HBL — हिमालयन बैंक लिमिटेड Himalayan Bank Ltd.

Unaudited Financial Results

Condensed Consolidated Statement of Financial Position As on Quarter ended 30th Aswin 2081

Amount in NPR

Particulars	Group		Bank	
	This Quarter Ending	Immediate Previous Year Ending	This Quarter Ending	Immediate Previous Year Ending
Assets				
Cash and Cash Equivalents	13,513,862,941	8,630,520,662	12,966,465,217	8,097,764,536
Due from Nepal Rastra Bank	61,028,518,236	35,709,946,565	61,005,518,236	35,686,946,565
Placements with Bank and Financial Institutions	15,249,398,189	10,513,504,126	15,222,314,746	10,501,751,116
Derivative financial instruments	85,195,646	26,241,227	85,195,646	26,241,227
Other trading assets	62,819,798	69,783,925	-	-
Loans & Advances to B/FIs	9,017,414,773	9,549,675,721	10,006,428,125	10,098,880,969
Loans & Advances to Customers	232,815,239,623	235,786,294,464	228,841,432,011	232,499,987,389
Investment Securities	45,996,407,593	42,788,959,119	45,190,100,650	42,143,258,878
Current Tax Assets	107,583,617	394,032,846	98,123,149	379,749,807
Investments in subsidiaries	-	-	1,060,063,200	1,060,063,200
Investments in Associates	1,746,010,614	1,746,010,614	190,929,197	190,929,197
Investment Property	3,289,610,876	2,414,932,072	3,289,610,876	2,414,932,072
Property & Equipment	8,315,138,985	8,219,119,809	8,212,291,061	8,170,594,187
Goodwill and Intangible Assets	986,674,944	986,260,215	983,652,281	983,141,792
Deferred Tax Assets	941,059,695	942,253,759	902,973,902	932,198,466
Other Assets	5,073,868,343	4,491,859,443	4,690,271,237	4,153,385,696
Total Assets	**398,228,803,873**	**362,269,394,567**	**392,745,369,534**	**357,339,825,097**
Liabilities				
Due to Bank and Financial Institutions	5,187,396,265	3,825,779,953	5,187,396,265	3,825,779,953
Due to Nepal Rastra Bank	-	-	-	-
Derivative financial instruments	83,681,067	13,851,829	83,681,067	13,851,829
Deposits from Customers	325,710,984,154	293,486,417,738	326,094,191,328	293,899,590,309
Borrowing	2,670,805,242	2,310,265,550	-	-
Current Tax Liabilities	-	-	-	-
Provisions	-	-	-	-
Deferred Tax Liabilities	-	-	-	-
Other Liabilities	15,241,405,561	13,973,796,617	14,213,715,987	13,036,017,371
Debt Securities Issued	8,253,990,503	8,384,143,498	8,253,990,503	8,384,143,498
Subordinated Liabilities	-	-	-	-
Total Liabilities	**357,148,262,792**	**321,994,255,185**	**353,832,975,150**	**319,159,382,960**
Equity				
Share Capital	21,656,615,632	21,656,615,632	21,656,615,632	21,656,615,632
Share Premium	-	-	-	-
Retained Earnings	(1,602,281,596)	(4,009,081,662)	(3,484,437,089)	(5,824,597,531)
Reserves	20,755,521,268	22,364,299,694	20,740,215,841	22,348,424,036
Total Equity attributable to Equity Holders	**40,809,855,304**	**40,011,833,664**	**38,912,394,384**	**38,180,442,137**
Non- Controlling Interest	**270,685,777**	**263,305,718**	**-**	**-**
Total Equity	**41,080,541,081**	**40,275,139,382**	**38,912,394,384**	**38,180,442,137**
Total Liabilities and Equity	**398,228,803,873**	**362,269,394,567**	**392,745,369,534**	**357,339,825,097**

Condensed Consolidated Statement of Profit or Loss For the Quarter ended 30th Aswin 2081

