

## UNAUDITED FINANCIAL RESULTS (QUARTERLY)

AS AT FOURTH QUARTER (32/03/2075) OF FISCAL YEAR 2074/075

As per NRB Directive No. 4

RS. IN '000

S.N.	PARTICULARS	THIS QUARTER ENDING	PREVIOUS QUARTER ENDING	CORRESPONDING PREVIOUS YEAR QUARTER ENDING
1.	<b>TOTAL CAPITAL AND LIABILITIES (1.1 TO 1.7)</b>	<b>117,956,580</b>	<b>113,730,095</b>	<b>108,502,198</b>
1.1	PAID UP CAPITAL	8,114,529	8,114,529	8,114,529
1.2	RESERVE AND SURPLUS	6,085,632	5,202,468	3,590,667
1.3	DEBENTURE AND BOND	600,000	600,000	600,000
1.4	BORROWINGS	-	-	40,000
1.5	DEPOSITS	99,743,045	96,324,191	92,881,114
1.6	A. DOMESTIC CURRENCY	91,303,978	88,679,583	84,096,096
1.7	B. FOREIGN CURRENCY	8,439,067	7,644,608	8,785,018
1.7	INCOME TAX LIABILITY	-	-	-
1.7	OTHER LIABILITIES	3,413,374	3,488,907	3,275,887
2.	<b>TOTAL ASSETS (2.1 TO 2.7)</b>	<b>117,956,580</b>	<b>113,730,095</b>	<b>108,502,198</b>
2.1	CASH AND BANK BALANCE	8,800,528	8,257,575	8,915,386
2.2	MONEY AT CALL AND SHORT NOTICE	500,000	-	-
2.3	INVESTMENTS	17,261,777	14,929,476	17,929,265
2.4	LOANS AND ADVANCES (GROSS)	86,846,646	85,456,212	77,640,977
2.4	a. Real Estate Loan	3,807,106	3,448,301	3,841,717
2.4	1. Residential Real Estate (except Personal Home Loan upto Rs. 15 Mil)	435,821	436,823	707,207
2.4	2. Business Complex & Residential Apartment Construction	364,498	349,057	251,183
2.4	3. Income Generating Commercial Complex Loan	590,904	612,696	630,343
2.4	4. Other Real Estate Loan (including Land Purchase & Plotting)	2,415,923	2,049,725	1,893,004
2.4	b. Personal Home Loan of Rs. 15 Mil or less	4,494,039	4,688,851	4,639,629
2.4	c. Margin Type Loan	1,344,048	1,434,444	2,465,737
2.4	d. Term Loan	14,262,980	13,798,256	12,793,117
2.4	e. Overdraft Loan/TR Loan/WC Loan	49,074,345	48,550,744	38,628,355
2.4	f. Others	13,864,128	13,535,616	15,632,424
2.5	FIXED ASSETS	2,222,677	2,221,142	2,175,899
2.6	NON BANKING ASSETS	-	-	-
2.7	OTHER ASSETS	2,324,952	2,865,690	1,840,677
3.	<b>PROFIT AND LOSS ACCOUNT</b>			
3.1	INTEREST INCOME	9,630,075	6,871,036	6,938,503
3.2	INTEREST EXPENSE	5,403,047	3,960,452	3,173,334
3.3	<b>A. NET INTEREST INCOME (3.1 - 3.2)</b>	<b>4,227,028</b>	<b>2,910,584</b>	<b>3,765,169</b>
3.3	FEES, COMMISSION AND DISCOUNT	693,151	474,033	713,468
3.4	OTHER OPERATING INCOME	157,099	97,790	129,518
3.5	FOREIGN EXCHANGE GAIN/LOSS (NET)	676,291	478,169	609,622
3.6	<b>B. TOTAL OPERATING INCOME (A+3.3+3.4+3.5)</b>	<b>5,753,569</b>	<b>3,960,576</b>	<b>5,216,756</b>
3.7	STAFF EXPENSES	1,057,831	829,689	1,081,611
3.8	OTHER OPERATING EXPENSES	927,212	645,415	849,631
3.8	<b>C. OPERATING PROFIT BEFORE PROVISION (B-3.6-3.7)</b>	<b>3,768,526</b>	<b>2,485,472</b>	<b>3,285,514</b>
3.8	PROVISION FOR POSSIBLE LOSSES (Net)	1,111,665	359,112	835,753
3.9	<b>D. OPERATING PROFIT (C - 3.8)</b>	<b>2,656,861</b>	<b>2,126,360</b>	<b>2,449,761</b>
3.9	NON OPERATING INCOME / EXPENSES (NET)	69,981	47,179	26,807
3.10	WRITE BACK OF PROVISION FOR POSSIBLE LOSSES	1,079,040	272,224	933,017
3.10	<b>E. PROFIT FROM REGULAR ACTIVITIES (D + 3.9 + 3.10)</b>	<b>3,805,882</b>	<b>2,445,763</b>	<b>3,409,585</b>
3.11	EXTRAORDINARY INCOME / EXPENSES (NET)	-55,461	7,119	2,294
3.11	<b>F. PROFIT BEFORE BONUS AND TAXES (E + 3.11)</b>	<b>3,750,421</b>	<b>2,452,882</b>	<b>3,411,879</b>
3.12	PROVISION FOR STAFF BONUS	340,947	222,989	310,171
3.13	PROVISION FOR TAX	934,884	618,091	923,473
3.13	<b>G. NET PROFIT / LOSS (F - 3.12 - 3.13)</b>	<b>2,474,590</b>	<b>1,611,802</b>	<b>2,178,235</b>
4.	<b>RATIOS</b>			
4.1	CAPITAL FUND TO RWA	13.03	12.44	12.23
4.2	NON PERFORMING LOAN (NPL) TO TOTAL LOAN	0.98	1.19	0.87
4.3	TOTAL LOAN LOSS PROVISION TO TOTAL NPL	184.52	158.38	186.55
4.4	COST OF FUNDS	6.42	6.35	3.99
4.5	CREDIT TO DEPOSIT RATIO (As per NRB Directives without temporary relaxation relating to productive sector)	77.02	78.74	79.07
4.6	Base Rate	9.66	9.42	9.57
5.	<b>ADDITIONAL INFORMATION</b>			
5.1	AVERAGE YIELD	10.52	10.34	8.43
5.2	NET INTEREST SPREAD	4.09	4.00	4.44
5.3	AVERAGE INTEREST SPREAD (As per NRB Directives)	4.70	4.55	4.73
5.4	RETURN ON EQUITY - ROE	19.10	17.18	21.24
5.5	RETURN ON ASSETS - ROA	2.19	1.93	2.09

