Myanmar: Market Overview, Opportunities & UOB Yangon Branch Offerings

Jan 2016
UOB first established its Representative Office in Myanmar in 1994. This presence, in addition to strong regional network, has given UOB a unique position and deep expertise in the Myanmar market, its transaction requirements, its local regulations, customs and opportunities.

In 2011, UOB established a FDI Advisory Unit to help clients invest in Myanmar.

In October 2014, the Central Bank of Myanmar has awarded UOB with 1 of the 9 foreign bank licenses to establish a local branch. Since the announcement, UOB Yangon has been working to build up its capabilities and solutions to serve its clientele investing in this country. On 4th May 2015, UOB Yangon commenced its operations and the first loan was offered to a French-Myanmar JV, Yangon Excelsior on 6th May 2015.
Agenda

1. Market Overview and Opportunities
2. Permissible Activities of Foreign Banks in Myanmar
3. UOB Yangon Offerings
4. Challenges
1. Market Overview and Opportunities
Myanmar GDP expected to grow at high single digit

- Population: 51.42 million
  → [7% of whole ASEAN population]
- GDP (Nominal): USD56.8 bn (2014)
  → [only about 2% of whole ASEAN]
- GDP per capita: USD835 (2014)
  → [22% of the ASEAN average]
- GDP Growth: 6.5% (2014); 9.2% (2015E)
- Inflation: 5.7% (2014)
- Land Size: 676,577 sq km
- Straddles between 2 most populated giants in Asia – China and India
- No. of Regions/States: 14
- Capital: Naypyitaw
- Yangon: Business capital & international port city of the country
### Key sectors’ contribution to GDP (as of 31 Jan. 2015)

<table>
<thead>
<tr>
<th>No.</th>
<th>Sector</th>
<th>Enterprises/ Projects</th>
<th>Amount (US$ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Power</td>
<td>8</td>
<td>19,324.54</td>
</tr>
<tr>
<td>2</td>
<td>Oil and Gas</td>
<td>140</td>
<td>16,992.58</td>
</tr>
<tr>
<td>3</td>
<td>Manufacturing</td>
<td>453</td>
<td>5,165.31</td>
</tr>
<tr>
<td>4</td>
<td>Transport &amp; Communication</td>
<td>28</td>
<td>3,183.44</td>
</tr>
<tr>
<td>5</td>
<td>Mining</td>
<td>70</td>
<td>2,868.68</td>
</tr>
<tr>
<td>6</td>
<td>Real Estate</td>
<td>29</td>
<td>2,277.77</td>
</tr>
<tr>
<td>7</td>
<td>Hotel &amp; Tourism</td>
<td>57</td>
<td>2,157.97</td>
</tr>
<tr>
<td>8</td>
<td>Livestock and Fisheries</td>
<td>34</td>
<td>452.83</td>
</tr>
<tr>
<td>9</td>
<td>Agriculture</td>
<td>17</td>
<td>242.69</td>
</tr>
<tr>
<td>10</td>
<td>Industrial Estate</td>
<td>3</td>
<td>193.11</td>
</tr>
<tr>
<td>11</td>
<td>Construction</td>
<td>2</td>
<td>37.77</td>
</tr>
<tr>
<td>12</td>
<td>Others</td>
<td>26</td>
<td>284.12</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>867</td>
<td>53,180.81</td>
</tr>
</tbody>
</table>

Sources: www.adb.org/ www.reuters.com and DICA
Four Key Sectors in Myanmar

Four sectors expected to contribute 70% or US$154 billion to Myanmar’s GDP by 2030:

<table>
<thead>
<tr>
<th>Sector</th>
<th>GDP contribution in 2010 (US$ billion)</th>
<th>GDP contribution in 2030 (US$ billion)</th>
<th>Projected GDP percentage change from 2010 to 2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>8.0</td>
<td>21.7</td>
<td>+171.3%</td>
</tr>
<tr>
<td>Hospitality</td>
<td>0.6</td>
<td>14.1</td>
<td>+2250.0%</td>
</tr>
<tr>
<td>Infrastructure / construction</td>
<td>10.5</td>
<td>48.8</td>
<td>+364.8%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>9.8</td>
<td>69.4</td>
<td>+608.2%</td>
</tr>
</tbody>
</table>

