CENTRAL BANK OF MYANMAR
ANNUAL REPORT 2011-2012

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Preface by the Governor

In 2011, many developed and emerging economies were affected by a series of crises, including severe public debt crisis in Europe, the downgrade of the U.S. sovereign credit rating, elevated levels of international commodity prices, high unemployment rate, and low public confidence, while recovery from natural disaster is still in progress. In this regard, reducing unemployment, consolidating public finances and increasing economic activity, remained key challenges for most developed nations. According to the International Monetary Fund (IMF), the global economic growth in 2011 is 4 percent, a drop of 1.1 percent as compared to 2010.

Myanmar managed to make a satisfactory progress in its development and stabilized its macroeconomic condition despite the impacts of the global economic crises. Real GDP growth was registered at 6.7 percent in Financial Year (FY) 2011-2012 driven by strong exports earnings from resource commodities and higher foreign direct investment inflows primarily into the energy sector. Inflation recorded low at 3.2 percent, mainly due to lower food prices and less deficit monetization. The external balance of the country continued to improve, and the level of foreign reserves continued to increase throughout the financial year reaching 10.6 months of imports at the end of March 2012.

Increase in Money supply (M1) was able to maintain at manageable level at 13.8 percent. The total deposits of commercial banks continued to rise by 41.75 while the total loan provided by the entire commercial banks to the economy rose by 64.71 percent compared to 2010-2011. As the Central Bank of Myanmar (CBM) will be given full operational autonomy and proper accountability, it will strive to maintain monetary stability in the long run by improving and developing a variety of monetary instruments, together with creating an open market operation mechanism.

Since the authorities have planned to reform multiple exchange rate system, the CBM has been extensively working with IMF Technical Assistance Mission to replace the official peg with a managed float as a first step toward unifying the exchange rates. The initial steps focused on establishing a formal retail market by licensing seventeen private banks in October 2011 to operate money changer counters. In November 2011, eleven banks were licensed as, authorized foreign exchange dealers (AD) to trade with each other and domestic customers. The CBM also pushed ahead to establish foreign currency auctions and a kyat deposit facility to conduct sterilized foreign currency operations, in line with IMF technical assistance (TA) recommendations.

With the efforts of CBM in improving access to finance, banking intermediation showed noticeable improvement as reflected in the increasing numbers of banks branch networks over the last year. The performance of banking institutions was satisfactory in FY 2011-2012. The capital base of banking sector was strengthened through the injection of paid-up capital from banks, while liquidity was maintained over the regulatory requirement. In addition, assets and profitability of banking institutions displayed a trend of gradual increment since 2009-2010.
As Myanmar’s financial sector is still at its early stage of development, there is significant room for improvement both at the industry level as well as at the regulatory and supervisory level. In line with international best practices and to keep up with the fast changing financial environment, the CBM has been reviewing the existing prudential regulations and issuing new ones to ensure that banking and financial institutions are operating in a safe and sound manner. The adoption of these regulations is expected to strengthen the development of banking and financial institutions as Myanmar is progressively integrating into the regional and ASEAN market.

During the year, the CBM continued to strengthen its capacity building through supporting staff training on the job, in-house, locally and abroad. Staff participated in courses across a range of central banking functions to enhance their skills and the effectiveness and efficiency of their performances.

I am grateful to the International Monetary Fund, World Bank, Asian Development Bank, and other regional central banks, for technical assistance provided to the CBM in 2011-2012.

I would like to thank the Board of Directors for their continued support and guidance that underlined the effective work of the CBM in 2011-2012. Finally, I extend my appreciation to the staff of the CBM for their efforts and dedication during the FY 2011-2012.

Than Nyein
Governor
1.1 Introduction
This annual report for the FY 2011-2012, ending March 31, 2012 is prepared under the direction and guidance of Minister for Finance and Revenue and Governor of Central Bank of Myanmar, in accordance with Section 23 (b) of the Central Bank of Myanmar Law 1990.

1.2 Developments in World Economy
Debt crisis and persistent euro area problems coupled with a continued uncertain outlook for the economy of the United States are keeping low growth in Advanced Economies. The growth slowdown will be affected across different sub-regions depending upon the extent of their global integration.

Growth in the Asia-Pacific region slowed in 2011 as the region faced with weakening economic conditions in western developed economies and natural disasters. Subdued growth in the advanced economies and euro area also concerns over the financial markets of emerging and developing economies. Capital flows into the Asia and Pacific exhibited greater volatility in 2011 and large outflows were seen in the second half of the years as the United States and Europe struggled with sovereign debt issues.

Despite the slowdown in Asia and Pacific, the region was fastest growing in the world in 2011 and remains the engine of global economic growth. In this regard, the recent global financial crisis has reinforced the need for all countries to strengthen their financial sector to better with stand systemic and other risks.

1.3 Developments in Myanmar Economy
After the new elected government has taken office in March 30, 2011, the government has launched a series of economic, social and policy reforms to improve the socio-economic life of the people. For the time being, Myanmar has been formulating and implementing the Five Year Short Term Plan through FY 2010-2011 to FY 2015-2016. For first year of five- year short term plan, FY 2011-2012, GDP growth rate was registered at 6.7% attributed mainly by the Industrial Sector. Enhancement of the industrial sector contributes much to modernization and development of the nation.
Despite the appreciating trend of the national currency, export has been grown supported by high demand for natural gas. In addition, the other factor contributed to export growth was allowing citizen to enjoy the reduction of tax on export. The seven commodities included in cut are rice, beans and pulses, sesame, rubber, maize, fisheries and animal products. The merchandise exports rose 1.5% in 2011 and merchandise import increased by 40.3%, partly due to increase in capital goods during the reporting period. Since the macroeconomic situation continued to be stable, inflation rate was record low at 3.22% and there was limited fluctuation of the exchange rate.

Maintaining single-digit inflation rates and stable exchange rates are considered to be very important by the government in order to promote investment and economic growth. For the promotion of investment, the government gives priority to investment that will provide a transfer of technologies to the Myanmar, while also ensuring that environment protections are well in place. The government continues to emphasize strengthening public revenue and expenditure management by revising existing legislation. Furthermore, the government will mobilize all of its efforts to achieve the socio-economic developments goals for FY 2012-2013 in accordance with the national economic policies.

1.4 Domestic Finance
1.4.1 Monetary Survey  The conditions of Domestic Credit and Money Supply for the FY 2011-2012 are shown below in comparison with the FY 2010-2011.

<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Particular</th>
<th>2011 March</th>
<th>2012 March</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Net Foreign Assets</td>
<td>6296</td>
<td>25477 (+)</td>
<td>19181 (+) 304.65</td>
</tr>
<tr>
<td>2</td>
<td>Domestic Credit</td>
<td>10350376</td>
<td>12949887 (+)</td>
<td>2599511 (+) 28.12</td>
</tr>
<tr>
<td>1</td>
<td>Net Claims on Central Government</td>
<td>8309814</td>
<td>9688302 (+)</td>
<td>1378488 (+) 16.59</td>
</tr>
<tr>
<td>2</td>
<td>Claims on Central Government</td>
<td>8352459</td>
<td>9946216 (+)</td>
<td>1593757 (+) 19.08</td>
</tr>
<tr>
<td>3</td>
<td>of which: Treasury Bills</td>
<td>6881355</td>
<td>7831992 (+)</td>
<td>950637 (+) 13.81</td>
</tr>
<tr>
<td>4</td>
<td>Liabilities to Central Government</td>
<td>42645</td>
<td>257914 (+) 215269 (+) 504.79</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Claims on other Financial Corporations</td>
<td>2133</td>
<td>1890 (-) 243 (-) 11.39</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Claims on Public Nonfinancial Corporations</td>
<td>5111</td>
<td>5006 (-) 105 (-) 2.054</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Claims on Private Sector</td>
<td>2033318</td>
<td>3254689 (+) 1221371 (+) 60.07</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Broad Money (M2)</td>
<td>9957420</td>
<td>12573492 (+) 2616072 (+) 26.27</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Money Supply (M1)</td>
<td>5907253</td>
<td>6722624 (+) 815371 (+) 13.80</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>a. Currency outside depository Corporation</td>
<td>4825102</td>
<td>5563292 (+) 738190 (+) 15.30</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>b. Demand Deposits</td>
<td>1082151</td>
<td>1159332 (+) 77181 (+) 7.13</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>2 Quasi-Money</td>
<td>4050167</td>
<td>5850867 (+) 1800700 (+) 44.46</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Other Items (Net)</td>
<td>-141102</td>
<td>-435019 (+) 293917 (+) 208.30</td>
<td></td>
</tr>
</tbody>
</table>

1/Net Foreign Assets is the balance offset by the foreign liabilities balance.
2/Central Bank of Myanmar has invested in Treasury Bills since November 1990.
During the FY 2011-2012, currency outside depository corporation increased by Kyat 738,190 million, rising 15.30% from the same period of last year and reached Kyat 5,563,292 million at the end of FY 2011-2012, while demand deposits rose by Kyat 7,718,111 million.

Money Supply (M1) increased by 13.80% to Kyat 6,722,624 million during the period under report. Similarly, broad money rose by 26.27% compared to the same period of previous financial year and reached to Kyat 12,573,492 million in March, 2012. The other factors influencing the increase in Money Supply are Treasury Bills and Domestic Credit which increased by Kyat 950,637 million and Kyat 2,599,511 million respectively. Claims on private sector increased by 60.07% to Kyat 1,221,371 million and it was main driving force of the increase of the domestic credit. On the other hand, total savings was increased by Kyat 1,800,700 million in FY 2011-2012.

