नेपालको पहिलो बैंक

नेपाल बैंक लिमिटेड
NEPAL BANK LIMITED

स्थापित वि.सं. १९७३

Dharmapath, Kathmandu
Interim Financial Statement (Unaudited)

Condensed Statement of Financial Position (Quaterly)

As on Quarter ended Poush, 2081 (Mid January of 2024)

Figures in NPR

Assets	This Quarter Ending	Immediate Previous Year Ending
Cash and cash equivalent	13,222,480,735	8,294,659,041
Due from Nepal Rastra Bank	16,621,399,871	21,545,521,833
Placement with Bank and Financial Institutions	5,123,510,000	4,115,390,000
Derivative Financial Instrument	4,206,054,371	3,334,953,041
Other Trading Assets	162,103,177	98,304,465
Loan and advances to B/FIs	6,753,143,775	6,414,490,428
Loan and Advances to Customers	209,279,072,001	197,039,988,466
Investment Securities	81,494,699,077	73,809,706,168
Current Tax Assets	2,849,277,779	2,346,103,943
Investment in Subsidiaries	-	-
Investment in Associates	2,338,491,051	2,194,195,884
Investment Property	204,112,166	205,738,502
Property and Equipment	13,183,592,271	13,231,867,780
Goodwill and Intangible assets	15,719,334	22,251,984
Deferred Tax Assets	-	-
Other Assets	9,391,840,693	6,826,331,534
Total Assets	**364,845,496,302**	**339,479,503,068**
Liabilities		
Due to Bank and Financial Institutions	1,852,230,546	476,582,133
Due to Nepal Rastra Bank	-	-
Derivative Financial Instruments	4,227,230,056	3,321,660,000
Deposits from Customers	305,983,478,966	283,083,745,209
Borrowings	138,100,000	-
Current Tax Liabilities	-	-
Provisions	162,473,644	99,819,578
Deferred Tax Liabilities	4,306,954,851	4,271,120,978
Other Liabilities	6,187,939,703	6,883,706,502
Debt securities issued	3,495,258,697	3,494,939,268
Subordinated Liabilities	-	-
Total Liabilities	**326,353,666,463**	**301,631,573,668**
Equity		
Share Capital	14,694,022,928	14,694,022,928
Share Premium	-	-
Retained Earnings	607,175,738	769,308,377
Reserves	23,190,631,173	22,384,598,095
Total equity attributable to equity holders	**38,491,829,839**	**37,847,929,400**
Non-controlling interest	-	-
Total Equity	**38,491,829,839**	**37,847,929,400**
Total Liabilities and Equity	**364,845,496,302**	**339,479,503,068**

Condensed Statement of Profit or Loss

For the Quarter Ended Poush 2081

Figures in NPR

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Interest Income	5,578,114,902	11,445,110,084	6,534,151,054	13,249,579,976
Interest expense	3,159,726,067	6,818,468,882	4,117,866,709	8,615,513,692
Net interest income	**2,418,388,834**	**4,626,641,203**	**2,416,284,344**	**4,634,066,284**
Fees and Commission Income	309,171,444	673,007,259	261,522,726	597,922,561
Fees and Commission Expense	63,168,302	131,676,150	25,368,292	44,117,272
Net fee and commission income	**246,003,142**	**541,331,109**	**236,154,434**	**553,805,290**
Net interest,fee and commission income	**2,664,391,976**	**5,167,972,311**	**2,652,438,778**	**5,187,871,574**
Net trading income	25,814,960	78,254,506	32,183,884	44,817,388
Other operating income	97,854,460	189,246,143	82,914,254	184,333,541
Total operating income	**2,788,061,396**	**5,435,472,960**	**2,767,536,916**	**5,417,022,503**
Impairment charge/(reversal) for loans and other losses	1,838,949,709	**2,527,442,029**	735,474,740	**2,077,267,639**
Net operating income	**949,111,687**	**2,908,030,931**	**2,032,062,176**	**3,339,754,864**
Operating Expenses				
Personnel Expense	895,563,591	1,843,844,919	986,951,596	1,882,861,224
Other Operating Expense	237,578,223	471,652,393	294,488,187	511,842,786
Depreciation and Amortization	89,729,870	175,765,821	91,929,656	182,457,253
Operating profit	**(273,759,997)**	**416,767,798**	**658,692,736**	**762,593,600**
Non operating Income	1,687,896	1,705,383	1,036,664	1,055,070
Non operating expense	-	-	-	-
Profit before Income tax	**(272,072,102)**	**418,473,181**	**659,729,400**	**763,648,670**
Income tax Expenses				
Current Tax	(91,386,546)	-	233,483,937	233,483,937
Deferred Tax	(39,504,903)	(42,544,466)	(21,435,950)	(59,887,066)
Profit/(loss) for the period	**(141,180,653)**	**461,017,647**	**447,681,412**	**590,051,799**
Condensed Statement of Comprehensive Income				
Profit/(loss) for the period	(141,180,653)	461,017,647	447,681,412	590,051,799
Other Comprehensive Income	(263,999,868)	182,882,792	206,887,840	(4,512,824)
Total Comprehensive Income	**(405,180,521)**	**643,900,438**	**654,569,252**	**585,538,975**
Basic earning per share		6.27		8.03
Diluted earning per share		6.27		8.03
Profit attributable to:				
Equity holders of the Bank	(405,180,521)	643,900,438	654,569,252	585,538,975
Non-controlling interests	-	-	-	-
Total	**(405,180,521)**	**643,900,438**	**654,569,252**	**585,538,975**
Ratios as per NRB Directives				
Tier 1 Capital to RWA		10.08%		10.43%
CET 1 Capital to RWA		10.08%		10.43%
Capital Fund to RWA		12.95%		13.13%
Return to Equity		2.42%		0.38%
Return to Asset		0.26%		3.18%
Non-Performing Loan (NPL) to total loan		4.99%		4.50%
Total Loan Loss provision to Total NPL		96.91%		97.71%
Cost of Funds		4.20%		6.43%
Credit to Deposit Ratio		72.40%		72.62%
Base Rate		6.16%		8.55%
Interest Rate Spread		3.91%		3.85%

