

Myanmar Citizens Bank Ltd
Annual Report submitted at 26th Annual General Meeting
Of 2017-2018 Financial Year
By Board of Directors

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Introduction

1. Myanmar Citizens Bank was established as a public bank with the company registration no. (274, 1991-92) granted on 30-10-91, issued from Company Registration Office in 1991 under Myanmar Special Company Act. The Bank commenced banking operations on 2nd June 1992 at No. 383, Maharbandoola Road, Kyauktada Township, Yangon with the business license no. (MBL/J (i) – 1(5)1992) granted by Central Bank of Myanmar on 25th May 1992.
2. Myanmar Citizens Bank successfully celebrated its Silver Jubilee, 25th Banking Anniversary on 2nd June 2017.
3. At the time the Bank established, shares were primarily owned by corporations and public. Later in 1998 when the corporations were dissolved, staff welfare organizations under Ministry of Commerce bought them.

Our Branches

MCB has branches in the following regions -

- Sagaing Division
 - Monywa Branch
 - Monywar Mini Branch
 - Tant Se Branch
- Mandalay Division
 - Myin Chan Branch
 - Mandalay Branch (1)
 - Mandalay Branch (2)
 - Mandalay Branch (3)
 - Mandalay (62nd Street)
- Rakhine State
 - Sittwe Branch
- Magway Division
 - Magway Branch
 - Yay Sa Kyo Branch
 - Aung Lan Branch
 - Pakokku Branch
- Ayeyarwaddy Division
 - Patheingyi Branch
 - Myaung Mya Branch
- Shan State
 - Muse (115 - mile) Branch
 - Muse Branch
 - Lashio Branch
 - Taung Gyi Branch
- Naypyitaw
 - Naypyitaw Branch
 - Naypyitaw (Myoma Market) Branch
- Bago Division
 - Bago Branch
 - Pyaw Branch
- Yangon Division
 - Kyauktada Branch
 - Pazundaung Branch
 - Pabedan Mini Branch
 - Dawbon Mini Branch
 - Latha Branch
 - Bayint Naung Branch

Bayint Naung Mini Branch

North Okkala Branch

Saw Bwar Gyi Gone Branch

Tanintharyi Division - Myeik Branch

4. During 26-year-long banking operations, MCB successfully opened 33 branches and mini branches in different states and divisions including Yangon as stated below –

	<u>Branch Names</u>	<u>Opening Dates</u>
1.	Kyauktada Branch	02 - 06 - 1992
2.	Mandalay Branch (1)	06 - 06 - 1996
3.	Bayint Naung Branch	12 - 05 - 2011
4.	Naypyitaw Branch	22 - 06 - 2011
5.	Myin Chan Branch	12 - 08 - 2011
6.	Monywar Branch	15 - 08 - 2011
7.	Muse Branch	17 - 10 - 2011
8.	Yay Sa Kyo Branch	14 - 12 - 2012
9.	Tant Se Branch	26 - 04 - 2013
10.	Mandalay Branch (2)	12 - 07 - 2013
11.	Monywar Mini Branch	23 - 08 - 2013
12.	Dawbon Mini Branch	20 - 12 - 2013
13.	Lashio Branch	01 - 03 - 2014
14.	Aung Lan Branch	20 - 06 - 2014
15.	Bayint Naung Mini Branch	25 - 10 - 2014
16.	Ba Pae Tan Mini Branch	17 - 12 - 2014
17.	Pazuntaung Branch	16 - 12 - 2015
18.	North Okkala Branch	01 - 03 - 2016
19.	Pyay Branch	01 - 05 - 2016
20.	Latha Branch	04 - 06 - 2016
21.	Sittwe Branch	07 - 06 - 2016
22.	Mandalay Branch (3)	22 - 10 - 2016
23.	Pathein Branch	17 - 01 - 2017
24.	Myeik Branch	20 - 11 - 2017
25.	Bago Branch	04 - 04 - 2018
26.	Myaung Mya Branch	10 - 04 - 2018
27.	Naypyitaw (Myoma Market) Branch	20 - 06 - 2018
28.	Pakokku Branch	22 - 06 - 2018
29.	Muse Branch	29 - 08 - 2018
30.	Taunggyi Branch	29 - 08 - 2018
31.	Saw Bwar Gyi Gone Branch	17 - 09 - 2018
32.	Magway Branch	19 - 09 - 2018
33.	Mandalay Branch (62th Street)	Branch to open

5. Opening up to 75 to 100 new more branches in the regions of promising business after making some researches is a part of our future plan for 2019-2020.

