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

ANALYSIS ON FINANCIAL PERFORMANCE OF NAYPYITAW SIBIN BANK LIMITED

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EMBF-II-44 (6^{th} BATCH)

DECEMBER, 2019

ABSTRACT

The study's main objective is to analysis Naypyitaw Sibin Bank (NSB) financial performance. This paper uses CAMEL rating system to analyze the bank's financial performance. Five indicators are included in the model: capital adequacy, asset quality, management efficiency, earning capacity, and liquidity. This work was mainly used in detailed study of secondary data and financial data. To gather data on the financial information received from the financial statement and audit report of NSB for the period of 2014 to 2018. To fulfill the purpose of this study, each three ratios analysis has made for 5 criteria by calculation 15 ratios related to CAMEL framework. The result indicated that NSB's performance by the CAMEL rating system in the position of rating scale was stood at 2 that condition satisfactory level in the banking operation. It is found out that capital adequacy of NSB was the strongest. The earning and liability of NSB were satisfactory. The assets quality was weak and management committee need to be more efficient and effective. Therefore, the NSB needs to check and supervise assets quality and management efficiency.

ACKNOWLEDGEMENT

I would like to express my sincere appreciation to the following great people who contributed and lecturing us during these period studies. First of all, I would like to say my heart full thanks to Rector of Yangon University of Economics Dr. Tin Win and Prof. Dr. Daw Soe Thu, Program Director of the MBF Program and Head of Department of Commerce,Yangon University of Economics for her patience, motivation, enthusiasm and immense knowledge and thank her for her love, support to allow us to attend MBF classes.

Secondly, I would like to deepest thanks to top management level person who from Naypyitaw Sibin Bank, for their support and let me to study the Master of Banking and Finance in Yangon University of Economics.

Especially, I am highly appreciated to my supervisor Prof. Dr. Tin Tin Htwe, Department of Commerce, Yangon University of Economics who supports and guidance for thesis, her kindness, and also supports the lecturing in the study of Bank Management and Financial Services. And also, many thanks to each of the teachers who were lecturing in each of the subjects in a semester by semester for their kindness that how I can't express my thankful to all teachers.

And, I want to acknowledge my colleagues from my work place for their understanding, their supporting and encouragement in making my academic dream a reality.

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LIST OF ABBREVIATIONS

CAMEL	-	Capital adequacy, Asset quality, Management, Earning, Liquidity
ATM	-	Automatic Teller Machines
CBM	-	Central Bank of Myanmar
CAR	-	Capital Adequacy Ratio
EUR	-	Euro Dollar
FIML	-	Financial Institution of Myanmar Law
MMK	-	Myanmar Kyat
MYR	-	Malaysia Ringgit
NSB	-	Naypyitaw Sibin Bank
NPL	-	Non-Performing Loan
NPA	-	Non Performing Assets
RWA	-	Risk Weighted Assets
SGD	-	Singapore Dollar
THB	-	Thai Baht
UFIRS	-	Uniform Financial Institutions Rating System
USD	-	United States Dollar

CHAPTER I
INTRODUCTION

The financial sector now plays a key role in a country's economic growth. A country's financial sector is seen as the backbone of its economy. The financial environment is made up of capital, financial instruments, financial institutions, rules and regulations and financial markets. Banks are a fundamental component of the various financial institutions.

The sound banking system helps to promote economic growth through its role of intermediation in channeling funds into productive sectors such as finance, trade and various industries. Banks are not only helping to promote monetary policy such as providing all sectors with the required resources.

The banking sector, however, is dealing with different financial risks. The bank should therefore have to be in a sound financial position and financial statement. In view of such an outcome and concern, each bank's financial health should have been monitored from time to time and handled efficiently and effectively. Stakeholders are involved in bank performance evaluations. It is also important for shareholders to determine which banks they should invest appropriately.

The bank is therefore also tracking its financial statements, which may help to evaluate the weakness and soundness of the organization of the financial position. Senior management should assess the overall financial situation that needs to be determined in order to achieve organizational objectives. Evaluation of the banking sector's financial performance is an effective measure and indicator for measuring the soundness of an economy's economic activities.

The banking sector is covered by uncertain conditions and risks. And thus the trust and confidence of customers is of great importance for the survival and success of banks in the banking sector. For successful business and becoming a well-recognized name in the banking industry, commercial banks therefore need to develop a reliable long-term relationship with customers.

1.1 Rationale of the Study

The banking sector is facing many challenges today. Central Bank of Myanmar (CBM) issues several notifications and directives as base on FIML (2016). The banking system continues to change. Actually, CBM and other regulatory bodies are supplying a large number of non-bank financial institutions as retail wallets (eg: OK$, Trusty, Anypay, etc) , telecom wallets (eg: Wave money, M-pitesan, etc), bank wallets (eg: KBZ pay, CB pay, etc). There are (26) private commercial banks in banking operations in Myanmar, (4) government banks and (13) branches of foreign banks.

There is a high of competition among them. They must therefore strengthen their service network and monitor their financial transaction to maintain good financial position safety. Banks lower the financial risk and need to rely on the rule and regulation of CBM. Priority should be given to the banking sector to achieve financial stability. Efficient banking system helps reduce the country's economic breakdown. Therefore, banking system efficiency has always been of great interest to all concerned.

The efficiency and safety of banks must be tracked and assessed regularly to maintain the growth of the banking system. There are various ways of measuring the financial position. Among there measure, most preferred parameters used by the regulators are CAMEL (capital adequacy, asset quality, management quality, earnings and liquidity) rating criterion to assess and evaluate the performance and financial soundness of the activities of the bank.

Naypyitaw Sibin Bank Ltd is one of the bank owned by municipality founded by the Naypyitaw Development Committee since 2013. In such a financial environment, differentiation their product and services to gain competitive advantage is essential for Naypyitaw Sibin Bank. This study exposure Naypyitaw Sibin Bank performance rating how to effect for management and operating efficiency.

1.2 Objectives of the Study

The objectives of this study are as follows:

1. To identify the financial services provided by Naypyitaw Sibin Bank
2. To analyze the financial performance of Naypyitaw Sibin Bank

1.3 Scope and Methods of the Study

This study focuses on Naypyitaw Sibin Bank's financial performance and cover the study period from 2014 to 2018. This study used secondary data to analyze the Naypyitaw Sibin Bank's performance. All financial data are obtained and extracted from Naypyitaw Sibin Bank's annual report and financial statement. The performance of Naypyitaw Sibin Bank evaluated by CAMEL rating system.

1.4 Organization of the Study

This study included five chapters. Chapter one is the introduction that explains rationale of the study, objectives of the study, scope and method of the study and organization of the study. In the Chapter two shows theoretical background of CAMEL rating system and concept of CAMEL rating system. Chapter three described background of the bank, organization structure of the bank and financial services provided by the bank within of its business life. Chapter four describes analysis on financial performance of Naypyitaw Sibin Bank Limited through CAMEL rating system. In Chapter five concluded with the findings, suggestions and recommendation, and need for future studies.

CHAPTER II
THEORETICAL BACKGROUND

This Chapter highlights the importance of bank performance, the measurement of bank performance (on-site supervision and off-site monitoring), concept of CAMEL model and CAMEL rating system. In this context, the meanings and measurements of each element are then clarified.

2.1 Importance of Bank Performance

As a specific type of business activity, the bank's corporate goal is to maximize shareholders' interest. What is the conduct of the financial indicators in the operating process? How to take advantage? If, or not, the risk is moderate? The whole question concerns the performance of the bank. For this reason, it is necessary for banks to assess performance so that they can make adjustments to operate risk management and sustainable profitability. According to Rengasamy (2012), the word "Performance" means that the execution or achievement, or perform specific activities, or fulfill the obligations. Therefore, "Bank performance" can be defined as a bank take use of resources to achieve its goals. The bank's success often ensures that a range of metrics are used to represent the bank's position and to reflect the bank's ability to achieve the desired goals. Therefore, to ensure the health of the financial system and an efficient economy, the bank needs to carefully evaluate and review it.

2.2 Measurement of Bank Performance

There are many reasons to analyze bank's performance to assess their operating results and overall financial position, measure assets quality, management quality and efficiency, and achievement of their goals as well as decide the quality of their profits, liquidity, capital adequacy and bank services level. There are different measuring tools that are used by supervisory bodies to evaluate bank's financial health. Off-site monitoring and on-site examination of private banks are carried out by the Central Bank.

On-site Examination

On-site examination is conducted the banks and their branches on annual basis and it involves analyzing the financial data whether they are in line with the supervisory ratios, preparing analytical report to be used for pre examination discussions with the bank's management, comparing the bank's profit trends, NPL ratios, capital to assets ratios, its internal control system, finding out significant finding which requires further investigation, identifying problematic areas. This includes regular bank visits followed by management reviews and compliance with laws and regulations.The bank supervisors grant the composit e ranking for these supervised banks at the end of the review on the basis of the description of findings obtained through on-site inspection. These composite ratings are based on the CAMEL rating system.

However, the work of Gilbert et al. (2002) argued that despite the fact that on-site examination is an effective tool; it is costly and burdensome since the supervisors have to be involved in daily operations and it may take a long of time. Thus, it is supported with the off-site surveillance.

Off-site Monitoring

Off-site supervisors track the financial institutions closely by day-to-day contact. Off-site supervision is carried out by reviewing regular financial reports that help reveal unusual transactions, enable prompt corrective actions and allow appropriate penalties. Off-site evalutation of conditions and performance of the bank was carried out using tools such as Capital to Deposit ratio, Liquidity ratio, Loan to Deposit ratio, Reserve Requirement and Capital Adequacy ratio, etc.

In addition to reviewing the regulatory financial report, position and performance of the banks, each financial institution has been checked for compliance with the central bank's legislation, regulations, directives and instructions. Off-site monitoring is also useful because it if less expensive than the on-site monitoring program, because new information can be frequently updated by quarterly financial statements and the basis for financial statements and review during analysis is provided.

