

YANGON UNIVERSITY OF ECONOMICS
DEPARTMENT OF COMMERCE
MASTER OF BANKING AND FINANCE PROGRAMME

**PERFORMANCE EVALUATION OF FIRST PRIVATE
BANK**

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(MBF- 4th BATCH)

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PERFORMANCE EVALUATION OF FIRST PRIVATE BANK

A thesis submitted as a partial fulfillment of the requirements for the degree of Master
of Banking and Finance

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ABSTRACT

This study is an attempt to evaluate the performance of First Private Bank (FPB) with the regulatory framework of CAMEL. It focuses mainly on a Bank's Capital, Asset quality, Management, Bank's earning and Liquidity. 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 audited financial statements, annual reports, articles, previous studies on related topic, published statement of disclosure of FPB. Five years (2014 to 2018) audited financial statements of First Private Bank have been collected and analyzed to evaluate the quality of management and performance quality by CAMEL measures to meet the purpose of objective. Each three types of financial ratios analysis has made for 6 periods in 5 topics. Then, composite ratings are used for identifying of quality level of First Private Bank. The finding is Capital, Asset quality and Liquidities are very fine but Management and Earnings have some issues. These findings from this analysis found that First Private Bank stands outstanding level for study period. The issues with management and earnings are profit before tax ratios are not in positive trends. Although the loan are rising, PBIT is still keep lowing. Total asset to liabilities ratios are raising but PBIT are declining. When total assets are getting high then the earning asset should be raised and net income should be also raised. ROA and ROE have fluctuations amongst financial years. The Pre-projected business plan should be drawn up before a new financial year start and monthly, quarterly and bi-annually detail monitoring and comparisons should make. For those discrepancies arise from the projection are to be adjusted with plan of proper action to achieve the Bank's targets. The more positive trends with the bottom line of the Business, the better Bank future and more attractive at YSX stock market.

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CHAPTER I

INTRODUCTION

The banking sector occupies a very important position in the country's economy, acting as an intermediary to all industries, ranging from agriculture, construction, textile, manufacturing, and so on. The banking industry thus contributes directly to national income and its overall growth and although the banking sector is the backbone of any economy and this gains more importance for a country. As the banking sector has a major impact on the economy as a whole, evaluation, analysis, and monitoring of its performance is very important.

In this structure, it is necessary for the third parties called as financial intermediates to reduce the risks and to provide effective fund transfer and flows. Bank performance is one of the vital issues for the healthy functioning of economy. Although the measures evaluating bank performance are ample in amounts. In order to ensure a healthy, solid and stable banking sector, the banks must be analyzed and evaluated in a way that will allow the smooth correction and removal of the potential vulnerabilities because bank play crucial role in the economic life of the nation and bank have a prominent role in the financial and business environment. Even if banks seem to create no new wealth, the transactions such as borrowing and lending actually expedite the process of production, distribution, exchange and consumption of wealth.

1.1 Rationale of Study

This paper is intended to study importance of CAMEL rating for the banks to manage and getting operating efficiency. Now's a day, so many Financial institution like micro finance , Banks , Insurance and others out there and multi-millions of customers are dealing with them. The rationale of this study is to check Myanmar Listed Organization (Bank) like First Private Bank management and operation standing rank by using of CAMEL business model.

In the context of regulation, there is no more important to a bank than its composite CAMELS rating. All bank directors should have a firm understanding of the meaning of CAMELS ratings and the profound impact these ratings have on the bank. This article will describe the elements of a CAMELS rating and the potential consequences of a low composite score.

Each bank necessarily has its own unique relationship with its prudential regulators. All stake holders and investors can also take a glance from aspect of CAMEL model application and its ratings and position standings. Accordingly, they can judge and decide correctly with their future investments. And also will assist furthermore, to all organizations and Banks which want to measure degree the solidity, firmness of their standings and viability. Successful optimization of the "profitability-risk" ratio in a bank lending operations is largely determined by the use of effective methods of bank management.

In current days, there are so many debates and issues about the economy of Myanmar. Taking into consideration the role of the banks in the economic development, the banking sector should be given priority in order to attain financial stability. So, efficient banking system helps to reduce the risk of breakdown of the economy. Therefore, the performance of banking system has always been of great interest for all concerned.

This paper demonstrates how First Private Bank performance in past years clearly. It is definitely useful for stake holders and potential investors. This is why and how important and matter to Banks with CAMEL rating for study of management and operating efficiency. Based on findings many aspects to be considered like risks around the Banking industry, to become risk awareness, risk alert and risk prevention for an individual, institution and whole financial system.

1.2 Objective of Study

The main objective of this study is to evaluate performance of First Private Bank by using CAMEL measures.

1.3 Scope and Method of Study

All Financial data are collected and extracted from the audited books and financial statements of First Private Bank. Scope of this study is only covered by 5 financial years' data of FIRST PRIVATE BANK, 2014 to 2018. Each three ratios analysis has made for 6 criteria in 5 years.

This study aims to assess the financial conditions and overall performance of First Private Bank in the framework of CAMEL. Descriptive analysis of financial ratios and calculated CAMEL parameter data be used in this study.

The type of this study is applied in terms of aim to find the relation between bank's management and operation quality & any cluster of CAMELS ratios. It is Cross-correlation to define relative indicators of CAMEL for bank.

1.4 Organization of the Study

There are five chapters included in this study. In chapter 1, Introduction, rationale of the study, objectives of the study, method and scope of the study and organization of the study are presented. In Chapter 2, Literature review is presented. Chapter 3 prescribes detail about the Establishment of FIRST PRIVATE BANK, Vision, Mission, Core Values and Motto of FIRST PRIVATE BANK, The Products and Services of FIRST PRIVATE BANK, Organization of the FIRST PRIVATE BANK, responsibility of the BOD and Committees, Corporate Social Responsibility by Taxation, Risk Factors in FIRST PRIVATE BANK. In Chapter 4, Analysis of data is presented. In Chapter 5, Findings and recommendations are presented and discussed.

CHAPTER II

LITERATURE REVIEW

This chapter describes about The Importance of Management and Operations in Banking Sector, The Measurement of Quality of Management and Operations in Banks , On-site bank examination, The On Site Inspection Process, The Off Site Inspection Techniques, Concept of CAMEL Model, Financial ratios used in this study for CAMEL standards, Rating System and Scores.

2.1 The Importance of Management and Performance in Banking Sector

The soundness of Management and operations in banking sector is important to everyone, whether a borrower or a saver, an individual or a business. Because only if said quality is high, the whole financial system will be stable. The banking sector is considered as an integral part of financial system which plays a key role in the economic development of any country through stimulating of capital formation and facilitating the monetary policy. A modern economy cannot be imagined without the services of a bank. Banking business has been shaped as the global business since the functions of banking business have reached beyond the border of a country. Most importantly, rest other businesses are greatly dependent upon the soundness of management and operations of banking business.

2.2 The Measurements of Quality of Management and Performance in Banks

Different Approaches of Bank Supervision Techniques for measurement of quality of management and operations. According to Khan (2006) (as cited in Babar & Zeb, 2011) banking sector is an important and unquestionable determinant of the economic development as it directs the flow of the funds from surplus economic units of the economy towards deficit economic units. As banks contribute a lot to the economy, their failure can also result in a devastating impact on citizens and the economy. Hence continuous supervision of their financial performance is very crucial for the smooth development of the sector. There are different models used to evaluate the financial health of banks by supervisory bodies. They use either off-site analysis or on-site inspection.

