

MAYBANK (PNG) LIMITED  
FINANCIAL STATEMENTS  
FOR THE YEARENDED 31 DECEMBER2013

# Maybank (PNG) Limited

## Financial statements for the year ended 31 December 2013

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# Maybank (PNG) Limited

## Financial statements for the year ended 31 December 2013

### Company information

Maybank (PNG) Limited is a registered company under the Papua New Guinea Companies Act 1997 and is incorporated and domiciled in Papua New Guinea

Registered Office: Maybank (PNG) Limited  
Corner Waigani and Islander Drive  
Waigani  
Papua New Guinea

Postal Address: PO Box 882  
Waigani  
Papua New Guinea  
Tel 325 0101  
Fax 325 6128

Directors: Mr Alister Maitland – Chairman  
Mr. Geoffrey Michael Stecyk  
Mr. Victor Tan Tee Huat  
Mr. Joshua Kalinoe

Secretary: Mr. ShaifulAzhar Ahmad

Auditor: Deloitte Touche Tohmatsu  
Chartered Accountants  
PO Box 1275  
Port Moresby  
Papua New Guinea

# Maybank (PNG) Limited

## Financial statements for the year ended 31 December 2013

### Directors' report

The directors of Maybank (PNG) Ltd ('the Bank') submit herewith the annual financial report of the company for the year ended 31 December 2013. In order to comply with the provisions of the Companies Act 1997, the directors report as follows:

#### Office holders

The names and particulars of the directors and office holders as at the end of the financial year are:

Mr Alistair Maitland	-	Non-executive Director
Mr. Geoffrey Stecyk	-	Executive Director, appointed 1 April 2013
Mr. Victor Tan Tee Huat	-	Director/CEO
Mr. Joshua Kalinoe	-	Non-executive Director, appointed 16 August 2013

#### Review of operations and changes in state of affairs

The company's principal activities were banking and related services.

During the year ended 31 December 2013 there was no significant change in the principal activities or state of affairs of the Bank other than that referred to in the financial statements or notes thereto.

The Bank reported a net profit of K36,356,586 for the year ended 31 December 2013 (2012: K23,672,899) after charging income tax K15,578,184 (2012: K10,122,887).

#### Changes in accounting policies

No changes in accounting policies occurred during the year.

#### Entries in the interest register

No transactions are recorded in the interest register during the year.

#### Dividends

No dividends were declared or paid for the year ended 31 December 2013 (2012: K nil).

#### Directors' remuneration

Total directors remuneration of K185,413 (2012: K347,210) is disclosed at Note 29i.

#### Donations

During the year the Bank made donations totaling K12,000 (2012: K8,000).

#### Independent audit report

The financial statements have been audited by Deloitte Touche Tohmatsu and should be read in conjunction with the independent audit report on page 4- 5. Audit fees and non-audit fees are disclosed at Note 32.

## Maybank (PNG) Limited

### Financial statements for the year ended 31 December 2013

Statement under Clause (p) of the Banks and Financial Institutions(Amendment) Regulation 1999

The Board and the senior management of the bank have:

- (i) identified the key risks facing the bank and;
- (ii) established systems to monitor and manage those risks including, where appropriate, by setting and requiring adherence to a series of prudent limits, and by adequate and timely reporting processes and;
- (iii) that these risk management systems are operating effectively and are adequate having regard to the risks they are designed to control.

#### Other information:

The registered office and principal place of business is indicated on page 1 of the financial statement.

Signed in accordance with a resolution of and on behalf of the directors.



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Mr Alistair Maitland  
Chairman/Director  
Port Moresby  
31st March 2014



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Mr Victor Tan Tee Huat  
CEO/Director  
Port Moresby  
31st March 2014

## Independent audit report to the members of Maybank (PNG) Limited

We have audited the accompanying financial statements of Maybank (PNG) Limited which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flow statement for the year then ended on that date, and a summary of significant accounting policies and other explanatory information.

### Management and Director's responsibility for the Financial Statements

Management and Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and the Companies Act 1997, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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


## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Maybank (PNG) Limited as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

## Report on Other Legal and Regulatory Requirements

The financial report of Maybank (PNG) Limited is in accordance with the Companies Act 1997 and proper accounting records have been kept by the Company. During the year ended 31 December 2013 we also provided Maybank (PNG) Limited with tax services.

*Deloitte Touche Tohmatsu*  
DELOITTE TOUCHE TOHMATSU

  
Suzann Theron

Registered under the Accountants Act 1996

Partner, Chartered Accountants

Port Moresby, 31<sup>st</sup> day of March 2014

# Maybank (PNG) Limited

## Statement of comprehensive income

For the year ended 31 December 2013

	Note	2013 K	2012 K
Interest income	6	20,618,893	18,228,581
Interest expense	6	(434,028)	(373,851)
<b>Net interest income</b>		<b>20,184,865</b>	<b>17,854,730</b>
Fee and commission income	7	2,605,282	2,248,209
<b>Net trading income</b>		<b>22,790,147</b>	<b>20,102,939</b>
Foreign exchange earnings	8	42,385,220	22,629,806
<b>Operating income</b>		<b>65,175,367</b>	<b>42,732,745</b>
Personnel expenses	9	(5,372,240)	(4,406,002)
Depreciation expense		(316,707)	(112,600)
Provision for doubtful debt (net of recoveries)	13	(954,310)	(450,036)
Other expenses		(6,597,340)	(3,968,321)
<b>Profit before income tax</b>		<b>51,934,770</b>	<b>33,795,786</b>
Income tax expense	10(a)	(15,578,184)	(10,122,887)
<b>Profit for the year</b>		<b>36,356,586</b>	<b>23,672,899</b>

The statement of comprehensive income are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 34.



