

Interim Financial Statements of the FY 2075/76
Condensed Consolidated Statement of Financial Position
As at Third Quarter (13 April 2019) of the Fiscal Year 2018/19

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	5,588,197,210	3,780,643,820	5,588,182,209	3,780,643,820
Due from Nepal Rastra Bank	4,174,429,835	5,582,760,819	4,174,429,835	5,582,760,819
Placement with Bank and Financial Institutions	776,437,164	714,095,685	776,437,164	714,095,685
Derivative Financial Instruments	178,676,139	-	178,676,139	-
Other Trading Assets	-	-	-	-
Loans and Advances to BFIs	2,640,602,525	1,778,934,583	2,640,602,525	1,778,934,583
Loans and Advances to Customers	69,598,801,776	60,596,575,817	69,598,801,776	60,596,575,817
Investment Securities	7,746,683,895	8,802,903,890	7,736,683,895	8,802,903,890
Current Tax Assets	66,609,853	113,783,100	70,686,971	113,783,100
Investment in Subsidiaries	-	-	200,000,000	200,000,000
Investment in Associates	40,445,600	24,567,797	20,000,000	20,000,000
Investment Property	134,171,003	134,171,003	134,171,003	134,171,003
Property and Equipment	478,709,222	434,304,421	478,709,222	434,304,421
Goodwill and Intangible Assets	95,884,008	110,453,429	95,884,008	110,453,429
Deferred Tax Assets	-	-	-	-
Other Assets	1,071,169,495	454,639,100	1,071,650,354	454,924,100
Total Assets	92,590,817,724	82,527,833,464	92,764,915,101	82,723,550,667
Liabilities				
Due to Bank and Financial Institutions	8,074,390,819	9,904,187,331	8,074,390,819	10,104,187,331
Due to Nepal Rastra Bank	3,061,980,172	539,557,578	3,061,980,172	539,557,578
Derivative Financial Instruments	-	6,111,249	-	6,111,249
Deposits from Customers	68,854,311,398	59,546,335,519	69,045,908,942	59,546,335,519
Borrowings	-	-	-	-
Current Tax Liabilities	-	-	-	-
Provisions	1,800	2,231,750	1,800	2,231,750
Deferred Tax Liabilities	12,887,840	20,755,147	12,887,840	20,755,147
Other Liabilities	1,054,735,336	1,963,702,048	1,053,161,302	1,963,673,797
Debt Securities Issued	-	-	-	-
Subordinated Liabilities	-	-	-	-
Total Liabilities	81,058,307,365	71,982,880,622	81,248,330,874	72,182,852,371
Equity				
Share Capital	7,163,394,973	7,163,394,973	7,163,394,973	7,163,394,973
Share Premium	54,803,159	54,803,159	54,803,159	54,803,159
Retained Earnings	2,150,606,297	1,531,893,607	2,134,680,165	1,527,639,061
Reserves	2,163,705,930	1,794,861,101	2,163,705,930	1,794,861,101
Total Equity Attributable to Equity Holders	11,532,510,359	10,544,952,841	11,516,584,227	10,540,698,296
Non Controlling Interest	-	-	-	-
Total Equity	11,532,510,359	10,544,952,841	11,516,584,227	10,540,698,296
Total Liabilities and Equity	92,590,817,724	82,527,833,464	92,764,915,101	82,723,550,667

Condensed Consolidated Statement of Profit or Loss
For the Third Quarter Ended (13 April 2019) of the Fiscal Year 2018/19

