

Report: 3rd Quarter of FY 2009/10 (2066/067)

1. Unaudited Financial Results

AS AT 3RD QUARTER OF THE FISCAL YEAR 2009/10

Rs. Thousand

S.N.	Particulars	As at		
		13 April 2010	14 January 2010	13 April 2009
1.	Total Capital and Liabilities (1.1 to 1.7)	51,031,738	52,039,721	40,891,395
1.1	Paid up Capital	1,449,124	1,449,124	965,747
1.2	Reserve and Surplus	2,453,085	2,313,516	2,129,958
1.3	Debenture and Bond	300,000	300,000	300,000
1.4	Borrowings	2,542,955	2,358,854	191,400
1.5	Deposits (a+b)	42,522,845	44,023,217	35,776,971
	<i>Domestic Currency (a)</i>	36,154,957	37,233,917	29,358,362
	<i>Foreign Currency (b)</i>	6,367,888	6,789,300	6,418,609
1.6	Income Tax Liability	-	19,094	-
1.7	Other Liabilities	1,763,729	1,575,916	1,527,318
2.	Total Assets (2.1 to 2.7)	51,031,738	52,039,721	40,891,395
2.1	Cash and Bank Balance	2,679,804	2,834,880	1,779,233
2.2	Money at Call and Short Notice	1,878,974	1,866,369	826,402
2.3	Investments	10,639,057	11,697,223	10,358,375
2.4	Loans and Advances	34,109,713	33,910,095	26,473,375
	<i>a. Real Estate Loan</i>	4,632,857	4,555,174	3,593,353
	<i>b. Home/Housing Loan</i>	2,467,479	2,526,906	2,160,732
	<i>c. Margin Type Loan</i>	-	-	-
	<i>d. Term Loan</i>	4,476,521	4,470,645	3,567,229
	<i>e. Overdraft Loan/TR Loan/WC Loan</i>	15,946,468	16,004,431	12,447,318
	<i>f. Others</i>	6,586,387	6,352,939	4,704,743
2.5	Fixed Assets	732,547	680,008	568,119
2.6	Non Banking Assets	-	-	-
2.7	Other Assets	991,644	1,051,147	885,890
3.	Profit and Loss Account	3 Quarters This Year	2 Quarters This Year	3 Quarters Last Year
3.1	Interest Income	2,830,179	1,762,876	1,932,145
3.2	Interest Expense	1,318,767	764,167	839,835
A	Net Interest Income (3.1-3.2)	1,511,412	998,710	1,092,310
3.3	Fees, Commission and Discount	136,858	92,316	133,592
3.4	Other Operating Income	155,074	115,447	96,079
3.5	Foreign Exchange Gain/Loss (Net)	215,176	139,453	192,379
B	Total Operating Income (A+3.3+3.4+3.5)	2,018,521	1,345,926	1,514,360
3.6	Staff Expenses	235,663	160,304	182,813
3.7	Other Operating Expenses	237,750	156,132	193,375
C	Operating Profit Before Provision (B-3.6-3.7)	1,545,107	1,029,491	1,138,172
3.8	Provision for Possible Losses	396,415	91,009	149,653
D	Operating Profit (C-3.8)	1,148,693	938,482	988,519
3.9	Non Operating Income/(Expenses) Net	9,091	9,064	4,461
3.10	Write Back of Provision for Possible Loss	35,913	31,025	-
E	Profit from Regular Activities (D+3.9+3.10)	1,193,697	978,571	992,981
3.11	Extra Ordinary Income/Expenses (Net)	17,779	13,582	40,861
F	Profit before Bonus and Taxes (E+3.11)	1,211,476	992,153	1,033,842
3.12	Provision for Staff Bonus	110,134	90,196	93,986
3.13	Provision for Tax	328,542	268,726	281,234
G	Net Profit/(Loss) (F-3.12-3.13)	772,800	633,231	658,622

4.	Ratios & Others (%)	As at			
		13 April 2010	14 January 2010	13 April 2009	
4.1	Capital Fund to RWA	10.91	10.52	11.40	
4.2	Non Performing Loan (NPL) to Total Loan	1.57	1.00	1.13	
4.3	Net Non Performing Loan to Net Loan	0.20	0.54	0.53	
4.4	Cost of Funds	Local Currency	6.08	4.53	3.84
		All Currencies	5.31	3.99	3.57
4.5	CD Ratio (as per NRB Directive)	85.34	82.89	81.76	
4.6	Total Loan Loss Provision to Total NPL	171.95	147.06	166.25	
4.7	Loans and Advances to Deposit Ratio	80.22	77.03	74.00	
4.8	Net Liquid Assets/ Deposits (as per NRB Directive)	22.13	20.51	22.96	
4.9	Net Worth Per Share (Rs)	269	260	321	
4.10	Total Assets Per Share (Rs)	3,522	3,591	4,234	
4.11	Number of Equity Shares	14,491,240	14,491,240	9,657,470	
5.	Additional Information	For the Period Ending			
		13 April 2010	14 January 2010	13 April 2009	
5.1	Price Earning (Annualized)	28.69	29.75	39.43	
5.2	Earning Per Share (Annualized) (Rs)	71.11	87.40	90.93	
5.3	Average Yield LCY	8.89	8.49	7.44	
5.4	Average Cost LCY	4.64	4.09	3.51	
5.5	Average Interest Spread LCY	4.25	4.40	3.92	
5.6	Return on Equity (Annualized)	28.52	36.65	31.73	
5.7	Return on Assets (Annualized)	2.39	2.91	2.52	

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 profitability. As per the latest data of up to first 8 months published by the NRB, the Bank has raised deposits of **Rs.6.3 billion** from overall national deposit growth of **Rs.17.8 billion**. Though some constriction was felt due to liquidity crunch in the market, overall liquidity position during the period had been comfortable. **Bank's total deposits increased further to Rs.44.85 billion as at 13 May 2010.**
- 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. To maintain sound financial position, the Bank has put aside high amount of provision.

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. 2575; minimum: Rs. 1975; last transaction price: Rs. 2040; total traded days: 51 days; total traded volume: 41,232 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.