



**MANAGEMENT’S DISCUSSION AND ANALYSIS OF THE FINANCIAL
CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED 30
SEPTEMBER 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 six months ended 30th September 2018. This six-month financial statement is a result of new regulations on change in new budget period the six months gap between the ending of the current 2017-2018 fiscal year 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. 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 Condensed Income Statement

in Millions

	For the six months Ended		Increase/(Decrease)	
	30.09.2018 (Audited)	30.09.2017 (Audited)	Amount	%
Interest Income	15,823.17	10,638.34	5,184.83	48.74%
Interest Expense	(9,250.60)	(6,623.94)	2,626.66	39.65%
Net Interest Income	6,572.57	4,014.39	2,558.18	63.73%
Other Income	3,581.76	1,424.78	2,156.98	151.39%
Total Revenue	10,154.33	5,439.17	4,715.15	86.69%
Total Expense	(5,193.09)	(4,046.29)	965.40	23.86%
Profit before Income Tax	4,961.24	1,392.88	3,568.35	256.18%

Myanmar Citizens Bank Ltd
Condensed Balance Sheet

in Millions

Assets	Balance Sheet as at		Increase/(Decrease)	
	30.09.2018 (Audited)	31.3.2018 (Audited)	Amount	%
Cash in Hand & Bank	61,474.95	46,085.25	15,389.70	33.39%
Loans & Advances	230,496.37	188,252.55	42,243.82	22.44%
Investment & T-Bond	59,871.15	57,510.88	2,360.27	4.10%
Property & Equipment	13,750.32	12,947.28	803.04	6.20%
Intangible Assets	3,555.99	167.67	3,388.32	2020.79%
Other Assets	7,040.34	5,186.33	1,854.01	35.75%
Total Assets	376,189.12	310,149.96	66,039.16	21.29%
Liabilities				
Deposit from Customer	283,222.10	220,153.30	63,068.80	28.65%
Other Liabilities	12,545.80	20,300.29	(7,754.49)	-38.20%
Borrowings	9,000.00	-	9,000.00	100.00%
Total Liabilities	304,767.90	240,453.59	64,314.30	26.75%
Equity				
Issued & Paid up Capital	52,004.93	52,004.93	-	0.00%
Share Premium	5,119.73	5,119.73	-	0.00%
Other Reserves	12,160.52	10,360.46	1,800.05	17.37%
Retained earnings	2,136.04	2,211.24	(75.20)	-3.40%
Total equity	71,421.22	69,696.37	1,724.85	2.47%
Total Liabilities & Equity	376,189.12	310,149.96	66,039.16	21.29%

Myanmar Citizen Bank (MCB) has delivered Total Asset growth of 21.29% and a Profit before tax for the last six months of 4.96 Bn while driving the Bank's digital transformation

The bank achieved a substantial growth in key business areas during the last six months ended 30th September 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 64.72% of the total Revenue Income, has increased by 2.58 Bn during the last six months, recording a positive growth of 63.73% mainly due to high loan growth.

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 increased by MMK 3.58bn during last six months due to fee income earned on high growth recorded on Hire Purchase. This income source largely comprises of Commission on HP Loans, Issue of bank guarantees, acceptance & endorsement.

Operating Expenses

Operating expenses of the Bank which stood at MMK 4.23 Bn during the six-month ending 30th September 2017, increased to MMK 5.19 Bn during the period under review, reflecting YoY increase of 22.84%. This increase was mainly due to increase in branch renovation, branch expansion expenses, operational expenses related to new core banking system 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 increased 256.19% as compared to last year mainly due to a significant loan growth.

Business Growth

MCB has achieved total deposit growth of MMK 63.06 Bn and Loan growth of MMK 42.24 Bn in during the six months period were recorded deposit and loan amounting to MMK 283.22Bn and 230.49Bn respectively. The Loans and advance increase were primarily attributable to the Higher Purchase Loan growth.

Branch Expansion

The branch-expansion initiative is part of a broader effort by MCB to support inclusive financial growth and economic revitalization in strategic locations all over Myanmar. We strongly believe that a balanced and streamlined physical and digital touchpoint structure is the crucial element to success in Myanmar banking industry. By end of 2018, we have increased our physical branch network to 37 branches. In current economy, we recognize that some major banks have slowed down their expansion procession significantly. Thus, by taking strategic steps in branch expansion, we hope to create an industry wide awareness and a multiplier effect, whereby the growing presence and brand awareness of MCB has bigger impact in the industry creating a confidence that can attract more customers and more revenue growth.

Core Banking Implementation

The advancement in technology has changed the landscape of today's banking industry and has led to new ways of doing business in banking. These technological advancements in banking are key means of differentiating an institution from its competitors and establishing superior competitiveness. Thus, MCB embarked on its digital journey by initiating the integration of T24 Core Banking Solution of Temenos in early 2018. With highest priority on ensuring quality and safe launching, the system migration has been implemented gradually after thorough trials.

By September 2018, all MCB branches are interconnected in T24 core banking platforms. With this cutting-edge next-generation core banking system, MCB has strengthened its infrastructure to improve operation processing speed and also provide competitive products and services.

Digital Front End initiatives

MCB recognizes the scale of the digital transformation in Myanmar and the overgrowing digital disruption in every level of banking industry. MCB's modern core banking system makes it possible for MCB to adopt truly sophisticated and modern digital front-end. To provide omni-channel banking experience, MCB has made

strategic digitization effort by collaborating with an Indonesia based leading Software as a Service (SaaS) provider in digital banking services, Fortress Data Services (FDS). Thus, we have been expanding our banking network by keeping momentum in high performance with changes in technology, and aiming to provide customers with better services of Digital Banking System for their convenience and satisfaction in the near future.

Board of Directors