1.4.2 Monetary Policy The main objective of monetary policy in Myanmar is to maintain macro economic stability in the economy and to promote domestic savings. Currently, the Central Bank of Myanmar (CBM) uses interest rate policy as its main monetary policy instrument while reserve requirements and open market operations have also been used to certain extents. The Central Bank rate, as at March 2012, is 10% and the minimum interest rate for deposits and maximum interest rate for lending of commercial banks are 8% and 13% respectively.

On the financial front, with the aim to support the export sector and business entrepreneurs, CBM had reduced the commercial bank's deposits and lending rates by 2 percent in September 1, 2011. Despite reducing of interest rates, savings are still increasing at the banks. Having said that to push forward the investment and national economy, CBM has reduced its Central Bank rate from 12% to 10% and set the interest rate for deposit which is not be less than 8% and interest rate for loans which is not to be higher than 13% effective from January 1, 2012.

The CBM, on behalf of the Government, has issued 3 year and 5 year Government Treasury Bonds since 1993, as an indirect instrument of monetary control and also for savings promotion. Moreover, the CBM has issued 2 year Government Treasury Bonds since January 1, 2010. At present, the interest rates of 2 year Treasury Bond is 8.75% per annum and the interest rates of 3 year and 5 year Treasury Bond are 9.0% and 9.5% respectively with effect from January 1, 2012. In this regard, total sales of Government Treasury Bonds which was Kyat 446,029.50 million in the FY 2010-2011 has increased to Kyat 881,395.8 million at the end of FY 2011-2012.

Financial institutions including private owned banks are the main buyers of the Government Treasury Bonds. The CBM has monitored private banks, by issuing instructions and guidelines, to take necessary actions and prevent using the banks for money laundering activities and financing of terrorism. In order to establish a sound and efficient banking system, the CBM has continued to strengthen its supervisory and regulatory controls in the FY 2011-2012.

1.5 External Finance

1.5.1 Balance of Payments The overall balance of payments position continued to show a surplus of US$ 1,070.2 million during the FY 2011-2012, compared to a surplus of US$ 763.3 million in the same period of last year. The surplus of the overall balance is mainly due to the trade surplus and other capital inflows. During the reporting period, the trade surplus declined by 80.4% to US$ 524.9
million compared to the previous year due to the significant increase in imports. As a result of this, the current account turn to deficit US$ 1,128.0 million. The trade surplus which together with the surplus of the financial account attributed to achieving favorable conditions of the overall balance of payments. BOP statistics are as shown below.

Table (1.2) Balance of Payments

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particulars</th>
<th>2010/11 (P.A)</th>
<th>2011/12 (P)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Exports (f.o.b)</td>
<td>8360.2</td>
<td>8488.8</td>
</tr>
<tr>
<td></td>
<td>(%) change</td>
<td>26.9</td>
<td>1.5</td>
</tr>
<tr>
<td>2.</td>
<td>Imports (f.o.b)</td>
<td>(-) 5676.2</td>
<td>(-) 7963.9</td>
</tr>
<tr>
<td></td>
<td>(%) change</td>
<td>56.4</td>
<td>40.3</td>
</tr>
<tr>
<td>3.</td>
<td>Trade Balance</td>
<td>2684.0</td>
<td>524.9</td>
</tr>
<tr>
<td>4.</td>
<td>Services, net</td>
<td>(-) 1990.9</td>
<td>(-) 2134.3</td>
</tr>
<tr>
<td>5.</td>
<td>Transfers</td>
<td>230.8</td>
<td>481.4</td>
</tr>
<tr>
<td>6.</td>
<td>Current Account</td>
<td>923.9</td>
<td>(1128.0</td>
</tr>
<tr>
<td>7.</td>
<td>Financial Account</td>
<td>1321.2</td>
<td>1782.6</td>
</tr>
<tr>
<td>8.</td>
<td>1. Short-term Loan</td>
<td>(-) 24.8</td>
<td>(-) 31.0</td>
</tr>
<tr>
<td></td>
<td>2. Long-term Loan</td>
<td>499.5</td>
<td>945.6</td>
</tr>
<tr>
<td>9.</td>
<td>3. Repayments of Loan</td>
<td>(-) 139.1</td>
<td>(-) 120.6</td>
</tr>
<tr>
<td>10.</td>
<td>4. Subscription to International Organizations</td>
<td>(-) 4.3</td>
<td>(-) 4.2</td>
</tr>
<tr>
<td>11.</td>
<td>5. Other Capital, net</td>
<td>21.1</td>
<td>3.0</td>
</tr>
<tr>
<td>12.</td>
<td>6. Foreign Direct Investment</td>
<td>968.8</td>
<td>990.8</td>
</tr>
<tr>
<td>13.</td>
<td>7. Gross Reserves (-increase)</td>
<td>(-) 1481.8</td>
<td>(-) 496.2</td>
</tr>
<tr>
<td></td>
<td>8. Overall Balance</td>
<td>763.3</td>
<td>1070.2</td>
</tr>
</tbody>
</table>

P : Provisional
P.A : Provisional Actual

1.5.2 Foreign Trade In the FY 2011-2012, the value of exports increased by 1.5 % to US $ 8,486.8 million from the same period of last year mainly due to the increase in natural gas, marine products, rice and rice products, pulses and beans as well as garment.

The main export items were natural gas, pulses and beans, marine products, garment, teak, hardwood, raw rubber, rice and rice products. According to provisional data, gas export accounts for 41.3% of total exports, increase of 23.4%, while marine products, pulses and beans, rice and rice products as well as garment increased by 56.4 %, 23.3%, 34.9% and 31.2% respectively, compared to the same period of last year. In total exports, the share of export of the government sector was 55.4% and private sector was 44.6 %. In the reporting period, the value of imports increased by 40.3 % to US $ 7,963.9 million compared to the previous year owing to increase in capital goods, intermediate goods as well as consumer goods. According to provisional data, intermediate goods cover 34.5%, consumer goods cover 31.6% and capital goods cover 33.9% of total imports respectively while capital goods increased by 58.0%, intermediate goods increased by 33.7% and consumer goods increased by 33.2% compared to the same period of last year. The main import items were machinery non-electric and transport equipment, edible vegetable oil and other hydrogenated oils, electrical machinery and apparatus, pharmaceutical products, base metals and manufactures, refined mineral oil, etc. In total imports, the
imports of the government sector was 26.8% while that of the private sector was 73.2% respectively.

During the reporting year, Myanmar's major trading partners of exports include Thailand, China, India, Singapore, Japan, Korea and Malaysia while major trading partners of imports include China, Singapore, Thailand, Japan, Korea, Indonesia, India and Malaysia.

Private transfers, which largely consists of remittance and transfer in-kind from Myanmar nationals working abroad and foreign companies increase significantly by 169.1% to US$ 448.6 million while official grants also decreased by 48.8% from the previous year to US$ 32.8 million.

The current account turn to deficit US$ 1,128.0 million in FY 2011-2012 compared to a surplus of US$ 923.9 million in the previous year owing to import growth rate is accelerated greater than export growth rate.

15.3 Services, Transfers and Current Account
In the FY 2011-2012, services account deficit continued to show expand by 11.3% to US$ 2,215.9 million from the previous year. The wider deficit mainly originated in larger payments for partner income of foreign joint venture companies in oil and gas sector.

15.4 Financial Account
During the reporting period, the financial account increased by 35.0% to US$ 1,783.6 million compared to the previous year owing to the increase in foreign loans received and foreign direct investment. The ratio of external debt to exports of goods and non-factor services for 2010-2011 was 2.2% and it is slightly decline to 2.1% in 2011-2012.

15.5 International Reserves
Due to the increase in exports earnings and other capital inflows, gross international reserves increased to US$ 7,200.1 million at the end of March 2012, which is adequate to finance 10.8 months of imports.
2.1 The Performance of the Central Bank of Myanmar for the year of 2011-2012

In accordance with the Central Bank of Myanmar Law 1990, the CBM implements the monetary policy to safeguard economic stability and oversee the smooth functioning of the Financial System. The CBM also endeavors to promote efficient payments mechanisms, and the liquidity, solvency and proper functioning of a soundly based financial system, and to foster monetary, credit and financial conditions conducive to the orderly, balanced and sustained economic development.

In endeavoring for the successful achievement of its objectives and its aim, the CBM acts as the sole issuer of domestic currency, as a banker to the Government by maintaining the accounts of the Government, as advisor to the Government in respect of such economic matters as the Government may require including economic development policies and plans and the State Budget, as agent of the Government for the issuance of Government securities. The CBM is also responsible for licensing, inspecting, supervising and regulating the financial institutions. The CBM implements the exchange rate policy of the State, manages the international reserves of the State and undertakes the responsibilities of carrying out necessary measures to ensure a stable and viable balance of payments position.

2.2 Performance in comparison with the previous year

In the FY 2011-2012, total income of the CBM reached Kyat 293,564.29 million, registering 19.09% increase or an increase of Kyat 47,060.30 million, compared to the previous year. This was reflected in the increase in interest income on Treasury Bills, Discount & Commission and Loans extended to private-owned commercial banks. Total expenditure of the CBM in FY 2011-12, registered at Kyat 25,416.49 million. It increased by 43.86% or Kyat 7,746.50 million, compared to previous year's expenditure. This was resulted by an increase
in the costs of printing of notes, maintenance and repair cost of the Bank’s fixed assets. In FY 2011-2012, Bank deposit with the CBM stood at Kyat 1,638,466.09 million 7.58% lower than that of previous year.

2.3 Clearing Settlement

In the FY 2010-2011, the value of cheques clearing was Kyat 10,215,044.53 million and the number of cheques stood at 388,491. The members of the clearing house in Nay Pyi Taw, Yangon and Mandalay Branch were 15, 56 and 22 respectively.

2.4 Acting as agent of the Government

In accordance with the Central Bank of Myanmar Law, the CBM maintains the Government Account and makes payments and accepts deposit of 53 State Economic Enterprises and 155 Ministries and Departments on behalf of the Government. In doing so, if there is insufficient fund, the CBM makes temporary advances to the Government.

