

## Report: 2<sup>nd</sup> Quarter of FY 2009/10 (2066/067)

### 1. Unaudited Financial Results

AS AT 2ND QUARTER OF THE FISCAL YEAR 2009/10

Rs. Thousand

S.N.	Particulars	As at		
		14 January 2010	17 October 2009	13 January 2009
<b>1.</b>	<b>Total Capital and Liabilities (1.1 to 1.7)</b>	<b>52,020,627</b>	<b>47,004,458</b>	<b>41,036,049</b>
1.1	Paid up Capital	1,449,124	1,449,124	965,747
1.2	Reserve and Surplus	2,313,516	1,943,561	1,900,662
1.3	Debenture and Bond	300,000	300,000	300,000
1.4	Borrowings	2,358,854	456,770	2,732,686
1.5	Deposits (a+b)	44,023,217	41,174,926	33,848,525
	Domestic Currency (a)	37,233,917	34,559,243	27,193,747
	Foreign Currency (b)	6,789,300	6,615,683	6,654,777
1.6	Income Tax Liability	-	112,409	-
1.7	Other Liabilities	1,575,916	1,567,668	1,288,429
<b>2.</b>	<b>Total Assets (2.1 to 2.7)</b>	<b>52,020,627</b>	<b>47,004,458</b>	<b>41,036,049</b>
2.1	Cash and Bank Balance	2,834,880	2,181,331	2,751,943
2.2	Money at Call and Short Notice	1,866,369	1,473,368	1,136,837
2.3	Investments	11,697,223	10,840,277	10,454,498
2.4	Loans and Advances	33,910,095	30,886,117	25,440,330
	a. Real Estate Loan	4,421,382	3,816,247	3,121,171
	b. Home/Housing Loan	2,526,906	2,410,534	2,099,462
	c. Margin Type Loan	-	-	-
	d. Term Loan	4,476,645	4,355,393	3,543,075
	e. Overdraft Loan/TR Loan/WC Loan	16,132,223	14,435,100	12,183,439
	f. Others	6,352,939	5,868,843	4,493,183
2.5	Fixed Assets	680,008	666,303	584,760
2.6	Non Banking Assets	-	-	-
2.7	Other Assets	1,032,053	957,062	667,681
<b>3.</b>	<b>Profit and Loss Account</b>	<b>2 Quarters This Year</b>	<b>1st Quarter This Year</b>	<b>2 Quarters Last Year</b>
3.1	Interest Income	1,762,876	805,076	1,249,477
3.2	Interest Expense	764,167	353,457	530,803
<b>A</b>	<b>Net Interest Income (3.1-3.2)</b>	<b>998,710</b>	<b>451,618</b>	<b>718,673</b>
3.3	Fees, Commission and Discount	92,316	45,247	89,310
3.4	Other Operating Income	115,447	55,302	61,511
3.5	Foreign Exchange Gain/Loss (Net)	139,453	69,586	123,301
<b>B</b>	<b>Total Operating Income (A+3.3+3.4+3.5)</b>	<b>1,345,926</b>	<b>621,753</b>	<b>992,796</b>
3.6	Staff Expenses	160,304	87,969	119,632
3.7	Other Operating Expenses	156,132	80,596	125,603
<b>C</b>	<b>Operating Profit Before Provision (B-3.6-3.7)</b>	<b>1,029,491</b>	<b>453,189</b>	<b>747,561</b>
3.8	Provision for Possible Losses	91,009	51,136	115,633
<b>D</b>	<b>Operating Profit (C-3.8)</b>	<b>938,482</b>	<b>402,053</b>	<b>631,928</b>
3.9	Non Operating Income/(Expenses) Net	9,064	2,967	2,593
3.10	Write Back of Provision for Possible Loss	31,025	-	-
<b>E</b>	<b>Profit from Regular Activities (D+3.9+3.10)</b>	<b>978,571</b>	<b>405,019</b>	<b>634,521</b>
3.11	Extra Ordinary Income/Expenses (Net)	13,582	7,393	38,998
<b>F</b>	<b>Profit before Bonus and Taxes (E+3.11)</b>	<b>992,153</b>	<b>412,413</b>	<b>673,519</b>
3.12	Provision for Staff Bonus	90,196	37,492	61,229
3.13	Provision for Tax	268,726	112,476	182,964
<b>G</b>	<b>Net Profit/(Loss) (F-3.12-3.13)</b>	<b>633,231</b>	<b>262,445</b>	<b>429,325</b>

