	929,889,402	929,889,402
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>5,295,193,622</b>	<b>25,295,193,622</b>	<b>25,295,193,622</b>

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28. 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 results in the recognition of income which may never be realised.

29. 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 2020.

30. Authorisation of financial statement

The financial statements of the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of directors and authorise for issue on 01 April 2021.



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Disclaimer: Some names and identifying details in the case stories may have been changed to protect the privacy of the individuals.