Board of Directors

6. Board of Directors at Myanmar Citizens Bank Ltd. was formed with 12 members in total, including 2 Independent Directors and 10 Shareholders in accordance with section 74, Articles of Association.
7. The following list of Board members was approved at MCB's 25th Annual General Meeting for 2016-2017 Financial Year held on 8th July, 2017.

Myanmar Citizens Bank Ltd., Board of Directors (Directors)

No.	Name	Position, Department	Roles
(1)	Dr. Than Myint	Union Minister Ministry of Commerce	Patron
(2)	U Toe Aung Myint	Permanent Secretary Ministry of Commerce	Chairman
(3)	U Hla Maw Oo	Director General (Department of Trade Promotion and Consumer Affairs)	Director
(4)	U Soe Naing (a) U Ko Ko Gyi	Capital Diamond Star Group Ltd.	Director
(5)	U Hla Oo	Director (Good Brother's Co. Ltd.)	Director
(6)	U Tun Lwin	M.D (Shwe Me Co. Ltd.)	Director
(7)	U Own Saing	Director (New Golden Gate (1991) Co. Ltd.)	Director
(8)	U Aung Aung	CEO (IT Consultant, Ahtar Oo Co. Ltd.)	Director
(9)	Daw Moe Moe	Director (J.D.S Co. Ltd.)	Director
(10)	Daw Aye Sandar Lwin	Director (PAC Link Trading)	Director
(11)	U Zeya Thura Mon	CEO (Zeya & Associates Co. Ltd.)	Director
(12)	U Zaw Lin Htut	Independent Director	Director
(13)	U Aye Thaw	Independent Director	Director
(14)	Dr. Thaug Han	Chief Executive Officer Myanmar Citizens Bank Ltd.	Secretary

Committees

8. Directors were also assigned responsibilities at proper roles in forming 6 Committees.

(a) Risk Management Committee

No.	Name	Position, Department	Roles
(1)	Dr. Ko Ko Gyi	Director	Chairman
(2)	U Hla Maw Oo	Director	Member
(3)	U Tun Lwin	Director	Member
(4)	U Zeya Thura Mon	Director	Member
(5)	U Zaw Lin Htut	Independent Director (Resigned on 24.2.2018)	Member

(b) Loan Committee

No.	Name	Position, Department	Roles
(1)	U Own Saing	Director	Chairman
(2)	U Hla Maw Oo	Director	Member
(3)	U Hla Oo	Director	Member
(4)	U Tun Lwin	Director	Member
(5)	U Zaw Lin Htut	Independent Director (Resigned on 24.2.2018)	Member

(c) Payroll Committee

No.	Name	Position, Department	Roles
(1)	Dr. U Ko Ko Gyi	Director	Chairman
(2)	U Hla Oo	Director	Member
(3)	U Zeya Thura Mon	Director	Member
(4)	U Tun Lwin	Director	Member
(5)	Daw Myat Thuzar Aung	Head of HR (Resigned on 31.12.2017)	Member

(d) Audit Committee

No.	Name	Position, Department	Roles
(1)	U Aye Thaw	Independent Director	Chairman
(2)	U Than Win Shwe	Law (Advisor)	Member
(3)	U Tint Lwin	Deputy General Director (retired) Myanmar Department Store	Member
(4)	Khin Thet Htar	Advisor to Directors	Member

(e) Liability, Revenue & Assets Management Committee

No.	Name	Position, Department	Roles
(1)	U Tun Lwin	Director	Chairman
(2)	U Hla Oo	Director	Member
(3)	Dr. U Ko Ko Gyi	Director	Member
(4)	U Yan Naing Tun	Advisor to Directors	Member
(5)	U Zaw Lin Htut	Independent Director (Resigned on 24.2.2018)	Member

(f) Strategic Management Committee

No.	Name	Position, Department	Roles
(1)	Dr. U Ko Ko Gyi	Director	Chairman
(2)	U Hla Oo	Director	Member
(3)	U Zeya Thura Mon	Director	Member

(g) Board IT Steering Committee

No.	Name	Position, Department	Roles
(1)	U Zaw Lin Htut	Independent Director (Resigned on 24.2.2018)	Chairman
(2)	U Aung Aung	Director	Member
(3)	U Zeya Thura Mon	Director	Member
(4)	Daw Aye Sandar Lwin	Director	Member

9. Committees present their findings and issue analysis from their respective meetings to Board of Directors' meetings for discussion and decision making in implementing the operations.

