

Dharmapath, Kathmandu

Unaudited Financial Results (Quarterly)

As at Aswin End 2075 of the Fiscal year 2075/76 (Mid October 2018)

Rs in '000

Statement of Financial Position	This Quarter Ending (2075-06-31)	Previous Quarter Ending (2075-03-32)	Corresponding Previous Year Quarter Ending
Assets			
Cash and cash equivalent	7,152,662	4,639,908	15,500,339
Due from NRB and placements with BFIs	18,857,860	10,349,148	-
Loan & advances	79,049,145	78,004,405	73,695,712
Investment securities	16,266,380	21,511,119	17,979,491
Investment in subsidiaries and associates	-	-	-
Goodwill and intangibles	35,633	37,508	-
Other assets	16,885,318	24,062,263	13,907,278
Total Assets	138,246,998	138,604,351	121,082,821
Capital and Liabilities			
Paid Up Capital	9,808,192	8,042,662	8,042,662
Reserve & Surplus	19,606,058	24,072,518	4,759,372
Deposits	93,431,456	99,831,378	92,720,739
Borrowings	43,163	109,500	16,162
Bond and Debentures	-	-	-
Other Liabilities and Provision	15,358,129	6,548,293	15,543,886
Total Capital and Liabilities	138,246,998	138,604,351	121,082,821
Statement of Profit or Loss	Up to this Quarter	Up to Previous Quarter	Up to Corresponding Previous Year Quarter
Interest Income	2,277,807	9,260,586	2,036,715
Interest expense	(907,808)	(2,841,665)	(642,689)
Net interest income	1,369,999	6,418,921	1,394,025
Fee and commission income	520,724	763,905	206,163
Fee and commission expense	(19,023)	(76,759)	(171,906)
Net fee and commission income	501,701	687,146	34,256
Other operating income	133,886	679,378	94,168
Total operating income	2,005,587	7,785,445	1,522,450
Impairment charge/(reversal) for loans and other losses	(32,189)	(19,390)	62,965
Net operating income	1,973,397	7,804,835	1,585,415
Personnel expense	(517,856)	(2,775,058)	(503,377)
Other operating expense	(174,228)	(553,353)	(171,906)
Operating profit	1,281,314	4,476,423	910,131
Non operating income	24,235	40,785	477,466
Profit before tax	1,305,548	4,517,208	1,387,598
Income tax	(391,664)	(1,502,743)	(416,279)
Profit/(loss) for the period	913,884	3,014,466	971,318
Other comprehensive income	(471,976)	691,678	-
Total comprehensive income	441,908	3,706,144	971,318
Distributable Profit			
Net profit/(loss) as per profit or loss	913,884	3,014,466	971,318
Add/Less: Regulatory adjustment as per NRB Directive	65,291	(23,428)	-
Free profit/(loss) after regulatory adjustments	979,175	2,991,038	971,318
Ratios	This Quarter Ending	Previous Quarter Ending	Corresponding Previous Year Quarter Ending
Capital fund to RWA	23.92%	17.60%	16.59%
Non performing loan (NPL) to total loan (As per NRB Directive)	2.78%	2.90%	3.42%
Total loan loss provision to Total NPL (As per NRB Directive)	123.07%	105.99%	99.27%
Cost of Fund	3.84%	2.99%	2.77%
Credit to Deposit Ratio (As per NRB Directive)	71.09%	69.63%	69.84%
Base Rate	7.52%	7.03%	6.90%
Basic Earning Per Share (in Rs.)	39.92	37.48	48.31
Diluted Earning per Share (in Rs.)	39.92	37.48	48.31

Notes to financial statement prepared in accordance with Nepal Financial Reporting Standard (NFRS)

- The above figures are subject to change as per the directions of the regulators/ external auditor.
- On the implementation of NFRS, the figures of corresponding previous year quarter, which had been prepared on the previous GAAP, have been revised and regrouped, wherever necessary, in accordance with the NFRS Compliant Financial Statement format provided by NRB and the principles and policies adopted by the Bank in accordance with NFRS.
- The figures for previous quarter have been restated, regrouped wherever necessary which vary from previous quarter published figures. Figures vary due to the effect of availability of carve outs on NFRS notified by the Institute of Chartered Accountants of Nepal which were not provided in published figures.
- Paid-up share capital has been presented after deducting share issue expenses.
- Loans and advances are presented net of impairment charges. Impairment loss on loans and advances have been measured at higher of amount derived as per norms prescribed by NRB and as per Para 63 of NAS 39.
- Personnel expenses include employment bonus provision calculated at 5 percent of profit before bonus and tax for this quarter.
- Provision for gratuity, retirement expenses, pension and leave encashment have been provided for as per the actual payment made in this quarter.
- Tangible property, Plant and Equipment have been included in Other Assets.
- Interest income and expenses on staff loans have been calculated using Effective Interest Method as required by NAS 18, "Revenue" taking average yield as the discounting factor.

