

Nepal SBI Bank Ltd.
Unaudited Financial Results (Quarterly)

First Quarter ended of Fiscal Year 2075/2076 as on Ashwin 31, 2075 (17.10.2018)

Rs. in '000'

Statement of Financial Position	This Quarter Ending		Previous Quarter Ending		Corresponding Previous Year Quarter Ending	
Assets	Group	Bank	Group	Bank	Group	Bank
Cash and cash equivalent	5,779,833	5,777,966	5,296,007	5,294,416	4,863,806	4,858,937
Due from NRB and placements with BFIs	9,543,801	9,531,836	10,052,640	10,040,640	20,575,876	20,575,876
Loan and advances	84,625,841	84,625,841	75,885,697	75,885,697	68,170,343	68,170,343
Investments Securities	11,675,928	11,675,928	9,651,792	9,651,792	10,585,354	10,585,354
Investment in subsidiaries and associates	-	188,889	-	188,889	-	100,000
Goodwill and intangible assets	5,163	4,530	4,534	5,211	1,561	862
Other assets	1,398,538	1,387,895	1,596,069	1,575,934	1,776,150	1,771,382
Total Assets	113,029,104	113,192,885	102,486,739	102,642,579	105,973,090	106,062,754
Capital and Liabilities						
Paid up Capital	8,046,905	8,046,905	8,046,905	8,046,905	6,971,798	6,971,798
Reserves and surplus	5,286,255	5,260,852	4,773,463	4,748,735	4,366,274	4,350,273
Deposits	94,276,139	94,467,877	84,025,321	84,216,418	86,513,072	86,620,009
Borrowings	2,510,080	2,510,080	2,709,590	2,709,590	5,668,000	5,668,000
Bond and Debenture	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Other liabilities and provisions	1,909,725	1,907,171	1,931,460	1,920,931	1,453,946	1,452,674
Total Capital and Liabilities	113,029,104	113,192,885	102,486,739	102,642,579	105,973,090	106,062,754

Statement of Profit or Loss	Up to this Quarter		Up to Previous Quarter		Up to Corresponding Previous Year Quarter	
	Group	Bank	Group	Bank	Group	Bank
Interest income	2,630,642	2,628,965	9,054,300	9,053,698	2,078,731	2,078,296
Interest expense	(1,565,155)	(1,568,799)	(4,911,242)	(4,924,811)	(1,174,544)	(1,176,244)
Net interest income	1,065,487	1,060,166	4,143,058	4,128,887	904,187	902,052
Fee and commission income	241,222	241,437	902,200	896,937	225,290	224,790
Fee and commission expense	(12,959)	(12,959)	(85,519)	(85,519)	(16,310)	(16,310)
Net fee and commission income	228,263	228,478	816,681	811,418	208,980	208,480
Other operating income	88,278	88,241	276,398	276,398	56,091	56,091
Total operating income	1,382,028	1,376,885	5,236,137	5,216,703	1,169,258	1,166,623
Impairment charge/(reversal) for loans and other losses	(78,990)	(78,990)	(191,066)	(191,066)	(62,849)	(62,849)
Net operating income	1,303,038	1,297,895	5,045,071	5,025,637	1,106,409	1,103,774
Personnel expenses	(403,299)	(402,355)	(1,293,956)	(1,293,956)	(314,362)	(314,362)
Other operating expenses	(201,450)	(199,221)	(890,669)	(883,474)	(187,589)	(185,313)
Operating profit	698,289	696,319	2,860,446	2,848,207	604,458	604,099
Non operating income/expense	3,360	3,360	38,868	38,868	36,770	36,770
Profit before tax	701,649	699,679	2,899,314	2,887,075	641,228	640,869
Income tax	(210,495)	(209,904)	(1,013,811)	(1,010,568)	(202,093)	(202,003)
Profit /(loss) for the period	491,154	489,775	1,885,503	1,876,507	439,135	438,866
Other comprehensive income	(4,412)	(4,412)	10,382	10,382	-	-
Total comprehensive income	486,742	485,363	1,895,885	1,886,889	439,135	438,866
Distributable Profit						
Net profit/(loss) as per profit or loss	486,742	485,363	1,895,885	1,886,889	439,135	438,866
Add/Less: Regulatory adjustment as per NRB Directive	(205,588)	(205,588)	(546,324)	(546,324)	(113,667)	(113,667)
Free profit/(loss) after regulatory adjustments	281,154	279,775	1,349,561	1,340,565	325,468	325,199