Capital Injection and Paid-up Capital

10. The maximum Paid-up Capital of Myanmar Citizens Bank Ltd. is approved up to MMK 75000 million as per instruction no. (1/2013), dated 2-1-2013, by Ministry of National Planning and Economic Development. The Bank's current Paid-up Capital is MMK 52 Billion stated as follow:

(Kyat in Million)

No.	Financial Year	Added Share Value	Integrated Share Value	Growth
1	From 1991-1992 to 1996-1997	-	110.000	-
2	2002-2003	50.000	160.000	45.45%
3	2004-2005	60.000	220.000	37.50%
4	2006-2007	154.250	374.250	70.11%
5	2007-2008	487.045	861.295	130.14%
6	2008-2009	38.705	900.000	4.49%
7	2009-2010	2323.807	3223.807	258.20%
8	2010-2011	58.023	3281.830	1.81%
9	2011-2012	1500.670	4782.500	45.73%
10	2012-2013	13078.092	17860.592	273.46%
11	2013-2014	410.289	18270.881	2.30%
12	2014-2015	18841.945	37112.826	103.13%
13	2015-2016	1256.939	4986.765	34.37%
14	2016-2017	2135.165	52004.930	4.28%

CHART (Capital Injection & Paid Up Capital Amount)

11. Out of MMK 52004.930 million of Paid-up Capital, Ministry of Commerce holds the shares worth MMK 5117.055 million and general public holds the shares worth MMK 46887.875 million.

Top 20 Shareholders (6.6.2017)**Myanmar Citizens Bank Ltd.**

No.	Company	Registration No.	Percentage of holding
1	CAPITAL FINANCIAL HOLDING LTD	1050/2015-2016 (NPW)	16.56%
2	CAPITAL DIMOND STAR GROUP LTD	1831/ 2012-2013	15.07%
3	MINISTRY OF COMMERCE	-	9.84%
4	DIAMOND STAR CO., LTD	165/ 1990-1991	8.92%
5	SHWE ME CO., LTD	137/ 1995-1996	8.03%
6	GOOD BROTHERS CO., LTD	212/ 1991-1992	4.60%
7	GOOD BROTHER MACHINERIES CO., LTD	427/1998-1999	4.06%
8	PAC LINK TRADING LTD	597/ 1998-1999	4.06%
9	JDS CO. LTD	611/ 1998-1999	4.06%
10	PYAE CHAN THAR CO., LTD	1286/ 2015-2016 (NPW)	3.86%
11	STAR UNION INVESTMENT LTD	709/ 2004-2005	3.54%
12	FARMER PHOYAZAR CO., LTD	998/1999-2000	2.56%
13	YOUNG INVESTMENT GROUP CO., LTD	156/ 2005-2006	2.10%
14	VSK INTERNATIONAL CO., LTD	602/1998-1999	1.99%
15	AHTAR OO CO., LTD	578/ 2009-2010	1.17%
16	UNIQUE VALUE TRADING CO., LTD	1340/ 2006-2007	0.96%
17	FORWARD LOGISTIC SERVICES CO., LTD	36/ 2010-2011	0.77%
18	FOREST PRODUCTS JOINT VENTURE CORPORATION LTD	638/1993-1994	0.60%
19	PRO I (MYANMAR) CO., LTD	2338/ 2013-2014	0.58%
20	TUN THAW TAR TRADING CO., LTD	149/ 1998-1999	0.55%

Profit before Tax and Dividend Paid-out

12. Since 1992-1993, the year MCB was established, the Bank has been contributing taxes to state revenue and paying out the proper dividends to the shareholders on the basis of Profit. MCB's Profit before Tax during these 26 years is MMK 34.38 Billion and contributed Income Tax is MMK 8.66 Billion in total so far. The amount of Dividend Paid-out is 13.6 Billion. Annual Profit before Tax, Income Tax and Dividend Paid-out are as stated below:

(Kyat in Million)