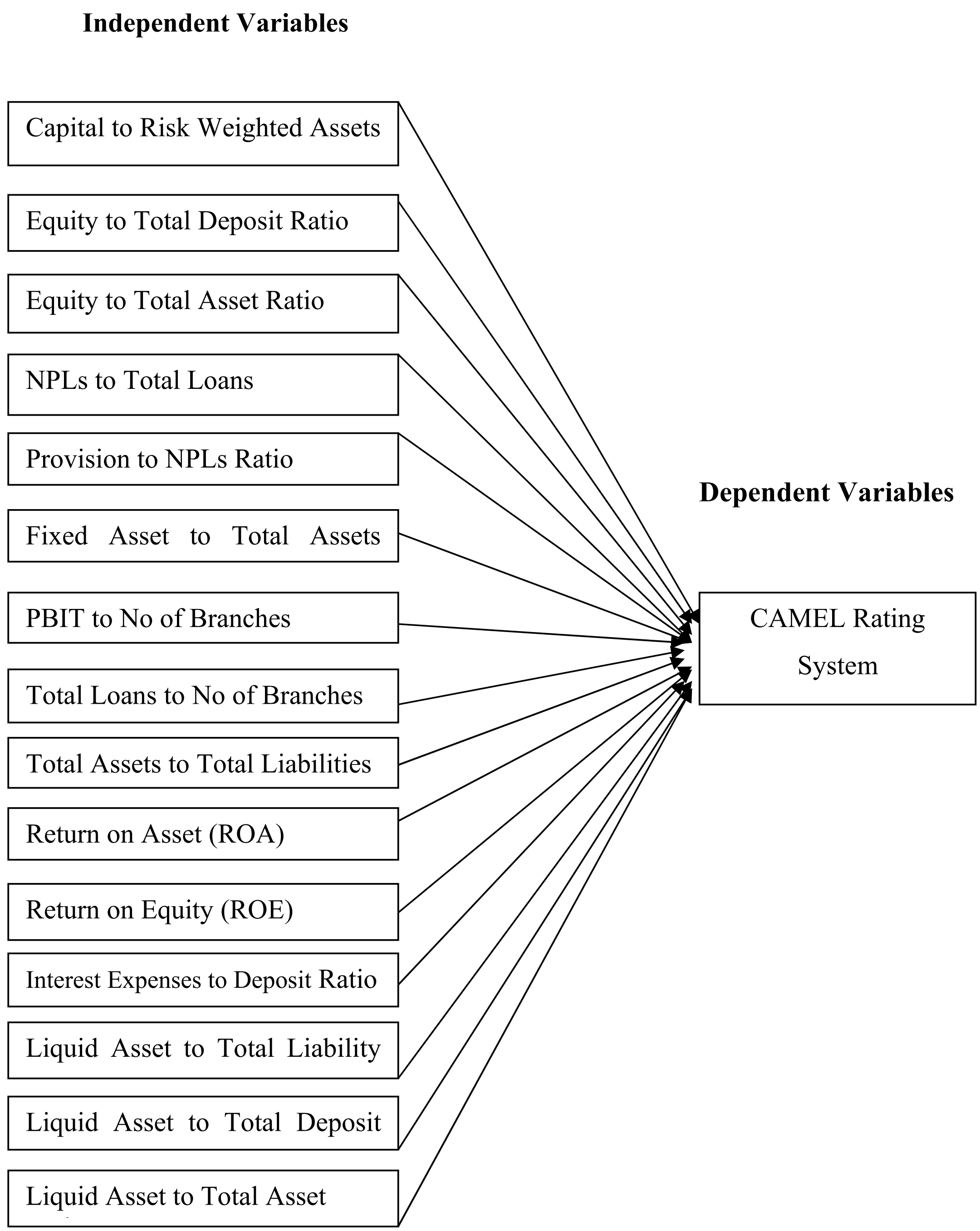
2.3 Concept of CAMEL Rating System

The Uniform Financial Institutions Rating System (UFIRS) was implemented in US banking institutions on November 13, 1979. With the abbreviation CAMEL, the system became internationally known, reflecting five assessment areas of capital, asset quality, management, earnings ability and liquidity. That the CAMEL rating is a supervisory rating system that was originally applied to every U.S bank and credit union (about 8,000 institutions) and is also enforced outside the U.S by specific banking supervisory regulators. The ratings are issued on the basis of the financial statement ratio analysis. It has proven to be an effective internal control method for determining a financial firm's soundness on the basis of recognizing certain entities that require special attention or concern. CAMEL is basically a ratio-based model for evaluating the performance of banks. It is a ranking model for banks. CAMEL is an acronym for the five components of bank safety and soundness (The United States. Uniform Financial Institutions Rating System 1997, Dang, 2011).

Acronym	Parameters of CAMELL	Ratios of measuring CAMEL parameters
C	Capital Adequacy	i) Capital to Risk Weighted Assets Ratio ii) Equity to Total Deposit Ratio iii) Equity to Total Asset Ratio
A	Asset Quality	i) NPLs to Total Loans ii) Provision to NPLs Ratio iii) Fixed Asset to Total Assets Ratio
M	Management Quality	i) PBIT to No of Branches ii) Total Loans to No of Branches iii) Total Assets to Total Liabilities
E	Earning Ability	i) Return on Asset (ROA) ii) Return on Equity (ROE) iii) Interest Expenses to Deposit Ratio
L	Liquidity	i) Liquid Asset to Total Liability Ratio ii) Liquid Asset to Total Deposit Ratios iii) Liquid Asset to Total Asset Ratio

Source: Dang, U. (2011)

Figure (2.1) Conceptual Framework of CAMEL Model



Sources: Own Combination,2019

2.3.1 Capital Adequacy

Capital Adequacy indicates if the bank has sufficient capital to cover unforeseen losses. Deposit trust must be retained and bankruptcy must be avoided. “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” (The United States Uniform Financial Institutions Rating System 1997, Dang, 2011). The difference between total assets and total liabilities is called capital. This indicates the bank's ability to privilege responsibility. This means that if all the bank's assets are taken as loans and deposits as liabilities. If there is any loss of loans, the bank will face a high risk of fulfilling their depositors' demands. Therefore, to prevent the bank from failure, it is necessary to maintain a significant level of capital adequacy (Chen, 2003).

The Basel capital rules were designed in July 1988 to encourage leading banks around the world to maintain strong capital positions, reduce inequalities in capital requirement for fair competition among different countries, and meet recent rapid changes in financial service and financial innovation. The Basel Accord set the minimum risk-based capital adequacy ratio at 8 percent of risk weighted assets. Assets have been assigned to four categories, each with a different weight to represent the level of credit risk.

The first category is zero weight and includes item with low default risk, such as reserves and government securities issued by the Organization for Economic Cooperation and Development countries. The second category has a 20 percent weight and contains OECD countries bank. The third category has a weight of 50 percent, including municipals bonds and residential mortgages. The fourth category has a minimum weight of 100 percent which contains loans to consumers and corporations (Basel Committee Banking Supervision).

Component of capital adequacy rating system is scored from 1 to 5.In the context of capital adequacy, a rating of 1 indicates a strong capital quality relative to the financial institutions risk. Rating 2 indicates satisfactory capital, rating 3 indicates the less than satisfactory capital level, rating 4 indicates deficient level, a rating of 5 reflects a critically deficient (Uniform Financial Institutions Rating System 1997).

2.3.2 Asset Quality

Asset quality is an indicator how many risky assets bank have on their total assets. Asset quality is an important criterion for evaluating the degree of financial strength. "Poor asset quality is the major cause of most bank failures" (Grier, 2007, Dang, 2011). Maintaining the standard of assets is therefore a key feature of banking. Frost (2004), Dang (2011) stresses that the asset quality indicators, highlight the use of non-performing loan ratios (NPLs) which are the proxy of asset quality, and the allowance or provision to loan loss reserve. NPL to total loans ratio reveals the degree of a bank's lending to borrowers who were not returning it back (Golin, 2001).

As defined in usual classification system, loans include five categories: standard, watch, substandard, doubtful and loss. NPLs are considered to be the three lowest categories for which interest has not been accrued in excess of the 90-day international standard. The bank is regulated to support the bad debts by providing the loan reserve account with adequate provisions. To order to accurately assess the quality of the loan portfolio, it should also be called the allowance for loan loss to total loans and the provision for loan loss to total loans (Uniform Financial Institutions Rating System 1997).

Component of assets rating system is scored from 1 to 5. A rating of 1 indicated strong asset quality and credit management practices in the context of asset quality. Rating 2 indicates satisfactory asset quality, rating 3 indicates asset quality and credit administration practices are less than satisfactory, rating 4 indicates deficient assets quality, a rating of 5 reflects a critically deficient asset quality that presents an imminent threat to the institution's viability (or) unsatisfactory performance (Uniform Financial Institutions Rating System 1997).

2.3.3 Management Efficiency

Management quality indicates how the bank are performing effectively and efficiently. Management efficiency means adherence to set norms, ability to plan and respond to changing environments, leadership and administrative capability of the bank (Misra and Aspal, 2013). Performance of management represents a bank's management soundness. Management serves as a safeguard to run the bank in a smooth and decent manner and is referred to as management of excellence or skillful management whenever it manages its cost and increases productivity, thereby achieving higher profits.

Management is about the ability of the management of the bank, using their expertise to make subjective judgments, establish a strategic vision, and other related qualities. Management is the key variable deciding the performance of a bank. The evaluation of the management is the hardest one to be measured and it is the most unpredictable (Golin, 2001).

Management is considered to be the most important single item in the CAMEL rating system as it plays a significant role in the performance of a bank, but it is subject to evaluation as the asset quality analysis. In local communication, the top management with high quality and experience ideally has excellent reputation.

Management rating system portion is rate between 1 to 5. In the context of management, a rating of 1 indicates strong performance by management and the board of directors and strong risk management practices relative to the institution's size, complexity, and risk profile. A rating of 2 indicates satisfactory management and board performance and risk management practices relative to the institution's size, complexity, and risk profile. A rating of 3 indicates management and the board of directors that need improvement or risk management practices that are less than satisfactory. A management rating 4 indicates deficient management and board performance and risk management practices that are inadequate considering the nature of institution's activities. The rating 5 is applicable to critically deficient management. Replacing or strengthening may be needed to achieve sound and safe operations (Uniform Financial Institutions Rating System 1997).