# Maybank (PNG) Limited

## Statement of financial position

As at 31 December 2013

	Note	31 Dec 2013 K	31 Dec 2012 K
<b>ASSETS</b>			
Cash and cash equivalents	11	49,396,433	109,639,925
Loans and advances to customers (net)	12(a)	124,367,294	98,849,894
Investment securities	14	329,486,298	260,270,679
Regulatory deposit	15	29,994,930	23,655,920
Property, plant & equipment	16	3,553,417	775,969
Due from other banks	21	1,947,302	3,361,723
Deferred tax assets	10(c)	1,749,825	1,379,913
Other assets	17	5,408,550	1,156,775
<b>Total assets</b>		<b>545,904,049</b>	<b>499,090,798</b>
<b>LIABILITIES</b>			
Deposits from customers	18	328,115,796	296,204,615
Provisions	19	1,561,629	1,290,070
Due to other banks	20	189,530	13,660,426
Provision for income tax	10(b)	5,739,130	18,445,686
Deferred tax liability	10(c)	113,471	59,276
Other liabilities	22	26,202,857	21,805,675
<b>Total liabilities</b>		<b>361,922,413</b>	<b>351,465,456</b>
<b>EQUITY</b>			
Share capital	23	5,000,000	5,000,000
Retained earnings		178,981,636	142,625,050
<b>Total equity attributable to equity holders of the Bank</b>		<b>183,981,636</b>	<b>147,625,050</b>
<b>Total liabilities and equity</b>		<b>545,904,049</b>	<b>499,090,798</b>

The statement of financial position are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 34.

## Maybank (PNG) Limited

### Statement of changes in equity

As at 31 December 2013

	Share Capital K	Retained Earnings K	Total K
Balance at 1 January 2012	5,000,000	118,952,151	123,952,151
Profit for the year	-	23,672,899	23,672,899
Balance at 31 December 2012	<u>5,000,000</u>	<u>142,625,050</u>	<u>147,625,050</u>
Profit for the year	-	36,356,586	36,356,586
Balance at 31 December 2013	<u>5,000,000</u>	<u>178,981,636</u>	<u>183,981,636</u>

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 34.

# Maybank (PNG) Limited

## Statement of cash flows

For the year ended 31 December 2013

	Note	31 Dec 2013 K	31 Dec 2012 K
<b>Cash flows from operating activities</b>			
Interest received		20,513,274	18,277,603
Fees and commission income		3,209,260	2,029,962
Foreign exchange gain		42,385,220	22,629,806
Interest paid		(428,028)	(340,104)
Amount paid to suppliers and employees		(13,472,249)	(8,688,881)
<b>Operating cash flow before changes in operating assets</b>		<b>52,207,477</b>	<b>33,908,386</b>
(Increase)/decrease in loans and advances		(25,517,400)	(18,120,328)
(Increase)/decrease in regulatory deposits		(6,339,010)	(10,114,880)
(Increase)/decrease in other assets		(4,251,775)	1,943,459
(Decrease)/increase in deposit from customers		31,911,181	55,068,894
(Decrease)/increase in other liabilities		4,397,182	(9,475,619)
(Decrease)/increase in due to other banks		(12,056,475)	(7,843,497)
Increase/(decrease) in provisions		271,559	224,760
<b>Net cash flow from operations before income tax</b>		<b>40,622,739</b>	<b>45,591,175</b>
Income taxes paid		(28,600,457)	(14,919,878)
<b>Net cash flow from operating activities</b>		<b>12,022,282</b>	<b>30,671,297</b>
<b>Cash flows from investing activities</b>			
Acquisition of investment securities		(69,215,619)	(46,450,978)
Proceeds from sale of property, plant and equipment		44,000	-
Acquisition of property, plant and equipment		(3,094,155)	(486,304)
<b>Net cash flow from investing activities</b>		<b>(72,265,774)</b>	<b>(46,937,282)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(60,243,492)</b>	<b>(16,265,985)</b>
Cash and cash equivalents at beginning of the year		109,639,925	125,905,910
Cash and cash equivalents at end of the year	11	<u>49,396,433</u>	<u>109,639,925</u>

The statement of cash flow are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 34.

# Maybank (PNG) Limited

## Notes to and forming part of the financial statements

### For the year ended 31 December 2013

#### 1 Reporting entity

Maybank (PNG) Limited (the "Bank") is a Bank incorporated in Papua New Guinea.

#### Registered office:

Portion 2034  
Corner Waigani and Islander Drive  
Waigani, NCD  
Papua New Guinea.

The Bank primarily is involved in Banking and related services.

#### 2 Basis of Preparation

##### Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the Accounting Standards Board of Papua New Guinea (ASB) and the requirements of the Papua New Guinea Companies Act 1997.

##### Basis of preparation

The financial statements have been prepared primarily on the historical cost. Cost is based on the fair values of the consideration given in exchange for assets and liabilities. All amounts are presented in Papua New Guinea Kina, unless otherwise noted.

##### Functional Currency

The financial statements are presented in the Papua New Guinea currency, the Kina which is the Bank's functional currency.

##### Use of estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods if affected.

#### 3 Significant accounting policies

##### Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

##### Loans and advances

Loans are originated by providing funds directly to the borrower and are recognized when cash is advanced to borrowers. Loans are initially recognised at fair value. After initial measurement, loans and advances are subsequently measured at amortised cost.

All loans and advances receivable are subject to continuous management review. A specific provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due under the terms of loans. The amount of the provision approximates the difference between

# Maybank (PNG) Limited

## Notes to and forming part of the financial statements

### For the year ended 31 December 2013

#### Significant accounting policies (cont'd)

the carrying amount and the recoverable amount, which is the current best estimate of the present value of expected future cash flows arising from the asset's present value determined using the original effective interest rate. All bad debts are written off against the specific provision for loan impairment in the period in which they are classified as irrecoverable. Subsequent recoveries are credited to the provision for loan losses in Statement of Comprehensive Income.

