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EFFECT OF ASSET-LIABILITY MANAGEMENT ON FINANCIAL PERFORMANCE OF FIRST PRIVATE BANK

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EFFECT OF ASSET-LIABILITY MANAGEMENT ON FINANCIAL PERFORMANCE OF FIRST PRIVATE BANK

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TABLE OF CONTENTS

LIST OF TABLES

Table **Page**

LIST OF FIGURES

Figure **Page**

LIST OF ABBREVIATIONS

ALCO	Asset Liability Committee
ALM	Asset Liability Management
AQ	Asset Quality
CA	Capital Adequacy
CAMEL	Capital, Asset Quality, Management Efficiency, Earning Quality, Liquidity
CBM	Central Bank of Myanmar
EQ	Earning Quality
FPB	First Private Bank
IRR	Interest Rate Risk
IRRBB	Interest Rate Risk in the Banking Book
ISDA	International Swaps and Derivatives Association
LCR	Liquidity Coverage Ratio
LIQ	Liquidity
ME	Management Efficiency
MVE	Market Value of Equity
NET	Net Economic Value
NII	Net interest income
NII	Net Interest Income
NIM	Net Interest margin
NPL	Non-Performing Loan
NSFR	Net Stable Funding Ratio
ROA	Return on average total Assets
ROE	Return weighted average Equity
TSA	Treasury Single Account

ABSTRACT

The study is an attempt to investigate of Asset liability Management practices of the First Private Bank Ltd (FPB) and explore whether the asset-liability structure has an impact on profitability and the extent of its impact. This study uses mainly in secondary data and descriptive analysis of financial data. To gather data which is used in the present study, financial information were obtained from annual reports, articles, previous studies on related topic published statement of disclosure of FPB. Five Years (2014 to 2018) financial position of FPB has been collected and studied effect of Asset-Liability Management (ALM) and Profitability status of the bank. The findings of the study can conclude that ALM practices of FPB could enhance its financial soundness. It finds that Capital Adequacy, Asset Quality and Liquidity are good. Although the loan amount was rising, profit growth rate is not dramatic. When total assets are getting high, the turnover percentage on total asset was raised especially Net- Interest Income was raised. Based on analysis, there are some suggestions, recommendations and further need of the study. According to the study, FPB is stably managing its yearly Assets and Liability position and to make sustainable financial performance.

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CHAPTER 1
INTRODUCTION

Each bank has a distinct strategy, customer base, product selection, funding distribution, asset mix, and risk profile. These differences require that assessments of risk exposures and risk management practices be customized to each bank's specific risks and activities and not take a one-size-fits-all approach. According to DeYoung and Yom (2008) asset liability management acts as a tool that enables the bank's managements to take business decisions in a more informed framework with an eye on the risks that bank is exposed to. It is an integrated approach to financial management, requiring simultaneous decisions about the types of amounts of financial assets and liabilities both mix and volume with the complexities of the financial markets in which the institution operates to attain a predetermined acceptable risk/reward ration. Banks manage their assets and liability to earn returns and also maintain a surplus of assets and liabilities.

Asset-Liability Management (ALM) enables the firm to balance between its liabilities and assets. This in turn minimizes financial risks and hence improves profitability. Asset liability management of the firm guides the management of the firm in making investment decision. This is because the firm is able to allocate sufficient funds for investment as a result of adoption of liquidity management best practices and argue that firms that maintain a proper structure of their balance sheet records high profitability compared to those firms who fail to maintain proper balances of assets and liabilities。

Profitability is a measure of economic gains realized by a bank in relation to the capital invested. This level of economic success can be determined by the amount of reported profits in a financial year.(Zopounidis, 2001) stated that business environment is characterized by risks and uncertainties. To effectively compete in the market place banks manage their assets and liabilities taking into consideration the risk level, earnings, liquidity, profit, solvency, the level of loans and deposits to mitigate losses and thus improve profitability. Since Asset liability management plays a critical role in risk management, it is imperative that banks recognize the asset liability importance and apply effective risk management procedures, effective implementation of advanced asset liability management techniques allows banks to hedge the risk and to maximize profitability in today’s highly competitive markets for banking services.

1.1 Rationale of the Study

This study is significant because it dealt with issues of a bank is facing and will continue to tackle in the future. In the present scenario, asset liability management is important for the banking industry due to increased importance of managing the asset liability mixes. The study also contributes to the existing body of knowledge in the area of asset-liability management in general and the role of risk management strategies to increase the profitability of financial institutions. First and foremost, the study could contribute to our understanding of best practices in managing different risks in the bank. Secondly, the study could provide the management of First Private Bank Ltd (FPB) further insights into best management ALM practices that may be useful and appropriate for specific asset and liability portfolio in order to increase their profit margin.

Finally, defining of the study are essential for financial institution managers and industrial practitioners as they can use to improve their effectiveness in the asset liability management while ensuring the good practices of ALM in related institution. It also aims at shedding lighter to policy maker, governing bodies, regulators and ALCO members of banks, those needed to be informed about Asset Liability Management and how they affect the profitability of commercial banks.

1.2 Objectives of the Study

The objectives of the study are as follow:

(1) To investigate the Asset-Liability Management practices of First Private Bank (FPB)

(2) To analyze financial performance of FPB by using CAMEL measures

1.3 Scope and Methods of the Study

The study focused on financial performance of First Private Bank (FPB) in the perspective of Asset-Liability Management. The period of the study is 2014 to 2018. It mainly used descriptive research method using secondary data of the bank covered for previous five financial years (2014 to 2018). The data were compiled mostly from balance sheet, income statement and applicable notes of FPB to analysis yearly performance. The collected panel data are analyzed by using descriptive statistics, correlations, including mean, standard deviation for showing the relationship between the variables.

1.4 Organization of the Study

This study is organized into five chapters. Chapter one includes the introduction, rationale of the study, objectives of the study, scope and method of the study and organization of the study. Chapter two is to present theoretical background of ALM and financial performance of a bank. Chapter three consists of ALM practices of the bank. Chapter four contains the analysis how ALM practices could support financial performance of FPB. Chapter five mentions part of the findings, suggestions and need for further research of the study.

CHAPTER 2
LITERATURE REVIEW

This chapter discusses the theoretical and empirical evidences focusing the effect of asset liability management on the profitability of a bank following by the ALM concept for banks, Importance of ALM in Banks, measuring financial performance of commercial banks, effects of CAMEL indexes on financial performance, previous studies of the relationship between asset-liability management and financial performance in commercial banks, and conceptual framework of the study at last.

2.1 Asset-Liability Management (ALM) Concept

The concept of ALM originated by financial institutions during the 1970s as interest rates became increasingly volatile. ALM fundamentally refers to the process by which an institution manages its statement of financial position in order to allow for alternative liquidity, interest rate and credit risk scenarios. The asset liability management (ALM) functions extend to profit planning, funding, capital planning, and projection for growth. The exact roles and perimeter around ALM can vary considerably from one bank (or other financial institutions) to another depending on the broad area of risks and business model.

Baum (1996) defined Asset-Liability Management as the practice of managing a business so that decisions and actions taken with respects to assets and liabilities are coordinated in order to ensure effective usage of company's resources to increase its profitability. Also, it is defined by different scholars like Gup and Brooks (1993), Zawalinska (1999) and Charumati (2008) defined ALM as a dynamic process of planning, organizing, coordinating, and controlling the assets and liabilities; their yield, volume, maturities, mixes and costs in order to achieve a specified net interest income (NII). In other words, it deals with the optimal investment of assets in view of meeting current goals and future liabilities. It is related to risk management associated with mismatch of liquidity, interest rates and foreign exchange fluctuations. Therefore, ALM is concerned with an attempt to match assets and liabilities in terms of duration, maturity and interest rate sensitivity to reduce to the minimum interest rate and liquidity risks (Zawalinska, 1999).

