

Nepal SBI Bank Ltd.
Unaudited Financial Results (Quarterly)
Second Quarter ended of Fiscal Year 2075/2076 as on Poush 30, 2075 (14.01.2019)

Rs. in '000'

Statement of Financial Position	This Quarter Ending Poush 30, 2075 (14.01.2019)		Previous Quarter Ending Ashwin 31, 2075 (17.10.2018)		Corresponding Previous Year Quarter Ending Poush 30, 2074 (14.01.2018)	
	Group	Bank	Group	Bank	Group	Bank
Assets						
Cash and cash equivalent	9,621,341	9,619,178	5,779,833	5,777,966	13,957,214	13,954,821
Due from NRB and placements with BFIs	5,958,227	5,946,308	9,543,801	9,531,836	4,405,593	4,405,593
Loan and advances	90,923,707	90,923,707	84,625,841	84,625,841	71,341,293	71,341,293
Investments Securities	8,843,507	8,843,507	11,675,928	11,675,928	11,027,793	11,027,793
Investment in subsidiary and associates	-	188,889	-	188,889	-	100,000
Goodwill and intangible assets	10,059	9,471	5,163	4,530	1,638	1,638
Other assets	1,680,567	1,671,604	1,398,538	1,387,895	2,804,886	2,792,001
Total Assets	117,037,408	117,202,664	113,029,104	113,192,885	103,538,417	103,623,139
Capital and Liabilities						
Paid up Capital	8,449,251	8,449,251	8,046,905	8,046,905	8,046,905	8,046,905
Reserves and surplus	4,499,689	4,471,838	5,286,255	5,260,852	3,709,644	3,692,756
Deposits	97,643,039	97,837,621	94,276,139	94,467,877	85,061,910	85,169,260
Borrowings	2,662,550	2,662,550	2,510,080	2,510,080	4,324,000	4,324,000
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	2,782,879	2,781,404	1,909,725	1,907,171	1,395,958	1,390,218
Total Capital and Liabilities	117,037,408	117,202,664	113,029,104	113,192,885	103,538,417	103,623,139

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	5,362,495	5,361,823	2,630,642	2,628,965	4,244,967	4,244,897
Interest expense	(3,163,516)	(3,173,476)	(1,565,155)	(1,568,799)	(2,355,467)	(2,360,116)
Net interest income	2,198,979	2,188,347	1,065,487	1,060,166	1,889,500	1,884,781
Fee and commission income	475,262	470,086	241,222	241,437	463,053	463,100
Fee and commission expense	(36,825)	(36,825)	(12,959)	(12,959)	(34,405)	(34,405)
Net fee and commission income	438,437	433,261	228,263	228,478	428,648	428,695
Other operating income	148,865	148,865	88,278	88,241	110,019	110,019
Total operating income	2,786,281	2,770,473	1,382,028	1,376,885	2,428,167	2,423,495
Impairment charge/(reversal) for loans and other losses	(146,197)	(146,197)	(78,990)	(78,990)	(106,683)	(106,683)
Net operating income	2,640,084	2,624,276	1,303,038	1,297,895	2,321,484	2,316,812
Personnel expenses	(736,349)	(734,718)	(403,299)	(402,355)	(641,246)	(641,246)
Other operating expenses	(469,388)	(460,676)	(201,450)	(199,221)	(368,710)	(365,607)
Operating profit	1,434,347	1,428,882	698,289	696,319	1,311,528	1,309,959
Non operating income/expense	32,247	32,247	3,360	3,360	36,971	36,971
Profit before tax	1,466,594	1,461,129	701,649	699,679	1,348,499	1,346,930
Income tax	(439,978)	(438,339)	(210,495)	(209,904)	(434,301)	(433,889)
Profit/(loss) for the period	1,026,616	1,022,790	491,154	489,775	914,198	913,041
Other comprehensive income	(11,806)	(11,806)	(4,412)	(4,412)	-	-
Total comprehensive income	1,014,810	1,010,984	486,742	485,363	914,198	913,041

Distributable Profit

Net profit/(loss) as per profit or loss	1,026,616	1,022,790	491,154	489,775	914,198	913,041
Add/Less: Regulatory adjustment as per NRB Directive	(120,574)	(120,574)	(73,717)	(73,717)	-	-
Free profit/(loss) after regulatory adjustments	906,042	902,216	417,437	416,058	914,198	913,041

Ratios

Capital fund to RWA	12.80%	12.80%	14.22%	14.02%	15.13%	15.00%
Non performing loan (NPL) to total loan (As per NRB Directive)	0.19%	0.19%	0.20%	0.20%	0.13%	0.13%
Total loan loss provision to Total NPL (As per NRB Directive)	648.05%	648.05%	628.31%	628.31%	869.73%	869.73%
Cost of Funds	5.91%	5.91%	6.20%	6.20%	5.14%	5.14%
Credit to Deposit Ratio (As per NRB Directive)	77.77%	77.77%	75.42%	75.42%	77.03%	77.03%
Base Rate	9.82%	9.82%	10.43%	10.43%	9.50%	9.50%
Basic Earning Per Share Rs.	24.30	24.21	24.41	24.35	22.72	22.69
Diluted Earning Per Share Rs.	24.30	24.21	24.41	24.35	22.72	22.69

