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Unaudited Financial Results (Quarterly)

As at Second Quarter (13 Jan 2017) of the Fiscal Year 2016/17

As per NRB Directive form no. 9.14

Rs '000

S.N.	Particulars	29.09.2073/13.01.2017 This Quarter Ending	30.06.2073/16.10.2016 Previous Quarter Ending	30.09.2072/14.01.2016 Corresponding Previous Year Quarter Ending
1	Total Capital and Liabilities (1.1 to 1.7)	46,932,977	46,112,797	39,601,255
1.1	Paid Up Capital	2,699,167	2,699,167	2,431,682
1.2	Reserve and Surplus	1,643,566	1,501,686	1,139,907
1.3	Debtenture and Bond	-	-	-
1.4	Borrowings	1,107,335	184,200	350,000
1.5	Deposits (a+b)	39,946,389	40,356,967	34,531,231
	a. Domestic Currency	38,122,917	38,462,475	33,065,560
	b. Foreign Currency	1,823,472	1,894,492	1,465,671
1.6	Income Tax Liability	-	-	-
1.7	Other Liabilities	1,536,520	1,370,777	1,148,436
2	Total Assets (2.1 to 2.7)	46,932,977	46,112,797	39,601,255
2.1	Cash & Bank Balance	5,310,483	5,460,908	3,315,774
2.2	Money at Call and Short Notice	532,750	1,180,000	364,962
2.3	Investments	6,144,928	6,019,064	7,763,086
2.4	Loans and Advances (a+b+c+d+e+f)	33,659,893	32,411,102	27,505,974
	a.Real Estate Loan	1,793,235	1,817,722	1,884,202
	1. Residential Real Estate Loan	616,186	670,756	546,116
	2. Business Complex & Residential Apartment Construction Loan	289,885	281,192	283,013
	3. Income Generating Commercial Complex Loan	-	-	-
	4. Other Real Estate loan	887,164	865,774	1,055,074
	b. Personal Home Loan of Rs. 1 Crore or Less	3,880,871	3,704,126	3,054,526
	c.Margin Type Loan	1,167,563	1,257,095	825,500
	d.Term Loan	7,481,530	6,901,352	6,042,087
	e.Overdraft Loan/TR Loan/WC Loan	16,870,420	16,781,289	14,298,555
	f. Others	2,466,275	1,949,519	1,401,105
2.5	Fixed Assets	257,081	261,596	265,805
2.6	Non Banking Assets	-	-	-
2.7	Other Assets	1,027,841	780,127	385,654
3	Profit and Loss Account	Upto This Quarter End	Previous Quarter Ending	Corresponding Previous Year Quarter End
3.1	Interest Income	1,441,067	674,901	1,271,620
3.2	Interest Expenses	886,024	412,377	806,914
	A. Net Interest Income (3.1-3.2)	555,043	262,524	464,706
3.3	Fees, Commission and Discount	104,753	51,702	74,088
3.4	Other Operating Income	33,916	16,997	33,244
3.5	Foreign Exchange Gain/ Loss (Net)	49,304	26,183	52,933
	B. Total Operating Income (A.+3.3+3.4+3.5)	743,016	357,407	624,970
3.6	Staff Expenses	160,266	79,971	143,997
3.7	Other Operating Expenses	125,506	59,767	115,599
	C. Operating Profit Before Provision (B.- 3.6-3.7)	457,243	217,670	365,374
3.8	Provision for Possible Losses	97,844	62,683	70,033
	D. Operating Profit (C-3.8)	359,399	154,987	295,341
3.9	Non Operating Income/Expenses (Net)	4,320	3,150	919
3.10	Write Back of Provision for Possible Loss	75,263	57,834	33,054
	E. Profit from Regular Activities (D+3.9+3.10)	438,982	215,971	329,315
3.11	Extraordinary Income/Expenses (Net)	-	-	-
	F. Profit before Bonus and Taxes (E. + 3.11)	438,982	215,971	329,315
3.12	Provision for Staff Bonus	39,907	19,634	29,938
3.13	Provision for Tax	119,722	58,901	89,183
	G. Net Profit/Loss (F.-3.12-3.13)	279,352	137,436	210,194
4	Ratios	At the End of This Quarter	At the End of Previous Quarter	At the End of Corresponding Previous Year Quarter
4.1	Capital Fund To RWA	11.47%	11.33%	11.50%
4.2	Non Performing Loan (NPL) to Total Loan	1.14%	1.26%	2.55%
4.3	Total Loan Loss Provision to Total NPL	182.58%	164.93%	123.69%
4.4	Cost of Funds (annualized - LCY)	4.70%	4.38%	4.69%
4.5	Credit to Deposit Ratio (as per NRB directives)	77.37%	75.77%	75.35%
4.6	Base Rate (FTM)	8.07%	7.50%	7.09%
4.7	Average Interest Rate Spread (as per NRB directives)	3.04%	3.40%	3.93%
Additional Information (year to date annualized fig.)				
	Total Yield (LCY)	7.68%	7.26%	7.67%
	Spread (LCY)	2.98%	2.88%	2.98%
	Return on Equity (ROE) (Rolling Avg)	18.48%	21.30%	11.28%
	Return on Assets (ROA) (Rolling Avg)	1.71%	1.97%	1.00%

