



## FPB Monitoring Report (No. 1)

### 1. Summary of FY2018 Business Results (Oct. 2018 – Sept. 2019)

FPB FY2018 business results (Oct. 2018 – Sept. 2019) are summarized as follows. Earnings included interest income of 23,123 million kyats and commissions totaling 2,142 million kyat, as well as foreign exchange gains of 539 million kyat. Meanwhile, expenditures included interest payments of 14,821 million kyat, personnel expenses of 2,031 million kyat, and other administrative expenses totaling 1,214 million kyat. As a result, the company registered net profits totaling 6,196 million kyat. Earnings per share on the company's stock were at 2,506 kyat, dividends per share were at 2,500 kyat and book value per share (after revaluation) was K 31,728.

In past reports we indicated that FPB has a high overdraft ratio. However, according to the current loan/overdraft ratio, overdraft has declined to 10%. This means that the bank has reduced its risk and now has a greater degree of freedom to carry out lending. This is of course a desirable trend. Most of the bank's financing customers are small to middle-sized companies in the warehousing and retailing industries. This sector accounts for around half of the bank's loans. Use of funds is mainly for working capital, and borrowing period is mainly for one year subject to extension up to three years for reliable borrowers. However, the JICA two-step loan scheme is mostly for the purpose of raising capital for use in capital expenditure (80%) with a maximum borrowing period of five-years.

#### Summary of Income statement

	FY 2018-19 (in million Kyat)
Interest income	23,123
Interest expense	(14,821)
<b>Net interest income</b>	<b>8,302</b>
Net fee and commission income	2,142
Exchange gain	539
<b>Revenue</b>	<b>10,983</b>
Personnel expenses	(2,031)
Other expenses	(1,214)
<b>Other income (sales of assets)</b>	<b>7</b>
<b>Net Profit before tax</b>	<b>7,745</b>
<b>Profit after Tax</b>	<b>6,196</b>
<b>Earning per share(MMK)</b>	<b>2,506</b>
<b>Book-Value Per Share(Cost)(MMK)</b>	<b>25,286</b>
<b>Book-Value Per Share (including Revaluation)(MMK)</b>	<b>31,728</b>

Source: Annual Report 2018-2019



The bank's ratio of non-performing loans is 5.93%, a slight increase in comparison to the 4.09% recorded in September 2018. Non-performing loans have occurred for the most part in the warehousing and retailing industries. FPB's loan screening system is quite thorough, with applications going through three stages of examinations by the respective Credit Committees at branch and HQ levels before being accepted. The branch manager has little authority when it comes to loan approvals. The final decision is made at the bank's headquarters. Considering the bank's loan screening system, the recent increase in the ratio of non-performing loans is most likely not a cause for concern. FPB is trying to bring it down to 5% and below.

### Financial Performance Indicators

<b>Profitability</b>	<b>FY 2018-19</b>
Net Profit (Before tax)(Kyat in million)	7,744.57
Percentage Increase	(0.72%)
Net Profit (After tax)(Kyat in million)	6,195.66
Percentage Increase	(0.72%)
Return on Equity (Before tax)	31.33%
Return on Equity (After tax)	25.06%
<b>Key Ratios</b>	
Capital Adequacy ratio	24.41%
Liquidity ratio	33.85%
Net Interest Margin (loan)	3.43%
( Loan + T.B )	4.05%
( Loan + T.B + Deposit Auction )	4.06%
Cost to Income Ratio	32.15%
Solvency Ratio ( Total assets / Total Liabilities )	1.28:1
<b>Lending Performance</b>	
Non-Performing Loan (NPL)	5.93%
NPL Coverage (Kyats in Million)	3,608.43
Deposit Growth	11.05%
Loan Growth	2.16%

Source: Annual Report 2018-2019



In considering future trends in the company's earnings it is useful to look at FPB's growth strategy as regards the number of branch offices, as well as digital transformation and training programs for staff.