Source: The McKinsey Global Institute. The 2030 GDP is estimated to be US$220.6 billion by McKinsey.
<table>
<thead>
<tr>
<th>No.</th>
<th>Country</th>
<th>Enterprises/ Projects</th>
<th>Amount (US$ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>87</td>
<td>14,493.91</td>
</tr>
<tr>
<td>2</td>
<td>Thailand</td>
<td>83</td>
<td>10,257.94</td>
</tr>
<tr>
<td>3</td>
<td>Singapore</td>
<td>149</td>
<td>8,486.31</td>
</tr>
<tr>
<td>4</td>
<td>Hong Kong</td>
<td>100</td>
<td>7,118.02</td>
</tr>
<tr>
<td>5</td>
<td>U.K.</td>
<td>77</td>
<td>3,712.63</td>
</tr>
<tr>
<td>6</td>
<td>Rep. of Korea</td>
<td>109</td>
<td>3,231.02</td>
</tr>
<tr>
<td>7</td>
<td>Malaysia</td>
<td>50</td>
<td>1,654.12</td>
</tr>
<tr>
<td>8</td>
<td>Vietnam</td>
<td>8</td>
<td>688.59</td>
</tr>
<tr>
<td>9</td>
<td>The Netherlands</td>
<td>11</td>
<td>551.54</td>
</tr>
<tr>
<td>10</td>
<td>France</td>
<td>4</td>
<td>541.61</td>
</tr>
<tr>
<td>11</td>
<td>India</td>
<td>18</td>
<td>508.43</td>
</tr>
<tr>
<td>12</td>
<td>Japan</td>
<td>57</td>
<td>387.42</td>
</tr>
<tr>
<td>13</td>
<td>U.S.A</td>
<td>16</td>
<td>245.61</td>
</tr>
<tr>
<td>14</td>
<td>Indonesia</td>
<td>12</td>
<td>241.50</td>
</tr>
<tr>
<td>15</td>
<td>Canada</td>
<td>18</td>
<td>195.81</td>
</tr>
</tbody>
</table>

Source: DICA
Facilitating investment flows into Myanmar through UOB’s regional FDI network

UOB Asian Enterprise Survey 2014

1 in 4
Asian enterprises plan to expand into Myanmar in 2015

China 26%
Hong Kong 31%
Thailand 28%
Malaysia 25%
Singapore 22%
Indonesia 18%

Note: The UOB Asian Enterprise Survey 2014 was completed in late 2014. A total of 1,024 Asian enterprises from mainland China, Hong Kong, Indonesia, Malaysia, Singapore and Thailand were surveyed on how they viewed business challenges and growth opportunities.
Supporting Foreign Investment growth in Myanmar – Global FDI for 2015 expected to be > US$5 billion*

(as of 31 May 2014)

<table>
<thead>
<tr>
<th>Organization Type</th>
<th>Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Myanmar Company</td>
<td>38,162</td>
</tr>
<tr>
<td>Foreign Incorporated/ Branch</td>
<td>3,032</td>
</tr>
<tr>
<td>Partnership</td>
<td>1,072</td>
</tr>
<tr>
<td>Joint Venture Company</td>
<td>73</td>
</tr>
<tr>
<td>Association</td>
<td>88</td>
</tr>
<tr>
<td>Total</td>
<td>42,427</td>
</tr>
</tbody>
</table>

Foreign investors account for less than 10% → Huge upside potential as market continues to liberalize

* Source: Myanmar Investment Commission
Supporting cross-border needs across the region

Myanmar strengthens UOB’s Southeast Asia network to facilitate more trade flows across the region
Capturing more trade business through our regional footprint – China, Thailand, India and Singapore

Top 10 Export Partners of Myanmar in 2013

Top 10 Import Partners of Myanmar in 2013

Source: IMF
# Cross-Border Trade Volume of Myanmar

<table>
<thead>
<tr>
<th>YEAR</th>
<th>EXPORTS (USD)</th>
<th>IMPORTS (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>6.4 Billion</td>
<td>9.9 Billion</td>
</tr>
<tr>
<td>2011</td>
<td>8.3 Billion</td>
<td>13.7 Billion</td>
</tr>
<tr>
<td>2012</td>
<td>8.3 Billion</td>
<td>17 Billion</td>
</tr>
<tr>
<td>2013</td>
<td>9.8 Billion</td>
<td>12.2 Billion</td>
</tr>
<tr>
<td>2014</td>
<td>9.9 Billion</td>
<td>14.6 Billion</td>
</tr>
</tbody>
</table>

