



NCC Bank

नेपाल क्रेडिट एण्ड कमर्स बैंक लि.
Nepal Credit & Commerce Bank Ltd.
Bagbazar, Kathmandu

Unaudited Financial Results (Quarterly) As at 1st Quarter End(17/10/2018) of the Fiscal Year 75/76 (2018/19)

Rs. In '000

Segment Information

Statement of Financial Position	This Quarter Ending	Previous Quarter Ending	Corresponding Year Previous Quarter Ending
Assets			
Cash And Cash Equivalent	2,677,916	2,912,776	2,777,285
Due From NRB And Placements with BFIs	4,896,453	5,374,236	9,748,564
Loan And Advances	57,301,943	54,591,806	47,999,546
Investment Securities	8,499,147	8,712,848	8,600,123
Investment in Subsidiaries	-	-	-
Property, Plant and Equipment	758,000	716,779	684,360
Goodwill And Intangible Assets	1,927	2,160	2,080
Other Assets	2,942,674	3,057,642	2,069,514
Total Assets	77,078,061	75,368,247	71,881,472
Capital And Liabilities			
Paid Up Capital	4,685,902	4,679,853	4,679,058
Reserves And Surplus	4,908,078	3,784,355	3,515,561
Deposits	62,843,028	63,519,763	61,759,468
Borrowings	2,797,108	684,909	779,231
Bond And Debenture	-	-	-
Other Liabilities And Provisions	1,843,945	2,699,367	1,148,155
Total Capital And Liabilities	77,078,061	75,368,247	71,881,472

Particulars	Provinces							Total
	Province 1	Province 2	Province 3	Gandaki Province	Province 5	Karnali Province	Province 7	
Revenue from external customers	187,183	235,993	1,420,075	92,785	152,750	31,113	156,659	2,276,559
Inter-segment Revenue/ (Expenses)	(73,073)	(71,897)	187,681	9,203	(5,927)	11,057	(57,045)	0
Segment Revenue	114,110	164,097	1,607,756	101,989	146,823	42,170	99,614	2,276,559
Interest Revenue	190,994	208,627	1,244,274	81,543	142,798	21,776	145,203	2,035,215
Interest Expenses	38,539	57,676	966,985	50,049	64,679	19,095	30,117	1,227,140
Depreciation and amortisation	1,460	2,390	12,864	1,718	1,655	438	1,428	21,953
Interest in the profit or loss of associates and joint ventures accounted for by the equity method	-	-	-	-	-	-	-	-
Impairment Charges / (Reversal)	16,450	10,216	(101,583)	2,101	(2,556)	(7,850)	(728)	(83,950)
Segment profit / (loss) before taxation	49,507	71,266	354,141	21,414	52,819	13,391	50,542	613,081
Segment assets	2,513,475	3,811,796	60,262,899	3,065,516	4,232,022	1,211,672	1,980,681	77,078,061
Segment liabilities	2,513,475	3,811,796	60,262,899	3,065,516	4,232,022	1,211,672	1,980,681	77,078,061
Reconciliation of Segment Revenue and Expenses:								
Revenues:								
Total Revenue for reported segments	189,107	237,562	1,827,075	110,577	186,237	42,482	158,170	2,751,209
Elimination of inter-segment revenue	(1,924)	(1,569)	(407,000)	(17,792)	(33,486)	(11,370)	(1,511)	(474,651)
Entity Revenue	187,183	235,993	1,420,075	92,785	152,750	31,113	156,659	2,276,559
Expenses:								
Total Expenses for reported segments	139,599	166,296	1,472,933	89,163	133,418	29,091	107,628	2,138,128
Elimination of inter-segment expenses	(74,997)	(73,465)	(219,319)	(41,310)	(6,692)	(312)	(58,556)	(474,651)
Entity Expense	64,603	92,830	1,253,615	47,854	126,725	28,779	49,072	1,663,477
Profit/(Loss) before taxation								613,081
Income tax expenses								143,944
Profit / (Loss) after taxation								469,137