The FPB branch expansion strategy has as its foundation the idea that new branch offices should be mostly smaller outlets devoted to the financial inclusion of people with low incomes, and having as their goal the reduction of poverty and access to finance for all. Since this is a strategy which is in line with government financial inclusion strategy. FPB is trying to cope with competition from other banks.

FPB's growth strategy is twofold, branch expansion together with digital transformation and adoption of modern banking practices. Being a public listed company "Growth for growth sake" is inadequate without making reasonable profits. FPB is now in the process of implementing core banking software and IFRS in a pragmatic manner because of huge investment requirement and inadequate level of skills and training of staff.

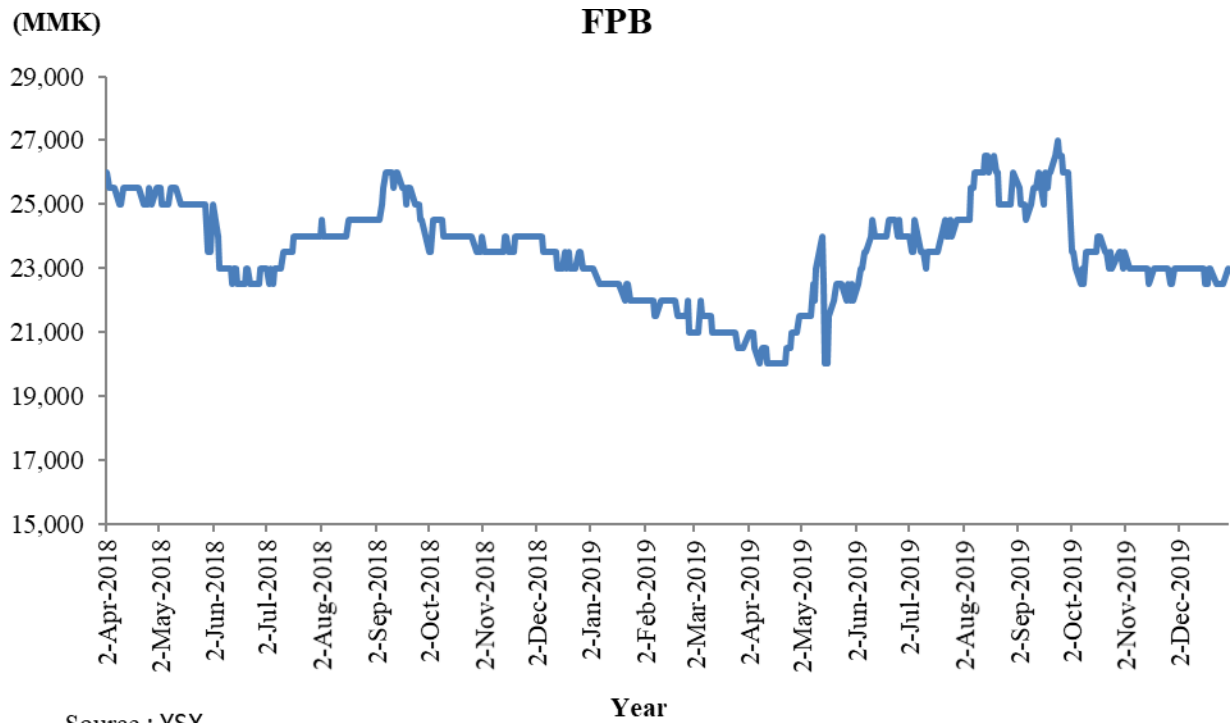
As for the computerization of banking operations, at this time only certain aspects of the deposit function are handled by computer systems. For this reason, the bank plans on working toward increasing the extent of its computerization with end 2020 targeted for completion. It will be of interest in the future how the bank does in improving operational efficiency as a result of investments (digital transformation and adoption of core banking software), as well as the extent to which it can cut costs, leading to improvement in profitability.

As for increasing the work skills of its staff, the bank has in-house training as well as making full use of MIB training programs and others.

The bank is also studying the possibility of JV with suitable and compatible bank from outside.



## 2. Change Over Time of FPB Stock Price



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