Financial Year	Profit before Tax	Contributed Tax	Dividend Paid-out (%)	Amount of Dividend Paid-out
1992-1993	2.66	0.79	-	-
1993-1994	22.97	6.89	18%	11.92
1994-1995	34.21	9.98	21%	15.60
1995-1996	52.70	15.18	23%	20.39
1996-1997	82.92	23.667	25%	25.51
1997-1998	109.95	32.98	25%	27.50
1998-1999	126.91	38.50	25%	27.50
1999-2000	86.13	27.50	25%	27.50
2000-2001	108.56	34.00	25%	27.50
2001-2002	92.03	29.00	25%	27.50
2002-2003	106.21	33.00	25%	33.75
2003-2004	144.00	44.00	25%	40.00
2004-2005	85.23	26.50	20%	40.00
2005-2006	156.31	46.50	25%	55.00

2006-2007	222.72	68.00	25%	80.76
2007-2008	301.01	90.50	22%	140.55
2008-2009	518.34	157.50	25%	221.51
2009-2010	707.44	210.00	16%	324.62
2010-2011	1095.94	315.00	17%	556.18
2011-2012	1456.49	390.00	13%	622.01
2012-2013	2399.30	594.60	13%, 1.2%	954.81
2013-2014	3350.58	837.64	13%, 7.75%	1536.55
2014-2015	5107.07	1281.40	13%, 9%, 2.8%	2269.93
2015-2016	7095.65	1773.82	13%, 8.3%	3397.38
2016-2017	7817.64	1954.38	6%	3120.30
2017-2018	3958.10	786.73	4%	2080.20
Total	38342.68	9448.46	-	15684.47

TWO CHARTS (of Profit before Tax and Dividend Paid-out)

13. As Incomes grow year after year as stated above, our contributions of Income Taxes to the state revenue become larger and larger as time goes by. In 2016-2017 financial year, MCB was at 37 in the list of 50 large tax payers and was at 8 in the list of top banks which contributed largest exposure of taxes.

CHART (of Income Tax Exp.)

Income from Respective Banking Operations

14. As Myanmar Citizens Bank is commencing every banking operations in accordance with rules and regulations of Central Bank of Myanmar and Financial Institutions, we have developments in all operations as below -

(Kyat in Million)

Categories	2014	2015	2016	2017	2018
Current Deposit	20157	20633	33502	21131	23755
Savings Deposit	41970	51196	54657	66894	66534
Time Deposit	14821	30297	46774	62643	112545
Call Deposit	-	1053	9437	13303	17319
Net Deposit	76948	103179	144370	163971	220153
Loan Amount	60848	87116	115276	159718	188253
Investment	18788	31621	50852	47491	57511
Money Order	23077	59344	69017	90264	72457
Domestic Transfer	108233	170266	219140	267635	291842

FOUR CHARTS (of Total Deposits, Total Deposits & Loans, Domestic Remittance and Investments)

International Banking Services

15. MCB operated service concerning foreign currency from 1994 to 1998 and halted it in 1998 as per the state policy.

16. As Central Bank issued Money Changer License to private banks in October 2011, MCB could open Money Changer counters as follows:

	Branch Names	Opening Dates
1.	Naypyitaw Branch	22 - 06 - 2011
2.	Kyauktada Branch	24 - 10 - 2011
3.	Muse Branch	06 - 12 - 2011
4.	Mandalay Branch	14 - 09 - 2012
5.	Dawbon Branch	07 - 05 - 2014
6.	Myeik Branch	13 - 11 - 2017
7.	Byint Naung Branch	02 - 01 - 2018
8.	Myin Chan Branch	02 - 01 - 2018
9.	Pathein Branch	02 - 01 - 2018
10.	Sittwe Branch	02 - 01 - 2018
11.	Aung Lan Branch	02 - 01 - 2018
12.	Mandalay Branch	02 - 01 - 2018
13.	Latha Branch	02 - 01 - 2018
14.	Monywar Branch	02 - 01 - 2018
15.	Pazuntaung Branch	02 - 01 - 2018
16.	Tant Se Branch	02 - 01 - 2018
17.	Pa Bae Tan Branch	02 - 01 - 2018
18.	North Okkala Branch	02 - 01 - 2018
19.	Pyay Branch	02 - 01 - 2018
20.	Mandalay Branch (2)	02 - 01 - 2018
21.	Bayint Naung Mini Branch	02 - 01 - 2018
22.	Yay Sa Kyo Branch	02 - 01 - 2018
23.	Lashio Branch	02 - 01 - 2018
24.	Bago Branch	07 - 05 - 2018

