



# NCC Bank

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

## Unaudited Financial Results (Quarterly)

As at 2nd Quarter End (14 / 01 / 2019) of the Fiscal Year 2075 / 76 (2018 / 19)

Rs. In '000

Segment Information

Statement of Financial Position	This Quarter Ending	Previous Quarter Ending	Corresponding Previous Year Quarter Ending
<b>Assets</b>			
Cash And Cash Equivalent	2,364,963	2,677,916	2,152,929
Due From NRB And Placements with BFIs	6,309,555	4,896,453	4,414,029
Loan And Advances	58,442,377	56,088,900	49,994,698
Investment Securities	8,297,086	8,469,647	10,181,693
Investment in Subsidiaries and Associates	29,500	29,500	29,500
Property, Plant and Equipment	787,157	758,000	682,229
Goodwill And Intangible Assets	13,875	1,927	2,718
Other Assets	2,765,555	2,942,674	2,624,894
<b>Total Assets</b>	<b>79,010,067</b>	<b>75,865,018</b>	<b>70,082,689</b>
<b>Capital And Liabilities</b>			
Paid Up Capital	7,018,559	4,685,902	4,679,058
Reserves And Surplus	4,179,303	3,700,793	3,769,101
Deposits	64,717,387	62,843,028	59,152,766
Borrowings	1,130,570	2,797,108	779,231
Bond And Debenture	-	-	-
Other Liabilities And Provisions	1,964,249	1,838,186	1,702,534
<b>Total Capital And Liabilities</b>	<b>79,010,067</b>	<b>75,865,018</b>	<b>70,082,689</b>

Particulars	Provinces							Total
	Province 1	Province 2	Province 3	Gandaki Province	Province 5	Karnali Province	Province 7	
Revenue from external customers	359,447	446,497	2,638,630	157,209	319,776	47,272	305,474	4,274,305
Inter-segment Revenues / (Expenses)	(154,676)	(158,436)	408,775	12,146	(13,121)	21,301	(115,988)	-
Inter-segment Revenues	3,117	2,653	805,750	30,931	67,612	22,180	4,054	936,297
Inter-segment Expenses	157,793	161,089	396,974	18,785	80,733	879	120,043	936,297
<b>Segment Revenues</b>	<b>204,771</b>	<b>288,061</b>	<b>3,047,405</b>	<b>169,355</b>	<b>306,655</b>	<b>68,573</b>	<b>189,485</b>	<b>4,274,305</b>
Interest Revenues	362,854	415,173	2,354,649	141,486	293,693	40,589	282,837	3,891,280
Interest Expenses	76,804	113,979	1,924,641	81,566	134,296	36,114	58,438	2,425,839
Depreciation and amortisation	3,314	5,226	28,590	3,268	4,263	897	2,870	48,428
Interest in the profit or loss of associates and joint ventures accounted for by the equity method	-	-	-	-	-	-	-	-
Impairment Charges / ( Reversal)	25,646	17,838	(84,866)	5,984	(7,821)	(4,225)	2,518	(44,927)
<b>Segment profit / (loss) before taxation</b>	<b>78,760</b>	<b>108,234</b>	<b>586,220</b>	<b>44,466</b>	<b>109,291</b>	<b>14,698</b>	<b>96,016</b>	<b>1,037,685</b>
<b>Segment assets</b>	<b>2,735</b>	<b>4,048</b>	<b>59,908</b>	<b>2,676</b>	<b>4,549</b>	<b>1,087</b>	<b>2,075</b>	<b>77,078</b>
<b>Segment liabilities</b>	<b>2,735</b>	<b>4,048</b>	<b>59,908</b>	<b>2,676</b>	<b>4,549</b>	<b>1,087</b>	<b>2,075</b>	<b>77,078</b>
<b>Reconciliation of Segment Revenues and Expenses:</b>								
<b>Revenues:</b>								
Total Revenues for reported segments	362,563	449,150	3,444,380	188,140	387,388	69,452	309,528	5,210,601
Elimination of inter-segment revenues	(3,117)	(2,653)	(805,750)	(30,931)	(67,612)	(22,180)	(4,054)	(936,297)
Revenues	359,447	446,497	2,638,630	157,209	319,776	47,272	305,474	4,274,305
<b>Expenses:</b>								
Total Expenses for reported segments	283,803	340,916	2,858,160	143,674	278,097	54,754	213,512	4,172,916
Elimination of inter-segment expenses	(157,793)	(161,089)	(396,974)	(18,785)	(80,733)	(879)	(120,043)	(936,297)
Expenses	126,011	179,827	2,461,185	124,890	197,363	53,875	93,469	3,236,620
<b>Profit / (Loss) before taxation</b>								<b>1,037,685</b>
Income tax expenses								296,510
<b>Profit / (Loss) after taxation</b>								<b>741,175</b>