Note: Figures regrouped as & where necessary.

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

Loans and Advances has been presented at gross value. Total Loan Loss Provision is included in Other Liabilities.

**Rolling Average

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 – 27.95 | 2. Market Price per Share – 557.00 |
| 3. Price Earnings Ratio (P/E ratio) – 19.93 | 4. Net Worth per Share – 160.89 |
| 5. Liquidity Ratio – 28.74 | |

2. Management Analysis:

- Under the review period, both deposit and loan volume of the bank stood at NPR. 39,946 million and NPR.33,659 million respectively as on the half year end, registering a growth of 15.68% and 22.37% respectively as compared to the corresponding quarter of the previous year.
- The bank has achieved net profit of NPR. 279 million by the end of the second quarter, which is 32.90% growth as compared to corresponding quarter of previous year
- The bank has maintained its liquidity at 28.74 % and Capital Adequacy Ratio at 11.47%. The bank's NPL reduce by 55.07% in comparison to corresponding quarter of previous year, which stands at 1.14% as on the quarter end.
- Overall financial indicators of the bank are at comfortable level and on improving trend.

3. Details Regarding Legal Actions

- Case filed by or to Kumari Bank Ltd. during the quarter –
 - Except for the case related to credit recovery in the normal course of business operation, no other cases that could lead to financial obligation on the part of the bank were observed.
- 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.635 Min. Price - Rs.500 Closing Price - Rs.557 Total no. of Transactions - 9025 Transacted Day - 57 days

5. Problems and Challenges

Internal

- Attaining reasonable level of cost of operation
- Retention of qualified and trained human resources.

External

- Tight investable liquidity situation prevailing in the market leading to rising cost of acquiring deposits and challenge to pass on the same
- Intense competition from banks and financial institutions with increasing capital and thereby capacity.
- Unpredictable political scenario.

Strategy to Overcome Problems & Challenges

- Continually renovating and diversifying the product & services to meet the changing need of the customers.
- Re-pricing of its interest sensitive assets and liabilities as per liquidity position of the market.
- Utilizing the assets in as much as high yield and low risk investment sector.
- Better cost management practices with high focus on operational efficiency through innovation and process reengineering.
- Understanding the expectations and motivating factors of employees in order to retain them.

6. Corporate Governance

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

- 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.
- 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 ACEO.
- Management Committee and Management Advisory Committee chaired by the ACEO 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

- Kumari Bank Ltd. has signed a Memorandum of Understanding for acquiring Kasthamandap Development Bank Ltd., Paschimanchal Finance Co. Ltd., Mahakali Bikash Bank Ltd. and Kankre Bihar Bikash Bank Ltd. on 02 October 2016. Received approval letter of intent from Nepal Rastra Bank on 26 December 2017 and on final approval process of acquisition.
- Kumari Bank Ltd. has conducted special AGM on 14 November 2016 for raising capital by way of issuing right share of 50% of its current paid up capital. The special AGM has approved the right issuance proposal put by the bank. The prospectus for Right Share issuance has been sent to SEBON for necessary approval.

c. Declaration by Acting 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 13 January 2017.