Foreign Exchange Operations

17. MCB was granted a Foreign Exchange Authorized Dealer License by Central Bank of Myanmar on 17th August, 2012 and became a member of the Society for Worldwide Inter Bank Financial Telecommunication (SWIF) on 5th January, 2013. MCB has established correspondent bank relationships and maintained NOSTRO accounts with United Oversea Bank [UOB], Oversea Chinese Banking Corporation [OCBC], DBS Bank, United Bank of India, Malayan Banking Berhad [May Bank], ICBC, Krung Thai Bank, Siam Commercial Bank, Kasikorn Bank, Bangkok Bank and BIDV. By connecting with correspondent banks, MCB is currently providing the following services –

- (a) Foreign Currency Current Account opening
- (b) Cash disbursement
- (c) Account Transfers
- (d) Foreign Exchange activities for exporters and importers

Foreign Currency Exchange Services

18. Income gain from foreign currency exchange services during 2016-2017 financial year and 2017-2018 financial year are compared as below -

(Kyat in Million)

No.	Categories	2016-2017	2017-2018
1	Money Changer Profit	26.12	28.75
2	Money Transfer Services, Remittance	17.80	18.16
3	Payment Order	0.18	0.44
4	Account Transfer	189.46	111.77
5	FX	769.74	219.38
6	Exchange Transaction	1934.47	1251.58
	Total Income	2937.77	1630.08

19. Income from foreign exchange service decreases this year in comparison with previous year and it is because the value of Myanmar currency is lower in exchanging.

International Remittance and International Money Transfer Services

20. MCB also obtains profit by providing international money transfer services, in collaboration with transfer agencies such as Money Gram International Limited – MGIL [Dubai], International Money Express – IME [Malaysia], Trans Fast World Wide Money Transfer [T.F] [New York], Merchantrade Money Transfer Services, for customers working in foreign countries so that they could make the transactions handily.

Services for International Trading Operations

21. The Bank organized Trade Finance Department on 12.4.2017 with the aim of providing better services in international trading to catch up with advanced banking services. MCB's current focus is on efficient export/import operations and the followings are our available services.

- (a) Import Letter of Credit
- (b) Import Bill for Collection
- (c) Import Bill Purchased
- (d) Import Financing
- (e) Export Letter of Credit Confirmation
- (f) Export Bill Collection
- (g) Export Letter of Credit Advising
- (h) Export Bill Purchased
- (i) Bank Guarantee or Bond (Foreign Currency)
- (j) Non-Trade Payment [Outward Remittance]
- (k) Supporting Trade Facilities

22. Trade Finance Department facilitates Export/Import services, Bank Guarantee, and Non-trade Payment [Outward Remittance] as well in 2017-2018 financial year. The following table shows incomes through our Trade Finance Services in 2016-2017 and 2017-2018 financial years, and their differences.

No.	Categories	2016-2017	2017-2018	Difference
1	Import	174.35	197.21	(+) 22.86
2	Export	3.77	1.14	(-) 2.63
3	Bank Guarantee [FC]	21.16	15.05	(-) 6.11
4	Non-Trade Payment [Outward Remittance]	2.49	7.06	(+) 4.57
Total		201.77	220.46	(+) 18.69

23. Trade Finance Department aims to maximize the customers' international import and export trading potential during this financial year, 2018 and ensures to provide best financial assistance concerning Bank Guarantee operations year by year.

Visa Card, Master Card Acquiring and Issuing

24. After acquiring the business license from the related organizations, MCB has installed POSs in position at 35 locations in total including hotels and restaurants to provide the visitors from other countries the most convenient payment experience with Visa and Master Cards. In this way, we could manage to get service charges and could add foreign currency required in our Nostro Accounts.

25. For our citizens working in foreign countries to make payments in restaurants, supermarkets and hotels, to book for air-tickets and hotels and to shop online, MCB provides Citizen Card as our Master Card in collaboration with 2C2P, a technical provider in Thailand.

Myanmar Payment Union [MPU]

26. With the aim of reducing local payments in cash and to boost banking operations between the banks, allowing the most convenient cashless experience, managing the international cards available in local and connecting local banks' operations with international network, MCB is one of the first members in organizing MPU.

27. Customers can access all ATMs installed by KBZ, AYA and CB banks in MPU network with our ATM Cards to make cash withdrawal and account transfer. Currently we manage to make transactions with foreign cards such as China Union Pay [CUP] and Japan Credit Bureau [JCB] Card. As the MPU member, MCB has tried to include Visa Card, Master Card acquiring and issuing in our available services. To date, we have 16117 ATM Customer Accounts and have installed 7 POSs and 22 ATM machines. We are aiming to set up more ATM machines in the future as well.

