

First Private Bank Limited
(A Public Limited Liability Company)



Report by the Board of Directors
Submitted to the 29th Annual General Meeting of Shareholders
(27th December 2020)

(English Edition)

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1. Introduction

The first branch of First Private Bank was opened 28 years ago in Yangon on 6th October 1992. October 2020 marks the 28th anniversary of the founding of First Private Bank with the opening of its first branch. With the new financial year, 2020-2021, starting from 1st October, FPB is now entering its 29th year in business. Ever since its founding, FPB has delivered a sustainable annual profit to its shareholders and the recent financial year, 2019-2020, was no exception.

In presenting the annual report for FY 2019-2020 (1 October 2019 to 30 September 2020), the Board of Directors expectation is that shareholders will not only approve but also review FPB's banking & financial performances, strengths & weaknesses to give feedback and advice useful for further growth.

2. About FPB

2.1 Vision of FPB

- To be a model in clean, efficient, and honest corporate governance.
- To set high ethical and moral standards in banking and finance.

2.2 Mission of FPB

- To finance and give financial advice to private sector enterprises.
- To contribute to economic, institutional, and social development.
- To help promote the successful operation of capital markets.
- To contribute towards the reduction of poverty.
- To facilitate access to bank's financial services for all.

2.3 Core Values of FPB

- To be accountable, responsible, transparent, and trustworthy.
- To give a fair deal to customers, staff, and shareholders
- To protect the interest of all stakeholders.

2.4 Authorized and Paid-up Capital

When First Private Bank was founded in 1992, its authorized capital was **1,000 million kyats**. Later on, as business grew, the authorized capital was increased to **2,000 million kyats** (on 4th October 1999), **5,000 million kyats** (on 1st July 2005), **10,000 million kyats** (on 7th January 2008), **30,000 million kyats** (on 21st January 2011) and finally **100,000 million kyats** (or **100 billion kyats**) on 14th March 2014.

As at the end of 2019-2020 financial year, the authorized capital remained at **100 billion kyats**, the paid-up capital was **24,720.53 million kyats** (or **24.72053 billion kyats**) and the total number of shares sold to that date was **2,472,053** shares.

FPB shares have been priced at a par value of **10,000 kyats** since the founding of bank in 1992. But as net profits grew and dividends were paid out yearly, FPB was able to command a higher price, selling shares at successively higher premiums, above the par value price, at **11,000, 12,000, 13,000, 14,000, 15,000, 17,000, 18,000, 19,000, 20,000** and **25,000 kyats** in the years between, reaching **30,000 kyats** per share in FY 2016-2017 before listing on YSX on 20th January 2017.

The share premiums paid above the par value were recorded in share-premium capital account. The balance of that share premium capital account as at the end of 2019-2020 financial year was **11,845.88 million kyats**.

2.5 Ownership of Shares

2.5.1 Classification of Shareholders

As of 30 September 2020 (the end of FY 2019-2020), FPB had **8,330** shareholders. Among the shareholders,

- **1,981** shareholders (or 24%), representing **1,079,355** shares (or 43.66% of total number of shares), had already opened security accounts at local securities companies to trade on YSX (*security account holders*).
- The remaining **6,349** shareholders (or 76 %), representing **1,392,698** shares (or 56.34% of total number of shares), have not opened security accounts with the local security companies (*special account holders*).

The **8,330** shareholders can be classified based on the number of shares owned as shown in the following table.

Table 1. Classification of shareholders by share ownership.

| No | Share Ownership | Special A/C | Securities A/C | Shareholders | % |
|----|------------------|-------------------|-------------------|--------------|------------|
| 1 | 1-10 | 3563 | 631 | 4194 | 50.35 |
| 2 | 11-50 | 1637 | 567 | 2204 | 26.46 |
| 3 | 51-100 | 338 | 203 | 541 | 6.49 |
| 4 | 101-500 | 489 | 342 | 831 | 9.98 |
| 5 | 501-1,000 | 106 | 77 | 183 | 2.2 |
| 6 | 1,001-3,000 | 135 | 99 | 234 | 2.81 |
| 7 | 3,001-10,000 | 58 | 36 | 94 | 1.13 |
| 8 | 10,001-30,000 | 20 | 21 | 41 | 0.49 |
| 9 | 30,001 and above | 3 | 5 | 8 | 0.09 |
| | Total | 6,349(76%) | 1,981(24%) | 8,330 | 100 |

2.5.2 The Top Ten Shareholders

The following table lists the top ten shareholders as of 30th September 2020 (the end of FY 2019-2020). The number of shares owned by the top ten shareholders was **586,229** shares. In percentage terms, **23.71%** of total shares sold to that date.

Table 2. The top ten shareholders.

| No | Name | Number of Shares | % |
|-----------|---------------------|-------------------------|---------------|
| 1 | U Aung Moe Kyaw | 106,422 | 4.31% |
| 2 | Daw Mar Mar Tun | 89,615 | 3.63% |
| 3 | Daw Shwe Cynn | 84,904 | 3.43% |
| 4 | U Maung Maung Thein | 64,671 | 2.62% |
| 5 | U Nay Lynn Oo | 63,160 | 2.55% |
| 6 | Dr. Sein Maung | 40,707 | 1.65% |
| 7 | U Lee Ji Gung | 39,788 | 1.61% |
| 8 | U Tun Win Naing | 37,414 | 1.51% |
| 9 | U Khin Maung Phay | 30,000 | 1.21% |
| 10 | U Sai Maung Myint | 29,548 | 1.20% |
| | Total | 586,229 | 23.71% |

2.5.3 Share Ownership by FPB Board of Directors

The following table lists the number of shares owned by each elected or independent director of FPB's Board of Directors and the number of meetings each attended throughout the whole financial year.

Table 3. Share ownership by FPB's Board of Directors.

| No | Name of Directors | Number of shares | Meeting Attendance |
|----|---|------------------|--------------------|
| 1 | Dr. Sein Maung | 40,707 | 12 |
| 2 | Daw Hla Hla Win | 7,260 | 11 |
| 3 | U Tun Saing | 3,114 | 10 |
| 4 | U Kaung | 23,084 | 9 |
| 5 | Dr. Tin Kyi | 3,470 | 7 |
| 6 | U Myo Tun | 13,920 | 10 |
| 7 | U Myint Lwin | 12,500 | 8 |
| 8 | U Han Myint | 6,788 | 8 |
| 9 | U Thein Myint | 543 | 10 |
| 10 | U Htin Aung Kyaw Oo | 100 | 9 |
| 11 | Dr. Aung Min | 302 | 12 |
| 12 | U Kap Khen Pau (Independent Director) | 151 | 12 |
| 13 | Daw Yee Yee Lwin (Independent Director) | 15,427 | 8 |
| | Total | 127366 | 126 |

As of 30 September 2020 (the end of FY 2019-2020), the number of shares owned by FPB's Board of Directors was **127,366** shares. In percentage terms, **5.10%** of total shares sold to that date.