On-site bank examination

On-site bank examination includes the regular visit on banks followed by the interviews with management, evaluating the accuracy of the financial statements, accounting records, internal controls and the compliance with law and regulations. At the end of the exam, the bank supervisors assign the composite rating for those supervised banks based on the summary of findings collected through the on-site inspection. Such composite rating is basically determined in line with the CAMEL rating system (Dang, 2011).

The On Site Inspection Process

The On-Site Inspection process (RACE) is based on - risk identification - an initial study of information available to identify the risk profile, analysis and examination - an analysis of the risk profile, followed by an onsite examination of the relevant area of operations, including review of risks and their management, and communication and end reporting – discussion of identified risks with the management and drawing up a report on the Inspectors' findings for submission to the institution examined.

The Off Site Inspection Techniques

Off-site supervision or inspection techniques mandate intermittent reports of the bank such as consolidated annual financial reports, disclosure reports regarding financial and operational risk and other important reports gathered by the concerned departmental examiner (Babar & zeb, 2011). As described by Sarker (2005) off- site monitoring systems have a number of advantages. This system is less costly than on-site supervision program. This system can be updated frequently when new information is received through quarterly financial returns. It can provide the basis for a financial evaluation of the bank between examinations and it is potentially able to isolate risk factors that may lead to future problems. The success of an off-site supervision system hinges on several factors. First the accuracy and timeliness of the data submitted by banks. Second, the technology used to capture the data and compile the comparative ratios, trend analysis and percentile ranks relative to peers.

(Ref:A Comparative Study on the Financial Performance of Commercial Banks in Africa - An Application of CAMEL Model by Tadios Mulugeta (2016).)

(Ref: Determination of Camels model on bank's performance by Malihe Rostami , Department of management, university of Grenoble, France.)

(Reference: Measuring Financial Performance Based on CAMEL Rating Model on Private Banks in Jordan. (Ahmad Mousa, 2006)).

2.3 Concept of CAMEL Model

The word CAMEL itself have its own characteristic which forming parts of indicator that covering whole measurement of “the quality of management and Operations” as per below.

C =Capital

A = Asset Quality

M = Management

E = Earning

L = Liquidity

Obviously here, Capital and Management is concerned for Management quality and Asset quality, earning and liquidity are concerned for the way the Bank operation.

The overall performance of financial institutions may not reflect by financial statement, so that major question emerges whether these are adequate to reflect the overall performance of company. Hence, there is needed to identify the overall conditions strengths, weakness, opportunity and threats of the banks. For these purpose, several financial and statistical tools and techniques are developed by different experts and financial institutions all over the world, one of them is CAMEL.

- What are the capital Adequacy ratios of commercial banks?
- What are the qualities of assets of banks?
- What are the management qualities of the banks?
- What are the earning capacities of the banks?
- What is the liquidity position of commercial banks?

Capital (C) The first variable group is the indicators of capital and relevant indicators those present capital, the ratio of capital to assets and show organization strengths.

Asset Quality (A) Asset quality ratios are one of the main risks that banks face. As loans have the highest default risk, an increasing number of non-performing loans shows a deterioration of asset quality.

Management Quality (M) Management is qualitative issue and it is usually difficult to measure the quality of management. The management quality of a bank can be measured by some important ratios those are used in CAMELS model.

Earning Ability (E) Earning is the most important performance measurement of banks. The ratios of earning and relative financial ratios are calculated in this study.

Liquidity (L) Liquidity risk measures an institution's ability to meet unanticipated funds that are claimed by depositors. Liquidity ratios are expected to be both positively and negatively related to the likelihood of failure those are set in model.

2.4 The Significance of CAMEL Rating Framework in Banking Supervision

Providing a general framework in evaluating overall performance of banks is of great importance due to the increasing integration of global financial markets. CAMEL model reflects excellently the conditions and performances of banks over years as well as enriches the on-site and off-site examination to bring better assessments towards banks' conditions. Its purpose is to provide an accurate and consistent evaluation of a bank's financial condition and operations in the areas such as capital, asset quality, management, earning ability and liquidity. Muhammad (2009) claims that the strength of these factors would determine the overall strength of the bank. The quality of each component further underlines the inner strength and how far it can take care of itself against the market risks.

Furthermore, it serves the purpose of summarizing the significant compliance information needed for the regulators. It also assists them to ensure the degree of supervisory concern and type of supervisory response to generate timely warnings to minimize the adverse effects on banks. In the financial crisis of 2008, this rating was being used by American government respond to the crisis to help decide which banks needed the special help and which not as part of its capitalization program authorized by the Emergency Economic Stabilization Act of 2008.

2.5 Financial Ratios Used in This Study

In this study, six categories of ratios according to CAMELS categories are applied and summarized to define CAMELS model in each group of ratios.

For Capital assessment, Capital to Total Asset, Financial ratios of Equity to Total asset and Total deposit to Equity are computed, applied and navigate the FIRST PRIVATE BANK rank.

For Asset Quality assessment, Capital to NPL to Total Loan , Fixed asset to total asset AND total deposit to total asset are computed, applied and navigate the FIRST PRIVATE BANK rank.

For Management assessment, Total asset to total liabilities, total asset to number of branches, Profit before tax to number of branches are computed, applied and navigate the FIRST PRIVATE BANK rank.

For Earning assessment, Net income to total asset, net income to total equity and deposit cost to total deposit are computed, applied and navigate the FIRST PRIVATE BANK rank.

For liquidity assessment, Liquid asset to demand deposit, Liquid asset to total deposit and liquid asset to total asset are computed, applied and navigate the FIRST PRIVATE BANK rank.

In brief, the ratios and the parameter of CAMEL features are to be listed as under.

Table 2.1 CAMEL features and measuring financial ratios

| FEATURES | RATIOS |
|----------------------|---------------------------------------|
| Capital Adequacy (%) | Capital to Total Asset |
| | Equity to Total Asset |
| | Equity to Deposit |
| ASSET QUALITY | NPL TO Total Loan |
| | Total Deposit to Total Asset |
| | Fixed Asset to Total Asset |
| MANAGEMENT | PBIT to No of Br. (M) |
| | Total loan to No of Br. (M) |
| | Total Asset to total liabilities' (%) |
| EARNING | Net income to Total Assets (ROA) |
| | Net income to Total Equity (ROE) |
| | Deposit Cost to Deposit Ratio |
| LIQUIDITY | Liquid Asset to Demand Deposit |
| | Liquid Asset to total deposit |
| | Liquid Asset to total asset |

Source: Measuring Financial Performance Based on CAMEKL Rating Model on Private Banks in Jordan. (Ahmad Mousa, 2006)

Reference: A Comparative Study on the Financial Performance of Commercial Banks in Africa - An Application of CAMEL Model by Tadios Mulugeta (2016).

Reference: Determination of Camels model on bank's performance by Malihe Rostami , Department of management, university of Grenoble, France.

(Ref: Measuring Financial Performance Based on CAMEL Rating Model on Private Banks in Jordan. (Ahmad Mousa, 2006).)

2.6 The Rating Scales in CAMEL Model

In this section, the rating system of CAMEL model and its rating score that interpret for quality of management and operations are mentioned.