In general, assets management, mainly loans and advances, contributes positively for the profitability of a commercial bank while liability management, particularly saving and fixed deposits and other liabilities and credit balances, cost negatively the profitability. Therefore, according to perspective of a bank, assets management positively impacts shareholder wealth and liability management negatively impact shareholder wealth maximization. A comprehensive Asset Liability Management policy framework focuses on bank profitability and long term viability by targeting the net interest margin (NIM) ratio, return on equity and Net Economic Value (NEV), subject to balance sheet constraints. Significant among these constraints are maintaining credit quality, meeting liquidity needs and obtaining sufficient capital, meeting liquidity needs and maintaining credit quality.

2.2 The Importance of ALM in Banks

Asset Liability Management (ALM) is an important function to banks and financial institutions in the present environment due to global market volatility, explosion of new financial products and changing environment of regulatory system e.g. the newly introduced Treasury Single Account (TSA). ALM is determined by the ability of the banks to retain capital, absorb loan losses, support future growth of assets and provide return to investors. A critical importance in asset-liability management is that assets are matched to durations of loans. Other source of income to the bank apart from interest income from lending activity is the non-interest income. For a deposit money bank to attain the same objectives then it has to ensure proper asset liability management, including interest rate risk management, liquidity risk management, and credit risk management (Francis, 2007).

The objective of ALM is two-fold, it aims at profitability through pricing matching while ensuring liquidity by means of maturity matching. An efficient Asset-Liability management system aims to manage the volume, mix, maturity, rate sensitivity, quality and liquidity of assets and liabilities as a whole. so as to earn a predetermined, acceptable risk/reward ratio. ALM in banks is not limited to balance sheet assets and liabilities such as deposits and lending only, but also includes off-balance sheet activities such as Swaps, futures and options. The objective of ALM is to make banks fully prepared to face the emerging challenges.

A perceptive view of ALM is that it simply combines portfolio management techniques (that is, asset, liability and spread management) into a synchronized process. Thus, the central theme of ALM is coordinated – and not piecemeal- management of a bank's entire statement of financial position. Although, ALM is not comparatively a new planning tool, it has evolved from the simple idea of maturity-matching of assets and liabilities across durations into a framework that includes sophisticated concepts such as variable rate pricing, duration matching and the use of static and dynamic simulation. Generally, ALM framework stands on three pillars:

ALM Organization or (ALCO) Asset Liability Committee: ALCO is a decision making unit responsible for balance sheet planning from a risk return perspective including strategic management of interest and liquidity risk.

ALM Information System: It is responsible to collect information accurately, adequately and expeditiously. ALM has to be supported by a management philosophy that clearly specifies the risk policies and tolerance limits.

ALM Process: The basic ALM process involves risk identification, risk measurement, risk management risk policies and tolerance levels.

2.3 Measuring Financial Performance of Commercial Banks

Financial performance and financial profitability are frequently used as interchangeable terms, (Burkhardt & Wheeler, 2013). With the increasing number of analysis and research papers referencing financial performances, there is a need to 3 have basic understanding of definition of financial performance and its various measures, (Burckhardt, 2013). Therefore, choosing a particular measure of financial performance depends on how well it meets the intended purpose. Financial performance of a bank is defined as its capacity to generate sustainable profitability, (European Central Bank (ECB), 2010). Therefore we can say that financial performance of a bank is its ability to employ the available resources to increase shareholders' wealth and generate sustainable profits to strengthen its capital base through retained earnings to ensure future profitability.

Measurement of financial performance of any firm is crucial in deciding the strategies to be formulated to ensure that the firm is in the right path. This is particularly important in order to establish if a firm is making losses which if they become consistent may lead a firm to depleting its capital base, (ECB, 2010). Key drivers of measuring bank performances are earnings, efficiency, risk taking and leverage, (ECB, 2010). Firstly, a bank must be able to generate earnings to remain in operation, secondly, it should be efficient meaning it should be able to generate revenue from the given assets and make profits, thirdly, it should be able to adjust its earnings to overcome the various risks involved such as credit risk and finally it should be able to improve its results through the way it functions.

2.4 Effect of CAMEL Indexes on Financial Performance

After the important economic changes and events during the last three decades of the 20th century, fast technology changes and the importance of banking industry in countries' economic growth, the bank for international settlements established a committee named Basel committee for investigation of banking matters in 1974. This committee presented the first edition of minimum CA concept to the banking world in 1988 with the name of Basel instruction and structure. In Basel 1, concepts regarding credit risk and after corrigendum in 1996, the concept of market risk was discussed. In 2004, the Basel committee presented the first edition of Basel 2 to the banking world. Basel committee is one of the main four banking committees for international settlements which was formed in 1974 by a group including 10 countries of Belgium, Canada, France, Germany, Italy, Japan, Netherland, Sweden, England and USA. Currently, this committee has 13 members (three countries of Swiss, Luxembourg and Spain joined in next years). The original name of this committee is the committee of audit on banks management, however, this committee is known as the Basel Committee. This committee has provided a set of indexes for auditing banking performances which are known as CAMEL indexes (Padganeh, 2007). These indexes elements are: Capital adequacy (C), Assets' quality (A), Management Efficiency (M), Earnings Quality (E), and Liquidity (L).

(1) Capital Adequacy and its Effect on Financial Performance

Capital refers to the amount of equity to absorb any loss that the bank may experience it is the major component of financial sector to meet their short and long term obligation, (Kosmidou, 2009). and also capital is one of the factors that affect the level of bank profitability, the capital structure of banks is highly regulated because most of bank failure is reduced by capital and it prevent from financial loss because capital is the financial strength of a bank (Kamau, 2009), Capital adequacy is the capital expected to maintain balance with the risks exposure of the financial institution such as credit risk, market risk and operational risk, in order to absorb the potential losses and protect the financial institution‘s debt holder. “Meeting statutory minimum capital requirement is the key factor in deciding the capital adequacy, and maintaining an adequate level of capital is a critical element.

(2) Asset Quality and its Effect on Financial Performance

AQ shows how much leverages and facilities are used in banks, lower amounts of this ratio indicate the existence of a higher leverage in the bank's asset structure. Financial leverage indicate that how much the company relies on financial provision through loaning instead of increasing capital. In accounting literature, one of the cases that its relationship with profit management were investigated with regard to its role in managers' opportunistic behaviors is financial leverage. Results of other conducted researches indicate that high financial leverage degree potentially increases the amount of profit management, while increasing the financial leverage alongside with lowering the opportunistic behaviors of managers lead to profit management reduction. It can be said that those companies facing increasing debt and financial leverage can be engaged in real profit management. Increasing the financial leverage can be an incentive for moving accrual profit management to the real profit management (Ahmadi, 2015).

(3) Management Efficiency and its Effect on Financial Performance

Management board is considered as one of the important corporate governance mechanisms and plays a significant role in improving the quality of financial reporting and increasing the level of responsiveness. Improving the quality of management with an accurate understanding of the auditory and leading roles can lead to increasing the financial health of the firm and prevent interest conflict between the corporate governance system actors. On this basis, in most researches conducted in the corporate governance field, the managers' role in improving the reporting process were insisted upon and the position of management board of the company as a leading firm which plays the role of monitoring and auditing the executive managers performance becomes more important than anytime. In the perspective of the Agency theory, it can be assumed that improving company's management causes the improvement in task of corporate audit and leads to reduction of frauds and increasing the quality of financial reporting (Salhuteru and Wattimena, 2015).

(4) Earning Quality and its Effect on Financial Performance

The quality of bank earnings which is measured by dividing the earnings resulted of loans interests to the average loan amount is another assessment measures for banks performance. When the measured ratio is less than expected, managers try to register a part of future earnings in the current earnings statement through using accounting techniques and adapting discretionary accruals, and through this, they improve the quality of earnings (Salhuteru and Wattimena, 2015).