Mobile Payment

28. MCB is granted for Mobile Payment System by CBM on 22nd May 2015 to allow the customers to transfer money via mobile handset to someone in branchless rural area where there is no branch. We also collect more service charges by supporting our customers with this system to make transactions from one branchless area to another. Presently, we are collaborating with 663 Mobile Agents in those regions to collect our HP customers' interest payments. MCB has 8 Super Agents, 1649 Agents, 12884 Subscribers and 1135 Merchants in Mobile Payment operation.

E-payment Service

29. MCB started E-payment System, an online system to make payments, on 1st September 2017. By making payments at MCB in advance, our customers are safe and convenient in making payments for import license fees to Ministry of Commerce without sending money in cash to Naypyitaw.

The status of our business development is as follow:

(Kyat in Million)

Financial Years	Number of Customers	Number of Import Licenses	Payment to Ministry	Bank Service Charges
2007-2008	2249	16810	199.585	0.538
2008-2009	798	37022	422.411	3.649
2009-2010	731	45079	520.910	4.508
2010-2011	711	58391	647.799	21.859
2011-2012	5590	66640	812.882	33.330
2012-2013	7204	77479	3277.940	38.74
2013-2014	9026	255631	3347.970	74.03
2014-2015	10732	170960	3809.450	85.48
2015-2016	12952	182832	4170.040	91.42
2016-2017	15302	220378	4921.188	110.19
2017-2018	17304	265968	5536.200	132.84

TWO CHARTS (of Import Licenses and Fee Income)

Loan Services

30. In providing short-term loan service which is one of our main income sources, MCB gears to provide facilities as the loans in the local businesses by organizing Loan Committee and making analyzing in approving them to consequently contribute the economic development in the nation on one hand, and to have constant income, to develop banking business and to reduce risks effectively on the other hand. We have set new Loan Policies in providing loans to prevent the potential risks in our banking operations.
31. Loan Department at MCB could provide MMK 115.555 Billion as loan exposure in total to 916 local businessmen until 31st March 2018, which is MMK 6.98 Billion exceeding than the previous year. NPL [Non Performing Loan Ration] was 2.89% last year and it reaches to 4.45% this year because of increasing NPL% upon increasing loan amount as the nature of loan business. However, the operations are ensured not to lose sight of reducing the number of NPL.

Hire Purchase

32. Hire Purchase is a service provided by MCB Bank starting in October, 2012 in association with 25 big companies financing products. We could manage financing agricultural machines, condominiums, luxury automobiles, industrial vehicles and construction machines with no loss so far. Our major financing products in 2017-2018 financial year are agricultural machinery purchased by 10519 farmers in every states and divisions in the nation and our income is MMK 8467.01 million. In providing Hire Purchase scheme, MCB is trusted by entrepreneurs and demanded by customers for our effective and fast services. We not only finance agricultural machinery under HP scheme for the development of agricultural sector, also provide fertilizers and crop protection products under SME Finance scheme in every states and divisions starting in

November 2017. In 2017-2018 financial year, we are also increasing our market share by financing home and office (electrical) appliances under HP scheme with the aim of developing living standard of different classes in the nation.

(Kyat in Million)

Financial Year	Number of Borrowers	Income			
		Rental Fees	Commission	Service Charges	Total
2016-2017	9602	4548.21	1752.54	29.76	6330.51
2017-2018	10519	6395.27	2043.42	28.32	8467.01

SME Loans

33. As MCB is selected as the Participant Financial Institution for JICA (Japan) Two Step Loan program for the growth of Small and Medium Enterprises (SMEs), we could provide loan amount of MMK 6.37 Billion to 19 entrepreneurs in 2016-2017 financial year and loan amount of MMK 2.47 Billion to 9 entrepreneurs in 2017-2018 financial year. In total, MCB offered MMK 8.84 Billion to 28 entrepreneurs in Yangon, Mandalay, Bago, Ayeyarwady, Tanintharyi and Rakine. At upcoming Two-Step Loan Phase II, we will try to provide loans to both small business and others producing value added goods in different states and divisions.

