HBL हिमालयन बैंक लिमिटेड Himalayan Bank Ltd.

Unaudited Financial Results

Condensed Consolidated Statement of Financial Position
As on Quarter ended 30th Chaitra 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	14,721,591,026	10,175,570,293	14,531,824,343	9,705,883,458
Due from Nepal Rastra Bank	54,197,593,030	36,953,167,270	54,171,593,030	36,929,167,270
Placements with Bank and Financial Institutions	23,919,018,583	18,387,056,372	23,960,763,402	18,383,887,735
Derivative financial instruments	64,942,283	40,320,668	64,942,283	40,320,668
Other trading assets	97,800,647	124,145,870	-	-
Loans & Advances to B/FIs	9,479,571,378	8,482,608,874	11,674,090,134	10,405,889,589
Loans & Advances to Customers	236,431,264,161	235,334,957,776	231,414,300,919	230,637,296,252
Investment Securities	45,244,907,090	40,926,163,597	44,382,315,796	40,506,834,190
Current Tax Assets	369,823,085	329,297,514	356,501,928	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	6,081,281,168	5,664,754,343	6,081,281,168	5,664,754,343
Property & Equipment	8,121,378,457	8,363,709,780	8,007,390,557	8,196,319,233
Goodwill and Intangible Assets	1,247,300,684	971,969,155	1,243,970,505	968,351,868
Deferred Tax Assets	4,387,340,879	3,511,080,048	4,349,148,069	3,472,887,238
Other Assets	6,131,733,948	5,594,930,201	5,413,097,329	4,827,508,106
Total Assets	**412,459,179,998**	**376,823,365,340**	**406,902,211,860**	**371,298,729,646**
Liabilities				
Due to Bank and Financial Institutions	5,957,016,860	3,448,278,203	5,957,016,860	3,900,913,848
Due to Nepal Rastra Bank	-	-	-	-
Derivative financial instruments	243,277,920	60,382,578	243,277,920	60,382,578
Deposits from Customers	338,092,389,491	309,306,392,107	338,181,830,747	309,158,672,473
Borrowing	1,757,588,114	1,905,468,637	-	-
Current Tax Liabilities	-	-	-	-
Provisions	-	-	-	-
Deferred Tax Liabilities	-	-	-	-
Other Liabilities	16,818,927,235	14,566,585,359	15,507,033,403	13,166,747,884
Debt Securities Issued	8,180,825,305	8,387,698,065	8,180,825,305	8,387,698,065
Subordinated Liabilities	-	-	-	-
Total Liabilities	**371,050,024,925**	**337,674,804,949**	**368,069,984,235**	**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	(8,248,066,602)	(6,649,585,297)	(10,467,917,570)	(8,854,298,008)
Reserves	26,208,528,300	23,840,025,704	26,191,205,930	23,821,997,174
Total Equity attributable to Equity Holders	**41,069,400,963**	**38,847,056,039**	**38,832,227,625**	**36,624,314,798**
Non- Controlling Interest	**339,754,110**	**301,504,352**	-	-
Total Equity	**41,409,155,073**	**39,148,560,391**	**38,832,227,625**	**36,624,314,798**
Total Liabilities and Equity	**412,459,179,998**	**376,823,365,340**	**406,902,211,860**	**371,298,729,646**