## Securities Registration and IssueRegulation 2073, (Rule # 26 (1), Annex -14)

## Related Party Disclosure:

Habb Bank Ltd. is a joint venture partner of the bank holding 20% of share capital. The bank maintains nostro account as well as makes placements at an arm's length with the joint venture partner in the course of normal business transactions. The bank has rented premises belonging to KarmachariSanchayaKosh, which holds 14% of share capital of the bank for the purpose of conducting business.

## 1. Major Indicators:

Particulars	As per NRB Directive	As per NFRS
Earning Per Share	30.50	32.81
Price Earning Ratio	18.07	16.80
Networth per share	175.00	190.33
Assets per Share	1,453.65	1,517.53
Liquidity (As per NRB)	23.05	

## 2. Management Analysis:

- Results of fourth quarter reveal that the profitability of the Bank is satisfactory given the business environment; and the same is likely to improve in the last quarter of the financial year.
- Considering the trust of the Customers, the Bank is doing the needful to enhance its service standards, explore launching of new products and services, strengthening network, leverage out on the technology and work on solicitation of new business.

## 3. Details pertaining to legal action:

- No legal suit (having major impact on banking operation) has been filed by or against the organization during the review quarter period. However, a legal suit in relation to a performance bond guarantee issued by the bank involving a substantial amount is ongoing in Kathmandu District Court and a court in China. The amount under the said guarantee has already been paid to the beneficiary.
- No legal suit related to criminal activity has been filed by or against the directors and promoters of the Bank during the period.
- No legal suit has been filed against any director of the organization for any kind actions related to financial crime.