General provisions for impairment are maintained to cover incurred losses unidentified at balance date in the overall portfolio of loans and advances. The provisions are determined having regard to the level of risk weighted assets, economic conditions, the general risk profile of the credit portfolio, past loss experience and a range of other criteria. The amount necessary to bring the provisions to their assessed levels, after write-offs, is charged to the Statement of Comprehensive Income.

#### Investment securities

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs, and subsequently accounted for as held to maturity.

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available for sale.

Held-to-maturity investments are carried at amortized cost using the effective interest method. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available for sale, and would prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value
- sales or reclassifications after the Bank has collected substantially all of the asset's original principalsales or reclassifications attributable to non-recurring isolate events beyond the Bank's control that could not have been reasonably anticipated

#### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

# Maybank (PNG) Limited

## Notes to and forming part of the financial statements

### For the year ended 31 December 2013

#### Significant accounting policies (cont'd)

##### Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Bank will obtain ownership by the end of the lease term. Land is not depreciated.

##### Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional income taxes that arise from the distribution of dividends by the Bank are recognized at the same time as the liability to pay the related dividend is recognized.

##### Provisions

A provision is recognized, if as a result of a past event, the Bank 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

# Maybank (PNG) Limited

## Notes to and forming part of the financial statements

### For the year ended 31 December 2013

#### Significant accounting policies (cont'd)

##### Employee Benefits

A liability is required for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognized in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognized in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Bank in respect of services provided by employees up to reporting date.

##### *Post employment benefits – defined contribution plans*

A defined contribution plan is a pension plan which the Bank pays fixed contributions into a separate fund, and there is no recourse to the Bank for employees if the fund has insufficient assets to pay employee benefits relating to service up to the balance sheet date.

The Bank pays contributions to publicly or privately administered superannuation plans on a mandatory, contractual or voluntary basis in respect of services rendered up to the balance sheet date. The contributions are at the current rate of employee's gross salary. Once the contributions have been paid, the Bank have no further payment obligations for post employment benefits from the date an employee ceases employment with the Bank.

##### Share Capital

###### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

##### Foreign currency

Transactions in foreign currencies are translated into the 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. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the spot exchange rate at the end of the period. 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 recognized in profit or loss.

##### Interest

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest 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. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

# Maybank (PNG) Limited

## Notes to and forming part of the financial statements

### For the year ended 31 December 2013

#### Significant accounting policies (cont'd)

The calculation of the effective interest rate includes all fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability. Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis; and
- interest on available-for-sale investment securities calculated on an effective interest basis

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

#### Fees and commissions

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, are recognized as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognized on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Bank.

#### Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes, interest dividends and foreign exchange differences.

#### Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognized initially at their fair value, and the initial fair value is amortized over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

#### Financial assets and liabilities

##### Recognition

The Bank initially recognizes loans and advances, deposits, on the date at which they are originated. Regular way purchases and sales of financial assets are recognized on the trade date at which the Bank commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.



# Maybank (PNG) Limited

## Notes to and forming part of the financial statements

### For the year ended 31 December 2013

#### Significant accounting policies (cont'd)

##### *Derecognition*

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability in the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized.

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

##### *Identification and measurement of impairment*

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

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a bank of assets such as adverse changes in the payments status of borrowers or issuers in the bank, or economic conditions that correlate with defaults in the bank. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Bank considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by banking together loans and advances and held-to-maturity investment securities with similar risk characteristics.

# Maybank (PNG) Limited

## Notes to and forming part of the financial statements

### For the year ended 31 December 2013

#### Significant accounting policies (cont'd)

In assessing collective impairment the Bank uses statistical modeling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modeling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income to profit or loss as reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss.

The Bank writes off certain loans and advances and investment securities when they are determined to be uncollectible.

#### *Impairment of non-financial assets*

The carrying amounts of the Bank's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

# Maybank (PNG) Limited

## Notes to and forming part of the financial statements

### For the year ended 31 December 2013

#### 4 Financial risk management

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital. Further quantitative disclosures are included throughout these financial statements.

#### Risk management framework

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

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, 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 the Bank's activities. The Bank, 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.

The Board of Directors oversees how management monitors compliance with the Bank's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

#### (i) Credit risk

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

#### Loan and advances to customers

The Bank's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Bank's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. Approximately 3 percent (2012: 3 percent) of the Bank's revenue is attributable to sales transactions with a single customer. However, geographically there is no concentration of credit risk.

The Bank establishes an allowance for impairment that represents its estimate of incurred losses in respect of loan and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Banks of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

# Maybank (PNG) Limited

## Notes to and forming part of the financial statements

### For the year ended 31 December 2013

#### Financial risk management (cont'd)

##### (ii) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Bank'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 the Bank's reputation.

Typically the Bank ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

##### (iii) 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 Bank's 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 the return.

##### (iv) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with Bank standards is supported by a programme of periodic reviews undertaken by the Management team. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Board and senior management of the Bank.

# Maybank (PNG) Limited

## Notes to and forming part of the financial statements

### For the year ended 31 December 2013

#### 5 Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Bank defines as result from operating activities divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Bank's debt to adjusted capital ratio at the end of the reporting period was as follows:

	31 Dec 2013	31 Dec 2012
Total liabilities	361,922,413	351,465,748
Less: cash and cash equivalents	(49,396,433)	(109,639,925)
Net debt	312,525,980	241,825,823
Total equity	183,981,636	147,625,050
Debt to adjusted capital ratio	1.70:1	1.64:1

There were no changes in the Bank's approach to capital management during the year.