2.3.4 Earning Ability

Profit build not only public confidence, but also absorbs loan losses and provides adequate provisions. There is also a need for a stable financial system and to provide opportunities for investors. The ability to earn represents the consistency of the productivity of a bank and its ability to reliably earn. It essentially decides the bank's profitability and describes its potential survival and income growth.

Higher earning indicates the efficiency of banks is healthy. Banks are totally dependent on producing sufficient earnings to remain on the market for a long term. Earning is an important parameter to measure the financial performance of an organization. Earning quality mainly measures the profitability and productivity of the bank, explains the growth and sustainability of future earnings capacity.

In the same way, bank depends on its earning to perform the activities like funding dividends, maintaining adequate capital levels, providing for opportunities for investment for bank to grow, strategies for engaging in new activities and maintaining the competitive outlook (Mohammad Kamrul Ahsan, 2016).

Component of earning rating system is scored from 1 to 5. In the context of earning of 1 reflects strong earnings that are sufficient to support operations and maintain adequate capital and allowance levels after consideration is giving to assets quality. A rating of 2 indicates earnings that are satisfactory. A rating of 3 indicates earnings that need to be improved. A rating of 4 indicates earnings that are deficient. On the other hand, a rating of 5 indicates earnings that are critically deficient and experiencing losses that represent a distinct threat to the institution's solvency through the erosion of capital (Uniform Financial Institutions Rating System 1997).

2.3.5 Liquidity

This function determines the willingness of the bank to fulfill its financial obligations. An adequate liquidity position means a situation, where organization can obtain sufficient liquid funds, either by increasing liabilities or by converting its assets quickly into cash. A high liquidity ratio suggests the bank is more stable. Rudolf (2009), Dang (2011) emphasizes that "the liquidity expresses the degree to which a bank is capable of fulfilling its respective obligations". Banks makes money by mobilizing short-term deposits at lower interest rate, and lending or investing these funds at higher long-term rates, so it is risky for banks to mix their interest rate lending. A bank's liquidity is regarded as the ability to fulfill its short-term liability and maintain its solvency at the same time. The bank should therefore keep its solvent for the need of new loans and unexpected drain on deposits. However, overhead liquidity level amount had an adverse effect on the profitability of the bank. The proximate cause of most bank failures is the lack of sufficient liquidity (Golin, 2001).

Liquidity ratio in a bank measures the ability to pay its current obligations (Hazzi & Kilani, 2013). The bank need liquidity solvency to have sound banking operations. Liquidity crisis appears to be a curse to banks' face. So it is a prime concern to banks. Cash and investments are a bank's most liquidity assets. An adequate liquidity position means a situation, where institution can obtain sufficient funds, either by rising liabilities or by converting its assets quickly at a reasonable cost (Mohammad Kamrul Ahsan, 2016).

The liquidity rating system portion is rated between 1 and 5. In the context of liquidity, a rating of 1 represents strong liquidity levels and well-developed fund as the institution has access to sufficient sources of funds to meet present and anticipated liquidity needs. A rating of 2 indicates satisfactory liquidity level. A rating of 3 indicates liquidity level or funds management practices in need of improvement. A rating of 4 indicates deficient liquidity levels or inadequate funds management practices. On the other hand, the rating of 5 signifies critical liquidity deficiency and the institution demands immediate external financial assistance to meet maturing obligations or other liquidity needs (Uniform Financial Institutions Rating System 1997).

2.4 CAMEL Composite Rating System

Typically, the composite rating is closely related to the assigned part scores. However, computing an integer average of the variable ratings does not produce the composite ranking. Each component rating is based on a qualitative factor analysis that involves the component and its interrelationship with the other components Generally, assigning a composite rating can incorporate any factor that significantly affects the financial institution's overall condition and soundness. In awarding each component ranking, management's ability to identify, assess, monitor and control the risks of its operations is also taken into account.

After computing the rating for each of elements, the composite rating is the average of the sum of five elements. The composite rating is defined in CAMEL approach to bank analysis, as a tool to select the better banks among potential banks. Depending upon the composite rating of an individual bank, the financial analyst proposes an exposure limit comparable to the level of the banks.

Composite rating is based on careful management, organizational, financial, and compliance performance assessment of an entity. The rating scale ranges from 1 to 5, with a rating of 1 indicating: the strongest performance and risk management practice relative to the institution's size, complexity, and risk profile; and the level of least supervisory concern. A ranking of 5 indicates: the most critically deficient level of performance; insufficient methods of risk management in relation to the size, complexity and risk profile of the institution; and the greatest concern of supervision.

There are five categories of composite CAMEL ratings. These are-

Rating	Composite Range	Description
1	1.00 – 1.49	Strong
2	1.50 – 2.49	Satisfactory
3	2.50 – 3.49	Fair
4	3.50 – 4.49	Marginal
5	4.50 – 5.00	Unsatisfactory

Meaning of composite rating under CAMEL Rating Analysis:

Composite Rating 1: (1.00 – 1.49) Strong

In this category, financial institutions are sound in all respects and have components scored 1. Any deficiencies are small and the board of directors and management should handle them in a normal manner. Such financial institutions are the most able to withstand the vagaries of business conditions and are immune to external influences such as economic instability in their area of trade. These financial institution comply with the laws and regulations significantly. As a result, these financial institutions show the best performance and risk management strategies relative to the size, complexity, and risk profile of the institution, and do not provide cause for concern about supervision.

Composite Rating 2: (1.50 – 2.49) Satisfactory

This community of financial institution is fundamentally sound. In general, no part rating should be more extreme than 3 in order for a financial institution to earn this ranking. There are only minor deficiencies and they are well within the ability and desire of the board of directors and management to correct. Such financial institutions are stable and able to cope with fluctuation in market. These financial institutions comply with the laws and regulations significantly. Overall activities in risk management are adequate in relation to the size complexity and risk profile of the organization. There are no substantive questions regarding supervision and, as a result, the approach to supervision is informal and minimal.

Composite Rating 3: (2.50 – 3.49) Fair

Within this category, financial institutions show some degree of oversight concern in one or more component areas. Such financial institutions show a variety of weaknesses ranging from mild to extreme, however, the severity of the weaknesses will not generally cause a portion to be rated more severe than 4. Management can lack the ability or desire to resolve vulnerabilities in a timely manner. Such financial institutions may also be in serious breach of laws and regulations. Practices in risk management may be less than sufficient with respect to the scale, sophistication and risk profile of the entity. Such financial institutions need more than usual oversight, which may include enforcement actions formal or informal. However, failure appears unlikely considering these institutions ' overall strength and financial capacity.

Composite Rating 4: (3.50 – 4.49) Marginal

There are typically unhealthy and unsound procedures or conditions in financial institutions in this category. There are serious financial or managerial deficiencies that result in unsatisfactory performance. The board of directors and management is not satisfactorily addressing or resolving the shortcomings and problems. There may be significant noncompliance with laws and regulations. Practices in risk management are usually unethical in relation to the size, sophistication and risk profile of the organization. Close supervisory attention is needed, meaning that formal disciplinary action is necessary in most cases to address the issues.

Composite Rating 5: (4.50 – 5.00) Unsatisfactory

Financial institutions in this category exhibit extremely unsafe and unsound procedures or conditions; exhibit critically inadequate performance; frequently include insufficient risk management strategies relative to the size, complexity and risk profile of the institution; and are of the greatest concern for supervision. The volume and severity of problems are beyond management's ability or willingness to control or correct. In order for the financial institution to be sustainable, immediate outside financial or other assistance is required. Ongoing supervisory attention is necessary. Institutions in this category pose a considerable risk to the deposit insurance fund, and failure is highly likely.

(Reference: Uniform Financial Institutions Rating System 1997).

CHAPTER III
IDENTIFY THE FINANCIAL SERVICES PROVIDED BY NAYPYITAW SIBIN BANK LIMITED

In this chapter includes the background of the Naypyitaw Sibin Bank, organization structure, responsibility of committees in Naypyitaw Sibin Bank and identify the financial services provided by Naypyitaw Sibin Bank.

3.1 The Background of Naypyitaw Sibin Bank Limited

Bank is listed as a state-owned bank, a municipal bank, semi-private banks, and private banks in Myanmar. Among all types of banks, Naypyitaw Sibin Bank is one of the banks owned by the municipality, founded on 4 February 2013 under the Company Act Registration No.4701/2012-2013(NPW) on 12 May 2013. Central Bank of Myanmar (CBM) granted domestic banking license MaBhaBa/Pi-29(2)2013 on 28th February 2013, Money Changer License (MC) was granted on CBM-FEMD-159/2013. According to New Financial Institution of Myanmar Law (FIML) (2016) sanction no-176, CBM issued a new MaBhaBa / PaBa(R)-19/08/2016 license to the NSB offering commercial banking and related financial services in the Republic of the Union of Myanmar.

Naypyitaw Sibin Bank was established with only the paid-up capital of MMK 2,000 million, which was increased to MMK 20,000 million under FIML (2016) penalty no (34) fully contributed by the Naypyitaw Development Committee (NPTDC).

Naypyitaw Sibin Bank started its banking business at OS (25/26), Yarzathingaha Road, Outarathiri Township, Naypyitaw on 12th May 2013. It was transferred to No (09), Thirikyawswar street, Thiri Yandanar Shopping Complex, Zabuthiri Township, Naypyitaw On 17th February 2014 as opened Head Office and branch of the NSB. As the bank's mode of services increased, development has also accelerated, during 5-year has now opened with 4 branches, 3 mini-branches and 3 money changer counters in Naypyitaw. To expand internal remittances to join with other banks, provide other banking services such as receiving deposits and offering loans to the customers. The NSB always continued its efforts to increase number of branches throughout nationwide. It has planned to extend branches Yangon region and Mandalay region in coming year.

