HBL Himalayan Bank Ltd.

Unaudited Financial Results

Condensed Consolidated Statement of Financial Position
As on Quarter ended 31st Aswin 2082

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	10,828,203,219	10,172,779,557	10,794,102,086	9,705,883,458
Due from Nepal Rastra Bank	43,109,286,988	36,953,167,270	43,083,286,988	36,929,167,270
Placements with Bank and Financial Institutions	21,792,315,401	18,387,056,372	21,832,939,377	18,383,887,735
Derivative financial instruments	105,604,640	40,320,668	105,604,640	40,320,668
Other trading assets	140,270,735	124,145,871	-	-
Loans & Advances to B/FIs	8,850,431,172	8,482,608,874	10,810,569,960	10,405,889,589
Loans & Advances to Customers	237,424,911,563	237,595,556,824	232,735,984,605	232,858,288,109
Investment Securities	41,285,825,612	40,926,163,597	40,431,184,296	40,506,834,190
Current Tax Assets	-	342,739,419	-	331,879,246
Investments in subsidiaries	-	-	1,060,063,200	1,060,063,200
Investments in Associates	1,963,633,579	1,963,633,579	190,929,197	190,929,197
Investment Property	5,930,432,910	5,664,754,343	5,930,432,910	5,664,754,343
Property & Equipment	8,339,290,949	8,363,721,497	8,213,139,494	8,196,319,233
Goodwill and Intangible Assets	1,047,326,738	971,792,615	1,044,598,337	968,351,868
Deferred Tax Assets	3,007,569,388	2,843,716,522	2,969,437,994	2,805,830,310
Other Assets	6,258,519,107	5,593,601,506	5,472,309,948	4,827,508,107
Total Assets	**390,083,622,001**	**378,425,758,514**	**384,674,583,032**	**372,875,906,523**
Liabilities				
Due to Bank and Financial Institutions	6,237,070,434	3,448,278,203	6,237,070,434	3,900,913,848
Due to Nepal Rastra Bank	-	-	-	-
Derivative financial instruments	56,305,088	60,382,578	56,305,088	60,382,578
Deposits from Customers	314,706,255,864	309,306,392,107	315,115,801,318	309,158,672,473
Borrowing	2,017,117,360	1,905,471,226	-	-
Current Tax Liabilities	141,220,313	-	153,752,248	-
Provisions	-	-	-	-
Deferred Tax Liabilities	-	-	-	-
Other Liabilities	16,043,226,190	14,789,937,395	14,742,573,123	13,387,826,653
Debt Securities Issued	8,257,545,071	8,387,698,065	8,257,545,071	8,387,698,065
Subordinated Liabilities	-	-	-	-
Total Liabilities	**347,458,740,320**	**337,898,159,574**	**344,563,047,282**	**334,895,493,617**
Equity				
Share Capital	22,581,662,532	21,656,615,632	22,581,662,532	21,656,615,632
Share Premium	527,276,733	-	527,276,733	-
Retained Earnings	(5,371,508,311)	(4,776,176,441)	(7,546,487,427)	(6,993,002,427)
Reserves	24,564,066,063	23,334,508,975	24,549,083,912	23,316,799,701
Total Equity attributable to Equity Holders	**42,301,497,017**	**40,214,948,166**	**40,111,535,750**	**37,980,412,906**
Non- Controlling Interest	**323,384,664**	**312,650,774**	-	-
Total Equity	**42,624,881,681**	**40,527,598,940**	**40,111,535,750**	**37,980,412,906**
Total Liabilities and Equity	**390,083,622,001**	**378,425,758,514**	**384,674,583,032**	**372,875,906,523**

Condensed Consolidated Statement of Profit or Loss
For the Quarter ended 31st Aswin 2082