2.4 Current Organization Chart

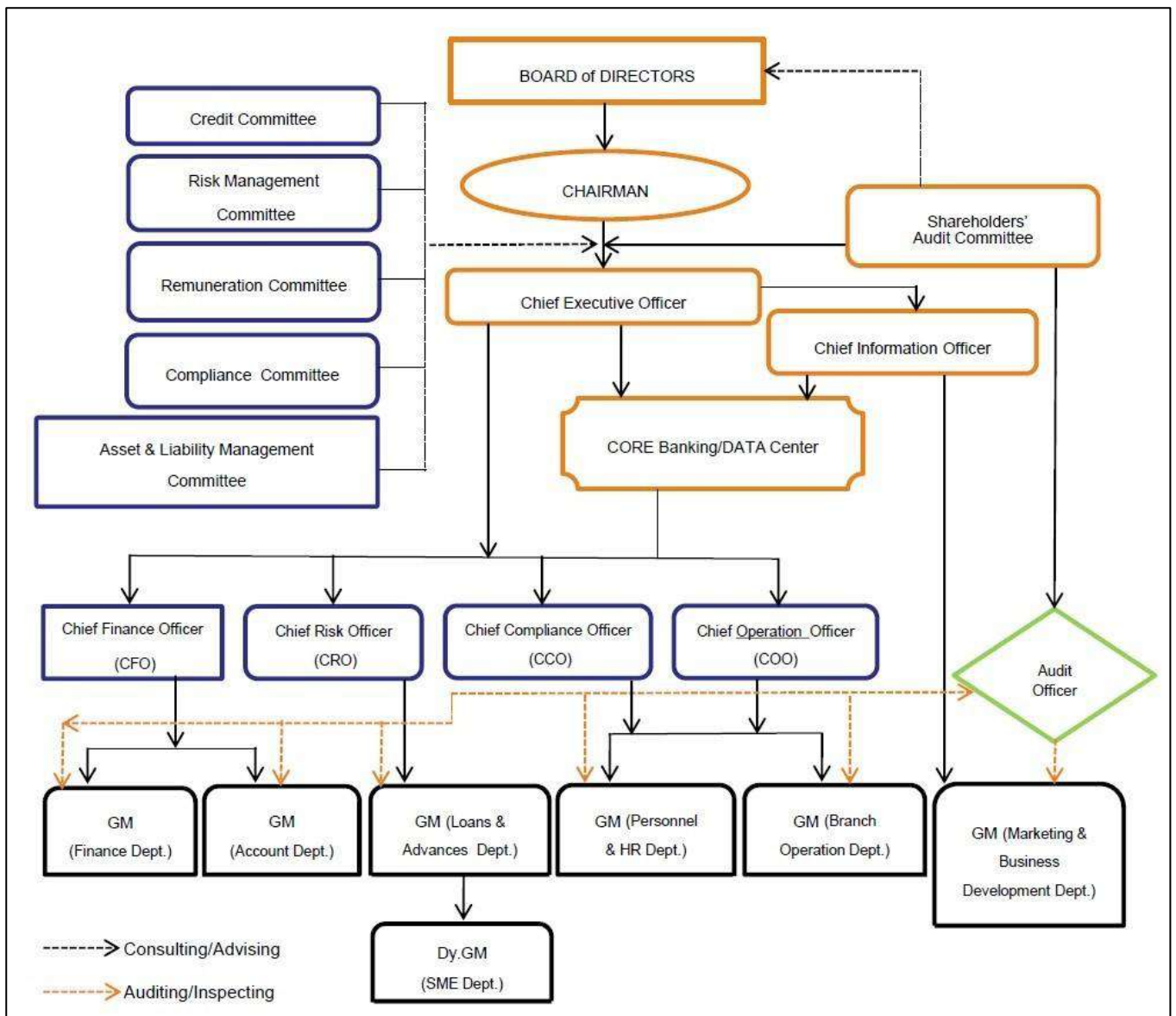


Figure 1. Current Organization Chart of First Private Bank

2.5 Current Products & Services

1. Deposit Accounts
2. Mobile Wallets
3. Loans & Overdrafts
4. Balance Confirmation Certificates
5. Bank Guarantees
6. FX Trading (Retail & Wholesale)
7. Domestic Remittance
8. International Remittance
9. Payment Orders
10. Domestic & International Payment Services (RTGS & SWIFT)
11. Trade Finance Services

2.6 Current Branch Network

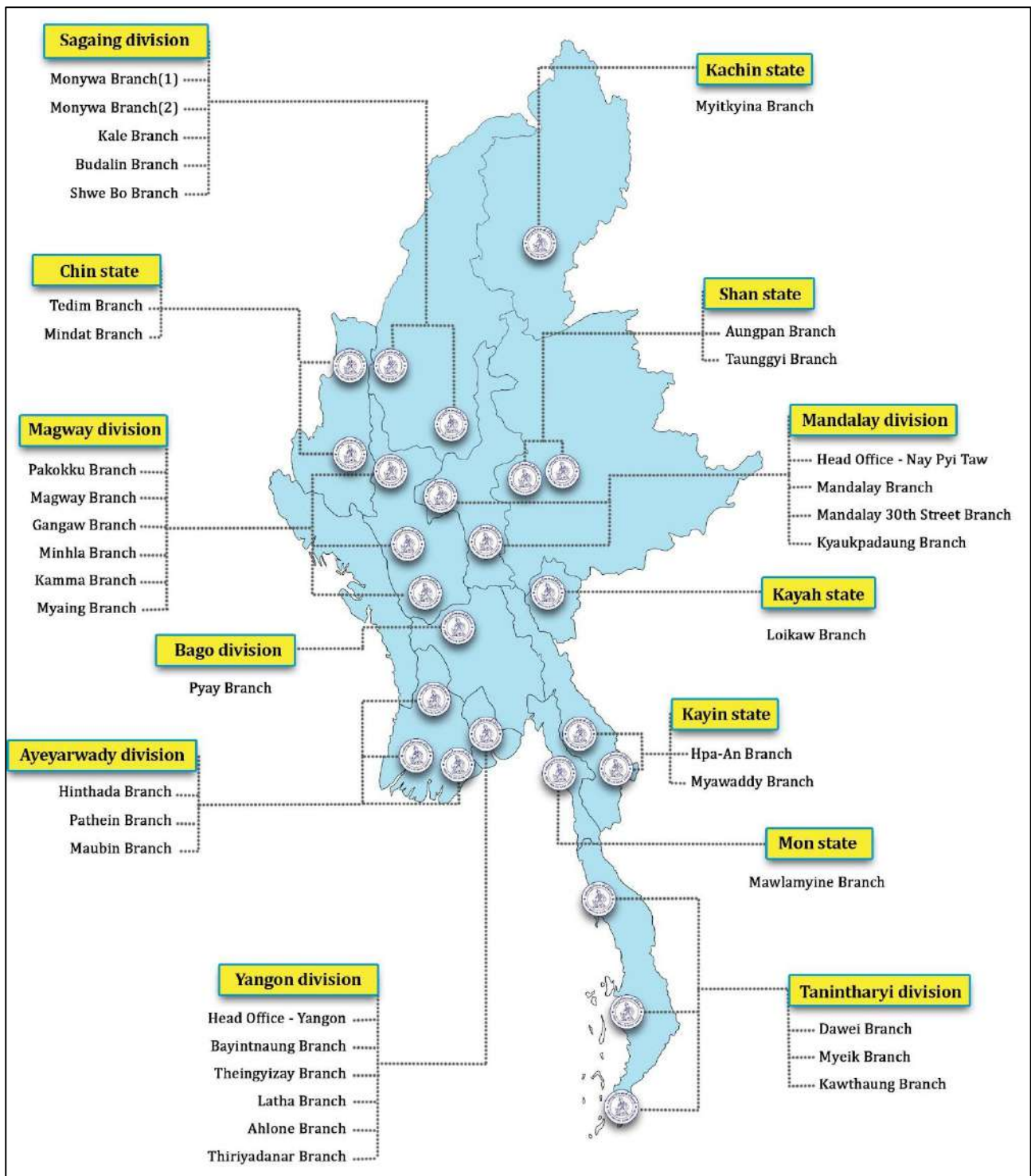


Figure 2. Current FPB branch network.

- FPB currently has branches in all states and divisions of Myanmar except the Rakhine state. (Myanmar currently has 14 states and divisions). The contact details of each branch can be found at www.fpb.com.mm or www.firstprivatebank.com.mm.
- FPB currently has 36 branches in operation with another branch in Mindat, Chin State, scheduled to open soon, increasing the total number of branches to 37.

3. Banking & Financial Performance Highlights for FY 2019-2020

Table 4. Comparison of the banking and financial performances FY 2018-2019 and FY 2019-2020.

| No | Particulars | 2018-2019 | 2019-2020 | Difference |
|----|--|------------|------------|--------------|
| 1 | Total deposits (<i>in millions of kyats</i>) | 205,519.35 | 180,610.51 | (-24,908.84) |
| 2 | Loans and overdrafts (<i>in millions of kyats</i>) | 179,397.79 | 141,077.81 | (-38,319.98) |
| 3 | Profit Before Tax (<i>in millions of kyats</i>) | 7,744.57 | 5,085.23 | (-2,659.34) |
| 4 | Income Tax (<i>in millions of kyat</i>) | 1,548.91 | 1,017.05 | (-531.86) |
| 5 | Retained Earnings (<i>in millions of kyats</i>) | 6,528.49 | 3,983.86 | (-2,544.63) |
| 6 | Number of Shares | 2,472,053 | 2,472,053 | - |
| 7 | Paid-in Capital (<i>in millions of kyats</i>) | 24,720.53 | 24,720.53 | - |
| 8 | Number of shareholders | 8,375 | 8,330 | (-45) |
| 9 | Book value per share (<i>kyats</i>) | 25,286.35 | 24,350.10 | (-936.25) |
| 10 | Number of branches | 35 | 36 | +1 |
| 11 | Number of staff | 644 | 622 | (-22) |
| 12 | Number of real estate and buildings | 47 | 48 | +1 |

1. If the end-of-year snapshot figures only are compared, total deposits dropped by **12.12% (24,908.84 million kyats)** at end of FY 2019-2020.
2. If the end-of-year snapshot figures only are compared, total loans & overdrafts dropped by **21.36% (38,319.98 million kyats)** at end of FY 2019-2020.
3. Compared with FY 2018-2019, the profit before tax dropped by **34.34% (2,659.34 million kyats)** in FY 2019-2020. The decline in before tax profit is attributable to
 - i. a smaller loan and OD portfolio size in FY 2019-2020 (See also Chapter 11, *Lending in FY 2019-2020*.)
 - ii. a significant decline in service fee income (See also Chapter 8, *Income for FY 2019-2020*)
 - iii. the reduction in interest rates by 3% by Central Bank of Myanmar between 16th March and 1st May of 2020 to stimulate the economy (after the 1st wave of COVID 19 global pandemic) and
 - iv. the economic impact of the COVID 19 global pandemic generally.

4. The Financial Ratios and Indicators for FY 2019-2020

A comparison the key financial ratios and indicators for FY 2019-2020 with those for FY 2018-2019 are provided here. The liquidity ratio and capital adequacy ratio were calculated according to the calculation instructions prescribed by the Central Bank of Myanmar.