Notes to Financial Statement

1. Above Financial Statements are prepared in accordance with the Nepal Financial Reporting Standards (NFRS) including directive issued by Nepal Rastra Bank.
2. These figures may vary with the audited figures at the instance of external auditor and regulator.
3. Figures have been regrouped and rearranged wherever necessary.
4. Loans and advances to customers include loan to customers and Loan to Employees which have been measured at amortised cost.
5. The provision for Defined benefit obligations and leave has been adjusted as per Management Assumption.
6. Personnel expenses include employee bonus provision and amortization of the Deferred employee benefits of subsidized loans provided as per Employees bylaws of the bank.
7. NFRS adjustments which are subject to regulatory adjustments as per NRB directives have been shown as regulatory adjustments.
8. Other Comprehensive income includes the fair value changes of Investment and actuarial gain /(losses) net of tax.
9. Pursuant to adoption of ECL model, recognition of interest income has been based upon NRB NFRS 9 ECL Related Guidelines, 2024
10. Following regulatory backstop as mentioned Clause 16 of "NFRS 9- Expected Credit Loss Related Guidelines, 2024" bank has recognized impairment on credit exposures as the HIGHER of total ECL calculated as per NFRS 9 and existing regulatory provisions as mentioned in Unified NRB Directives no 02.
11. Coupon rate of loan has been used as effective interest rate (EIR) considering the transaction cost associated with extending credit facility is nominal.
12. **Annual Financial Statement for FY 2080.81 has already been signed by board and Auditor however AGM Clearance is in the process of obtaining from NRB and Notice for the same has not been published so its effect has not been reflected in this interim Financial Statement of Poush end 2081 and if we consider the audited Financial Statement figures may vary.**
13. Current tax expenses is Nil due to negative Taxable profit.
14. **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 Poush 2081

Particulars	Poush 2081	Poush 2080
Net Profit or (loss) as per statement of profit or loss	**461,017,647**	**590,051,799**
Appropriations		
a. General Reserve	(92,203,529)	(118,010,360)
b. Exchange Fluctuation Fund	-	-
c. Capital Redemption Reserve	-	-
d. Corporate Social Responsibity Fund	15,999,824	(79,783)
e. Employees Training Fund	(23,031,972)	(20,302,944)
f. Others	-	-
-Employees Welfare Fund	(4,610,176)	(5,900,518)
-Debenture Redemption Reserve	(194,444,444)	(194,444,444)
Profit or (loss) before regulatory adjustment	**162,727,348**	**(338,738,050)**
Regulatory adjustment	**(324,859,988)**	**(820,780,764)**
a. Interest receivable (-)/previous accrued interest received (+)	18,023,717	(565,536,174)
b. Short loan loss provision in accounts (-)/reversal (+)		
c. Short provision for possible losses on investment (-)/reversal (+)		
d. Short loan loss provision on Non Banking Assets (-)/resersal (+)	849,142	8,410,689
e. Deferred tax assets recognised (-)/ reversal (+)	54,777,267	
f. Goodwill recognised (-)/ impairment of Goodwill (+)		
g. Bargain purchase gain recognised (-)/resersal (+)		
h. Actuarial loss recognised (-)/reversal (+)	(368,510,114)	(263,655,280)
i. Other		
-Investment Adjustment Reserve	(30,000,000)	-
Net Profit for Quarter end Poush 2081 available for distribution	**(162,132,639)**	**(569,467,015)**
Opening Retained Earning	**769,308,377**	**389,959**
Adjustments		**-**
Distribution:		
Bonus shares issued	-	-
Cash Dividend paid	-	-
Total Distributable profit or (loss) as on Poush end 2081	**607,175,739**	**(569,077,054)**
Annualised Distributable Profit/Loss per share	**8.26**	**(7.75)**

Disclosure as per Securities Registration and Issuance Regulation, 2073

(Related to sub-Rule (1) of Rule 26)
Quarterly Detail as of Poush end 2081 (January 13, 2024)

1. Financial Statements

A. Statement of Financial Position and statement of profit or Loss
Published along with this report.

B. Related Party Disclosure
Nepal Government holds 51% shares in the bank and has representation on the board of directors of the bank and hence it is considered to be a related party to the bank.
The directors, chief executive officer and other key management personnel are also considered to be related parties to the bank. No transaction between the bank and KMPs was observed other than as prescribed under the employee's bylaws of the bank and relating to remuneration.