### Reconciliation of net profit of Financial Statements as per NFRS Complaint Financial Statements and Free Profit after Regulatory Adjustments

Particulars	This Quarter Ending	Previous Quarter Ending	Corresponding Year Previous Quarter Ending
<b>Net Profit/ (Loss) As per Profit or Loss</b>	<b>741,175</b>	<b>459,059</b>	<b>530,019</b>
<b>Regulatory adjustment :</b>			
a. Interest receivable (-)/previous accrued interest received (+)	(189,089)	(172,838)	(59,770)
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 (+)	91,885		(192,762)
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 (+/-)			
<b>Profit or (loss) after regulatory adjustment</b>	<b>643,971</b>	<b>286,221</b>	<b>277,487</b>

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

- Financial Statements:**
  - Quarterly Financial Report including Balance Sheet and Profit & Loss Account:** published along with this report.
  - Transactions held between related parties:**  
There is no transaction held between related parties during this quarter.
  - Major Financial Indicators:**

Earnings per share	NPR 21.12	Net Liquid assets to total deposit(Liquidity ratio)	24.61%
Price earnings ratio	10.32 times	Assets value per share	NPR 1,125.73
Net worth per share	NPR 159.55		

- Management Analysis:**
  - 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 second quarter financial statement ending on Poush end 2075. The liquidity position of the Bank is at comfortable level throughout second quarter period.
  - 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 second mover's opportunity. In addition, NPA and NBA management shall continue to be the top priority of the management of the Bank.
  - 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.
- Legal Proceedings:**
  - 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.
  - Lawsuits filed by / against the promoters /directors relating to disobedience of prevailing law or criminal offense:**  
No such information has been received yet.
  - Lawsuits filed against promoters /directors for financial offense:**  
No such information has been received yet.
- Analysis of stock performance:**
  - 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.
  - 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. 224 /- Minimum share price : NPR.197 /-  
Closing share price : NPR. 218 /- Total no. of transaction days : 60 days  
Total no. of transacted shares : 22,78,568 shares Total no. of transactions : 4,841

- Problems, Challenges and Strategies:**
  - Internal**
    - Increase in operational risk and operating costs with increase in number of branches
    - Challenges on management of non-banking assets and non performing accounts
  - External**
    - Increased price competition in limited market
    - Widening trade deficit and deficit current account & balance of payment
    - Imbalanced rate of growth between deposit collection and credit expansion
    - Tightening liquidity conditions
    - Slow rate of government expenditure
- Bank's Strategies to mitigate problem and challenges:**
  - Effective asset and liability management
  - Prudent risk management policies and practices
  - Cost rationalization approach to manage the cost
- 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.
- 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.

### 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). Appropriate accounting judgements and estimates have been applied in the preparation of financials statements having material impact.
- Interest income on loan and advances excluding bad loans have been recognized on accrual basis. Loan and Advances include accrued interest receivables and staff loan provided as per Employee Bylaws 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 Bylaws 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.
- Lease payments, which are generally structured to increase in line with expected general inflation, has been recognized as an expenses during the period as per Para 33 of NAS 17 (after 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.
- Treatment of share issue expenses has been done as per Para 9 of NAS 39 (after Carve-Out issued by ICAN).
- Investment in Associates are accounted at cost while preparing the quarterly financial statement considering Para 35 of NAS 28 (after Carve-Out issued by ICAN).
- Provision for gratuity and leave encashment being provided as per the Bank's policy and/or practices. Actuarial valuation for employee benefits is being done on annual basis.
- Treatment of loan administration fees has been done as per Para 9 of NAS 39 (after Carve-Out issued by ICAN).
- The process of issuance of right shares (2:1) has been fully completed and the paid up capital includes Rs. 2,339,529,100 collected from issuance of right shares. The Bank has also collected share premium of Rs.169,832,830 from auction of unsold Right Shares.
- The Bank shall attain minimum capital requirement of Rs. 8 Billion as prescribed by NRB after capitalization of Capital Reserve of Rs. 985,832,913 (i.e. the difference amount of share swap ratio of merger) and Share Premium of Rs.2,585,360 collected before merger total amounting Rs. 988,418,273 through issuance of Bonus Shares after approval of upcoming Annual General Meeting of the Bank.**
- Corresponding /previous quarter end figures have been restated/regrouped/rearranged wherever necessary.
- Above figures are subject to change upon otherwise instructions of Statutory Auditor and/or Regulatory Authorities.
- This quarterly unaudited financial results is also available in the Bank's website.

### 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.