The Rating scales are 1 2 3 4 5. 1 is the best and 5 is the worst.

Rating ranges are rating 1 is determined from 1 to 1.5 .2 is from 1.6 to 2.5.3. is from 2.6 to 3.5.4 is from 3.6 to 4.5and 5 is from 4.6 to 5.

Rating Analysis results depends on rating scales are Outstanding, Superior, Average, and Underperform, doubtful.

2.7 Generally accepted rating parameters for CAMEL features

All ratings are described by (Trautmann, 2006):

Capital Rating 1:

All capital requirements are fulfilled and go beyond of the level

- Earning performance of the bank is very good
- Nonperforming loans and assets are very less in number

Capital rating 2:

- Capital and solvency ratios exceed regulatory requirements,
- Management inability to maintain sufficient capital to support risks

Capital rating 3:

- Bank has very poor earnings.
- Bank does not have the capability to fulfill regulatory requirements. Lack of abilities to raise new capital to fulfill required regulatory standards to rectify deficiency.

Capital rating 4:

- Losses in all area of activities because of high level of problems
- Bank has the ability to raise new capital and give reasonable dividend.

Capital rating 5:

- Shareholders are the only hope and ability to prevent the bankruptcy
- Regulators need to keep keen observation to lessen the losses to depositors and creditors.

Asset management Rating 1

- Troubled non-performing loan are less than 1.25% in proportion to the loans
- Bad-debts and or non-performing loans are kept under good control
- Loan Portfolio of the bank is managed efficiently is not a credit risk threat.

Assets management Rating 2:

- Troubled non-performing loans are less than 2.5% in proportion to the total loans.

- The bank under observation is facing negative movements in level of unsettled long term debts.

Assets management Rating 3:

Bank under examination is facing high level of overdue and non-performing loans.

Assets management Rating 4:

- Larger number and quantity of non-performing assets that are causing losses to the bank.
- This number will keep on increasing and may lead to bankruptcy.

Assets management Rating 5:

- Ratio of Non-performing assets exceeds from 5.60% of the loans.

Fixed asset to total asset ratios are incredibly low as less than 5%. That means mixed of liquid asset and earning asset are high.

Management Rating

Management rating 1:

- Full knowledge of risk linked with bank's activities.
- Full knowledge and response to varying economy.
- Suitable audit function.
- Board of directors and management work together and interact with one another.

Management rating 2:

- Banks having rating 2 has some similarity with rating one but there are some differences in rating factor which do not require regularity supervision it can be easily corrected.

Management rating 3:

- Regulatory requirements are hardly fulfilled
- Very weak assessment of risks and required planning

Management rating 4:

- Much needed to take strong regularity action
- Bank's management should be replaced or give strengthen by the board of directors because of: Bad policies and Insider exploitation.

Management rating 5:

- Bank shows weak performances in all area.
- Bad financial performance.

Earning rating 1:

Bank can pay dividends, good capital growth, reserve requirements can covered by its income.

- Bank has a strong control over income and expenses through strong budgeting.
- There is very less dependency on extraordinary items.
- All major earning indicators are showing positive trends.

Earning rating 2:

Rating 2 shows bank produce satisfactory income to meet minimum reserve requirements and support growth in capital and to pay dividend to its shareholders.

- Dependability on nontraditional income.
- There is a strong need for improved budget, planning and control process.
- There is no need for regulatory supervision this is not a great issue and the management should be able to deal with this.

Earning rating 3:

- Capital position may be worse if there are insufficient earnings
- To improve earnings performance management do good assessment.

Earning rating 4:

- Strong administration skills are required to avoid loss of capital.

Earning rating 5:

- Rating 5 indicates that the bank under examinations suffers from great losses and the bank may be become insolvent (Trautmann, 2006).

The liquidity parameter is used to evaluate ability of a bank to meet its obligations and to avoid the risk of insolvency.

To evaluate the liquidity of the banks, the researcher used the total deposits to total assets. From the table all the years and average are considered in the study reported a high liquidity ratio.

Liquidity rating 1:

- Bank has satisfactory level of highly liquid assets that are easily convertible into cash to meet the unexpected loan demands and unanticipated decline in the deposits.
- Bank dependence on the interbank market is very low and have good contingency plan.
- Inter-Bank transactions are very supportive to Banks liquidity.

Liquidity rating 2:

- Bank has enough liquid assets and meets their liquidity obligations but management has less expertise in Planning, controlling and monitoring.
- Bank is facing liquidity problems but its management has responded properly but their actions were not enough to avoid risk.

Liquidity rating 3:

- Management is not sensitive of the depressing trends and was unable to deal with liquidity problem.
- A regulatory authority intervention is usually required to make sure that bank's management is taking concern about liquidity problems.

Liquidity rating 4:

- Requires- immediate attention and regulatory control.
- Management must engage in extensive planning to deal with the situation.

Liquidity rating 5:

- Liquidity rating "5" of a bank indicates that it needs assistance from other financial institutions to fulfill their prevailing liquidity problems.

2.8 Rating Interpretation

Rating -1 Outstanding

The bank outperforms the average bank in all respects and by easily measurable differences.

Rating -2 Superior

Measurable is better than average banks, but not quite outstanding in all respects.

Rating 3 Average

Meets all of the major standards but it still represents performance that is flawed to some degree and is of supervisory concern.

Rating 4 Under-Perform

The bank demonstrates a major weakness that if not corrected, could lead to a very severe or unsatisfactory condition that will threaten its existence. This would also include major financial and/or managerial surprises.

Rating 5 Doubtful

The bank's financial health is substandard, with asset quality impairing over half of the bank's primary capital.

(A Comparative Study on the Financial Performance of Commercial Banks in Africa
- An Application of CAMEL Model by Tadios Mulugeta (2016).

CHAPTER III

PROFILE OF FIRST PRIVATE BANK

In this chapter, The Establishment of FIRST PRIVATE BANK, Vision, Mission, Core Values and Motto of FIRST PRIVATE BANK, The Products and Services of FIRST PRIVATE BANK, Organization of the FIRST PRIVATE BANK, Responsibility of the BOD and Committees, Corporate Social Responsibility by Taxation , Risk Factors in FIRST PRIVATE BANK are presented.

3-1 The Establishment of FIRST PRIVATE BANK

FIRST PRIVATE BANK is a public bank established in 1991, with company registration No. (223/1991-1992) granted on 9th September, 1991 under Myanmar Company Act (1914).With the Banking License No.CBM/P-1 (5)1992 granted by CBM on 25th May, 1992. It started its business on 10-6-1992 at No. 619-621, Merchant Street, corner of Bo Soon Pat Street, Pabedan Township, Yangon, Myanmar. FIRST PRIVATE BANK was granted to be listed on Yangon Stock Exchange on 30 September 2016.

3.2 Vision, Mission, Core Values and Motto of FIRST PRIVATE BANK

The following are the vision, mission, core value and motto of the FIRST PRIVATE BANK.

Vision

The vision of FIRST PRIVATE BANK is to be a model in clean, efficient and honest corporate governance and to set high ethical and moral standards in banking and finance.

Mission

The mission of FIRST PRIVATE BANK are 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.

Core Values

Core values of FIRST PRIVATE BANK are to be accountable, responsible, transparent and trustworthy and to give a fair deal to customers, staff, shareholders, and to protect the interest of all stakeholders.