# Maybank (PNG) Limited

## Notes to and forming part of the financial statements

For the year ended 31 December 2013

	2013	2012
	K	K
<b>6 Net interest income</b>		
<b>Interest income</b>		
Cash and cash equivalents	16,962	24,534
Investment securities	5,896,732	7,146,079
Loans and advances	14,702,861	11,051,013
Others	2,338	6,955
<b>Total interest income</b>	<b>20,618,893</b>	<b>18,228,581</b>
<b>Interest expense</b>		
Deposits from banks	(95,240)	(63,517)
Deposits from customers	(338,788)	(310,334)
<b>Total interest expense</b>	<b>(434,028)</b>	<b>(373,851)</b>
<b>Net interest income</b>	<b>20,184,865</b>	<b>17,854,730</b>
<b>7 Fee and commission income</b>		
Fee income lending	1,677,482	1,320,461
Other fee and commission	927,800	927,748
	<b>2,605,282</b>	<b>2,248,209</b>
<b>8 Foreign exchange earnings</b>		
Foreign exchange earnings	42,385,220	22,629,806
	<b>42,385,220</b>	<b>22,629,806</b>
<b>9 Personnel expenses</b>		
Wages and salaries	5,162,757	4,232,422
Pension funds	209,483	173,580
	<b>5,372,240</b>	<b>4,406,002</b>

# Maybank (PNG) Limited

## Notes to and forming part of the financial statements

### For the year ended 31 December 2013

10 Income tax	31 Dec 2013	31 Dec 2012
	K	K
<i>(a) Income tax expense</i>		
Tax Expense Comprise:		
Current Tax Expense	15,909,540	10,300,003
- Adjustment recognized in the current year relating to current tax of prior years	(15,639)	(24,473)
- Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(315,717)	(152,643)
<b>Income tax expense</b>	<b>15,578,184</b>	<b>10,122,887</b>
The prima facie tax charge on the profit for the year is reconciled to the tax expense as follows:		
Accounting profit before tax	51,934,770	33,795,786
Tax on the profit for the year at 30%	15,580,431	10,138,736
Add: Tax on non deductible items	13,392	8,624
Less: Adjustment recognised in the current year in relation to tax of prior years	(15,639)	(24,473)
	<b>15,578,184</b>	<b>10,122,887</b>
<i>(b) Provision for income taxes payable</i>		
Opening Balance	18,445,686	23,090,034
Income tax expense for the year	15,578,184	10,122,887
Movement in current year deferred tax	315,717	152,643
Income taxes paid during the year	(28,600,457)	(14,919,878)
<b>Closing Balance</b>	<b>5,739,130</b>	<b>18,445,686</b>

# Maybank (PNG) Limited

## Notes to and forming part of the financial statements

### For the year ended 31 December 2013

#### 10. Income tax (cont'd)

##### (c) Deferred tax balances

Deferred tax assets/(liabilities) arise from the following:

31 December 2013	Opening Balance	Opening Adjustment	Charge to Income	Closing Balance
	K	K	K	K
<i>Temporary differences:</i>				
Property, plant & equipment	234,719	-	2,151	236,870
Provision for doubtful debt	758,173	-	286,293	1,044,466
Provision for audit fees	38,512	-	(51)	38,461
Other provisions	313,219	-	73,883	387,102
Provision for long service leave	35,290	-	7,636	42,926
Prepaid insurance	(59,276)	-	(54,195)	(113,471)
	<b>1,320,637</b>	<b>-</b>	<b>315,717</b>	<b>1,636,354</b>

Presented in the balance sheet as follows:

Deferred tax asset: K1,749,825

Deferred tax liability: K113,471

31 December 2012	Opening Balance	Opening Adjustment	Charge to Income	Closing Balance
	K	K	K	K
<i>Temporary differences:</i>				
Property, plant & equipment	252,762	-	(18,043)	234,719
Provision for doubtful debt	623,163	-	135,010	758,173
Provision for audit fees	38,512	-	-	38,512
Other provisions	244,915	-	68,304	313,219
Provision for long service leave	37,234	-	(1,944)	35,290
Prepaid insurance	(28,592)	-	(30,684)	(59,276)
	<b>1,167,994</b>	<b>-</b>	<b>152,643</b>	<b>1,320,637</b>

Presented in the balance sheet as follows:

Deferred tax asset: K1,379,913

Deferred tax liability: K59,276

#### 11. Cash and cash equivalents

	31 Dec 2013	31 Dec 2012
	K	K
Cash on hand & in transit	6,154,984	6,783,981
Exchange Settlement Account – BPNG	33,968,880	95,152,208
Nostro Accounts	9,272,569	7,703,736
	<b>49,396,433</b>	<b>109,639,925</b>



# Maybank (PNG) Limited

## Notes to and forming part of the financial statements

### For the year ended 31 December 2013

	31 Dec 2013 K	31 Dec 2012 K
<b>12 Loans and advances to customers</b>		
<b>(a) Net Loans and Advances</b>		
Overdrafts	46,361,104	34,084,304
Term loans	59,934,339	54,318,977
Housing loans	21,602,642	12,930,074
Festival loans	48,276	43,783
<b>Gross loans and advances</b>	<b>127,946,361</b>	<b>101,377,138</b>
<b>Less:</b>		
Provision for doubtful debts	(3,481,554)	(2,527,244)
Suspended interest	(97,513)	-
<b>Net loans and advances</b>	<b>124,367,294</b>	<b>98,849,894</b>
<b>(b) Provision for doubtful debts</b>		
<b>Specific Provision</b>		
Opening balance	-	-
Change in provisions for the year (Note 13)	287,951	-
Closing balance	287,951	-
<b>Collective Provision</b>		
Opening balance	2,527,244	2,077,208
Change in provisions for the year (Note 13)	666,359	450,036
Closing balance	3,193,603	2,527,244
<b>Total provision for doubtful debts</b>	<b>3,481,554</b>	<b>2,527,244</b>
<b>13 Doubtful debt expense</b>		
<b>Provision movement analysis</b>		
New and increased provisions	954,310	450,036
<b>Doubtful debt expense</b>	<b>954,310</b>	<b>450,036</b>
<b>14 Investment securities</b>		
Central bank bills	330,610,000	261,500,000
Less: Discount	(1,123,702)	(1,229,321)
	<b>329,486,298</b>	<b>260,270,679</b>