4.	Ratios & Others (%)	As at		
		14 January 2010	17 October 2009	13 January 2009
4.1	Capital Fund to RWA	10.52	10.36	11.15
4.2	Non Performing Loan (NPL) to Total Loan	1.00	1.16	0.82
4.3	Total Loan Loss Provision to Total NPL	147.06	128.33	222.93
4.4	Cost of Funds			
	Local Currency	4.53	3.94	3.79
	All Currencies	3.99	3.55	3.49
4.5	Price Earning (Annualized)	29.75	39.76	37.68
4.6	Liquid Assets/ Deposits	32.32	30.68	39.45
4.7	Net Worth Per Share (Rs)	260	234	297
4.8	Total Assets Per Share (Rs)	3,590	3,244	4,249
4.9	Earning Per Share (Annualized) (Rs)	87.40	72.44	88.91
4.10	Number of Equity Shares	14,491,240	14,491,240	9,657,470

**Note:**

1 Figures regrouped wherever necessary.

2 Above figures may vary with the audited figures if modified by the external auditors and regulators.

- During the review period, there were no transactions with related parties.

## **2. Management Analysis**

- a. The Bank continues to record growth in its business volume and profit. Though some constriction is felt due to liquidity crunch in the market, overall liquidity position during the period has been comfortable.
- b. Bank's activities are guided by long term and short term plans and accordingly management expects to increase market share under various heads without compromising quality, through network expansion, launching innovative / new products, competitive pricing and improved service standards.
- c. There were no such events/situations observed during the quarter which could have material impact on the Bank's balance, profitability and cashflow.

## **3. Details Related to Legal Proceedings**

During the quarter under review, there is no legal case of material nature filed by or filed against the Bank and filed by or filed against the promoter/ director for violating prevailing regulations or committing criminal offences and financial frauds.

## **4. Analysis of Bank's shares transactions**

- a. The management has no comment on the share transactions at Nepal Stock Exchange as it is operating under the supervision of Securities Board of Nepal.
- b. Maximum, Minimum, Last transaction prices, total traded days and total traded volume during the quarter: maximum: Rs. 2860; minimum: Rs. 2550; last transaction price: Rs. 2600; total traded days: 59 days; total traded volume: 40188 number of shares.

## **5. Problems and Challenges**

Internal:

- Increased cost of operation,
- Retention of human assets,
- Constriction of systemic liquidity crunch

External:

- Liquidity crunch,
- Unfavourable BoP Situation
- High inflation,
- Lack of business friendly environment,
- Political instability,
- Cut throat competition among banks and financial institutions

Bank's strategy to mitigate problems and challenges:

- Introducing new products
- Continuous improvement in service standards,
- Expanding distribution networks,
- Analyzing each cost component minutely,
- Cautious approach in some high risk business segments specially lending,
- Adoption of best HR practices

## **6. Corporate Governance**

The Board of Directors, Audit Committee and various management committees are committed to uphold good corporate governance practices in the Bank. Bank's organization structure and work flow has been devised keeping best corporate governance practices in mind.

## **7. Declaration of CEO about the truthfulness of financials/information**

I, CEO of the Bank, personally take the responsibility on the truthfulness of the information and particulars disclosed in this report. Further, I declare that the particulars mentioned in this report are true, fair and complete as far as I know and understand and have not concealed any necessary particulars, notices and information to the investors to take informed decisions.