HBL हिमालयन बैंक लिमिटेड Himalayan Bank Ltd.

Unaudited Financial Results

Condensed Consolidated Statement of Financial Position
As on Quarter ended 31st Aswin 2083

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	14,310,554,182	9,730,653,248	14,665,866,800	9,409,531,486
Due from Nepal Rastra Bank	50,966,895,135	62,943,011,627	50,940,895,135	62,917,011,627
Placements with Bank and Financial Institutions	29,326,140,467	25,416,248,975	29,310,537,748	25,416,248,975
Derivative financial instruments	258,263,283	14,347,848	258,263,283	14,347,848
Other trading assets	142,073,145	119,117,621	-	-
Loans & Advances to B/FIs	9,363,213,433	9,164,305,911	11,741,448,322	11,650,631,182
Loans & Advances to Customers	237,093,811,459	232,480,006,103	232,362,076,752	227,779,900,595
Investment Securities	55,291,265,958	54,841,514,327	54,390,894,259	54,409,902,286
Current Tax Assets	220,982,507	525,582,741	211,331,181	507,338,322
Investments in subsidiaries	-	-	1,060,063,200	1,060,063,200
Investments in Associates	1,624,254,546	1,624,254,546	35,508,948	35,508,948
Investment Property	6,369,126,622	6,489,239,220	6,369,126,622	6,489,239,220
Property & Equipment	8,006,816,307	8,050,076,830	7,889,085,652	7,884,424,983
Goodwill and Intangible Assets	1,037,749,037	1,066,438,282	1,032,122,019	1,060,816,634
Deferred Tax Assets	4,255,080,429	4,227,835,715	4,224,888,852	4,197,645,408
Other Assets	7,374,920,213	6,333,362,831	6,661,663,776	5,171,478,963
Total Assets	**425,641,146,723**	**423,015,895,825**	**421,153,772,549**	**418,004,089,677**
Liabilities				
Due to Bank and Financial Institutions	6,743,442,119	4,599,797,597	7,144,028,091	5,109,381,448
Due to Nepal Rastra Bank	-	-	-	-
Derivative financial instruments	2,112,437	158,314,777	2,112,437	158,314,777
Deposits from Customers	353,654,347,865	351,451,084,381	353,654,347,865	351,577,090,386
Borrowing	1,093,304,574	1,533,912,685	-	-
Current Tax Liabilities	-	-	-	-
Provisions	-	-	-	-
Deferred Tax Liabilities	-	-	-	-
Other Liabilities	15,259,217,713	14,365,706,769	13,983,326,495	12,682,069,494
Debt Securities Issued	5,628,403,069	8,391,944,746	5,628,403,069	8,391,944,746
Subordinated Liabilities	-	-	-	-
Total Liabilities	**382,380,827,776**	**380,500,760,955**	**380,412,217,957**	**377,918,800,851**
Equity				
Share Capital	22,581,662,532	22,581,662,532	22,581,662,532	22,581,662,532
Share Premium	527,276,733	527,276,733	527,276,733	527,276,733
Retained Earnings	(7,655,107,317)	(7,763,566,241)	(9,798,508,505)	(9,823,881,066)
Reserves	27,446,950,223	26,815,492,423	27,431,123,832	26,800,230,627
Total Equity attributable to Equity Holders	**42,900,782,171**	**42,160,865,447**	**40,741,554,592**	**40,085,288,826**
Non- Controlling Interest	**359,536,775**	**354,269,423**	-	-
Total Equity	**43,260,318,946**	**42,515,134,870**	**40,741,554,592**	**40,085,288,826**
Total Liabilities and Equity	**425,641,146,723**	**423,015,895,825**	**421,153,772,549**	**418,004,089,677**

Condensed Consolidated Statement of Profit or Loss
For the Quarter ended 31st Aswin 2083

