

National Bank of Tuvalu
Financial Review
For the Period Ending 31st March, 2017

Overview

At the end of March 2017, the bank achieved a profit before tax of \$1,022,798 which exceeds our forecasted profit for the period of \$289,810

The financial performance at the end of March 2017 is summarized below.

Income Statement

Financial Year ending 31st March, 2017

	Plan	Actual	Variance	Plan	Actual	Variance
			\$	Mar-16	Mar-16	Mar-16
Interest Income	360,000	252,622	- 107,378	405,000	261,866	- 143,134
Interest Expenses	84,000	44,137	39,863	63,000	47,193	15,807
Net Interest Income	276,000	208,485	67,515	342,000	214,673	- 127,327
Non Interest Income	573,000	1,209,441	636,441	525,000	1,308,914	783,914
Net Operating income	849,000	1,417,926	568,926	867,000	1,523,587	656,587
Personnel	201,380	207,768	- 6,388	211,250	176,384	34,866
Depreciation	18,000	-	18,000	16,000	-	16,000
Operating	337,810	187,360	150,450	332,410	163,300	169,110
Total operating Expenses	557,190	395,128	162,062	559,660	339,684	219,976
Bad Debts Recovered	-	-	-	-	-	-
Operating Profit before tax	291,810	1,022,798	730,988	307,340	1,183,903	876,563
Income tax Expenses	87,543	306,839	- 219,296	92,202	355,171	- 262,969
Net profit for the period	204,267	715,959	511,692	215,138	828,732	613,594

Highlights for the period ending 31st March 2017 are as follows:

	Plan	Actual	variance	Plan 2016	Actual 2016	Variance
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Interest income from loans & investm	360.00	252.62	-107.378	405.00	261.87	-143.13
FX Trading	495.00	1107.26	612.26	450.00	1216.39	766.39
Non Risk fees	78.00	102.18	24.18	75.00	92.56	17.56
Int paid on savings and term deposits	84.00	44.14	39.86	63.00	47.21	15.79

Both categories of interest income fall short of the estimated figures. Interest income from our offshore investment keeps on decreasing because of the decline in the interest rate. Our lending is controlled now because of the fact that most of the deposits is Government based and the Government can always take out their funds overnight without prior advice that can lead the lending ratio to fall outside the recommended 75% of the total deposits. FX Trading still pooling more revenues than what was budgeted for but slightly lower than what was earned same period last year.

Expenditures

	Plan	Actual	Variance	Plan 2016	Actual 2016	Variance
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Personnel	201.38	176.38	25.00	211.25	176.38	34.87
Operating	337.81	163.30	174.51	332.41	163.30	169.11
Depreciation	18.00	0.00	18.00	16.00	0.00	16.00
Total	557.19	339.68	217.51	559.66	339.68	219.98

All categories of expenditures are within the budgeted figures.

Net Financing Cost

	Plan	Actual	Variance	Plan 2016	Actual 2016	Variance
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Interest Income						
Loans & Overdrafts	210.00	170.08	-39.92	285.00	186.08	-98.92
Investments	150.00	82.542	-67.46	120.00	75.79	-44.21
Total	360.00	252.622	-107.38	405.00	261.87	-143.13
Interest Expenses:						
interest paid Savings	30.00	0.03	29.97	21.00	0	-21.00
interest Term Deposits	39.00	33.874	5.13	30.00	33.99	3.99
interest paid others	15.00	10.234	4.77	12.00	13.2	1.20
	84.00	44.137	39.86	63.00	47.19	-15.81
Net Financing Cost	276.00	208.485	-67.52	342.00	214.68	-127.32

The actual Net Financing cost is below our targeted figure due mainly from the low level of interest income we received from both loans and offshore investments.

Ratio Analysis

	Bank Commission Standard	1st Qtr 2017 Current Period
Total Assets		70,120,016
Total Loans		14,356,615
Total Loans to Assets ratio	70 - 80%	20
Specific Provision		6,727,578
Ratio Specific Provision/ Total Loans	<5%	47
Net Loans		7,629,037
Savings & NBI		49,832,908
Term Deposits		6,486,876
Ratio: Total Deposits/Assets	70 - 80%	80

Cash		1,599,594
Ratio: Operating Liquidity Cash/ Assets	5 - 10%	2
Statutory Reserve		6,000,000
Ratio: Reserves/ Assets	>10%	9
Operating Liquidity		1,599,594
Ratio: Cash/Deposits	<5%	2.28
Operating Expenses		395,128
Ratio: Operating Expenses/ Assets	<5%	1
Net Income		1,022,798
Ratio: ROA Net Income/ Assets	1%	1.46
Total Capital		12,706,046
Ratio: Capital + Earnings + Reserves / Assets	>10%	20

Obviously, the Specific provision ratio of 47% exceeds the standard ratio of 5%. Reserves to Assets ratio needs to improve by injecting more funds to the reserve account. Otherwise all other ratios are all within the standard guideline.

Conclusion

The bank achieved a great profit in its first financial quarter and we anticipated the same for the remaining quarters.

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