



नेपाल बैंक लिमिटेड NEPAL BANK LIMITED

Dharmapath, Kathmandu

Condensed Statement of Financial Position (Quarterly) As on Quarter ended Ashwin, 2077 (Mid October of 2020)

Assets	Figures in NPR	
	This Quarter Ending	Immediate Previous Year Ending
Cash and cash equivalent	5,772,299,021	4,965,060,653
Due from Nepal Rastra Bank	9,406,860,090	2,472,897,959
Placement with Bank and Financial Institutions	5,682,507,188	6,117,450,000
Derivative Financial Instrument	7,524,180,038	6,526,457,551
Other Trading Assets	-	-
Loan and advances to B/FIs	5,353,619,906	3,223,295,833
Loan and Advances to Customers	107,045,614,728	104,588,242,821
Investment Securities	29,101,173,913	32,083,785,766
Current Tax Assets	1,320,732,073	1,522,344,597
Investment in Subsidiaries	-	-
Investment in Associates	-	-
Investment Property	102,379,098	103,105,851
Property and Equipment	12,044,311,988	12,007,753,799
Goodwill and Intangible assets	36,818,239	39,450,687
Deferred Tax Assets	-	-
Other Assets	11,647,287,296	16,776,710,136
Total Assets	195,037,783,579	190,426,555,654
Liabilities		
Due to Bank and Financial Institutions	1,018,891,723	874,961,738
Due to Nepal Rastra Bank	23,920,613	23,920,613
Derivative Financial Instruments	7,379,184,987	6,419,102,503
Deposits from Customers	145,469,372,750	142,114,284,983
Borrowings	93,720,000	1,000,000,000
Current Tax Liabilities	-	-
Provisions	123,706,937	123,706,937
Deferred Tax Liabilities	3,988,926,032	3,782,498,389
Other Liabilities	6,082,396,002	5,906,052,426
Debt securities issued	-	-
Subordinated Liabilities	-	-
Total Liabilities	164,180,119,044	160,244,527,588
Equity		
Share Capital	11,282,820,200	11,282,820,200
Share Premium	1,788,700,292	1,788,700,292
Retained Earnings	4,089,498,338	4,125,071,768
Reserves	13,696,645,705	12,985,435,806
Total equity attributable to equity holders	30,857,664,535	30,182,028,066
Non-controlling interest	-	-
Total Equity	30,857,664,535	30,182,028,066
Total Liabilities and Equity	195,037,783,579	190,426,555,654

Condensed Statement of Profit or Loss

For the Quarter Ended Ashwin 2077

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Interest Income	2,940,631,287	2,940,631,287	2,883,732,347	2,883,732,347
Interest expense	1,459,038,702	1,459,038,702	1,555,470,003	1,555,470,003
Net interest income	1,481,592,585	1,481,592,585	1,328,262,343	1,328,262,343
Fees and Commission Income	197,361,012	197,361,012	181,966,718	181,966,718
Fees and Commission Expense	15,453,380	15,453,380	21,732,807	21,732,807
Net fee and commission income	181,907,633	181,907,633	160,233,911	160,233,911
Net interest, fee and commission income	1,663,500,218	1,663,500,218	1,488,496,254	1,488,496,254
Net trading income	90,576,638	90,576,638	92,863,896	92,863,896
Other operating income	50,121,641	50,121,641	41,048,667	41,048,667
Total operating income	1,804,198,497	1,804,198,497	1,622,408,818	1,622,408,818
Impairment charge/(reversal) for loans and other losses	155,985,290	155,985,290	109,965,689	109,965,688.61
Net operating income	1,648,213,207	1,648,213,207	1,512,443,129	1,512,443,129
Operating Expenses				
Personnel Expense	656,259,595	656,259,595	679,980,133	679,980,133
Other Operating Expense	176,309,917	176,309,917	190,085,731	190,085,731
Depreciation and Amortization	36,719,888	36,719,888	31,915,657	31,915,657
Operating profit	778,923,807	778,923,807	610,461,609	610,461,609
Non operating Income	2,414,803	2,414,803	75,579,009	75,579,009
Non operating expense	-	-	-	-
Profit before Income tax	781,338,610	781,338,610	686,040,618	686,040,618
Income tax Expenses				
Current Tax	201,614,749	201,614,749	157,179,157	157,179,157
Deferred Tax	29,304,468	29,304,468	(52,962,190)	(52,962,190)
Profit/(loss) for the period	550,419,393	550,419,393	581,823,651	581,823,651
Condensed Statement of Comprehensive Income				
Profit/(loss) for the period	550,419,393	550,419,393	581,823,651	581,823,651
Other Comprehensive Income	413,287,408	413,287,408	(604,836,451)	(604,836,451)
Total Comprehensive Income	963,706,801	963,706,801	(23,012,800)	(23,012,800)
Basic earning per share		19.51		23.72
Diluted earning per share		19.51		23.72
Profit attributable to:				
Equity holders of the Bank	963,706,801	963,706,801	(23,012,800)	(23,012,800)
Non-controlling interests	-	-	-	-
Total	963,706,801	963,706,801	(23,012,800)	(23,012,800)
Ratios as per NRB Directives				
Capital fund to RWA		17.03%		18.01%
Non-Performing Loan (NPL) to total loan		3.02%		2.75%
Total Loan Loss provision to Total NPL		112.77%		111.73%
Cost of Funds		3.97%		5.22%
Credit to Deposit Ratio		66.54%		68.63%
Base Rate		6.81%		7.84%
Interest Rate Spread		4.38%		4.47%

