HBL Himalayan Bank Ltd.

Unaudited Financial Results

Condensed Consolidated Statement of Financial Position
As on Quarter ended 31st Chaitra 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	15,755,096,076	8,632,772,404	15,334,514,402	8,097,764,536
Due from Nepal Rastra Bank	21,830,177,345	35,709,946,565	21,806,177,345	35,686,946,565
Placements with Bank and Financial Institutions	21,495,678,543	10,513,504,126	21,477,996,834	10,501,751,116
Derivative financial instruments	184,682,997	26,241,227	184,682,997	26,241,227
Other trading assets	64,996,644	69,783,925	-	-
Loans & Advances to B/FIs	8,315,376,030	9,549,675,721	9,790,477,988	10,098,880,969
Loans & Advances to Customers	238,180,300,095	233,511,517,311	233,534,866,447	230,239,742,835
Investment Securities	43,984,211,756	42,788,959,119	43,153,744,367	42,143,258,878
Current Tax Assets	418,809,150	321,141,028	426,114,721	297,962,785
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	5,143,519,667	2,414,932,072	5,143,519,667	2,414,932,072
Property & Equipment	8,357,637,096	8,277,146,893	8,182,501,860	8,170,594,187
Goodwill and Intangible Assets	984,083,650	986,260,215	981,017,064	983,141,792
Deferred Tax Assets	2,750,569,361	1,711,029,557	2,708,820,040	1,670,219,007
Other Assets	5,068,238,801	4,500,535,052	4,429,689,215	4,153,385,695
Total Assets	**374,279,387,825**	**360,759,455,829**	**368,405,115,344**	**355,735,814,061**
Liabilities				
Due to Bank and Financial Institutions	6,691,815,401	3,825,779,953	6,691,815,401	3,825,779,953
Due to Nepal Rastra Bank	-	-	-	-
Derivative financial instruments	14,094,425	13,851,829	14,094,425	13,851,829
Deposits from Customers	301,581,432,487	293,486,417,738	301,137,978,380	293,899,590,309
Borrowing	2,021,406,124	2,310,265,550	-	-
Current Tax Liabilities	-	-	-	-
Provisions	-	-	-	-
Deferred Tax Liabilities	-	-	-	-
Other Liabilities	16,341,149,773	13,991,728,280	15,179,620,194	12,989,367,810
Debt Securities Issued	8,252,547,248	8,384,143,498	8,252,547,248	8,384,143,498
Subordinated Liabilities	-	-	-	-
Total Liabilities	**334,902,445,458**	**322,012,186,848**	**331,276,055,648**	**319,112,733,399**
Equity				
Share Capital	21,656,615,632	21,656,615,632	21,656,615,632	21,656,615,632
Share Premium	-	-	-	-
Retained Earnings	(5,421,127,792)	(5,593,624,296)	(7,363,459,995)	(7,441,526,420)
Reserves	22,850,877,480	22,423,289,473	22,835,904,059	22,407,991,450
Total Equity attributable to Equity Holders	**39,086,365,320**	**38,486,280,809**	**37,129,059,696**	**36,623,080,662**
Non- Controlling Interest	**290,577,047**	**260,988,172**	-	-
Total Equity	**39,376,942,367**	**38,747,268,981**	**37,129,059,696**	**36,623,080,662**
Total Liabilities and Equity	**374,279,387,825**	**360,759,455,829**	**368,405,115,344**	**355,735,814,061**

Condensed Consolidated Statement of Profit or Loss
For the Quarter ended 31st Chaitra 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	6,521,957,362	21,465,943,919	8,609,389,208	27,302,719,920	6,368,159,752	21,010,924,208	8,467,588,329	26,811,676,807
Interest Expense	3,903,806,674	13,421,837,460	5,916,703,401	18,620,931,696	3,851,396,613	13,258,513,073	5,853,760,872	18,377,754,548
Net interest income	**2,618,150,688**	**8,044,106,459**	**2,692,685,807**	**8,681,788,224**	**2,516,763,139**	**7,752,411,135**	**2,613,827,457**	**8,433,922,259**
Fee and Commission Income	386,364,766	1,029,987,406	293,280,435	941,352,191	329,540,566	877,225,120	266,649,586	867,770,642
Fee and Commission Expenses	43,991,447	141,987,076	35,825,933	112,238,349	40,369,955	131,075,094	34,844,165	109,966,431
Net Fee and Commission Income	**342,373,319**	**888,000,330**	**257,454,502**	**829,113,842**	**289,170,611**	**746,150,026**	**231,805,421**	**757,804,211**
Net interest, fee and commission income	**2,960,524,007**	**8,932,106,789**	**2,950,140,309**	**9,510,902,066**	**2,805,933,750**	**8,498,561,161**	**2,845,632,878**	**9,191,726,470**
Net Trading Income	205,431,444	471,402,595	102,517,319	313,392,302	203,752,310	470,993,244	104,106,019	312,693,733
Other Operating Income	42,281,961	190,031,505	(1,488,256)	57,023,427	24,304,255	140,027,514	(3,770,653)	47,837,427
Total Operating Income	**3,208,237,412**	**9,593,540,889**	**3,051,169,372**	**9,881,317,795**	**3,033,990,315**	**9,109,581,919**	**2,945,968,244**	**9,552,257,630**
Impairment charges/(reversal) for Loans and Other losses	1,130,009,664	1,326,341,153	307,373,442	2,259,135,241	1,134,917,271	1,319,518,218	309,437,887	2,257,374,812
Net operating income	**2,078,227,748**	**8,267,199,736**	**2,743,795,930**	**7,622,182,554**	**1,899,073,044**	**7,790,063,701**	**2,636,530,357**	**7,294,882,818**
Operating expense		-		-		-		-
Personnel Expenses	804,318,150	2,744,558,758	900,079,521	2,478,495,823	742,843,624	2,560,872,284	848,430,837	2,325,021,899
Other Operating Expenses	396,364,976	1,211,707,549	400,500,964	1,226,632,614	374,828,644	1,144,654,913	388,397,653	1,172,071,220
Depreciation & Amortisation	105,232,728	296,508,754	95,113,207	291,505,587	93,238,906	273,004,996	92,545,196	278,855,858
Operating Profit	**772,311,894**	**4,014,424,675**	**1,348,102,238**	**3,625,548,530**	**688,161,870**	**3,811,531,508**	**1,307,156,671**	**3,518,933,841**
Non operating income	5,219,781	6,041,950	-	5,413,986	5,219,781	6,041,950	-	5,413,986
Non operating expense	2,151,704,614	3,104,305,707	468,020,330	516,079,623	2,151,704,614	3,104,305,707	468,020,330	516,079,623
Profit before income tax	**(1,374,172,939)**	**916,160,918**	**880,081,908**	**3,114,882,893**	**(1,458,322,963)**	**713,267,751**	**839,136,341**	**3,008,268,204**
Income Tax Expense								
Current Tax	412,001,628	1,315,230,405	552,695,356	1,535,218,797	386,756,621	1,254,362,455	539,622,789	1,503,234,390
Deferred Tax	(826,357,655)	(1,042,081,616)	(144,693,153)	(443,147,408)	(826,357,655)	(1,041,142,845)	(144,693,153)	(443,147,408)
Profit\ (Loss) for the period	**(959,816,912)**	**643,012,129**	**472,079,705**	**2,022,811,504**	**(1,018,721,929)**	**500,048,141**	**444,206,705**	**1,948,181,222**

