"नेपाल राष्ट्र बैंकबाट "ख" वर्गको इजाजतपत्र प्राप्त राष्ट्रिय स्तरको विकास बैंक"

मुक्तिनाथ विकास बैंक लि.

MUKTINATH BIKAS BANK LTD.

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Interim Financial Statements

3rd Quarter of Financial Year 2081-82

Condensed Consolidated Statement of Financial Position

As on Quarter ended Chaitra 2081

NPR in '000

Particulars	Group		Bank	
	This Quarter Ending	Immediate Previous Year	This Quarter Ending	Immediate Previous Year Ending
Assets				
Cash and Cash Equivalent	3,748,923	3,382,291	3,480,398	3,134,540
Due from Nepal Rastra Bank	7,382,083	9,606,142	7,382,083	9,606,142
Placement with Bank and Financial Institutions	-	-	-	-
Derivative Financials Instrument	-	-	-	-
Other Trading Assets	166,346	102,940	-	-
Loans and Advances to BFIs	1,902,165	2,139,627	1,902,165	2,139,627
Loans and Advances to Customers	96,031,380	91,907,309	96,031,380	91,907,309
Investment Securities	16,321,055	14,282,403	16,290,468	14,249,248
Current Tax Assets	109,404	36,928	116,615	40,722
Investment in Subsidiaries	-	-	244,046	244,046
Investment in Associates	139,383	139,383	155,550	155,550
Investment Property	439,757	465,620	406,641	432,504
Property and Equipment	2,174,554	2,253,247	2,165,805	2,242,422
Goodwill and Intangible Assets	12,340	12,110	11,296	11,768
Deferred Tax Assets	115,992	116,306	115,801	116,115
Other Assets	786,911	740,886	732,251	667,771
Total Assets	**129,330,293**	**125,185,193**	**129,034,500**	**124,947,764**
Liabilities				
Due to Bank and Financial Institutions	754,928	769,622	754,928	769,622
Due to Nepal Rastra Bank	427,187	415,630	427,187	415,630
Derivative Financials Instrument	-	-	-	-
Deposits from Customers	113,330,953	109,693,104	113,330,953	109,758,876
Borrowings	4,166	10,417	4,166	10,417
Current Tax Liabilities	-	-	-	-
Provisions	1,300	1,300	1,300	1,300
Deferred Tax Liabilities	-	-	-	-
Other Liabilities	2,221,966	2,424,777	2,113,154	2,314,969
Debt Securities Issued	1,247,720	1,247,444	1,247,720	1,247,444
Subordinated Liabilities	-	-	-	-
Total Liabilities	**117,988,220**	**114,562,293**	**117,879,408**	**114,518,256**
Equity				
Share Capital	7,046,938	7,046,938	7,046,938	7,046,938
Share Premium	-	-	-	-
Retained Earnings	621,705	200,590	619,560	194,701
Reserves	3,495,682	3,195,077	3,488,594	3,187,868
Total Equity Attributable to Equity Shareholders	**11,164,326**	**10,442,605**	**11,155,092**	**10,429,508**
Non Controlling Interest	**177,747**	**180,295**	**-**	**-**
Total Equity	**11,342,073**	**10,622,900**	**11,155,092**	**10,429,508**
Total Equity and Liabilities	**129,330,293**	**125,185,193**	**129,034,500**	**124,947,764**