# Maybank (PNG) Limited

## Notes to and forming part of the financial statements

### For the year ended 31 December 2013

	31 Dec 2013 K	31 Dec 2012 K
<b>15 Regulatory deposits</b>		
Regulatory deposits	<u>29,994,930</u>	<u>23,655,920</u>

Regulatory deposit represents mandatory balance, equal to 9 per cent of a Bank's time and demand deposits and other prescribed liabilities, required to be maintained in a non-interest bearing account with the Central Bank - Bank of Papua New Guinea. In addition the Bank is also required to maintain a Minimum Liquid Asset Ratio (MLAR), at 25 per cent of its time and demand deposits and other liabilities, in the form of cash and Bank balances, treasury bills and other prescribed liquid assets. The Bank is in compliance with these requirements.

### 16 Property, plant and equipment

	Leasehold Improvement	Furniture Fittings & Equipment	Motor Vehicle	Mechanical & Engineering Equipment	Data Processing	Electrical & Security	TOTAL
	K	K	K	K	K	K	K
<b>Cost</b>							
At 1 Jan 2012	1,049,110	347,637	433,845	94,578	887,599	196,481	3,009,250
Additions	-	34,429	318,313	-	133,343	219	486,304
Disposals	-	-	-	-	-	-	-
At 31 Dec 2012	<u>1,049,110</u>	<u>382,066</u>	<u>752,158</u>	<u>94,578</u>	<u>1,020,942</u>	<u>196,700</u>	<u>3,495,554</u>
Additions	2,331,603	85,982	277,900	-	398,670	-	3,094,155
Disposals	-	-	(196,510)	-	(3,115)	-	(199,625)
At 31 Dec 2013	<u>3,380,713</u>	<u>468,048</u>	<u>833,548</u>	<u>94,578</u>	<u>1,416,497</u>	<u>196,700</u>	<u>6,390,084</u>
<b>Depreciation</b>							
At 1 Jan 2012	1,029,196	272,713	433,845	31,081	750,179	89,971	2,606,985
Charge for the year	13,298	10,977	47,995	9,063	31,653	(386)	112,600
Disposals	-	-	-	-	-	-	-
At 31 Dec 2012	<u>1,042,494</u>	<u>283,690</u>	<u>481,840</u>	<u>40,144</u>	<u>781,832</u>	<u>89,585</u>	<u>2,719,585</u>
Charge for the year	99,017	38,280	100,157	9,458	51,733	18,062	316,707
Disposals	-	-	(196,510)	-	(3,115)	-	(199,625)
At 31 Dec 2013	<u>1,141,511</u>	<u>321,970</u>	<u>385,487</u>	<u>49,602</u>	<u>830,450</u>	<u>107,647</u>	<u>2,836,667</u>
<b>Book Value</b>							
At 31 Dec 2012	<u>6,616</u>	<u>98,376</u>	<u>270,318</u>	<u>54,434</u>	<u>239,110</u>	<u>107,115</u>	<u>775,969</u>
At 31 Dec 2013	<u>2,239,202</u>	<u>146,078</u>	<u>448,061</u>	<u>44,976</u>	<u>586,047</u>	<u>89,053</u>	<u>3,553,417</u>

# Maybank (PNG) Limited

## Notes to and forming part of the financial statements

For the year ended 31 December 2013

	31 Dec 2013	31 Dec 2012
	K	K
<b>17 Other assets</b>		
Prepaid tax	671,071	671,071
Clearing suspense	514,581	160,589
Other assets	4,222,898	325,115
	<u>5,408,550</u>	<u>1,156,775</u>
<b>18 Deposits from customers</b>		
Savings		
- Bearing interest	22,148,632	18,237,855
- Not bearing interest	239,335,683	217,164,042
Fixed deposits		
- Bearing interest	66,631,481	60,802,718
Term deposit of customers	<u>328,115,796</u>	<u>296,204,615</u>
The maturity structure of fixed deposits and sources of deposits from customers are as follows:		
<u>Maturity structure of fixed deposits</u>		
Due within six months	50,326,777	41,104,309
Six months to one year	16,304,704	14,855,766
One year to three years	-	4,842,643
Three years to five years	-	-
After five years	-	-
	<u>66,631,481</u>	<u>60,802,718</u>
<u>Sources of deposits:</u>		
Government and statutory bodies	60,125	70,413
Business enterprises	233,465,781	206,049,453
Individuals	93,349,587	90,048,397
Others	1,240,303	36,352
	<u>328,115,796</u>	<u>296,204,615</u>
<b>19 Provisions</b>		
Employee provision	143,086	117,634
Other provisions	1,418,543	1,172,436
	<u>1,561,629</u>	<u>1,290,070</u>
<b>20 Due to other banks</b>		
Inter banks payable	<u>189,530</u>	<u>13,660,426</u>
<b>21 Due from other banks</b>		
Due from other banks	<u>1,947,302</u>	<u>3,361,723</u>

# Maybank (PNG) Limited

## Notes to and forming part of the financial statements

### For the year ended 31 December 2013

	31 Dec 2013 K	31 Dec 2012 K
<b>22 Other liabilities</b>		
Remittances payable	24,048,352	19,669,282
Unearned commission	1,006,270	402,292
Accrued interest and unearned discounts	8,766	7,912
Other creditors	<u>1,139,469</u>	<u>1,726,189</u>
	<u><b>26,202,857</b></u>	<u><b>21,805,675</b></u>
<b>23 Share capital</b>		
<b>Issued ordinary share capital</b>		
Shares in issue at 31 December	<u>5,000,000</u>	<u>5,000,000</u>
	<u><b>5,000,000</b></u>	<u><b>5,000,000</b></u>

In accordance with the provisions of the Companies Act 1997 the share capital does not have a par value. All issued shares are fully paid.

