



Unaudited Financial Results (Quarterly)

Second Quarter ended of Fiscal Year 2075/2076

Rs in '000

| Statement of Financial Position | This Quarter Ending | Previous Quarter Ending | Corresponding Previous Quarter Ending |
|--|---------------------|-------------------------|---------------------------------------|
| Assets | | | |
| Cash and Cash Equivalent | 6,524,454 | 4,119,172 | 3,551,818 |
| Due from NRB and placements with BFls | 8,859,439 | 8,834,568 | 9,482,077 |
| Loans and Advances | 98,836,632 | 94,240,786 | 82,085,507 |
| Investment Securities | 10,807,973 | 12,064,624 | 10,878,846 |
| Investments in Subsidiaries and Associates | 195,786 | 195,786 | 195,786 |
| Goodwill and Intangible Assets | 79,668 | 87,902 | 66,044 |
| Other Assets | 4,045,458 | 4,113,892 | 3,823,321 |
| Total Assets | 129,349,410 | 123,656,730 | 110,083,399 |
| Capital and Liabilities | | | |
| Paid Up Capital | 8,520,256 | 8,114,529 | 8,114,529 |
| Reserves and surplus | 6,066,040 | 6,893,602 | 4,696,545 |
| Deposits | 106,107,324 | 102,459,114 | 92,634,974 |
| Borrowings | - | - | - |
| Bond and Debenture | 627,374 | 606,428 | 627,223 |
| Other Liabilities and Provisions | 8,028,416 | 5,583,057 | 4,010,128 |
| Total Capital and Liabilities | 129,349,410 | 123,656,730 | 110,083,399 |

| Statement of Profit or Loss | Upto this Quarter | Upto this Previous Quarter | Upto Corresponding Previous Quarter |
|--|-------------------|----------------------------|-------------------------------------|
| Interest Income | 5,572,143 | 2,811,403 | 4,506,780 |
| Interest Expense | (3,078,705) | (1,498,599) | (2,637,273) |
| Net Interest Income | 2,493,438 | 1,312,805 | 1,869,507 |
| Fee and Commission Income | 394,349 | 205,030 | 309,739 |
| Fee and Commission Expenses | (35,006) | (18,159) | (32,042) |
| Net Fee and Commission Income | 359,343 | 186,871 | 277,697 |
| Other Operating Income | 456,629 | 259,541 | 431,025 |
| Total Operating Income | 3,309,410 | 1,769,217 | 2,578,229 |
| Impairment (charges)/reversal for Loans and Other losses | (186,398) | (261,899) | (8,393) |
| Net Operating Income | 3,123,012 | 1,497,318 | 2,569,836 |
| Personnel Expenses | (753,644) | (377,412) | (666,848) |
| Other Operating Expenses | (418,966) | (193,676) | (382,733) |
| Operating Profit | 1,950,402 | 928,230 | 1,520,255 |
| Non Operating income/(expense) | 1,950 | 1,950 | 46,002 |
| Profit before Tax | 1,952,352 | 928,179 | 1,566,257 |
| Income Tax | (585,309) | (278,520) | (460,380) |
| Profit/(loss) for the period | 1,367,043 | 649,659 | 1,105,877 |
| Other comprehensive income | (12,633) | (6,397) | - |
| Total Comprehensive Income | 1,354,410 | 643,262 | 1,105,877 |

| | | | |
|--|------------------|----------------|------------------|
| Distributable Profit | | | |
| Net profit/(loss) as per profit or loss | 1,367,043 | 649,659 | 1,105,877 |
| Add/Less: Regulatory adjustment as per NRB Directive | (205,872) | (173,794) | - |
| Free profit/(loss) after regulatory adjustments | 1,161,171 | 475,865 | 1,105,877 |
| Ratios | | | |
| CAPITAL FUND TO RWA | 11.36 | 12.24 | 12.38 |
| NON PERFORMING LOAN (NPL) TO TOTAL LOAN (As per NRB Directive) | 1.25 | 1.46 | 1.32 |
| TOTAL LOAN LOSS PROVISION TO TOTAL NPL (As per NRB Directive) | 170.45 | 143.72 | 133.74 |
| COST OF FUNDS | 6.73 | 6.14 | 6.38 |
| CREDIT TO DEPOSIT RATIO (As per NRB Directive) | 78.45 | 78.77 | 79.30 |
| Base Rate | 9.11 | 9.22 | 9.35 |
| Basic Earning Per Share | 32.09 | 32.02 | 27.26 |
| Diluted Earning Per Share | 32.09 | 32.02 | 27.26 |