There are following Naypyitaw Sibin Bank's objectives-

(1) To providing fast, reliable and excellent banking services to local people

(2) To facilitate trade and help individuals and business develop financially by giving loans

(3) To consolidate savings, funds and collection of NPTDC and invest and deposit them in banking enterprise

(4) To utilize these financial resources in short, medium and long-term development loans to project of Development Committee

(5) To mobilize internal and external financial resource for investment in production enterprises especially in the private sector

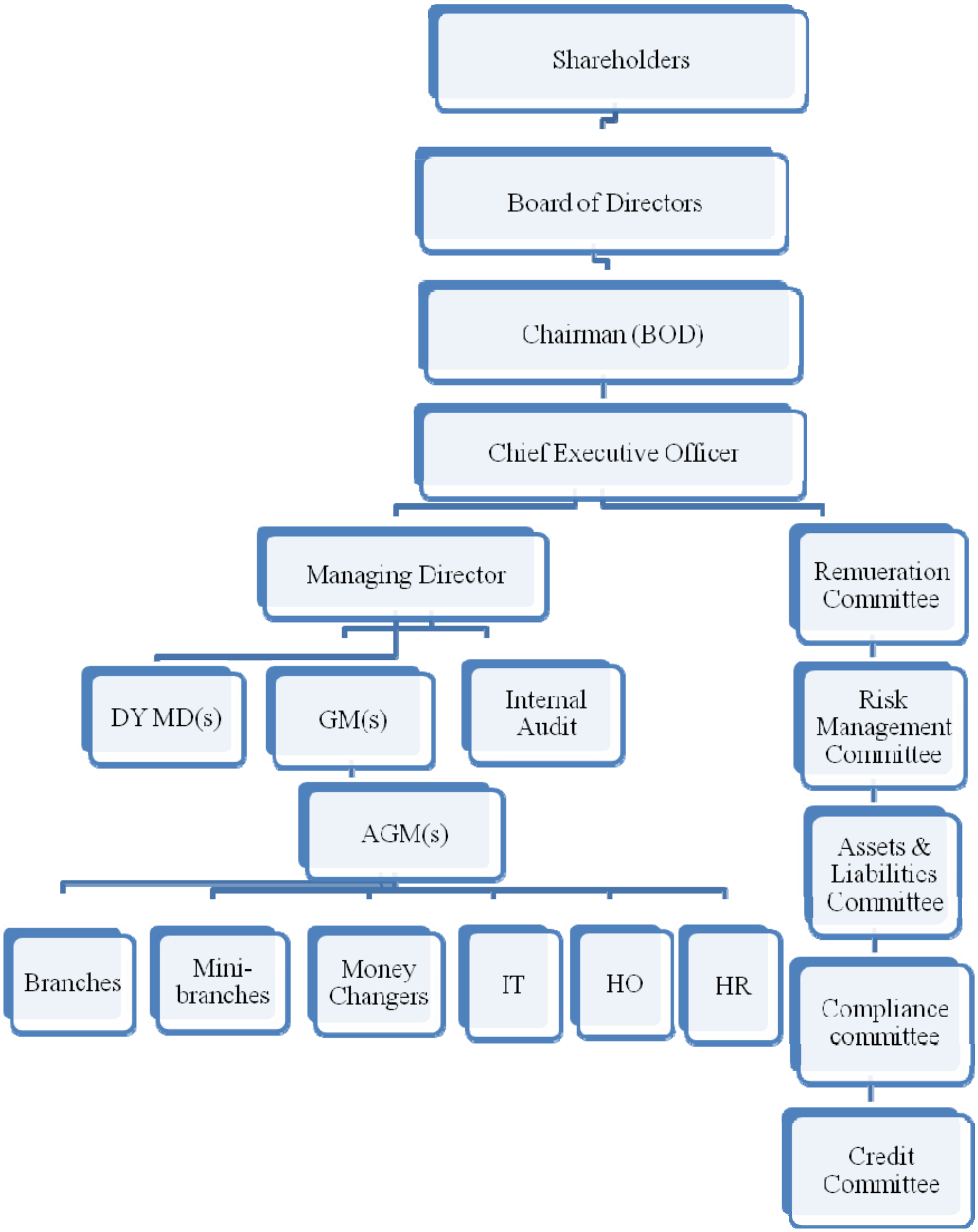
3.2 Organization Structure of the Naypyitaw Sibin Bank

Naypyitaw Sibin Bank has a proper structure of organization that begins below. At the annual general meeting, the shareholders elect the board of directors. Among the board of directors, the chairman is chosen. The board of directors and Chiraman are always on top of the company map that goes directly down to the chief executive (CEO) and managing director (MD). The MD is supported by two Deputy Managing Directors (Dy MD) in second tier who are in-charge of different departments. The Bank's Management Board consists of (16) members.

There are six departments at the Head Office of the Bank. At the end of March 2018, the number of Bank employees reached a total of (219). Despite this, the Board of Directors set up six senior management committees to ensure good corporate governance under FIM law (2016).

The bank's management and organization structure are shown in Figure (3.1).

Figure (3.1) Organization Structure of the Naypyitaw Sibin Bank



Source: Naypyitaw Sibin Bank , 2019

3.3 Responsibilities of Committees in Naypyitaw Sibin Bank

The bank Naypyitaw Sibin complied with the enacted Central Bank's rules and regulations. The bank had always tried to meet the target ratios of the Central Bank. Officials track the financial position of the bank and control cash liquidity.

Therefore, according to FIM law (2016) sanction no (75), there are six committees in Naypyitaw Sibin Bank. They are remuneration committee, risk management committee, assets & liabilities committee, compliance committee, credit committee and audit committee. These committees are steadily strengthening the banking system and achieving good financial performance. The committee shall be make healthy internal control system and soundness financial performance.

(1) Remuneration Committee

The committee is made up of senior bank managers at the point. It will rule on matters relating to the duties and privileges of directors and also take advantage of the benefits of decision-makers such as promotion, compensation and other allowances.

(2) Risk Management Committee

The committee is headed by the Dy managing director and included senior managers and managers of the division. A responsive risk management committee has been set up by the bank to monitor, track and assess risks. The committee assists the management of the bank by actively tracking the risk of its current asset portfolio, or loans, liabilities, or deposits and other exposures.

(3) Assets and Liabilities Committee

The representatives include general manager and general manager assistant as well as branch managers. The main responsibility of the committee is to comply with the central bank's regulations on liquidity, solvency, minimum reserve requirements and profitability.

(4) Compliance Committee

The compliance committee set up Dy MD, general manager, assistant general manager and branch managers. This is responsible for compliance with all Financial Action Task Force (FATF) regulations and guidelines and from time to time regulations issued by CBM. It is the responsibility of the committee to oversee compliance policies and procedures and code of ethics performing day-to-day operations of its employees, as well as related personnel training and development.

(5) Credit Committee

The committee is headed by Dy-MD and person who senior management level. Some of the committee's tasks may include reviewing the institution's credit practices and identifying the potential risks of the institution's various transactions. The decisions and recommendations of the committee shall be submitted for approval to the next meeting of the BOD. In approving and rejecting loan applications that are qualified or not by calculating loan scoring and qualifications, the credit committee is important to decide. The committee shall be prepared up-to-date loan policies and procedures.

(6) Audit Committee

Internal audit team shall sit every three months reviewing and assessing the bank's financial statements and performance and sending its report to the BOD meeting. And then, by reviewing internal controls such as operational performance, risk mitigation procedures, so compliance with any relevant legislation or regulations, it provides insight into the culture, policies, processes, and support and management oversight of the organization.

3.4 Financial Services Provided by the Naypyitaw Sibin Bank

NSB financial services, including saving account, current account, fixed deposit account and special deposit account, are provided by the NSB. Loans serve as term loan, overdraft, staff loan to ministerial workers in the Naypyitaw area, purchase as an automobile hire, and shopkeeper loan owned by NPTDC's market shopkeeper. Cash services include payroll for NPTDC's staff and collection. Other services such as bank guarantee, mobile banking, money changer, online tax payment are also provided by the NSB. The remittance services are offered to join other banks and pay for domestic telegraphic transfer.

(a) Types of Deposits

The bank accepts the different types of deposit from the public. These deposits are saving deposit, current deposit and fixed deposit. Savings deposits is well-know and main deposits. This type of deposits encourages saving habit among the public. The customers who open savings deposit account can revenue monthly interest. Saving deposit divided by three types as e-Saving, special deposit and minor saving. The rate of interest is 8.25% p.a for e-Saving and minor and 9% for special deposit that is special causes for customer. The interest calculate monthly and interest paid into account quarterly. The saving deposit join to ATM Card Account.

Current deposit is demand deposit and checkable account, and on the balance of these funds there is no interest paid. This account is subject to the Negotiable Instrument Act when drawn on this account using the check. Any person, firm, company, corporate body, society or local or State authority may open a current account. Fixed deposits is for eligible individual and organization looking for higher yield on their deposit. The interest rate are 8.25% for 3 months, 9% for 6 month, 9.25% for 9 month and 9.5% for 12 months. No interest will be allowed after due date on any deposit nor can it be withdrawn prior to the due date without special arrangement.

(b) Types of Loans

The bank make loan, overdraft, hire purchase and staff loan to the business and households. This function is essential and effective between customers and bank. The bank create loans all the business including small and medium size enterprises with collateral. Loans are medium and term loans in the NSB. This loans are the supplementary policy loan to construct the Government Jade Villa with the special interest rate from Myanma Economics Bank (MEB) to Naypyitaw Sibin Bank. The bank lent to ten numbers of companies with special interest rate. Overdrafts are given the advances of loan to current account holders. A certain amount is approved by Board of Director's committee meeting. Interest is charged on actual amount withdraw with interest rate 13% p.a including services charges. Overdraft is also done on a one year short term basic.

Hire Purchase (HP) is often approached by a broker to fund what is generally referred to as a hire purchase deal. In such a contract, the owner hired the article for a fixed term to the buyer, called the hirer, and agrees to pass the property to the hirer in the article upon payment of all the installments. The NSB served hire purchase service to customers. The bank served staff loan product for the government staff in the Naypyitaw region. There are three types of loans –2 times of salaries for one year, 3 times of salaries for two years, and 5 times in three years that interest rate is 12% p.a by calculating the amortization method.