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	6,377,842,315	6,377,842,315	7,721,140,874	7,721,140,874	6,224,375,622	6,224,375,622	7,581,371,508	7,581,371,508
Interest Expense	3,761,906,543	3,761,906,543	5,180,159,841	5,180,159,841	3,717,264,270	3,717,264,270	5,130,425,954	5,130,425,954
Net interest income	**2,615,935,772**	**2,615,935,772**	**2,540,981,033**	**2,540,981,033**	**2,507,111,352**	**2,507,111,352**	**2,450,945,554**	**2,450,945,554**
Fee and Commission Income	328,286,644	328,286,644	348,458,394	348,458,394	280,913,717	280,913,717	291,773,978	291,773,978
Fee and Commission Expenses	49,239,089	49,239,089	49,112,035	49,112,035	45,538,280	45,538,280	44,945,500	44,945,500
Net Fee and Commission Income	**279,047,555**	**279,047,555**	**299,346,359**	**299,346,359**	**235,375,437**	**235,375,437**	**246,828,478**	**246,828,478**
Net interest, fee and commission income	**2,894,983,327**	**2,894,983,327**	**2,840,327,392**	**2,840,327,392**	**2,742,486,789**	**2,742,486,789**	**2,697,774,032**	**2,697,774,032**
Net Trading Income	199,362,021	199,362,021	100,276,900	100,276,900	206,109,904	206,109,904	98,317,019	98,317,019
Other Operating Income	121,989,405	121,989,405	60,627,227	60,627,227	105,948,655	105,948,655	40,504,327	40,504,327
Total Operating Income	**3,216,334,753**	**3,216,334,753**	**3,001,231,519**	**3,001,231,519**	**3,054,545,348**	**3,054,545,348**	**2,836,595,378**	**2,836,595,378**
Impairment charges/(reversal) for Loans and Other losses	592,893,168	592,893,168	(321,328,144)	(321,328,144)	578,962,428	578,962,428	(322,501,737)	(322,501,737)
Net operating income	**2,623,441,585**	**2,623,441,585**	**3,322,559,663**	**3,322,559,663**	**2,475,582,920**	**2,475,582,920**	**3,159,097,115**	**3,159,097,115**
Operating expense		-		-		-		-
Personnel Expenses	1,007,547,120	1,007,547,120	927,810,291	927,810,291	949,358,637	949,358,637	865,389,803	865,389,803
Other Operating Expenses	396,560,956	396,560,956	412,851,632	412,851,632	373,640,824	373,640,824	390,099,605	390,099,605
Depreciation & Amortisation	103,383,732	103,383,732	95,475,064	95,475,064	95,959,868	95,959,868	90,532,595	90,532,595
Operating Profit	**1,115,949,777**	**1,115,949,777**	**1,886,422,676**	**1,886,422,676**	**1,056,623,591**	**1,056,623,591**	**1,813,075,112**	**1,813,075,112**
Non operating income	13,323,881	13,323,881	377,264	377,264	13,323,881	13,323,881	377,264	377,264
Non operating expense	27,736,359	27,736,359	774,963,917	774,963,917	27,736,359	27,736,359	774,963,917	774,963,917
Profit before income tax	**1,101,537,299**	**1,101,537,299**	**1,111,836,023**	**1,111,836,023**	**1,042,211,113**	**1,042,211,113**	**1,038,488,459**	**1,038,488,459**
Income Tax Expense								
Current Tax	510,405,405	510,405,405	307,200,940	307,200,940	492,597,061	492,597,061	285,196,671	285,196,671
Deferred Tax	(153,280,927)	(153,280,927)	25,920,285	25,920,285	(153,280,927)	(153,280,927)	26,859,056	26,859,056
Profit\ (Loss) for the period	**744,412,821**	**744,412,821**	**778,714,798**	**778,714,798**	**702,894,979**	**702,894,979**	**726,432,732**	**726,432,732**