Statement of Profit or Loss	Up to This Quarter	Up to Previous Quarter	Up to Corresponding Previous Year Quarter
Interest Income	2,035,215	7,010,289	1,629,070
Interest Expense	1,227,140	5,119,960	1,281,447
Net Interest Income	808,075	1,890,329	347,624
Fees and Commission Income	125,645	475,166	85,298
Fees and Commission Expense	4,248	21,651	5,515
Net Fees and Commission Income	121,397	453,515	79,783
Other Operating Income	31,749	144,142	28,238
Total Operating Income	961,220	2,487,986	455,644
Impairment Charge / (Reversal) for Loans and Other Losses	(83,950)	(1,106,456)	(186,381)
Net Operating Income	1,045,170	3,594,443	642,024
Personnel Expenses	306,242	990,245	197,729
Other Operating Expenses	125,847	516,821	104,069
Operating Profit	613,081	2,087,376	340,227
Non-Operating Income / Expenses	-	-	-
Profit Before Tax	613,081	2,087,376	340,227
Income Tax	143,944	507,747	88,731
Profit / (Loss) for the Period	469,137	1,579,630	251,496
Other Comprehensive Income	785	(30,049)	(41,415)
Total Comprehensive Income	469,922	1,549,580	210,081
Distributable Profit			
Net Profit / (Loss) As per Profit or Loss	469,137	1,579,630	251,496
Add / (Less): Regulatory Adjustment As per NRB Directive	(188,676)	(507,594)	(86,913)
Free Profit / (Loss) after Regulatory Adjustments	280,462	1,072,036	164,584

Ratios	Up to This Quarter	Up to Previous Quarter	Up to Corresponding Previous Year Quarter
Capital Fund to RWA (As per NRB Directive)	12.67%	11.38%	11.68%
Non-Performing Loan (NPL) to Total Loan (As per NRB Directive)	3.69%	3.89%	4.29%
Total Loss Loan Provision to Total NPL (As per NRB Directive)	114.82%	117.61%	104.42%
Cost of Funds (As per NRB directive)	7.88%	8.27%	8.21%
Credit to Deposit Ratio(As per NRB directive)	78.98%	76.76%	70.83%
Base Rate (As per NRB directive)	11.45%	11.92%	11.43%
Basic Earning Per Share	40.05	26.51	21.50
Diluted Earning Per Share	40.05	26.51	21.50
Additional Information			
Net Interest Spread (As per NRB Directive)	4.47%	4.12%	2.98%
Cost of Deposit (As per NRB Directive)	7.89%	8.25%	8.26%
Average Yield (As per NRB Directive)	12.36%	12.37%	11.24%
Return on Equity	19.56%	18.66%	12.28%
Return on Assets	2.43%	2.10%	1.40%

Notes to financial statements prepared in accordance with Nepal Financial Reporting Standards (NFRS)

- Above financials have been prepared in accordance with Nepal Financial Reporting Standards (NFRS). While preparing financials in accordance with NFRS, the Bank has applied appropriate accounting judgements and estimates as having material impact on the financial statements.
- Loan and Advances include accrued interest receivables and loan and advances to staffs provided as per Employee Byelaws of the Bank; and are presented net of impairment charges.
- Personnel Expenses include employee's bonus provision and amortization of prepaid benefit of subsidized staff loans provided as per Employee Byelaws of the Bank.
- Impairment loss on loan and advances has 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 of Nepal Accounting Standard (NAS) 39.
- Previous Quarter ending figures have been restated / regrouped/rearranged wherever necessary due to the effect of Carve-Out issued by ICAN.
- Property, Plant and Equipment line item has been inserted and disclosed separately in above financials. Goodwill and Intangible Assets include the book value of software purchased by the Bank.
- Investment in listed shares and mutual funds are classified as Available For Sale and has been measured at Fair Value through Other Comprehensive Income.
- Above figures are subject to change upon otherwise instructions of Statutory Auditor and/or Regulatory Authorities.
- Right shares amounting Rs. 1,548,401 (in '000) allotted on 2075/07/25 have been considered for calculation of Core Capital.

Segment Reporting

The Bank has presented segments reporting on the basis of each geographical business presence in seven Provinces of the country: Province 1, Province 2, Province 3, Gandaki Province, Province 5, Karnali Province and Province 7. The Bank evaluates the performance of its segment on the basis of segment result before tax. Investments, Balance with NRB and others banks, Borrowings, Investment Income, Foreign Exchange Income and Unallocated Expenses and Income are accounted in Corporate Office and accordingly all the assets, liabilities, income and expenses of Corporate Office are reported under Province no. 3. The following table presents revenue and profit, and asset and liability information for the Bank's segments.