Motto

FIRST PRIVATE BANK's motto is 'The Bank We Trust'. FIRST PRIVATE BANK tried to implement FIRST PRIVATE BANK vision, mission and core values to the best of FIRST PRIVATE BANK capacity and capability. As a result FIRST PRIVATE BANK enjoyed public trust. FIRST PRIVATE BANK is well-known in the country as well as outside the country as a clean bank. FIRST PRIVATE BANK is also the most transparent, trustworthy, responsible and accountable bank and as such enjoys public confidence and trust. FIRST PRIVATE BANK is steadily growing amidst keen competition from banks.

3.3 The Products and Services of FIRST PRIVATE BANK

The following products and services are provided by FIRST PRIVATE BANK

(a) Domestic Financial Services

- (1) Saving Deposit
- (2) Current Deposit
- (3) Fixed Deposit (Time Deposit)
- (4) Call Deposit
- (5) Remittance
- (6) Payment Order

(b) Loan Services

Loan Services of FIRST PRIVATE BANK are-

- (1) Loan
- (2) Overdraft
- (3) Bank Guarantee

(c) Hire Purchase Services

Hire Purchase Services are-

- (1) HP for Motor Cars
- (2) HP for Housing

(d) International Transaction

International Banking Services are-

- (1) Export & Import Services (L/C, TT)
- (2) International Remittance and International Money Transfer Services (Inbound and Outbound)
- (3) Payment Order
- (4) Money Exchange Service
- (5) Foreign Exchange Transaction

(e) Western Union Money Transfer Services

FIRST PRIVATE BANK signed an agreement with Western Union Money transfer services on 12th January, 2013. CBM approved outbound money transfer on 6th January, 2016.

(f) Digital Banking/ Mobile Payment/Commencement data

FIRST PRIVATE BANK started its Mobile Payment Service (myKyat), to offer service to unbanked people and rural areas, in 7th May, 2015. Mobile banking (myKyat) Services are-

- (1) Mobile Banking Account
- (2) Cash in – Cash out
- (3) Send Money
- (4) Request Money
- (5) Bill Payment (Electricity Bill and YCDC Bill)
- (6) Phone Top up (E-load top up)
- (7) Air Line & Express Car Ticketing Service
- (8) Purchase
- (9) Mobile Payment

3.4 Organization Structure of FIRST PRIVATE BANK 's Management

The organization chart of FIRST PRIVATE BANK is presented in Figure 3.1. The following are the organization of FIRST PRIVATE BANK.

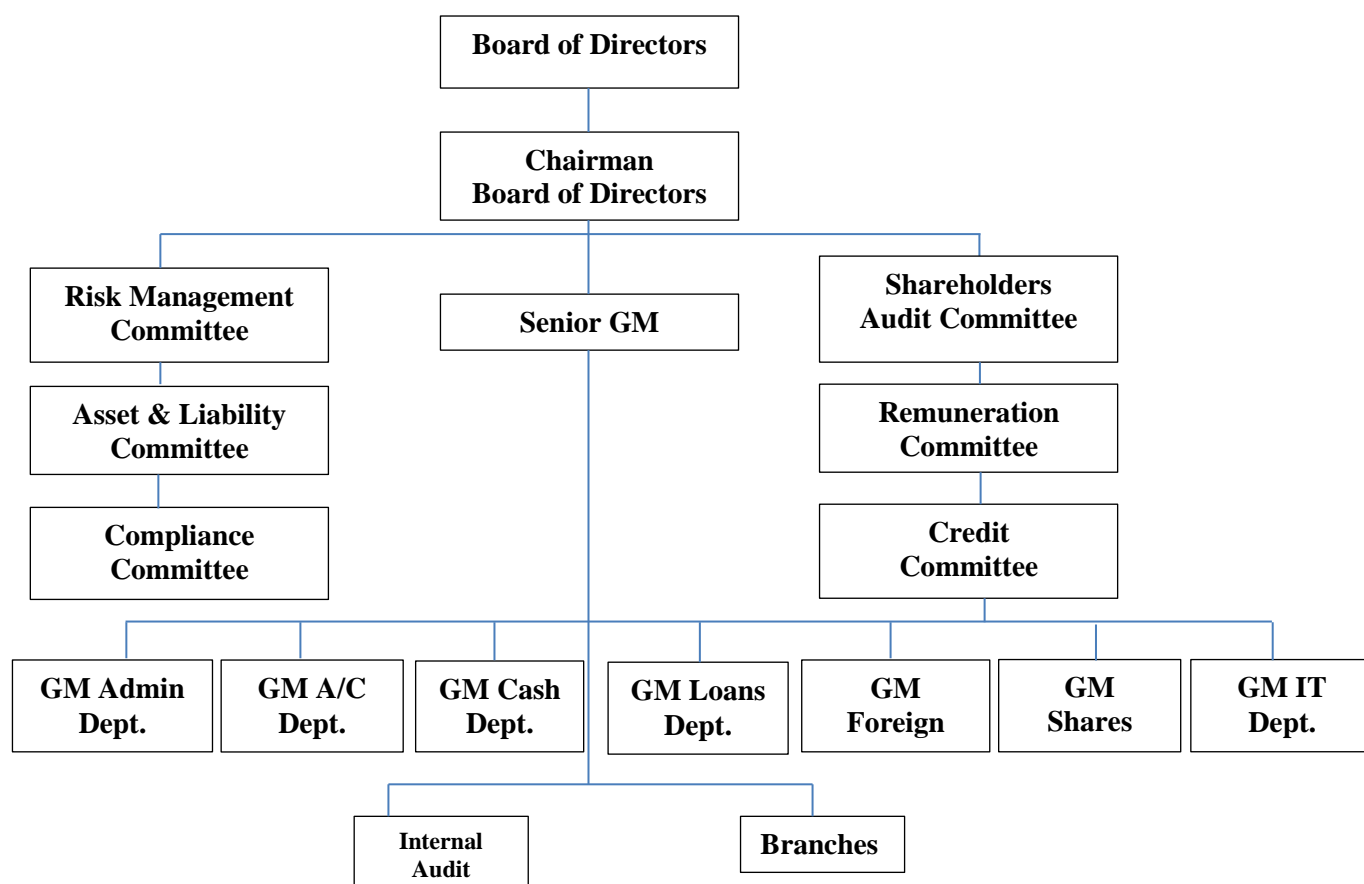
The Board of Directors

The number of Directors shall not be less than fifteen or more than twenty one including the Chairman. A full time Chairman shall be elected by the directors for such periods as the Board may determine. The Chairman shall devote his full time attention to the affairs of the Bank, shall receive from the Bank such salary and allowances and the subject to such terms and conditions of service as may be determined by the board. Save as otherwise provided in the regulations made by the board under the section on the General Powers of the Directors, such full-time Chairman shall have full powers to transact all the business of the Bank which may be transacted by the Board.

FIRST PRIVATE BANK boards of directors consist of 16 members and 4 independent Advisors. All directors are elected by shareholders at annual general meeting which is held annually. Under section 85 of the Articles of Association one-third of directors retire every year in rotation.

Organizational Structure of the FIRST PRIVATE BANK can be illustrated in diagram as per net figure 3.1.