2.5 Issuing Government Treasury Bonds

On behalf of the Government, the CBM has issued 3-year and 5-year Government Treasury Bonds since December 1, 1993 in order to promote domestic savings from the general publics. Furthermore, in order to develop a Capital Market in the economy and to promote the short-term investment of the general public and the banks, the CBM issued a new Government Treasury Bond with 2 year maturity, since January 1, 2010 while the interest rates of Government Treasury Bonds were increased on January 1, 2010. Currently, interest rate on Government Treasury Bonds with 2-year, 3-year and 5-year are 8.75%, 9% and 9.5% respectively. Total issuance of Government Treasury Bond in FY 2011-2012 was Kyat 1,838,085.58 million and increased by 40% from the previous year.

2.6 Foreign Exchange Management

In line with the Foreign Exchange Regulation Act 1947 and the Exchange Control Manual 1957, exchange control is administered by the CBM in accordance with instructions from the Ministry of Finance and Revenue (MOFR). Under the Central Bank of Myanmar Law (1990), the CBM is the legal authority to undertake foreign exchange operation in Myanmar. The CBM with the authority to preserve the external value of Myanmar Currency implements exchange rate policy controls on foreign exchange transactions and also manage the international reserves. Coordinating agencies are State-owned Banks: Myanmar Economic Bank (MEB), Myanmar Foreign Trade Bank (MFTB) and Myanmar Investment and Commercial Bank (MICB). Myanmar maintains Mutual Evaluation Report (MER) regime conditions of an official exchange rate that coexists with informal market exchange rates. In 1993, the Foreign Exchange Certificate (FEC) was introduced to be convenient for foreigners and foreign investors and to facilitate the local holding of hard currency earnings from tourism. In practice, one FEC is equivalent to one US dollar. The FECs are used as a substitute for US dollar in domestic transactions since residents are not allowed legally to use foreign currencies in Myanmar. The FEC is traded in parallel exchange markets with a rate which has the same fluctuation with the informal market rate for US dollar. At the same time, informal parallel market exchange rate which is illegal but widely tolerated was approximately kyat 800.

In 2011, the new civilian government upheld the national duty; there were some significant reforms on Foreign Exchange Rate system. The authorities have approved the parallel market exchange to be institutionalized by giving Money Changer Licenses to some private banks. Myanmar quickly moves to establish a market based exchange system. In the very short period institutional arrangements are
being made to establish the market, an initial step is to adjust the exchange rate at least the prevailing market rate and continue to adjust the rate in light of developments in the parallel market. Myanmar has established a legitimized market oriented exchange system. An open market under which a first step licenses are given to some private banks, legally recognized foreign exchange dealers who make the market by buying and selling foreign exchange. In early October 2011, (6) private banks have been allowed Money Changer Licenses and on October 24, 2011, additional (11) private banks have also been allowed Money Changer Licenses. And then on November 25, 2011, out of these 17 banks (11) private banks are licensed to operate as Authorized Dealer Banks. The authorized money changer banks perform an operation to deal with foreign currencies buying, selling and exchanging at various places where the permissions are granted. In addition to this performance, the authorized dealer banks are allowed to establish a wholesale interbank market with market determined rates.

The official exchange rate which was pegged to the SDR at Ks. 8.50847 per SDR.1 was still exist and it was being used for only Public Sector up to the end of the budgetary year 2011-2012.

After the new government took office in 2011, the key macroeconomic policy priority is to unify the exchange rate and begin lifting exchange restrictions on current payments and transfer. Consequently, Ministry of Finance and Revenue assigned to the CBM the action plan to unify the exchange rate. According to this action plan, the process of exchange rate unification goes up step by step. Starting from FY 2012-2013, it is planned to abolish the SDR pegged exchange rate system. Foreign Exchange Certificates (FECs) still operate for payments and settlements. Myanmar goes up the process of unifying exchange rates and liberalizing the restrictions on all international transactions to be in line with IMF Article VIII status. The CBM implements the exchange rate unification based on the suggestions and recommendations of IMF Article VIII and Article IV Missions. The Foreign Exchange Regulation Act 1947 is reviewed and drafted the new Law to be in line with the current situation, cooperating with IMF technical assistance of Legal department, now it is to be approved by the parliament.

2.7 Activities on the development of capital market in Myanmar

In order to support the long term capital for economic enterprises, companies and Government project and also to develop financial market, the study group was organized on October 19, 2006 led by the Deputy Governor of the Central Bank of Myanmar. The study group had submitted their findings and drafted the Road Map for the development of Capital Market in Myanmar. After that, the Capital Market Development committee was organized on July 1, 2008, led by the Minister for the Ministry of Finance and Revenue. Moreover, six sub-committees were formed on September 17, 2008, so as to provide effective an efficient assistance to main committee. These sub-committees are:

(a) Sub-committee for the development of domestic securities market
(b) Sub-committee relating to the establishment and encouragement of public companies
(c) Sub-committee regarding the enactment of the Securities Exchange Law
(d) Sub-committee concerning with the establishment of securities companies
(e) Sub-committee for training, educating and information concerning with the capital market and
(f) Sub-committee for accounting and auditing standards for Securities Market

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13
In addition, Road Map for the development of capital market in Myanmar has already been drawn up in accordance with the time frame for the development of ASEAN integrated Capital Market. There are three phases to be implemented in that Road Map. Most of the work plan included in the first phase has already been implemented successfully in 2008 and 2009. The second phase is being implemented from 2010 to 2012 and phase III will be implemented from 2013 to 2015.

In order to timely accomplish the Road Map of capital market development, Myanmar Securities Exchange Center Co., Ltd (MSEC) and MEB have been appointed as underwriters of the sale of the Government Treasury Bonds since January, 2010.

Regarding the development of Bond Market, under the ASEAN Bond Market Initiative (ABMI) program, with the assistance from the Japan-ASEAN Fund for the Technical Assistance (JAFTA), the ASEAN Secretariat assigned the Daiwa Institute of Research (DIR) for the Technical Assistance. The technical assistance Phase 1, was successfully implemented from June, 2011 to May 2012, and the two workshops regarding the Bond Market Development were held on November 2011 and March 2012 respectively.

2.8 Foreign Exchange

Regarding the reforms in financial Sectors, the CBM has issued the money changer licenses to six private banks starting from September, 2011. The Money Changer License banks can buy or sell the foreign exchange within the band of reference rate which is determined by the CBM.

On November 25, 2011, the CBM has issued to Authorized Dealers Licenses to 11 private banks to deal with the foreign banking business.

2.9 Activities on the Development of Payment System

The CBM has laid down the policies to develop an efficient, fast, safe and reliable national payment systems as its main responsibility. In the area of cash payment system, the policies covered three principal aspects, including fulfilling public needs for currency, ensuring that bank notes are fit for circulation, and taking preventive and repressive measures against the circulation of counterfeit currency. In the area of non-cash payment system, the policies are focused on reducing risks and improving efficiency of payment system. The CBM has planned to upgrade the present manual clearing system to Auto Clearing System and to implement the Banking Network for Electronic Fund Transfer (EFT) and reporting system among the financial institutions since 2007.

The CBM has launched an electronic data transfer and has implemented Banking Network for EFT and reporting system among the financial institutions has commenced since 2007. In order to accelerate the momentum of payment system development in Myanmar, the Payment System Upgrading Committee was organized on October 12, 2010, so as to study and explore the efficient, appropriate and sustainable domestic and international payment systems, new means of payment instruments and to follow the international best practice of the payment system.

In order to lessen the handling of currency notes, the CBM has being supporting to be launching debit card and ATMs among the financial institutions under the guideline of MOFR. Later on these network will be linked to ASEAN payment gateway.

In accordance with the guidance and supervise of the Myanmar Payment System Development Committee, the Myanmar Payment Union (MPU) was formed in November 15, 2011 to issue the Myanmar Payment Union Card which can be used in all sector through Banking Network.
2.10 Activities with International Organizations

As the Myanmar is a member of Asian Clearing Union (ACU), the CBM participates as the Central Bank or Monetary Authority of regional member or associate member of United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). The accounts of the ACU shall be kept in ACU Dollar and ACU Euro. Settlement shall be made of net position and accrued interest at the end of each two monthly settlement period. In FY 2011-2012, the CBM attended the 41st meeting of the Board of Directors of the ACU which was held in Pokhara, Nepal.

In addition, as the member of the IMF, Asian Development Bank (ADB), International Bank for Reconstruction and Development (IBRD), International Development Association (IDA) and the South East Asian Central Banks (SEACEN), the CBM makes contributions to those organizations.

2.11 Monetary Policy Department

Monetary policy department has been established since August 19, 2011 in order to facilitate the policy support to the exchange rate unification process and the adoption of proper exchange rate regime as well as the establishment of the well-defined monetary policy framework. The major responsibilities of newly established monetary policy department are the formulation and implementation of effective monetary policy framework in order to achieve and maintain price stability, and to acquire and support sustainable economic growth as well as the observation and analysis of the monetary policy instruments and monetary policy transmission mechanism, economic and financial development for making monetary policy decision to achieve its objective. To serve as a secretariat to Monetary Policy Committee is also included in its one major responsibilities. Monetary policy department has already carried out the following activities up to March 24, 2012.

Preparation for exchange rate unification plan and proposal to introduce managed floating exchange rate regime to the Exchange Rate Unification Committee in accordance with IMF recommendations.

Introduction of quarterly reviewing practice on setting CBM is interest rate policy in order to promote the domestic saving and investment opportunities depend on macroeconomic situation.

- Recommendation to change the CBM interest rate, minimum deposit rate and maximum lending rate at September 1, 2011 and at January 1, 2012.
- Preparation to issue the daily reference exchange rate after adoption of an managed floating exchange rate regime.