SEGMENT REPORTING

Rs. in '000

Name Of Segment	Banking	Treasury	Remittance	Government Transaction	Unallocatable	Total
Segment Total Assets	79,049,145	16,266,380	994,589	108,061	41,828,823	138,246,998
Segment Total Liabilities	93,431,456				15,401,293	108,832,748
Capital Employed						29,414,249
Interest Income	2,152,687	125,120				2,277,807
Interest Expenses	907,689				120	907,808
Net Interest Income	1,244,998	125,120	-	-	(120)	1,369,999
Fees And Commission Income	70,369	98,804	8,548	338,552	4,451	520,724
Fees And Commission Expenses	6,201		67		12,755	19,023
Net Fees And Commission Income	64,168	98,804	8,481	338,552	(8,304)	501,701
Net Interest Fees And Commission Income	1,309,166	223,924	8,481	338,552	(8,424)	1,871,700
Net Trading Income						
Other Operating Income	133,886					133,886
Total Operating Income	1,443,053	223,924	8,481	338,552	(8,424)	2,005,587
Impairment Charge/(Reversal) For Loans And Other Losses	32,189					32,189
Net Operating Income	1,410,863	223,924	8,481	338,552	(8,424)	1,973,397
Total Unallocated Expenses						1,059,513
Profit For The Period						913,884

Notes to Segment Reporting

- Segment Assets, Segment Liabilities include only those items that are allocated and reported in Bank's Core Banking System (CBS). Unallocatable items shown in the reporting purposes are for reconciliation.
- Banking Segment involves functions like collecting deposits and lending activities among other similar activities.
- Treasury Segment involves short term and long term investment activities like investing in T-Bills, Bonds, Shares of companies etc.
- Remittance Segment involves activities of transferring / receiving funds locally and/or globally.
- Government Segment involves activities that are supportive to Government services like pension to Government employees, and facilitating other such Government services.

Profit after Regulatory Adjustments for the 1st Quarter ended of Fiscal Year 2075/76
Rs. in ‘000

Particulars	This Quarter Ending
Net Profit/(loss) as per Statement of Profit or Loss	913,884
Regulatory Adjustments:	
a. Interest Receivable (-)/previous accrued interest received(+)	65,291
b. Short loan loss provision in accounts(-)/reversal(+)	
c. Short provision for possible losses on investment(-)/reversal(+)	
d. Short provision for possible losses on Non-Banking Assets (-)/reversal(+)	
e. Deferred Tax Assets recognized(-)/reversal(+)	
f. Goodwill recognized (-)/Impairment of Goodwill(+)	
g. Bargain purchase gain recognized (-)/reversal(+)	
h. Actuarial Loss recognized (-)/reversal(+)	
i. Fair Value recognition on Financial Assets classified as Held for Trading	
j. Other (+/-)	
Profit or (Loss) after Regulatory Adjustments	979,175

Disclosure as per Securities Registration and Issuance Regulation, 2073
Quarterly Details as of Aswin end 2075 (October 17, 2018)

1. Financial Highlights of Nepal Bank Limited (as per NFRS)

a. Earnings per Share	NPR 39.92	d. Liquidity	34.96%
b. Market Value per Share	NPR 311	e. Return on Assets	2.64%
c. Price Earnings Ratio (Times)	7.79	f. Net worth per Share	NPR 299.80

2. Management Analysis

- Despite the unfavorable economic condition in the country, there have been positive changes in the bank's income, Loan & Advances and sources of fund i.e. deposit in line with the current business environment.
- There is no any significant effect due to tight liquidity position in the banking industries in the performance of the bank.
- The bank aims to achieve its financial goals through sustainable profitability and measured growth in balance sheet size. Our business models remain robust and we continue to seek sound growth with the high degree of our customers' satisfaction.

3. Details relating to legal action

- Case filed by or against the bank during the quarter - There is no other major case except those arising in normal course of banking business related to lending and income tax.
- Case relating to disobedience of prevailing law or commission of criminal offence filed by or against the promoter or director of the bank - No such information has been received.
- Case relating to financial crime filed against any Promoter or Director - No such information has been received.

4. Analysis of share transaction and progress of the bank

- Management view on share transaction of the bank at securities market - Since price and transaction of the bank's shares are being determined at Nepal Stock Exchange through open share market operations, management view on this is neutral.
- Maximum, minimum and last share price of the bank including total number of shares traded and days of transaction during the quarter.

Maximum Price: NPR 340

Transaction volume: 2,454,637 shares

Minimum Price: NPR 280

Days of transaction: 62

Last Price: NPR 311

5. Problems and Challenges

Internal

- Loss of skilled human resources resulting from retiring employees as well as switching the job to another organization from the bank.
- Increasing operating and employee expenses.

External

- Deposit Crisis and decreasing Remittance.
- Cost of deposit/fund is increasing in the banking industry.
- Unpredictable political situation and comparatively low economic growth rate.
- Trade deficit and negative Balance of Payment.

Strategy

- Revision of retention policy to hold skilled human resources.
- Introduction of new sources of fund/deposit scheme to attract the deposit from corporate and other individuals.
- Better management of assets and liabilities.
- Capitalizing existing array of services by continuous enhancement of service quality to the customers.
- Closely monitoring internal and external environmental changes and adopting proactive approach.

6. Corporate Governance

Nepal Bank is committed to high standards of corporate governance, business integrity and professionalism in all our activities that assures all stakeholders that the bank is being managed ethically in compliance with best practices and applicable legislation and within predetermined risk parameters, and is also adding value to and protecting their investment.

7. Declaration by the Chief Executive Officer on the Truthfulness and Accuracy of information

I, as at the date, hereby individually accept responsibility for the accuracy of the information and details contained in this report. I also hereby declare that to the best of my knowledge and belief, the information contained in this report is true, accurate and complete and there are no other matters concealed, the omission of which shall adversely affect the informed investment decision by the investors.