Condensed Consolidated Statement of Comprehensive Income

Profit/(Loss) for the Period	744,412,821	744,412,821	778,714,798	778,714,798	702,894,979	702,894,979	726,432,732	726,432,732
Other Comprehensive Income	(26,822,892)	(26,822,892)	4,949,286	4,949,286	(24,095,769)	(24,095,769)	5,519,516	5,519,516
Total Comprehensive Income	**717,589,929**	**717,589,929**	**783,664,084**	**783,664,084**	**678,799,210**	**678,799,210**	**731,952,248**	**731,952,248**
Basic Earning Per Share		13.19		14.38		12.45		13.42
Diluted Earning Per Share		13.19		14.38		12.45		13.42
Profit attributable to:								
Equity holders of the Bank	706,856,039	706,856,039	776,284,025	776,284,025	678,799,210	678,799,210	731,952,248	731,952,248
Non-Controlling Interest	10,733,890	10,733,890	7,380,059	7,380,059	-	-	-	-
Total	**717,589,929**	**717,589,929**	**783,664,084**	**783,664,084**	**678,799,210**	**678,799,210**	**731,952,248**	**731,952,248**

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						12.29		12.21
Tier 1 Capital to RWA						8.68		9.19
CET 1 Capital to RWA						8.68		9.19
Return on Equity						7.20		7.54
Return on Assets						0.74		0.77
Non-performing loan (NPL) to total loan						7.39		4.98
Total loan loss provision to Total NPL						108.37		130.41
Cost of Funds						4.26		6.22
Credit to Deposit Ratio (Average for the month)						76.15		74.07
Base Rate (Average)						6.08		8.35
Interest Rate Spread						3.34		3.95

Statement of Distributable Profit As on Quarter Ending 31st Aswin 2082

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	**702,894,979**	**726,432,732**
Appropriations:		
a. General reserve	(140,578,996)	(145,286,546)
b. Foreign exchange fluctuation fund	(820,101)	-
c. Capital redemption reserve	(218,750,000)	(218,750,000)
d. Corporate social responsibility fund	(6,833,905)	(6,436,477)
e. Employees' training fund	-	-
f. Other	-	-
Profit or (loss) before regulatory adjustment	**335,911,977**	**355,959,709**
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(593,561,072)	56,233,809
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 (+)	(132,228,223)	(115,832,128)
e. Deferred tax assets recognised (-)/ reversal (+)	(163,607,684)	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	**(553,485,002)**	**2,340,160,443**
Opening Retained Earning As on Shrawan 1	**(6,993,002,427)**	**(5,824,597,532)**
Adjustment (+/-)	-	-
Distribution		
Bonus Shares Issued	-	-
Cash Dividend Paid	-	-
Total Distributable Profit or (Loss) as on Qtr end	**(7,546,487,427)**	**(3,484,437,088)**
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 issued by NRB.
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 loans and advances under rules prescribed by Nepal Rastra Bank as it is higher than that calculated in accordance with guidelines on ECL issued by NRB.
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 (Stage 3 loans) has been suspended in line with guidelines issued by NRB.
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 2082/83

1. **Related Party Disclosure:**
   Habib Bank Ltd. is 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 Thamel which come under the purview of related party transaction, however these agreement has 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. The entire shares held by Habib Bank Limited in Himalayan Bank Ltd are in the process of transfer to a domestic corporate entity.
2. **Major Indicators:**

Earnings per share	:	12.45
P/E Ratio of the Bank	:	15.65
Net worth per share	:	177.63
Assets per share	:	1,703.48
Liquidity ratio	:	29.20

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.
   b. NFRS 9 on financial instrument has become mandatory from FY 2081/82. The bank has computed impairment charges in line with the ECL guidelines issued by NRB and it being lower, impairment under directive issued by NRB has been charged to profit.
   c. Interest income has been recognized in line with guidelines issued by NRB.
   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	:	261
Minimum Share Price	:	184
Last Share Price	:	194.80
Total no. of transaction days	:	63
Total units of shares traded	:	6,733,590

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 and challenges to maintain cost of fund at lower level.
   - Unexpected changes in regulation 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.
   - The increasing stress on Capital Adequacy due to higher NPL and NBA.
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.