Figure 3.1 Organizational Structure of the FIRST PRIVATE BANK



Source: First Private Bank (Statement of disclosure)

The Board of Directors sets up the following key committees consisting of members and senior management to ensure good corporate governance.

The Board of Directors of FIRST PRIVATE BANK has appointed six key committees for the efficient operation and sound management of the bank as follows:

1. Shareholders Audit Committee
2. Remuneration Committee
3. Credit Committee
4. Risk Management Committee
5. Compliance Committee
6. Asset and Liability Committee

3.5 Responsibility of the BOD and Committees

Board of Directors: 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. FIRST PRIVATE BANK 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 from 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. The members are Senior General Manager, General Manager (Accounts), General Manager (Foreign Department), General Manager (Loan Department) and General Manager (Cash Department). The main responsibilities of the Committee are to meet the guidelines of the regulatory body regarding liquidity, solvency, reserve requirements and profitability etc.

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.

3.6 Corporate Social Responsibility by Taxation

Tax paid to government is also to be regarded as corporate social responsibility. Because, only if the Government has enough fund from tax collection, it can accomplished it's public functions well.

FIRST PRIVATE BANK is especially conscious of its corporate social responsibility. Being a public company, it complies with all legal obligations to pay taxes fully as shown in the following table. Up to date, FIRST PRIVATE BANK paid K15.46 Billion in corporate tax to the state treasury. In 2015-2016 fiscal years FIRST PRIVATE BANK paid K 2,137.20 million.

Corporate Taxes contributions to government in past (8) years are stated in next table 3.1.

Table: 3.1 Corporate Taxes Paid by Years

| Fiscal Year | Corporate Tax(M) | RANK AMONGST BANKS |
|-------------|------------------|--------------------|
| 2008-2009 | 1,068.69 | NA |
| 2009-2010 | 1,060.97 | NA |
| 2010-2011 | 1,131.51 | NA |
| 2011-2012 | 1,447.48 | NA |
| 2012-2013 | 1,542.09 | 4 |
| 2013-2014 | 2,010.75 | 6 |
| 2014-2015 | 2,189.60 | 8 |
| 2015-2016 | 2,137.20 | 5 |

Source: First Private Bank, 2018

FIRST PRIVATE BANK also contributes to social causes, such as flood and fire victims as it happens. Although the contribution in terms of money is not huge it reflects the awareness of social responsibility. In FY2015-2016 FIRST PRIVATE BANK donated over K 14 million to fire and flood victims and other social causes.

FIRST PRIVATE BANK emphasizes and prioritizes its primary responsibility to the welfare of bank staff and family. The staff welfare fund patronizes primary school to colleague tuition fees of offspring of staff members annually. From 2009 to 2015, funds contributed staff welfare amounted to K 408 million. On average FIRST PRIVATE BANK contributes FIRST PRIVATE BANK K 51 million yearly on staff welfare.

CHAPTER IV

PERFORMANCE EVALUATION OF FIRST PRIVATE BANK

This chapter includes Analysis design and types and source of data, selected financial ratio analysis and data presentation, main theme performance evaluation of First Private Bank by CAMEL parameters by, measuring quality of Capital in FIRST PRIVATE BANK, measuring quality of Asset in FIRST PRIVATE BANK, measuring quality of management in FIRST PRIVATE BANK, measuring quality of earnings in FIRST PRIVATE BANK, measuring quality of liquidity in FIRST PRIVATE BANK.

4.1. Research Design

The aim of the study is to explore operation performance of First Private Bank by using CAMEL Model. And this paper will try to examine the financial performance to fulfill the objectives of the study. Specific and certain research design is essential. So the research design of this study is based on the nature of data and tools for analysis. To put the objectives stated above into effect a descriptive method will be employed.

Types and Source of data

This study is basically based on secondary data. To gather data which is used in the present study, financial information were collected from audited financial statements, annual reports, articles, previous studies on related topic, published statement of disclosure of FIRST PRIVATE BANK.

To ascertain relative positions of banks, the following list of ratios are used.

Capital Adequacy

- a. $(\text{Capital} / \text{Total Assets}) * 100$
- b. $(\text{Equity} / \text{Total Asset}) * 100$
- c. $(\text{Total Equity} / \text{Total Deposit}) * 100$

Assets Quality

- a. $(\text{Non-Performing Loan} / \text{Total Loan}) * 100$
- b. $(\text{Total Deposit} / \text{Total Asset}) * 100$
- c. $(\text{Fixed Asset} / \text{Total Assets}) * 100$

Management Quality

- a. $(\text{Profit before income tax} / \text{Number of Branches}) * 100$ (Million)
- b. $(\text{Total Loans and Number of Branches}) * 100$ (Million)
- c. $(\text{Total Asset} / \text{Total Liabilities}) * 100$ (%)

Earnings Quality

- a. $(\text{Net Income} / \text{Total Assets}) * 100$
- b. $(\text{Net Income} / \text{Total Equity}) * 100$
- c. $(\text{Deposit Cost} / \text{Total Deposit}) * 100$

Liquidity Position

- a. $(\text{Liquid Assets} / \text{Total Demand Deposits}) * 100$
- b. $(\text{Liquid Assets} / \text{Total Deposits}) * 100$
- c. $(\text{Liquid Assets} / \text{Total Assets}) * 100$

4.2 Analysis of Quality of Management and Operations by CAMEL

In accessing CAMEL rating of FIRST PRIVATE BANK, Firstly ratio analysis are presented and second, presented rating results from ratio analysis. Detail calculations of ratios used by CAMEL are presented in Appendix (1)

4.2.1 Capital Adequacy Ratio of First Private Bank

The results of three financial ratios analysis for capital quality are described in Table 4.1

Table 4.1. Capital Adequacy Ratio of First Private Bank

| | Capital Adequacy Ratio of FPB (%) | | |
|---------|-----------------------------------|-----------------------|-------------------|
| Year | Capital to Total Asset | Equity to Total Asset | Equity to Deposit |
| 2014 | 11.48 | 22.65 | 33.92 |
| 2015 | 10.75 | 22.54 | 30.53 |
| 2016 | 11.41 | 25.08 | 34.45 |
| 2017 | 10.58 | 24.63 | 34.75 |
| 2018 | 4.74 | 9.98 | 28.09 |
| Average | 8.52 | 18.33 | 32.14 |

Source: First Private Bank, 2018

According to above table, the first four years are above the minimum threshold of 8% but last year drop to 4.7%. But average still with 8.52%. The first four years of Equity to total asset were above 20% but last year drop to 9.98%. But average still close to 10%. Equity to deposit ratios are spread strongly all five years and average at 32%.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 is meet and beyond. As results, the rating for C is to be rated as 1 for FIRST PRIVATE BANK.

4.2.2 Assets 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.

In FIRST PRIVATE BANK credit risk is currently under control. Currently, there is only one bad loan of K 30 million. The court has decided to auction the property (collateral) of the borrower, and one unsuccessful auction has been conducted. At the second auction, price would be reduced. FIRST PRIVATE BANK may not fully recover the principal, interest, fines and fees. To recover bad loans, banks in general, have to resort to judicial procedure which takes unduly long time. Credit risk is a reality FIRST PRIVATE BANK has to face because of so many factors related to borrower's business situation, fluctuation in real estate prices, high loan to value ratio of FIRST PRIVATE BANK and general domestic economic situation.