Amount in NPR

Particulars	Group				Bank			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Interest Income	7,721,140,874	7,721,140,874	9,616,876,210	9,616,876,210	7,581,371,508	7,581,371,508	9,432,268,065	9,432,268,065
Interest Expense	5,180,159,841	5,180,159,841	6,348,376,236	6,348,376,236	5,130,425,954	5,130,425,954	6,254,346,248	6,254,346,248
Net interest income	**2,540,981,033**	**2,540,981,033**	**3,268,499,974**	**3,268,499,974**	**2,450,945,554**	**2,450,945,554**	**3,177,921,817**	**3,177,921,817**
Fee and Commission Income	348,458,394	348,458,394	360,404,321	360,404,321	291,773,978	291,773,978	327,840,647	327,840,647
Fee and Commission Expenses	49,112,035	49,112,035	36,692,493	36,692,493	44,945,500	44,945,500	35,115,175	35,115,175
Net Fee and Commission Income	**299,346,359**	**299,346,359**	**323,711,828**	**323,711,828**	**246,828,478**	**246,828,478**	**292,725,472**	**292,725,472**
Net interest, fee and commission income	**2,840,327,392**	**2,840,327,392**	**3,592,211,802**	**3,592,211,802**	**2,697,774,032**	**2,697,774,032**	**3,470,647,289**	**3,470,647,289**
Net Trading Income	100,276,900	100,276,900	102,424,845	102,424,845	98,317,019	98,317,019	103,063,284	103,063,284
Other Operating Income	60,627,227	60,627,227	16,829,344	16,829,344	40,504,327	40,504,327	11,821,772	11,821,772
Total Operating Income	**3,001,231,519**	**3,001,231,519**	**3,711,465,991**	**3,711,465,991**	**2,836,595,378**	**2,836,595,378**	**3,585,532,345**	**3,585,532,345**
Impairment charges/(reversal) for Loans and Other losses	(321,328,144)	(321,328,144)	762,940,209	762,940,209	(322,501,737)	(322,501,737)	756,622,300	756,622,300
Net operating income	**3,322,559,663**	**3,322,559,663**	**2,948,525,782**	**2,948,525,782**	**3,159,097,115**	**3,159,097,115**	**2,828,910,045**	**2,828,910,045**
Operating expense		-		-		-		-
Personnel Expenses	927,810,291	927,810,291	840,147,283	840,147,283	865,389,803	865,389,803	786,673,529	786,673,529
Other Operating Expenses	412,851,632	412,851,632	462,333,355	462,333,355	390,099,605	390,099,605	439,007,071	439,007,071
Depreciation & Amortisation	95,475,064	95,475,064	101,154,928	101,154,928	90,532,595	90,532,595	95,159,005	95,159,005
Operating Profit	**1,886,422,676**	**1,886,422,676**	**1,544,890,216**	**1,544,890,216**	**1,813,075,112**	**1,813,075,112**	**1,508,070,440**	**1,508,070,440**
Non operating income	377,264	377,264	763,293	763,293	377,264	377,264	763,293	763,293
Non operating expense	774,963,917	774,963,917	-	-	774,963,917	774,963,917	-	-
Profit before income tax	**1,111,836,023**	**1,111,836,023**	**1,545,653,509**	**1,545,653,509**	**1,038,488,459**	**1,038,488,459**	**1,508,833,733**	**1,508,833,733**
Income Tax Expense								
Current Tax	307,200,940	307,200,940	436,899,445	436,899,445	285,196,671	285,196,671	425,791,064	425,791,064
Deferred Tax	25,920,285	25,920,285	27,218,520	27,218,520	26,859,056	26,859,056	26,859,056	26,859,056
Profit\ (Loss) for the period	**778,714,798**	**778,714,798**	**1,081,535,544**	**1,081,535,544**	**726,432,732**	**726,432,732**	**1,056,183,613**	**1,056,183,613**

Condensed Consolidated Statement of Comprehensive Income

Profit/(Loss) for the Period	778,714,798	778,714,798	1,081,535,544	1,081,535,544	726,432,732	726,432,732	1,056,183,613	1,056,183,613
Other Comprehensive Income	4,949,286	4,949,286	(49,108,429)	(49,108,429)	5,519,516	5,519,516	(42,354,291)	(42,354,291)
Total Comprehensive Income	**783,664,084**	**783,664,084**	**1,032,427,115**	**1,032,427,115**	**731,952,248**	**731,952,248**	**1,013,829,322**	**1,013,829,322**
Basic Earning Per Share		14.38		19.98		13.42		19.51
Diluted Earning Per Share		14.38		19.98		13.42		19.51
Profit attributable to:								
Equity holders of the Bank	776,284,025	776,284,025	1,031,167,214	1,031,167,214	731,952,248	731,952,248	1,013,829,322	1,013,829,322
Non-Controlling Interest	7,380,059	7,380,059	1,259,901	1,259,901	-	-	-	-
Total	**783,664,084**	**783,664,084**	**1,032,427,115**	**1,032,427,115**	**731,952,248**	**731,952,248**	**1,013,829,322**	**1,013,829,322**

Ratios as per NRB Directive

Particulars	Group				Bank			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Capital fund to RWA						12.21		12.41
Tier 1 Capital to RWA						9.19		9.43
CET 1 Capital to RWA						9.19		9.43
Return on Equity						7.54		11.62
Return on Assets						0.77		1.25
Non-performing loan (NPL) to total loan						4.98		4.67
Total loan loss provision to Total NPL						130.41		96.45
Cost of Funds						6.22		8.72
Credit to Deposit Ratio (Average for the month)						74.07		84.39
Base Rate (Average)						8.35		10.86
Interest Rate Spread						3.95		4.86

