Agricultural Development Bank Limited

Ramshahpath, Kathmandu

Unaudited Financial Results (Quarterly)

As at Third Quarter of the Fiscal Year 2069/2070

Rs in '000

S. No.	Particulars	This Quarter Ending	Previous Quarter Ending	Corresponding Previous Year Quarter Ending
1	**Total Capital and Liabilities (1.1 to 1.7)**	**72,469,345**	**69,426,874**	**64,503,844**
1.1	Paid Up Capital*	9,474,300	9,474,300	9,474,300
1.2	Reserve and Surplus	4,443,719	4,044,696	3,242,615
1.3	Debenture and Bond	2,300,000	2,300,000	2,300,000
1.4	Borrowings	1,400,814	1,051,020	235,659
1.5	Deposits (A+B)	47,234,325	44,971,716	41,065,100
	A. Domestic Currency	47,140,649	44,966,538	41,056,955
	B. Foreign Currency	93,676	5,178	8,146
1.6	Income Tax Liability	-	-	-
1.7	Other Liabilities	7,616,187	7,585,142	8,186,169
2	**Total Assets (2.1 to 2.7)**	**72,469,345**	**69,426,874**	**64,503,844**
2.1	Cash and Bank Balance	4,839,494	4,100,994	6,713,813
2.2	Money at Call and Short Notice	122,946	137,001	-
2.3	Investment	9,090,824	10,396,772	9,767,028
2.4	Loans and Advances (Net of Provision)	46,842,853	43,172,250	36,003,510
	a. Real Estate Loan	460,488	169,780	269,490
	1. Residential Home Loan	460,488	169,780	269,490
	2. Commercial Buildings and Residential Apartments	-	-	-
	3. Business Complex	-	-	-
	4. Other Real Estate Loans	-	-	-
	b. Home/Housing Loan (upto Rs. 10 Million)	1,840,758	1,925,180	1,718,890
	c. Margin Type Loan	-	-	-
	d. Term Loan	13,934,313	13,214,924	11,069,270
	e. Overdraft Loan/ TR Loan/WC Loan	24,669,338	22,204,263	18,884,910
	f. Others	5,937,956	5,658,103	4,060,950
2.5	Fixed Assets	1,405,479	1,381,473	1,407,498
2.6	Non Banking Assets (Net of Provision)	-	-	-
	Non Banking Assets (Gross)	105,243	106,110	135,299
	Provision for Non Banking Assets	(105,243)	(106,110)	(135,299)
2.7	Other Assets	10,167,749	10,238,384	10,611,996
3	**Profit and Loss Account**	**Up to This Quarter**	**Up to Previous Quarter**	**Corresponding Previous Year Quarter**
3.1	Interest Income	5,092,150	3,287,207	4,962,436
3.2	Interest Expense	2,004,467	1,320,865	1,951,375
A.	**Net Interest Income (3.1-3.2)**	**3,087,683**	**1,966,342**	**3,011,061**
3.3	Fees, Commission and Discount	188,572	53,940	78,283
3.4	Other Operating Income	390,798	230,401	284,291
3.5	Foreign Exchange Gain/Loss (Net)	(12,378)	(12,475)	16,415
B.	**Total Operating Income(A+3.3+3.4+3.5)**	**3,654,675**	**2,238,208**	**3,390,050**
3.6	Staff Expenses	1,723,681	1,083,664	1,766,213
3.7	Other Operating Expenses	266,383	180,180	205,022
C.	**Operating Profit before Provision (B-3.6-3.7)**	**1,664,611**	**974,364**	**1,418,815**
3.8	Provision for Possible Losses	806,314	675,064	1,649,827
D.	**Operating Profit (C-3.8)**	**858,297**	**299,300**	**(231,011)**
3.9	Non Operating Income/Expenses (Net)	3,128	(3)	5,201
3.10	Write Back of Provision for Possible Loss	600,570	450,520	1,376,886
E.	**Profit from Regular Activities (D+3.9+3.10)**	**1,461,995**	**749,817**	**1,151,075**
3.11	Extraordinary Income/Expense (Net)	181,265	227,345	368,998
F.	**Profit before Bonus and Taxes (E+3.11)**	**1,643,260**	**977,162**	**1,520,073**
3.12	Provision for Staff Bonus	121,723	72,382	112,598
3.13	Provision for Income Tax	576,164	358,429	550,209
G .	**Net Profit/Loss (F-3.12-3.13)**	**945,373**	**546,350**	**857,266**
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 RWE	18.33%	18.93%	19.18%
4.2	Non Performing Loan to Total Loan	6.27%	6.64%	8.44%
4.3	Total Loan Loss Provision to Total NPL	165.65%	166.00%	175.85%
4.4	Cost of Fund	5.49%	5.57%	6.19%
4.5	C/D Ratio (As per NRB Directive)	81.33%	79.95%	78.33%
4.6	Base Interest Rate	11.27%	11.06%	12.86%

Figures have been regrouped whereever necessary and are subject to change in accordance with the supervisory authorities' and/or external auditor's direction.