2.11.1 Central Bank Movement Interest Rate

- On September 1, 2011, the CBM changed spread between policy rate and minimum deposit rate from 0% to -2% and changed spread between policy rate and maximum lending rate from +5% to +3% while maintaining the policy rate at previous level of 12% as a first step toward the interest rate liberalization.
- With effect from January 1, 2012, the CBM changed its policy rate from 12% to 10% per annum. Based on the Central Bank rate, the minimum deposit rate was fixed at not less than 2% below this rate and the maximum lending rate at not more than 3% above this rate. Thus, the commercial banks are allowed to set their any rates in the range of 8% and 13%. 

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2.12 The Implementing for Currency Management in FY 2011-2012

According to the Central Bank of Myanmar Law, CBM acts as the sole issuer of domestic currency either bank notes or coins and conducts operations to ensure the stability of banknote supply and to maintain public confidence in banknotes. The Currency Management Department issues thirteen denominations notes and distributes them to public through State Banks and Private Banks for easily handling to be dealing. In FY 2011-2012, Currency Management Department can distribute banknotes to the public including small notes to the whole nation through State Banks and Private Banks.

2.13 Banking Security

2.13.1 Objectives and Functions The Financial, Information, Inspection and Survey Department conducts the security measures to ensure for successful, smooth and running of all the banks and financial institutions in Myanmar. This department deals with security intelligences, planning, implementation of security plan through placement of security staff and reviewing of the overall security arrangement for the Bank’s properties, premises, documents, personnel and field works.

2.13.2 Basic Security Measures The following are the basic security measures to ensure Banking Security:

(a) Security of INFORMATION
(b) Security of MATERIALS
(c) Security of PERSONNEL
(d) Security of SYSTEM

2.14 Training Activities

During the FY 2011-2012, (4) high ranking officials and (153) officers attended (34) meetings, (61) seminars and (23) training in abroad.
3.1 Regulatory Framework for the Banking Sector

3.1.1 Prudential Regulatory means In endeavoring for successful achievement of its objectives such as to promote efficient payment mechanisms, and the liquidity, solvency, and proper functioning of a soundly based financial system and to foster monetary, credit and financial conditions conducive to the orderly, balanced, and sustained economic development, the CBM has continued to carry out its concerted effort to maintain prudent regulation and supervision standards in line with the international norms. In order to strengthen financial system stability and soundness, the CBM has been bringing about a series of regulatory actions by applying the following micro prudential provisions:

(a) 10% of total deposits is required to be maintained by individual bank as minimum reserve requirement, at least 75% of the required reserves must be deposited with the CBM as non-interest deposit and the rest in cash.

(b) Banks are required to maintain the level of their liquid assets against their total liabilities at not less than 20%. Liquid assets includes cash, cheques, deposits with CBM, Government Treasury Bonds, bills receivables and deposits with other banks.

(c) Banks are penalized for liquidity shortfalls, amounting to 0.2% per day of total shortfalls

(d) A 10% risk-weighted capital adequacy ratios.

(e) Non performing loans must be classified as sub-standard, doubtful or bad, when principal or interest payments are overdue 1-12 months,
12-24 months, or above 24 months respectively.

(f) Banks are required to maintain 2% of total outstanding loans as general provision every year to cushion the impact of loan losses.

(g) Banks shall not lend more than 20% of their capital plus reserves to a single individual or enterprise.

(h) All banks should maintain free-capital as much as possible.

With a view to promoting and maintaining soundness and stability of the financial sector, to ensuring compliance of banking laws, rules and regulations, to combating money laundering and terrorist financing activities as well as to protecting customers' interests, the CBM conducts two types of supervision namely on-site examination and off-site monitoring on banking and financial institutions. On-site examinations are being conducted on annual basis to oversee their compliance of supervisory and regulatory framework. Analytical report is prepared and dialogue with bank management on significant findings. Off-site monitoring is being carried out by reviewing and assessing of statistical returns that help reveal suspicious transactions, enable prompt corrective actions and necessary measures to be taken. Banks must inform the Central Bank about their reserve position and liquidity ratio on the weekly basis, and on their capital adequacy ratio on a monthly basis.

To facilitate the extending of credits to the productive sector, some restrictions on collateral for bank lending are relaxed by allowing to accept gold, saving books, saving certificates, treasury bonds other than that of immoveable properties as collateral. Banks are urged to reduce their non-performing loans. In addition, banks should make secured loans and liquidity loans by giving priority to the production sector other than unproductive sector.

As a result, banking sector has witnessed significant progress in soundness and stability and has gained substantial public confidence on banking sector.

3.2 Regulatory Development

As the regulatory authority, the CBM is responsible to provide a comprehensive legal framework for sound and efficient functioning of the banking sector and to keep abreast of recent banking sector development. In this context, the CBM has carried out a review of the existing laws, rules and regulations and revised many instructions and issued new ones, made drafting new laws with the Technical Assistance from IMF and World Bank. In response to the developments and complexity of the operations in banking and financial sector as well as for the preparation for joining Article VIII member countries of IMF, the CBM has been drafting the following laws, of which some are submitted to Hluttaw for approval:

(a) The Central Bank of Myanmar Law;
(b) The Foreign Exchange Management Law;
(c) The Securities Exchange Law; and
(d) The Financial Institutions of Myanmar Law.

In order to develop the momentum of the State's economy, creation of good financial environment is essential and well functioning financial system is critical. In this context, the CBM adopts a banking sector development strategy with three phases which are (1) permitting domestic private banks to run joint venture banks with foreign banks, (2) permitting foreign banks to establish locally incorporated 100% owned subsidiary, and (3) permitting foreign banks to open bank branches in Myanmar.

In accordance with such development strategy, CBM has drafted a regulatory requirement concerning with the terms and condition for establishing Joint Venture Banks. The CBM will issue this instruction after the authorities have approved the terms and conditions for Joint Venture Bank.
As the Focal Point of the Financial Sector on Anti-Money Laundering activities to ensure that the financial system is not in any way compromised by criminal activities associated with money laundering, the CBM has issued Instruction No.7/2011 to comply Anti-Money laundering and Combating the Financing of Terrorism measures by the banks which hold the Money Changer Licence according to the Control of Money Laundering Law and Rules enacted in 2002 and 2003 respectively.

3.3 Combating Terrorist Financing Measures
3.3.1 Implementation of UN Security Council Resolution 1267 and 1373: Myanmar has been implementing the UN Security Council Resolutions relating to the prevention and suppression of the financing of terrorist acts. The CBM distributed the information of 2 individuals under the UN Consolidated List to the banks and financial institutions and instructing them to freeze the funds and other assets of and prohibit transactions with suspected terrorists and terrorist organizations.

3.4 International Relations
3.4.1 Multilateral Relations
3.4.1.1 Relations with Asia and Pacific Group on Money Laundering (APG) Since joining as a full member of the APG in March, 2006, the CBM has worked closely with the APG as the focal point of financial sector under the guidance of the Central Control Board on Money Laundering.

Myanmar Delegation comprised of 3 senior officials including Deputy Director General of the Financial Institutions Regulation and Anti-Money Laundering Department of the Central Bank of Myanmar attended the 14th APG Annual Meeting 2011 which was held in Kochi, India on July 18-22, 2011 and the Progress Report on Mutual Evaluation Report was submitted at the Meeting. Two delegates including one official from CBM attended APG Review Group Meeting in Sydney, Australia on January 16-19, 2012.

APG High Level Mission visited Myanmar on September 12-14, 2011 and met with concerned Ministries in respect of AML/CFT. At the courtesy calls and meetings, Myanmar side assured their commitments to address the remaining deficiencies in Myanmar's AML/CFT regime and to implement the measures pertinent in the action plan.

Moreover, the UN Counter Terrorism Committee through its Executive Directorate (CTED) visited to Myanmar from November 21-25, 2011 to monitor and promote its implementation of Security Council Resolution 1373 (2001) and 1624 (2005). CTED was fully cooperated and assisted by Myanmar authorities through on-site visits and the several meetings with related departments and agencies.

3.4.2 Bilateral Relations The CBM has been paying great attention to maintaining and fostering close bilateral contacts with foreign central banks and financial institutions within region and neighbouring countries.

The Government of the People’s Republic of China has been providing Myanmar with Concessional Loans, Preferential Buyer Credit and Buyer's Credit through the Export-Import Bank of China and China Development Bank to facilitate the implementation of infrastructure and economic development projects. Under these relations, the CBM and the Export-Import Bank of China signed three Individual Loan Agreements.

3.5 The process of supervision
Financial sector plays an important role in economic development of a country. A central bank with its tools of monetary policy endeavors to attain proper functioning of a sound and stable financial system conducive to an orderly, balanced and sustainable economic development.

The CBM is the regulatory and supervisory authority of the financial sector in Myanmar. Bank Supervision Department supervises the financial institutions by conducting on-site and off-site examinations.
3.5.1 Off-site Supervision  The off-site supervisors closely supervise the financial institutions through daily contact. Currently, off-site supervision is being performed through the examination of regular financial reports that help reveal unusual transactions, enable prompt corrective actions and allow appropriate sanctions.

Off-site assessment of bank’s conditions and performance was accomplished by using the tools such as Capital to Deposit Ratio, Liquidity Ratio, Loan to Deposit Ratio, Reserve Requirement and Capital Adequacy Ratio and so on. Apart from analyzing the banks' regulatory financial report, condition and performance, each financial institution was examined their compliance with the legislation, regulations, directives and instructions issued by the CBM.

3.5.2 On-site Supervision  On-site examination is conducted the banks and their branches on annual basis and it involves analyzing the financial data whether they are in line with the supervisory ratios, preparing analytical report to be used for pre examination discussions with the bank's management, comparing the bank's profit trends, NPL ratios, capital to assets ratios, its internal control system, finding out significant finding which requires further investigation, identifying problematic areas. On-site examination of all private banks where their AML/CFT measures were assessed as part of its entire safety and soundness examination program.