Notes to Financial Statement

- Above Financial Statements are prepared in accordance with the Nepal Financial Reporting Standards (NFRS) and certain carve -outs as issued by ICAN.
- These figures may vary with the audited figures at the instance of external auditor and regulator.
- Figures have been regrouped and rearranged wherever necessary.
- Loans and advances consist of accrued interest receivable net of interest suspense and have been presented in net of any impairment charges. Impairment charge on loans and advances have been taken as calculated as per NRB directives using carve out no. 5 issued by Institute of Chartered Accountants of Nepal (ICAN) being higher of impairment charge calculated as per NAS 39.
- Loans and advances to customers include loan to customers and Loan to Employees which have been measured at amortised cost.
- The provision for Defined benefit obligations and leave has been adjusted as per the management assumption.
- Personnel expenses include employee bonus provision and amortization of the Deferred employee benefits of subsidized loans provided as per Employees byelaws of the bank.
- NFRS adjustments which are subject to regulatory adjustments as per NRB directives have been shown as regulatory adjustments.
- Other Comprehensive income includes the fair value changes of Investment and actuarial losses net of tax.
- The detailed interim report has been published in the bank's website www.nepalbank.com.np.**

Statement of Distributable Profit or Loss

For the Quarter Ended Ashwin 2077

Figures in NPR

Particulars	Amount (NPR)
Net Profit for the quarter ended Ashwin 2077	550,419,393
I. Appropriations	
<i>L.1 Profit required to be appropriated to statutory reserve</i>	(115,538,073)
a. General Reserve	(110,083,879)
b. Capital Redemption Reserve	-
c. Exchange Fluctuation Fund	-
d. Corporate Social Responsibility Fund	(5,454,194)
e. Employees Training Fund	-
f. Other	-
<i>L.2 Profit required to be transfer to Regulatory Reserve</i>	(238,417,312)
a. Transfer to Regulatory Reserve	(238,417,312)
b. Transfer from Regulatory Reserve	-
Net Profit for quarter end Ashwin 2077 available for distribution	196,464,008

Disclosure as per Securities Registration and Issuance Regulation, 2073

(Related to sub Rule (1) of Rule 26)
Quarterly Detail as of Ashwin end 2077 (October 16, 2020)

- Financial Statements**
 - Statement of Financial Position and statement of profit or Loss**
Published along with this report
 - Related Party Disclosure**
Nepal Government holds 51% shares in the bank and has representation in the board of directors of the bank, is considered to be related party to the bank.
The directors, chief executive officer and other key management personnel are also considered to be related party to the bank. No transaction between bank and KMPs was observed other than as prescribed under service bye-laws of the bank and relating to remuneration.
 - Major Financial Highlights**

a. Earnings per Share (Annualized)	NPR	19.51	d. Liquidity	%	30.87
b. Market Value per Share	NPR	324.00	e. Return on Assets	%	1.13
c. Price Earnings Ratio	(Times)	16.60	f. Net worth per Share	NPR	273.49

- Management Analysis**
 - The cash recovery from the borrower is satisfactory but NPA has been slightly increased. The reserve has been increased as a result of increase in Fair value reserve and regulatory requirements.
 - The liquidity of the bank is in line with the Industry due to slower growth of loan and limited scope available for other investment opportunity amid Covid-19.
 - The bank is constantly improving its IT infrastructure to allow automated transaction through digital channel and make the bank more competitive.
 - The bank has prepared a robust risk management and AML/CFT policy as per international norms and is implementing them.
 - There is no incident happened that materially impact on reserve, profit, liquidity of the bank during the quarter under review.

- Details relating to legal action**
Except in the normal course of banking business, no law-suits of material nature have been filed by or against the bank/promoters/directors/on account of violation of prevailing laws or commission of criminal offences or financial crime.

- Analysis of share transaction and progress of the bank**
 - Management view on share transaction of the bank at securities market – The share transaction of the bank takes place in the secondary market of Nepal Stock Exchange through open share market operation. The management's 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 351.00 Minimum Price: NPR 244.00 Last Price: NPR 324.00
Transaction volume: 12,226,032 shares Days of transaction: 64

- Problems and Challenges**
 - Liquidity has been piled up in the bank as the demand for loan got slacked off due to the fear of COVID-19.
 - Reduced the efficiency in operation due to pandemic situation.
 - The pandemic situation of Covid-19 which has adversely affected the business operation triggered the loan demand to be slowed down.
 - The regulation of the central bank to fix interest rate on the retail lending during the loan tenure of the borrower and restriction on taking swap charge and other charges and commission may increase interest rate and liquidity risk of the bank.
 - The regulation of interest spread squeezes the margin, forcing the banks to scale up the business.

- Strategy**
 - Focus on controlled business growth and profit management.
 - Continue smooth business operation even in the pandemic situation.
 - Digitize the banking service to increase operating efficiency and continue to introduce the new banking product.
 - Focus on Prudent management of Assets and Liability Management of the bank.
 - Explore the avenues for non-interest income of the bank.

- Corporate Governance**
The Board of the bank is the apex body which is responsible and accountable to the shareholder for the maintenance of good governance in the bank.
The Risk Management Committee which is a sub-committee of the Board is entrusted to review the overall risks of the bank and recommend the Board and management for policy prescription when require. The Sub-committee meets regularly as and when required.
The Audit Committee which is sub-committee of the Board review the audit reports of all the branches and departments/divisions of the bank and give feedback to the Board and the Senior Management.
The Credit Committee of the bank is the CEO level committee comprising the senior executive representing various different business functions of the bank approve, review and monitor the credit portfolio of the bank. This committee also recommend the credit related proposal to the Board for approval.
The ALM Committee which is led by CEO is responsible to prudent management of the Balance sheet of the bank. It reviews interest rate risk, liquidity risk and market risk of the bank regularly.
The Governance Division which is headed by the Board Secretary is responsible to monitor the governance in the bank and report to the Board.

- 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.