#### 24 Capital Adequacy Ratio:

The Bank of Papua New Guinea (BPNG) has adopted a risk-based capital adequacy framework for banks and financial institutions based in PNG consistent with the recommendations of the Basel Committee on Banking Supervision. This approach requires eligible capital to be divided by total risk weighted assets (both on and off-balance sheet) with the resultant ratio used as a measure of a bank's capital adequacy.

Capital is divided into tier 1, or "core" capital and tier 2 "supplementary" capital with eligible tier 2 capital restricted to 100% of tier 1 capital. Under the BPNG guidelines banks must maintain a ratio of qualifying capital to risk weighted assets of at least 12 per cent, effective 31 December 2000.

The measurement of risk-weighted assets is based on a credit risk-based approach wherein risk weightings are applied to balance sheet assets and credit converted off balance sheet exposures. Categories of risk weights are assigned based upon the nature of the counter party and the relative liquidity of the assets concerned. Market and other risks are not incorporated, other than in respect of foreign exchange contracts.

	Dec-13 K'000	Dec-12 K'000
<b>Qualifying capital</b>		
Tier 1 – Core Capital	146,229	122,346
Tier 2 – Supplementary Capital	<u>38,247</u>	<u>25,284</u>
Total	<u><b>184,476</b></u>	<u><b>147,630</b></u>
<b>Risk weighted assets</b>		
On balance sheet	134,211	115,851
Off balance sheet	<u>16,317</u>	<u>14,308</u>
Total risk weighted assets	<u><b>150,528</b></u>	<u><b>130,159</b></u>
<b>Capital adequacy ratio</b>	<u><b>123%</b></u>	<u><b>113%</b></u>

# Maybank (PNG) Limited

## Notes to and forming part of the financial statements

For the year ended 31 December 2013

### 25 Financial instruments

Accounting policies for financial instruments are disclosed in Note 3. Financial risk management is disclosed in Note 4.

#### (a) Fair value measurement

The carrying values of the Bank's financial assets and liabilities as reflected in the statement of financial position and related notes approximate their fair values.

	2013		2012	
	Carrying values	Fair values	Carrying values	Fair values
	K	K	K	K
<u>Financial assets:</u>				
Cash and cash equivalents	49,396,433	49,396,433	109,639,925	109,639,925
Loans and advances to customers	123,361,024	123,361,024	98,447,602	98,447,602
Treasury bills	329,486,298	329,486,298	260,270,679	260,270,679
Regulatory deposits	29,994,930	29,994,930	23,655,920	23,655,920
Due from other banks	1,947,302	1,947,302	3,361,723	3,361,723
Other assets	3,713,487	3,713,487	121,659	121,659
	<u>537,899,474</u>	<u>537,899,474</u>	<u>495,497,508</u>	<u>495,497,508</u>
<u>Financial liabilities</u>				
Deposits from customers	45,769,888	45,769,888	109,639,925	109,639,925
Due to other banks	329,486,298	329,486,298	260,270,679	260,270,679
Other liabilities	26,202,857	26,202,857	21,805,675	21,805,675
	<u>401,459,043</u>	<u>401,459,043</u>	<u>391,716,279</u>	<u>391,716,279</u>

#### (b) Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31 Dec 2013	31 Dec 2012
	K	K
Cash and cash equivalents	49,396,433	109,639,925
Treasury bills	329,486,298	260,270,679
Regulatory deposits	29,994,930	23,655,920
Loans and advances to customers (net)	124,367,294	98,849,894
	<u>533,244,955</u>	<u>492,416,418</u>

**Maybank (PNG) Limited**

**Notes to and forming part of the financial statements**

**For the year ended 31 December 2013**

*(b) Maturity distribution and concentration of credit risk*

*i. Maturity analysis of gross loans and advances on remaining term to maturity*

*The maximum exposure to credit risk for loans and receivables at the reporting date, in terms of geographic region, was only concentrated to Papua New Guinea are shown below.*

	31 Dec 2013	31 Dec 2012
	K	K
Agriculture	-	-
Commercial	48,285,936	42,324,501
Manufacturing	7,923,223	7,427,613
Real estate construction & mortgages	37,093,325	21,667,592
Transport	6,418,980	7,305,973
Mining & Quarrying	-	4,870,214
Forestry	10,388,676	9,520,715
Consumer credits	17,836,221	8,260,530
	<u>127,946,361</u>	<u>101,377,138</u>

*ii. Concentration of credit risk by industry analysis – gross loans and advances*

Overdrafts	45,965,925	33,295,718
Less than 3 months	202,227	434,431
Between 3 months to 12 months	50,783	43,783
Between 1 year to 5 years	11,365,667	17,711,266
More than 5 years	70,361,759	49,891,940
	<u>127,946,361</u>	<u>101,377,138</u>

*iii. The movement in the allowance for impairment in respect of loans and advances.*

Opening balance	2,527,244	2,077,208
Impairment recognized during the year	954,310	450,036
Closing balance	<u>3,481,554</u>	<u>2,527,244</u>