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	5,610,769,136	5,610,769,136	6,377,842,315	6,377,842,315	5,469,411,383	5,469,411,383	6,224,375,622	6,224,375,622
Interest Expense	3,301,377,130	3,301,377,130	3,761,906,543	3,761,906,543	3,270,778,403	3,270,778,403	3,717,264,270	3,717,264,270
Net interest income	**2,309,392,006**	**2,309,392,006**	**2,615,935,772**	**2,615,935,772**	**2,198,632,980**	**2,198,632,980**	**2,507,111,352**	**2,507,111,352**
Fee and Commission Income	331,579,208	331,579,208	328,286,644	328,286,644	293,030,714	293,030,714	280,913,717	280,913,717
Fee and Commission Expenses	46,967,424	46,967,424	49,239,089	49,239,089	44,592,728	44,592,728	45,538,280	45,538,280
Net Fee and Commission Income	**284,611,784**	**284,611,784**	**279,047,555**	**279,047,555**	**248,437,986**	**248,437,986**	**235,375,437**	**235,375,437**
Net interest, fee and commission income	**2,594,003,790**	**2,594,003,790**	**2,894,983,327**	**2,894,983,327**	**2,447,070,966**	**2,447,070,966**	**2,742,486,789**	**2,742,486,789**
Net Trading Income	207,106,105	207,106,105	199,362,021	199,362,021	206,400,342	206,400,342	206,109,904	206,109,904
Other Operating Income	124,129,539	124,129,539	121,989,405	121,989,405	108,962,007	108,962,007	105,948,655	105,948,655
Total Operating Income	**2,925,239,434**	**2,925,239,434**	**3,216,334,753**	**3,216,334,753**	**2,762,433,315**	**2,762,433,315**	**3,054,545,348**	**3,054,545,348**
Impairment charges/(reversal) for Loans and Other losses	372,897,690	372,897,690	592,893,168	592,893,168	353,144,057	353,144,057	578,962,428	578,962,428
Net operating income	**2,552,341,744**	**2,552,341,744**	**2,623,441,585**	**2,623,441,585**	**2,409,289,258**	**2,409,289,258**	**2,475,582,920**	**2,475,582,920**
Operating expense								
Personnel Expenses	954,600,371	954,600,371	1,007,547,120	1,007,547,120	889,075,654	889,075,654	949,358,637	949,358,637
Other Operating Expenses	440,098,015	440,098,015	396,560,956	396,560,956	414,388,352	414,388,352	373,640,824	373,640,824
Depreciation & Amortisation	107,735,874	107,735,874	103,383,732	103,383,732	100,394,638	100,394,638	95,959,868	95,959,868
Operating Profit	**1,049,907,484**	**1,049,907,484**	**1,115,949,777**	**1,115,949,777**	**1,005,430,614**	**1,005,430,614**	**1,056,623,591**	**1,056,623,591**
Non operating income	7,915,973	7,915,973	13,323,881	13,323,881	7,915,973	7,915,973	13,323,881	13,323,881
Non operating expense	81,457,894	81,457,894	27,736,359	27,736,359	81,457,894	81,457,894	27,736,359	27,736,359
Profit before income tax	**976,365,563**	**976,365,563**	**1,101,537,299**	**1,101,537,299**	**931,888,693**	**931,888,693**	**1,042,211,113**	**1,042,211,113**
Income Tax Expense								
Current Tax	318,422,910	318,422,910	510,405,405	510,405,405	304,914,794	304,914,794	492,597,061	492,597,061
Deferred Tax	(27,857,971)	(27,857,971)	(153,280,927)	(153,280,927)	(27,857,971)	(27,857,971)	(153,280,927)	(153,280,927)
Profit\ (Loss) for the period	**685,800,624**	**685,800,624**	**744,412,821**	**744,412,821**	**654,831,870**	**654,831,870**	**702,894,979**	**702,894,979**
Condensed Consolidated Statement of Comprehensive Income								
Profit/(Loss) for the Period	685,800,624	685,800,624	744,412,821	744,412,821	654,831,870	654,831,870	702,894,979	702,894,979
Other Comprehensive Income	2,048,490	2,048,490	(26,822,892)	(26,822,892)	1,433,895	1,433,895	(24,095,769)	(24,095,769)
Total Comprehensive Income	**687,849,114**	**687,849,114**	**717,589,929**	**717,589,929**	**656,265,765**	**656,265,765**	**678,799,210**	**678,799,210**
Basic Earning Per Share		12.15		13.19		11.60		12.45
Diluted Earning Per Share		12.15		13.19		11.60		12.45
Profit attributable to:								
Equity holders of the Bank	679,042,180	679,042,180	706,856,039	706,856,039	656,265,765	656,265,765	678,799,210	678,799,210
Non-Controlling Interest	8,806,934	8,806,934	10,733,890	10,733,890	-	-	-	-
Total	**687,849,114**	**687,849,114**	**717,589,929**	**717,589,929**	**656,265,765**	**656,265,765**	**678,799,210**	**678,799,210**