C. Major Financial Highlights

a.	Earnings per Share (Annualized)	NPR 6.27	d.	Liquidity	36.34 %
b.	Market Value per Share	NPR 260.50	e.	Return on Assets	0.26 %
c.	Price Earnings Ratio	(Times) 41.51	f.	Net worth per Share	NPR 261.96

2. Management Analysis

a. Net profit up to this quarter for the current FY 2081/82 has increased in comparison to the same period of the previous year because of decrease in operating expense and decrease in interest expenses.
b. Retained Earnings has increased during first quarter of FY 2081/82 in comparison to the same period of the previous year because of transfer of amount from regulatory reserve to retained earnings as per provision of directives by NRB on Deferred tax Asset, Non-Banking Asset and Accrued Interest Income.
c. Increase in NPL and impairment charges occurred/resulted due to stagnant economy has impacted the profitability and reserves of the bank during the quarter under review.
d. The liquidity of the bank is sufficient to meet the lending opportunities. However, low credit demand in the overall banking industry during the review period has been a great concern.
e. The objective of business diversification and improvement in qualitative services covering remote area branches has resulted in banking access and financial inclusiveness along with customer-friendly services nationwide as per the need of time and client.
f. The bank is constantly improving its IT infrastructure to allow automated transactions through digital channels and make the bank more competitive, along with the initiation of procurement for new competitive CBS.
g. The bank has prepared a robust risk management and AML/CFT policy as per international norms and is implementing them thoroughly.

3. Detail relating to legal action

Bank has filed 12 cases during the quarter related to Loan Recovery and Tax disputes and no case have been filed against the bank. No notice and information has been received by the bank to date regarding any cases filed for and against promoters/directors/on account of violation of prevailing laws or commission of criminal offenses or financial crime.

4. Analysis of share transactions and progress of the bank

a. Management view on share transactions of the bank in the securities market –
Share transaction of the bank takes place in the secondary market of the Nepal Stock Exchange through open share market operation. Management 's view on this is neutral. Transaction volume has increased in comparison to immediately preceding quarter.
b. 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 300 Minimum Price: NPR 260.5 Last Price: NPR 260.5
Transaction volume: 3,990,065 shares Days of transaction: 55

5. Problems and Challenges

Internal
- Non-performing loan and its management.
- Increased operational cost.
- Retention of qualified and skilled human resources.
- Risk Management of increasing digitization and digital products.

External
- Concern on world economy growth amidst Russia-Ukraine war and Middle East Unrest.
- Decline in growth of Construction and Production sector.
- High Liquidity in Banking Sector.
- Difficulty in lending due to economic stagnation and low government spending.
- Regulated interest spread squeezing the margin.
- Stiff competition from other Bank and Financial Institutions.
- Fluctuation in foreign exchange rate along with increasing inflation rate.
- Impact of natural calamities like recent massive rain & flash flood in supply chain.

Strategy
- Focus on controlled business growth and profit management.
- Digitize the banking services to increase operating efficiency and continue to introduce new banking products.
- Explore new sectors for the non-interest income of the bank.
- Focus on Prudent Assets and Liability Management of the bank.
- Maintain effectiveness in customer service and dealings with simplified processes.
- Focus on Risk Management and Internal Control along with compliance of applicable Rules and Regulations.

6. Corporate Governance

The Board of the bank is the apex body that is responsible and accountable to the shareholders 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 required. The Sub-committee meets regularly as and when required.

The Audit Committee, which is a sub-committee of the Board, reviews the audit reports of all the branches and departments/ divisions of the bank and gives feedback to the Board and the Senior Management.

The Staff Service Facility Committee, which is a sub-committee of the Board, reviews the facilities and services of the staffs of bank and gives 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 business functions of the bank to approve, review, and monitor the credit portfolio of the bank. This committee also recommends the credit-related proposal to the Board for approval.

The ALM Committee, which is led by the CEO, is responsible for the prudent management of the Financials of the bank. It reviews interest rate risk, liquidity risk, and market risk of the bank regularly.

The AML Committee is the committee formed under the board of directors of the bank to monitor and review the AML/ CFT and CPF Activities of the Bank.

The Governance Division, which is headed by the Board Secretary, is responsible for monitoring the governance in the bank and report to the Board and concerned regulatory bodies.

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.