The results of three financial ratios analysis for Asset Quality are described in

Table 4.2 Asset Quality

| Year | Asset Quality (%) | | |
|---------|-------------------|------------------------------|----------------------------|
| | NPL to Total Loan | Total Deposit to Total Asset | Fixed Asset to Total Asset |
| 2014 | 0.04 | 66.89 | 2.42 |
| 2015 | 0.03 | 73.83 | 2.10 |
| 2016 | 0.02 | 72.79 | 2.60 |
| 2017 | 0.02 | 70.87 | 2.82 |
| 2018 | 0.00 | 73.77 | 2.73 |
| Average | 0.02 | 71.87 | 2.57 |

Source: First Private Bank, 2018

Non-performing loan to Total loan Ratios of First Private Bank for past five years and average are not more than 0.02% .Total Deposit to Total Asset are around 70%.Only (70%) of total assets are financed purchased fund (deposit) and advantageous asset mixture.That means FIRST PRIVATE BANK'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. Advantageous asset mixture for the Bank. Based on the facts mentioned, Asset quality is to be rate as rating 1.

4.2.3 Management Quality

The results of three financial ratios analysis for Management quality are described in Table 4.3.

Table 4.3 Management Quality

| Year | Management Quality (%) | | |
|---------|------------------------|-----------------------------|-----------------------------------|
| | PBIT to No of Br. (M) | Total loan to No of Br. (M) | Total Asset to total liabilities' |
| 2014 | 309.54 | 3,859.22 | 130% |
| 2015 | 302.14 | 4,177.58 | 129% |
| 2016 | 267.16 | 4,471.97 | 133% |
| 2017 | 269.78 | 4,935.88 | 133% |
| 2018 | 243.78 | 5,487.56 | 271% |
| Average | 278.48 | 4,586.44 | 165% |

Source: First Private Bank, 2018

(Source of data: First Private Bank, 2018. Calculated from raw data of FIRST PRIVATE BANK audited financial statements from 2014 to 2018).

Total loan per branch for 5 years are constantly increase but not in rhythmic with profit before tax per branch. Total asset to total liabilities are very good for all year. They show the Bank has strong equity. Based on the facts mentioned, Management is to be rate as rating 2. The ratios are good but not at positive trend at all periods.

4.2.4 Earning Quality

The results of three financial ratios analysis for Earning are described in below.

Table 4.4 Earning Quality

| Year | Earning Quality (%) | | |
|---------|----------------------------------|----------------------------------|-------------------------------|
| | Net income to Total Assets (ROA) | Net income to Total Equity (ROE) | Deposit Cost to Deposit Ratio |
| 2014 | 5.02 | 22.13 | 7.91 |
| 2015 | 4.72 | 20.96 | 7.36 |
| 2016 | 4.12 | 16.43 | 7.80 |
| 2017 | 3.69 | 15.00 | 7.77 |
| 2018 | 3.11 | 15.00 | 7.48 |
| Average | 4.03 | 17.43 | 7.65 |

Source: First Private Bank, 2018

Although net income to Total Equity and Net Income to total asset ratios are not in positive trends, the returns rates are good. Deposit cost to deposit ratio also good. None of the survey years are above 8%. But, there is not at positive trends in all three ratios.

Based on the facts mentioned, Earning is to be rate as rating 2.

4.2.5 Liquidity Quality

The liquidity parameter is used to evaluate ability of a bank to meet its obligations and to avoid the risk of insolvency.

To evaluate the liquidity of the banks, the researcher used the total deposits to total assets. From the table all the years and average are considered in the study reported a high liquidity ratio.

The results of three financial ratios analysis for Earning are described in below.

Table 4.5 Liquidity Quality

| Year | Liquidity Quality (%) | | |
|---------|--------------------------------|-------------------------------|-----------------------------|
| | Liquid Asset to Demand Deposit | Liquid Asset to Total Deposit | Liquid Asset to Total Asset |
| 2014 | 256.11 | 18.50 | 12.37 |
| 2015 | 270.33 | 19.20 | 14.17 |
| 2016 | 244.59 | 19.90 | 14.48 |
| 2017 | 55.30 | 22.49 | 15.94 |
| 2018 | 43.79 | 19.25 | 14.20 |
| Average | 174.02 | 19.98 | 14.36 |

Source: First Private Bank, 2018

In early years of 2014/15/16 liquid asset to demand deposit are considerably high. But later in 2017/18 the ratio becomes mild. Average still 174%. That means the bank keeps liquid asset more than its all demand deposit like Current deposit, Call deposit and floats.

All the year and average are around 15-20 % of liquid asset to total deposit and also liquid asset to total asset. That means the liquidity ratio of the Bank is very good. Because, the reserve requirement for the bank to is only 5 % of Bank deposit and liquid asset of the Banks are about 4 times of reserve requirement. The liquidity parameter is used to evaluate level of cash and liquid asset of the bank to meet its obligations or demand deposit.

Based on the facts mentioned, liquidity is to be rate as rating 1.

4.3 Composite Rating or FIRST PRIVATE BANK's Score Sheet

Based on the facts those are match with rating criteria and financial ratios outcomes, the ratings of First Private Bank are to be rated and listed for composite rating as table 4.6.

Table 4-6 Composite Rating of FIRST PRIVATE BANK

| CRETIRIA | Ratings |
|------------------|---------|
| Capital Adequacy | 1 |
| Asset Quality | 1 |
| Management | 2 |
| Earning | 2 |
| Liquidity | 1 |
| Composite rating | 1.4 |

Source: Study result

Source: First Private Bank Financial data and Calculations details in appendix (1).

The FIRST PRIVATE BANK composite rating is between 1 to 1.5 of rating 1.

Hence, First Private Bank's rating is rating -1outstanding .which is the bank outperforms the average bank in all respects and by easily measurable differences. But, The Bank still has to focus on important points which follow with recommendations.

CHAPTER V

CONCLUSION

In this chapter, there presented about findings of research of management and operations of FIRST PRIVATE BANK by exploring the quality of management and performance of First Private Bank by using CAMEL model and identify the degree of management and performance quality of First Private Bank by Composite CAMEL rating. Then, according to the results of this study the suggestion for FIRST PRIVATE BANK are described.

Major findings are operational results are not all in positive trends, some flatuations of business bottom line and branch expension need to be refocused.

5.1 Findings

Capital, Asset Quality and Liquidity of FIRST PRIVATE BANK are stable and proportionate. But in management and earnings ratios there are some fluctuations and unpropotionate.

Refer to management data analysis table of Page (29) Under Appendix (1)

Concerning the Management Quality , the study found that

- (1) Profit before tax ratios are declining.
- (2) Although the loan are rising, PBIT is still keep lowing.
- (3) Total asset to liabilities ratios are raising but PBIT are declining.
- (4) If the total asset is getting high then the earning asset should be raised and net income should be followed.

Refer to earning quality data analysis table of Page (29) – Under Appendix (1)

Concerning Earning Quality , the study found that

- (1) ROA and ROE ratios have fluctuations amongst financial years.
- (2) Not at the positive trends between the financial years.
- (3) The more propotionate and positive trend with the bottom line, the more ensure Bank future and the more attractive at YSX.

