



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED  
31MARCH 2018**

## 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 audited condensed financial statements for the year ended 31<sup>st</sup> March 2018 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 2018 and Interim Financial Statements are available at [ysx-mm.com](http://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 30<sup>th</sup> September, 1991 and the Certificate of Incorporation No 274/91-92 dated 30<sup>th</sup> 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				
Audited Condensed Income Statement				
	in Millions			
	For the year Ended		Increase/(Decrease)	
	31.03.2018	31.03.2017	Amount	%
Interest Income	23,145	20,980	2,165	10.32
Interest Expense	(13,933)	(11,538)	(2,395)	20.76
Net Interest Income	9,212	9,442	(230)	(2.44)
Other Income	3,967	4,416	(449)	(10.17)
Total Revenue	13,179	13,858	(679)	(4.90)
Total Expenses	(9,220)	(6,040)	(3,180)	52.65
Profit before Income	3,959	7,818	(3,859)	(49.36)

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Myanmar Citizens Bank Ltd				
Audited Condensed Balance Sheet				
in Millions				
Assets	Balance Sheet as at		Increase/(Decrease)	
	31.03.2018	31.03.2017	Amount	%
Cash in Hand & Bank	46,085	26,214	19,871	75.80
Loans & Advance	188,253	159,718	28,535	17.87
Investment & T-Bond	57,511	47,492	10,019	21.10
Property & Equipment	12,947	10,261	2,686	26.18
Other Assets	5,354	6,356	(1,002)	(15.76)
<b>Total Assets</b>	<b>310,150</b>	<b>250,041</b>	<b>60,109</b>	<b>125.18</b>
<b>Liabilities</b>				
Deposit from Customer	220,153	163,970	56,183	34.26
Other Liabilities	20,300	19,618	682	3.48
<b>Total Liabilities</b>	<b>240,453</b>	<b>183,588</b>	<b>56,865</b>	<b>37.74</b>
<b>Equity</b>				
Issued & Paid up Capital	52,005	52,005	0	0.00
Share Premium	5,119	5,119	0	0.00
Other Reserves	12,572	9,330	3,242	34.75
<b>Total equity</b>	<b>69,696.00</b>	<b>66,454.00</b>	<b>3,242.00</b>	<b>34.75</b>

The bank achieved a substantial growth in key business areas during the year ended 31<sup>st</sup> March 2018 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 59% of the total operating income, has decreased by MMK 248Mn during the year, recording a YoY negative growth of 2.62% 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 2.60Bn during the year under review mainly due to revise fees structure in line with the market condition and decrease on foreign exchange gain by comparing with previous year due to depreciation of dollar against Kyats. This income source largely comprises of Commission on, Issue of bank guarantees, acceptance & endorsement.

### **Operating Expenses**

Operating expenses of the Bank which stood at MMK 8.26Bn during the year ending 31<sup>st</sup> March 2017, increased to MMK9.23Bn during the period under review, reflecting YoY increase of 11.57%. 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.

### **Profitability**

Profit before Tax has come down by 49.43% as compared to last year mainly due to a significant dropped on Fee & Exchange 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 49.81Bn and Loan growth of MMK 28.42Bn in comparison to the same period in the year of 2016/2017 were recorded deposit and loan amounting to MMK. 220.15Bn and 188.25Bn respectively. 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.

### **Branding, Marketing & Branch Expansion**

In 2017, MCB has taken a significant step in corporate revolution and transformation. The strategic corporate rebranding helps us to reposition MCB in banking industry gaining customer awareness as well as industry recognition. Part of this progressive transformation is strengthening MCB brand identity by rejuvenating its existing branches and expanding its branch network by adding new flagship branches. Five more branches will be opened to make our total branch network of 33 by the end of September.

### **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.

In 2018, MCB has formed strategic partnership with reputable brands such as Samsung, to grow its market in retail lending. Despite the challenges in retail lending in Myanmar, MCB and Samsung have collaborated and developed technology and market experience driven system to best steer this financing scheme to success in the current retail landscape of Myanmar. Going forward, MCB strongly believes that building lasting relationships with strategic partners and most importantly with customers is one of the success factors of banking in Myanmar.

Alongside its holistic corporate rebranding effort and digital transformation, MCB also elevates its product offerings introducing arrays of new products and services for its customers.

### **New Core Banking System**

MCB is taking major steps for its digital transformation in 2018. In January 2018, MCB embarks on its digital transformation by signing up T24 Core Banking System by Temenos, one of the world's leading core banking system vendors. A stable and reliable CBS is the key to offer varied products and services to compete with other players in the market. MCB's partnership with Temenos and Techmill will see MCB leapfrog in integrated digital banking solutions for its customers to meet the ever-changing needs of innovative Fintech products and services. With the introduction of core banking in 2018, more new products and digital banking products will be introduced into the market enabling MCB as a progressively forward-looking bank that is embracing technology to better align MCB with the changes reshaping the banking market.

**Board of Directors**