(5) Liquidity and its Effect on Financial Performance

Existence of high LQ provides this possibility that in case of lacking a suitable corporate governance structure, the manager can manipulate the profit. Profit manipulation in high LQ companies is higher than others. Researches prove this claim that companies that have higher free cash flows face more agency cost problems. Particularly, in companies where there is low investing opportunities, growth is seen less. Considering the mentioned cases, it is expected that bank mangers that have a high level of LQ to use excessive cash funds in inefficient investments to preserve their own interests. These managers tend to conduct profit management in order to hide the effects of such activities (Ahmadi, 2015).

2.5 Previous Studies Related with Asset-Liability Management and Financial Performance

According to Schoeb (2006), the primary goal of asset-liability management is to produce a high quality, stable, large, and growing flow of net interest income. This 4 goal is accomplished by achieving the maximum combination and level of assets, liabilities and financial risk. Asset Liability Management calls for the understanding of the interaction between the various types of risks to ensure that they are not evaluated in isolation. Anjichi (2014) notes that sound asset liability management practices create a profitable and conducive environment that enables financial institutions to define strategic asset allocation and to identify financial opportunities and uncertainty in order to improve their financial resources. Asset liability management is relevant to, and critical for, the sound management of the finances of any firm that invests to meet its future cash flow needs and capital requirements.

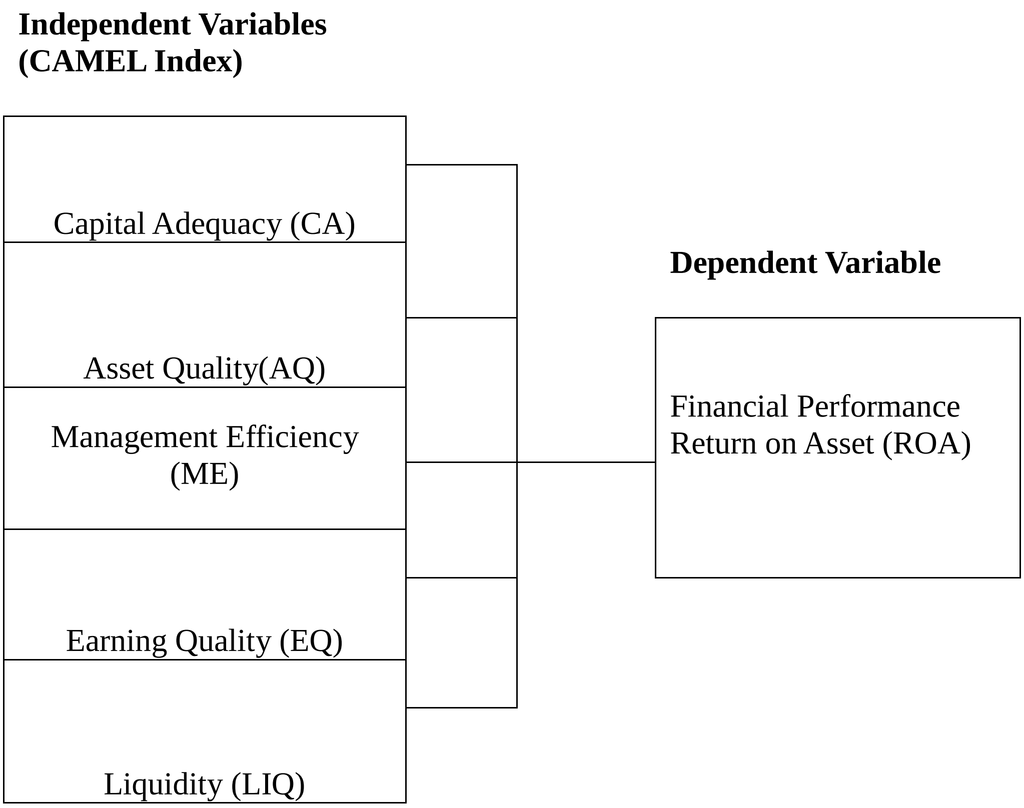
Salhuteru and Wattimena (2015) in their research with the topic of "Investigation and comparison of governmental and private banks performance in profit management according to CAMELS model" aimed to investigate the effect of CAMELS model on profit management methods of the Governmental Bank Negara Indonesia. They used the secondary data of this governmental bank's monthly report which was published by Bank Indonesia in the years 2012 and 2013. Research results show that in governmental banks, the net profit margin has a positive and meaningful effect on profit management, while the ratio of CA and market risk have a negative and meaningful effect on banks' profit management. In private banks, the net profit margin and asset yield have a positive and meaningful effect on profit management and the ratio of CA and the ratio of loan to deposit have a negative effect on profit management.

Khanifar et al. (2016) investigated and compared the financial performance of governmental and private business banks according to the CAMEL model during the years 2006- 2009. The study statistical sample included 8 business banks (4 governmental banks and 4 private) that were selected through the judgmental sampling technique. Research results indicated that the performance of private banks in the aspects of LQ and earnings were better than governmental banks, and the performance of governmental and private banks were not meaningfully distinct.

2.6 Conceptual Framework of the Study

The conceptual framework of the study was described in figure 2.1. This study used CAMEL indexes as ALM factors which have influence on the financial performance of a bank is measured as independent variables. The profitability indicator, ROA, is used as dependent variable because it reflects the ability of bank's management to generate profits from the bank's assets. To measure the predictor variables of banks profitability, CAMEL indexes namely; capital adequacy, asset quality, management efficiency, earning quality and liquidity driven are analyzed as independent variables.

Figure 2.1 Conceptual Framework of the Study



Source: Own compilation, 2019

CHAPTER 3
ASSET-LIABILITY MANAGEMENT PRACTICES OF FIRST PRIVATE BANK LTD

This chapter describes about profile of First Private Bank, organization structure of the bank with board of directors and management team, financial services and Asset-Liability Management Practices of the bank.

3.1 Profile of First Private Bank Ltd

First Private Bank Ltd is a public company limited incorporated and domiciled in Myanmar and it has registered office at No. (619/621), corner of Merchant & Bonsunpat Street, Pabedan Township, Yangon. The Directorate of Investment and Company Administration (DICA) has issued incorporation certificate to the bank on September 9,1991 as per registration No. 223/199 1-1992 under The Myanmar Companies Act. The bank was permitted to carry our banking business under license No. MaVaBa/P-1(5)1992 issued by the Central Bank of Myanmar (CBM) on 25.5.1992. The principal activities of the bank are to carry out the domestic remittance business and other financial services subject to the approval of the CBM. The Bank has successfully listed on Yangon Stock Exchange (YSX Code 00004) on 20th January 2017. On 1st June 2017, the bank entered into private-public partnership agreement with Myanmar Post Office to engage mobile payment services for its customers via post office networks.

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 equity and security markets, to contribute to reduction of poverty and to facilitate access to bank's financial services for all.