RECOMMENDATIONS

FIRST PRIVATE BANK should set its strategy for the long term for all positive trends and fewer fluctuations in all aspects, not only in business bottom line and high yield of the bank's share but also all standards of CAMEL measures. Detail planning after strategies to be drawn for more uniform operations results. Real time measurings and comparisons to be made on weekly , monthly , quarterly and bi-annually basic , that is with the projections vs. actual operating results .Based of findings in time corrective and proper actions to be followed to get desired targets and standards.Branches expansion is strongly recommended so as to grow current deposit level and over all deposit level of the Bank. Deposit compositions are to be analyzed to ensure the funding costs are best prices .Because the core business of First Private Bnak is lending business which need deposit mobilization from new branches with cheapest prize . The more positive trends with the bottom line of the Business, the better Bank future and more attractive at YSX stock market.

5.2 Other Recommendations

FIRST PRIVATE BANK top management may focus on new branches opening country-wide. The last branch that FTB open was Myit-Kyi-Na Branch and it was (34)th and last Branch. Since 1992 FIRST PRIVATE BANK start operated and only (1.3) branches per year was expended. As a result, FIRST PRIVATE BANK deposit level stands at thirteen place with (199) billion amongst the (26) private banks as at 30 Nov 2018. Deposit per branch was 5.85 Billion as at 30 Nov and stand at 20th position amongst private banks. That means there are 19 private banks more COMPACT than FIRST PRIVATE BANK. The next point should be considered is vault cash and risk taking level. On Nov 30 , FTP cash in hand was (21.95) Billion or (11.03%) of its deposit (199) Billion. In terms of vault cash level to deposit ratio FTP stands at 22nd place amongst the (26) Private banks. That's mean, there are (21) private banks more taking risk for business than FIRST PRIVATE BANK. The lesser cash in hand could possible raise the higher earning asset and income. The more vault cash may lead to excess idle fund. Top management of FIRST PRIVATE BANK may review this matter. Another point should be considered is insured deposit. It is to be noticed that FIRST PRIVATE BANK's deposit are not under insurance cover as at 30 Nov 2016.As a Public Listed Company, Top management may review this matter as

about (38%) of Myanmar private Banks' deposit are under insurance cover. As the last point- central banks regulatory may be focused on. Central banks regulators keep monitoring and evaluating the performance of all banks to ensure sound banking system based on CAMEL rating model among other methods.

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APPENDIX (1)

Detail Financial Ratios (All are in Million MMK and %)

First Private Bank 's Capital Adequacy Ratios

Capital to Total Asset Ratio

| Capital/Total asset | Capital | Total Asset | Capital/TotalAsset |
|---------------------|-----------|-------------|--------------------|
| 2014 | 18,420.18 | 160,518.31 | 11.48% |
| 2015 | 19,939.39 | 185,518.31 | 10.75% |
| 2016 | 23,661.94 | 207,451.43 | 11.41% |
| 2017 | 24,720.53 | 233,742.60 | 10.58% |
| 2018 | 24,720.53 | 521,003.62 | 4.74% |
| Average | 22,292.51 | 261646.854 | 8.52% |

Equity to total asset ratio

| | Owner's Equity | Total Asset | Equity/Total asset % |
|---------|----------------|-------------|----------------------|
| 2014 | 36,364.41 | 160,518.31 | 22.65 |
| 2015 | 41,812.77 | 185,518.31 | 22.54 |
| 2016 | 52,019.31 | 207,451.43 | 25.08 |
| 2017 | 57,572.47 | 233,742.60 | 24.63 |
| 2018 | 52,019.31 | 521,003.62 | 9.98 |
| Average | 47,957.65 | 261,646.85 | 20.98 |

Equity. to Deposit RATIO

| Eq. to Deposit | Equity | Total Deposit | Eq. to Deposit |
|----------------|-----------|---------------|----------------|
| 2014 | 36,364.41 | 107,197.00 | 33.92% |
| 2015 | 41,812.77 | 136,975.00 | 30.53% |
| 2016 | 52,019.31 | 150,998.00 | 34.45% |
| 2017 | 57,572.47 | 165,663.00 | 34.75% |
| 2018 | 52,019.31 | 185,158.00 | 28.09% |
| Average | 47,957.65 | 149198.20 | 32.14% |

Asset quality ratio

NPL to Total Loan%

| NPL to Total Loan | NPL | Total Loan | NPL to Total Loan% |
|-------------------|-------|------------|--------------------|
| 2014 | 40.14 | 100,339.65 | 0.04 |
| 2015 | 36.34 | 121,149.81 | 0.03 |
| 2016 | 28.62 | 143,103.00 | 0.02 |
| 2017 | 31.59 | 157,948.11 | 0.02 |
| 2018 | 5.27 | 175,601.92 | 0.003 |
| Average | 28.39 | 139,628.50 | 0.023 |

Deposit to asset ratio

| | Total Deposit | Total Asset | Deposits to Asset |
|---------|---------------|-------------|-------------------|
| 2014 | 107,197.00 | 160,247.66 | 66.89% |
| 2015 | 136,975.00 | 185,518.31 | 73.83% |
| 2016 | 150,998.00 | 207,451.43 | 72.79% |
| 2017 | 165,663.00 | 233,742.60 | 70.87% |
| 2018 | 185,158.00 | 251,003.62 | 73.77% |
| Average | 149,198.20 | 207,592.72 | 71.87% |

Fixed Asset to Total Asset Ratio

| | Fixed Asset | Total Asset | FA / TOTAL ASSET% |
|---------|-------------|-------------|-------------------|
| 2014 | 3,880.28 | 160,247.66 | 2.42 |
| 2015 | 3,897.64 | 185,518.31 | 2.10 |
| 2016 | 5,397.93 | 207,451.43 | 2.60 |
| 2017 | 6,597.18 | 233,742.60 | 2.82 |
| 2018 | 6,860.65 | 251,003.62 | 2.73 |
| Average | 5,326.74 | 207,592.72 | 2.57 |

Management Ratios

PBIT / No of Branch ratio

| PBIT / No of Branch | Profit before tax | No of Branch | PBIT / No of Branch |
|---------------------|-------------------|--------------|---------------------|
| 2014 | 8,048 | 26 | 309.54 |
| 2015 | 8,762 | 29 | 302.14 |
| 2016 | 8,549 | 32 | 267.16 |
| 2017 | 8,633 | 32 | 269.78 |
| 2018 | 7,801 | 32 | 243.78 |
| Average | 8,359 | 30 | 278.00 |

Total Loan / No of Branch

| Total Loan No of Br. | Total Loan | No of Branches | Total Loan / No of Br. |
|----------------------|------------|----------------|------------------------|
| 2014 | 100,339.65 | 26 | 3,859 |
| 2015 | 121,149.81 | 29 | 4,178 |
| 2016 | 143,103.00 | 32 | 4,472 |
| 2017 | 157,948.11 | 32 | 4,936 |
| 2018 | 175,601.92 | 32 | 5,488 |
| Average | Average | 30.20 | 4,586 |

Total Asset to total liabilities' ratio

| Total Asset to total liabilities' | Total 'Liabilities | Total Asset | Total Asset to total liabilities' |
|-----------------------------------|--------------------|-------------|-----------------------------------|
| 2014 | 123,883.25 | 160,518.31 | 1.30 |
| 2015 | 143,705.54 | 185,518.31 | 1.29 |
| 2016 | 155,432.12 | 207,451.43 | 1.33 |
| 2017 | 176,170.12 | 233,742.60 | 1.33 |
| 2018 | 192,337.97 | 521,003.62 | 2.71 |
| Average | 158305.80 | 261646.85 | 1.65 |