*Includes NRs. 6,436.8 million non-cummulative irredeemable 6% preference shares of Nepal Government.

Disclosure as per the requirement of Securities Registration and Issue Regulations, 2065 (Related to Sub-regulation (2) of Regulation 22)

1. Key Financial Ratios:

a.*Earning Per Share: Rs.41.50** b. Price Earning Ratio: 5.9 times c. Net worth Per Share: Rs. 246.30 d. Liquidity Ratio: 28.71 % e. Return on Equity**: 16.85 % f. Return on Assets**: 1.74 %

** Dividend on non-cumulative irredeemable preference shares has not been considered while calculating EPS.*

*** (Annualized)*

2. Management's Analysis:

a. **Principal reasons for the changes in balances, income, and the liquidity during the quarter:** The bank attained notable growth in loan assets and revenue during the period. The increment in loan assets is attributed to the implementation of bank's policy to achieve business growth. Reserve and surplus has increased due to the increment in profit contributed mainly by the income from loan transactions. Liquidity was satisfactory during the period.

b. **Plan for the business activities in the future periods:** The bank will primarily focus on effectiveness of credit and investment operations while minimizing its cost of funds and other operations. The Bank aims to attain both efficiency and effectiveness in its business operation through implementation of modern Core Banking System (CBS). Further, the bank has started foreign exchange and trade finance businesses through selected branches. The bank plans to expand its business through other branches across the country on the basis of feasibility.

c. **Events and Transactions that have material impact on balances, profit or cash flow:** No such extra-ordinary incidents or events occurred which would have material impact on its reserve, profit and/or cash flow position.

3. Details relating to Legal Proceedings:

a. **Law-suit filed by or against the bank:**

Two cases have been filed by the bank amounting Rs.2,499,000.

b. **Law-suit filed by or against the promoter(s) or director(s) involving violation of statutory regulations or criminal offences:**

No such information has come into the knowledge of the management.

c. **Law-suit filed against any promoter(s) or director(s) for economic offences:**

No such information has come into the knowledge of the management.

4. Share Performance:

a. **Management's View**

Market price of the bank's shares is largely determined by the market forces. The bank aims to eliminate the information asymmetry by disclosing information as per their materiality.

b. **Maximum, Minimum and Closing Share Price, Total Volume of Traded Shares and Number of Days Traded during the Quarter:** Maximum price Rs.287, Minimum price Rs.233, Closing price Rs.245, No. of trading 2453, Days of trading 56 days.

5. Problems and Challenges:

a. Internal Problems & Challenges

i. Proper management of non-performing loans, written-off loans and liquidity

ii. Higher staff related expenses.

iii Speedy Implementation of CBS and adaptation to the pace of probable changes.

b. Management's strategy to solve the internal problems and challenges:

i. Focus on quality lending along with timely recovery of loans. The bank also periodically reviews the adequacy and effectiveness of internal control mechanisms to manage risks.

ii. Enhancement of employees' productivity through trainings and exposures in various areas including CBS. Moreover, the bank is adopting measures to control operating expenses.

iii. Under the Rural Finance Sector Development Cluster Program financed by the Asian Development Bank, the bank is in the process of installing CBS in branches to enhance their operational efficiency. A massive and intensive training program is being conducted to orient the employees towards CBS and modern banking systems. CBS software has been successfully installed in eight regional offices including Kathmandu valley. Altogether, CBS has been launched in 77 branches and financially, these branches cover majority of the bank's business transactions.

c. External Problems & Challenges:

i. Changes in socio-economic environment.

ii. Increasing competition in the banking industry.

iii. Low economic growth.

d. Strategy to manage the external problems and challenges:

i. The bank is constantly monitoring the existing socio-economic situation of the country and revising its strategies accordingly to minimize the possible adverse effects on its business and to harness the available opportunities.

ii. The bank management is adopting various measures relating to competitive pricing, customer oriented marketing, manpower development, modern and sophisticated technologies in its business processes in order to manage the ever increasing competition. Above all, lending branches are being converted into commercial banking branches.

iii. The bank is exploring possibilities to penetrate into new productive sector of the market.

6. Corporate Governance:

Corporate good governance is the focal point of the bank. It has taken the following steps to ensure corporate good governance in the bank:

a. The bank is fully complying with corporate governance provisions of BAFIA, NRB directives, Company Act and other related prevailing Acts.

b. Risk Management Sub-committee headed by the non-executive director reviews and assesses various risks of the bank and suggests for their proper management. .

c. Human Resource Management Sub Committee headed by the non-executive director periodically reviews human resource policy and financial packages for the staff to enhance their efficiency/productivity.

d. The Audit Committee headed by the non-executive director reviews management reports and reports from external as well as internal auditors, and provides feedback to the board of directors as and when required.

e. The Asset and Liability subcommittee (ALCO) and Loan Portfolio Management Committee (LPMC) at head office and regional offices deal with issues related to credit and other risk management.

7. Declaration by the Chief Executive Officer:

I, as a CEO, take personal responsibility for the accuracy and completeness of the disclosures made in this report. To the extent of my knowledge, the amounts and disclosures made in this report are correct and complete.