## 4. Analysis pertaining to share transactions of the organization:

- Since shares of the organization are traded on the basis of the trust of investors towards the organization and analysis of its returns, no major fluctuations are noted in the share price of the Bank and there has been satisfactory trading of shares in the capital market.
- Maximum share price, minimum share price, last share price and total number of share trading days for the Bank are as follows:

*As published in the website of Nepal Stock Exchange	
Maximum Share Price	: 682
Minimum Share Price	: 535
Last Share Price	: 551
Total no. of transaction days	: 62
Total units of shares traded	: 121,523

## 5. Problems and Challenges:

The Bank has considered the following domestic and international impediments as its problems and challenges:

- Risk concentration on both asset and liability sides has increased owing to lack of adequate business sectors
- The market is still overcrowded with financial institutions with intensified competition
- Rise in inflation
- Lack of basic infrastructure such as roadways, connectivity, energy
- Policy uncertainties hence warding off investments
- Depressive global economy leading to slow down in remittance growth
- The continued effect of substantial increase in cost of fund
- The constraint faced by the industry as regards loanable fund

## 6. Corporate Governance

## ● Board of Directors:

Committees like Risk Management Committee, Human Resources Committee, AMI / CFT Committee, Management Credit Committee, Assets Liabilities Management Committee have been constituted to carry out banking operations related decisions and these committees have been actively involved in major policy/plans related decisions.

## ● Internal Control System:

In order to strengthen the internal control mechanism of the Bank, a separate independent internal audit department has been established. The internal audit department carries out audit of various departments on a continuous manner and makes necessary recommendations to the Audit Committee. Accordingly, Audit Committee holds regular meetings to analyze the recommendations and bring about necessary changes.

## ● Internal policies, regulations and directives:

In order to carry out various functionalities smoothly and to mitigate risks emanating from business functions, the Bank has instituted a sound operations system. All activities of the Bank are guided by strong internal policies. The Bank has a system to monitor compliance with all regulatory and statutory requirements.

## 7. Declaration of true and fair status by CEO:

I hereby declare that all the information provided in this document is true, complete and factual and that I take personal responsibility to any deviations thereof. I also declare that the Bank's information or data that assists investors make their investment decisions have not been concealed in any way.

NFRS Compliant Financial Statements as required under NRB circulars

RS. IN '000

Statement of Financial Position	This Quarter Ending	Previous Quarter Ending	Corresponding Previous Quarter Ending
<b>Assets</b>			
Cash and Cash Equivalent	4,411,268	3,640,630	2,774,379
Due from NRB and placements with BFs	10,148,824	8,399,985	14,373,148
Loans and Advances	87,407,345	85,931,771	78,482,420
Investment Securities	12,253,434	11,169,594	9,647,582
Investments in Subsidiaries and Associates	195,786	195,786	195,786
Goodwill and Intangible Assets	85,853	65,991	76,026
Other Assets	8,907,829	9,138,677	7,467,786
<b>Total Assets</b>	<b>123,140,339</b>	<b>118,542,434</b>	<b>113,017,127</b>
<b>Capital and Liabilities</b>			
Paid Up Capital	8,114,529	8,114,529	6,491,624
Reserves and surplus	7,329,724	6,539,375	6,560,873
Deposits	99,743,045	96,324,191	92,881,114
Borrowings	-	-	40,000
Bond and Debenture	600,000	600,000	600,000
Other Liabilities and Provisions	7,353,041	6,964,339	6,443,516
<b>Total Capital and Liabilities</b>	<b>123,140,339</b>	<b>118,542,434</b>	<b>113,017,127</b>
<b>Statement of Profit or Loss</b>	<b>Upto this Quarter</b>	<b>Upto this Previous Quarter</b>	<b>Upto Corresponding Previous Quarter</b>
Interest Income	9,846,232	7,163,505	7,106,676
Interest Expense	(5,403,047)	(3,960,452)	(3,173,334)
<b>Net Interest Income</b>	<b>4,443,185</b>	<b>3,203,053</b>	<b>3,933,342</b>
Fee and Commission Income	772,038	525,713	784,150
Fee and Commission Expenses	(86,584)	(58,192)	(64,852)
<b>Net Fee and Commission Income</b>	<b>685,454</b>	<b>467,522</b>	<b>719,298</b>
Other Operating Income	1,053,847	641,020	694,245
<b>Total Operating Income</b>	<b>6,182,486</b>	<b>4,311,595</b>	<b>5,346,885</b>
Impairment (Charges)/reversal for Loans and Other losses	(44,385)	(302,101)	(123,457)
<b>Net Operating Income</b>	<b>6,138,101</b>	<b>4,009,494</b>	<b>5,223,428</b>
Personnel Expenses	(1,580,168)	(1,140,637)	(1,404,683)
Other Operating Expenses	(840,455)	(587,139)	(784,705)
<b>Operating Profit</b>	<b>3,717,478</b>	<b>2,281,719</b>	<b>3,034,040</b>
Non Operating Income/(expense)	(55,461)	7,119	2,294
<b>Profit before Tax</b>	<b>3,662,017</b>	<b>2,288,837</b>	<b>3,036,334</b>
Income Tax	(1,047,396)	(615,061)	(798,158)
<b>Profit/(loss) for the period</b>	<b>2,614,621</b>	<b>1,673,776</b>	<b>2,238,176</b>
Other comprehensive income	47,482	21,419	14,441
<b>Total Comprehensive Income</b>	<b>2,662,104</b>	<b>1,695,196</b>	<b>2,252,617</b>
<b>Distributable Profit</b>			
<b>Net profit/(loss) as per profit or loss</b>	<b>2,614,621</b>	<b>1,673,776</b>	<b>2,238,176</b>
Add/Less: Regulatory adjustment as per NRB Directive	(140,031)	(61,976)	(59,941)
<b>Free profit/(loss) after regulatory adjustments</b>	<b>2,474,590</b>	<b>1,611,800</b>	<b>2,178,235</b>
<b>Ratios</b>			
CAPITAL FUND TO RWA	13.03	12.44	12.23
NON PERFORMING LOAN (NPL) TO TOTAL LOAN (As per NRB Directive)	0.98	1.19	0.87
TOTAL LOAN LOSS PROVISION TO TOTAL NPL (As per NRB Directive)	184.52	158.38	186.55
COST OF FUNDS	6.42	6.35	3.99
CREDIT TO DEPOSIT RATIO (As per NRB Directive)	77.02	78.74	79.07
Base Rate	9.66	9.42	9.57
Basic Earning Per Share	32.81	20.89	34.70
Diluted Earning Per Share	32.81	20.89	34.70