Amount in NPR

Particulars	Group		Bank			
	Current Year		Current Year		Previous Year Corresponding	
	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)
Interest income	2,305,744,112	6,734,899,825	2,305,669,581	6,733,748,001	1,715,918,910	4,735,095,292
Interest expense	(1,589,714,008)	(4,500,683,751)	(1,589,714,008)	(4,500,683,751)	(1,234,732,741)	(3,345,249,521)
Net interest income	716,030,104	2,234,216,074	715,955,573	2,233,064,249	481,186,169	1,389,845,771
Fee and commission income	95,603,760	323,540,649	75,603,760	323,540,649	58,964,794	250,317,537
Fee and commission expense	(4,053,848)	(19,535,910)	(4,053,848)	(19,535,910)	(1,332,708)	(13,447,813)
Net fee and commission income	91,549,912	304,004,739	71,549,912	304,004,739	57,632,086	236,869,724
Net interest, fee and commission Income	807,580,017	2,538,220,813	787,505,485	2,537,068,988	538,818,255	1,626,715,495
Net trading income	86,169,643	214,025,769	86,169,643	214,025,769	42,935,281	117,163,519
Other operating income	(989,746)	13,213,631	1,010,254	13,202,918	40,503,733	40,503,733
Total operating income	892,759,914	2,765,460,212	874,685,383	2,764,297,676	622,257,269	1,784,382,747
Impairment charge/ (reversal) for Loans and other losses	(66,632,710)	(236,391,811)	(66,632,710)	(236,391,811)	(82,801,299)	54,775,116
Net operating income	826,127,205	2,529,068,401	808,052,673	2,527,905,864	539,455,969	1,839,157,864
Operating expense	-	-	-	-	-	-
Personnel expenses	(180,993,063)	(644,079,506)	(180,542,630)	(642,505,472)	(128,172,827)	(516,557,976)
Other operating expenses	(152,949,412)	(372,794,062)	(152,949,412)	(371,494,062)	(85,650,659)	(246,568,425)
Depreciation & Amortization	(29,990,952)	(85,273,421)	(29,990,952)	(85,273,421)	(19,522,542)	(54,512,495)
Operating Profit	462,193,778	1,426,921,412	444,569,680	1,428,632,909	306,109,941	1,021,518,968
Non operating income	14,124,696	25,572,696	9,694,892	9,694,892	-	30,365,171
Non operating expense	-	-	-	-	-	-
Profit before income tax	476,318,474	1,452,494,107	454,264,573	1,438,327,801	306,109,941	1,051,884,140
Income tax expense	(146,435,854)	(439,288,544)	(145,219,684)	(435,038,653)	(91,832,982)	(315,565,242)
Current Tax	(146,435,854)	(439,288,544)	(145,219,684)	(435,038,653)	(91,832,982)	(315,565,242)
Deferred Tax	-	-	-	-	-	-
Profit/(loss) for the period	329,882,620	1,013,205,563	309,044,889	1,003,289,148	214,276,959	736,318,898

Statement of Comprehensive Income

Profit/(loss) for the period	329,882,620	1,013,205,563	309,044,889	1,003,289,148	214,276,959	736,318,898
Other Comprehensive Income	(396,817)	(9,046,167)	(396,817)	(9,046,167)	(11,478,005)	(22,098,237)
Total Comprehensive Income for the period	329,485,802	1,004,159,396	308,648,071	994,242,982	202,798,954	714,220,661
Profit attributable to:						
Equity holders of the Bank	329,485,802	1,004,159,396	308,648,071	994,242,982	202,798,954	714,220,661
Non-controlling interest	-	-	-	-	-	-
Total	329,485,802	1,004,159,396	308,648,071	994,242,982	202,798,954	714,220,661
Earnings per share						
Basic earnings per share		18.86%		18.67%		16.45%
Diluted earnings per share		18.86%		18.67%		16.45%

Statement of Distributable Profit or Loss

Amount in NPR

Net Profit for the period end Chaitra 2075 quarter	1,003,289,148.44
1. Appropriations	
<u>1.1 Profit required to be appropriated to statutory reserve</u>	210,221,044.73
a. General Reserve	200,657,829.69
b. Capital Redemption Reserve	-
c. Exchange Fluctuation Fund	-
d. Corporate Social Responsibility Fund	3,394,202.88
e. Employees Training Fund	6,169,012.16
f. Other	-
<u>1.2 Profit required to be transfer to Regulatory Reserve</u>	176,980,832.81
a. Transfer to Regulatory Reserve	654,151,249.03
b. Transfer from Regulatory Reserve	(477,170,416.21)
Distributable Profit / (Loss)	616,087,270.89

Ratios as per NRB Directive

Particulars	Group		Bank			
	Current Year		Current Year		Previous Year Corresponding	
	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)
Capital fund to RWA	-	12.73%	-	12.73%	-	14.09%
Non-performing loan (NPL) to total loan	-	1.41%	-	1.41%	-	1.24%
Total loan loss provision to Total NPL	-	133.57%	-	133.57%	-	152.57%
Cost of Funds	8.29%	-	8.29%	-	8.67%	-
Credit to Deposit Ratio	78.59%	-	78.59%	-	78.69%	-
Base Rate	11.02%	-	11.02%	-	11.62%	-
Interest Rate Spread	3.61%	-	3.61%	-	3.20%	-

Notes to the Interim Financial Statements

- Above figures are prepared in accordance with Nepal Financial Reporting Standards subject to change upon otherwise directions of Statutory Auditor and/or Regulatory Authorities.
- Group represents the Bank and its wholly owned subsidiary Kumari Capital Limited and an Associate National Microfinance Bittiya Sanstha Limited.
- The NFRS reporting has been complied by adopting appropriate accounting judgment, those having potential material impact on the financial statements and had made appropriate judgment in making accounting estimates.
- Figures have been regrouped and rearranged wherever necessary.
- Loan and Advances include interest receivables and are presented net of impairment charges.
- Personnel Expenses include employment bonus provision calculated at 10 percent of profit and amortization of prepayment amount of subsidized loans provided to the employees of the bank.
- Interest income on loans and advances to customers are shown on accrual basis
- The detail Interim report has been published in the Bank's website www.kumaribank.com