Notes to Unaudited Financial Statement:

- Above financials have been prepared in accordance with Nepal Financial Reporting Standard, Carve-outs issued by Institute of Chartered Accountants of Nepal and the guidelines of the Regulator.
- The bank has not restated corresponding previous quarter end figures. However figures have been reclassified/regrouped as per NFERS.
- Bank has assessed and measured impairment on loan and advances as the higher of Loan Loss Provision prescribed by Nepal Rastra Bank and amount determined as per Para 63 of NAS 39.
- Liability of the bank towards leave encashment and gratuity for the current quarter has been estimated through estimated actuarial valuation and may vary from the final report issued by the actuary at the year end.
- Other Assets includes Property, Plant & Equipment and Investment properties.
- Investment in associate are accounted at cost considering the carve-out issued by ICAN for Para 35 of NAS 28.
- The above figures are subject to change if instructed otherwise by the Statutory auditors or the Supervising authority.

Segmental Reporting:

The Bank has branches operating in different provinces across the country. The Bank has therefore identified reporting segments on the basis of provinces in which the branches are located. However, two independent profit centers, namely, Remittance Center and Card Center have been reported as a separate segment along with the Corporate Office.

| (Rs.'000) | | | | | | | | | |
|----------------------------------|------------------|-------------------|-------------------|------------------|-------------------|----------------|------------------|-------------------------------------|--------------------|
| Particulars/Province | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Head Office and other profit center | Total |
| Deposit * | 3,848,057 | 2,096,583 | 90,687,692 | 3,933,341 | 5,259,488 | 75,248 | 307,283 | 3,036,816 | 109,244,508 |
| Gross Loan and Advances** | 7,959,950 | 12,089,108 | 60,230,379 | 2,535,646 | 15,296,430 | 37,426 | 1,305,560 | 80,712 | 99,535,211 |
| Less: Impairment | (106,040) | (122,305) | (1,654,293) | (27,884) | (166,562) | (374) | (13,440) | (22,221) | (2,113,119) |
| Net Loan and Advances | 7,853,910 | 11,966,803 | 58,576,086 | 2,507,762 | 15,129,868 | 37,052 | 1,292,120 | 58,491 | 97,422,092 |
| Fixed Assets | 110,596 | 34,312 | 140,655 | 65,382 | 50,028 | 7,229 | 12,116 | 1,902,670 | 2,322,988 |
| Net Interest Income | 327,132 | 478,683 | 606,976 | 57,018 | 685,497 | 324 | 66,726 | 271,082 | 2,493,438 |
| Profit Before Tax | 110,364 | 99,411 | 1,370,396 | 83,632 | 231,053 | (2,886) | 9,324 | 51,058 | 1,952,352 |
| Income Tax Expense | | | | | | | | | (585,309) |
| Net Profit for the Period | | | | | | | | | 1,367,043 |

*Deposit includes deposit from Customers & Bank and Financial Institutions.

**Gross Loan and Advances includes loan and advances to Customers and Bank & Financial Institution excluding Accrued interest.

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

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Related Party Disclosure:

Habib 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 Habib Bank Limited in the course of normal business transactions. The bank has rented premises belonging to Karmachari Sanchaya Kosh, which holds 14% of share capital of the bank for the purpose of conducting business.

Major Indicators:

| | |
|-----------------------|------------|
| Earning per share | : 32.09 |
| P/E Ratio of the Bank | : 17.64 |
| Net worth per share | : 171.20 |
| Assets per share | : 1,518.14 |
| Liquidity ratio | : 20.43 |

2. Management Analysis:

- Results of second quarter reveal that the profitability of the Bank is satisfactory given the business environment; and the same is likely to improve in the coming quarters 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 | : 566 |
| Minimum Share Price | : 449 |
| Last Share Price | : 456 |
| Total no. of transaction days | : 60 |
| Total units of shares traded | : 111,341 |

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, AML / CFT Committee, Management Credit Committee, Assets Liabilities Management Committee and other management level risk committees have been constituted to carry out banking operations 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 installed a sound operations system. All activities of the Bank are guided by strong internal policies, manuals and guidelines which are reviewed on a regular basis to address new developments / requirements. 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.