*Note: Myanmar has generally been in trade deficits. Recorded trade deficit of USD4.9 bn as of Dec. 2014 (source: ADB).*

Source: www.imf.org /www.commerce.gov.mm
## Special Economic Zones (SEZ)

### Main SEZ plans in Myanmar

<table>
<thead>
<tr>
<th>SEZ</th>
<th>Size of area</th>
<th>Core developer</th>
<th>Envisaged tenant industries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Pros</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Cons</td>
</tr>
</tbody>
</table>

### Infrastructure

- **Road**
- **Pipeline** (oil, gas)
- **Railway** (plan)

### Core developers to be selected

- **Kyaukpyu**
  - Petrochemical industry?
  - Natural good port
  - Far from industrial areas

- **Thilawa**
  - 2,400 hectares
  - Japan
  - Light industry, assembly industry
  - Close to Yangon, big consumption area
  - River port cannot handle large ships

- **Dawei**
  - 20,000 hectares
  - Thailand, Japan?
  - Heavy, chemical industries
  - Gateway from Thailand to Indian Ocean
  - Infrastructure must be built from scratch

*Only Dawei has officially been designated as SEZ; other two are pending.*
Thilawa SEZ

- 2,400 hectare, south of Yangon

- Joint venture between the Myanmar government (10%), Myanmar Japan Thilawa Development (MJTD) (41%), Japan International Corporation Agency (10%) and MMS Thilawa (39%)

- A free zone:
  - tax exempt for the first five years of operation,
  - 50% tax relief in the following five years
  - No import duty on raw materials, capital goods and parts, construction materials for factories, office and motor vehicles

Source: Frontier Myanmar
2. Permissible Activities of Foreign Banks in Myanmar
# Permissible Activities of Foreign Banks

<table>
<thead>
<tr>
<th>Scope</th>
<th>Permitted</th>
<th>Prohibited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer segments</td>
<td>• Banks • Wholly Foreign owned and JVs • Only allowed to service local corporates in partnership with a local financial institution</td>
<td>• Individual foreigners • Local Myanmar nationals • Local Myanmar companies, Government bodies, domestic non-bank financial institutions (e.g. private insurance companies/ microfinance companies) and domestic retail customers</td>
</tr>
<tr>
<td>Currency Types</td>
<td>• USD, Euro, SGD, MMK (THB and MYR are also allowed since May 2015, but UOBY will not deal in these currencies yet)</td>
<td>-</td>
</tr>
<tr>
<td>Deposit Credit Interest</td>
<td>• Deposit rates for FCY is freely determinable by the bank</td>
<td>• Not allowed to pay interest for MMK</td>
</tr>
<tr>
<td>Loan Interest Rate</td>
<td>• Loan interest rate for FCY is freely determinable by the bank.</td>
<td>• MMK loan interest rate is regulated by the Central Bank of Myanmar (CBM) which is 13% p.a.</td>
</tr>
<tr>
<td>Borrower Limit</td>
<td>• Single Borrower/Group lending limit = 20% on paid-up capital, which is up to USD15m for UOBY, similar with foreign banks</td>
<td>-</td>
</tr>
<tr>
<td>Collateral</td>
<td>• Mortgage over the leased rights of the Land/ Allowed to Sub-lease the land • All mortgage over land must be registered with the office for the Registration of Deeds • Any type of assets that foreign companies or local banks are or will be allowed to own under Myanmar law can be accepted as collateral for a loan granted by a foreign bank.</td>
<td>• Not allowed to take mortgage over the title of the land. Only local Myanmar individuals/ companies are allowed to own lands.</td>
</tr>
</tbody>
</table>
## Lending (Local Bank vs. Foreign Banks)

<table>
<thead>
<tr>
<th>Type of Banks</th>
<th>Currency Type</th>
<th>Customer Type</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MMK</td>
<td>Foreign Currency</td>
<td>Local Enterprises</td>
</tr>
<tr>
<td>Local Banks</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign Bank Branches</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
</tr>
</tbody>
</table>