Cases of non-compliance with CBM’s directives, regulations, and other corporate governance and management weakness revealed in the examination of each bank are conducted appropriate steps to monitor the progress by bank supervision department.

During the reporting year, on-site examination teams inspected head offices of, MEB, MFTB, MICB. Although the total numbers of private banks were 366 in March 31, 2012, on-site examination teams inspected 42 banks branches including their head offices.

3.5.3 Regulatory Framework for the Banking Sector  In recent years, the financial system of Myanmar has developed rapidly with active participation from the private sector. Along with the rapid increase in private banking, a number of measures have been taken to strengthen the regulatory framework and the supervision of the banks. The regulatory framework includes the following:

- Limit on deposit – a bank’s deposits should not exceed 10 times of its paid-up capital.
- Reserve requirement - 10% of total deposits to be deposited at the CBM (cash in hand, maximum 25% to be maintained and deposits with the CBM, not less than 75% to be maintained).
- Liquidity ratio - 20% of deposits is to be kept in cash balances with the CBM or other banks.
- Capital adequacy ratio - core capital to be 10% of risk-weighted assets.

If a bank falls short of the required limits, the penalty is 1/5 of 1% of the shortfall amount.

Nonperforming loans must be classified as “sub-standard”, “doubtful” and “bad”, when principal or interest payments are overdue 6-12 months, 12-24 months, and above 24 months respectively. Banks are required to maintain a general provision of 2 percent of the total loans portfolio. In addition, the banks must set aside 50 percent and 100 percent provisions for any “doubtful” and “bad” loans respectively.

3.5.4 Recent Development of Myanmar Banking Structure  As of March 2012, The banking system in Myanmar is consisted of is consisted of 4 State-owned banks with their network of 547 branches, 19 domestic private banks with their network of 347 branches, 1 private owned finance company and 16 foreign bank representative offices.

During the reporting period, the license to establish representative office in Myanmar was
issued to the Industrial and Commercial Bank of China Ltd in September 16, 2011 and Mizuho Corporate Bank Ltd in January 19, 2012. The foreign banks’ representative offices are allowed to deal in liaison activities only.

3.5.5 Balance Sheet Structure and Growth Rate in Banking Sector: The total assets of the banking sector increased by 37.39% from kyat 6,079,493.65 million in FY 2010-2011 to kyat 8,352,352.78 million in FY 2011-2012. Government securities increased by 56.57% from kyat 1,291,427.30 million in FY 2010-2011 to kyat 2,021,972.30 million in FY 2011-2012. Loans and advances rose by 64.71% from kyat 1,925,903.45 in FY 2010-2011 to kyat 3,172,230.65 million in FY 2011-2012.

On the other hand, the ranking of the major components of the liabilities remained largely the same. Banks sourced their funds from deposits and paid-up capital respectively.

The aggregate balance sheet structure of the banking sector for the five fiscal years are shown in Table (3.1).

**Table (3.1) shows the aggregate balance sheet of the banking sector for the five fiscal years**

(Kyats in million)

<table>
<thead>
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<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>867,075.57</td>
<td>1,130,375.52</td>
<td>1,463,407.49</td>
<td>2,332,303.61</td>
<td>2,382,134.35</td>
</tr>
<tr>
<td>Loans and Advances</td>
<td>775,457.85</td>
<td>870,066.27</td>
<td>1,129,831.18</td>
<td>1,925,903.45</td>
<td>3,172,230.65</td>
</tr>
<tr>
<td>Government Securities</td>
<td>168,500.00</td>
<td>485,191.97</td>
<td>926,050.00</td>
<td>1,291,427.30</td>
<td>2,021,972.30</td>
</tr>
<tr>
<td>Public Securities</td>
<td>-</td>
<td>-</td>
<td>200.00</td>
<td>200.00</td>
<td>220.00</td>
</tr>
<tr>
<td>Bills Purchased &amp; Discounted</td>
<td>2,920.55</td>
<td>35,162.83</td>
<td>110,737.22</td>
<td>180,623.82</td>
<td>74,014.31</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>25,481.56</td>
<td>35,725.55</td>
<td>49,628.52</td>
<td>83,708.75</td>
<td>140,390.35</td>
</tr>
<tr>
<td>Other Assets</td>
<td>81,180.42</td>
<td>96,702.16</td>
<td>142,017.16</td>
<td>227,628.33</td>
<td>499,368.97</td>
</tr>
<tr>
<td>AEG</td>
<td>27,070.23</td>
<td>27,586.44</td>
<td>27,791.13</td>
<td>29,334.50</td>
<td>42,748.50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,949,905.57</td>
<td>2,684,104.13</td>
<td>3,853,032.09</td>
<td>6,079,493.65</td>
<td>8,352,352.78</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid-up Capital</td>
<td>72,940.70</td>
<td>94,281.20</td>
<td>130,808.00</td>
<td>240,457.60</td>
<td>344,492.23</td>
</tr>
<tr>
<td>Reserve</td>
<td>21,532.15</td>
<td>27,139.33</td>
<td>35,925.30</td>
<td>51,773.52</td>
<td>76,814.09</td>
</tr>
<tr>
<td>Other Reserve</td>
<td>18,214.76</td>
<td>25,915.38</td>
<td>28,888.48</td>
<td>42,807.19</td>
<td>61,377.62</td>
</tr>
<tr>
<td>Profit &amp; Loss</td>
<td>2,160.19</td>
<td>1,950.62</td>
<td>3,377.20</td>
<td>8,559.79</td>
<td>12,131.55</td>
</tr>
<tr>
<td>Share Premium</td>
<td>1,619.97</td>
<td>1,368.47</td>
<td>2,219.55</td>
<td>2,672.50</td>
<td>3,589.39</td>
</tr>
<tr>
<td>Deposit</td>
<td>1,583,543.00</td>
<td>2,168,665.69</td>
<td>3,162,502.84</td>
<td>4,911,005.43</td>
<td>6,961,246.25</td>
</tr>
<tr>
<td>Borrowing</td>
<td>2,022.06</td>
<td>23,283.10</td>
<td>47,713.56</td>
<td>275,812.13</td>
<td>198,726.62</td>
</tr>
<tr>
<td>Bills payable</td>
<td>50,284.92</td>
<td>123,087.88</td>
<td>228,264.31</td>
<td>268,772.75</td>
<td>81,213.49</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>151,608.59</td>
<td>172,828.02</td>
<td>185,541.72</td>
<td>250,298.24</td>
<td>570,013.04</td>
</tr>
<tr>
<td>AEG</td>
<td>27,070.23</td>
<td>27,586.44</td>
<td>27,791.13</td>
<td>29,334.50</td>
<td>42,748.50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,949,905.57</td>
<td>2,684,104.13</td>
<td>3,853,032.09</td>
<td>6,079,493.65</td>
<td>8,352,352.78</td>
</tr>
</tbody>
</table>
3.5.6 Capital Adequacy Requirement of Private Banks

Capital adequacy focuses on the total position of banks’ capital and protects the depositors from the potential shock of losses that a bank might incur. It helps absorbing major financial risk. Banks have to maintain capital adequacy ratio (CAR) of not less than 10 percent. At the end of FY 2011-2012, the weighted average CAR of Myanmar’s banking industry stood at 27.94%, much higher than the international minimum requirement. In the mean time, all private banks satisfied the minimum CAR requirement. See figure (3.1).

![Aggregate Capital Adequacy Position](image)

3.5.7 Credit and Asset Quality of Private Banks

The asset composition of all commercial banks shows the concentration of loans and advances. The high concentration of loans and advances indicates vulnerability of assets to credit risk, especially since the portion of nonperforming assets is significant. A huge non-performing loan portfolio has been the major predicament of banks.

The banking industry’s loans and advances showed an increasing trend, from kyat 775,457.85 million in FY 2007-2008 to kyat 3,172,230.65 million in FY 2011-2012. The growth rate increased from 16.38% in 2007-2008 FY to 64.71% in FY 2011-2012 respectively. See in figure (3.2).

The most important indicator intended to identify problems with asset quality in the loan portfolio is the ratio of non-performing loans (NPLs) to total loans. The non-performing loans increased from kyat 11,418.37 million in FY 2007-2008 to kyat 24,719.81 million in FY 2010-2011, while the ratio of non-performing loans which rose from 2.24% in FY 2007-2008 to 2.64% in FY 2008-2009 to 2.86% in FY 2009-2010, fell to 1.47% in FY 2010-2011 and slightly arose to 1.64% in FY 2011-2012. Figure (3.3) shows aggregate position of NPLs to total loans of private banks.

3.5.8 Management  Sound management is the most important for the strength and growth of financial institution. Since indicators of management quality are primarily specific to individual institution, these cannot be easily aggregated across the sector. In addition, it is difficult to draw any conclusion regarding management soundness on the basis of monetary indicators, as characteristics of a good management are rather qualitative in nature. Nevertheless, the total expenditure to total income is generally used to gauge management soundness. In particular, a high and increasing expenditure to income ratio indicates the operating inefficiency that could be due to flaws in management. Figure (3.5) shows aggregate position of income and expenditure of all private banks.
3.5.9 Earnings and Profitability  Strong earnings and profitability profile of a bank reflect its ability to support present and future operations. More specifically, this determines the capacity to absorb losses by building an adequate capital base, finance its expansion and pay adequate dividends to its shareholders. Although there are various measures of earnings and profitability, the best and widely used indicator is Return on Equity (ROE), which is supplemented by Return on Assets (ROA).

Earnings as measured by Return on Equity (ROE) and Return on Assets (ROA) vary largely within the banking industry. Figure (3.6) shows ROE and ROA by private banks.

