

**बैंक अफ काठमाण्डू लिमिटेड****BANK OF KATHMANDU LTD.****UNAUDITED FINANCIAL RESULTS (QUARTERLY)****As at Third Quarter (30/12/2072) of the Fiscal Year 2072/2073 (2015/2016)**

Rs in '000'

S. N.	Particulars	This Quarter Ending 30/12/2072 (12/04/2016)	Previous Quarter Ending 30/09/2072 (14/01/2016)	Corresponding Previous Year Quarter Ending 30/12/2071 (13/04/2015)
1	Total Capital & Liabilities (1.1 to 1.7)	50,046,954	49,228,058	44,355,467
1.1	Paid-up Capital	2,671,468	2,671,468	2,120,212
1.2	Reserves and Surplus	1,676,766	1,515,371	1,908,768
1.3	Debtenture and Bond	1,000,000	1,000,000	400,000
1.4	Borrowings	1,693,520	43,000	522,000
1.5	Deposits (a+b)	40,719,856	41,811,017	37,861,240
a.	Domestic Currency	39,528,839	40,494,255	36,311,696
b.	Foreign Currency	1,191,017	1,316,762	1,549,544
1.6	Income Tax Liabilities	-	-	-
1.7	Other Liabilities	2,285,344	2,187,202	1,543,247
2	Total Assets (2.1 to 2.7)	50,046,954	49,228,058	44,355,467
2.1	Cash & Bank Balance	4,966,663	4,486,586	4,820,846
2.2	Money at call and short Notice	-	585,140	18,758
2.3	Investments	8,971,003	10,585,107	5,314,995
2.4	Loans & Advances (a+b+c+d+e+f)	34,855,218	32,286,478	32,900,960
a.	Real Estate Loan	788,336	791,516	882,870
1.	Residential Real Estate Loan (Except Personal Home Loan upto Rs 10 million)	84,127	52,772	48,050
2.	Business Complex & Residential Apartment Construction Loan	115,144	96,582	89,542
3.	Income generating Commercial Complex Loan	234,568	291,087	319,997
4.	Other Real Estate Loan (Including Land Purchase & Plotting)	354,497	351,075	425,281
b.	Personal Home Loan of Rs. 10 million or less	2,138,307	2,141,806	2,079,438
c.	Margin Type Loan	57,037	56,373	60,655
d.	Term Loan	4,797,291	4,689,891	4,590,660
e.	Overdraft Loan / TR Loan / WC Loan	20,535,798	18,075,231	18,982,101
f.	Others	6,538,449	6,531,661	6,305,236
2.5	Fixed Assets	611,148	603,227	576,513
2.6	Non Banking Assets	278	278	278
2.7	Other Assets	642,644	681,242	723,117
3	Profit and Loss Account	Upto This Quarter	Upto Previous Quarter	Upto Corresponding Previous Year Quarter
3.1	Interest Income	2,262,220	1,511,327	2,062,146
3.2	Interest Expense	1,183,565	814,203	1,012,454
	A. Net Interest Income (3.1-3.2)	1,078,655	697,124	1,049,692
3.3	Fees, Commission and Discount	169,547	107,361	200,878
3.4	Other Operating Income	62,283	40,283	49,490
3.5	Foreign Exchange Gain/Loss (Net)	144,065	95,029	125,276
	B. Total Operating Income (A+3.3+3.4+3.5)	1,454,550	939,797	1,425,336
3.6	Staff Expenses	322,118	209,872	315,270
3.7	Other Operating Expenses	293,921	195,448	297,491
	C. Operating profit Before Provision (B-3.6-3.7)	838,511	534,477	812,575
3.8	Provision for Possible Loss	95,844	34,391	67,406
	D. Operating profit (C-3.8)	742,667	500,086	745,169
3.9	Non Operating Income/Expenses (Net)	16,438	14,467	3,347
3.10	Write Back of Provision for Possible Loss	5,592	2,752	9,902
	E. Profit From Regular Activities (D+3.9+3.10)	764,697	517,305	758,418
3.11	Extraordinary Income/Expenses (Net)	(4,891)	-	2,500
	F. Profit Before Bonus and Taxes (E+3.11)	759,806	517,305	760,918
3.12	Provision For Staff Bonus	69,073	47,028	69,174
3.13	Provision For Tax	207,220	141,083	211,323
	G. Net Profit/Loss (F-3.12 -3.13)	483,513	329,194	480,421
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	13.40%	13.93%	11.57%
4.2	Non Performing Loan (NPL) to Total Loan	3.76%	3.93%	1.08%
4.3	Total Loan Loss Provision to total NPL	120.87%	120.09%	175.04%
4.4	Cost of Funds (Local Currency)	4.04%	4.22%	4.04%
4.5	CD Ratio (Calculated as per NRB Directives)	77.65%	70.15%	77.71%
4.6	Base Rate	6.31%	6.93%	7.52%
4.7	Average Interest Spread (Calculated as per NRB Circular)	3.93%	3.61%	4.14%
	Additional Information			
	Average Yield (Local Currency)	7.37%	7.53%	8.08%
	Net Interest Spread (Local Currency)	3.33%	3.31%	4.04%
	Return on Equity (Annualised)	15.59%	16.25%	16.76%
	Return on Assets (Annualised)	1.33%	1.37%	1.53%