Condensed Consolidated Statement of Profit or Loss

For the Quarter Ended on Chaitra 2081

NPR in '000

Particulars	Group				Bank			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Interest Income	2,635,295	8,215,896	3,219,047	10,642,149	2,632,756	8,207,116	3,210,323	10,612,138
Interest Expense	1,541,059	4,921,244	2,167,725	7,481,744	1,541,059	4,921,244	2,167,725	7,481,744
Net Interest Income	**1,094,237**	**3,294,652**	**1,051,322**	**3,160,405**	**1,091,697**	**3,285,871**	**1,042,598**	**3,130,394**
Fees and Commission Income	168,589	528,029	131,557	446,743	153,705	479,333	121,168	403,793
Fees and Commission Expense	28,007	66,026	21,989	60,455	26,271	60,475	21,029	56,219
Net Fee and Commission Income	**140,582**	**462,003**	**109,568**	**386,288**	**127,434**	**418,858**	**100,139**	**347,574**
Net Interest, Fee and Commission Income	**1,234,819**	**3,756,655**	**1,160,890**	**3,546,693**	**1,219,131**	**3,704,730**	**1,142,737**	**3,477,968**
Net Trading Income	4,944	18,238	1,745	10,571	2,097	6,167	2,108	7,102
Other Operating Income	6,605	29,230	14,414	43,403	10,730	45,206	11,237	37,850
Total Operating Income	**1,246,368**	**3,804,122**	**1,177,050**	**3,600,667**	**1,231,958**	**3,756,103**	**1,156,082**	**3,522,920**
Impairment Charge/(reversal) for loans and other losses	406,657	1,233,817	(57,167)	729,156	406,657	1,233,817	(57,167)	729,156
Net Operating Income	**839,711**	**2,570,305**	**1,234,217**	**2,871,511**	**825,302**	**2,522,286**	**1,213,248**	**2,793,764**
Operating Expenses								
Personnel Expenses	339,658	1,019,574	386,853	1,035,109	333,313	999,269	381,338	1,016,089
Other Operating Expenses	108,871	303,149	131,244	347,345	106,788	294,768	128,995	338,304
Depreciation and Amortisation	69,215	195,102	58,373	179,482	68,511	193,037	57,476	176,966
Operating Profit	**321,967**	**1,052,480**	**657,747**	**1,309,576**	**316,690**	**1,035,212**	**645,439**	**1,262,406**
Non Operating Income	67	933	-	-	67	933	-	-
Non Operating Expenses	-	-	(0)	16,942	-	-	(0)	16,942
Profit before Income Tax	**322,034**	**1,053,413**	**657,747**	**1,292,634**	**316,757**	**1,036,146**	**645,439**	**1,245,464**
Income Tax Expenses								
Current Tax	98,021	321,787	196,393	386,146	95,027	311,294	193,632	373,639
Deferred Tax	-	-	-	-	-	-	-	-
Profit for the Period	**224,013**	**731,626**	**461,355**	**906,488**	**221,730**	**724,852**	**451,807**	**871,825**
Condensed Consolidated Statement of Comprehensive Income								
Profit/(Loss) for the period	**224,013**	**731,626**	**461,355**	**906,488**	**221,730**	**724,852**	**451,807**	**871,825**
Other Comprehensive Income	(9,332)	732	2,657	(21,415)	(9,332)	732	2,657	(21,415)
Total Comprehensive Income	**214,680**	**732,359**	**464,011**	**885,072**	**212,397**	**725,584**	**454,464**	**850,409**
Earnings per Share								
Basic earnings per share	-	13.84	-	17.15	-	13.71	-	16.50
Diluted earnings per share	-	13.84	-	17.15	-	13.71	-	16.50
Profit attributable to:								
Equity holders of the Bank	221,363	722,024	458,794	894,889	221,730	724,852	451,807	871,825
Non-controlling interest	2,649	9,603	2,560	11,598	-	-	-	-
Total	**224,013**	**731,626**	**461,355**	**906,488**	**221,730**	**724,852**	**451,807**	**871,825**

Notes:

» The financial statements presented have been prepared in compliance with the Nepal Financial Reporting Standards (NFRS), and in accordance to the directives issued by Nepal Rastra Bank (NRB).
» The Bank has recognized impairment on loans and advances as the higher of total impairment calculated as per NFRS 9 and existing regulatory provisions as per NRB Directive.
» The Group financial statements includes the figures of Muktinath Bikas Bank Limited, Muktinath Capital Limited and Muktinath Krishi Company Limited.
» Loans and Advances includes the interest accrued and staff loans are presented net of impairment charge.
» The detailed interim financial statement has been published in website of the Bank.(www.muktinathbank.com.np).

Ratios as per NRB Directives

Particulars	Group				Bank			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Capital fund to RWA		12.36%		12.15%		12.36%		12.15%
Tier I Capital to RWA		10.19%		9.28%		10.19%		9.28%
CET I Capital to RWA		10.19%		9.28%		10.19%		9.28%
Non-performing loan (NPL) to Total Loan		4.41%		2.02%		4.41%		2.02%
Total loan loss provision to Total NPL		90.92%		141.26%		90.92%		141.26%
Cost of Funds		5.31%		7.46%		5.31%		7.46%
Credit to Deposit Ratio		87.46%		85.89%		87.46%		85.89%
Base Rate (Quarterly Average)		7.42%		10.04%		7.42%		10.04%
Interest Rate Spread		4.59%		4.59%		4.59%		4.59%
Return on Assets		0.77%		0.94%		0.76%		0.91%
Return on Equity		9.03%		12.42%		8.96%		11.94%

Statement of Distributable Profit

As on Quarter ended Chaitra 2081

Particulars	Bank	
	Current Year Upto this Qtr. YTD	Previous Year Corresponding Qtr. YTD
Net profit or (loss) as per statement of profit or loss	**724,852**	**871,825**
Appropriations:	**(338,527)**	**(317,329)**
a. General Reserve	(144,970)	(174,365)
b. Capital Redemption Reserve	(187,500)	(187,500)
c. Exchange Fluctuation Fund	(650)	(63)
d. Corporate Social Responsibility Fund	(7,249)	(8,718)
e. Employees Training Fund	(3,604)	(2,668)
f. Investment Adjustment Reserve	-	50,000
g. Other	5,446	5,985
Profit or (Loss) before regulatory adjustment	**386,325**	**554,496**
Regulatory adjustment	**38,534**	**(489,530)**
a. Interest receivable (-)/previous accrued interest received (+)	25,371	(440,586)
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 (+)	12,872	(18,351)
e. Deferred tax assets recognised (-)/ reversal (+)	314	(9,178)
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognised (-)/reserval (+)	-	-
h. Actuarial loss recognised (-)/reversal (+)	-	-
i. Other (+/-)	-	-
- Gains/(losses) from investments in equity instruments	732	(21,415)
- Interest Capitalized Reserve	(756)	-
Net profit for the Quarter ended available for distribution	**424,859**	**64,966**
Opening Retained Earnings	194,701	673,938
Adjustment (+/-)	-	(69,631)
Distribution:	**-**	**(658,987)**
Bonus shares Issued	-	(626,038)
Cash dividend paid	-	(32,949)
Total Distributable profit or (loss) as on Quarter ended	**619,560**	**10,286**
Annualised Distributable Profit/Loss per share	8.04	1.23

Profit available for distribution for the period is considered for calculating the annualised distributable profit/loss per share. However, the total profit available for distribution is equivalent to 8.79% of the share capital.