Table 5. Comparison of key financial ratios and indicators of FY 2019-2020 with those for FY 2018-2019.

| No | Liquidity & Capital Adequacy | 2018-2019 | 2019-2020 | Difference |
|----|--|-----------|-----------|------------|
| 1 | Liquidity ratio | 33.85% | 45.07% | +11.22 |
| 2 | Capital Adequacy ratio (Tier 1) | 23.16% | 34.35% | +11.19 |
| 3 | Capital Adequacy ratio (Tier 1 + Tier 2) | 24.41% | 35.60% | +11.19 |
| 4 | Debt Ratio (Total Assets by Total Liabilities) | 1.28:1 | 1.31:1 | +0.03 |

| | Profitability | 2018-2019 | 2019-2020 | Difference |
|----|---|-----------|-----------|------------|
| 5 | Profit Before Tax (kyats in millions) | 7,744.57 | 5,085.23 | -34% |
| 6 | Profit After Tax (kyats in millions) | 6,195.66 | 4,068.18 | -34% |
| 7 | Return on Capital (Paid-up Capital) | | | |
| | Before Tax | 31.33% | 20.57% | -10.76 |
| | After Tax | 25.06% | 16.46% | -8.6 |
| 8 | Total Equity to Paid-up Capital ratio | 2.53: 1 | 2.44:1 | -0.09 |
| 9 | Return on Assets (ROA) | 2.14% | 1.60% | -0.54 |
| 10 | Net Interest Margin (Lending & Investing) | 4.06% | 4.30% | +0.24% |

| | Share Performance | 2018-2019 | 2019-2020 | Difference |
|----|--|-----------|-----------|------------|
| 11 | Share Price on YSX (kyats) | 26,000 | 22,500 | -3,500 |
| 12 | Earnings per share (kyats) | 2,506.28 | 1,645.67 | -860.61 |
| 13 | Price to Earnings per Share (PE ratio) * | 10.37 | 13.67 | +3.3 |
| 14 | Book value per share*** (kyats) | 25,286.35 | 24,350.10 | -936.25 |

* Price to earnings ratio is calculated using YSX closing share price at financial year end, 30/09/2020.

**Book value per share is calculated based on historical or original cost of assets.

1. The increase in liquidity ratio for FY 2019-2020 indicates that liquidity is being effectively managed by bank.
2. The increase in capital adequacy ratio for FY 2019-2020 indicates that there is more capital to cover credits losses than before.
3. In terms of managing liquidity risk and credit risk, bank management has performed better than the previous year.

4. The negative difference for the other financial ratios or indicators is attributable to the drop in profit before tax explained in the previous chapter.
5. The increase in price to earnings ratio is also attributable to the lower YSX share price and lower earnings per share.

5. Profit for FY 2019-2020

A summary comparison of the total incomes and expenditures for FY 2019-2020 and FY 2018-2019 is provided in the following table. A more detailed comparison of income and expenditure is provided in the following chapters.

Table 6. Comparison of income and expense for FY 2019-2020 with FY 2018-2019 (kyats in millions)

| Particulars | 2018-2019 | 2019-2020 | Difference |
|--------------------------|------------------|------------------|-------------------------|
| Revenue | | | |
| Interest Income | 23,123.45 | 19,484.02 | -3,639.43 (-16%) |
| Fee Income | 3,111.65 | 768.23 | -2,343.42 (-75%) |
| Total Revenue | 26,235.10 | 20,252.25 | -5,982.85 (-23%) |
| Expense | | | |
| Interest Expense | 14,821.02 | 11,576.67 | -3,244.35 (-22%) |
| Operating Expense | 3,669.51 | 3,590.35 | -79.16 (-2%) |
| Total Expense | 18,490.53 | 15,167.02 | -3,323.51 (-18%) |
| Profit Before Tax | 7,744.57 | 5,085.23 | - 2,659.34(-34%) |

1. In Table 6, although interest income fell by **3,639.43 million kyats (16%)** in FY 2019-2020, bank managed to reduce interest expense by a similar magnitude, **3,244.35 million kyats (22%)**, to offset the reduction in interest income resulting from a smaller loan & overdraft portfolio size (See also Chapter 11, *Lending in FY 2019-2020*).
2. In Table 6, compared with FY 2018-2019, fee income fell significantly in FY 2019-2020. The reduction in fee income can be attributed to
 - i. a reduction in FX trading gains resulting from reduced FX sales because of the decline in export/import businesses due mainly to the COVID 19 global pandemic and the fluctuations in foreign exchange rates, and
 - ii. FPB no longer charging upfront a service charge of 1% from loans and overdrafts clients (See also Chapter 8, *Income for FY 2019-2020*).
3. In Table 6, the operating expense or fixed costs for FY 2019-2020 did not change significantly from FY 2018-2019 (about **2%**). FPB management did rather well to control operating costs in a time of reduced economic activity due to the COVID 19 global pandemic.

The profit before tax (gross profit), **5,085.23 million kyats**, on 30 September 2020 (the end of FY 2019-2020) has been appropriated as follows. The profit after tax (net profit) for FY 2019-2020 is **4068.18 million kyats**.

Table 7. The appropriation of profit before tax for FY 2019-2020.

| No | Particulars | Amount (kyats in millions) |
|----|---------------------------------|----------------------------|
| 1 | Corporate Income Tax (20%) | 1,017.05 |
| 2 | Statutory Capital Reserve (25%) | 1,017.05 |
| 3 | Retained Earnings | 3,051.13 |
| | Total | 5,085.23 |

6. Corporate Income Tax

First Private Bank has paid the proper amount of corporate income tax every year. The total amount of corporate income tax paid to the state since its founding, from FY 1992-1993 to FY 2019-2020, is **22,386 million kyats**.

The following table shows the gross profit, income tax paid and dividend paid or provisioned throughout the years of FPB's operation from FY 1992-1993 to FY 2019-2020.

Table 8. Comparison of before tax profit, corporate Income tax and dividends throughout the years of FPB's operation (kyats in millions)

| No | Financial Year | Before Tax Profit | Income Tax | Dividend |
|----|------------------------|-------------------|---------------|-------------------|
| 1 | 1992-1993 to 2012-2013 | 31,401 | 9,126 | 14,347 |
| 2 | 2013-2014 | 8,048 | 2,011 | 4,000 |
| 3 | 2014-2015 | 8,762 | 2,189 | 4,410 |
| 4 | 2015-2016 | 8,549 | 2,137 | 4,320 |
| 5 | 2016-2017 | 8,633 | 2,158 | 4,944 |
| 6 | 2017-2018 | 7,801 | 1,560 | 4,944 |
| 7 | 2018 (6months) | 3,198 | 639 | 1,881 |
| 8 | 2018-2019 | 7,745 | 1,549 | 4,647 |
| 9 | 2019-2020 | 5,085 | 1,017 | (To be confirmed) |
| | Total | 89,222 | 22,386 | |

7. Value of FPB Shares

7.1 Changes in the Book Value per Share

Based on the external auditor's audit report, the book value per share on 30th September 2020 (the end of FY 2019-2020) was **24,350.10 kyats**. Compared with the book value per share at the end of FY 2018-2019 (30th September 2019), **25,286.35 kyats**, the book value per share decreased by **3.7%**. The above book values were calculated based on historical purchase cost of assets (especially land and buildings) and did not consider the current market value of bank's land and buildings.

An evaluation in October 2020, made by FPB's assessors, estimated the market value of FPB's land and buildings as **24,879.98million kyats**. If the net difference between fair market value and original value of FPB's land and buildings, **15,100.48 million kyats**, is included in the book value calculation, the book value per share will be **30,459 kyats** on 30th September 2020.

- Book value per share (land & building @ historical cost) – **24,350.10 kyats**
- Book value per share (land & building @ fair value) – **30,791.69 kyats**

7.2 Changes in Shareholders' Equity

Shareholders equity and book value per share for FY 2019-2020 are compared with those for FY 2018-2019 in the following table.

Table 9. Changes in shareholders' equity.

(kyats in millions)

| No | Particulars | 2018-2019 | 2019-2020 |
|----|-------------------------------------|------------------|------------------|
| 1 | Paid-up Capital | 24,720.53 | 24,720.53 |
| 2 | Share Premium | 11,845.88 | 11,845.88 |
| 3 | Statutory Capital Reserve | 15,695.20 | 16,712.25 |
| 4 | General Reserve for Bad Debts | 3,608.43 | 2,821.56 |
| 5 | Contingency Reserve Fund | 102.56 | 102.56 |
| 6 | Other Reserve Fund | 8.12 | 8.12 |
| 7 | Dividend Reserve | 6,528.49 | 3,983.85 |
| | Total Equity of Shareholders | 62,509.20 | 60,194.75 |
| | Book Value per Share* | 25,286.35 | 24,350.10 |

(*Based on the historical cost of land and buildings)

7.3 FPB Shares Trading on Yangon Stock Exchange (YSX)

The Board of Directors received the mandate to list on YSX at the 24th Annual General Meeting of shareholders held on 29th November 2015. The Board of Directors decided to list FPB shares on YSX at BOD meeting held on 7th December 2015. FPB applied to YSX for listing on 8th December 2015 and became listed on YSX on 20th January 2017.