Statement of Distributable Profit As on Quarter Ending 30th Aswin 2081

Amount in NPR

Particulars	Current Year Upto This Qtr YTD	Previous Year Corresponding Qtr YTD
Net profit or (loss) as per statement of profit or loss	**726,432,732**	**1,056,183,613**
Appropriations:		
a. General reserve	(145,286,546)	(211,236,723)
b. Foreign exchange fluctuation fund	-	-
c. Capital redemption reserve	(218,750,000)	(218,750,000)
d. Corporate social responsibility fund	(6,436,477)	(9,124,501)
e. Employees' training fund	-	-
f. Other	-	-
Profit or (loss) before regulatory adjustment	**355,959,709**	**617,072,389**
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	56,233,809	(1,680,519,006)
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 (+)	(115,832,128)	(99,302,917)
e. Deferred tax assets recognised (-)/ reversal (+)	2,043,799,053	-
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Acturial loss recognised (-)/reversal (+)	-	-
i. Other (+/-)	-	-
Net Profit for the first Qtr end available for Distribution	**2,340,160,443**	**(1,162,749,534)**
Opening Retained Earning As on Shrawan 1	**(5,824,597,532)**	**(695,672,397)**
Adjustment (+/-)	-	
Distribution		
Bonus Shares Issued	-	-
Cash Dividend Paid	-	-
Total Distributable Profit or (Loss) as on Qtr end	**(3,484,437,089)**	**(1,858,421,932)**
Annualized Distributable Profit/Loss per share	**-**	**-**

Notes to Unaudited Financial Statement:

1. 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 except for NFRS 9.
2. Group includes Himalayan Capital Limited,Himalayan Laghubitta Bittiya Sanstha Limited, Himalayan Securities Limited. Intercompany Transactions have been eliminated while preparing group financial statements.
3. Prior period figures have been reclassified/regrouped/restated to make them comparable.
4. Bank has assessed and measured impairment on loan and advances under rules prescribed by Nepal Rastra Bank. Bank is in the process of implementation of ECL, however it is expected that impairment under NRB rules will be higher than impairment under ECL.
5. Investment in associate are accounted at cost while preparing standalone financial statement of the bank. In presenting the group position, associates have been accounted using equity method based on last audited financial statements. Similarly, performance of subsidiaries Himalayan Capital Limited, Himalayan Laghubitta Bittiya Sanstha Limited, Himalayan Securities Limited have been included in the group financials on the basis of unaudited quarterly results.
6. Accured Interest for the quarter on non performing loans has been suspended using the best possible estimate.
7. The above figures are subject to change if instructed otherwise by the Statutory auditors or the Supervising authority.
8. Detailed interim report is available in the Bank's website.

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

1st Quarter Report, F.Y 2081/82

1. **Related Party Disclosure:**
   Habib Bank Ltd. is now a foreign investment partner of the bank holding 12.93% of share capital (20% prior to acquisition of Civil Bank Limited). 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 leased premises at New Baneshwor and Battisputali which come under the purview of related party transaction, however these agreements have been done at an arm's length. Himalayan Capital Limited and Himalayan Securities Limited are subsidiary of the bank operating from premises jointly leased with the bank. The bank holds 92.5% shares in Himalayan Capital Limited and 51% shares in Himalayan Laghubitta Bittiya Sansthan Limited whereas Himalayan Securities Limited is a wholly owned subsidiary of the bank. The bank has been conducting business with its subsidiaries under fair market terms.
2. **Major Indicators:**

Earnings per share	:	13.42
P/E Ratio of the Bank	:	20.65
Net worth per share	:	179.68
Assets per share	:	1,813.51
Liquidity ratio	:	35.94

3. **Management Analysis:**
   a. A substantial amount has been blocked in provision for possible losses on loans and advances which has adversely affected profitability for the quarter. With visible positive indication in business and economic conditions, the performance of the bank is expected to improve in the coming quarters and major portion of provision provided during the quarter and earlier period is likely to be reversed.
   b. NFRS 9 on financial instrument has become mandatory from the current financial year. The bank is in the process of implementation of the same and it is likely to affect impairment charges as well as interest income being recognized in the books under the existing practice.
   c. 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.
4. **Details pertaining to legal action:**
   a. No legal suit (having major impact on banking operation) has been filed by or against the organization during the review quarter period.
   b. No legal suit related to criminal activity has been filed by or against the directors and promoters of the Bank during the period.
   c. No legal suit has been filed against any director of the organization for any kind of actions related to financial crime.
5. **Analysis pertaining to share transactions of the organization:**
   a. Maximum share price, minimum share price, last share price and total number of share trading days for the Bank during the quarter are as follows:
   *As published in the website of Nepal Stock Exchange

Maximum Share Price	:	312.10
Minimum Share Price	:	203.00
Last Share Price	:	277.00
Total no. of transaction days	:	57
Total units of shares traded	:	10,449,711

6. **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 and also affecting core business activities of the bank.
   - Cut-throat competition in the remittance sector
   - The continued effect of pressure to lower the lending rates with cost of fund still on higher side.
   - Changes possible in the regulation regarding interest spread, directed lending, capital requirement, Credit to Deposit ratio, interest rates, base rate etc which is a challenge in perceiving long term approach.
   - Parking of substantial portion of interest income in regulatory reserve thereby limiting the distributable profit
   - Management of NPL and NBA in the present difficult industry and economic environment.
7. **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 instilled 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.
8. **Declaration of true and fair status by Officiating 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.