Publication of Information as Required by Securities Registration and Issuance Regulation 2073 (Related to Sub Rule (1) of Rule 26)

1. Major Financial Indicators (annualized fig.)

- | | |
|---|---------------------------------|
| 1. Earnings per Share – 18.67 | 2. Market Price per Share – 259 |
| 3. Price Earnings Ratio (P/E ratio) – 13.87 | 4. Net Worth per Share – 147.63 |
| 5. Liquidity Ratio – 20.60 | |

2. Management Analysis:

- The bank has been continuously pioneering in introducing new products and re-innovating its existing products and services as per the market needs.
- The bank has been focusing on cost management, diversified investments, technological up gradation, optimum utilization of resources and automation of work.
- The deposits from customers have increased by 11.62% and loans & advances to BFIs and Customers in total have increased by 28.45% in this quarter with reference to the last year corresponding quarter end.
- The bank has formulated strategic plan to widen the branch network, along with broadening the electronic banking and digitization of the bank transactions. Currently, the bank has branch network of 88 branches all over the country with 3 extension counters; also the bank has currently setup 3 Branchless Banking units (BLBs).

3. Details Regarding Legal Actions

- Case filed by or to Kumari Bank Ltd. during the quarter –
 - Apart from the case related to credit recovery in the normal course of business operation, no other cases were file by or to Kumari Bank Ltd. during the quarter.
- Case filed by or against the promoter or director of Kumari Bank Ltd. regarding disobedience of prevailing law or commission of criminal offence –
 - No such information has been received
- Case filed against any Promoter or Director of Kumari Bank Ltd. regarding commission of financial crime –
 - No such information has been received

4. Analysis of Share Transaction of Organized Institutions

- Management's view on share transactions of Kumari Bank Ltd. at Securities Market :
Since the price of the stock is determined by open market operation, the management's view is neutral in this regard.
- Maximum, minimum and closing price of shares including total transactions and transacted days during the quarter
Max. Price - Rs. 265 Min. Price - Rs. 225 Closing Price - Rs. 259 Total no. of Transactions – 4101 Transacted Day - 60 days

5. Problems and Challenges

Internal

- Attaining reasonable level of cost of operation.
- Retention of qualified and trained human resources.
- Improving operational efficiencies to minimize inherent risks.

External

- Improving overhead efficiency.
- Intense competition from banks and financial institutions with increasing capital and thereby business capacity.
- High cost deposits. Challenge to pass on cost growth to revenue stream.

Strategy to Overcome Problems & Challenges

- a. Continually renovating and diversifying the product & services to meet the changing need of the customers.
- b. Utilizing the assets in as much as high yield and low risk investment sector.
- c. Re-pricing of its interest sensitive assets and liabilities as per liquidity position of the market.
- d. Understanding the expectations and motivating factors of employees in order to retain them; providing intense training for enhancement of skills and knowledge.
- e. Proper Risk Management on operational, market, business and other risk segments.
- f. Better cost management practices with high focus on operational efficiency through innovation and process reengineering.

6. Corporate Governance

In order to increase the standard of corporate governance, following actions has been initiated by the bank:

- a. The Board of Directors of the bank is the top most body responsible and accountable to ensure that the bank has embraced superior standard of corporate governance. Further, various sub-committees of the Board including the Audit Committee, continuously review the activities of various areas of the Bank and provide direction and support where necessary.
- b. Clear demarcation has been made in the Bank between various conflicting areas of the Bank like Credit, Risk and Operations, with each unit being headed by senior personnel directly accountable to the CEO.
- c. Management Committee chaired by the CEO and comprising of heads of key units of the bank, meets on a regular basis to assess the performance of the Bank and take key decisions. Similarly, committees like Asset Liability Committee, Risk Management Committee, and Recovery Committee etc meet at regular intervals to critically review performance and initiate proactive actions.

7. Particulars relating to Annexure – 16 of Securities Registration and Issuance Regulation, 2073

In the process of diversification of its existing operation, the bank has established 100% subsidiary company; the bank had received final approval from Securities Board of Nepal and in process of obtaining certificate of incorporation from Company Registrar Office.

8. Declaration by CEO

I hereby declare that the data and information provided in this report is true, complete, and factual to the extent of my knowledge. No attempt has been made to misguide the investors. I personally take the responsibility and accountability regarding the truthfulness of the information provided in the report as of quarter end.