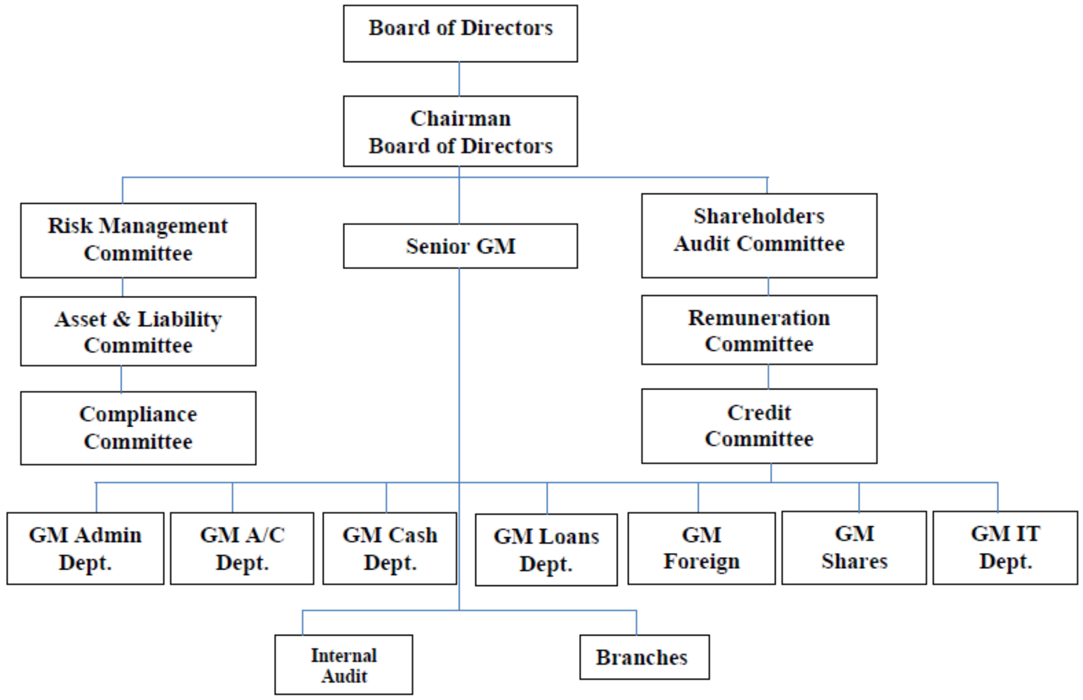
Vision of FPB: A model in clean, efficient and honest corporate governance and to set high ethical and moral standards in banking and finance

Motto of FPB: The Bank We Trust

3.2 Organization Structure

Under section 85 of the Articles of Association one third of directors retire every year in rotation. Organizational Structure of FPB was showed diagram as per net figure 3.1.

Figure 3.1: Organization Structure of FPB



Source: Annual Report of First Private Bank Ltd

As per Figure 3.1, FPB has complete structure of governance. The Bank has made constant efforts to improve the corporate governance and checks and balances mechanism comprising the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the Senior Management featuring clearly-defined responsibilities and accountability, coordination and effective checks and balances, and to optimize responsibilities of the authority organ, decision-making organ, supervisory organ and executive organ. As a result, the corporate governance operation mechanism with scientific decision-making process, effective supervision and steady operation has been in place.

FPB has appointed a chairman and a president; and the board of directors and the senior management has respective specialized committees. The functions and powers of the shareholders' general meeting, the board of directors, the board of supervisors and the senior management are explicitly divided and prescribed. The board of directors and the senior management exercise their respective powers and fulfill their respective functions in strict accordance with the articles of association and the procedural rules, and are put under effective check and balance, and mutual coordination. They diligently devote great efforts to improve the corporate governance, enhance risk management and internal control, and improve the operations management level and operating results, with a view to creating continuously outstanding return for shareholders.

(1) Special Committees of the Board of Directors

There are 16 members and 4 independent Advisors in the board of directors of FPB. All directors are elected by shareholders at annual general meeting which is held annually. The Board of Directors of FPB consists of six special committees, namely Shareholders Audit Committee, Remuneration Committee, Credit Committee, Risk Management Committee, Compliance Committee, Asset and Liability Committee

(2) Responsibility of the BOD and Committees

BOD has to determine whether the board of directors fully understands its duties and responsibilities, determine if the board of directors is discharging its responsibilities in an appropriate manner and determine whether the board of directors has developed adequate objectives and policies. Besides, the existence of any conflicts of interest or self-dealing is evaluated. Then, they review constantly to the board members to compliance with laws and regulations. The committee makes recommendations concerning the principles by which members of the Board of Directors and senior managers are remunerated, taking into consideration contribution and performance of directors and the achievement of the objectives of the Bank.

Shareholders Audit Committee: Myanmar Financial Institutions Law requires banks to set up shareholders Audit Committee consisting of three shareholders. FPB complied with this statutory requirement since its establishment in 1992. At every annual general meeting (AGM) of shareholders, the shareholders elect three members. The Committee sits once every three months and examines and analyses the financial statements and performance of the bank and submits its report to the Board of directors meeting. Shareholder audit committee is an additional layer on top of CBM audit, external audit, and internal bank audit. Its value lies in being an independent audit committee and is beneficial to shareholders and investors.

Credit Committee: The Board of Directors appoints the Credit Committee which includes all directors. The operational rule of the committee is that at least five directors must be present for its meetings. The decision and recommendations of the committee have to be submitted to the nearest board meeting for approval. The credit committee is crucial in approving and rejecting loan applications. It thoroughly reviews and decides on all loan applications submitted by branch managers and HQ loan officers based on a set of loan criteria and scoring. It reviews loan policies and procedures form time to time. The credit committee is highly effective in analyzing, approving, supervising loans throughout the loan cycle. Currently there is no NPL.

Asset and Liability Committee: The new Financial Institution Law requires banks to set up the Asset and Liability Committee. ALCO is a decision making unit responsible for balance sheet planning from a risk - return perspective including the strategic management of interest rate and liquidity risks. ALCO has its responsibility and also the decisions to be taken by it. The business and risk management strategy of the bank should ensure that the bank operates within the limits / parameters set by the Board. The business issues that an ALCO would consider will include product pricing for both deposits and advances, desired maturity profile of the incremental assets and liabilities, etc. In addition to monitoring the risk levels of the bank, the ALCO should review the results of and progress in implementation of the decisions made in the previous meetings.

The ALCO would also articulate the current interest rate view of the bank and base its decisions for future business strategy on this view. In respect to the funding policy, for instance, its responsibility would be to decide on source and mix of liabilities or sale of assets. Towards this end, it will have to develop a view on future direction of interest rate movements and decide on a funding mix between fixed verses floating rate funds, wholesale verses retail deposits, money market verses capital market funding, domestic verses foreign currency funding, etc. Individual banks will have to decide the frequency for holding their ALCO meetings.

Remuneration Committee: Remuneration Committee is headed by the most senior director and consists of seven directors. It decides on matters of directors' allowances and benefits. The Chairman does not participate in the deliberations of the committee. It is an independent committee appointed by the Board of Directors.

Risk Management Committee: Risk Management Committee is led by the Chairman, executive director, senior general manager and senior management including heads of operational departments. It needs to be strengthened as the bank grows. FIRST PRIVATE BANK has plans to set up an independent risk department reporting directly to the Board of Directors.

Compliance Committee: The compliance committee consists of Senior General Manager, Senior -management and branch managers. The Committee reports to the Chairman for general compliance matters. The Committee is responsible to comply with all the FATF guidelines and the guidelines issued by CBM from time to time. The company's code of conduct and written compliance policies and procedures that guide the bank and the conduct of its staff day to day operations, and relevant Education and training for the staff.

3.3 Financial Services Provided by First Private Bank

First Private Bank is organized into different operating segments, namely, domestic financial services, loan services, international transaction, western union money transfer service, digital banking and mobile payment.

Domestic Financial Services: The domestic financial service segment covers Saving Deposit, Current Deposit, Fixed Deposit (Time Deposit), Call Deposit, Remittance, Payment Order, hire purchase services, etc.

Loan Services: The products and services include loans, overdraft and bank guarantee, etc.

International Banking Services: International Banking Services are- Export & Import Services (L/C, TT), International Remittance and International Money Transfer Services (Inbound and Outbound), Payment Order, Money Exchange Service, Foreign Exchange.

3.4 Asset-Liability Management Practices of First Private Bank

Asset management in a contemporary bank cannot be distinct from liability management. The simultaneous management of assets and liabilities, in order to maximize the profits and minimize the risk, demands the analysis of a series of issues. Asset Liability Committee (ALCO) of FPB is the main decision making unit for overall and coordinated management of the business of the indebted party, matching the structure of the assets and liabilities, formulating the financing plan, operating the market risk and ensuring the operation. Following practices are implied in FPB to fulfill asset-liability management plan;

(1) First is the substantive issue of strategic planning and expansion, that is, the evaluation of the total size of deposits that the bank wishes to attract and the total number of loans that it wishes to provide.