Loan Services

(Kyat in Million)

Financial Year	Loan Amount	Outstanding Loan	Hire Purchase	Trade Guarantee	Two Step Loan
2017-2018	100040	14360	62936	1779	9233

PIE CHART

Loan Amount for Respective Sectors

(Kyat in Million)

Financial Year	Industry	Transportation	Trade	Services	Construction	Agriculture and Livestock	General
2017-2018	31458	1951	47101	33586	8645	63954	1653

PIE CHART

Human Resources Development

34. MCB is performing the development of human resources with special consideration - to be at the same level of succeeding banking operations and new technologies in the business. Our efficiently run Human Resources Department is training and coaching staff in both branches and head office to have all abilities in providing the best banking services at the time of implementing Core Banking System. Training Centre at MCB is developed in 2018 by the department. Furthermore, we also manage employees to have on-job training and to attend trainings, workshops and seminars conducted by associations of banks and foreign banks.

Status of Buying and Selling Shares at Yangon Stock Exchange

35. MCB became the listed company on the Yangon Stock Exchange on 26th August 2016 and is the first bank approved to sell banks' shares. We opened the market with base price of MMK 6800

per share and it reaches MMK 7800 per share today. Total volume of shares and value were 190693 and MMK 1939.017 million respectively from 26-8-2016 to 20-7-2018. Current price per share in the market is about MMK 7800.

Financial Status

36. Financial ratios stated below well prove the strength of MCB's financial position.

No.	Categories	CBM's Limit	Payment to Ministry	Bank Service Charges
1	Capital Adequacy Measurement	10.00%	30.09%	0.538
2	Liquidity Ratio	20.00%	29.90%	3.649
3	Reserve Requirement	5.00%	Minimum exposure - 7394 million MCB's exposure - 7926 million	Minimum exposure - 7377 million MCB's exposure - 12377 million
4	Non-Performing Loan Ratio	-	2.89%	21.859

37. MCB's ROA, ROE, Operation Ratio and Earning Per Share are as follow:

No	Categories	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018
1	Return On Average Assets - ROA	2.43%	2.48%	2.42%	2.39%	1.05%
2	Return On Average Equity - ROE	11.58%	8.53%	8.67%	8.81%	5.70%
3	Cost Income Ratio	42.40%	38.06%	45.13%	51.41%	69.97%
4	Earning Per Share (Kyat) (Kyat 5000/- per share)	917	688	711	752	305

CHART (ROA, ROE & CTI Ratios)

Shareholders' Equity

38. Shareholder's Equity is increased as follow:

(Kyat in Million)

No.	Categories	31.3.2014	31.3.2015	31.3.2016	31.3.2017	31.3.2018
1	Paid-up Capital	18270.88	37112.83	49869.76	52004.93	52004.93
2	Reserve Fund	2043.48	2991.23	4322.85	5788.66	6581.50
3	Fund for Loan	1216.97	1742.34	2305.52	3316.76	3778.96
4	Emergency Fund	2	5	10	12	
5	Extra Share	113.33	2885.92	4799.46	5119.73	5119.73
6	Retained Earning	62.64	86.80	84.12	332.31	2211.24
	Total	21709.30	44824.12	61391.71	66574.39	69696.36

CHAT (Owners' Equity)

TWO GRAPHICS (Current Owners' Equity and Capital Adequacy Measurement)

Dividend on Shares

39. In 2016-2017 financial year, our profit before tax was MMK 7817.64 million and we made the payment of MMK 1984.54 million in advance as income tax. In 2017-2018 financial year, our profit before tax was MMK 3958.10 million and we made the payment of MMK 786.73 million in advance as usual as income tax. On the rest net profit, we establish MMK 792.84 million as reserve funds which is the equivalence of 25% of profit as per Law of Myanmar Financial Institutions, MMK 870.20 million as fund for loan and MMK 2211.24 million as accrued dividends. Out of these dividends, MMK 2080.20 million will be paid out as the profit for shares.

Auditing Bank Accounts and Operations

40. CBM analyzed MCB's financial statements and operations on timely basis in 2016-2017 financial year and Win Thin & Associates has also examined our financial statements of 2017-2018 financial year. Audit Report and Financial Statement of 2017-2018 financial year are herewith attached.

41. In accordance with clause 49 in Law of Myanmar Financial Institutions, Audit Committee with 3 members assigned by shareholders held four audit meetings during 2017-2018 financial year. The Committee audited deposits, loans, accounts, managements, operations and practices of the Bank. Besides, they also took responsibilities in checking the documents granted in having loans, and cash in hands at Credit Department. They have never failed to assist with advices on deposits and loan as well.

