



**MANAGEMENT’S DISCUSSION AND ANALYSIS OF THE FINANCIAL
CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED
30 September 2019**

MANAGEMENT DISCUSSION AND ANALYSIS (MD & A)

The following Management Discussion and Analysis of the Financial Position and Results of Operations (“MD&A”) of Myanmar Citizens Bank Limited Plc (the “Company” or “MCB”) should be read in conjunction with the audited financial statements for year ended 30th September 2019. Additional information relating to the Company, including the Company’s six-month audited financial statements ended 30th September 2018 which was the transition period of the change in the new budget year. These financial statements were prepared in accordance with Myanmar Accounting Standard (MAS). All amounts in this MD&A are expressed in Myanmar Kyats. As the period ended 30 Sep 2018 was the transition period for the changing of the financial year in Myanmar, this management discussion and analysis is based on the comparison between six-month period ended 30 Sep 2018 and the twelve months for the year ended 30 Sep 2019.

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 licensed Commercial Bank of Myanmar. Authorized Capital of MCB is 75 Billion Kyats and its paid-up capital is 52 Billion Kyats and registered office is at No. 256/260, Sule pagoda Road, Kyauktada township, Yangon.

Myanmar Citizens Bank Public Co., Ltd				
Condensed Statement of Profit or Loss (MMK in Millions)				
Details	For the Period Ended		Increase/(Decrease)	
	30-Sep-19	30-Sep-18	Amount	%
Interest Income	41,194	15,823	25,371	160%
Interest Expense	(27,482)	(9,251)	(18,232)	197%
Net Interest Income	13,711	6,573	7,139	109%
Other Income	6,075	3,931	2,144	55%
Total Income	19,786	10,504	9,282	88%
Total Expense	15,482	5,542	9,940	179%
Profit Before Income Tax	4,304	4,961	(657)	-13%

Condensed Statement of Financial Position				
Details	As of Period Ended		Increase/(Decrease)	
	30-Sep-19	30-Sep-18	Amount	%
Cash in Hand & Bank	78,050	61,475	16,575	27%
Loans & Advances	315,298	230,496	84,802	37%
Investment & T-Bond	103,796	59,871	43,925	73%
Property & Equipment	15,569	13,750	1,819	13%
Intangible Assets	3,483	3,556	(73)	-2%
Other Assets	9,121	7,040	2,081	30%
Total Assets	525,318	376,189	149,129	40%
Liabilities				
Deposit from Customer	434,045	283,222	150,823	53%
Other Liabilities	15,452	12,546	2,907	23%
Borrowings	1,000	9,000	(8,000)	-89%
Total Liabilities	450,498	304,768	145,730	48%
Equity				
Share Capital	57,125	57,125	-	0%
Reserves	13,015	12,161	855	7%
Retained earnings	4,680	2,136	2,544	119%
Total Equity	74,820	71,421	3,399	5%
Total Liabilities & Equity	525,318	376,189	149,129	40%

*Share Capital Amount includes share premium as no par value is required as per Myanmar Companies law 2017

Profitability & Business Growth

Continuing its growth momentum powered by branch expansion plan & introduction of main core banking platform, Myanmar Citizen Bank posted significant growth in its core banking operations reflecting a 37% growth in Loans & advance and 53% growth in deposits during the last financial year. While the bank achieved a significant growth in the lending assets which outpaced the industry, we were able to control the Non-Performing Ratio within acceptable levels. Profit before tax (PBT) for the period was Ks-4.30 Bn. While the bank maintained its Net Interest Income during the last financial year, the PBT had reduced due to the increase in operating cost with the expansion in the branch network and the amortization of investments in the IT infrastructure. The investment in government securities such as treasury bills and bonds rapidly grew during the last year by increasing 73% and borrowings decreased from Ks-9 Bn to Ks-1 Bn at year ended 30 Sep 2019. The lower yields from the Government Securities had put pressure on the Net Interest Margins along with the increased cost in the deposit base.

Fund Based Income (FBI)

Net Interest Income (NII), the Bank's primary source of income registered marginal growth, Other income consisted of Net fee-based income which was Ks-6 Bn, mainly driven by the aggressive growth in the hire purchase book and net income from foreign currency translation.