**Note:**
- Single Lending Limit: capped at 20% paid-up capital to an “economic group” (applies to both local and foreign banks).
## Account Structures (Local Banks vs. Foreign Banks)

<table>
<thead>
<tr>
<th>Account</th>
<th>Current A/C (MMK)</th>
<th>Current A/C (FCY)</th>
<th>FD (MMK)</th>
<th>FD (FCY)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Local Banks</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resident</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>• but not FIEs unless specially approved by authorities</td>
<td>• but only provided by 2 state-owned banks; namely MICB and MFTB)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit interest</td>
<td>Yes</td>
<td>No, unless specially approved by authorities</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>• not applicable to FIEs unless specially approved by authorities</td>
<td>• not applicable to FIEs unless specially approved by authorities</td>
<td>• but only provided by 2 state-owned banks namely MICB and MFTB)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• for locals (min deposit rate: 8% pa, max deposit rate: 10% pa)</td>
<td>• for locals (min deposit rate: 8% pa, max deposit rate: 10% pa)</td>
<td>• Applicable to both local and FIEs.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Current Accounts are non-interest bearing</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Foreign Banks**

<table>
<thead>
<tr>
<th>Account</th>
<th>Current A/C (MMK)</th>
<th>Current A/C (FCY)</th>
<th>FD (MMK)</th>
<th>FD (FCY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>• Banks &amp; FIEs only</td>
<td>• Banks &amp; FIEs only</td>
<td>• Banks &amp; FIEs only</td>
<td>• Banks &amp; FIEs only</td>
</tr>
<tr>
<td>Credit interest</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>• for banks &amp; FIEs (i.e. WOFEs &amp; JVs)</td>
<td>• determinable by bank</td>
<td></td>
<td>• for banks &amp; FIEs (i.e. WOFEs &amp; JVs)</td>
</tr>
<tr>
<td></td>
<td>• determinable by bank</td>
<td></td>
<td></td>
<td>• determinable by bank</td>
</tr>
</tbody>
</table>

**Note:** Banks in Myanmar are not allowed to open offshore accounts for Non-residents.
3. UOB Yangon Offerings
UOB Yangon’s Offerings

Deposit
- Current: USD, EURO, SGD, MMK
  (Possible future: THB & MYR, 2 new foreign currencies allowed by CBM in May ‘15)
- Saving account: Interest payable for only foreign currency deposit types and no ATM services. Cash deposit and withdrawal can be done via local partner bank
- Deposit: interest not applicable to MMK

Loan
- USD and MMK (CBM allows foreign banks to deal in MMK, USD, EURO, SGD, THB & MYR)
- Working capital financing: tenor <1 year
- Term Loan: Tenor > 1 year (not applicable to MMK)

Trade Finance
- USD, EURO, SGD, MMK (THB may be a possible consideration in future)
- Full range of products:
  - Import: L/C, T/R, SBLC, L/C Advising, L/C Confirmation
  - Export: Bills Collection, Export Negotiation
- Bankers Guarantee, Performance Guarantee (UOBY can issue PG against counter guarantee from International Banks)

Treasury Services
- FX Spot (FCY to MMK conversion will be subject to our ability to square off our position with a counter-party bank at the time of client’s request)
- FX Forward (only for FCY to FCY pairing)
  (At present, interbank activities are very limited an in fact, non-existent in Myanmar. Interbank loans and FX transactions are done on a bilateral basis).
# Deposit Account Types offered by UOB Yangon

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Features/ Other Info</th>
</tr>
</thead>
</table>
| Statement-based Savings Account | - Currencies available:: EUR, SGD, USD, MMK  
                             | - MT940/942 available  
                             | - No initial deposit requirement  
                             | - No minimum balance fee  
                             | - Credit interest rates: To be advised  
                             | - Business Internet Banking (BIB) Plus available                                                                                                      |
| Fixed Deposit Account        | - Deposits with fixed tenors  
                             | - Placements can be in:: EUR, SGD, USD  
                             | - Tenors available: 1D, 14D, 1M to 12M, 24M and 36M  
                             | - Minimum placement for EUR: 1 million (subject to advice), SGD:10,000, USD: 10,000.  
                             | - Premature Withdrawal Penalty Method: Replacement Cost  
                             | - Credit interest rates: To be advised                                                                                                                |