42. Audit Committee supervises Internal Audit in making continuous audit that examines MCB's daily accounting practices, loan services and administrative activities in accordance with CBM's instructions. The team also audits end-of-the-month accounting procedures and cash in the vault timely, conducts surprise checks every month, examines the balance in cash daily and checks the branches too.

Matters in 2016-2017 Financial Year

43. MCB was listed as the First Private Bank and third private company on Yangon Stock Exchange Centre [YSX]. Being as the listed company, our shareholders have profit as Capital Gain by selling the shares in addition to our Income Gain. To earn more Capital Gain, we are shifting from the practice of paying dividends as priority to the practice of investing the profits to increase share value to make more development at the Bank.

44. MCB is hiring the foreign advisors and local professionals to fulfill the needs of HR unit and IT unit in competing with other banks locally and globally and in establishing a good relation with international banks starting on 2016-2017 financial year. Although some largest shareholders who wants to bring more developments to our bank allowed others to have dividends first with greater ratio and attained the rest for themselves in previous financial years, the dividends have been paid out equally at the same ratio lately as the shares can be sold in the market since MCB became a listed company on YSX. The amount paid out in dividends is smaller because of this and other reasons such as high costs in hiring foreign experts in making the changes to banking structures in order to compete with the international banks.

Our Future Plans

45. MCB aims to accomplish the followings during 2018-2019 financial year.

- (a) Being as the first listed public company among the banks in Myanmar, we are establishing the development in the nation's financial sector by fulfilling our customers' needs and providing efficient banking services for the interests of our employees and related bodies. To accomplish MCB's detailed future 3-year strategic plans and procedures set out by Board of Directors together with Management Team in reaching this goal.
- (b) To commence IFRS after some discussions with external consultants as we are in need of international accounting standards for MCB's future success.
- (c) Human resources development, fast and effective banking services, risk management procedures and systematic operations are our keys for MCB's achievements in long term and developing IT systems is fundamental of all. To continue our ongoing tasks and business prospects such as building Core Banking and Primary & Recovery Data Centers, hiring local and global professionals and experts, improving the employees' abilities, Process Reengineering, Rebranding and Marking and reordering the payroll and benefits.
- (d) To develop Digital Banking System with the use ICT for the mobile payments so that citizens in branchless rural areas can make banking transactions and payments handily.
- (e) To enlarge the Bank's network by opening 75 to 100 branches until 2018-2019 and 2019-2020 financial years.
- (f) To expand more banking services such as Mobile Banking, Internet Banking and Mobile Wallet in addition to providing Debit Card, Credit Card and Prepaid Card as Consumer Banking services so that our banking activities are widely known and used.
- (g) To reanalyze our current Visa Card, Master Card, UPI, JCB, MPU Acquiring & Issuing procedures to be the better ones.
- (h) To increase the amount of Deposits for wider network of banking operations.
- (i) To develop and comply with the risk analysis and management systems to provide the most reliable and efficient loans.
- (j) To expand providing short term loans in 7 crucial sectors of business such as industry, trading, transportation, construction, agriculture, livestock and general on yearly basis with the aim of contributing the economic development in the nation and supporting local entrepreneurs financially.
- (k) To participate in bringing the developments of SME businesses by providing loans under Two Steps Loan Phase II program contributed by JICA.
- (l) To expand financing agricultural machineries and other consumer products under HP scheme.
- (m) To develop and exploit Corporate Banking services which meet the needs of businesses.
- (n) To develop MCB's Trade Financing by expanding services concerning LC/TT for export/import business, Bank Guarantees and Foreign Exchange.
- (o) To boost international banking services in collaboration with international money transfer agencies so that citizens working in foreign countries can make transactions handily.
- (p) To collaborate with other financial institutions and foreign banks in fulfilling the needs of our customers and clients.
- (q) To make progress in other banking services which meet the needs of customers (such as arranging the payments for the salaries of employees at private companies).

Conclusion

46. We hereby acknowledge that our bank achieves significant developments in every sector of our business because of operations accomplished in accordance with the instructions from the related ministries and CBM, encouragement and trust from our shareholders and customers, assistance from local brother banks, and reliable contributions from our loyal and benevolent employees.

We want all members of workforce at our bank to collaborate in accomplishing our future strategic plans with the goal of achieving excellent business outcomes. Board members greatly appreciate each and every person's efforts, initiations and cooperation.

Myanmar Citizens Bank Ltd.