Table (3.2) Earnings and Profitability of Private Banks

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Interest Income</td>
<td>84,761.35</td>
<td>111,225.13</td>
<td>157,936.64</td>
<td>272,382.62</td>
<td>431,156.08</td>
</tr>
<tr>
<td>Interest Expenditure</td>
<td>59,069.68</td>
<td>78,275.86</td>
<td>118,225.99</td>
<td>202,298.75</td>
<td>302,964.40</td>
</tr>
<tr>
<td>Net Interest Income</td>
<td>25,691.67</td>
<td>32,949.27</td>
<td>39,710.65</td>
<td>70,083.87</td>
<td>128,191.68</td>
</tr>
<tr>
<td>Non-Interest Income</td>
<td>23,203.18</td>
<td>28,590.85</td>
<td>41,719.72</td>
<td>62,129.78</td>
<td>82,068.90</td>
</tr>
<tr>
<td>Non-Interest Expenditure</td>
<td>25,340.01</td>
<td>30,246.53</td>
<td>36,743.91</td>
<td>55,735.60</td>
<td>87,054.86</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>23,554.84</td>
<td>31,293.59</td>
<td>44,686.46</td>
<td>76,478.05</td>
<td>123,205.72</td>
</tr>
</tbody>
</table>
3.5.10 Bank Deposit and Liquidity Position The aggregate deposits in the private banking sector showed an increasing trend from FY 2007-2008 to FY 2011-2012, having increased from kyat 720,059.88 million in FY 2007-2008, kyat 967,834.56 million in FY 2008-2009, kyat 1,391,895.45 million in FY 2009-2010, kyat 2,597,872.36 million in FY 2010-2011 and kyat 4,273,480.81. This indicated a growth rate of 30.18% in FY 2007-2008, 34.55% in FY 2008-2009, 43.81% in FY 2009-2010, 86.64% in FY 2010-2011 and 64.49% in FY 2011-2012 as shown in figure (3.8).

The minimum liquidity ratio requirement for banks remained 20 percent during the year. Although the aggregate liquidity ratio as at March 31, 2012 was 21.74%, all private banks meet the required minimum.

The aggregate liquid assets in the private banking sector showed an increasing trend from FY 2007-2008 to FY 2010-2011, kyat 291,199.26 million in FY 2007-2008, kyat 492,319.19 million in FY 2008-2009, kyat 734,896.31 million in FY 2009-2010, kyat 645,587.78 million in FY 2010-2011 and kyat 904,746.53 million in FY 2011-2012. This indicated a growth rate of 69.07% in FY 2008-2009, 49.23% in FY 2009-2010, 12.12% in FY 2010-2011 and 40.14% in FY 2011-2012. Figure (3.9) shows the composition of liquid assets for FY 2011-2012 while figure (3.10) shows liquid assets and total assets of the private banks.
3.5.11 Market Share of Ten Largest Banks

Kanbawza Bank and Myawaddy Bank had the largest net assets base while Central Bank of Myanmar had the largest market share of capital and deposits. The 10 largest banks, ranked by their net assets, held 90.39% of the banking system’s total assets as at March 31, 2012. They controlled 92.04% of the total deposit and 91.29% of total liabilities of the banking system in FY 2011-2012. In terms of capitalization, they provided 80.09% of the banking system’s adjusted capital. See Table (3.3) and figure (3.11) to (3.14).

Table (3.3) Market Share of Ten Largest Private Banks

<table>
<thead>
<tr>
<th>Bank</th>
<th>Total Assets (Kyat million)</th>
<th>Paid-up Capital (Kyat million)</th>
<th>Total Deposit (Kyat million)</th>
<th>Total Loan (Kyat million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount (%)</td>
<td>Amount (%)</td>
<td>Amount (%)</td>
<td>Amount (%)</td>
</tr>
<tr>
<td>KBZ</td>
<td>1,774,444.86 (38.29)</td>
<td>61,025.00 (22.39)</td>
<td>1,580,206.11 (40.17)</td>
<td>1,026,401.39 (39.04)</td>
</tr>
<tr>
<td>MWD</td>
<td>732,786.29 (15.81)</td>
<td>48,077.50 (17.64)</td>
<td>610,981.83 (15.53)</td>
<td>469,684.46 (17.87)</td>
</tr>
<tr>
<td>CB</td>
<td>563,134.99 (12.15)</td>
<td>28,162.34 (10.32)</td>
<td>480,615.68 (12.22)</td>
<td>325,926.16 (12.40)</td>
</tr>
<tr>
<td>MLFDB</td>
<td>397,370.22 (8.58)</td>
<td>26,079.50 (9.57)</td>
<td>296,455.00 (7.54)</td>
<td>243,049.20 (9.24)</td>
</tr>
<tr>
<td>MAB</td>
<td>275,867.19 (5.95)</td>
<td>25,000.00 (9.17)</td>
<td>214,257.03 (5.45)</td>
<td>162,777.01 (6.19)</td>
</tr>
<tr>
<td>INNWA</td>
<td>245,094.28 (5.29)</td>
<td>19,135.00 (7.02)</td>
<td>215,229.33 (5.47)</td>
<td>91,335.72 (3.47)</td>
</tr>
<tr>
<td>AGDB</td>
<td>209,720.27 (4.53)</td>
<td>24,138.10 (8.86)</td>
<td>177,139.84 (4.50)</td>
<td>102,205.21 (3.89)</td>
</tr>
<tr>
<td>AYWB</td>
<td>197,655.56 (4.27)</td>
<td>24,000.00 (8.80)</td>
<td>165,651.34 (4.21)</td>
<td>111,188.96 (4.23)</td>
</tr>
<tr>
<td>SIBIN</td>
<td>119,322.76 (2.58)</td>
<td>2,000.00 (0.73)</td>
<td>110,209.28 (2.80)</td>
<td>34,626.76 (1.32)</td>
</tr>
<tr>
<td>MIDB</td>
<td>118,341.40 (2.55)</td>
<td>15,000.00 (5.50)</td>
<td>82,605.17 (2.10)</td>
<td>61,834.79 (2.35)</td>
</tr>
<tr>
<td>Total</td>
<td>4,633,737.82 (100.00)</td>
<td>272,581.44 (100)</td>
<td>3,933,350.65 (100)</td>
<td>2,629,029.66 (100)</td>
</tr>
<tr>
<td>Industry</td>
<td>5,126,387.51 (90.39)</td>
<td>340,362.23 (80.09)</td>
<td>4,273,480.81 (92.04)</td>
<td>2,879,801.50 (91.29)</td>
</tr>
</tbody>
</table>
3.5.12 Liberalization and Reforming Actions  

After the 2010 general election, the new government became imperative to streamline and reform the banking system in order to contribute towards the proper development of market oriented economic system.

The Central Bank of Myanmar lifted restrictions on bank deposits which were limited to ten times their paid-up capital and used reserve ratio requirements to control the money supply by imposing minimum reserve requirements for mounting bank deposits: 10% of total deposits must be kept as reserves for the deposits up to ten times of its capital, 15% of deposits for 10 to 15 times of capital, 20% for 15 to 20 times and 25% for over 20 to 25 times. The higher the deposits, the higher the reserves which are to be kept at the bank and with the central bank, safeguarding a bank’s reserves and liquidity in case of emergency.
The new instruction allowed a local bank to accept deposits up to 25 times of its capital which includes not only paid-up capital, but also general reserves, general provision, provision for bad and doubtful debt, reserves for contingencies and retained profit.

The Central Bank of Myanmar has adjusted interest rate since September 1, 2011, with a view to accelerating the national economy, encouraging investment, higher performance by creating competitiveness among banks, and setting different interest rates of banks savings.

However, as a measure for deregulating interest rates, the CBM has allowed domestic banks to reduce their interest rates on both savings and loans by 2 percentage points with effect from September 1, 2011, meaning a bank can offer not less than 10 percent on savings and it cannot charge more than 15 percent on loans respectively. Accordingly, the concession lending rates for special project is 14 percent per annum.

Therefore, banks can compete with each other by offering attractive interest rates. Previously, the same interest rate applied to both saving and fixed deposits. But now, banks are offering higher than saving interest rates on fixed deposits with maturity of 3 to 12 months.

Despite reducing of interest rate, the national economy was rather slow in growth although money supply was growing little monthly but it was mainly due to increase in savings at the banks.

To push forward the investment and national economy, the bank rate of the Central Bank of Myanmar would be reduced from 12% to 10% and thus the Central Bank would adjust the interest rates for deposit not to be less than 8%, which is 2% lower than bank rate and interest rates for loans not to be higher than 13%, which is 3% higher than bank rate commencing June 1, 2012.

With effective from October 1, 2011, as a measure of deposit insurance, the CBM has introduced domestic private banks to do insurance on their deposits which are between Kyat 100,000 and Kyat 500,000 for the purpose of protection the savings of grass root people as well as for strengthening the public confidence in the banking system.

Types of collateral for bank loans are no longer confined to immovable properties and are expanded to include such movable assets as some exportable crops (rice, beans & pulses, sesame and machinery), bank deposits, gold and personal & organization guarantee.

Moreover, the CBM has allowed local banks to extend hire purchase facilities to their customers. It helps stimulate domestic demand and effectively raise peoples’ living standards. Moreover, the CBM has granted Myanmar Payment Union member banks to engage the Automated Teller Machine (ATM) at their head offices and branches as the first phase of the objectives of electronic payment system.

With the objective of preserving the internal and external value of Myanmar Kyat, at first stage, the Central Bank of Myanmar has granted money changer licenses to 6 banks and they have opened money changer counters on Theinbyu Road on 1 October, for dealing in US dollars, Singapore dollars, Euros and FECs. At present, 17 private banks have been operating money changer counters at banks, airports, hotels, shopping centers and major tourist destinations since October 24, 2011 in order that foreigners, globe trotters, and citizens can exchange foreign currencies in convenience. These banks through their counters try to stabilize the exchange rates while keeping the speculators out of the market.