- The main purpose of listing on YSX was to create more value for our shareholders.
- On 30th September 2020, the YSX closing price of FPB shares was **22,500 kyats**.
- The total volume of trade of FPB shares from listing date (20/1/2017) to the end of FY 2019-2020 (30/9/2020) was **500,711** shares valued at **10,382.44 million kyats**.
- The total volume in trade of FPB shares throughout FY 2019-2020 from 01/10/2019 to 30/9/2020 was **131,613** shares valued at **2,986.08 million kyats**.

8. Income for FY 2019-2020

First Private Bank's main sources of income are lending, investments, and financial services. A breakdown of the total income for FY 2019-2020 shows that interest income from lending accounted for **85.5%** of total income whereas fee income accounted for only **3.79%**. One challenge for bank management in the next financial year is to increase the fee income's share of total income.

Table 10. Comparison of the contribution of each type of income to total income (kyats in millions).

| Income Type | 2018-2019 | | 2019-2020 | |
|--------------------------------|-------------------|---------------|-------------------|---------------|
| | Amount | Percentage | Amount | Percentage |
| Interest Income from Lending | 21,023,347 | 80.13% | 17,314,960 | 85.50% |
| Interest Income from Investing | 2,100,102 | 8.00% | 2,169,063 | 10.71% |
| Fee Income | 3,111,653 | 11.86% | 768,228 | 3.79% |
| Total | 26,235,102 | | 20,252,251 | |

8.1 Interest Income from Loans & Overdrafts

Table 11. Comparison of loans & overdraft interest income for FY 2019-2020 and FY 2018-2019 (kyats in millions).

| Lending Income | 2018-2019 | 2019-2020 | Difference |
|---------------------------|-------------------|-------------------|-------------------------------|
| Loan Interest Income | 19,257.097 | 15,806.418 | -3,450.679 (- 17.92%) |
| Overdraft Interest Income | 1,766.250 | 1,508.542 | -257.708 (- 14.59%) |
| Total | 21,023.347 | 17,314.960 | -3,708.387 (-17.64%) |

Compared with FY 2018-2019, interest income from loans and overdrafts declined by **3,708.387 million kyats (17.64%)**. The primary and secondary reasons for this are

- a smaller loan and OD portfolio size in FY 2019-2020 compared to that for FY 2018-2019 (See Chapter 7) and
- the reduction in interest rates by 3% by Central Bank of Myanmar between 16th March and 1st May of 2020.

8.2 Interest Income from Investments

Table 12. Comparison of investment interest income for FY 2019-2020 and FY 2018-2019 (kyats in thousands).

| Investment Income | 2018-2019 | 2019-2020 | Difference |
|--|------------------|------------------|------------------------|
| Interest from Purchased Treasury Bonds | 1,947,500 | 2,004,890 | 57,390 (+2.95%) |
| Interest from Deposits @ CBM | 112,139 | 164,173 | 52,034 (+46.40%) |
| Interest from Deposits at Other Banks | 40,463 | | -40,463 (-100%) |
| Total | 2,100,102 | 2,169,063 | 68,961 (+3.28%) |

Compared with FY 2018-2019, interest income from investments in government treasury bonds and money market deposits saw a modest increase of **68.961 million kyats (3.28%)**

8.3 Fee Income from Services

Table 13. Comparison of fee & commission income for FY 2019-2020 and FY 2018-2019 (kyats in thousands).

| | Fee Income | 2018-2019 | 2019-2020 | Difference |
|----|--|------------------|----------------|-----------------------------|
| 1 | Fees from domestic remittance | 216,899 | 190,022 | -26,877 (-12.39%) |
| 2 | Fees from on overseas remittance | 182,348 | 207,007 | 24,659 (+13.52%) |
| 3 | Fees from SWIFT Payments | 3,539 | 1,763 | -1,776 (-50.18%) |
| 4 | Commission on fire insurance | 74,192 | 78,868 | 4,676 (+6.30%) |
| 5 | Commission on hire purchase | 1,278 | 293 | -985 (-77.07%) |
| 6 | Fees from bank's mobile wallet | 13,825 | 10,994 | -2,831 (-20.48%) |
| 7 | Fees from bank guarantee | 194,954 | 143,755 | -51,199 (-26.26%) |
| 8 | Fees from bill collection | 2,463 | 569 | -1,894 (-76.90%) |
| 9 | Gains from FX trading | 538,727 | 22,664 | -516,063 (-95.79%) |
| 10 | Miscellaneous Receipts | 103,475 | 100,661 | -2,814 (-2.72%) |
| 11 | Disposal of fixed assets | 6,799 | 120 | -6,679 (-98.24%) |
| 12 | Service charges (including loans & overdrafts) | 1,773,154 | 11,512 | -1,761,642 (-99.35%) |
| | Total | 3,111,653 | 768,228 | -2,343,425 (-75.31%) |

There was a significant decline in fee income from FY 2018-2019 to FY 2019-2020, about **2,343.425 million kyats (75.31%)**. Among the 12 fee income items in Table 13, two items accounted for **97%** of the decline. They are gains from FX trading and service charges for loans and overdrafts.

- In Table 13, gains from FX trading decreased by **516.063 million kyats (95.79%)** in FY 2019-2020. The reason for reduction in FX trading gains is the decreased demand for FX because of the decline in export/import businesses due mainly to the COVID 19 global pandemic and the associated fall in foreign exchange rates.
- In Table 13, service charges decreased by **2,343.425 million kyats (75.31%)** in FY 2019-2020. The reduction is the result of FPB no longer charging upfront a service charge of 1% for loans and overdrafts.
 - i. Prior to FY 2019-2020, FPB collected a 1% service charge upfront for loans and overdrafts and charged an annual interest rate of 12% on them.
 - ii. Starting from FY 2019-2020, the 1% service charge upfront was no longer applied (to balance the business needs of both clients and FPB) and instead the loans and overdrafts interest rates were increased to 13%.

9. Expense for FY 2019-2020

FPB's annual total expenses can be divided into two main groups: interest expense and operating expense.

Table 14. Comparison of interest expenses and operating expenses for FY 2019-2020 and FY 2018-2019 (kyats in millions).

| Main Expense Groups | 2018-2019 | | 2019-2020 | |
|-------------------------|------------------|---------------|------------------|---------------|
| | Amount | Percentage | Amount | Percentage |
| Total Interest Expense | 14,821.02 | 80.15% | 11,576.67 | 76.33% |
| Total Operating Expense | 3,669.51 | 19.85% | 3,590.35 | 23.67% |
| Grand Total | 18,490.53 | | 15,167.02 | |

- Interest expense paid for deposits amounts to about 80% of FPB's total expense.
- The total interest expense for FY 2019-2020 was lower than that for FY 2018-2019 by **3,244.35 million kyats (17.5%)** because total deposits held in FY 2019-2020 was lower than the previous year.
- The total operating expense for FY 2019-2020 was lower than that for FY 2018-2019 by **79.16 million kyats (2.16%)**. Staff salary & remuneration accounts for about 60% of the total operating expense.
- FPB management has always strived to spend wisely and avoid un-necessary waste. But as FPB invests more in relevant financial technologies and recruit more talent to become a more advanced digital and customer focused bank, the operating costs could rise during its transformation periods.

10. Deposits in FY 2019-2020

Table 15. Total deposit amounts and deposit amounts by product type for FY 2019-2020 compared with those for FY 2018-2010 (kyats in millions).

| No | Particulars | 2018-2019 | 2019-2020 | Change |
|----|-------------------------|-------------------|-------------------|----------------------------|
| 1 | Current Accounts | 27,410.76 | 19,088.95 | -8,321.81 (-30.36%) |
| 2 | Savings Accounts | 119,300.83 | 119,865.62 | +564.79 (+0.47%) |
| 3 | Fixed Deposit Accounts | 56,085.70 | 37,272.03 | -18,813.67 (-33.54%) |
| 4 | Called Deposit Accounts | 2,617.00 | 4,290.59 | +1,673.59 (+63.95%) |
| 5 | Mobile Wallet Accounts | 105.06 | 93.32 | -11.74 (-11.17%) |
| | Total | 205,519.35 | 180,610.51 | 24,908.84 (-12.12%) |

1. In FY 2019-2020, Savings account deposits made up **66.37%** of FPB's total deposits followed by Fixed Deposit accounts that made up **20.64%** of FPB's total deposits.
2. If the end-of-year snapshot figures only are compared, total deposits dropped by **12.12% (24,908.84 million kyats)** at end of FY 2019-2020.
3. The decline in the total customer deposit amount can be attributed to the decline in the non-interest bearing Current accounts used by businesses and the interest bearing Fixed Deposit (term deposit) accounts used by both individuals and businesses for earning interest.
4. The drop in non-interest bearing, Current account deposits may be an indication of the strong competition in the banking industry and that customers have more choice than ever before.
5. The drop in interest bearing Fixed Deposit accounts may be attributed to the marginally higher interest rates offered by some competing banks and the greater choice of banks customers have nowadays in Myanmar. Currently, there are 31 in local banks in Myanmar offering similar products and services. Another reason could be that people were not able to commit to saving for a fixed term, as they normally, would during a time of reduced business activity due to the COVID 19 global pandemic.
6. FY 2019-2020, however, saw an increase in on-demand Savings account deposits (account interest credited quarterly) and Call Deposit account deposits (account interest credited daily). The growth in deposits for these account products is an indication that FPB is still relevant to customers and trusted by customers despite growing competition in the banking industry.

