HBL Himalayan Bank Ltd.

Unaudited Financial Results

Condensed Consolidated Statement of Financial Position
As on Quarter ended 30th Poush 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	10,204,609,775	10,175,570,293	9,913,063,288	9,705,883,458
Due from Nepal Rastra Bank	52,553,552,733	36,953,167,270	52,527,552,733	36,929,167,270
Placements with Bank and Financial Institutions	23,288,171,822	18,387,056,372	23,289,562,719	18,383,887,735
Derivative financial instruments	41,462,219	40,320,668	41,462,219	40,320,668
Other trading assets	125,686,815	124,145,870	-	-
Loans & Advances to B/FIs	9,146,332,318	8,482,608,874	11,145,757,451	10,405,889,589
Loans & Advances to Customers	239,257,321,672	235,334,957,776	234,257,795,270	230,637,296,252
Investment Securities	44,525,398,231	40,926,163,597	43,691,448,015	40,506,834,190
Current Tax Assets	204,444,175	329,297,514	198,743,712	308,637,299
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	6,130,133,811	5,664,754,343	6,130,133,811	5,664,754,343
Property & Equipment	8,116,524,093	8,363,709,780	7,996,651,800	8,196,319,233
Goodwill and Intangible Assets	1,263,547,084	971,969,155	1,260,997,906	968,351,868
Deferred Tax Assets	3,760,245,999	3,511,080,048	3,722,053,189	3,472,887,238
Other Assets	5,600,716,678	5,594,930,201	4,817,551,578	4,827,508,106
Total Assets	**406,181,781,004**	**376,823,365,340**	**400,243,766,088**	**371,298,729,646**
Liabilities				
Due to Bank and Financial Institutions	5,747,124,127	3,448,278,203	5,747,124,127	3,900,913,848
Due to Nepal Rastra Bank	-	-	-	-
Derivative financial instruments	92,957,073	60,382,578	92,957,073	60,382,578
Deposits from Customers	331,809,773,468	309,306,392,107	332,159,169,223	309,158,672,473
Borrowing	2,349,016,753	1,905,468,637	-	-
Current Tax Liabilities	-	-	-	-
Provisions	-	-	-	-
Deferred Tax Liabilities	-	-	-	-
Other Liabilities	16,012,855,496	14,566,585,359	14,590,296,130	13,166,747,884
Debt Securities Issued	8,309,590,427	8,387,698,065	8,309,590,427	8,387,698,065
Subordinated Liabilities	-	-	-	-
Total Liabilities	**364,321,317,344**	**337,674,804,949**	**360,899,136,980**	**334,674,414,848**
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	(6,898,393,739)	(6,649,585,297)	(9,073,065,214)	(8,854,298,008)
Reserves	25,325,156,440	23,840,025,704	25,308,755,057	23,821,997,174
Total Equity attributable to Equity Holders	**41,535,701,966**	**38,847,056,039**	**39,344,629,108**	**36,624,314,798**
Non- Controlling Interest	**324,761,694**	**301,504,352**	-	-
Total Equity	**41,860,463,660**	**39,148,560,391**	**39,344,629,108**	**36,624,314,798**
Total Liabilities and Equity	**406,181,781,004**	**376,823,365,340**	**400,243,766,088**	**371,298,729,646**

Condensed Consolidated Statement of Profit or Loss
For the Quarter ended 30th Poush 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	5,737,228,195	12,115,070,510	7,222,845,683	14,943,986,557	5,587,412,655	11,811,788,277	7,061,392,948	14,642,764,456
Interest Expense	3,433,654,804	7,195,561,347	4,337,870,945	9,518,030,786	3,392,196,105	7,109,460,375	4,276,690,506	9,407,116,460
Net interest income	**2,303,573,391**	**4,919,509,163**	**2,884,974,738**	**5,425,955,771**	**2,195,216,550**	**4,702,327,902**	**2,784,702,442**	**5,235,647,996**
Fee and Commission Income	249,664,163	577,950,807	295,164,246	643,622,640	203,809,147	484,722,864	255,910,576	547,684,554
Fee and Commission Expenses	25,283,286	74,522,375	48,883,594	97,995,629	22,993,638	68,531,918	45,759,639	90,705,139
Net Fee and Commission Income	**224,380,877**	**503,428,432**	**246,280,652**	**545,627,011**	**180,815,509**	**416,190,946**	**210,150,937**	**456,979,415**
Net interest, fee and commission income	**2,527,954,268**	**5,422,937,595**	**3,131,255,390**	**5,971,582,782**	**2,376,032,059**	**5,118,518,848**	**2,994,853,379**	**5,692,627,411**
Net Trading Income	171,251,289	370,613,310	165,694,251	265,971,151	166,928,861	373,038,765	168,923,915	267,240,934
Other Operating Income	126,975,410	248,964,815	87,122,317	147,749,544	115,445,542	221,394,197	75,218,932	115,723,259
Total Operating Income	**2,826,180,967**	**6,042,515,720**	**3,384,071,958**	**6,385,303,477**	**2,658,406,462**	**5,712,951,810**	**3,238,996,226**	**6,075,591,604**
Impairment charges/(reversal) for Loans and Other losses	468,314,659	1,061,207,827	517,659,633	196,331,489	460,245,498	1,039,207,926	507,102,684	184,600,947
Net operating income	**2,357,866,308**	**4,981,307,893**	**2,866,412,325**	**6,188,971,988**	**2,198,160,964**	**4,673,743,884**	**2,731,893,542**	**5,890,990,657**
Operating expense		-		-		-		-
Personnel Expenses	985,740,243	1,993,287,363	1,012,430,317	1,940,240,608	922,363,840	1,871,722,477	952,638,857	1,818,028,660
Other Operating Expenses	405,880,315	802,441,271	402,490,941	815,342,573	378,669,841	752,310,665	379,726,664	769,826,269
Depreciation & Amortisation	107,391,042	210,774,774	95,800,962	191,276,026	99,963,445	195,923,313	89,233,495	179,766,090
Operating Profit	**858,854,708**	**1,974,804,485**	**1,355,690,105**	**3,242,112,781**	**797,163,838**	**1,853,787,429**	**1,310,294,526**	**3,123,369,638**
Non operating income	1,115,676	14,439,557	444,905	822,169	1,115,676	14,439,557	444,905	822,169
Non operating expense	17,722,128	45,458,487	177,637,176	952,601,093	17,722,128	45,458,487	177,637,176	952,601,093
Profit before income tax	**842,248,256**	**1,943,785,555**	**1,178,497,834**	**2,290,333,857**	**780,557,386**	**1,822,768,499**	**1,133,102,255**	**2,171,590,714**
Income Tax Expense								
Current Tax	294,580,778	804,986,183	596,027,837	903,228,777	276,073,516	768,670,577	582,409,163	867,605,834
Deferred Tax	(85,303,065)	(238,583,992)	(241,644,246)	(215,723,961)	(85,303,065)	(238,583,992)	(241,644,246)	(214,785,190)
Profit\ (Loss) for the period	**632,970,543**	**1,377,383,364**	**824,114,243**	**1,602,829,041**	**589,786,935**	**1,292,681,914**	**792,337,338**	**1,518,770,070**