*(c) Credit quality of financial assets*

2013	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cash and cash equivalents	49,396,433	-	-	49,396,433
Loans and advances to customers	127,370,460	-	575,901	127,946,361
Investment securities	329,486,298	-	-	329,486,298
Regulatory deposit	29,994,930	-	-	29,994,930
Due from other banks	1,947,302	-	-	1,947,302
Total	538,195,423	-	575,901	538,771,324
Less: Suspended interest	(97,513)	-	-	(97,513)
Allowance for impairment and credit losses	(3,193,603)	-	(287,951)	(3,481,554)
	<u>534,904,307</u>	-	<u>287,950</u>	<u>535,192,257</u>

# Maybank (PNG) Limited

## Notes to and forming part of the financial statements

For the year ended 31 December 2013

### 25. Financial instrument (cont'd)

2012	Neither past due nor impaired K	Past due but not impaired K	Impaired K	Total K
Cash and cash equivalents	109,639,925	-	-	109,639,925
Loans and advances to customers	101,377,138	-	-	101,377,138
Investment securities	260,270,679	-	-	260,270,679
Regulatory deposit	23,655,920	-	-	23,655,920
Due from other banks	3,361,723	-	-	3,361,723
Total	498,305,385	-	-	498,305,385
Less: Suspended interest	-	-	-	-
Allowance for impairment and credit losses	(2,527,244)	-	-	(2,527,244)
	<u>495,778,141</u>	<u>-</u>	<u>-</u>	<u>495,778,141</u>

#### (d) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements (Amounts in K'000)

At 31 December 2013	Carrying Amount K'000	Contracted Cashflows K'000	Less than one year K'000	1-2 years K'000	2-5 years K'000	More than 5 years K'000
Deposit from customers	328,116	328,116	328,116	-	-	-
Due to other banks	190	190	190	-	-	-
Other liabilities & provisions	26,203	26,203	26,203	-	-	-
Total	<u>354,509</u>	<u>354,509</u>	<u>354,509</u>	<u>-</u>	<u>-</u>	<u>-</u>

At 31 December 2012	Carrying Amount K'000	Contracted Cashflows K'000	Less than one year K'000	1-2 years K'000	2-5 years K'000	More than 5 years K'000
Deposit from customers	296,205	296,205	296,205	-	-	-
Due to inter banks	13,660	13,660	13,660	-	-	-
Other liabilities & provisions	21,806	21,806	21,806	-	-	-
Total	<u>331,671</u>	<u>331,671</u>	<u>331,671</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### (e) Currency risk

The Bank's exposure to foreign currency risk was as follows based on notional amounts:

At 31 December 2013:	US\$	PHP	SGD	Others
Cash and cash equivalents	7,170,745	1,703,322	200,305	59,875
Interbank receivables	-	-	-	-
Gross balance sheet exposure	<u>7,170,745</u>	<u>1,703,322</u>	<u>200,305</u>	<u>59,875</u>
Less: Forward foreign exchange contracts	-	-	-	-

# Maybank (PNG) Limited

## Notes to and forming part of the financial statements

### For the year ended 31 December 2013

Net exposure	7,170,745	1,703,322	200,305	59,875
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#### 25 Financial instrument (cont'd)

At 31 December 2012:	US\$	PHP	SGD	Others
Cash & cash equivalents	5,551,465	920,854	594,776	647,452
Interbank payables	(13,408,776)	-	-	-
Gross balance sheet exposure	(7,857,311)	920,854	594,776	647,452
Less: Forward foreign exchange contracts	-	-	-	-
Net exposure	(7,857,311)	920,854	594,776	647,452

The significant exchange rates applied during the year were as follows:

Currency	Average rate		Spot rate	
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
US\$	0.3960	0.4795	0.3660	0.4570
PHP	16.9199	19.4500	16.1699	18.7000
SGD	0.4856	0.5809	0.4631	0.5584

The Bank's exposure to foreign currency risk is minimal as it does not have assets or liabilities denominated in foreign currencies except for Nostro accounts which are the bank's foreign currency accounts maintained with foreign correspondent banks or branches. The Nostro accounts represent less than two percent of the Bank's total assets thus no sensitivity analysis is prepared.

#### (f) Interest rate risk

No sensitivity analysis is prepared as the Bank does not expect any material effect on its profit or loss arising from the effects of reasonably possible changes in the interest rates on interest-bearing financial instruments at the end of the financial reporting period. The Bank's investment securities are only held with the Bank of Papua New Guinea.

#### 26. Maturity analysis

At 31 December 2013:	Less than one year	Between one and five years	After five years	Total
Cash & Cash equivalents	49,396,433	-	-	49,396,433
Loans & advances to customers	46,218,935	11,365,667	70,361,759	127,946,361
Investment Securities	330,610,000	-	-	330,610,000
Other assets	5,408,550	-	-	5,408,550
<b>Total assets</b>	<b>431,633,918</b>	<b>11,365,667</b>	<b>70,361,759</b>	<b>513,361,344</b>
Deposit from customers	328,115,796	-	-	328,115,796
Other liabilities	26,202,857	-	-	26,202,857
<b>Total liabilities</b>	<b>354,318,653</b>	<b>-</b>	<b>-</b>	<b>354,318,653</b>



# Maybank (PNG) Limited

## Notes to and forming part of the financial statements

### For the year ended 31 December 2013

#### 26 Financial instrument (cont'd)

At 31 December 2012:	Less than one year	Between one and five years	After five years	Total
Cash & Cash equivalents	109,639,925	-	-	109,639,925
Loans & advances to customers	33,773,932	17,711,266	49,891,940	101,377,138
Investment securities	261,500,000	-	-	261,500,000
Other assets	1,156,775	-	-	1,156,775
<b>Total assets</b>	<b>406,070,632</b>	<b>17,711,266</b>	<b>49,891,940</b>	<b>473,673,838</b>
Deposit from customers	291,333,693	4,870,922	-	296,204,896
Other liabilities	21,805,675	-	-	21,805,675
<b>Total liabilities</b>	<b>313,139,368</b>	<b>4,870,922</b>	<b>-</b>	<b>318,010,290</b>

#### 27 Commitments

There are no capital and lease commitments during the year.