Earnings Ratios

Net income to Total Assets (ROA)

| Net income to Total Assets (ROA) | Net Income | Total Asset | Net income to Total Assets (ROA) |
|----------------------------------|------------|-------------|----------------------------------|
| 2014 | 8,048 | 160,248 | 5.02% |
| 2015 | 8,762 | 185,518 | 4.72% |
| 2016 | 8,549 | 207,451 | 4.12% |
| 2017 | 8,633 | 233,743 | 3.69% |
| 2018 | 7,801 | 251,004 | 3.11% |
| Average | 8,359 | 207,593 | 4.03% |

Net income to total equity (ROE)

| Net income to Total Equity (ROE) | Net Income | Total Equity | NIT Equity |
|----------------------------------|------------|--------------|------------|
| 2014 | 8,048.00 | 36,364.41 | 22.13% |
| 2015 | 8,762.00 | 41,812.77 | 20.96% |
| 2016 | 8,549.00 | 52,019.31 | 16.43% |
| 2017 | 8,633.00 | 57,572.47 | 15.00% |
| 2018 | 7,801.00 | 52,019.31 | 15.00% |
| Average | 8,358.60 | 47,957.65 | 17.43% |

Deposit Cost/ Deposit %

| Deposit Cost to Deposit | Deposit Cost (Int.Exp) | Deposit | Deposit Cost/ Deposit % |
|-------------------------|------------------------|------------|-------------------------|
| 2014 | 8,483.26 | 107,197.00 | 7.91 |
| 2015 | 10,077.19 | 136,975.00 | 7.36 |
| 2016 | 11,780.23 | 150,998.00 | 7.80 |
| 2017 | 12,878.10 | 165,663.00 | 7.77 |
| 2018 | 13,843.10 | 185,158.00 | 7.48 |
| Average | 11,412.38 | 149,198.20 | 7.65 |

Liquidity Ratios

Liquid Asset to Demand Deposit %

| Liquid asset to demand deposit | Liquid Asset | Demand Deposit | Liquid Asset to Demand Deposit % |
|--------------------------------|-------------------|----------------|----------------------------------|
| 2014 | 35,637,548,363 | 81,377,808,326 | 43.79 |
| 2015 | 37,253,349,330 | 67,367,349,273 | 55.30 |
| 2016 | 30,048,761,037 | 12,285,246,648 | 244.59 |
| 2017 | 26,294,398,079 | 9,726,943,282 | 270.33 |
| 2018 | 19,828,770,580 | 7,742,196,333 | 256.11 |
| Average | 29,812,565,477.80 | 35,699,908,772 | 83.51 |

Liquid Asset/ Deposit %

| Liquid Asset/ Deposit | Liquid Asset | Total Deposit | Liquid Asset/ Deposit % |
|-----------------------|--------------|---------------|-------------------------|
| 2014 | 19,828.77 | 107,197.00 | 18.50 |
| 2015 | 26,294.40 | 136,975.00 | 19.20 |
| 2016 | 30,048.76 | 150,998.00 | 19.90 |
| 2017 | 37,253.35 | 165,663.00 | 22.49 |
| 2018 | 35,637.55 | 185,158.00 | 19.25 |
| Average | 29,812.57 | 149,198.20 | 19.98 |

Liquid asset to total asset

| Liq Asset /Asset | Liquid Asset | Total Asset | Liquid Asset /Asset |
|------------------|--------------|-------------|---------------------|
| 2014 | 19,828.77 | 160,247.66 | 12.37 |
| 2015 | 26,294.40 | 185,518.31 | 14.17 |
| 2016 | 30,048.76 | 207,451.43 | 14.48 |
| 2017 | 37,253.35 | 233,742.60 | 15.94 |
| 2018 | 35,637.55 | 251,003.62 | 14.20 |
| Average | 29,812.57 | 207,592.72 | 14.36 |

Investment to total Asset

| Inv. to total Asset | Investment | Total Asset | Investment to total Asset |
|---------------------|------------|-------------|---------------------------|
| 2014 | 23,003.00 | 160,247.66 | 0.14 |
| 2015 | 30,611.00 | 185,518.31 | 0.17 |
| 2016 | 23,202.30 | 207,451.43 | 0.11 |
| 2017 | 23,202.00 | 233,742.60 | 0.10 |
| 2018 | 23,202.00 | 251,003.62 | 0.09 |
| Average | 24,644.06 | 207,592.72 | 0.12 |

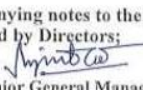
APPENDIX (2) FIRST PRIVATE BANK Audited Financial Statements.


BALANCE SHEET AS AT MARCH 31, 2015


| <u>ASSETS</u> | <u>Note</u> | <u>2015</u> | <u>(Kyat)</u> <u>2014</u> |
|---|-------------|------------------------|------------------------------|
| 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 |
| <u>Reserves & Retained Earnings</u> | 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 |

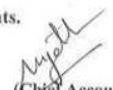
See accompanying notes to the Financial Statements.

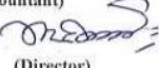
Authenticated by Directors:


 (Senior General Manager)


 (Director)
 (Chairman)


 (Director)


 (Chief Accountant)

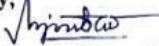

 (Director)

FIRST PRIVATE BANK LIMITED
STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2016

| <u>ASSETS</u> | <u>Note</u> | <u>2016</u> | <u>(Kyat)</u> <u>2015</u> |
|---|-------------|-------------------------------|-------------------------------|
| 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 | | <u>207,451,427,721</u> | <u>185,518,310,530</u> |
| 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 | | <u>155,432,120,941</u> | <u>143,705,540,387</u> |
| EQUITY | | | |
| Issued & Paid Up Capital | 10 | 23,661,940,000 | 19,939,390,000 |
| Share Premium | | 9,852,187,597 | 5,323,195,097 |
| <u>Reserves & Retained Earnings</u> | 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 | | <u>52,019,306,780</u> | <u>41,812,770,143</u> |
| Total Equity & Liabilities | | <u>207,451,427,721</u> | <u>185,518,310,530</u> |

See accompanying notes to the Financial Statements.

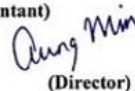
Authenticated by;


(Senior General Manager)


(Chief Accountant)


(Director)
(Chairman)


(Director)



(Director)

FIRST PRIVATE BANK LIMITED
STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2017

| <u>ASSETS</u> | <u>Note</u> | <u>2017</u> | <u>(Kyat)</u> <u>2016</u> |
|---|-------------|-------------------------------|-------------------------------|
| 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 | | <u>233,742,595,817</u> | <u>207,451,427,721</u> |
| <u>LIABILITIES</u> | | | |
| 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 | | <u>176,170,119,229</u> | <u>155,432,120,941</u> |
| 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 | | <u>57,572,476,588</u> | <u>52,019,306,780</u> |
| Total Equity & Liabilities | | <u>233,742,595,817</u> | <u>207,451,427,721</u> |

See accompanying notes to the Financial Statements.

Authenticated by;

| | | |
|---|---|---|
|  (Senior General Manager) |  (General Manager) | |
|  (Director) (Chairman) |  (Director) |  (Director) |

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 ;