



बैंक अफ काठमाण्डू लिमिटेड BANK OF KATHMANDU LTD.

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Unaudited Financial Results (Quarterly)

1st Quarter end of Fiscal Year 2075/76 as per Nepal Financial Reporting Standards (NFRS)

In NPR '000

Statement of Financial Position	This Quarter Ending 17-Oct-2018		Previous Quarter Ending 16-Jul-2018		Corresponding Previous Year Quarter Ending 17-Oct-2017
	Group	BOK	Group	BOK	BOK
Assets					
Cash and cash equivalent	3,243,858	3,210,240	3,443,148	3,422,840	2,439,576
Due from NRB and placements with BFIs	5,617,810	5,617,810	7,111,205	7,111,205	7,359,521
Loan and advances	71,805,571	71,805,571	67,918,111	67,918,111	60,957,802
Investments Securities	13,895,087	13,849,525	11,610,992	11,547,164	9,388,075
Investment in subsidiaries and associates	-	140,000	-	140,000	-
Goodwill and intangible assets	22,564	20,370	23,004	20,497	12,376
Other assets	1,181,258	1,158,033	1,249,632	1,238,617	982,355
Total Assets	95,766,148	95,801,549	91,356,092	91,398,434	81,139,705
Capital and Liabilities					
Paid up Capital	7,072,896	7,072,896	7,072,896	7,072,896	5,629,576
Reserves and surplus	5,966,381	5,961,400	5,586,314	5,582,977	3,538,180
Deposits	79,823,673	79,957,448	76,777,156	76,913,754	69,954,048
Borrowings	863,163	863,163	18,597	18,597	289,518
Bond and Debenture	1,022,641	1,022,641	1,041,216	1,041,216	1,022,668
Other liabilities and provisions	1,017,394	924,001	859,913	768,994	705,715
Total Capital and Liabilities	95,766,148	95,801,549	91,356,092	91,398,434	81,139,705

Statement of Profit or Loss	Up to this Quarter		Up to Previous Quarter		Up to Corresponding Previous Year Quarter
	Group	BOK	Group	BOK	BOK
Interest income	2,373,528	2,372,475	8,365,819	8,361,821	1,920,990
Interest expense	1,490,941	1,494,566	5,298,643	5,306,499	1,347,311
Net interest income	882,587	877,909	3,067,176	3,055,322	573,679
Fee and commission income	154,727	153,996	542,743	539,955	131,670
Fee and commission expense	16,221	16,130	50,412	50,316	12,421
Net fee and commission income	138,506	137,866	492,331	489,639	119,249
Other operating income	93,591	91,856	365,495	366,367	65,224
Total operating income	1,114,684	1,107,631	3,925,002	3,911,328	758,152
Impairment charge/(reversal) for loans and other losses	142,780	142,780	160,248	160,248	83,987
Net operating income	971,904	964,851	3,764,754	3,751,080	674,165
Personnel expenses	264,738	263,643	1,041,669	1,038,626	231,906
Other operating expenses	155,898	153,464	550,130	545,000	130,428
Operating profit	551,268	547,744	2,172,955	2,167,454	311,831
Non operating income/expense	4,862	4,862	19,343	19,343	8,234
Profit before tax	556,130	552,606	2,192,300	2,186,797	320,064
Income tax	166,839	165,781	660,617	660,119	96,019
Profit/(loss) for the period	389,290	386,824	1,531,683	1,526,678	224,045
Other comprehensive income	(8,401)	(8,401)	(353,555)	(353,555)	-
Total comprehensive income	380,889	378,423	1,178,128	1,173,123	224,045
Share of Non controlling interest in profit of Subsidiary	822	-	1,668	-	-
Total comprehensive income after share of NCI	380,067	378,423	1,176,460	1,173,123	224,045