(2) Second is the issue of determination of the “best temporal structure” of the asset liability management, in order to maximize the profits and to ensure the robustness of the bank. Deposits cannot all be liquidated in the same way. From the point of view of assets, the loans and various placements to securities constitute commitments of the bank’s funds with a different duration time. The coordination of the temporal structure of the asset liability management is of major importance in order to avoid the problems of temporary liquidity reduction, which might be very injurious.

(3) Third is the issue of risk management of assets and liabilities. The main focus is placed on the assets, where the evaluation of the quality of the loans portfolio (credit risk) and the securities portfolio (market risk) is more easily measurable.

(4) Fourth is the issue of configuration of an integrated invoice, which refers to the entire range of bank operations. It refers mainly to the determination of interest rates for the total of loans and deposits as well as for the various commissions that the bank charges for specific mediating operations. In reality, bank markets have the basic characteristics of monopolistic competition. Thus, the issue of planning a system of discrete pricing and product diversification is of major importance. The problem of discrete pricing, as far as the assets are concerned, is connected to the issue of risk management. The product diversification policy includes all the loan and deposit products and is based on thorough research that ensures the best possible knowledge of market conditions.

(5) ALCO set the risk appetite for own Institution including business policies, and define target capital ratios and leverage ratios. On an annual basis the Board also define a target expected return, and this figure is very dependent on the risk tolerances of the financial institution. Risk exposures can show distinct appetite for different types of risks: credit risk, inflation risk, and sector specific risks, etc.

(6) According to the regulatory requirement on loan risk classification, FPB implemented Five-Category classification management in relation to loan quality and classified loans into; standard, watch, substandard, substandard, doubtful and loss. Risk loan management is enhanced by analyzing geographic distribution, customer group characteristics and risk characteristics of risky loans to borrower, developing risk control measures specific to geographic area, conducting onsite examination of key branches, supervising risk prevention and control and improving the bank-wide awareness and capability of risk management.

(7) Interest rate risk is defined as the risk of loss in the overall gain and economic value of the banking book arising from adverse movements in the interest rate and term structure, etc. The bank could face to the risk of reduced or even negative spreads over certain period of time, when the pricing benchmark interest rates are different, the changes in the benchmark interest rate are inconsistent, when there are embedded option terms of implied options in the business of holding options derivatives or banking book's on and off balance sheet business and due to changes in expected default levels or market liquidity, the market's assessment of the credit quality of financial instruments changes , leading to changes in credit spread. The following methods have been adopted in order to manage interest rate risk;

Interest Rate prediction: Analysing the macroeconomic factors that may impact on the CBM interest rates and market interest rates;

Duration Management: optimizing the differences in timing between contractual repricing (maturities) of interest generating assets and interest bearing liabilities

Pricing Management: managing the deviation of the pricing of interest generating assets and the benchmark interest rates of market interest rates

Quota Management: optimizing the positions of interest generating assets and interest bearing liabilities and control impact on profit and loss and equity

Derivative Trading: using interest rate derivatives for hedging management in a timely manner.

(8) Regard with capital management of the bank, it is to develop financing plans and strategies including scenario of financing requirements, installment limits, varieties, principles to do financing arrangements, regularly check the progress, update the information to regular ALCO.

CHAPTER 4
CAMEL ANALYSIS ON FINANCIAL PERFORMANCE OF FPB

This chapter presents the information processed from the collected data during the study, focusing on the effects of asset-liability management on financial performance of First Private Bank Ltd. It presents the descriptive statistics, correlation and CAMEL analysis to examine the effect of asset liability management on financial performance.

4.1 Research Methodology

The study mainly employed secondary data of FPB during 2014 to 2018 and analyzed by using descriptive research method. The financial data was mostly taken from published annual reports of FPB thus to ensure the reliability of the study and to undertake the analysis. Mean values, standard deviations and correlation matrix are used to examine the relationship between the dependent variable and independent variables. CAMEL analysis is to explore the most significant and influential independent variable affecting the financial performance of FPB during the study period.

In order to get a picture of the financial performance of FPB , Return On Asset (ROA) is being employed a measure of dependent variable because ROA reflects the ability of a bank's management to generate profits from the bank's assets and was calculated as net profit divided average balance of total assets. ROA was the dependent variable and below CAMEL index, in terms of ALM perspective, were analyzed as the independent variables in the study. Measurement of each variable is summarized as follow:

Table 4.1 Variable Definition and Measurement

Type of Variable	Indicator	Measurement
Dependent	Return On Asset (ROA)	Ratio of net income to total asset
Independent	Capital Adequacy (CA)	Ratio of total equity to total assets
	Asset Quality (AQ)	Ratio of Non-performing loans to total loans
	Management Efficiency (OE)	Ratio of total assets to total liabilities ratio
	Earning Quality	Ratio of deposit cost to total deposit
	Liquidity (LIQ)	Ratio of Total loans to total deposits

Sourrce: Ahmad Mousa (2006)

4.2 Descriptive Analysis of Variables

The study tries to evaluate the significant strength and direction of asset and liability management on financial performance of FPB during the study period. The description of the data series are based on mean, maximum, minimum and standard deviation ratio of CAMEL index compared to ROA. The summary statistics of pooled series of the asset and liability management and financial performance are shown in the table 4.1.

Table 4.2 Descriptive Statistics of ROA and CAMEL measures of FPB

Item	Mean	Std. Deviation	Maximum	Minimum
Return on Asset (ROA)	3.3060	1.44535	4.72	0.95
Capital Adequacy (CA)	20.7160	6.19182	25.08	9.98
Asset Quality (AQ)	0.0216	0.1226	0.04	.003
Management Efficiency (ME)	1.5860	0.62887	2.71	1.27
Earning Quality (EQ)	6.7980	1.80868	7.80	3.58
Liquidity (LIQ)	20.0320	1.40267	22.49	19.20

Source: Audited Financial Statement of FPB (2014 to 2018)

Table 4.1 shows the average indicators of variable computed from the financial statements and the standard deviation that shows how much dispersion exists from the average value. According to Brook (2008), a low standard deviation indicates that the data point tend to be very close to the mean, whereas high standard deviation indicates that the data point are spread out over a large range of values.

Profitability (ROA); the profitability of FPB measured by ROA shows that it achieved on average a positive of (3.30%) over the last five years. The mean ROA indicated that during the period from 2014 to 2018, FPB maintained on average profitability (ROA) was 3.30%, the range of ROA was a maximum of (4.72%) as of 2015 and a minimum of (0.95%) as of September 2018. The value of the standard deviation for ROA is 1.44535; this implies that the profitability of FPB varies from the mean by (1.44%) which indicates that there was low variation from the mean, the lower standard deviation is a good indication that most of the observations are concentrated around the mean.

Capital Adequacy(CA): The mean value for CA is (20.7%) with minimum (9.98%) in March 2018 and maximum (8.47%) in 2016 of respectively, the standard deviation is low (6.19%) which means the capital adequacy of FPB is not vary much from time to time. **Asset Quality (AQ):** The mean value for asset quality measured by balance of Non-Performing loans to total loan was (0.021%) with minimum and maximum of (0.04%)and (0.003%) respectively however the standard deviation is low (0.12%) which indicate that there was a low dispersion from the mean value of asset quality of FPB. **Management Efficiency (ME)**: The average score was (1.58%) an indicator which years of overheads are high for FPB while minimum (1.27%) in Sep 2018. Here there was a new rule of setting financial year in Myanmar and the audited financial statement for Sep 2018 was presented only for 6 month period (2018 March to September). **Earning Quality (EQ)** : The index (EQ) indicates that the revenue from deposit of FPB was well diversified as the average of (6.79%) which is measured by deposit cost to total deposit . The standard deviation is (1.40%) while minimum and maximum are (19.2%) and (22.49%) respectively. **Liquidity (LIQ)**: the mean value of liquidity ratio of FPB was (20.03%) The standard deviation is high and stood at 1.40%, it means that liquidity ratio of FPB during five years was high dispersion from the mean value. The findings therefore concluded FPB was stable in previous five years and thus it have the capacity to maintain a proper balance between assets and liabilities.