Disclosure Pursuant to Securities Registration and Issue Regulation, 2073 (Rule 26(1), Annexure 14)

3rd Quarter of Financial Year 2081-82

1. Financial Statement

a) The Nepal Financial Reporting Standard (NFRS) compliant financial statement of the third quarter has been published along with this report.

b) Transaction with Related Parties

The Group comprises of Muktinath Bikas Bank Limited (the Bank), Muktinath Capital Limited (Subsidiary) & Muktinath Krishi Company Limited (Associate). The transactions with related parties are as follows:

Particulars	Relationship	Deposits	Interest
Muktinath Capital Ltd.	Subsidiary	48,916,672	1,848,603
Muktinath Krishi Company Ltd.	Associates	3,815,988	113,493

c) Key Financial Indicators

Earnings Per Share (NPR)	13.71	Liquidity Ratio	23.14%
Price Earnings Ratio (Times)	26.30	Return on Equity	8.66%
Net Worth Per Share (NPR)	158.30	Total Assets Value Per Share (NPR)	1,831.07

2. Management Analysis

The business environment remains challenging with low morale among business sectors. Even though the interest rates have declined to their lowest levels, the demand for loans is still stagnant. This situation is attributed to subdued business activity, reduced income and cash flow in the market. Nevertheless, the Bank has focused on ensuring optimum business growth and debt recovery with maximum efficiency to achieve optimal returns, all while prioritizing long-term sustainability and fostering resilience in a challenging economic environment. Furthermore, the Bank is dedicated to managing risks effectively, delivering exceptional customer service, maximizing returns and intensifying recovery efforts to strengthen its financial position.

As at third quarter end, the Bank has registered profitability of NPR of 72.49 million. Due to challenges in debt recovery the non-performing assets have increased to 4.41% from 2.02% in the previous period. On the liquidity and capital front, Bank's position continues to remain stronger.

3. Details Related to Legal Proceedings

a) No information regarding the lawsuit by or against the Bank has been filed during the period under review except for the regular cases of debt recovery.

b) No information regarding the lawsuit on account of violation of prevailing laws or commission of criminal offences have been filed against the promoter or director of the Bank during the quarterly period under review.

c) No information regarding the lawsuit of financial fraud/crime has been filed against the promoters and management team of the Bank during the quarterly period under review.

4. Analysis of Bank's Share Transaction

a) The shares of the Bank are listed on Nepal Stock Exchange. The Bank's share price is determined by the market's movement and the Bank's management is neutral in this regard.

b) The Bank has complied with all the prevailing norms of SEBON and directives issued by NRB.

c) Details of share transactions during the quarter are as follows:

Price History		Transaction History	
Maximum Price	396	No. of Shares Transacted	2,294,713
Minimum Price	351.2	No. of Transaction	12,701
Closing Price	360.55	Total Days Transacted	56

(Source: www.nepalstock.com.np)

5. Problems and Challenges

The internal, external problems and challenges faced by the Bank are as follows:

a) Internal Challenges:

i. Challenges in the recovery of problematic loans.
ii. Challenges in business growth due to low credit demand.
iii. Challenges in increasing non-interest income.
iv. Challenges in retaining skilled manpower.
v. Increase in credit risk and operation risk.

b) External Challenges:

i. Stiff competition among Banks & Financial Institutions.
ii. Changes in regulatory provisions.
iii. Risk of increase in non-performing loans.
iv. Risk of cyber security.

c) Strategy

The Bank with its strong brand name emphasizes to preserve & strengthen the relationship with its valued customers & stakeholders by,

i. Optimizing utilization of assets and resources of the Bank.
ii. Developing a comprehensive risk management framework and its effective implementation.
iii. Maintaining the assets quality.
iv. Embracing digital banking in every service area possible.
v. Developing quality human resources through robust training and development.

6. Corporate Governance

The Bank is committed to maintaining the highest level of ethical standards, corporate governance, and compliance. The board of directors and management strictly comply with all the regulatory norms issued by NRB and various other regulatory authorities. Further, the Bank adheres to all the regulatory and legal requirements and the industry best practices.

7. Declaration by CEO

I, the CEO of the Bank, take responsibility for the truthfulness of the information disclosed in this report to the best of my knowledge. Further, the information disclosed herein is true and fair and has not knowingly concealed any material information which may affect the decision of the investor.