(c) Other Services

As for domestic remittance, customers can transfer money with a very short time to and from among NSB, branches and can also remit between NSB and other private banks (10) banks as Ayeyarwaddy Bank, Asia Yangon Bank, Cooperative Bank, Yoma Bank, Kanbawza Bank, Shwe Bank, Yandanarbon City Bank, Myanmar Apex Bank, Global Treasure Bank and United Amera Bank.

CBM was introduced CBM Net System on December, 2015. The Central Bank of Myanmar Financial Network System (CBM-NET) is a computer network that transmits and processes transfer instructions. It links the Central Bank's computer center, its head office/branches and the system's Participants. The CBM-NET comprises two systems: a real time gross settlement (RTGS) system for funds transfers (the CBM-NET Funds Transfer Service (FTS)) and a system for the custody of Government and Central Bank securities – the CBM-NET central securities depository (CBM-NET CSD). That all banks can remit transfer to other banks through CBM Net System without fax system and joint with each other. This way is very facilitate for customers and banks because it is quickly send through internet.

Money Changer is providing 3 money changer service in Zabuthiri counter, Outarathiri counter and Thapyakone market counter. It is providing 5 foreign currency as USD, EUR, SGD, MYR and THB. The maximum amount of foreign currency that bank's money changers can exchange is 10,000 USD requiring no documents the exchange rates for those rates are referenced by the CBM.

Naypyitaw Sibin Bank is one of the member of Myanmar Payment Union which is only one and most significant payment network in Myanmar. This services provide as debit card service. This service serve 24 hours and 7 days. The ATM provided at all branches, Zabuthiri Specialist Hospital, and Thapyakone market. The bank started to offer to rural areas and unbanked people by introduced NSB mobile banking service (MMK). NSB mobile banking services are utility payment (water bill for NPTDC), mobile top up, fast transfer, own transfer, and transaction history.

CHAPTER IV
ANALYSIS ON THE FINANCIAL PERFORMANCE OF NAYPYITAW SIBIN BANK LIMITED

This chapter intends to describe on financial condition and apply the CAMEL framework to analyze the financial performance of the bank which helps identify the strengths and weaknesses of the method. To be implemented the CAMEL model in analyzing the bank's overall performance from 2014 to 2018 on capital, asset, management, earning and liquidity.

4.1 Research Design

This study employed a quantitative research approach. The study aim to analyze Naypyitaw Sibin Bank's financial performance using the CAMEL Model. So the research design of this study is based on the nature of data and tools for analysis. The study various were received and complied from the audited financial statement report to the bank for the financial period of 2014 to 2018. In addition, academic journals papers and related text books were also used to address theory, definition and empirical evidence.

Source and Type of Data

This study used the NSB's secondary collection of data for academic purposes. The primary data is usually generated for the first time by the researcher himself. Many researchers establish secondary data before, but this is then taken by the new researcher. In this regard, the data may be defined as secondary data, although the data are obtained directly from the bank.

4.2 Analysis of Financial Performance of Naypyitaw Sibin Bank by CAMEL

In accessing Naypyitaw Sibin Bank's CAMEL ranting, ratio analysis is presented first, and rating results from ratio analysis are presented in the second. Financial statement of NSB and financial ratios shown in Appendix (A) and Appendix (B).

4.2.1 Capital Adequacy of NSB

Capital adequacy focuses on the overall capital position of banks and protects the depositors from the potential loss shock that a bank could experience. Banks will meet to maintain not less than 8 percent of capital adequacy ratio. The Central Bank of Myanmar defines the capital adequacy ratio for all commercial banks as follows:

(1) Regulatory capital adequacy ratio is 8%.

(2) The minimum Tier 1 Capital Adequacy Ratio is 4%.

(3) In meeting the CAR, elements of Tier 2 or supplementary capital, may be included subject to approval of the CBM up to a maximum of 100% of Tier 1 or core capital.

It measures the ability of a bank in absorbing losses arising from risk assets. It is the ratio of Tier 1 and Tier 2 Capital to the aggregate of risk weighted assets (RWA). Tier 1 or Core Capital refers to permanent shareholders "equity in the form of issued and fully paid ordinary shares and perpetual non-cumulative preference shares, capital grants and disclosed reserves less year to date losses, goodwill organization, pre-operating expenses, prepaid expenses, deferred charged, leasehold rights and any other intangible assets; and Tier 2 or Supplementary Capital means general provisions which are held against future, presently unidentified losses and re freely available to meet losses which subsequently materialize, subordinated debts, cumulative and redeemable preferred stocks, and any other form of capital as may be determined and specified from time to time by the CBM (Central Bank of Myanmar).

That is risk weighted assets (RWA) are the weighted sum of the assets of the financial institution in which each type of assets is weighted by a factor. The first category is zero weight and include item that have little default risk, such as reserves and government securities issued by the Central bank of Myanmar. The second category has a weight of 20 percent and includes claims on private bank and state bank. The third category has 50 percent weight and includes municipals bonds and residential mortgages. The forth category has the minimum weight of 100 percent and includes loans to consumers and corporations and other assets (Central Bank of Myanmar).

For capital evaluation, Naypyitaw Sibin Bank applied and calculated capital to risk weighted asset ratio, equity to total deposit ratio and equity to total asset ratio. The results of three financial ratios analysis for capital adequacy during the period 2014 to 2018 shown in Table (4.1) calculated data are described on appendix (B), table (1, 2, 3).

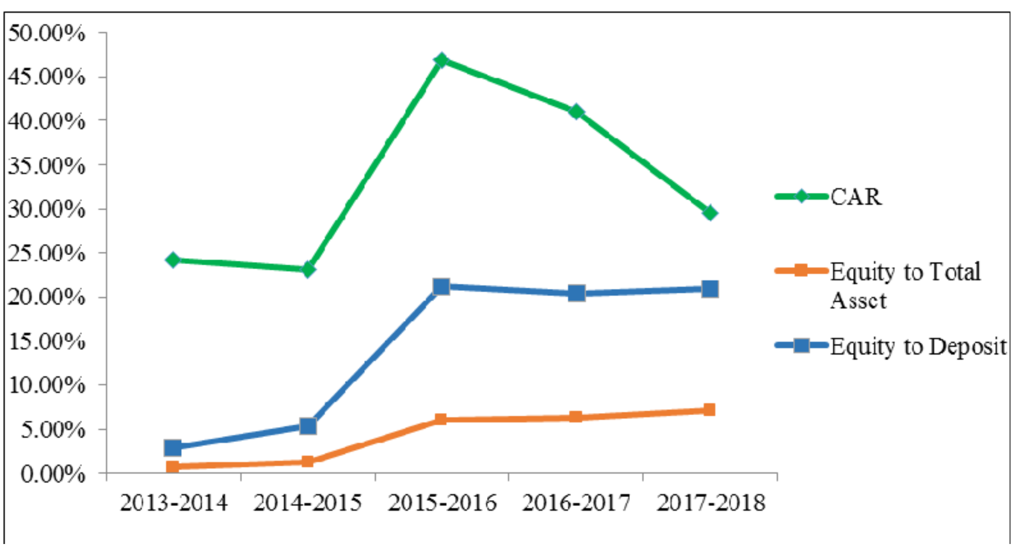
Table (4.1) Capital Adequacy of NSB

Financial Year	Capital to RWA (%)	Equity to Total Deposit (%)	Equity to Total Asset (%)
2013-2014	24.26	0.74	2.89
2014-2015	23.09	1.28	5.30
2015-2016	46.97	6.04	21.24
2016-2017	41.06	6.30	20.41
2017-2018	29.61	7.13	20.98
Average	35.35	4.48	15.52

Source: Naypyitaw Sibin Bank (2014 to 2018)

As shown in Table (4.1), NSB's average capital to RWA ratio is 35.35%, equity to total asset ratio is 4.48% and equity to deposit ratio is 15.52% by calculating using financial data of NSB for past 5 years. Core capital for financial year 2013-2014 was MMK (2,796.03) million and MMK (32,463.96) million for the financial year 2017-2018, it meant MMK (29,667.93) million in volume, or increased (11.61%) growth rate. As for total asset increased MMK (11,524.36) million to (109,644.95) million in 2017-2018 financial year (see appendix B, table 1). Total deposit of NSB raised up to MMK (57,893.02) million in volume during 5 years (see appendix B, table 3).

Figure (4.1) Capital Adequacy of NSB



Source: Naypyitaw Sibin Bank (2014 to 2018)

As shown in Figure (4.1), Capital to RWA ratio is 23.09% for 2014-2015 financial year and increased to 46.97% in 2015-2016 that meant NSB raised paid up capital to MMK (20,000) million. But 2017-2018 financial year, CAR ratio decrease to 29.61% because total asset are constantly increased. Equity to total deposit ratio of NSB increased 0.74% to 7.13% in 2017-2018 financial year. It found that equity to total asset ratio raised up to 20.98%.

As the result, Financial Institution of Myanmar Law (2016) allows the capital adequacy ratio to meet a minimum of 8% set by the Central Bank. The average ratio of capital adequacy is 35.35%, so that the ratio of capital adequacy is met and beyond. Same as each year its ratio exceed minimum 8%. The other two ratios (equity to deposit and equity to total asset) are high year by year. The capital adequacy (C) score for NSB is to be graded as 1.

4.2.2 Asset Quality of NSB

The bank is regulated by providing adequate provisions to the loan loss reserve account that is the money put away to pay off loan defaults and acts as an insurance to cover potential losses from risky assets. The allowance for loan loss to total loans and the provision for loan loss to total loans should also be taken into account to estimate thoroughly the quality of loan portfolio. Banks are required to maintain general loan loss reserve by making general provision up to 2% of total outstanding loans and advances (FIM law, 2016).

A bank shall make adequate provisions for impairment of loans, advances and other assets on and off-balance sheet whenever the impairment occurs. The specific provisions for the impairment is to be made against all outstanding balance (principle and interest) of the loans and advances, not just the past due portion.

The key indicator to define asset quality problems in the loan portfolio is the ratio of non-performing loans (NPLs) to total loans. Advances are classified into performing and non-performing loans (NPLs) as per CBM guidelines. NPLs are further classified into standard, watch, sub-standard, doubtful and loss assets based on the criteria stipulated by CBM shown in Table (4.2).