**Note:**
- Local currency i.e. MMK accounts are allowed but these are non-interest bearing.
- FX services whereby customers request for MMK/USD conversion will not be available.
# Key Relationship Banks

## Private Banks
1. Ayeyarwaddy Bank
2. Kanbawza Bank
3. Myanmar Apex Bank
4. Myanmar Oriental Bank
5. Tun Foundation Bank
6. United Amara Bank
7. Yoma Bank

## State-Owned Banks
1. Myanmar Economic Bank
2. The Myanmar Foreign Trade Bank
3. The Myanmar Investment and Commercial Bank

## Public Banks
1. Asia Green Development Bank
2. Co-operative Bank
3. Construction & Housing Dev. Bank
4. Global Treasures Bank
5. Small & Medium Industrial Development Bank
6. First Private Bank
7. Myanmar Citizens Bank

## Other Foreign Banks in Myanmar
1. Bangkok Bank
2. MUFG
3. Mizuho
4. BTMU
5. OCBC
6. MayBank
7. ICBC
8. ANZ

## Central Bank
- Central Bank of Myanmar (CBM)
Collaborating with overseas UOB centres to issue PG/ Bid Bond to support client’s onshore project bidding

- **UOB Offshore**
  - Offshore
  - Issue Counter-guarantee

- **Offshore Company**
  - Apply for PG/ Bid Bond

- **UOBY**
  - PG issuance on behalf of Client’s Onshore subsidiary/branch

- **Institutions in Myanmar calling for project tender**
  - Onshore
Collaborating with overseas UOB centres to support client’s onshore loan requirements

- **UOB Offshore**
- **Offshore Company**
- **UOBY**
- **JV/Foreign owned companies**
- **Myanmar Company**
- **Myanmar Co./Individual**

- Loan from offshore requires MIC’s & CBM’s approval
- Loan Agreement between 3 parties
- Capped at 20% of paid up capital (max. of USD15m to an “economic group”)
- Mortgage over lease right of land /property /other security
- Lease land / Property

➢ **UOBY may be appointed as security agent**
Collateral to be considered for Onshore Financing

- Mortgage over lease rights of land and property
- Charge over equipment, machinery, stock and receivable
- Assignment over collections
- Corporate Guarantee
- Personal Guarantee
- SBLC, BG, etc.
4. Challenges
Challenges

**FX risks**
- Heavily dollarized economy. **Govt institutions are now not allowed to settle in FCY.**
- Local banks are generally short in FCY.
- Lack of public confidence in MMK – market views the local currency as over-valued
- The country is generally in trade deficit (-USD498.3m as of Dec.2014, source: ADB).

**Lending Limit of USD15m to an “economic group”**
- Lending limit to group related parties (i.e. common shareholders) capped at 20% of paid-up capital.
- Loan quantum constrained by same Myanmar JV partner.

**Political Considerations**
- Transitional period of political and economical reforms
- With 135 ethnic groups, separatist ideology and religious divisions are cautiously managed
- Election successfully held in Nov 2015. Pending actual transition of power to new government

**Lack of Skilled Labour**
- Lack of experiences and skill sets
Challenges

**Infrastructures Rebuilding**
- Heavy congestion in Yangon
- Poor infrastructure support and reliable information sources → drives up operating cost

**Regulatory and Legal**
- Bureaucratic procedures
- More Clarity and Transparency
- New Financial Institutions Law still pending parliament’s approval

**Time Zone Difference**
- 1.5 hour behind Singapore
- Only 4 hours of effective window period with counterparts in Singapore

→ Implies that we have to run at a faster pace to make up for time lost from such inefficiencies
On a positive note…

- National Elections are smoothly carried out in late 2015 and transition in progress
- Trade liberalization picking up → cross-border trade volume will increase
- Infrastructure improving, many development projects are in progress
- High upside potential. Low labour cost and huge consumer market attracting more foreign investors
- More training institutes setting up to provide training demand for employees
Be a part of Myanmar’s growth with the region’s leading bank.

Now serving you from Yangon.

Thank you
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