



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS FOR SIX MONTH PERIOD  
ENDED 31 MARCH 2020**

## MANAGEMENT DISCUSSION AND ANALYSIS (MD & A)

The following Management's Discussion and Analysis of the Financial Position Condition and Results of Operations ("MD&A") of Myanmar Citizens Bank Limited plc (the "Company" or "MCB") should be read in conjunction with the financial statements for six months ended 31<sup>st</sup> March 2020. These financial statements were prepared in accordance with Myanmar Financial Reporting Standards (MFRS). 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 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 at No. 256/260, Sule Pagoda Road, Kyauktada Township, Yangon.

### Myanmar Citizens Bank Public Co., Ltd Summarized Statement of Profit or Loss

in Millions

Details	For the six months Ended		Increase/(Decrease)	
	31.3.2020 (Review Audited)	31.3.2019 (Review Audited)	Amount	%
Interest Income	23,111.08	17,922.55	5,188.53	29%
Interest Expense	(17,477.47)	(12,351.79)	(5,125.68)	41%
<b>Net Interest Income</b>	<b>5,633.61</b>	<b>5,570.76</b>	<b>62.85</b>	<b>1%</b>
Other Income	1,910.62	3,532.70	(1,622.08)	-46%
<b>Total Revenue</b>	<b>7,544.23</b>	<b>9,103.46</b>	<b>(1,559.23)</b>	<b>-17%</b>
<b>Total Expense</b>	<b>(6,936.26)</b>	<b>(6,728.78)</b>	<b>(207.48)</b>	<b>3%</b>
<b>Profit before Income Tax</b>	<b>607.97</b>	<b>2,374.68</b>	<b>(1,766.71)</b>	<b>-74%</b>

**Myanmar Citizens Bank Public Co., Ltd**  
**Summarized Statement of Financial Position**

in Millions

Assets	Balance Sheet as at		Increase/ (Decrease)	
	31.3.2020	30.9.2019	Amount	%
	(Review Audited)	(Audited)		
Cash in Hand & Bank	78,716.95	78,049.51	667.44	1%
Loans & Advances	332,256.65	315,298.40	16,958.25	5%
Investment & T-Bond	108,576.23	103,795.95	4,780.28	5%
Property & Equipment	16,097.72	15,569.48	528.25	3%
Intangible Assets	3,741.33	3,483.15	258.18	7%
Other Assets	15,122.79	9,121.47	6,001.32	66%
<b>Total Assets</b>	<b>554,511.67</b>	<b>525,317.96</b>	<b>29,193.72</b>	<b>6%</b>
<b>Liabilities</b>				
Deposit from Customer	463,585.64	434,045.33	29,540.31	7%
Other Liabilities	19,835.74	15,452.36	4,383.38	28%
Borrowings		1,000.00	(1,000)	-100%
<b>Total Liabilities</b>	<b>483,421.38</b>	<b>450,497.69</b>	<b>32,923.69</b>	<b>7%</b>
<b>Equity</b>				
*Share Capital	57,124.66	57,124.66	-	0%
Reserves	13,137.00	13,015.41	121.59	1%
Retained earnings	828.63	4,680.19	(3,851.56)	-82%
<b>Total Equity</b>	<b>71,090.29</b>	<b>74,820.26</b>	<b>(3,729.97)</b>	<b>-5%</b>
<b>Total Liabilities &amp; Equity</b>	<b>554,511.67</b>	<b>525,317.96</b>	<b>29,193.72</b>	<b>6%</b>

\*Amount includes share premium as no par value is required as per Myanmar Companies Law 2017

## **Business Performance and Growth**

The bank continued on its growth momentum in the first half of the financial year even though the growth rate reduced in a very challenging and competitive environment including the early stages on the COVID outbreak in the country which impacted business growth. The bank had embarked on a transformation journey to become one of the leading banks in the country with investment in our people, products, processes, infrastructure and systems. This transformation brought in additional investments and expenditure which was unavoidable, but the initial results expected over the coming two years.

**Net Interest Margin** - Both interest income and interest expense increased significantly by 29% and 41% respectively in comparison to the corresponding period of the last financial year. With deposit growth outpacing the lending growth, the net interest income reduced due to the higher interest expenses and compressed the net interest margin. However, the growth in deposits was indicative of the increased customer trust and confidence in your bank which would bode well for the future growth in the bank. The deposit mix also had an effect on the interest expenses since major portion of the deposits were made up of higher interest bearing deposits of Savings and Term Deposits.

**Fees and Commission Income** - Other income decreased significantly in the first six-month period ended by 46% compared to the previous year. While the slowing down of the lending growth rate had an impact on the fees and commissions, the change in the commission structure offered to clients to be more competitive along with the change in the recognition of upfront fees had contributed to the lower commissions and fees.

**Operating Expenses** – The Operating expense increased marginally by 3% in the six month period ended 31<sup>st</sup> March 20. During a period where the bank was engaged in an expansion drive it is noteworthy that there had only been a marginal increase in operating expenses.

**Business Size** – the size of bank increased by 6% in terms of balance sheet compared with the previous period. The significant reduction in the retained earnings was due to the dividend paid for the last financial year. The overall balance sheet grew by 6%, with the lending book grew by 5% and treasury investments increasing by 5%. The total deposits grew by 7%. The increase in property and equipment was due to the new branch openings.

### **Regulatory Compliance**

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 as at 31 <sup>st</sup> March 2020
Reserve Ratio	Above 5%	6%(MMK) 10%(FC)
Liquidity Ratio	Above 20%	33%
Capital Adequacy- Tier I	Minimum 4%	12%
Capital Adequacy- Total	Minimum 8%	14%