Ratios

Capital fund to RWA (As per NRB Directive)	14.22%	14.02%	15.48%	15.26%	15.75%	15.61%
Nonperforming loan (NPL) to total loan (As per NRB Directive)	0.20%	0.20%	0.20%	0.20%	0.13%	0.13%
Total loan loss provision to Total NPL (As per NRB Directive)	628.31%	628.31%	628.00%	628.00%	889.00%	889.00%
Cost of Funds	6.20%	6.20%	5.45%	5.45%	5.19%	5.19%
Credit to Deposit Ratio (As per NRB Directive)	75.42%	75.42%	74.38%	74.38%	76.37%	76.37%
Base Rate (As per NRB Directive)	10.43%	10.43%	10.12%	10.12%	9.32%	9.32%
Basic Earnings Per Share Rs.	24.41	24.35	23.43	23.32	25.19	25.18
Diluted Earnings Per Share Rs.	24.41	24.35	23.43	23.32	25.19	25.18

Disclosure for above financial statement prepared as per Nepal Financial Reporting Standards (NFRS)

1. The above figures may undergo change as per statutory audit and/ or as per direction of Nepal Rastra Bank.
2. Group includes Nepal SBI Bank Ltd. (NSBL, Parent Company) and Nepal SBI Merchant Banking Ltd. (NSMBL, Subsidiary Company) where intergroup transactions have been eliminated.
3. The impairment loss on loan and advances have been measured as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 to measure the impairment loss, opting carve-out on NAS 39 Para 58
4. Figures have been regrouped/ rearranged wherever necessary for previous year corresponding quarter, however the financial position has been reflected as per local GAAP, opting carve-out on NAS 34 Para 2 issued by Accounting Standard Board, Nepal.
5. Employee bonus has been calculated as per provision of bonus act 2030 and included in personnel expenses.
6. Regulatory adjustment includes appropriation of General Reserve, Debenture Redemption Reserve, reserve for accrued interest and exchange fluctuation reserve as per NRB direction, which may change as per statutory audit and/ or as per directive of NRB.
7. Estimation of current quarter provision for gratuity and leave has been provided as per the bank's policy which may vary from actual expenses based on actuarial valuation.
8. Intangibles have been disclosed separately where as Plant, property and equipment has been included in other assets.
9. Capital Adequacy Ratio has been calculated as per NRB Directive.
10. The quarterly financial results have also been published in bank's website, www.nepalsbi.com.np

Segmental Reporting

The bank has segregated its segment on geographical business unit basis, which is regularly reviewed for controlling business performance.

Rs. in '000'

Segment Name	RO-KTM	RO-EAST	RO-WEST	Special Business Unit 1	Special Business Unit 2	All Other	Total
Revenues from external customer	745,568	834,237	612,771	104,982	372,548	288,538	2,958,644
Intersegment revenues	26,369	-263,654	-44,561	833,258	-130,965	-420,447	0
Net Revenue	406,168	701,207	424,819	-682,206	293,637	233,261	1,376,886
Interest revenue	682,893	751,679	559,410	86,291	330,590	218,101	2,628,964
Interest expense	339,400	133,030	187,951	787,188	78,911	42,318	1,568,798
Net Interest revenue(b)	343,494	618,649	371,459	-700,897	251,679	175,783	1,060,167
Depreciation and amortization	7,408	5,556	6,297	1,852	170	15,757	37,040
Segment profit/(loss) Before Income tax	316,512	629,224	349,401	-697,690	284,442	-182,209	699,680
Entity's interest in the profit or loss of associates accounted for using equity method	0	0	0	0	0	0	0
Other material non-cash item	0	0	0	0	0	0	0
Impairment of assets	256,642	370,760	242,353	44,487	133,874	0	1,048,116
Segment assets	23,862,620	29,540,819	20,154,431	4,173,198	12,703,239	22,758,578	113,192,885
Segment liabilities	23,862,620	29,540,819	20,154,431	4,173,198	12,703,239	9,450,821	99,885,128