11. Lending in FY 2019-2020

In FY 2019-2020, about 86% of FPB's total income came from lending. Lending is FPB's principal line of business. The challenge for FPB with respect to lending in the years ahead is to increase market share as well as increase competitiveness by improving bank's customer acquisition, lending expertise & practices, credit risk management and adopting better technology.

11.1 Size of Loans & Overdrafts Portfolio

Table 16. A breakdown of the loans & overdrafts portfolio by product/collateral, outstanding amount, and number of accounts.

| | | 2018-2019 | | 2019-2020 | |
|----|----------------------------|--------------|-------------------|--------------|-------------------|
| No | Collateral or Product Type | Accounts | kyats (millions) | Accounts | kyats (millions) |
| 1 | Land and Building | 1,113 | 173,006.79 | 981 | 130,470.17 |
| 2 | Fixed Deposit | 24 | 36.40 | 13 | 23.5 |
| 3 | Gold and Jewellery | | | - | - |
| 4 | Hire Purchase | 12 | 204.56 | 1 | 1.97 |
| 5 | Project Loan | 2 | 187.50 | 7 | 992.00 |
| 6 | SME Loan | 25 | 5,827.50 | 52 | 9,448.71 |
| 7 | Staff Loan | 363 | 135.04 | 367 | 141.46 |
| | Total | 1,539 | 179,397.79 | 1,421 | 141,077.81 |

- The total number of outstanding loan and overdraft accounts decreased by 118 accounts at the end of FY 2019-2020 compared with end of FY 2018-2019.
- The loan and overdraft portfolio size decreased by **38,319.98 million kyats (21.36%)** at the end of FY 2019-2020 compared with the end of FY 2018-2019.
- The decrease in number of accounts and portfolio size can be attributed to increase competition for clients in the banking industry. FPB be needs to improve its strategies to retain good clients as well as its marketing to acquire good new clients.

11.2 Lending by Sectors and Segments

The following is a comparison of lending by industrial sector and customer segment for FY 2019-2020 and FY 2018-2019. There was a decrease in lending across all external industry and external customer segments except SME lending.

Table 17. A comparison of lending by industrial sectors and customer segments for FY 2019-2020 and FY 2018-2019 (kyats in millions).

| No | Industry or Customer Segment | 2018-2019 | 2019-2020 |
|----|--|-------------------|-------------------|
| 1 | Industry (agriculture, construction, utilities etc.) | 13,949.76 | 9,847.3 |
| 2 | Trading | 85,090.46 | 66,452.81 |
| 3 | Manufacturing | 24,275.27 | 21,066.66 |
| 4 | Retail & Services | 49,915.21 | 34,118.90 |
| 5 | Hire Purchase | 204.55 | 1.97 |
| 6 | SME Loan | 5,827.50 | 9,448.71 |
| 7 | Staff Loan | 135.04 | 141.46 |
| | Total | 179,397.79 | 141,077.81 |

11.3 Lending to SMEs

To support and finance Myanmar SMEs as part of its overseas development assistance (ODA) program, Japan International Cooperation (JICA) has been providing low interest rate two-step loans through state-owned Myanmar Economic Bank to selected local private banks.

FPB signed an agreement with the state-owned Myanmar Economic Bank on 6th September 2018 to participate in JICA's two step-loan program. In FY 2019-2020, FPB continued for a second year as a participating financial institution (PFI) to offer JICA's two-step SME loans to local SMEs. As of 30 September 2020 (the end of FY 2019-2020), FPB has disbursed loans worth a total of **9,448.71 million kyats** to 52 local SMEs.

11.4 Lending to Related Parties

As of 30th September 2020 (end of FY 2019-2020), there were ten cases of lending to parties related to Directors (i.e. members of the Board of Directors). The total amount of those ten loan accounts were **1,651.56 million kyats** or **1.17%** of the total outstanding loans & overdrafts.

12. Non-Performing Loans (NPL) and Provision for NPLs

12.1 Loan Loss Reserve

First Private Bank maintains a general loan loss reserve of 2% of the total outstanding loans to protect against unexpected future loan losses as well as makes specific loan loss provisions to cover collateral shortfalls of specific loan accounts, once they are known, in compliance with Central Bank of Myanmar asset classification and provisioning regulation. As of 30th September 2020 (the end of FY 2019-2020), FPB's total loan loss reserve was **2,821.56 million kyats**.

12.2 Recovery of NPLs

As of 30th September 2020 (the end of FY 2019-2020), there were 21 non-performing loan accounts that were more than 90 days past due of either principal or interest. The principal amount owed to FPB was **11,323.22 million kyats** or **8.03%** of total outstanding loans and overdrafts. Legal proceedings to recover 15 of the 21 NPL accounts were already underway.

12.3 Outstanding NPLs

Compared with the amount of non-performing loans (**8,715.86 million kyats**) at end of FY 2018-2019, the amount of non-performing loans (**11,323.22 million kyats**) at end of FY 2019-2020 increased by **2,607.36 million kyats (29.92%)**.

For clients who have difficulty repaying principal or interest, FPB's first approach is to work with clients to help them find solutions and to reschedule the payments. Legal proceedings are always the last resort.

Table 18. List of non-performing loans at end of FY 2019-2020

| Accounts | NPL Classification | Loan Amount (millions in kyats) | % | Actions Taken |
|-----------|--------------------|------------------------------------|-------------|----------------------------|
| 19 | Loss | 11,143.22 | 7.90 | Lawsuits filed against 15. |
| 2 | Doubtful | 180 | 0.13 | Sent attorney's notice. |
| 21 | | 11,323.22 | 8.03 | |

Despite the increase in NPL amount, the likelihood of loss given default is negligible because the collaterals adequately cover the loans, lawsuits to recover the NPLs have been filed in court, and the directors & bank supervision committee are diligently working on the recovery of NPLs. FPB has never lost a court case to recover loans.

13. Foreign Banking Services

13.1 Retail Money Changer License

First Private Bank received its money changer license (CBM-FEMD 8/2011) for retail foreign exchange (FX) trading from Central Bank of Myanmar on 24th October 2011. Since the granting of money changer license, money changer counters have been opened at FPB's Yangon Head office branch and 22 other branches. FPB's money changer counters currently trade (i.e. buy and sell) in several foreign currencies: US dollar (USD), Singapore dollar (SGD), Euro (EUR), Thai baht (THB) and Malaysian ringgit (MYR).

13.2 Wholesale FX Trading & International Banking License

First Private Bank received its foreign exchange authorized dealer license (CBM-FEMD 93/2012) from the Central bank of Myanmar on 24th August 2012. The FX authorized dealer license allowed bank to engage in wholesale (or inter-bank) FX trading as well as provide international banking & financial services to customers. FPB started providing international banking services to its customers on 2nd October 2012, beginning from its Yangon Head Office branch.

International banking services provided by FPB include (1) banking services such as the opening of foreign currency denominated current accounts, domestic foreign currency account transfers, (2) financial services such as international fund transfers via SWIFT and international remittance via Western Union and (3) trade finance services such as export and import letters of credit.

13.3 International Remittance in Collaboration with Western Union

FPB signed an agreement with the US based international remittance service provider Western Union (WU) on 12th January 2013 to become a WU remittance agent that provides international remittance services in Myanmar.

Initially, FPB in partnership with WU provided real time, in-bound remittance services to Myanmar from over 70 countries. FPB received approval from Central Bank of Myanmar to provide out-bound remittance services from Myanmar to overseas on 6th January 2016. Since then, FPB in partnership with WU has been providing both in-bound as well as out-bound international remittance services to its customers.

The international remittance business is thriving and has been a good source of fee income. In FY 2019-2020, the fee income received from Western Union for international remittance services was **207.01 million kyats**. This was **24.66 million kyats** (or **13.52%**) higher than previous year's fee income from Western Union remittance.

13.4 Fee Income from Foreign Banking Services

For FY 2019-2020, FPB earned **276.17 million kyats** from foreign banking services. A comparison of fee income from foreign banking services for FY 2019-2020 and FY 2018-2019 is provided in the table below. The reason for the decline in fee income in FY 2019-2020 is the decline in export/import businesses due mainly to the COVID 19 global pandemic and the fluctuations in the foreign exchange rates.

Table 19 Comparison of fee income from various foreign banking services for FY 2019-2020 and FY 2018-2019 (kyats in millions).