Note: 1. The unaudited financial figure may change if directed by Statutory Auditor/ Supervisory Authorities
2. Figures of previous periods have been regrouped wherever necessary as per NRB Directives.

Securities Registration and Issuance Rules 2065 (Rule # 22 (2), Annexure 14)

3rd Quarter Report – FY 2072-73

1. Financial Indicators

Earning Per Share (Annualized)	24.13
Price Earning Ratio (Annualized)	24.24
Net Worth Per Share	162.77
Assets Per Share	1,873.39
Liquidity Ratio	27.57%

2. Management Analysis

- a. The credit volume of the Bank has increased in the third quarter of FY 2072-73 by NPR 2,569 million (7.96%) in comparison of the second quarter of FY 2072-73. However, the deposit volume has been decreased by NPR 1,091 million (2.61%) in comparison to the second quarter of FY 2072-73. The bank achieved net profit of NPR 483 million.
- b. No specific incident observed that could have impact on deposit volume, profitability and cash flow of the bank.

3. Details Pertaining to Legal Proceedings

- a. There were no major legal cases filed by or filed against the Bank during the review quarter period.
- b. There were no legal cases filed by or filed against promoters or directors of the Bank during the review quarter period.
- c. There were no legal cases filed against promoter or directors of the Bank regarding financial misappropriation.

4. Analysis of Bank's Share Transactions

- a. No abnormal incidents occurred during the review quarter period that could have a material effect on the share prices of the Bank.
- b. Share Transaction Detail of the Review Quarter Period

Months	Maximum Share Price	Minimum Share Price	Last Share Price	Total Traded Days	Total Transaction Nos.
Magh 2072					
Falgun 2072					
Chaitra 2072					

Note: The share transaction of the bank has been stopped till further notice after signing of MOU with Lumbini Bank Ltd for merger.

5. Problems and Challenges

Internal

- Maintaining interest spread
- Managing increased operation cost

External

- Competitive environment with growing financial institutions
- Limited market
- Changing liquidity condition
- Volatile foreign exchange market
- Change in policies and regulations having direct impact in the business
- Political instability marring the business environment
- Adverse investment climate discouraging foreign direct investment

Bank's Strategy to mitigate problems and challenges

- Focus on new and high yielding services by optimum utilization of funds
- Provide quality and latest technology based services to customers
- Expand network so as to broaden the reach to targeted markets
- Explore new prospective lending sectors so as to broaden the scope of lending
- Closely monitor the cost component to remain competitive in the market
- Proactive approach in providing provisions
- Closely follow activities in international market

6. Corporate Governance

- **High Public Shareholding:** Public shareholders' own 58.19% share of this bank where as Promoter shareholders' own 41.81% of this bank.
- **Safeguard of depositors and shareholders rights and interests:** The Bank has been providing timely and regularly all the necessary financial information to all the stakeholders.
- **Effective Audit Committee:** The independent audit committee has ensured the establishment of effective internal controls and provides suggestions and guidance to the management if necessary.
- **Effective Compliance:** To ensure that the prevalent laws and rules are followed, the Bank has developed policies and clear authorities to guide the function of management which is coordinated by Integrated Risk Management and Compliance Department and monitored by Internal Audit Department.

7. Details as per Rule 22 (5) related to special incident or condition

The bank had scheduled the 21st annual general meeting on February 07, 2016 which was postponed later. Now, the 21st annual general meeting has been scheduled on May 30, 2016.

The Bank has got the letter of intent (LOI) from Nepal Rastra Bank in regard of merger with Lumbini Bank Ltd.

8. Declaration by CEO regarding True Financial Information

I personally take the responsibility for the correctness of the information disclosed in the report. I also declare that as far as I understand the information provided in the report are true, fair and complete and have not concealed any factual information and notices from investors to take investment decisions.