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MCB
Myanmar Citizens Bank

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL
CONDITION AND RESULTS OF OPERATIONS FOR THE HALF YEAR ENDED
30 SEPTEMBER 2017**

INTERIM RESULT MANAGEMENT DISCUSSION AND ANALYSIS (MD & A)

The following Management's Discussion and Analysis of the Financial Condition and Results of Operations ("MD&A") for Myanmar Citizens Bank Limited plc (the "Company" or "MCB") should be read in conjunction with the unaudited interim condensed financial statements for the half year ended 30 September 2017 which statements were prepared in accordance with Myanmar Accounting Standard (MAS).

Additional information relating to the Company, including the Company's most recent Annual Report for the year ended 31 March 2017 and Interim Financial Statements are available at ysx-mm.com. All amounts in this MD&A are expressed in Myanmar Kyats.

CORPORATE INFORMATION

The Myanmar Citizens Bank Limited was incorporated as a public company limited by shares, as per Notifications No.21/91 of the Ministry of Commerce (Ministry of Trade) dated 30th September, 1991 and the Certificate of Incorporation No 274/91-92 dated 30th October ,1991. MCB is a License Commercial Bank of Myanmar. Authorized Capital of MCB is 75 Billion Kyats and its Paid-up Capital is 52 Billion Kyats and registered office at No. 256/260, Sule Pagoda Road, Kyauktada Township, Yangon.

Myanmar Citizens Bank Ltd				
Unaudited Condensed Income Statement				
	in Million			
	For the Six Months Ended		Increase/(Decrease)	
	30.09.2017	30.09.2016	Amount	%
Interest Income	10,638	9,680	958	9.90
Interest Expense	(6,624)	(5,371)	(1,253)	23.32
Net Interest income	4,014	4,309	(295)	(6.85)
Other income	1,606	2,433	(827)	(33.99)
Total Revenue	5,620	6,742	(1,122)	(16.64)
Total Expenses	(4,227)	(2,608)	(1,618)	62.07
Profit before Income Tax	1,393	4,134	(2,740)	(66.29)

Myanmar Citizens Bank Ltd				
Unaudited Condensed Balance Sheet				
	in Million			
	Balance Sheet as at		Increase/(Decrease)	
Assets	30.09.2017	30.09.2016	Amount	%
Cash in Hand & Bank	60,616	41,636	18,980	45.59
Loans & Advance	162,160	137,195	24,965	18.20
Investment & T-Bond	44,887	52,329	(7,442)	(14.22)
Property & Equipment	12,908	8,566	4,342	50.68
Other Assets	4,351	16,227	(11,876)	(73.19)
Total Assets	284,922	55,953	28,969	11.32
Liabilities				
Deposit from Customer	203,112	170,013	33,099	19.47
Other Liabilities	14,121	18,897	(4,776)	(25.27)
Total Liabilities	217,233	188,910	28,323	14.99
Equity				
Issued & Paid up Capital	52,005	52,005	-	-
Other Reserves	15,684	15,038	646	4.30
Total equity	67,689	67,043	646	0.96
Total Liabilities & Equity	284,922	255,953	28,969	11.32

The bank achieved a substantial growth in key business areas during the year 2017 as compared to the previous year. This was achieved against the backdrop of several challenges such as low investment opportunities, higher cost of funds, volatile margins and unstable currency rates posed by the external market forces & few new regulatory rules.

Fund Based Income (FBI)

Net Interest Income (NII), the main source of income of the bank, which accounts for more than 70% of the total operating income, has decreased by MMK 295 Mn during the year, recording a YoY negative growth of 6.85% mainly due to high cost of fund.

Other Income comprises of Non-Fund Based Fees Income (NFBFI) & Fund Based Fees Income (FBFI): are an important source of Other income of the bank has decreased by MMK 827 Mn during the year under review mainly due to revise fees structure in line with the market condition. This income source largely comprises of Commission on, Issue of bank guarantees, acceptance & endorsement. A noticeable negative Commission & Fees growth recorded from International banking division & HP loan dept. as compared to previous year.

Operating Expenses

Operating expenses of the Bank which stood at MMK 2.60 Bn during the 1st half of 2016, increased to MMK 4.22 Bn during the period under review, reflecting YoY increase of 62.07%. This increase was mainly due to increase in branch renovation, rebranding cost and personnel expenses triggered by annual salary increments & filling up the vacancies in the organizational structure needed to operate the business. Due to the fact that, the Cost to Income ratio has gone up by double in 2017.

Profitability

Profit before Tax has come down by 66.29% as compared to last year mainly due to a significant dropped on Fee income, higher operation cost, weighted average cost of funds, excess liquidity due to faster deposit growth compared to loan growth and is further impacted by significant increment on overhead incurred for bank infrastructure changes.

Business Growth

MCB has achieved total deposit growth of MMK 33.09Bn and Loan growth of MMK 24.96 Bn in comparison to the same period in the year of 2016 were recorded deposit and loan amounting to MMK. 203.11Bn and 162.16Bn respectively. MCB has launched a silver Jubilee Time deposit promotion which contributed to deposit growth and Year-on-year loan growth has been even better, with the bank recording a 19.47% increase since 30 September 2016. The Loans and advance increase was primarily attributable to the Higher Purchase Loan growth.

Due to recent Central Bank circular on Loan loss provisioning & cap on dividend base on None Performing Loans(NPL), bank has revisited the existing loan structure & changed with the intention to focus on good quality loan which may help to avoid expose on loan loss situation. Therefore, this has impacted on the loan growth momentum in the current year.

Other Information

2017 is an important year for Myanmar Citizen Bank, where the Bank celebrates its 25th anniversary. Since its establishment in 1991, the Bank has progressively developed in all spheres of its operations.

Rebranding Corporate Identity

Taking a significant step in its corporate revolution and transformation, MCB has also commenced on a corporate rebranding journey, redefining its identity and enhancing the brand and its visibility. This comprehensive rebranding encompasses the rejuvenation of MCBs corporate logo, all branches, alternate delivery channel touchpoints and corporate identity creating a sharp new visual resurgent identity. It also entailed a new corporate tag line – 'The Citizens' choice'. The extensive rebranding effort consolidates the progressive transformation of MCB and its brand as it celebrates its silver jubilee in 2017. The new logo of MCB, an emblem of forward looking young peacock, represents the refreshing and promising future of MCB while inheriting the grace and pride of its predecessor. This new brand enables MCB to stand out not only in the banking community, but also gain customer awareness as a progressively forward looking Universal bank that is embracing technology to deliver innovative solutions and banking services to its target market in Myanmar.

New products and Promotion

MCB also elevates its product offerings alongside its extensive corporate rebranding. Celebrating its Silver Jubilee, "Jubilee Fixed Deposit" promotion was introduced rewarding loyal customers with the best rates in the market for term deposits ranging from 1 months to 12 months. The Jubilee Saving Promotion signifies the reward and appreciation of MCB towards its customers and the commitment of MCB to provide customer centric services and product offerings. Diversifying its product offering and creating various revenue streams, MCB has array of new attractive products offering for its customers. With Loan against Deposit launched in November 2017, Senior Citizens Saving product introduced in January 2018 and more new products including Minor Saving Accounts and others in the pipeline that will be introduced into the market in 2017-18 financial year.