4.3 Correlation Analysis of CAMEL index and ROA of First Private Bank

Result on table 4.3 shows the correlation between CAMEL index and ROA while holding the correlation coefficient (r) value at between plus and minus one (-1.00 and +1.0). The result shows that Capital Adequacy (CA), Earning Quality(EQ) and Liquidity (LIQ) are positively related to profitability of FPB which means when the increase in these factors lead in the decrease in profitability. Asset Quality (AQ) and Management Efficiency (ME) are inversely related with profitability. This means when increase of cost to income ratio leads to increase of bank profitability.

Table 4.3: Correlation Table of Variables

		ROA	CA	AQ	ME	EQ	LIQ
Pearson Correlation	Return on Asset	1.000					
	Capital Adequacy	0.224	1.000				
	Asset Quality	-0.252	0.692	1.000			
	Management Efficiency	-0.51	-0.958	-0.869	1.000		
	Earning Quality	0.896	-0.004	-6.12	0.244	1.000	
	Liquidity	0.166	0.445	-0.083	-0.284	0.350	1.000

Source: Audited Financial Statement of FPB (2014 to 2018)

4.4 Analysis on CAMEL Indexes and Financial Performance (ROA) of First Private Bank

In accessing CAMEL Indexes and financial performance of First Private Bank, ratio analysis and detail calculations are presented below.

(1) Return On Asset

The index of a bank's profitability mostly indicates by the average return on total asset. Here certain time series data of FPB was selected for the year 2014 to 2018 and it reflect profit changes of FPB. Return On Asset, an indicator of how much net profit is generated per unit of asset. The higher the ROA is the higher the utilization efficiency of the bank's asset is, the higher the utilization of asset is, the more profit is created. During the research period, the ROA of FPB is headed to down trend.

Table: 4.4 Return On Asset

Year	Net Income (Ks in Million)	Total Asset (Ks in Million)	ROA (%)
31 Mar 2015	8,762	185,518.31	4.72
31 Mar 2016	8,549	207,451.43	4.12
31 Mar 2017	8,663	233,742.60	3.63
31 Mar 2018	7,801	251,003.62	3.11
30 Sep 2018	2,558	269,678.02	0.95

Source: Audited Financial Statement of FPB (2014 to 2018)

(2) Capital Adequacy (CA) of First Private Bank

According Table 4.5, the first four years of Equity to total asset of FPB were above 20% but as of 31 March 2018year drop to 9.98%. Capital Adequacy ratio is a measure of the amount of a bank's capital as a percentage of its risk weighted credit exposure. This ratio represent owner's equity to assets and show strength of the bank. regulatory requirement for Capital to total asset ratio 8%. Since Capital to total asset is more than 8%and other related ratios are good, capital adequacy ratio met and beyond CBM standard .

Table: 4.5 Capital Adequacy

Year	Owner's Equity (Ks in Million)	Total Asset (Ks in Million)	CA(%)
31 Mar 2015	41,812.77	185,518.31	22.54
31 Mar 2016	52,019.31	207,451.43	25.08
31 Mar 2017	57,572.47	233,742.60	24.63
31 Mar 2018	52,019.31	251,003.61	9.98
30 Sep 2018	56,312.68	269,678.02	21.35

Source: Audited Financial Statement of FPB (2014 to 2018)

(3)Asset Quality (AQ) of First Private Bank

Asset quality ratios are one of the main risks that bank face. As loans have the highest default risk, an increasing number of non-performing loans shows a deterioration of asset quality. Majority of Bank's assets are Loan and credit risk is the major risk factor for all private banks as interest income is the major source of income. Due to sound credit policy, systematic voting of credit applications and effective supervision, non-performing loans are almost negligible.

As table 4.6, FPB strictly controls its credit risk during the study period. In 2017/2018 financial year mentioned there is only one bad loan of K 30 million. The court ordered it to auction the property (collateral) of the borrower, and one unsuccessful auction has been conducted. Compare with industrial average , FPB stood a good level in terms of asset quality. Non-performing loan to Total loan Ratios of First Private Bank for past five years and average are not more than 0.02% . It can be seen that only (70%) of total assets are financed purchased fund (deposit) and advantageous asset mixture. That means FPB's assets are not absolute rely on debt. Fixed Asset to Total Asset ratio are all years around 2.5% only. That means the lesser in Fixed Asset the more in earning asset and advantageous asset mixture for the bank.

Table: 4.6 Asset Quality

Year	Non Performing Loan Balance (Ks in Million)	Total Loans (Ks in Million)	AQ(%)
31 Mar 2015	36.34	121,149.81	0.03
31 Mar 2016	28.62	143,103.00	0.02
31 Mar 2017	31.59	157,948.11,	0.02
31 Mar 2018	5.27	175,601.92	0.003
30 Sep 2018	6.47	180,421.25	0.035

Source: Audited Financial Statement of FPB (2014 to 2018)

(4)Management Efficiency (ME) of First Private Bank)

Table 4.4 showed that Asset and Liability growth rate of FPB was positively increased in every year. However, management efficiency ratio was not obviously imporved. Again Income after tax was down-trend, thus, the performance and management quality are not satisfied.

Table: 4.7 Management Efficiency

Year	Total Asset (Ks in Million)	Total Liabilities (Ks in Million)	ME(%)
31 Mar 2015	185,518.31	143,705.54	1.29
31 Mar 2016	207,451.43	155,432.12	1.33
31 Mar 2017	233,742.60	176,170.12	1.33
31 Mar 2018	521,003.62	192,337.97	2.71
30 Sep 2018	269,678.02	213,365.34	1.27

Source: Audited Financial Statement of FPB (2014 to 2018)

(5) Earning Quality (EQ) of First Private Bank

EQ index of the bank is described at Table 4.8. Here, earning quality figure of the bank as of 30 Sep 2018 is not applicable to compare the previous years . During 2014 to 2018, deposit cost to deposit ratio was also stable, still all are not at positive trends year after year while yearly deposit amount was gradually high.

Table: 4.8 Earning Quality

Year	Interest Expense (Ks in Million)	Total Deposit (Ks in Million)	EQ(%)
31 Mar 2015	10,077.19	136,975	7.36
31 Mar 2016	11,780.23	150,998	7.80
31 Mar 2017	12,878.10	165,663	7.77
31 Mar 2018	13,843.10	185,158	7.48
30 Sep 2018	73,001.2	204,122	3.58

Source: Audited Financial Statement of FPB (2014 to 2018)

(6) Liquidity of First Private Bank

According to Table 4.9, FPB keeps liquid asset more than its all demand deposit like Current deposit, Call deposit and floats. All the year and average are around 20 % of liquid asset to total deposit and also liquid asset to total asset. That means the liquidity ratio of the Bank is strong. CBM regulation for the reserve requirement for the bank to is only 5 % of bank deposit and liquid asset, hence liquidity of FPB is around 4 times of reserve requirement. The liquidity parameter is applied to evaluate level of cash and liquid asset of the bank to meet its obligations or demand deposit.

Table: 4.9 Liquidity

Year	Cash and Cash Equivalent (Ks in Million)	Total Deposit (Ks in Million)	LIQ (%)
31 Mar 2015	26,294.40	136,975	19.20
31 Mar 2016	30,048.76	150,998	19.90
31 Mar 2017	37,253.35	165,663	22.49
31 Mar 2018	35,637.55	185,158	19.25
30 Sep 2018	39,449.28	204,122	19.32

Source: Audited Financial Statement of FPB (2014 to 2018)

Table 4.10 summarizes the different variables over March 2015 to Sep 2019 and single data for each fiscal year is presented.