Ratios					
Capital fund to RWA	14.95%	14.78%	15.26%	15.07%	13.82%
Non performing loan (NPL) to total loan (As per NRB Directive)	1.61%	1.61%	1.39%	1.39%	2.08%
Total loan loss provision to Total NPL (As per NRB Directive)	132.48%	132.48%	146.61%	146.61%	180.56%
Cost of Funds	7.85%	7.85%	7.87%	7.87%	7.78%
Credit to Deposit Ratio (As per NRB Directive)	77.48%	77.48%	76.30%	76.30%	77.39%
Base Rate	10.62%	10.62%	10.67%	10.67%	10.68%
Basic Earning Per Share	22.02	21.88	22.56	22.48	13.88
Diluted Earning Per Share	22.02	21.88	22.56	22.48	13.88

Notes to NFRS compliant Financial statements:

- The unaudited financial figure may change if directed by Statutory Auditor/ Supervisory Authorities.
- Figures of corresponding previous year first quarter have been regrouped wherever necessary but has not been remeasured. Figures of previous quarter has been restated to incorporate the impact of carve outs in NFRS provided by ICAN.
- Loans and advances includes interest receivables and are presented net of impairment charges. The bank has measured impairment loss as the higher of the amount derived as per norms prescribed by NRB for loan loss provision and amount determined as per para 63 as per the carve out provided by ICAN. When a receivable is impaired, the bank reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.
- Group includes Bank of Kathmandu Ltd. and Kathmandu Capital Markets Ltd. (Subsidiary of Bank of Kathmandu Ltd.)

Reconciliation of profit as per NFRS and Financial statements prepared according to NRB Directives

Particulars	This Quarter Ending 17-Oct-18		Previous Quarter Ending 16-Jul-2018		Up to Corresponding Previous Year Quarter
	Group	BOK	Group	BOK	BOK
Profit after tax as per NRB Directive No. 4 (Distributable Profit)	278,105	275,639	1,523,629	1,518,624	224,045
Accrued Interest Receivables/(Previous accrued interest received)	111,185	111,185	(1,142)	(1,142)	-
Short Provision for possible losses on investments	-	-	2,125	2,125	-
Actuarial loss recognised	-	-	7,071	7,071	-
Profit or (loss) as per NFRS	389,290	386,824	1,531,683	1,526,678	224,045

Segment Reporting:

The bank has categorised its segment on the basis of presence in the geographical provinces of the country. The transaction between the branches are charged at transfer price decided by Asset Liability Management Committee of the bank. The segment results are determined based on the transfer pricing mechanism prevailing for the reporting period.

Particulars		Province 1	Province 2	Province 3	Province 4	Province 5	Province 6	Province 7	Total
a	Net revenues from external customers	154,222	77,410	482,974	58,621	223,240	12,109	99,056	1,107,632
b	Intersegment revenues	(83,866)	(20,464)	218,516	(21,838)	(62,216)	6,001	(36,133)	-
c	Net Revenue	70,356	56,945	701,490	36,783	161,024	18,110	62,923	1,107,631
d	Interest revenue	183,950	107,349	2,139,890	92,942	311,231	28,668	122,961	2,986,991
e	Interest expense	205,563	77,413	1,400,541	83,238	231,378	6,988	103,961	2,109,082
f	Net interest revenue	(21,613)	29,936	739,349	9,703	79,853	21,680	19,000	877,909
g	Depreciation and amortisation	1,357	1,164	16,741	967	3,046	530	1,407	25,212
h	Segment profit/(loss)	18,343	24,069	220,015	14,590	74,714	8,875	26,218	386,824
i	Entity's interest in the profit or loss of associates accounted for using equity method	-	-	-	-	-	-	-	-
j	Other material non-cash items	-	-	-	-	-	-	-	-
k	Impairment of assets	24,834	5,565	89,857	3,018	11,416	(965)	9,055	142,780
l	Segment assets	8,845,031	3,758,155	63,594,252	3,604,054	10,722,816	328,490	4,948,751	95,801,549
m	Segment liabilities	2,380,744	2,863,298	65,326,078	2,081,357	6,858,670	985,872	2,271,234	82,767,253