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 reserve for accrued interest and investment reserve as per NRB direction, which may change as per statutory audit and/ or as per directive of NRB. Previous quarter's distributable profit has been restated to comply with NRB directives and to make comparative with this quarter.
7. Estimation of current quarter provision for gratuity and leave has been provided as per the bank's policy which may vary after actuarial valuation.
8. Intangibles assets have been disclosed separately where as 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	1,516,790	1,739,359	1,254,030	212,201	791,575	466,820	5,980,775
Intersegment revenues	35,642	-573,449	-88,652	1,752,939	-328,936	-797,544	0
Net Revenue	831,727	1,476,423	871,669	-1,422,805	666,439	347,020	2,770,473
Interest revenue	1,394,538	1,589,463	1,149,028	176,381	711,584	340,829	5,361,823
Interest expense	685,063	262,935	382,360	1,635,005	125,136	82,975	3,173,474
Net Interest revenue(b)	709,475	1,326,527	766,668	-1,458,624	586,448	257,854	2,188,348
Depreciation and amortisation	16,031	12,023	13,626	4,008	369	34,098	80,155
Segment profit/(loss) Before Income tax	657,506	1,338,586	725,353	-1,451,989	649,285	-457,611	1,461,130
Entity's interest in the profit or loss of associates accounted	0	0	0	0	0	0	0
Other material non-cash item	0	0	0	0	0	0	0
Impairment of assets	269,325	407,858	249,330	40,901	147,965	0	1,115,379
Segment assets	24,612,559	30,472,693	21,096,479	4,688,107	12,892,293	23,440,533	117,202,664
Segment liabilities	24,612,559	30,472,693	21,096,479	4,688,107	12,892,293	10,519,444	104,281,575

SECOND QUARTER REPORT AS AT THE END OF POUH, 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	Poush 30, 2075 (Rs. in '000')
<u>Transaction during the quarter</u>	
Technical Service Fees to SBI	18,156
Interest on placements from SBI foreign offices	22,516
<u>Quarter end Balance</u>	
Placements and Interest receivable from SBI offices	1,936,640
Nostro Balances in SBI offices	2,913,352
Card Transaction Receivables from SBI	191,134

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	Poush 30, 2075 (Rs. in '000')
<u>Transaction during the Quarter</u>	
Interest Paid on Deposit to NSMBL	9,960
Management fee accrued and receivable from NSMBL	600
RTS, D-Mat Service Charge accrued and payable to NSMBL	600
<u>Quarter end Balance</u>	
Others payable to NSMBL	0
Others receivable from NSMBL	180
Deposit maintained with NSBL	194,578

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	Poush 30, 2075 (Rs. in '000')
<u>Quarter end Balance</u>	
Deposits	6,304,407

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.

<u>Transaction during the Quarter</u> <u>(Allowances and Expenses)</u>	Poush 30, 2075 (Rs. in '000')
Board Meetings	420
Audit Committee Meetings	
Risk Management Committee Meetings	
Employee Service Facility Committee Meetings	
Food, Lodging Expenses for Board level meetings	3448
Travelling & Halting Expenses for Board level meetings	

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. 152.93
Per Share Total Assets Value	Rs. 1387.14
Earnings Per Share	Rs. 24.21
PE Ratio	16.07 times
Liquidity Ratio	21.96 %

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. 102.28 Crore has been registered up to Second Quarter of the Fiscal Year 2075-76 compared to Rs 91.30 Crore in the same period last fiscal year 2074-75, thereby registering a growth of 12.03%.

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 strategy covering FY2022-23. 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 44 district with total of 95 outlets and 113 ATM/CDM/CRMs. The outlets include 77 Branches, 9 Extension Counters, 1 INTOUCH Outlet, 7 Provincial Offices and 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:

NRB's direction to exclude the 0.75% from base rate will negatively impact the Bank's net interest income. Similarly regulatory requirement to reduce monthly interest spread from 5% to 4.75% up to Chaitra end 2075 and to 4.5% up to Ashad 2076 will also impact profitability.

3. Legal Proceedings:

- a. **Lawsuits filed by/against the Bank:** Seven different lawsuits have been filed against the Bank and one lawsuit has been filed by 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. 497
Minimum Share Price	Rs. 380
Closing Share Price	Rs. 389
Total no. of transactions	1,951
Total Transacted no. of days	60
Total traded number of Shares	365,661

5. Problems and Challenges:

a. Problems and Challenges Faced:

i. External:

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

- ❖ Dearth of lendable resources.

ii. Internal

- ❖ Maintaining consistency in Return on Equity amidst increase in capital.
- ❖ Increasing cost of operation.

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

- The Bank has been fully complying with the directives, guidelines issued by NRB regarding Corporate Governance.
- Central Management Committee Meetings (CENMAC) to review progress in various areas of operations and is conducted on regular basis.
- Board of Directors and its Committees' meeting are conducted on a regular basis.
- 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 दोस्रो त्रयमाशको विवरण बैंकको वेब साइट www.nepalsbi.com.np मा प्रकाशन गरिएको वेबोरा जानकारी गराउँदछौं ।