## Notes:

- The previous period figures have been regrouped & reclassified to ensure compliance with requirements under NFRS.
- Reserves have been created as per requirements specified by NRB
- Property, Plant & Equipments are included in other assets as per the format prescribed by NRB
- Liability of the bank towards leave encashment & gratuity has been assessed under actuarial valuation.
- Impairment on loans & Advances has been individually assessed for significant accounts & the remaining have been tested under collective impairment.
- The above figures are subject to change if instructed otherwise by the Statutory Auditors or the Supervising Authority.

## Reconciliation of Net Profit under NRB Directive No 4 and NFRS Compliant Financial Statements

Rs in '000

Particulars	This Quarter Ending
<b>Profit after Tax as per NRB Directive number 4</b>	<b>2,474,590</b>
Additional Interest Recognition	82,196
Fair Value Recognition on Staff Loan	133,699
Amortization of Prepaid Employee Benefits	(133,699)
Increment in Personnel Expense	(47,690)
Reversal of NRB Provision	324,064
Impairment Under NFRS :Charge-)/(reversal(+)	(106,460)
Deferred Tax on Above Adjustments	(112,512)
Other adjustments due to NFRS	436
<b>Profit after Tax based on NFRS</b>	<b>2,614,621</b>

## Segmental Reporting:

Segmental reporting has been prepared on the basis of operation of the bank in various provinces of the country; however, operation of corporate office and other profit centers have been separately shown. Data have been compiled and presented under various segment to the extent possible.

RS. IN '000

	Province							Head Office and Other Profit Centers	Total
	1	2	3	4	5	6	7		
Property, Plant & Equipments	83,348	29,125	149,296	60,674	48,675	6,750	13,102	1,868,858	2,289,828
Net Interest Income	574,632	654,296	1,469,507	87,533	1,176,114	(473)	135,433	346,142	4,443,185
Deposits	3,751,906	1,869,199	82,329,965	2,863,851	5,066,235	41,855	284,316	3,535,719	99,743,045
Gross Loans & Advances	7,195,986	10,162,004	54,624,896	1,682,322	13,109,185	12,410	1,242,217	47,318	88,076,337
Impairment of Loans and Advances	-	-	-	-	-	-	-	-	(668,993)
Loans & Advances (Net of Impairment)	-	-	-	-	-	-	-	-	87,407,345