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						11.19		12.29
Tier 1 Capital to RWA						8.03		8.68
CET 1 Capital to RWA						8.03		8.68
Return on Equity						6.48		7.20
Return on Assets						0.62		0.74
Non-performing loan (NPL) to total loan						7.98		7.39
Total loan loss provision to Total NPL						121.31		108.37
Cost of Funds						3.48		4.26
Credit to Deposit Ratio (Average for the month)						71.46		76.15
Base Rate (Average)						5.04		6.08
Interest Rate Spread						2.78		3.34

Statement of Distributable Profit As on Quarter Ending 31st Aswin 2083

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	**654,831,870**	**702,894,979**
Appropriations:		
a. General reserve	(130,966,374)	(140,578,996)
b. Foreign exchange fluctuation fund	(581,076)	(820,101)
c. Capital redemption reserve	(218,750,000)	(218,750,000)
d. Corporate social responsibility fund	25,201,881	(6,833,905)
e. Employees' training fund	-	-
f. Other	(18,605,842)	-
Profit or (loss) before regulatory adjustment	**311,130,459**	**335,911,977**
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(318,294,496)	(593,561,072)
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 (-)	59,780,040	(132,228,223)
e. Deferred tax assets recognised (-)/ reversal (+)	(27,243,444)	(163,607,684)
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	**25,372,559**	**(553,485,002)**
Opening Retained Earning As on Shrawan 1	(9,823,881,066)	(6,993,002,427)
Adjustment (+/-)	-	-
Distribution		
Bonus Shares Issued	-	-
Cash Dividend Paid	-	-
Total Distributable Profit or (Loss) as on Qtr end	**(9,798,508,505)**	**(7,546,487,428)**
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. Fees and Commission Income earned on Fixed Term Loan during the quarter have been deferred and will be recognized over the total tenure of the respective loan.
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 wherepossible.
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 2083/84

1. Related Party Disclosure:
The bank has leased premises at 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	:	11.60
P/E Ratio of the Bank	:	17.67
Net worth per share	:	180.42
Assets per share	:	1,865.03
Liquidity ratio	:	33.85

3. Management Analysis:

a. Substantial amount still remains 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 and targeting reversal of major portion of provision in FY 2083/84.
b. The bank has computed impairment charges in line with the ECL guidelines issued by NRB and it being lower, impairment under directives 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 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	:	216.40
Minimum Share Price	:	183
Last Share Price	:	205
Total no. of transaction days	:	61
Total units of shares traded	:	3,974,566

6. Problems and Challenges
The Bank has considered the following domestic and international impediments as problems and challenges:

- Risk concentration on both asset and liability sides continues 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 and services 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 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. The management via Internal Control Committee reviews and amends the prevalent control system to address any new loopholes or vulnerabilities identified in the course of operation.
- 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.