FIRST QUARTER REPORT AS AT THE END OF ASHWIN, 2075 OF FY2075/76

(Published for the Purpose of Rule 26 (1) of the Securities Registration and Issue Regulation, 2073)

1. Financial Statements

a. Statement of Financial Position and Statement of Profit and Loss as per Nepal Financial Reporting Standard:

Published along with this report.

b. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions, or one other party controls both. The definition includes subsidiaries, associates, directors, key management personnel.

Parent company

The parent company, State Bank of India holds 55% of the issued ordinary shares of the Bank, which is also the ultimate parent company.

State Bank of India (SBI) Group	31 st Ashwin 2075 (Rs. in '000')
Transaction during the quarter	
Technical Service Fees	9,114
Interest on placements	9,588
Quarter end Balance	
Placements	1,539,200
Nostro Balances	2,631,988
Card Transaction Receivables	66,797

Subsidiary

Transactions between the Bank and its subsidiary, Nepal SBI Merchant Banking Limited (NSMBL), also meet the definition of related party transactions. These transactions are eliminated on consolidation.

Subsidiary - Nepal SBI Merchant banking Company Ltd	31 st Ashwin 2075 (Rs. in '000')
Transaction during the Quarter	
Interest Paid on Deposit to NSMBL	3,644
Management fee accrued and receivable from NSMBL	300
RTS, D-Mat Service Charge accrued and payable to NSMBL	300
Quarter end Balance	
Others payable to NSMBL	0
Others receivable from NSMBL	0
Deposit maintained with NSBL	191,737

Other Principal Promoter Representing in the Board (s)

Employee Provident Fund, Nepal holds 15% shares in the Bank and has a representation to the Bank's Board, is also considered to be the related party of the Bank.

Employee Provident Fund (EPF) Nepal	31 st Ashwin 2075 (Rs. in '000')
Quarter end Balance	
Deposits	5,150,000

Directors and other Key Management Personnel (KMP)

The Bank's Directors, Key Management Personnel and persons connected with them, are also considered to be related parties for disclosure purposes. Personnel representing the Central Management Committee (CENMAC) are considered as KMP.

Transaction during the Quarter (Allowances and Expenses)	31 st Ashwin 2075 (Rs. in '000')
3 no. of Board Meetings	180
1 no. of Audit Committee Meetings	
2 no. of Risk Management Committee Meetings	
2 no. of Employee Service Facility Committee Meetings	
Food, Lodging Expenses for Board level meetings	180
Travelling & Halting Expenses for Board level meetings	Nil

Key Management Personnel

There is no observation of the transactions between the Bank and key management personnel other than as prescribed under staff service bye-laws and relating to remuneration.

Salary to the key management personnel deputed from State Bank of India (SBI), is borne by State Bank of India (SBI), the parent company under the "Technical Service Agreement (TSA)" entered with the Bank which is approved by the Nepal Rastra Bank (NRB). These key management personnel are also provided with living, medical and other related facilities as per TSA.

c. Major Financial Ratios :

Financial ratios	
Per Share Net worth	Rs. 165.38
Per Share Total Assets Value	Rs. 1406.66
Earnings Per Share	Rs. 24.35
PE Ratio	20.21 times
Liquidity Ratio	25.17 %