-34.49

| No | Fee Income | 2018-2019 | 2019-2020 | Difference |
|----|---------------------------|---------------|---------------|-------------------------|
| 1 | Banking Service | 70.96 | 46.50 | -24.46 (-34.47%) |
| 2 | Western Union Remittance | 182.35 | 207.01 | +24.66 (+13.52%) |
| 3 | Retail FX Trading Gains | 29.47 | 19.97 | -9.50 (-32.24%) |
| 4 | Business FX Trading Gains | 468.19 | 2.69 | -465.50 (-99.43%) |
| | Total Income | 750.97 | 276.17 | -474.80 (63.22%) |

14. “My Kyat” Mobile Wallet

First Private Bank was granted approval to provide mobile banking and mobile financial services by the Central Bank of Myanmar on 30th June 2014. FPB launched its mobile wallet service named My Kyat in partnership with local fintech, Frontier Technology Partners Ltd., on 7th May 2015. The target market for My Kyat mobile wallet is the unbanked population. FPB aims to deliver financial services to the unbanked customers through its My Kyat mobile wallet. My Kyat mobile wallet app is supported on android phones and can be downloaded from Google play store on the Internet.

Through My Kyat mobile wallet, users have access to services such as cash-in, cash-out, remittance, bill payments (e.g. electricity, municipal and telephone bills), phone top-up, online gaming purchases, ticket purchases (e.g. highway bus ticket and flight ticket), hotel room booking and retail payments (e.g. restaurants and shops). More services will be added to My Kyat mobile wallet as the product is continually improved.

As of 30th September 2020 (end of FY 2019-2020) there were **65,143** users of My Kyat mobile wallet and **37** merchants accepting My Kyat mobile wallet. My Kyat mobile wallet is currently being serviced by an agent network of **1570** authorized agents throughout the 14 states and divisions of Myanmar and the government administrative capital, Nay Pyi Taw. The agent network includes **658** township post offices (acting as agents as part of FPB’s partnership with Myanmar Post Office), all **36** FPB bank branches and other FPB appointed My Kyat agents.

Our My Kyat mobile wallet business has been steadily growing since its launch in 2015. The fee income earned in FY 2019-2020 was **10.99 million kyats**. The fee income for FY 2019-2020 was lower by **2.83 million kyats** (or **20.48%**) from that for FY 2018-2019, **13.82 million kyats**. The decrease in fee income can be attributed to the increased number of mobile wallets and competition in the mobile wallet market.

15. Shareholders Eligible for Dividends

Since First Private Bank is listed on the Yangon Stock Exchange (YSX) and its shares are traded on YSX, it is necessary to determine the shareholders eligible for dividends. Shareholders on record at the closing of YSX on 30th September 2020 (or on YSX records as of 6th October 2020) will be eligible to receive dividends paid for 2019-2020 financial year.

As of 30th September 2020 (End of FY 2019-2020), FPB's retained earnings from which dividends could be paid was **3,983.86 million kyats**.

16. Central Bank of Myanmar's Directive on Dividend Pay Outs

To pay dividends to shareholders, First Private Bank must satisfy the requirements stated in Central Bank of Myanmar Directive (5/2017) issued on 7th March 2017 and Article 40 of Financial Institutions Law (2016).

FPB almost satisfies the requirements of CMB Directive (5/2017). The requirements prescribed in that directive can be summarized as follows.

1. A minimum average capital adequacy ratio (CAR) of 8% for the current financial year and the two years prior.
 - i. Capital adequacy ratio for FY 2017-2018 (April to March) was 23.42%
 - ii. Capital adequacy ratio for FY 2018-2019 (October to September) was 24.41%
 - iii. Capital adequacy ratio for FY 2019-2020 (October to September) was 35.60%.
2. A statutory capital reserve (FPB's is **16,712 million kyats**) and a loan loss reserve (FPB's is **2,821.56 million kyats**) be properly maintained and provisioned as per Article 35 of Financial Institutions Law (2016).
3. Dividends must be paid from retained earnings (or net profit that has not be drawn or used). The total amount of dividends paid out in current financial year must not exceed the net profit made in the previous financial year.
4. External auditors do not object to payment of dividends.
5. The amount of net non-performing loans (NPL) must not exceed 5% of the total outstanding loans & overdrafts amount. FPB's outstanding NPL as of 30 September 2020 (end of FY 2019-2020) was **8.03%**.

Article 40 of Financial Institutions Law (2016) requires total bank assets must not be less than total liabilities and paid-up capital. FPB completely satisfies this requirement.

17. The Board of Directors

Article 81 of First Private Bank's Articles of Association states that the size of the BOD, including Chairman, shall be no fewer than 15 and no more than 21. At 28th annual general meeting held on 24th November 2019, the board was organized with 12 elected directors, two independent directors and the chief executive officer, altogether 15 members.

The **twelve elected members** of the board of directors in FY 2019-2020 were (1) Dr. Sein Maung, (2) Daw Hla Hla Win (3) U Tun Saing, (4) U Kaung, (5) U Myo Tun, (6) Dr. Tin Kyi, (7) U Han Myint, (8) U Myint Lwin, (9) U Htin Aung Kyaw Oo, (10) Dr. Aung Min, (11) U Thein Myint and (12) Dr. Tin Theing. The **two independent directors** were U Kap Khen Pau and Daw Yee Yee Lwin.

17.1 Chairman of BOD

Article 82 of First Private Bank's Articles of Association states that a full-time Chairman of BOD must be elected by the directors.

At the first board of directors meeting of FY 2019-2020 (1/2019), held on the same day, 24th November 2019, after the 28th Annual General Meeting, the directors unanimously elected, Dr. Sein Maung, as Chairman of the Board.

17.2 Secretary of BOD

At the first board of directors meeting of FY 2019-2020 (1/2019), the directors elected Daw Hla Hla Win as Secretary and U Myint Zaw (Chief Executive Officer) as Joint Secretary of the Board.

17.3 Independent Directors

According to the Central Bank of Myanmar (CBM) Directive (9/2019), when the size of the BOD is not more than 11 members (i.e. 11 or less), one member must be a non-shareholding, independent director; when the size of the BOD is more than 11 members, two members must be non-shareholding, independent directors.

The two independent directors appointed at the first board of directors meeting of FY 2019-2020 (1/2019) were U Kap Khen Pau and Daw Yee Yee Lwin.

17.4 Board of Director Meetings

The Central Bank of Myanmar (CBM) Directive (9/2019) requires the Board of Directors of any bank to hold regular meetings at least 12 times a year.

During FY 2019-2020, the Board of Directors held 11 regular monthly meetings and one extraordinary meeting. In addition to BOD meetings, the board-level credit committee also held 47 credit assessment meetings, almost one every week.

17.5 Resignation of Members of BOD

Dr. Tin Thein resigned as member of the board of director after many years of service at the board meeting (2/2020) held in February 2020.

17.6 Full-time Directors

Directors working full time at the bank are (1) Dr. Sein Maung (Chairman), (2) Daw Hla Hla Win (Secretary), (3) Dr. Aung Min (Chief Information Officer) and (4) U Myint Zaw (Chief Executive Officer).

17.7 Remuneration for Directors

- In FY 2019-2020, the total remuneration awarded to the full-time directors was **131.78 million kyats**.
- In FY 2019-2020, the total remuneration awarded to part-time directors and advisors was **17.10 million kyats**.

17.8 Branch Supervision Committees

A unique feature of FPB's corporate governance model is the organization of a Branch Supervision Committee for each branch made up of Director(s), consultants, local business owners and shareholders.

One function of the Branch Supervision Committee is to assess the business and collateral of loan applicants applying for loans at the branch and to sanction suitable loan amounts. For the 2018-2019 financial year, the meeting expenses for the Branch Supervision Committee amounted to **10.71 million kyats**.

18. Organization of Board Committees

According to the Myanmar Financial Institutions Law (2016) and regulations of the Central Bank of Myanmar, the Board of Directors must establish the following mandatory board-level committees, comprising of directors and senior executives, to oversee banking operations and ensure good corporate governance.

18.1 Risk Management Committee

The Risk Management Committee includes Dr. Sein Maung (Chairman), Daw Hla Hla Win (Executive Director), U Myint Zaw (Chief Executive Officer), Daw Mi Mi Naing (Chief Financial Officer), Daw Soe Soe Win (Chief Loans Officer), U Aung Myo Htut (Chief Cash Officer) and U Myo Min Cho (Chief Operating Officer).

18.2 Credit Committee

By the resolution of special board meeting (1/2018) held on 26 August 2018, the Credit Committee is organized with all Directors as members. According to the rules of the Credit Committee, at least five directors must attend each Credit Committee meeting.

18.3 Remuneration Committee

The remuneration committee is organized with six members of the board of directors.

18.4 Shareholders' Audit Committee

The shareholders audit committee is organized with at least three shareholders and an independent director.

18.5 Asset & Liability Management Committee

As mandated by the Myanmar Financial Institutions Law (2016), the asset & liability management committee has been organized with the following executives: the chief executive officer (CEO), the chief operating officer (COO), the chief loans officer (CLO) and the chief cash officer (CCO). The key role of ALM committee is to manage liquidity risk, interest rate risk and mismatches between assets and liabilities.

18.6 Compliance Committee

As mandated by the Myanmar Financial Institutions Law (2016), the compliance committee has been organized with the following executives: the chief executive officer (CEO), the chief operating officer (COO), the chief loans officer (CLO) and the chief cash officer (CCO).