The CBM issued authorized dealer licenses to 11 private banks on November 25, 2011 and those banks were trading foreign currencies in line with
rules and regulations set by the CBM. Those banks can trade three foreign hard currencies namely US Dollar, Euro and Singapore Dollar in accord with the directives of the CBM.

These 11 private banks are Kanbawza Bank, Myawaddy Bank, Co-operative Bank, Myanmar Industrial Development Bank, Myanmar Oriental Bank, Inwa Bank, Asia Green Development Bank, Ayeyarwady Bank, United Amara Bank, Myanmar Apex Bank and Tun Foundation Bank.

Currently, Myanmar Workers were working legally or illegally in Thailand, Singapore, Malaysia, Japan, Korea and Middle East Countries. And income of workers were sent back to home through illegal channels.

Therefore, Ministry of Finance and Revenue gave green light to proposal to authorized dealer license holder banks which are Co-operative Bank, Kanbawza Bank, Ayeyarwady Bank and Asia Green Development Bank to handle transferring of remittances for workers in Singapore, Thailand and Malaysia to their families in Myanmar.

Through domestic private banks, Myanmar migrant workers can send back money to their families in Myanmar legally and safely, which will contribute to calculate the National Income for the amount of remittance easily.

The CBM and Bank Supervision department have issued the following instructions during 2011-2012 FY:

1. The CBM issued the Instruction No (2/2011) dated July 26, 2011 regarding for operating the business of the bank only within the permitted premises of the bank;

2. The CBM issued the Instruction No (3/2011) dated August 23, 2011 in connection with the amendment for minimum reserve requirement to be maintained by banks;

3. The CBM issued the Instruction No (4/2011) dated September 1, 2011 with respect to amendment for interest rates payable on deposits and interest rates receivable on loans and advances;

4. The CBM issued the Instruction No (5/2011) dated September 9, 2011 as regards loans to industrial and agricultural projects;

5. The CBM issued the Instruction No (6/2011) dated September 9, 2011 with respect to amendment for interest rate receivable on loans to privatization issued to indigenous entrepreneurs;

6. The CBM issued the Instruction No (8/2011) dated December 14, 2011 in respect of subscription to capital with foreign currency;

7. The CBM issued the Instruction No (9/2011) dated December 14, 2011 relating to domestic account transfer in foreign currency;

8. The CBM issued the Instruction No (10/2011) dated December 27, 2011 with regard to determination of Central Bank Rate;

9. The CBM issued the Instruction No (11/2011) dated December 27, 2011 as regards the amendment for interest rates payable on deposits and interest rates receivable on loans and advances;

10. The CBM issued the Instruction No (14/2011) dated January 11, 2012 regarding the loans to industrial and agricultural projects;
(11) The CBM issued the Instruction No
(15/2011) dated January 11, 2012
concerning the amendment for interest
rate receivable on loans to privatization
issued to indigenous entrepreneurs;

(12) The Bank Supervision Department
issued Instruction (22) dated
September 8, 2011 for granting loans
and advances accepting gold and
gold ornaments as securities;

(13) The Bank Supervision Department
issued Instruction (23) dated October
21, 2011 to implement the hire
purchase system;

(14) The Bank Supervision Department
issued Instruction (24) dated
December 27, 2011 for granting loans
and advances accepting bank deposits
as collateral;

(15) The Bank Supervision Department
issued Instruction (25) dated January
25 , 2012 to advance bank loans
against of pledge of goods;

(16) The Bank Supervision Department
issued Instruction (26) dated March
26, 2012 for permission to the engage
in Inter-bank Borrowings;
Part Four

MANAGEMENT AND ORGANIZATION
4.1 Management

4.1.1 Board of Directors (Policy Board) The Board comprises of 8 members and holds at least one meeting a month. The Board supervises the policy matters of the Bank and held 12 meetings for 127 matters of the Bank during the FY 2011-2012.

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>U Than Nyein</td>
<td>Chairman</td>
</tr>
<tr>
<td></td>
<td>Governor</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Central Bank of Myanmar</td>
<td></td>
</tr>
<tr>
<td>(b)</td>
<td>U Maung Maung Win</td>
<td>Member</td>
</tr>
<tr>
<td></td>
<td>Deputy Governor</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Central Bank of Myanmar</td>
<td></td>
</tr>
<tr>
<td>(c)</td>
<td>U Nay Aye</td>
<td>Member</td>
</tr>
<tr>
<td></td>
<td>Deputy Governor</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Central Bank of Myanmar</td>
<td></td>
</tr>
<tr>
<td>(d)</td>
<td>Dr. Lin Aung</td>
<td>Member</td>
</tr>
<tr>
<td></td>
<td>Director General</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Budget Department</td>
<td></td>
</tr>
<tr>
<td>(e)</td>
<td>U San Thaung</td>
<td>Member</td>
</tr>
<tr>
<td></td>
<td>Managing Director</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Myanmar Economic Bank</td>
<td></td>
</tr>
<tr>
<td>(f)</td>
<td>U Nyi Phyu Hla</td>
<td>Member</td>
</tr>
<tr>
<td></td>
<td>Managing Director</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Myanmar Foreign Trade Bank</td>
<td></td>
</tr>
<tr>
<td>(g)</td>
<td>U Soe Min</td>
<td>Member</td>
</tr>
<tr>
<td></td>
<td>Managing Director</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Myanmar Investment and Commercial Bank</td>
<td></td>
</tr>
<tr>
<td>(h)</td>
<td>U Win Hteik</td>
<td>Secretary</td>
</tr>
<tr>
<td></td>
<td>Deputy Assistant Director</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Central Bank of Myanmar</td>
<td></td>
</tr>
</tbody>
</table>
4.1.2 Executive Board  The Executive Board has fourteen members comprising the Governor of the Bank as Chairman, Deputy Governors, nine heads of department and Secretary. The Executive Board held 8 meetings for 53 cases of the Bank during the FY 2011-2012.

Executive Board

(a) U Than Nyein  Chairman
   Governor
   Central Bank of Myanmar

(b) U Maung Maung Win  Member
   Deputy Governor
   Central Bank of Myanmar

(c) U Nay Aye  Member
   Deputy Governor
   Central Bank of Myanmar

(d) U Aung Aung  Member
   Director
   Administration Department
   Central Bank of Myanmar

(e) Daw Khin Saw Oo  Member
   Director
   Banking Regulation Department
   Central Bank of Myanmar

(f) U Thein Zaw  Member
   Director
   Internal Audit and Bank Supervision Department
   Central Bank of Myanmar

(g) U Maung Maung  Member
   Director
   Accounts Department
   Central Bank of Myanmar

(h) Daw Yin Yin Mye  Member
   Director
   Research and Training Department
   Central Bank of Myanmar
(i) U Aung Kyaw Than  
   Director  
   Security Department  
   Central Bank of Myanmar

(j) U Kyaw Win Tin  
   Director  
   Currency Department  
   Central Bank of Myanmar

(k) Daw Naw Eh Hpaw  
   Director  
   Foreign Exchange Management Department  
   Central Bank of Myanmar

(l) U Ye Myint  
   Director  
   Mandalay Branch  
   Central Bank of Myanmar

(m) Daw Khaing Shwe War  
   Assistant Director  
   Monetary Policy Department  
   Central Bank of Myanmar

(n) U Win Hteik  
   Board Secretary  
   Central Bank of Myanmar

4.1.3 Advisory Committee The Advisory Committee has twelve members comprising the Deputy Governor of the Bank as Chairman and nine heads of department. Advisory Committee held 9 meetings for 56 cases of the Bank during the FY 2011-2012.

Advisory Committee

(a) U Nay Aye  
   Deputy Governor  
   Central Bank of Myanmar

(b) U Aung Aung  
   Director  
   Administration Department  
   Central Bank of Myanmar
(c) Daw Khin Saw Oo  
   Director  
   Banking Regulation Department  
   Central Bank of Myanmar  

(d) U Thein Zaw  
   Director  
   Internal Audit and Bank Supervision Department  
   Central Bank of Myanmar  

(e) U Maung Maung  
   Director  
   Accounts Department  
   Central Bank of Myanmar  

(f) Daw Yin Yin Mya  
   Director  
   Research and Training Department  
   Central Bank of Myanmar  

(g) U Aung Kyaw Than  
   Director  
   Security Department  
   Central Bank of Myanmar  

(h) U Kyaw Win Tin  
   Director  
   Currency Department  
   Central Bank of Myanmar  

(i) Daw Naw Eh Hpaw  
   Director  
   Foreign Exchange Management Department  
   Central Bank of Myanmar  

(j) U Ye Myint  
   Director  
   Mandalay Branch  
   Central Bank of Myanmar  

(k) Daw Khaing Shwe War  
   Assistant Director  
   Monetary Policy Department  
   Central Bank of Myanmar  

(l) U Win Hteik  
   Board Secretary  
   Central Bank of Myanmar
4.1.4 Coordination Committee Coordination Committee has six members comprising the Governor of the Central Bank of Myanmar as Chairman and Deputy Governors and three heads of department. The Coordination Committee held 3 meetings for 5 cases of the bank during the FY 2011-2012.