#### 28 Contingent liabilities

The Bank guarantees the performance of customers by issuing stand-by letters of credit and guarantees to third parties. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers, therefore these transactions are subject to the same credit origination, portfolio maintenance and collateral requirements applied to customers applying for loans. As the facilities may expire without being drawn upon, the notional amount does not necessarily reflect future cash requirements. The credit risk of these facilities may be less than the notional amount but as it cannot be accurately determined, the credit risk has been taken as the contract notional amount.

	31 Dec 2013 K	31 Dec 2012 K
Documentary letters of credit	9,011,100	1,178,991
Performance guarantee	27,307,366	28,522,415
Other contingent liabilities	5,081,374	4,294,487
	<u>41,399,840</u>	<u>33,995,893</u>

#### 29 Related parties

During the course of the financial year under review, the Bank conducted various transactions with its parent and ultimate company, Malayan Banking Berhad and other related entities on normal commercial terms and conditions. Following is a brief description of the nature of transactions entered into by the Bank with its parent and other related parties:

- the Bank operates various operating accounts with its parent company and fellow subsidiaries in addition to call deposits. These accounts are operated in accordance with normal interbank terms and conditions and interest is charged or received on an arm's length basis.
- personnel are seconded from the parent company, the personnel costs are borne by the Bank.

# Maybank (PNG) Limited

## Notes to and forming part of the financial statements

### For the year ended 31 December 2013

#### 29 Related parties (cont'd)

- (c) the parent company provides technical and specialised support in areas as finance, human resources, training and technology and systems and the costs associated with that are allocated and charged to the Bank.
- (d) the Bank conducts normal banking transactions with and from various fellow affiliates and subsidiaries. These transactions are conducted as part of the normal banking and are on an arms length basis.

Disclosed below are the nostro andvostro account balance as at 31 December with the parent and fellow subsidiaries of Maybank (PNG) Ltd.

	31 Dec 2013	31 Dec 2012
<b>Nostro Accounts</b>		
Maybank Malaysia	30,782	30,782
Maybank London	61,873	36,364
Maybank Singapore	200,305	594,776
Maybank Hongkong	253	3,490
Maybank Philippines	1,703,322	5,773,042
Maybank New York	3,626,545	-
	<u>5,623,080</u>	<u>6,438,454</u>
<b>Vostro Accounts</b>		
Maybank Malaysia	333,459	897,431
Maybank Singapore	16,399	16,399
Maybank New York	-	13,408,776
	<u>354,858</u>	<u>14,322,606</u>

#### i. Directors' remuneration and other benefits

No director was a shareholder of the company at 31 December 2013 and none had any material interest in any contract or arrangement with the company or any related entity during the year.

Directors' remuneration, including the value of benefits, received during the year, is as follows:

		31 Dec 2013	31 Dec 2012
		K	K
Mr Alister Maitland	Non – executive Director	95,454	182,883
Mr Geoff Stecyk	Executive Director	48,853	71,701
Mr. Lee Tien Poh	Executive Director	16,132	92,626
Mr Joshua Kalinoe	Non – executive Director	24,974	-
		<u>185,413</u>	<u>347,210</u>

# Maybank (PNG) Limited

## Notes to and forming part of the financial statements

### For the year ended 31 December 2013

#### 29 Related parties (cont'd)

##### ii. Compensation of key management personnel

The number of employees (not including directors) whose remuneration, including benefits, was within the specified bands are as follows:

	31 Dec 2013	31 Dec 2012
	K	K
K350,001 – K400,000	1	1
K400,001 – K450,000	1	1
K450,001 – K500,000	2	2
K500,001 – K550,000	-	-
K550,001 – K600,000	-	-
K600,001 – K650,000	1	1

##### iii. Specified executives' remuneration in aggregate

Year	Primary			Post – employment			Total
	Salary & fees K	Bonus K	Non monetary K	Super annuation K	Prescribed benefits K	Other K	
31 Dec 2013	1,258,881	-	1,262,143	-	-	-	2,521,024
31 Dec 2012	1,004,849	-	976,837	-	-	-	1,981,686

#### Related party transactions

The Bank enters into renting transactions with Mayban Property(PNG) Limited, a related party, in the normal course of business. These transactions are on normal commercial terms and conditions.

The monthly rental fee charged by Mayban Property(PNG) Limited to Maybank (PNG) Limited amount to K22,177 per month inclusive of GST.

As at 31 December 2013, there were no amounts outstanding owed by Maybank (PNG) Ltd to Mayban Property (PNG) Limited in respect of rental fees.

# Maybank (PNG) Limited

## Notes to and forming part of the financial statements

### For the year ended 31 December 2013

#### 30 Operating lease arrangements

##### The Bank as lessee

Operating lease relates to lease of building from Mayban Property, a related company. The lease has no expiration date and management expect that this will continue for a foreseeable future. The Bank does not have an option to purchase the leased building.

	31 Dec 2013	31 Dec 2012
	K	K
Payments recognised as an expense	241,931	241,931

#### 31 Events after balance sheet date

There has not been any matter or circumstances, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the reporting period, that has significantly affected, or may significantly affect the operations of the Bank, the results of those operations, or the state of affairs of the Bank in future reporting periods.

#### 32 Number of employees

The number of employees at the end of the year was 52(31 Dec 2012:50).

#### 33 Remuneration of auditors

	31 Dec 2013	31 Dec 2012
	K	K
Audit of the financial report	115,000	115,000
Other non audit services	26,500	24,000

The auditor of Maybank (PNG) Ltd is Deloitte Touche Tohmatsu.