19. Human Resource Management

At the end of 2019-2020 financial year, FPB had **36** bank branches (including Head Office) and a workforce of **622** staff. Out of 622, **160** were managers, holding the position of deputy manager or above, **281** were bank branch operational staff, ranging from supervisor to entry level and the remaining **181** were general office staff (e.g. drivers, cleaners, security, etc.).

The salary & benefits paid out for FY 2019-2020 was **2,100.35 million kyats**, an increase of **69.66 million kyats** (or **3.43%**) from that for FY 2018-2019, 2,030.69 million kyats. The salary & benefits made up **58.50%** of bank's total operating expense.

19.1 Senior Management Team

The day-to-day operation of the bank is managed by a team comprising of an Executive Director (member of BOD), Chief Executive Officer and other executives heading functional departments. The salary & benefits paid to senior management in FY 2019-2020 was **88.34 million kyats**.

19.2 Staff Welfare

FPB has a **staff welfare fund** to support employees in time of need as well as to provide extra cost of living allowance on top of their salary. In 2019-2020 financial year, an amount of **74.70 million kyats** was used from the staff welfare fund to provide financial assistance to our staff. The staff welfare fund has also been used to provide FPB staff with zero interest rate or low interest rate loans.

In addition to the staff welfare fund, FPB also has a **staff provident fund** to help its staff save for retirement. When an employee retires, he or she receives a lump sum payment from the provident fund. To encourage employees to save, FPB matches the contribution made by staff to the provident fund. The co-contribution made by the bank to the staff provident fund in FY 2019-2020 was **30.75 million kyats**.

FPB also contributes its monthly share to the **government's social welfare fund** as stipulated by the Union Social Welfare Department so that FPB employees can enjoy benefits under government's social welfare programs. For 2019-2020 financial year, FPB's co-contribution for its staff to the government's social welfare fund was **31.20 million kyats**.

A **healthcare fund for staff** have also been established by the board of directors to provide financial assistance to employees who are undergoing medical treatment, surgery as well as employees with emergency medical needs.

19.3 Training & Development

FPB is acutely aware that the quality of our workforce is critical to our competitiveness and future success. In FY 2019-2020, the focus was on developing a graduate program to develop future leaders of the bank and training on international financial reporting standards (IFRS) with the aim of FPB becoming fully IFRS compliant in a couple of years.

20. Plans & Objectives for the Year Ahead

The planning of future work and projects by the Board of Directors is guided by the strategic goals of contributing to the financial industry & economic development, creating value for key stakeholders (shareholders, employees and customers) and further developing FPB as a financial institution.

Growing Branch Network. FPB plans to expand its branch network to all states and commercial centres in the country. The priority is to open more branches in the rural rather than urban areas to reach out to the still sizable unbanked population and to provide them with the necessary financial services to help alleviate poverty and promote financial wellbeing.

Modernizing Banking Systems. FPB has plans to upgrade its current legacy core banking system with a modern best-in-class core banking system to compete with local as well as international banks. A new, modern core banking system will give FPB the business agility to remain relevant and responsive to customers. The new core banking system will serve as the platform for mobile and internet banking omni-channels that will be implemented next to increase both the range and scope of bank's products and services.

Upskilling Staff & Improving Service Quality: FPB is continually working to improve, through training programs, the skills of its staff and the quality of their service so that staff will have the capability to successfully perform their tasks and provide quality service to customers. The board of directors, bank's senior management, branch supervision committees and branch management are all actively involved in improving the quality of customer service offered by our staff at all branches.

Promoting FPB's Brand. To promote FPB's prospects to potential investors and to inform existing shareholders, FPB's prospectus and financial statements are provided in its profile page on YSX (<https://ysx-mm.com>). To promote FPB's products, services and business activities to customers and shareholders, such information are provided in real time on its websites (www.fpbbankmyanmar.com, www.fpb.com.mm, www.firstprivatebank.com.mm) as well as its Facebook Page "First Private Bank".

Increasing Fee Income. FPB's main source of income has been lending. Interest income from lending predominantly accounts for FPB's total income. While lending will always be the main source of income for a commercial bank, FPB will strategize and work towards significantly increasing its fee income and its share of total income by developing new products & services and increasing the market penetration of its existing products & services.

21. Conclusion

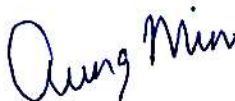
The organized leadership by the Chairman & Board of Directors, the responsible supervision of branches by the branch supervision committees, the hard work by bank management & staff, the support of shareholders & customers have been critical to establishing FPB's good reputation and trust among the general public.

Going forward the board of directors and executive management will do their utmost to make FPB more successful. We would also like to urge shareholders to continue electing suitably qualified directors who will serve the bank well.

Finally, we would like to thank our directors, honorary advisors, branch supervision committee members, shareholders, customers and, last but not least, our bank staff for their dedication, commitment and contributions to another successful year for First Private Bank.



Director
(Chairman of the Board)



Director



Director

FIRSTPRIVATE BANK LIMITED

FINANCIAL STATEMENTS:

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

REPORT OF THE INDEPENDENT AUDITOR

STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2020

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED SEPTEMBER 30, 2020

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 30, 2020

STATEMENT OF CASH FLOW FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTES TO THE FINANCIAL STATEMENTS

PERIOD:

YEAR ENDED SEPTEMBER 30, 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

First Private Bank Limited

Report on the financial statements

We have audited the financial statements of First Private Bank Limited, which comprise the statement of financial position as at 30th September 2020, and the statement of profit or loss, statement of changes in equity and cash flow statement for the year ended, and summary of significant accounting policies and other explanatory notes.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Myanmar Financial Reporting Standards (MFRS). This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Myanmar Standards on Auditing (MSAs) will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Myanmar Standards on Auditing (MSAs), we exercise professional judgment and maintain professional skepticism throughout the audit. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Basis For Qualified Opinion

The opening net book value of intangible assets, which can't be used in the future because of a cancelled agreement with the company provided service for core banking software, was MMK 1,096,349,929 .So we assumed that this intangible asset is fully impaired and company has to recognize the impairment loss immediately in profit or loss account under Myanmar accounting standards 36- Impairment of assets. But only partial amount MMK 274,087,439 was recognized in profit or loss account for this financial year and the all remaining amount of intangible asset MMK 822,262,436 may increase the profit of this financial year.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements are properly drawn up in accordance with MFRS so as to give a true and fair view of the financial position of First Private Bank Limited as of 30th September 2020, and of its financial performance and its cash flow for the year then ended on that date.

Report on legal and regulatory requirement

In accordance with the Section 280 (a) and (b) of Myanmar Companies Law, we also report that:

- (a) We have obtained all the information and explanations we have required and
- (b) Books of account have been maintained by the Company as required by Section 258 and 264 of the Myanmar Companies Law.

Also in accordance with Section 89(A) of the Financial Institution Law, we report that the financial statements of the bank adequately reflect the financial position of the bank and its solvency.



U Sein Win

Certified Public Accountant

Date:

.12.2020



ပထမ ပုဂ္ဂလိက ဘဏ် လီမိတက် FIRST PRIVATE BANK LIMITED

No. 619~ 621, MERCHANT STREET, (Corner of Merchant Street & Bo Soon Pat Street)
PABEDAN TOWNSHIP, YANGON. UNION OF MYANMAR.

TELEPHONE : 095 1 376 451 ~ 452 / 378 268 ~ 269.
095 1 251 748 ~ 749 / 246 786.

FAX : 095 -1- 242 320 / 250 148 / 251 747.
Website : www.firstprivatebank.com.mm

e-mail : fpbho.ygn@gmail.com; hofirst.private@gmail.com
fpbbank@myanmar.com.mm

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

FOR FIRST PRIVATE BANK LIMITED

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Myanmar Companies Law requires the Directors to prepare financial statements for each financial year. The Directors are required to prepare the financial statements in accordance with Myanmar Financial Reporting Standards (MFRS). In preparing the financial statements, the Directors have also elected to comply with MFRS, as issued by the Myanmar Accountancy Council (MAC).

In preparing those financial statements, the Directors are required to select suitable accounting policies and then apply them consistently, make judgements and accounting estimates that are reasonable and prudent, state that financial statement comply with MFRS as issued by the MAC, and subject to any material departures disclosed and explained in the financial statements, prepare the financial statements on a going concern basis.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the bank's transactions and disclose with reasonable accuracy at any time the financial position of the bank and to enable them to ensure that the bank financial statements comply with the Myanmar Companies Law. They are also responsible for safeguarding the assets of the bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the current Directors confirms that, to the best of his or her knowledge;

- the financial statements, which have been prepared in accordance with MFRS give a true and fair view of the assets, liabilities, financial position and result of the bank
- the accompanying financial statements are complete and correct and have been authenticated in accordance with Myanmar Companies Law
- so far as he or she is aware, there is no relevant audit information of which the bank's auditors are unaware; and
- He or she has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the bank's auditors are aware of that information.
- This confirmation is given and should be interpreted in accordance with the Myanmar Companies Law.