Table: 4.10 CAMEL indexes and Return On Asset of FPB

Year	ROA	CA	AQ	ME	EQ	LIQ
31 Mar 2015	4.72	22.54	0.03	1.29	7.36	19.20
31 Mar 2016	4.12	25.08	0.02	1.33	7.80	19.90
31 Mar 2017	3.63	24.63	0.02	1.33	7.77	22.49
31 Mar 2018	3.11	9.98	0.003	2.71	7.48	19.25
30 Sep 2018	0.95	21.35	0.035	1.27	3.58	19.32

Source: Audited Financial Statement of FPB (2014 to 2018)

CHAPTER 5
CONCLUSIONS

The fundamental objective of ALM is to protect the firm from any risk that might arise due to improper mix of ALM. It is worth nothing that the firm needs both assets and liability to grow and expand. This chapter Five focuses typically on First Private Bank Ltd to study how Asset-Liability Management can develop financial performance. This chapter presents facts finding from the analysis, interprets the results there from, then presents the conclusions drawn from the research findings and provides recommendations for improvement as well as suggestions for further research.

5.1 Findings

During 2008 to 2018, Firs Private Bank timely improved the asset and liability structure, maintained coordinated development of deposit and loan business, strengthened liquidity management to enhance the efficiency of resource allocation for assets and liabilities. The Bank reasonably controlled the aggregate amount, direction and pace of lending, optimized the credit structure and balanced the loan growth in a steady manner. It followed the fund position and the trend of price changes to expand lending on the premise of risk control. Furthermore, the Bank actively adopted measures to promote steady growth in due to customers, and managed to expand the low-cost liability business, thereby ensuring a stable and sustainable growth of funding sources. The study found that FPB enhanced management and control of the quality of personal loans by accelerating recovery and disposal of personal NPLs at key branches, and promoting securitization of personal NPLs, thus mitigating credit risk in personal loans through market-based measures.

The study conducted for investigation of how CAMEL indexes effect on FPB's profitability. Capital Adequacy (CA), Asset Quality (AQ) and Liquidity (LIQ) of the bank are considered as stable indicators while management and earnings ratios met some fluctuations. Concerning with the Management Quality (ME) and Earning Quality (EQ), the study found that profit before tax figures in financial statement were down trend year by year. Although the loan amount increased, revenue generating level still kept low. Total asset to liabilities ratios are raising but PBIT are declining If the total asset is getting high then the earning asset should be raised and net income should be followed. Deposits of FPB maintained steady growth with a high deposition rate, and at the same time the Bank made major investment in highly liquid bond assets, and possessed sufficient liquidity reserves. Therefore, the overall liquidity of the Bank maintained at a safe level.

5.2 Suggestions

On the basis of the findings of the study it is recommended that superior financial performance of commercial banks in terms of profitability can be achieved by improving their Assets and Liability Management. The major focus should be to mobilize deposits and advancing loans with the portfolio management of balance sheet variables for risk diversification in order to generate higher profitability. Likewise, FPB should also be given in formulating policies to incorporate macroeconomic variables like GDP, Inflation Rate and others to avoid adverse effects on the profit generation.

This study recommended to improve the profitability of FPB by expanding the source of income and establish a diversified profit model, so as to truly improve the value creation ability, achieve long-term and stable profit return for shareholders, and reduce the operational risk of the Bank. First, expand intermediary business and emerging business, and accelerate business innovation. As for the increase of intermediary business, banks can take comprehensive consideration of financial management, payment, credit and the establishment of personal credit evaluation system, and continuously launch personal assets business, private investment and financial management business, consulting business, etc. which are easy to operate; secondly, FPB should accelerate the development of various financial instruments, increase the ability and level of operating funds in various financial markets.

In order to improve the level of operational risk management, FPB should try its best to prevent policy risks in the process of operation and management, avoid the cost increase caused by risks, and adjust the enthusiasm of employees, carry out comprehensive cost management, and maximize the potential of cost reduction of the bank, so as to improve the overall cost management level of the bank; second, strengthen the risk control measures of the bank, and increase the adjustment of credit structure, The third is to further strengthen the overall risk management system of the whole organization, business and category, improve the overall planning of First

Private Bank and the construction of various channels, and effectively use the resources of various channels.

Lastly, international finance industry has stepped into the track of rapid development. First Private Bank should give full play to its advantages of good quality customer base, mature diversified business structure, strong innovation ability and strong market competitiveness. On the one hand, it should maintain higher profitability, on the other hand, it should maintain the net interest rate of return, cost income ratio and basic earnings per share. The reason for the phenomenon is to find out the crux of the problem through the decomposition of the relevant indicators, and put forward the improvement suggestions of expanding the source of income, improving the level of risk management and customer satisfaction.

5.3 Needs for Further Studies

The scope of this study was to investigate and analyze Asset Liability Management of FPB and how it can support profitability during the fiscal year 2014 to 2018. However, the ALM framework, risks and objectives may vary among the types of countries organizations and banks. This study goes further to include not only liquidity but also other variables which have been sighted as influencing financial performance with relation to ALM. This leaves a wide knowledge gap that this study seeks to fill in. This study builds upon the initial literature and studies by explicitly examining the effect of ALM on the financial profitability of a bank. A single banks was selected to describe how ALM practices relate with bank profitability might not be equally well with peers banks or other types of financial institutions. The study was limited range of response only from FPB’s financial figures. Additionally, the other researchers may want to go further on more details findings which could able to provide different ways of ALM practices for a banks. Therefore, in the further research one might want to consider this paper as a reference to expend the scope and improve results of the study。

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Appendix

FPB's Statement of Financial Position as at 31.3.2015, 31.3.2016,31.3.2017,31.3.2018, 30.9.2018

BALANCE SHEET AS AT MARCH 31, 2015

ASSETS	Note	2015	(Kyat) 2014
Cash at Bank	3	15,147,303,781	10,685,847,509
Cash with Central Bank of Myanmar	4	6,244,202,087	2,830,326,776
Cash with Other Banks	5	4,902,892,211	6,312,596,295
Loans & Overdrafts	6	121,149,807,610	100,339,652,338
Advances & Receivable	7	3,044,803,965	3,172,844,373
Stock (Stationary)		18,684,105	21,140,949
Investments	8	30,611,100,000	32,003,100,000
Property, Plant & Equipment	9	3,897,639,671	3,880,276,980
Acceptance, Endorsement & Guarantee		501,877,100	1,001,877,100
Total Assets		**185,518,310,530**	**160,247,662,319**
LIABILITIES			
Total Deposits	10	136,986,499,092	107,197,365,152
Other Liabilities	11	3,919,609,008	1,629,459,901
Payment Orders		39,991,119	43,659,234
Provision for Income Tax	12	2,189,350,275	2,010,531,361
Borrowing from CBM		-	12,000,000,000
Dividend Payable (unclaimed)		68,213,793	356,204
Acceptance, Endorsement & Guarantee		501,877,100	1,001,877,100
Total Liabilities		**143,705,540,387**	**123,883,248,952**
EQUITY			
Issued & Paid Up Capital	13	19,939,390,000	18,420,180,000
Share Premium		5,323,195,097	3,964,619,597
Reserves & Retained Earnings	14		
General Reserve (Statutory)		8,724,891,882	7,081,629,177
General Provision (Loans)		2,423,004,683	2,006,794,683
Reserve for contingencies		200,909,672	197,329,573
Other Reserves		288,117,485	238,117,485
Provision for Dividend		4,410,000,000	4,000,000,000
Retained Earnings/(Loss)		503,261,324	455,742,853
Total Equity		**41,812,770,143**	**36,364,413,367**
Total Equity & Liabilities		**185,518,310,530**	**160,247,662,319**