Condensed Consolidated Statement of Comprehensive Income

Profit/(Loss) for the Period	632,970,543	1,377,383,364	824,114,243	1,602,829,041	589,786,935	1,292,681,914	792,337,338	1,518,770,070
Other Comprehensive Income	504,507	(26,318,385)	(7,738,200)	(2,788,914)	(595,469)	(24,691,238)	(7,615,647)	(2,096,131)
Total Comprehensive Income	**633,475,050**	**1,351,064,979**	**816,376,043**	**1,600,040,127**	**589,191,466**	**1,267,990,676**	**784,721,691**	**1,516,673,939**
Basic Earning Per Share		12.20		14.80		11.45		14.03
Diluted Earning Per Share		12.20		14.80		11.45		14.03
Profit attributable to:								
Equity holders of the Bank	620,951,598	1,327,807,637	808,150,555	1,584,434,580	589,191,466	1,267,990,676	784,721,691	1,516,673,939
Non-Controlling Interest	12,523,452	23,257,342	8,225,488	15,605,547	-	-	-	-
Total	**633,475,050**	**1,351,064,979**	**816,376,043**	**1,600,040,127**	**589,191,466**	**1,267,990,676**	**784,721,691**	**1,516,673,939**

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						11.73		11.60
Tier 1 Capital to RWA						8.19		8.63
CET 1 Capital to RWA						8.19		8.63
Return on Equity						6.81		8.13
Return on Assets						0.67		0.84
Non-performing loan (NPL) to total loan						7.96		4.98
Total loan loss provision to Total NPL						112.01		150.06
Cost of Funds						4.04		5.22
Credit to Deposit Ratio (Average for the month)						74.89		78.37
Base Rate (Average)						5.66		7.30
Interest Rate Spread						3.07		3.98

Statement of Distributable Profit As on Quarter Ending 30th Poush 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	**1,292,681,914**	**1,518,770,070**
Appropriations:		
a. General reserve	(258,536,383)	(303,754,014)
b. Foreign exchange fluctuation fund	(2,171,980)	(690,141)
c. Capital redemption reserve	(437,500,000)	(437,500,000)
d. Corporate social responsibility fund	(12,326,774)	(11,579,050)
e. Employees' training fund	-	-
f. Other (Investment Adjustment Reserve)	-	-
Profit or (loss) before regulatory adjustment	**582,146,778**	**765,246,865**
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(320,128,672)	907,594,410
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 (+)	(231,619,361)	(594,152,998)
e. Deferred tax assets recognised (-)/ reversal (+)	(249,165,951)	525,990,559
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reversal (+)	-	-
h. Acturial loss recognised (-)/reversal (+)	-	-
i. Other (+/-)	-	-
Net Profit for the Second Qtr end available for Distribution	**(218,767,207)**	**1,604,678,837**
Opening Retained Earning As on Shrawan 1	**(8,854,298,008)**	**(7,441,526,420)**
Adjustment (+/-)	-	-
Distribution		
Bonus Shares Issued	-	-
Cash Dividend Paid	-	-
Total Distributable Profit or (Loss) as on Qtr end	**(9,073,065,214)**	**(5,836,847,582)**
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)
2nd Quarter Report, F.Y 2082/83

1. **Related Party Disclosure:**

   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 promoter companies namely Karmachari Sanchaya Kosh and National Life Insurance Company Limited and its three subsidiaries under fair market terms.

2. **Major Indicators:**

Earnings per share	:	11.45
P/E Ratio of the Bank	:	16.60
Net worth per share	:	174.23
Assets per share	:	1,773.43
Liquidity ratio	:	29.54

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 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 by the year end.
   b. 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.
   d. Substantial amount of provision for possible loan loss and requirement to maintain Regulatory Reserve for uncollected interest and Non-banking assets has significantly affected capital adequacy position of the bank.
   e. 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	:	204
Minimum Share Price	:	184
Last Share Price	:	190
Total no. of transaction days	:	55
Total units of shares traded	:	3,785,946

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.