Condensed Consolidated Statement of Profit or Loss
For the Quarter ended 30th Chaitra 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	5,635,059,624	17,750,130,134	6,521,957,362	21,465,943,919	5,470,651,097	17,282,439,374	6,368,159,752	21,010,924,208
Interest Expense	3,376,882,381	10,572,443,728	3,903,806,674	13,421,837,460	3,340,878,380	10,450,338,755	3,851,396,613	13,258,513,073
Net interest income	**2,258,177,243**	**7,177,686,406**	**2,618,150,688**	**8,044,106,459**	**2,129,772,717**	**6,832,100,619**	**2,516,763,139**	**7,752,411,135**
Fee and Commission Income	328,755,052	906,705,859	386,364,766	1,029,987,406	272,987,004	757,709,868	329,540,566	877,225,120
Fee and Commission Expenses	29,857,576	104,379,951	43,991,447	141,987,076	25,680,056	94,211,974	40,369,955	131,075,094
Net Fee and Commission Income	**298,897,476**	**802,325,908**	**342,373,319**	**888,000,330**	**247,306,948**	**663,497,894**	**289,170,611**	**746,150,026**
Net interest, fee and commission income	**2,557,074,719**	**7,980,012,314**	**2,960,524,007**	**8,932,106,789**	**2,377,079,665**	**7,495,598,513**	**2,805,933,750**	**8,498,561,161**
Net Trading Income	227,526,078	598,139,388	205,431,444	471,402,595	225,142,019	598,180,784	203,752,310	470,993,244
Other Operating Income	(63,402,626)	185,562,189	42,281,961	190,031,505	13,649,756	235,043,953	24,304,255	140,027,514
Total Operating Income	**2,721,198,171**	**8,763,713,891**	**3,208,237,412**	**9,593,540,889**	**2,615,871,440**	**8,328,823,250**	**3,033,990,315**	**9,109,581,919**
Impairment charges/(reversal) for Loans and Other losses	2,097,923,147	3,159,130,974	1,130,009,664	1,326,341,153	2,086,180,465	3,125,388,391	1,134,917,271	1,319,518,218
Net operating income	**623,275,024**	**5,604,582,917**	**2,078,227,748**	**8,267,199,736**	**529,690,975**	**5,203,434,859**	**1,899,073,044**	**7,790,063,701**
Operating expense		-		-		-		-
Personnel Expenses	799,209,862	2,792,497,225	804,318,150	2,744,558,758	733,277,565	2,605,000,042	742,843,624	2,560,872,284
Other Operating Expenses	414,923,956	1,217,365,227	396,364,976	1,211,707,549	391,578,029	1,143,888,694	374,828,644	1,144,654,913
Depreciation & Amortisation	110,376,241	321,151,015	105,232,728	296,508,754	102,439,161	298,362,474	93,238,906	273,004,996
Operating Profit	**(701,235,035)**	**1,273,569,450**	**772,311,894**	**4,014,424,675**	**(697,603,780)**	**1,156,183,649**	**688,161,870**	**3,811,531,508**
Non operating income	1,601,248	16,040,805	5,219,781	6,041,950	1,601,248	16,040,805	5,219,781	6,041,950
Non operating expense	73,414,011	118,872,498	2,151,704,614	3,104,305,707	73,414,011	118,872,498	2,151,704,614	3,104,305,707
Profit before income tax	**(773,047,798)**	**1,170,737,757**	**(1,374,172,939)**	**916,160,918**	**(769,416,543)**	**1,053,351,956**	**(1,458,322,963)**	**713,267,751**
Income Tax Expense								
Current Tax	421,394,880	1,226,381,063	412,001,628	1,315,230,405	395,428,555	1,164,099,132	386,756,621	1,254,362,455
Deferred Tax	(634,699,501)	(873,283,493)	(826,357,655)	(1,042,081,616)	(634,699,501)	(873,283,493)	(826,357,655)	(1,041,142,845)
Profit\ (Loss) for the period	**(559,743,177)**	**817,640,187**	**(959,816,912)**	**643,012,129**	**(530,145,597)**	**762,536,317**	**(1,018,721,929)**	**500,048,141**

Condensed Consolidated Statement of Comprehensive Income

Profit/(Loss) for the Period	(559,743,177)	817,640,187	(959,816,912)	643,012,129	(530,145,597)	762,536,317	(1,018,721,929)	500,048,141
Other Comprehensive Income	19,403,687	(6,914,698)	8,395,205	5,606,291	17,744,115	(6,947,123)	8,027,024	5,930,893
Total Comprehensive Income	**(540,339,490)**	**810,725,489**	**(951,421,707)**	**648,618,420**	**(512,401,482)**	**755,589,194**	**(1,010,694,905)**	**505,979,034**
Basic Earning Per Share		4.83		3.96		4.50		3.08
Diluted Earning Per Share		4.83		3.96		4.50		3.08
Profit attributable to:								
Equity holders of the Bank	(558,871,488)	768,936,149	(965,405,035)	619,029,545	(512,401,482)	755,589,194	(1,010,694,905)	505,979,034
Non-Controlling Interest	18,531,998	41,789,340	13,983,328	29,588,875	-	-	-	-
Total	**(540,339,490)**	**810,725,489**	**(951,421,707)**	**648,618,420**	**(512,401,482)**	**755,589,194**	**(1,010,694,905)**	**505,979,034**

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						11.26		10.84
Tier 1 Capital to RWA						7.70		8.00
CET 1 Capital to RWA						7.70		8.00
Return on Equity						2.69		1.81
Return on Assets						0.26		0.18
Non-performing loan (NPL) to total loan						7.98		7.68
Total loan loss provision to Total NPL						121.61		101.17
Cost of Funds						3.92		5.03
Credit to Deposit Ratio (Average for the month)						75.01		79.38
Base Rate (Average)						5.46		6.80
Interest Rate Spread						2.84		3.55

Statement of Distributable Profit As on Quarter Ending 30th Chaitra 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	**762,536,317**	**500,048,141**
Appropriations:		
a. General reserve	(152,507,263)	(100,009,628)
b. Foreign exchange fluctuation fund	-	(462,855)
c. Capital redemption reserve	(656,250,000)	(656,250,000)
d. Corporate social responsibility fund	(6,077,719)	(791,387)
e. Employees' training fund	-	-
f. Other	-	-
Profit or (loss) before regulatory adjustment	**(52,298,665)**	**(257,465,729)**
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(477,754,665)	1,670,981,629
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 (+)	(207,305,401)	(1,038,522,533)
e. Deferred tax assets recognised (-)/ reversal (+)	(876,260,831)	(296,926,943)
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	**(1,613,619,562)**	**78,066,425**
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	**(10,467,917,569)**	**(7,363,459,994)**
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)
3rd 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	:	4.50
P/E Ratio of the Bank	:	46.31
Net worth per share	:	171.96
Assets per share	:	1,801.91
Liquidity ratio	:	34.53

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 and distributable profit 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	:	237
Minimum Share Price	:	184.4
Last Share Price	:	208.5
Total no. of transaction days	:	53
Total units of shares traded	:	7,849,706

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, NBA and uncollected interest on loan.
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.