Securities Registration and Issue Regulation, 2073 (Rule # 26 (1), Annexure 14) 1st Quarter Report – FY 2075-76

1. Financial Statements

a. Related Party Disclosure

- Group includes Bank of Kathmandu Ltd. and Kathmandu Capital Markets Ltd. (Subsidiary of Bank of Kathmandu Ltd.).
- Subsidiary is a Merchant Banker licensed under Securities Business person (Merchant Banker) Rules, 2064 from the Securities Board of Nepal (SEBON).
- All transactions between bank and subsidiary company are executed on arms length basis except where disclosed. Effects of all intra company transactions are eliminated in group financial statements.
- The Bank has appointed the subsidiary to manage the activities related to its Depository Participants and the related income is shared on agreed upon terms.
- Subsidiary held deposit balance of NPR 133.77 million in its account in the Bank. Bank paid interest of NPR 3.62 million to the subsidiary during the period.
- Bank paid meeting and other allowances of NPR 1.25 million to its directors and compensation of NPR 3.56 million (net of taxes) to the key management personnel.

b. Major Financial Indicators

Earning Per Share (Annualized)	: 21.88
Price Earning Ratio (Annualized)	: 14.95
Net Worth Per Share	: 184.29
Assets Per Share	: 1,354.49
Liquidity Ratio	: 26.55%

2. Management Analysis

- The total deposit volume of the Bank is NPR 79.96 bn whereas loans and advances is NPR 71.81 bn and Net profit of the Bank is NPR 386.82mn at the end of 1st Quarter of FY 075/76.
- The Bank has formulated its Strategic Plan which has focus on business growth, increased network, risk management, digitization, etc.
- No specific incident that could have impact on deposit volume, profitability and cash flow of the Bank was observed during the period.

3. Details Pertaining to Legal Proceedings

- Except for the cases related to credit recovery during the course of business operation, no other legal cases that could lead to financial obligation on the part of the Bank were observed during the review period.
- No information of legal cases filed by or filed against promoters or directors of the Bank was received during the review period.
- No information of legal cases filed against promoter or directors of the Bank regarding financial crime was received during the review period.

4. Analysis of Bank's Share Transactions

- Since the price of the stock is determined by open market operation, the Bank management has no such specific view in this regard.
- Share Transaction Detail of the Review Period:

Months	Maximum Share Price	Minimum Share Price	Last Share Price	Total Traded Days	Total Transaction No.
Shrawan 2075	280	250	273	23	192,850
Bhadra 2075	343	265	330	20	362,244
Ashwin 2075	350	305	327	19	269,449

5. Problems and Challenges

Internal

- Maintaining interest spread
- Managing increased operation cost
- Retention of trained human resources

External

- Competitive environment between financial institutions
- Increasing cost of deposits
- Changing liquidity condition
- Volatile foreign exchange market
- Change in policies and regulations having direct impact in the business
- Adverse investment climate

Bank's Strategy to mitigate problems and challenges

- Focus on new and high yield services by optimum utilization of funds
- Provide quality and latest technology based services to customers
- Expand network so as to broaden the reach to targeted markets
- Explore new prospective lending sectors so as to broaden the scope of lending
- Closely monitor the cost component to remain competitive in the market
- Increased focus on overall risk management of the Bank.

6. Corporate Governance

- The Bank has been providing timely and regularly all the necessary financial information to all the stakeholders.
- The Audit Committee has ensured the establishment of effective internal controls and provides directions and support to the management where necessary.
- To ensure that the prevalent laws and rules are followed, the Bank has developed policies and working procedures. Clear authorities have been developed to guide the functions of management which is monitored by Internal Audit Department.

7. Declaration by CEO regarding True Financial Information

I take the responsibility for the correctness of the information disclosed in the report. I also declare that as far as I understand, the information provided in the report are true, fair and complete and have not concealed any factual information and notices from investors to take investment decisions.