(a) U Than Nyein Chairman
   Governor
   Central Bank of Myanmar

(b) U Maung Maung Win Member
    Deputy Governor
    Central Bank of Myanmar

(c) U Nay Aye Member
    Deputy Governor
    Central Bank of Myanmar

(d) U San Thaung Member
    Managing Director
    Myanmar Economic Bank

(e) U Nyi Phyu Hla Member
    Managing Director
    Myanmar Foreign Trade Bank

(f) U Soe Min Member
    Managing Director
    Myanmar Investment and Commercial Bank
### 4.3 Staff Strength as at March 31, 2012

<table>
<thead>
<tr>
<th>Position</th>
<th>The Staff Strength is as follow:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governor</td>
<td>1</td>
</tr>
<tr>
<td>Deputy Governor</td>
<td>2</td>
</tr>
<tr>
<td>Director</td>
<td>8</td>
</tr>
<tr>
<td>Deputy Director</td>
<td>8</td>
</tr>
<tr>
<td>Assistant Director</td>
<td>13</td>
</tr>
<tr>
<td>Deputy Assistant Director</td>
<td>19</td>
</tr>
<tr>
<td>Principal Research Officer</td>
<td>4</td>
</tr>
<tr>
<td>Staff Officer</td>
<td>75</td>
</tr>
<tr>
<td>Work Officer (Treasury)</td>
<td>10</td>
</tr>
<tr>
<td>Research Officer (Economics)</td>
<td>16</td>
</tr>
<tr>
<td>Assistant Engineer</td>
<td>5</td>
</tr>
<tr>
<td>Staff Officer (Computer)</td>
<td>-</td>
</tr>
<tr>
<td>Other Staffs</td>
<td>966</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1127</strong></td>
</tr>
</tbody>
</table>
Appendix I

INCOME AND EXPENDITURE STATEMENT
<table>
<thead>
<tr>
<th>Income</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Interest on Investments</td>
<td>276,823.11</td>
</tr>
<tr>
<td>2. Interest on Deposits</td>
<td>22.53</td>
</tr>
<tr>
<td>3. Exchange on Foreign Transactions</td>
<td>39.37</td>
</tr>
<tr>
<td>4. Commission</td>
<td>6,295.99</td>
</tr>
<tr>
<td>5. Building Rent</td>
<td>46.84</td>
</tr>
<tr>
<td>6. Licence Fees of Financial Institutions</td>
<td>431.25</td>
</tr>
<tr>
<td>7. Interest on Loans &amp; Overdraft</td>
<td>9,506.23</td>
</tr>
<tr>
<td>8. Other Items (Miscellaneous)</td>
<td>398.97</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>293,564.29</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditure</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Interest on Deposits, Borrowings Etc.,</td>
<td>19.44</td>
</tr>
<tr>
<td>2. Establishment Salaries</td>
<td>829.91</td>
</tr>
<tr>
<td>3. Pension and Gratuity</td>
<td>331.45</td>
</tr>
<tr>
<td>4. Travelling Expense</td>
<td>29.68</td>
</tr>
<tr>
<td>5. Supplies and Services</td>
<td>434.00</td>
</tr>
<tr>
<td>6. Instance</td>
<td>3.32</td>
</tr>
<tr>
<td>7. Printing of Notes</td>
<td>20,214.62</td>
</tr>
<tr>
<td>8. Remittance of Currency</td>
<td>1,306.50</td>
</tr>
<tr>
<td>9. Maintenance and Repairs</td>
<td>1,086.69</td>
</tr>
<tr>
<td>10. Depreciation</td>
<td>639.14</td>
</tr>
<tr>
<td>11. Other Items (Miscellaneous)</td>
<td>521.74</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td><strong>25,416.49</strong></td>
</tr>
</tbody>
</table>

Excess Income Over Expenditure for the year: 268,147.80
Retained Earning from Previous Year: 0.82
Provision for Stabilization Fund: 100,000.00
Net Profit Contribution:
  - Contribution to the State: 126,111.00
  - Contribution to the Reserve Fund: 42,037.00
Retained Earning for the Next Year: 0.62
Appendix II

Important
Contact Address
Important Contact Address

Central Bank of Myanmar

Building 55, Special Zone,
Yarza Thingaha Road,
Nay Pyi Taw
Phone : 067-418203
Fax : 067-418142
Appendix III

COURTESY CALL AND DISCUSSION
<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name / Institution</th>
<th>Date</th>
</tr>
</thead>
</table>
| 1.     | Mr. Sumiyuki Kazama  
Head of International Consulting Division  
Daiwa Institute of Research Ltd., | 13.7.2011    |
| 2.     | Dr. Konosuke Odaka  
Professor Emeritus  
Institute of Economic Research  
Hitotsubashi University, JICA Mission | 20.7.2011    |
| 3.     | Mr. Jeremy Hodges  
Deputy Heard of Mission  
British Embassy Yangon | 21-7-2011    |
| 4.     | Mr. Chaiyuth Sudthitanakom  
Executive Director  
Asian Development Bank | 17-8-2011    |
| 5.     | H. E Mr. Handunnethi Rannulu Piyasiri  
Ambassador  
Embassy of the Democratic Socialist Republic of Sri Lanka | 29.11.2011   |
| 6.     | Mr. Mhan Chang Woo  
Chairman – CEO  
Maruhan Corporation | 2.9.2011     |
| 7.     | Mr. Thierry Rommell  
Professor in Economic  
Senior Expert in International Economic Relations | 13.9.2011    |
| 8.     | Mr. Declan Magee  
Economic Adviser  
Department for International Development | 14.9.2011    |
| 9.     | Mr. Yang Kaisheng  
Vice Chairman President  
Industrial Commercial Bank of China | 19.9.2011    |
| 10.    | Mr. Ake Lonn Berg  
Mission Chief  
International Monetary Fund | 21.12.2010   |
<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name / Institution</th>
<th>Date</th>
</tr>
</thead>
</table>
| 11.    | Ms. Meral Karasulu  
Mission Chief  
International Monetary Fund                                                     | 16.1.2012 |
| 12.    | Mr. Mathew Verghis  
Lead Economist  
World Bank                                                                 | 28.2.2012 |
| 13.    | Mr. Barend Jansen  
Assistant General Counsel  
International Monetary Fund                                                     | 12.3.2012 |
| 14.    | Ms. Annette Dixon  
Country Director  
World Bank                                                                     | 14.3.2012 |
| 15.    | H.E Dr. Valery Sadokho  
Ambassador  
Embassy of Vietnam and Embassy of Belarus                                       | 19.3.2012 |
Appendix IV

Photos of courtesy call and discussion
H. E U Hla Tun, Union Minister, Ministry of Finance and Revenue

delivered a speech at the Closing Ceremony

of the Central Banking Course

(Officer Level), on March 31, 2011
Governor of the Central Bank of Myanmar H. E U Than Nyein Received
Mr. Barend Jansen, Assistant General Counsel,
IMF Legal Department on March 12, 2012
PHOTOS OF THE MEMBERS OF BOARD OF DIRECTORS (POLICY BOARD)
Central Bank of Myanmar
Board of directors

4. U Than Nyein, Governor
3. U Maung Maung Win, Deputy Governor
5. U Nay Aye, Deputy Governor
7. Dr. Lin Aung, Director General
6. U San Thaung, Managing Director
2. U Nyi Phyu Hla, Managing Director
8. U Soe Min, Managing Director
1. U Win Hteik, Secretary
Appendix VI

Photos of the Members of Executive Board
Central Bank of Myanmar
Executive Board

1. U Win Hteik, Secretary
2. Daw Khin Shwe War, Assistant Director
3. Daw May Marlay Maung Gyi, Deputy Director
4. Daw Naw Eh Hpaw, Director
5. U Thein Zaw, Director
6. Daw Khin Saw Oo, Director
7. U Nay Aye, Deputy Governor
8. U Than Nyein, Governor
9. U Maung Maung Win, Deputy Governor
10. U Ye Myint, Director
11. U Maung Maung, Director
12. U Aung Aung, Director
## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>ACU</td>
<td>Asian Clearing Union</td>
</tr>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>AML/CFT</td>
<td>Anti-Money Laundering and Combating the Financing of Terrorism</td>
</tr>
<tr>
<td>APG</td>
<td>Asian and Pacific Group on Money Laundering</td>
</tr>
<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
</tr>
<tr>
<td>AUSTARAC</td>
<td>Australian Transaction Reports and Analysis Centre</td>
</tr>
<tr>
<td>ABMI</td>
<td>ASEAN Bond Market Initiative</td>
</tr>
<tr>
<td>BOP</td>
<td>Balance of Payments</td>
</tr>
<tr>
<td>CBM</td>
<td>Central Bank of Myanmar</td>
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<tr>
<td>CFE</td>
<td>Controller of Foreign Exchange</td>
</tr>
<tr>
<td>CMLL</td>
<td>Control of Money Laundering Law</td>
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<tr>
<td>CAR</td>
<td>Capital Adequacy Ratio</td>
</tr>
<tr>
<td>EFT</td>
<td>Electronic Fund Transfer</td>
</tr>
<tr>
<td>ESCAP</td>
<td>United Nations Economic and Social Commission for Asia and Pacific</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>FATF</td>
<td>Financial Action Task Force</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FEC</td>
<td>Foreign Exchange Certificate</td>
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<td>FIU</td>
<td>Financial Intelligence Unit</td>
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<td>FY</td>
<td>Financial Year</td>
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<tr>
<td>FYSP</td>
<td>Fourth Five-Years Short-Term Plan</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
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<td>IDA</td>
<td>International Development Association</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>JICA</td>
<td>Japan International Cooperation Agency</td>
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<td>Japan-ASEAN Fund for the Technical Assistance</td>
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<td>MEB</td>
<td>Myanmar Economic Bank</td>
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<td>MER</td>
<td>Mutual Evaluation Report</td>
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<td>Myanmar Foreign Trade Bank</td>
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<td>Myanmar Investment and Commercial Bank</td>
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<td>Ministry of Finance and Revenue</td>
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<td>Myanmar Payment Union</td>
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<td>SEACEN</td>
<td>South East Asian Central Banks</td>
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<td>SDR</td>
<td>Special Drawing Right</td>
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<td>Strategic Implementation Planning</td>
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<td>UN</td>
<td>United Nations</td>
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<td>World Bank</td>
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