Table (4.2) Classification of Loans and Advances and Specific Provision

Sr. No	Classification of loans & advances	Days past due	Provisions on shortfall in security value (%)
(a)	Standard	30 days past due	0
(b)	Watch	31 to 60 days past due	5
(c)	Substandard	61 to 90 days past due	25
(d)	Doubtful	91 to 180 days past due	50
(e)	Loss	Over 180 days past due	100

Source: CBM (notification no-17/2017 on 7.7.2017)

For asset quality evaluation, Naypyitaw Sibin Bank applied and calculated NPL to total loan ratio, provision to NPL ratio and fixed asset to asset ratio. The results of three financial ratios analysis for asset quality during the period 2014 to 2018 shown in Table (4.3) calculated data are described on appendix (B), table (4, 5, 6).

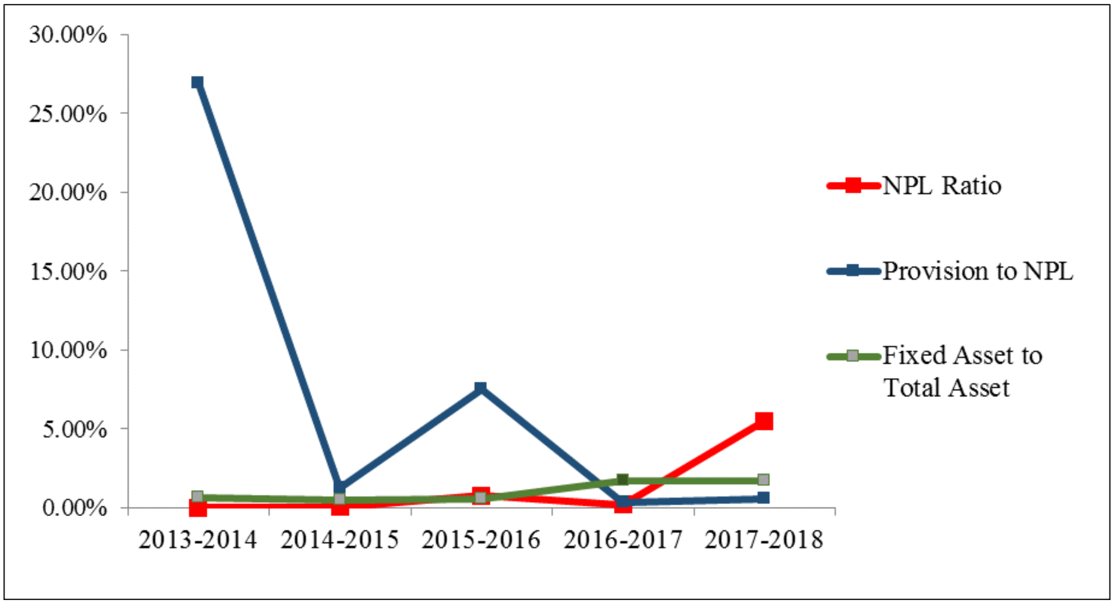
Table (4.3) Assets Quality of NSB

Financial Year	NPL to Total Loan (%)	Provision to NPLs (%)	Fixed Asset to Total Asset (%)
2013-2014	0.00	0.00	0.65
2014-2015	0.02	26.92	0.50
2015-2016	0.74	1.26	0.55
2016-2017	0.17	7.50	1.69
2017-2018	5.50	0.34	1.69
Average	1.79	0.55	1.05

Source: Naypyitaw Sibin Bank (2014 to 2018)

As shown in Table (4.3), the three average asset quality ratio of the NSB are 1.79% for NPL, 0.55% for provision ratio and 1.05% for fixed asset ratio by calculating using the financial data of NSB for past 5 years. There was no NPL volume for 2013-2014 financial year and there was MMK (260) million estimated as provision and therefore, it found enough. But 2017-2018 financial year, NPL volume raised to MMK (19,911.85) million and MMK (6,784.90) million estimated as provision that it found not enough for bad debt (see appendix B, table 5).

Figure (4.2) Asset Quality of NSB



Source: Naypyitaw Sibin Bank (2014 to 2018)

As shown in Figure (4.2), there were no NPL for 2013-2014 but constantly increased to 5.5% for 2017-2018 financial year. This is not good condition. Provision for problem loan was 26.92% for 2014-2015 but decreased to 0.34% for 2017-2018. This condition is NPL volume increased. Fixed asset are slightly increased from 0.65% to 1.69%.

Therefore, NPL ratio is not more than 5%, adequate specific and low levels of exposure to related parties. The NPL ratio given by the CBM issued notification no (5/2017) on dated:7.3.2017 is more than 5% not to be split dividend for shareholders. As the result, average ratio of NPL is less than 5% and but NPL ratio for 2017-2018 financial year is 5.5% that is raised 30 times than previous year. This indicated asset quality and credit administration practices are less than satisfactory . Therefore, the asset quality (A) score for NSB should be ranked as 3.

4.2.3 Management Efficiency of NSB

For management efficiency evaluation, Naypyitaw Sibin Bank applied and calculated Profit before Interest and Tax (PBIT) to no of branch, total loans to no of branch and total assets to total liabilities. Table (4.4) shows the results of three financial ratios analysis for management efficiency during the period 2014 to 2018 calculated data are described on appendix (B) table (7, 8, 9).

Table (4.4) Management Efficiency of NSB

Financial Year	PBIT to No of Branch Ratio	Total Loans to No of Branch Ratio	Total Assets to Total Liabilities (%)
2013-2014	620.46	96,823.22	100.74
2014-2015	783.75	60,997.31	101.36
2015-2016	1,040.78	52,679.01	106.43
2016-2017	947.27	54,622.38	106.73
2017-2018	1,224.41	51,719.09	107.67
Average	973.31	59,265.49	104.69

Source: Naypyitaw Sibin Bank (2014 to 2018)

As shown in Table (4.4), PBIT of No of Branch ratio was MMK (620.46) million for 2013-2014 and MMK (1,224.41) million for 2017-2018. The NSB was opened 7 branches within the past five years. NSB's profit increased MMK (1,861.37) million for 2013-2014 to MMK (8,570.87) million for 2017-2018 financial year (see appendix B, table 7). It found that financial department bought government bond and fixed deposit from other bank for investment (see appendix A). The NSB's profit not only receive operation activities but also investing activities.

NSB earnings per branch before after tax are constantly increasing but not increasing overall loans per branch. Total assets are very good for the whole year. It found that management and board of directors required risk management practices, it suggested that it was less than sufficient given the nature of the activities of the company. So, some weakness in management, it found able to solve without any affect to safety and soundness of organization. Based on the facts mentioned, Management (M) is to be rate as rating 3.

4.2.4 Earning Ability of NSB

For earning ability evaluation, Naypyitaw Sibin Bank applied and calculated return on asset (ROA), return on equity (ROE) and deposit cost to deposit ratio. The results of three financial ratios analysis for earning ability during the period 2014 to 2018 shown in table (4.5) calculated data are described on appendix (B), table (10, 11, 12).

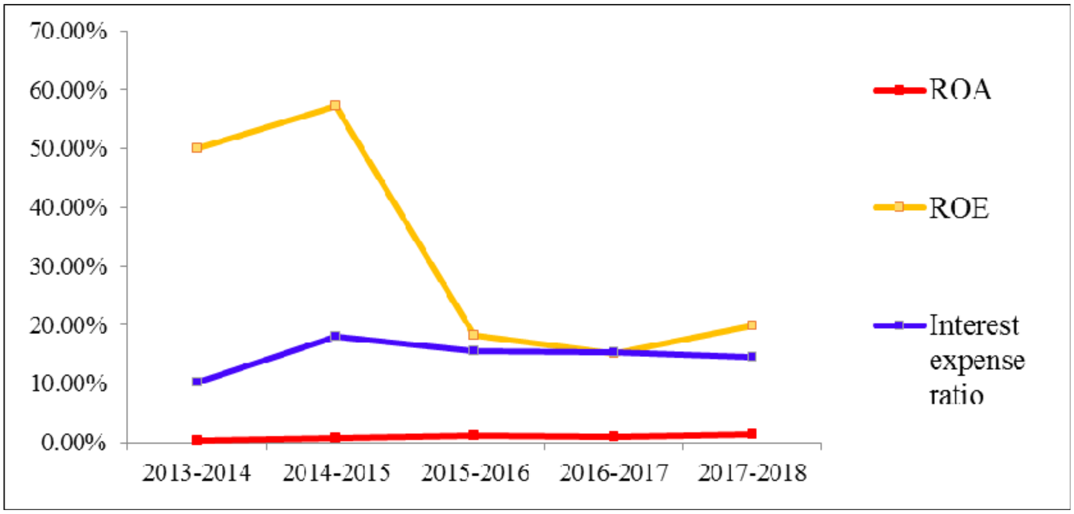
Table (4.5) Earning Ability of NSB

Financial Year	Return on Asset (%)	Return on Equity (%)	Interest Expenses to Deposit Ratio (%)
2013-2014	0.37	49.93	10.16
2014-2015	0.74	57.23	18.01
2015-2016	1.09	18.14	15.47
2016-2017	0.95	15.18	15.39
2017-2018	1.41	19.80	14.42
Average	0.94	20.90	14.75

Source: Naypyitaw Sibin Bank (2014 to 2018)

The Table (4.5) show as the financial year of 2013-2014 the NSB's return on asset ratio was 0.37% to 0.94% of 2017-2018 financial year. The average ratio of ROA is 0.94% that is not greater than 1%. NSB' net income was MMK (1,396) million for 2013-2014 and increased MMK (6,428.15) million for 2017-2018 financial year but total asset also increased from MMK (379,016.11) million to MMK (455,477.19) million (see appendix B, table 10). Thus, ROA ratio do not constantly increased. Return on equity ratio is decreased but NSB's equity was increased year by year. In 2013-2014 financial year, equity was MMK (2,796.03) million and MMK (32,463.76) million in 2017-2018 financial year (see appendix B, table 11). NSB's interest expenses to deposit ratio is stable condition.#

Figure (4.3) Earning Ability of NSB



Source: Naypyitaw Sibin Bank (2014 to 2018)

As shown in Figure (4.3), ROA was 0.37% for 2013-2014 financial year to 1.41% for 2017-2018 financial year. It is slightly increased. ROE was high 49.93% for 2013-2014 financial year but 2017-2018 financial year was low 19.80%. Interest expenses ratio was 10.16% for 2013-2014 financial year and 18.01% for 2014-2015 financial year that is paying interest rate deposit raised.