Condensed Consolidated Statement of Comprehensive Income

Profit/(Loss) for the Period	(959,816,912)	643,012,129	472,079,705	2,022,811,504	(1,018,721,929)	500,048,141	444,206,705	1,948,181,222
Other Comprehensive Income	8,395,205	5,606,291	299,594	(13,642,212)	8,027,024	5,930,893	88,983	(12,653,620)
Total Comprehensive Income	**(951,421,707)**	**648,618,420**	**472,379,299**	**2,009,169,292**	**(1,010,694,905)**	**505,979,034**	**444,295,688**	**1,935,527,602**
Basic Earning Per Share		3.96		12.45		3.08		11.99
Diluted Earning Per Share		3.96		12.45		3.08		11.99
Profit attributable to:								
Equity holders of the Bank	(965,405,035)	619,029,545	469,351,726	2,003,655,172	(1,010,694,905)	505,979,034	444,295,688	1,935,527,602
Non-Controlling Interest	13,983,328	29,588,875	3,027,573	5,514,120	-	-	-	-
Total	**(951,421,707)**	**648,618,420**	**472,379,299**	**2,009,169,292**	**(1,010,694,905)**	**505,979,034**	**444,295,688**	**1,935,527,602**

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						10.84		11.86
Tier 1 Capital to RWA						8.00		8.86
CET 1 Capital to RWA						8.00		8.86
Return on Equity						1.81		7.51
Return on Assets						0.18		0.74
Non-performing loan (NPL) to total loan						7.68		4.96
Total loan loss provision to Total NPL						101.17		125.18
Cost of Funds						5.03		7.53
Credit to Deposit Ratio (Average for the month)						79.38		79.40
Base Rate (Average)						6.80		9.84
Interest Rate Spread						3.55		3.98

Statement of Distributable Profit As on Quarter Ending 31st Chaitra 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	**500,048,141**	**1,948,181,222**
Appropriations:		
a. General reserve	(100,009,628)	(389,636,244)
b. Foreign exchange fluctuation fund	(462,855)	-
c. Capital redemption reserve	(656,250,000)	(656,250,000)
d. Corporate social responsibility fund	(791,387)	(11,415,502)
e. Employees' training fund	-	-
f. Other	-	148,533,853
Profit or (loss) before regulatory adjustment	**(257,465,729)**	**1,039,413,329**
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	1,670,981,629	(2,164,798,839)
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 (+)	(1,038,522,533)	(431,331,137)
e. Deferred tax assets recognised (-)/ reversal (+)	(296,926,943)	(443,147,408)
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Acturial loss recognised (-)/reversal (+)	-	-
i. Other (+/-)	-	-
Net Profit for the Third Qtr end available for Distribution	**78,066,425**	**(1,999,864,055)**
Opening Retained Earning As on Shrawan 1	**(7,441,526,420)**	**(3,242,625,039)**
Adjustment (+/-)	-	
Distribution		
Bonus Shares Issued	-	-
Cash Dividend Paid	-	-
Total Distributable Profit or (Loss) as on Qtr end	**(7,363,459,995)**	**(5,242,489,095)**
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)
3rd 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 subsidiaries 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	:	3.08
P/E Ratio of the Bank	:	75.06
Net worth per share	:	171.44
Assets per share	:	1,701.12
Liquidity ratio	:	27.92

3. Management Analysis:

a. Substantial amount has been blocked in provision for possible losses on loans and advances which has adversely affected profitability for the quarter & the year itself. The management is closely reviewing classified accounts & working out feasible means for recovery/regularization of those accounts so as to achieve reversal of major portion of provision provided during the quarter and earlier period before the year end.

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 other than those relating to recovery of classified and written off Loan accounts.

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	:	259.10
Minimum Share Price	:	219
Last Share Price	:	231.07
Total no. of transaction days	:	56
Total units of shares traded	:	3,272,107

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 comparatively on higher side.
- Unexpected changes in 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 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.