See accompanying notes to the Financial Statements.
Authenticated by Directors;

(Senior General Manager) **(Chief Accountant)**

(Director) **(Director)** **(Director)**
(Chairman)

FIRST PRIVATE BANK LIMITED

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2016

			(Kyat)
ASSETS	**Note**	**2016**	**2015**
Cash in hand and at Banks	3	30,048,761,037	26,294,398,079
Loans & Overdrafts	4	143,103,003,016	121,149,807,610
Advances & Receivable	5	5,586,715,466	3,044,803,965
Stock (Stationary)		27,247,660	18,684,105
Investments	6	23,202,300,000	30,611,100,000
Property, Plant & Equipment	7	5,397,930,728	3,897,639,671
Acceptance, Endorsement & Guarantee		85,469,814	501,877,100
Total Assets		**207,451,427,721**	**185,518,310,530**
LIABILITIES			
Total Deposits	8	151,070,203,580	136,986,499,092
Other Liabilities	9	2,026,743,457	3,919,609,008
Payment Orders		84,026,536	39,991,119
Provision for Income Tax		2,137,196,695	2,189,350,275
Dividend Payable (unclaimed)		28,480,859	68,213,793
Acceptance, Endorsement & Guarantee		85,469,814	501,877,100
Total Liabilities		**155,432,120,941**	**143,705,540,387**
EQUITY			
Issued & Paid Up Capital	10	23,661,940,000	19,939,390,000
Share Premium		9,852,187,597	5,323,195,097
Reserves & Retained Earnings	11		
General Reserve (Statutory)		10,327,789,403	8,724,891,882
General Provision (Loans)		2,862,060,060	2,423,004,683
Reserve for contingencies		201,402,034	200,909,672
Other Reserves		288,117,485	288,117,485
Provision for Dividend		4,320,000,000	4,410,000,000
Retained Earnings		505,810,201	503,261,324
Total Equity		**52,019,306,780**	**41,812,770,143**
Total Equity & Liabilities		**207,451,427,721**	**185,518,310,530**

See accompanying notes to the Financial Statements.
Authenticated by;

(Senior General Manager) **(Chief Accountant)**

Aung Min

(Director) **(Director)** **(Director)**
(Chairman)

FIRST PRIVATE BANK LIMITED

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2017

ASSETS	Note	2017	(Kyat) 2016
Cash in hand and at Banks	3	37,253,349,330	30,048,761,037
Loans & Overdrafts	4	157,948,112,710	143,103,003,016
Advances & Receivable	5	8,073,155,970	5,586,715,466
Stock (Stationary)		31,001,670	27,247,660
Investments	6	23,202,300,000	23,202,300,000
Property, Plant & Equipment	7	6,597,181,459	5,397,930,728
Acceptance, Endorsement & Guarantee		637,494,678	85,469,814
Total Assets		**233,742,595,817**	**207,451,427,721**
LIABILITIES			
Total Deposits	8	165,662,598,122	151,070,203,580
Other Liabilities	9	2,694,089,709	2,026,743,457
Payment Orders		17,744,447	84,026,536
Provision for Income Tax		2,158,192,273	2,137,196,695
Borrowing from CBM		5,000,000,000	-
Dividend Payable (unclaimed)		-	28,480,859
Acceptance, Endorsement & Guarantee		637,494,678	85,469,814
Total Liabilities		**176,170,119,229**	**155,432,120,941**
EQUITY			
Issued & Paid Up Capital	10	24,720,530,000	23,661,940,000
Share Premium		11,846,121,597	9,852,187,597
Reserves & Retained Earnings	11		
General Reserve (Statutory)		11,946,433,608	10,327,789,403
General Provision (Loans)		3,158,962,254	2,862,060,060
Reserve for contingencies		251,727,042	201,402,034
Other Reserves		388,117,485	288,117,485
Provision for Dividend		4,559,030,419	4,320,000,000
Retained Earnings		701,554,183	505,810,201
Total Equity		**57,572,476,588**	**52,019,306,780**
Total Equity & Liabilities		**233,742,595,817**	**207,451,427,721**

See accompanying notes to the Financial Statements.

Authenticated by;

(Senior General Manager) **(General Manager)**

(Director) **(Director)** **(Director)**

(Chairman)

First Private Bank Limited
(Incorporated in the Republic of the Union of Myanmar)
Statement of Financial Positions as at 31 March 2018

	Notes	2018 MMK	2017 MMK
Assets			
Cash & cash equivalents	4	35,637,548,363	37,253,349,330
Loans and receivables	5	175,601,920,105	157,948,112,710
Prepaid and other receivables	7	7,216,248,621	5,922,975,963
Inventories		29,327,388	31,001,670
Investments	6	23,202,300,000	23,202,300,000
Property and equipment	8	6,860,651,017	6,597,181,459
Advanced Tax		1,550,000,000	2,150,180,007
Acceptance,Endorsement & Guarantee		905,619,100	637,494,678
Total Assets		251,003,614,594	233,742,595,817
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	11,846,121,597
Equity			
Statutory reserve	10	13,506,650,992	11,946,433,608
2% reserve (general provision for loans & receivables)	10	3,512,038,402	3,158,962,254
Contingency reserve	10	101,697,990	251,727,042
Other reserve	10	8,117,485	388,117,485
Reserve for dividend		4,327,576,006	4,559,030,419
Retained Earning		643,155,798	701,554,183
Total Equity		58,665,645,270	57,572,476,588
Liabilities			
Deposits from customers	11	185,157,781,563	165,662,598,122
Other liabilities	12	3,672,878,766	2,694,089,709
Payment Order		41,472,510	17,744,447
Provision for income tax		1,560,217,385	2,158,192,273
Loan from banks	13	1,000,000,000	5,000,000,000
Acceptance,Endorsement & Guarantee		905,619,100	637,494,678
Total liabilities		192,337,969,324	176,170,119,229
Total Liabilities and Equity		251,003,614,594	233,742,595,817

See Accompanying Notes to Financial Statements

Authenticated by Directors ;

Director
Chief Executive Officer

General Manager

Director/Chairman

Director

Aung Min
Director

First Private Bank Limited
(Incorporated in the Republic of the Union of Myanmar)
Statement of Financial Positions as at 30 September 2018

	Notes	2018 MMK	2017 MMK
Assets			
Cash & cash equivalents	4	39,449,282,776	40,039,777,220
Loans and receivables	5	180,421,251,962	158,463,616,093
Prepaid and other receivables	7	4,755,302,208	8,271,374,327
Inventories		31,600,791	34,511,177
Investments	6	31,702,300,000	23,202,300,000
Property and equipment	8	10,759,328,171	6,884,115,228
Advanced Tax		2,180,217,385	450,000,000
Acceptance,Endorsement & Guarantee		378,742,400	812,699,456
Total Assets		269,678,025,693	238,158,393,501
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	11,846,011,597
Equity			
Statutory reserve	10	14,146,283,649	12,744,889,678
2% reserve (general provision for loans & receivables)	10	3,608,425,039	3,169,272,322
Contingency reserve	10	101,697,990	223,261,180
Other reserve	10	8,117,485	388,117,485
Retained Earning		1,881,744,614	2,701,536,744
Total Equity		56,312,677,374	55,793,619,006
Liabilities			
Deposits from customers	11	204,122,972,830	177,691,835,974
Other liabilities	12	6,596,005,630	3,014,270,819
Payment Order		67,777,417	47,512,176
Provision for income tax		2,199,850,042	798,456,070
Acceptance,Endorsement & Guarantee		378,742,400	812,699,456
Total liabilities		213,365,348,319	182,364,774,495
Total Liabilities and Equity		269,678,025,693	238,158,393,501

See Accompanying Notes to Financial Statements

Authenticated by Directors ;

Chief Executive Officer

General Manager

Director/Chairman

Director

Aung Min

Director