2. Managerial Analysis**a. Changes in stock/reserve, income and liquidity of the Institution during the quarter, details for the reasons thereof;**

i. **Stock/Reserve:** N/A

ii. **Income:** Net Profit of Rs. 48.98 Crores has been registered up to First Quarter of the Fiscal Year 2075-76 compared to Rs 43.89 Crores in the same period last Fiscal Year 2074-75, thereby registering a growth of 11.60%.

iii. **Liquidity:** Liquidity position of the bank is satisfactory.

b. Management Analysis for future business plan

i. Bank has formulated a short term, medium term and long term approach paper cum strategy for up to NFY 2022-23. Accordingly Bank's performance is being monitored and reviewed periodically.

ii. To tap the opportunities our Bank's network has spread over the country covering 41 district with total of 86 outlets and 112 ATM/CDM/CRMs that includes 74 Branches, 7 Extension Counters, 1 INTOUCH Outlet, 3 Administrative Offices and a Corporate Office. This wide presence helps us to provide better services to the customers and increases Bank's reach.

c. Analytical details, if there are incidents or situations which may have major impact on stock/reserve, profit or cash flow of Organized Institution, based on previous experience:

Opening of branches in rural areas as per NRB's instruction may impact business growth and profitability of the Bank.

3. Legal Proceedings:

- a. Lawsuits filed by/against the Bank:** Three lawsuits have been filed against the Bank in respect of general matter during the quarter.
- b. Lawsuits filed by the Bank against different defaulting borrowers/guarantors for recovery of its dues:** No lawsuit has been filed by the Bank against defaulting borrowers/guarantors for recovery of its dues during the quarter.
- c. Lawsuits filed by/against the Promoter or director of the Bank involving violation of statutory regulations or criminal offences:** No information has been received by the bank till date.
- d. Case filed against any Promoter/Director for financial frauds:** No information has been received by the bank till date.

4. Analysis of Stock Performance

a. Management view on share transactions of the Organized Institution taken place at Securities Market.

As the Nepal Stock Exchange is operating under the supervision of Securities Board of Nepal, management has no comment on the same.

b. Maximum, minimum and closing share price of organized Institution including total transacted number of shares and transacted days during quarter:

Maximum Share Price	Rs. 518
Minimum Share Price	Rs. 482
Closing Share Price	Rs. 492
Total no. of transactions	1,682
Total Transacted no. of days	62
Total traded number of Shares	292,584

5. Problems and Challenges:

a. Problems and Challenges Faced:

i. External:

- ❖ Challenges to attract low cost deposit.
- ❖ Limited avenue for long term Lending & Investment.

ii. Internal

- ❖ Maintaining consistency in Return on Equity amidst increase in capital.

b. Strategy followed by the management in solving such problems and challenges:

- ❖ Increased focus on Retail loan portfolio.
- ❖ Augmentation in liability products by way of more focus on CASA.
- ❖ Introduction of Alternate Channels/technological platforms to reduce cost.
- ❖ Regular In-House training to staff to enhance work performance.
- ❖ Good industrial relations.

6. Corporate Governance

- a. The Bank has been fully complying with the directives, guidelines issued by NRB regarding Corporate Governance.
- b. Central Management Committee Meetings (CENMAC) to review progress in various areas of operations and is conducted on regular basis.
- c. Board of Directors and its Committees' meeting are conducted on a regular basis.
- d. Assets and liabilities committee (ALCO) and Risk Management Committee (Operation risk, Credit risk and Market risk) meetings are conducted regularly.

7. Declaration of Chairman/Chief Executive on truthfulness and correctness:

I, as on date, personally take responsibility on the truthfulness of the information and description presented in this report. Further, I declare that as far as I know and understand, the descriptions in this report are true, fair and complete and have not concealed any necessary particulars, notices and information to the investors to take informed decision.

सूचनाको हक सम्बन्धि ऐन, २०६४ को दफा ५ को उपदफा (३) बमोजिमको आ.व. २०७५/७६ को पहिलो त्रयमाशको विवरण बैंकको वेब साइट www.nepalsbi.com.np मा प्रकाशन गरिएको वेबोरा जानकारी गराउँदछौं ।