Going concern basis

The Directors have a reasonable expectation that the bank has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Annual Report

The annual report for year ended 30th September 2020, comprising the financial statements and additional information for investors, has been approved by the Board of Directors and signed on its behalf by.

On behalf of the Board of Directors,



Director

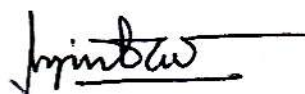


Director

First Private Bank Limited
(Incorporated in the Republic of the Union of Myanmar)
Statement of Financial Positions as at 30 September 2020

| | Notes | 2020 12 Months MMK | 2019 12 Months MMK |
|-------------------------------------|-------|--------------------------|--------------------------|
| <u>Assets</u> | | | |
| Cash & cash equivalents | 4 | 66,742,029,314 | 51,639,176,625 |
| Loans and receivables | 5 | 141,077,812,227 | 179,397,787,349 |
| Prepaid and other receivables | 7 | 7,404,357,953 | 6,894,859,383 |
| Inventories | | 41,471,271 | 31,511,338 |
| Investments | 6 | 20,701,300,000 | 24,701,300,000 |
| Property and equipment | 8 | 10,610,418,682 | 10,792,174,553 |
| Advanced Tax | | 793,747,848 | 1,100,000,001 |
| Acceptance, Endorsement & Guarantee | | 7,147,278,332 | 9,595,011,819 |
| Total Assets | | 254,518,415,627 | 284,151,821,068 |
| <u>Equity</u> | | | |
| Authorized Capital | | 100,000,000,000 | 100,000,000,000 |
| Paid up capital | 9 | 24,720,530,000 | 24,720,530,000 |
| Share Premium | | 11,845,878,597 | 11,845,878,597 |
| <u>Liabilities</u> | | | |
| Deposits from customers | 11 | 180,610,512,099 | 205,519,354,418 |
| Other liabilities | 12 | 5,495,162,642 | 4,936,702,791 |
| Payment Order | | 53,668,046 | 42,635,014 |
| Provision for income tax | | 1,017,046,879 | 1,548,914,821 |
| Acceptance, Endorsement & Guarantee | | 7,147,278,332 | 9,595,011,819 |
| Total liabilities | | 194,323,667,998 | 221,642,618,863 |
| Total Liabilities and Equity | | 254,518,415,627 | 284,151,821,068 |

See Accompanying Notes to Financial Statements
Authenticated by Directors ;




Chief Executive Officer



Chief Financial Officer



Director/Chairman



Director



Director

First Private Bank Limited

(Incorporated in the Republic of the Union of Myanmar)

Statement of Comprehensive Income for the year ended 30 September 2020

| | Notes | 2020 12 Months | 2019 12 Months |
|---------------------------------------|-------|----------------------|-----------------------|
| Interest income | | 17,314,960,808 | 21,023,347,899 |
| Other Interest income | | | |
| Deposit with other banks | | 102 | 40,463,204 |
| Securities (Government Bond) | | 2,004,890,050 | 1,947,500,000 |
| Deposit Auction | | 164,172,603 | 112,139,726 |
| Interest expenses | 13 | (11,576,669,128) | (14,821,024,103) |
| Net interest income | | 7,907,354,434 | 8,302,426,726 |
| Fees and Commission income | 14 | 745,443,727 | 2,566,127,876 |
| Fees and Commission expenses | 16 | (330,094,903) | (424,468,636) |
| Net fees and commission income | | 415,348,824 | 2,141,659,240 |
| Exchange Gain | | 22,664,190 | 538,727,269 |
| Exchange Loss | | (8,362,025) | |
| Revenue | | 8,337,005,424 | 10,982,813,235 |
| Other income (sale of assets) | | 120,000 | 6,798,624 |
| Personal expenses | 15 | (2,100,349,575) | (2,030,688,115) |
| Other expenses | 17 | (1,151,541,456) | (1,214,349,640) |
| Net profit (Before Tax) | | 5,085,234,393 | 7,744,574,104 |
| Provision of income tax | | (1,017,046,879) | (1,548,914,821) |
| Net profit for the year | | 4,068,187,514 | 6,195,659,283 |
| Other comprehensive income | | - | - |
| Total comprehensive income | | 4,068,187,514 | 6,195,659,283 |

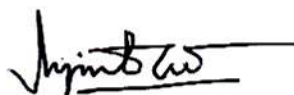
Earnings Per Share

1,646

2,506

See Accompanying Notes to Financial Statements

Authenticated by Directors;



Chief Executive Officer



Chief Financial Officer



Director/Chairman



Director



Director

Statement of Changes in Equity for the year ended 30 September 2020

| | Issued & paid up capital | Share premium | Statutory Reserve | General provision for loans & receivables | Other Reserve | Contingency Reserve | Retained Earnings | Total |
|-----------------------------------|--------------------------|----------------|-------------------|---|---------------|---------------------|-------------------|-----------------|
| Balances as of 30.9.2018 | 24,720,530,000 | 11,845,878,597 | 14,146,283,649 | 3,608,425,039 | 8,117,485 | 101,697,990 | 1,881,744,614 | 56,312,677,374 |
| Changes during the year | | | | | | | | |
| - Share issued during the year | | | | | | | | - |
| - Share premium | | | | | | | | - |
| - Transferred to reserved | | | 1,548,914,821 | | | 865,548 | | 1,549,780,369 |
| - Reserve for dividend | | | | | | | | - |
| Transferred to dividend payable | | | | | | | | - |
| - Adjustment during the year | | | | | | | | - |
| - Profit/(loss) during the year | | | | | | | 4,646,744,462 | 4,646,744,462 |
| Balances as of 30.9.2019 | 24,720,530,000 | 11,845,878,597 | 15,695,198,470 | 3,608,425,039 | 8,117,485 | 102,563,538 | 6,528,489,076 | 62,509,202,205 |
| Balances as of 30.9.2019 | 24,720,530,000 | 11,845,878,597 | 15,695,198,470 | 3,608,425,039 | 8,117,485 | 102,563,538 | 6,528,489,076 | 62,509,202,205 |
| Changes during the year | | | | | | | | |
| - Share issued during the year | | | | | | | | - |
| - Share premium | | | | | | | | - |
| - Transferred to reserved | | | 1,017,046,879 | | | | (1,017,046,879) | - |
| - Transferred to Retained Earning | | | | (786,867,544) | | | 786,867,544 | - |
| Transferred to dividend payable | | | | | | | (6,180,132,500) | (6,180,132,500) |
| - Adjustment during the year | | | | | | | (202,509,590)* | (202,509,590)* |
| - Profit/(loss) during the year | | | | | | | 4,068,187,514 | 4,068,187,514 |
| Balances as of 30.9.2020 | 24,720,530,000 | 11,845,878,597 | 16,712,245,349 | 2,821,557,495 | 8,117,485 | 102,563,538 | 3,983,855,165 | 60,194,747,629 |

* Bonus and reward paid after allocation of Dividend



Chief Executive Officer



Director/Chairman



Chief Financial Officer



Director



Director

First Private Bank Limited
(Incorporated in the Republic of the Union of Myanmar)
Statement of Cash Flows for the year ended 30 September 2020

| | 2020 | 2019 |
|--|--------------------|-------------------|
| | 12 Months | 12 Months |
| | (MMK in thousand) | (MMK in thousand) |
| Interest income | 21,384,922 | 25,768,010 |
| Interest expense | (12,148,395) | (15,800,816) |
| Cash payment to employee & other | (3,237,539) | (3,067,591) |
| | 5,998,988 | 6,899,603 |
| (Increase)/decrease in loan and receivables | 38,319,975 | 1,023,465 |
| (Increase)/decrease in other assets | (1,652,249) | (443,067) |
| Increase/(decrease) in deposits | (24,908,842) | 1,396,382 |
| Increase/(decrease) other liabilities | 1,169,066 | (1,932,223) |
| Cash generated from operation | 18,926,938 | 6,944,160 |
| Income -tax paid | (1,242,663) | (1,119,632) |
| Net cash Provided by /(used in) operating activities | 17,684,275 | 5,824,528 |
| Cash flow from investing activities | | |
| Investment in government securities bond | - | - |
| Investment in CBM-Deposit Auction | 4,000,000 | 7,001,000 |
| Purchase of property and equipment | (436,421) | (638,083) |
| Proceeds from sale of property and equipment | 120 | 10,120 |
| Net cash used in investing activities | 3,563,699 | 6,373,037 |
| Cash flow from financing activities | | |
| Issued share capital | - | - |
| Share premium | - | - |
| Dividend paid | (6,145,122) | (7,671) |
| Proceed from bonus shares issued | - | - |
| Borrowing Repayment | - | - |
| Net cash used in financing activities | (6,145,122) | (7,671) |
| Net increase / (decrease) in cash in hand and at bank | 15,102,852 | 12,189,894 |
| Cash in hand and at bank at 1 October | 51,639,177 | 39,449,283 |
| Cash in hand and at bank at 30 September | 66,742,029 | 51,639,177 |

Authenticated by directors;

Chief Executive Officer

Chief Financial Officer

Director/Chairman

Director

Director