As a result, there is no steady increase in NSB's Return on Asset (ROA). Return on Equity (ROE) is an improvement for the first two years, but a cumulative decrease for the next three years. Also strong deposit cost ratio. The ROA threshold is higher than 1% and the ROE is higher than 15%. Therefore, in all three ratios there are no optimistic patterns, so Earning Ability (E) should be ranked 2.

4.2.5 Liquidity Quality of NSB

For liquidity quality evaluation, Naypyitaw Sibin Bank applied and calculated liquidity ratio, loan to deposit ratio and liquid asset to total asset ratio. Table (4.6) shows the results of three financial ratios analysis for liquidity quality during the period 2014 to 2018 calculated data are described on appendix (B), table (13, 14,15).

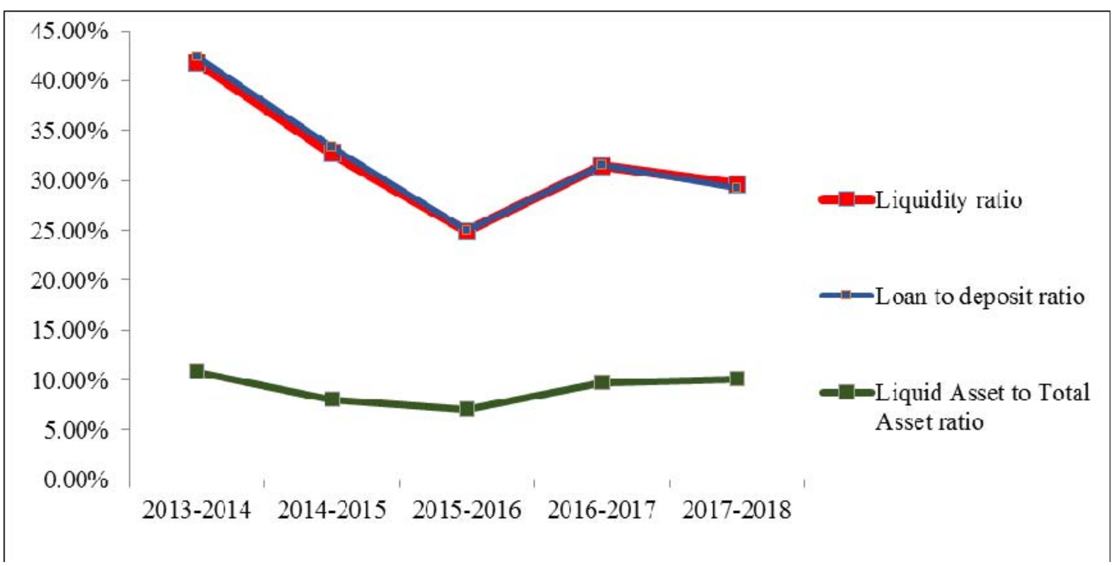
Table (4.6) Liquidity Quality of NSB

Financial Year	Liquidity ratio (%)	Loan to Deposit Ratio (%)	Liquid Asset to Total Asset Ratio (%)
2013-2014	41.83	42.38	10.83
2014-2015	32.72	33.33	8.07
2015-2016	24.89	24.95	7.10
2016-2017	31.46	31.53	9.74
2017-2018	29.65	29.79	10.12
Average	31.56	31.79	9.17

Source: Naypyitaw Sibin Bank (2014 to 2018)

As the result shown in table (4.6), NSB's liquid asset to deposit average ratio is 31.56%, liquid asset to total deposit still 31.79% and liquid asset to total asset is 9.17% by calculating using the financial data of NSB. NSB's liquid asset was MMK (41,044.71) million for 2013-2014 financial year and increased to MMK (46,090.49) million for 2017-2018 (see appendix B, table 13). NSB' loan to deposit ratio was decreased from 42.38% to 29.79% that accepting deposit do not borrow loan to customer.

Figure (4.4) Liquidity Quality of NSB



Source: Naypyitaw Sibin Bank (2014 to 2018)

The bank shall maintain a minimum liquidity ratio of 20% at all time (CBM's notification no (19/2017) on 7.7.2017). Liquidity ratio is over 35%, it high quality liquid. The liquidity parameter is used to evaluate level of cash and liquid asset of the bank to meet its obligations or demand deposit. Two ratios are not more than 35% so Liquidity (L) is to be rate as rating 2.

4.4 Aggregate CAMEL Composite Rating of NSB

The table (4.7) shows NSB's aggregate CAMEL composite rating of 2014 to 2018. The composite rating computed on average of the five elements of the CAMEL rating.

Table (4.7) Composite Rating of NSB

Measure	Rating	Condition	Criteria
Capital Adequacy	1	Strong	Capital Adequacy ratio ≥ 8%
Asset Quality	3	Fair	NPL ratio ≤ 3%
Management Efficiency	3	Fair	Need for increased cooperation and practice risk management
Earning Ability	2	Satisfactory	ROA ≥ 1% ROE ≥ 15 %
Liquidity Quality	2	Satisfactory	Liquidity ratio ≥ 20% Loan to deposit ratio 70% - 80%
Composite Rating	**2.2**	**Satisfactory**	

Source: Survey Data, 2019

Source: Naypyitaw Sibin Bank Financial Data and Calculation Details in Appendices (B)

Source: Central Bank of Myanmar

Rating 1 is a good condition between 1.0 and 1.49. Rating 2, varying from 1.5 to 2.49, is a good condition. Average / fair condition is rating 3, between 2.5 and 3.49. Rating 4, between 3.5 and 4.49 is a condition that is under-performing. Rating 5 is a strong condition between.4.5 and 5.0.

Hence, the aggregate composite rating of the NSB is 2.2 which has been awarded rating 2, which means that it is a satisfactory standard. All components need to increase the demand of capital from the above table. The capital is a good position, the amount of assets and resources is a reasonable situation, and the state of earnings and liquidity is adequate.

Consequently, the NSB's aggregate composite rating is 2.2 which was given rating 2, which means it is a satisfactory level. All components must increase capital demand from the table above. The capital is a good position, the quantity of assets and services is a fair condition and the earnings and liquidity status is stable

CHAPTER V
CONCLUSION

This chapter includes three main sections: findings, suggestions and need for further research.

5.1 Findings

This study has been conducted with the objectives of identify the financial services provided by Naypyitaw Sibin Bank and analysis the financial performance of Naypyitaw Sibin Bank.

The study found that customers are served by Naypyitaw Sibin Bank financial service. But there are not many forms of banking products, it has products for domestic banking. However, customers do not receive domestic banking services as credit cards or other visas, master card, ATM is not in Naypyitaw everywhere. The capital adequacy of Naypyitaw Sibin Bank indicates a satisfactory level of capital related to the risk profile of the institution. The capital adequacy ratio meet the requirement minimum rate of Central Bank of Myanmar. Equity to deposit ratio performed increases year by year and also increases by equity to total asset ratio.

The result of the study the condition of fairs was granted by the asset quality of Naypyitaw Sibin Bank. In the first four years, the bank has lowered the NPL ratio to less than 1 percent, but the last year has increased to 30 times. It's not a good state. Many loans were in growth, but they were doubting and bad loans low in loan repayment. On the other hand, Naypyitaw Sibin Bank was found to provide enough provision for full cover of non-performing loan. Naypyitaw Sibin Bank's management efficiency was fair as quantitative but found weak point under qualitative. Naypyitaw Sibin Bank, on the other hand, was found to have ample provision for maximum coverage of non-performing loans. The management performance of Naypyitaw Sibin Bank was good as quantitative, but found weakness in qualitative terms.

As the result, Naypyitaw Sibin Bank's earning refers as needed to raise income level. Earning are insufficient to support operations maintain appropriate capital allowance levels and in relation to the institution's overall condition, growth and other factors affecting the quality, quantity and trend of earning. In this situation, it needs to review and scrutinize again cost of circulation, sources of income, assets quality and risk management.

In making assessment of Naypyitaw Sibin Bank's liquidity was assessed using financial indicators, it referred as satisfactory liquidity levels and fund as the institution has assess to sufficient sources of funds to meet present and anticipated liquidity need. Therefore it found satisfy in financial management in bank. It is able to maintain a level of liquidity sufficient to meet its financial obligations in a timely manner and capable of quickly liquidating assets with minimal loss.

5.2 Suggestions

The facts reviewed above depend on the component rating of each financial indicator as it found as rating 2 in CAMEL composite rating in bank, it means as satisfactory level.

It mean that Naypyitaw Sibin Bank in the financial institutions is fundamentally sound which is stable and capable of withstanding business fluctuations. But asset and management are meet to be supervised by bank. Non-performing loan should to be reduced at lowest level. The bank has to check over the creditworthiness of the borrower before providing loans to them. Credit committee should be set specific guidelines in making loan decisions and need to be improved and to enhance risk management to be more effective.

The Board of Directors should be directed by developing the culture, values and standards for the bank's long-term success, setting the strategic plan and managing, ensuring successful risk management, preserving financial performance and reporting, and improving growth technology framework. The BOD should be an internal control system that is well established.

Naypyitaw Sibin Bank should be expend more branches so as to grow current deposit level. Bank is lending business which need deposit mobilization from new branches which cheapest prize. If the bank start to implement above suggestion through time frames, one can assure that the status of the institution will certainly improve to rating 2 and then further step to the rating 1, strong level.

5.3 Need for Further Research

In assessing the performance of the bank in Myanmar, the purpose of this paper was to address and provide the CAMEL rating system. The further research, however, could increase the measured data duration and also adjust the frequency of the used data, and this could result in a different outcome. The further studies could focus not only on Naypyitaw Sibin Bank, but on various banking industries in Myanmar. Therefore, one might want to consider this paper as a reference in the further studies to expand the scope and enhance the research results.