Operating Expenses

Operating expenses of the Bank which stood at Ks-6 Bn during the six-month ending 30 Sep 2018, increased to Ks-15 Bn during the year ended 30 Sep 2019. This increase was mainly due to increase in branch renovation and branch expansion related expenses, operational expenses related to new core banking system and personnel expenses triggered by annual salary increments and new hires for critical vacancies in the organizational structure needed to operate the business. The bank considers these expenses are the necessary investments which would enable the bank to achieving long-term sustainable business growth. The investments in the delivery channels, IT Infrastructure and Human Capital has been a priority of the bank and with the investments made during the year the bank would be in a competitive position within the Banking Industry and be a significant player in the medium term.

Compliance of Statutory Reporting

At MCB, we are fully aware our responsibility as a bank, entrusted with the fiduciary duty of accepting and deploying public funds in a safe manner. We undertake to leverage such funds in a prudent manner by creating loans and advances which is essential for the development of the country. As a bank we consider earning the Trust of our customers a vital component for sustainable business and one key aspect with earning trust is to be a bank which is fully compliant with regulations and laws of the country. The bank is proud to state that we are in full compliance with the regulations and directives stipulated by Central Bank of Myanmar (CBM). The bank was able to maintain sufficient buffers over the minimum standards stipulated by CBM, which demonstrates a bank which is profitable, liquid, solvent and sufficiently capitalized and have a leeway to grow in the future.

Regulatory Ratio	Regulatory Standard	MCB
Reserve Ratio	Above 5%	7%
Liquidity Ratio	Above 20%	35.28%
Capital Adequacy- Tier I	Minimum 4%	16%
Capital Adequacy- Total	Minimum 8%	19%
Non-Performing Loans	Below 5%	4.92%

Performance Indicators

The bank was able to maintain the Return on average assets (ROA%) for the year ended 30 Sep 2019 compared to the previous reporting period ended 30 Sep 2018. Return on equity (ROE%) was 5.64% for the period ended 30 Sep 2019 increasing marginally from 5.56% in 30 Sep 2018. There was a significant increase in the Cost to income ratio which increased to 69.62% for the period ended 30 Sep 2019 from 54.34% in the period ended 30 Sep 2018. The reasons for the increase in Cost to Income ratio has been discussed in the previous section under Operating Expenses. This resulted in lower earnings per share in the financial year ended 30 Sep 2019 down to Ks-329 per share comparing with Ks-366 per share in reporting period ended 30 Sep 2018.

Branch Expansion

While MCB recognizes the fact that to serve our customers better we need an expanded branch network as a customer touch/ service point, we would emphasis on having the right mix of branches and other delivery channels to optimize our reach across the country. Branches locations would be selected through a methodological approach which would complement the long-term strategic objectives of the bank. We feel that this approach towards Branch locations would enable the Bank to be a sustainable financial intermediary better serving our customers and overall economy of the country. By end of 2018, we had increased our physical branch network to 33 branches and by end of 2019, we gradually increased to 44 branches.

Core Banking Implementation

With ever evolving technological advancements in the banking industry both globally and locally, MCB commenced on implementing a new Core Banking system in 2018. While the implementation had certain issues, the bank migrated to the new Core Banking system in Sep 2018. This would enable the bank to respond to customer needs in a much faster pace by providing convenience and better served products and services, reduce redundant manual operational procedures leading to much more efficient and cost effective, and allow other channels of serving customers a reality. In an ever evolving and tech savvy society, the Core Banking System and other digital channels would help the bank be a relevant and a competitive player in the industry in the future. This would further enable the bank to acquire new customers by tapping in to the mass unbanked population in Myanmar.

Digital Banking

MCB acknowledges the change in consumer needs for easier and faster access to banking services and the number of new mobile wallets in Myanmar over the last two years have paved the way for consumers to rely more on mobile banking than traditional branch banking. MCB has engaged its Core Banking System software company, Temenos to provide an omni-channel mobile and internet banking solution to serve its base of customers as a secured and convenient way of banking with MCB. The mobile banking solution will be made available in the first half of 2020.