Statement showing Free Profit after Regulatory Adjustments

Particulars	This Quarter ending
Net Profit / (Loss) As per Profit or Loss	469,137
Regulatory adjustment :	
a. Interest receivable (-) / previous accrued interest received (+)	(188,676)
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 (-) / reversal (+)	-
e. Deferred tax assets recognised (-) / reversal (+)	-
f. Goodwill recognised (-) / impairment of Goodwill (+)	-
g. Bargain purchase gain recognised (-) / reversal (+)	-
h. Actuarial loss recognised (-) / reversal (+)	-
i. Other (+/-)	-
Profit or (loss) after regulatory adjustment	280,462

"Schedule 14 Disclosure as per Rule 26(1) of Securities Registration & Issuance Regulation, 2073" First Quarter Report- 2075/76

1. Financial Statements:

a. **Quarterly Financial Report including Balance Sheet and Profit & Loss Account:** published along with this report.

b. **Transactions held between related parties:**

There is no transaction held between related parties during this quarter.

c. **Major Financial Indicators:**

Earnings per share	NPR 40.05	Net Liquid assets to total deposit (Liquidity ratio)	22.25
Price earnings ratio	5.39	Assets value per share	NPR 1,647.30
Net worth per share	NPR 205.04		

2. Management Analysis:

a. **Details relating to change in the Bank's reserve, income and liquidity in the quarter and its main reason:**

The change in the Bank's reserve, income and liquidity are as presented in the first quarter financial statement ending on Ashwin end 2075. The liquidity position of the Bank is at comfortable level throughout first quarter period.

b. **Management's analytical details regarding future business plan:**

The Bank has adopted strategy to increase overall business growth in terms of both loan and deposit; to provide the innovative products and services to customers through existing and additional branch networks; and expansion of branch networks/extension counters in new virgin areas to grab the first mover's opportunity. In addition, NPA and NBA management shall continue to be the utmost priority of the management of the Bank.

c. **Analytical details of the incidents that may have major impact on reserves, profit or cash flow (if any) based on previous experience:**

There have been no incidents /conditions which may have impact on the bank's position, profit and cash flow.

3. Legal Proceedings:

a. **Lawsuits filed by / against the Bank:**

No such information has been received except for cases filed in DRT for recovery of loans and cases related to the income tax.

b. **Lawsuits filed by / against the promoters /directors relating to disobedience of prevailing law or criminal offense:**

No such information has been received.

c. **Lawsuits filed against promoters / directors for financial offense:**

No such information has been received yet.

4. Analysis of stock performance:

a. **Management view on securities transactions of the bank at securities market:**

Since the share prices are determined by open market operations at Nepal Stock Exchange under the supervision of Securities Board of Nepal, management has no comment on the same.

b. **Maximum ,minimum and closing share price of the bank including total transacted number of shares and transacted day during the quarter are as follows: (as published in the Nepal Stock Exchange website)**

Maximum share price: NPR.253/-	Total no. of transaction days: 62 days
Minimum share price: NPR.172/-	Total no. of transacted shares: 22, 79,803 shares
Closing share price: NPR.216/-	Total no. of transactions: 5,331

5. Problems, Challenges and Strategies:

Internal

- Increase in operational risk and operating costs with increase in number of branches

- Challenges on recovery of non-performing accounts

- Challenge of improving non-interest revenue

External

- Increased price competition in limited market

- Tightening liquidity conditions

- Bank's Strategies to mitigate problem and challenges:

- Effective asset and liability management

- Prudent risk management policies and practices

- Trade deficit and unfavorable balance of payment

- Volatile foreign exchange rate

- Slow rate of government capital expenditure

6. Corporate Governance:

The Bank is committed to upholding good corporate governance practices with strict compliance with laws, rules and regulations. Risk Management, compliance, control and audit functions are accorded due priority in the bank. The Bank has Audit Committee, Risk Management Committee, Asset and Liability Committee (ALCO), AML Committee, Research & Development Committee and other Sub-Committees to ensure high level of corporate governance. There are number of policies and clear procedures in place to ensure high level of governance and transparency within the Bank.

7. Declaration by CEO about the Truthfulness of Financials/Information:

I, CEO of the bank, take responsibility on the truthfulness of information and particulars disclosed in this report. Further I declare that the particulars mentioned in this report, to the best of my knowledge, are true, fair and complete and have not knowingly concealed any particulars, notices and information to the investors to take informed decision.