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APPENDIX (A)

Comprehensive Balance Sheet of Naypyitaw Sibin Bank (2014 to 2018)

Statement of Financial Position As at 31 March of Each Year (MMK in million)

	2014	2015	2016	2017	2018
Assets					
Current Assets					
Cash and Cash Equivalents	4,032.22	5,510.86	3,356.18	2,734.59	4,183.19
Statutory Deposit with CBM	12,012.48	1,755.73	4,464.31	7,654.19	10,057.31
Loan and Advances	12,969.66	27,486.54	38,574.08	51,459.33	97,108.62
Prepayment and Other advances	34.66	74.97	2,932.49	104.79	1,021.25
Accrued Income Receivables	-	-	-	2,723.70	2,306.71
	29,049.02	34,828.10	49,327.06	64,676.60	114,677.08
Investment	70,000.00	85,500.00	98,000.00	97,000.00	68,200.00
Non-Current Assets					
Property, Plant and Equipment	2,467.09	2,018.86	2,333.19	7,535.72	7,675.11
Loan and Advances	277,500.00	277,500.00	277,500.00	276,275.00	264,925.00
	349,967.09	365,018.86	377,833.19	380,810.72	340,800.11
Total Assets	**379,016.11**	**399,846.96**	**427,160.25**	**445,487.32**	**455,477.19**
Liabilities and Equity					
Current Liabilities					
Deposit Accounts	96,840.89	96,799.68	121,543.82	137,614.56	154,741.91
Bill Payable	1,268.66	1,795.25	57.59	15.00	434.29
Other payable and accrued liabilities	610.53	18,616.95	2,240.23	2,276.44	3,212.23
Borrowing (Short-term)	37,500.00	37,500.00	37,500.00	37,500.00	24,625.00
Total Current Liabilities	136,220.08	154,711.88	161,341.64	177,406.00	183,013.43
Non-Current Liabilities					
Long-term Borrowing	240,000.00	240,000.00	240,000.00	240,000.00	240,000.00
Total Non-Current Liabilities	240,000.00	240,000.00	240,000.00	240,000.00	240,000.00
Total Liabilities	376,220.08	394,711.88	401,341.64	417,406.00	423,013.43
Equity					
Issued and Paid up Capital	2,000.00	2,000.00	20,000.00	20,000.00	20,000.00
Reserve	689.01	2,888.21	5,574.09	7,962.96	12,224.48
Retained Earnings	107.02	246.87	244.52	118.36	239.28
Total Equity	2,796.03	5,135.08	25,818.61	28,081.32	32,463.76
Total liabilities and equity	**379,016.11**	**399,846.96**	**427,160.25**	**445,487.32**	**455,477.19**

Source: Naypyitaw Sibin Bank Annual Report (2014 to 2018)

APPENDIX (B)

Detail Financial Ratios of Naypyitaw Sibin Bank

- **Capital Adequacy Ratios**

Table-1 Capital to Total Asset Ratio (MMK in Million)

Financial Year	Capital	Total Asset	Capital/Total Asset
2013-2014	2,796.03	11,524.36	24.26%
2014-2015	5,135.09	22,239.27	23.09%
2015-2016	25,818.61	54,962.42	46.97%
2016-2017	28,081.31	68,391.65	41.06%
2017-2018	32,463.76	109,644.95	29.61%
Average	18,858.96	53,352.53	35.35%

Table-2 Equity to Total Asset Ratio (MMK in Million)

Financial Year	Equity	Total Asset	Equity/Total Asset
2013-2014	2,796.03	379,016.11	0.74%
2014-2015	5,135.09	399,846.96	1.28%
2015-2016	25,818.61	427,160.25	6.04%
2016-2017	28,081.31	445,487.32	6.30%
2017-2018	32,463.76	455,477.19	7.13%
Average	18,858.96	421,397.57	4.48%

Table-3 Equity to Deposit Ratio (MMK in Million)

Financial Year	Equity	Total Deposit	Equity to Deposit
2013-2014	2,796.03	96,848.89	2.89%
2014-2015	5,135.09	96,799.68	5.30%
2015-2016	25,818.61	121,543.82	21.24%
2016-2017	28,081.31	137,614.56	20.41%
2017-2018	32,463.76	154,741.91	20.98%
Average	18,858.96	121,509.77	15.52%

APPENDIX (B)

➢ **Asset Quality Ratios**

Table-4 NPL to Total Loan Ratio (MMK in Million)

Financial Year	NPL	Total Loan	NPL/ Total Loan
2013-2014	-	290,469.66	0.00%
2014-2015	61.00	304,986.54	0.02%
2015-2016	2,338.95	316,074.07	0.74%
2016-2017	557.15	327,734.33	0.17%
2017-2018	19,911.85	362,033.62	5.50%
Average	5,717.24	320,033.64	1.79%

Table-5 Provision to NPL Ratio (MMK in Million)

Financial Year	Provision	NPL	Provision/NPL
2013-2014	260.00	-	0.00%
2014-2015	1,642.33	61.00	26.92%
2015-2016	2,957.23	2,338.95	1.26%
2016-2017	4,180.42	557.15	7.50%
2017-2018	6,784.90	19,911.85	0.34%
Average	3,164.96	5,717.24	0.55%

Table-6 Fixed Asset to Total Asset Ratio (MMK in Million)

Financial Year	Fixed Asset	Total Asset	Fixed Asset/ Total Asset
2013-2014	2,467.09	379,016.11	0.65%
2014-2015	2,018.86	399,846.96	0.50%
2015-2016	2,333.19	427,160.25	0.55%
2016-2017	7,535.73	445,487.32	1.69%
2017-2018	7,675.11	455,477.19	1.69%
Average	4,405.99	421,397.57	1.05%

APPENDIX (B)

- **Management Efficiency Ratios**

Table-7 PBIT to No of Branches Ratio (MMK in Million)

Financial Year	Profit Before Tax	No of Branches	PBIT/ No of Br
2013-2014	1,861.37	3	620.46
2014-2015	3,918.74	5	783.75
2015-2016	6,244.70	6	1,040.78
2016-2017	5,683.60	6	947.27
2017-2018	8,570.87	7	1,224.41
Average	5,255.86	5.4	973.31

Table-8 Total Loans to No of Branches Ratio (MMK in Million)

Financial Year	Total Loan	No of Branches	Total Loan/ No of Br
2013-2014	290,469.66	3	96,823.22
2014-2015	304,986.54	5	60,997.31
2015-2016	316,074.07	6	52,679.01
2016-2017	327,734.33	6	54,622.38
2017-2018	362,033.62	7	51,719.09
Average	320,033.64	5.4	59,265.49

Table-9 Total Asset to Total Liability Ratio (MMK in Million)

Financial Year	Total Asset	Total Liabilities	Total Asset/ Total Liabilities
2013-2014	379,016.11	376,220.08	100.74%
2014-2015	399,846.96	394,711.88	101.30%
2015-2016	427,160.25	401,341.64	106.43%
2016-2017	445,487.32	417,406.01	106.73%
2017-2018	455,477.19	423,013.43	107.67%
Average	421,397.57	402,538.61	104.69%

APPENDIX (B)

➢ **Earning Ability Ratios**

Table-10 Return on Asset (ROA) (MMK in Million)

Financial Year	Net Income	Total Asset	ROA
2013-2014	1,396.00	379,016.11	0.37%
2014-2015	2,939.06	399,846.96	0.74%
2015-2016	4,683.52	427,160.25	1.09%
2016-2017	4,262.70	445,487.32	0.95%
2017-2018	6,428.15	455,477.19	1.41%
Average	3,941.89	421,397.57	0.94%

Table-11 Return on Equity (ROE) (MMK in Million)

Financial Year	Net Income	Total Equity	ROE
2013-2014	1,396.00	2,796.03	49.93%
2014-2015	2,939.06	5,135.09	57.23%
2015-2016	4,683.52	25,818.61	18.14%
2016-2017	4,262.70	28,081.31	15.18%
2017-2018	6,428.15	32,463.76	19.80%
Average	3,941.89	18,858.96	20.90%

Table-12 Interest Expenditure to Deposit Ratio (MMK in Million)

Financial Year	Interest Expenditure	Deposit	Deposit Cost/Deposit
2013-2014	9,841.14	96,848.89	10.16%
2014-2015	17,433.05	96,799.68	18.01%
2015-2016	18,823.18	121,543.82	15.47%
2016-2017	21,184.35	137,614.56	15.39%
2017-2018	22,309.46	154,741.91	14.42%
Average	17,918.24	121,509.77	14.75%

APPENDIX (B)

➢ **Liquidity Quality Ratios**

Table-13 Liquidity Ratio (MMK in Million)

Financial Year	Liquid Asset	Liquid Liabilities	Liquidity Ratio
2013-2014	41,044.71	98,120.01	41.83%
2014-2015	32,266.58	98,611.87	32.72%
2015-2016	30,320.48	121,835.44	24.89%
2016-2017	43,388.77	137,902.58	31.46%
2017-2018	46,090.49	155,449.67	29.65%
Average	38,622.21	122,383.93	31.56%

Table-14 Liquid Asset to Total Deposit Ratio (MMK in Million)

Financial Year	Liquid Asset	Total Deposit	Liquid Asset/Deposit
2013-2014	41,044.71	96,848.89	42.38%
2014-2015	32,266.58	96,799.68	33.33%
2015-2016	30,320.48	121,543.82	24.95%
2016-2017	43,388.77	137,614.56	31.53%
2017-2018	46,090.49	154,741.91	29.29%
Average	38,622.21	121,509.77	31.79%

Table-15 Liquid Asset to Total Asset Ratio (MMK in Million)

Financial Year	Liquid Asset	Total Asset	Liquid Asset/Total Asset
2013-2014	41,044.71	379,016.11	10.83%
2014-2015	32,266.58	399,846.96	8.07%
2015-2016	30,320.48	427,160.25	7.10%
2016-2017	43,388.77	445,487.32	9.74%
2017-2018	46,090.49	455,477.19	10.12%
Average	38,622.21	421,397.57	9.17%