

Agricultural Development Bank Limited

Ramshahpath, Kathmandu

Unaudited Financial Results (Quarterly)

As at Second Quarter of the Fiscal Year 2067/68

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)	54,113,412	51,742,695	51,086,835
1.1	Paid Up Capital	9,437,500	9,437,500	10,777,500
1.2	Reserve and Surplus	2,084,989	1,260,700	159,294
1.3	Debenture and Bond	2,300,000	2,300,000	-
1.4	Borrowings	247,127	399,125	545,937
1.5	Deposits (A+B)	31,882,993	30,964,110	33,437,942
	A. Domestic Currency	31,882,993	30,964,110	33,437,942
	B. Foreign Currency	-	-	-
1.6	Income Tax Liability	1,097,561	988,324	751,686
1.7	Other Liabilities	7,063,242	6,392,936	5,414,476
2	Total Assets (2.1 to 2.7)	54,113,412	51,742,695	51,086,835
2.1	Cash and Bank Balance	3,410,406	3,192,468	3,523,241
2.2	Money at Call and Short Notice	94,463	318,099	853,547
2.3	Investment	5,219,805	4,910,388	4,338,452
2.4	Loans and Advances (Net of Provision)	34,738,789	33,501,037	34,370,261
	a. Real Estate Loan	8,453	8,752	233
	b. Home/Housing Loan	1,273,845	1,232,837	1,730,849
	c. Margin Type Loan	-	-	-
	d. Term Loan	9,235,192	8,724,972	10,398,920
	e. Overdraft Loan/ TR Loan/WC Loan	18,847,895	18,817,300	18,975,129
	f. Others	5,373,404	4,717,176	3,265,130
2.5	Fixed Assets	973,861	965,341	840,467
2.6	Non Banking Assets (Net of Provision)	-	-	-
	Non Banking Assets (Gross)	212,440	225,925	414,932
	Provision for Non Banking Assets	(212,440)	(225,925)	(414,932)
2.7	Other Assets	9,676,088	8,855,362	7,160,867
3	Profit and Loss Account	Up to This Quarter	Up to Previous Quarter	Corresponding Previous Year Quarter
3.1	Interest Income	2,800,598	1,067,456	2,331,726
3.2	Interest Expense	818,502	399,874	679,076
A.	Net Interest Income (3.1-3.2)	1,982,096	667,582	1,652,650
3.3	Fees, Commission and Discount	51,045	22,350	66,727
3.4	Other Operating Income	143,876	77,559	152,038
3.5	Foreign Exchange Gain/Loss (Net)	(1,308)	5,414	341
B.	Total Operating Income(A+3.3+3.4+3.5)	2,175,709	772,905	1,871,756
3.6	Staff Expenses	1,148,387	399,576	1,000,905
3.7	Other Operating Expenses	131,638	70,340	104,512
C.	Operating Profit before Provision (B-3.6-3.7)	895,684	302,989	766,339
3.8	Provision for Possible Losses	1,261,488	591,801	1,027,700
D.	Operating Profit (C-3.8)	(365,804)	(288,812)	(261,361)
3.9	Non Operating Income/Expenses (Net)	19,760	6,293	29,316
3.10	Write Back of Provision for Possible Loss	1,051,702	555,981	933,117
E.	Profit from Regular Activities (D+3.9+3.10)	705,658	273,462	701,072
3.11	Extraordinary Income/Expense (Net)	169,821	93,616	135,710
F.	Profit before Bonus and Taxes (E+3.11)	875,479	367,078	836,782
3.12	Provision for Staff Bonus	64,850	27,191	66,943
3.13	Provision for Income Tax	155,641	67,977	153,968
G.	Net Profit/Loss (F-3.12-3.13)	654,988	271,910	615,871
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	18.95%	19.28%	15.94%
4.2	Non Performing Loan to Total Loan	8.12%	8.54%	9.05%
4.3	Total Loan Loss Provision to Total NPL	180.52%	187.78%	156.70%
4.4	Cost of Fund	5.21%	5.21%	4.77%
4.5	C/D Ratio (As per NRB Directives)	94.77%	96.69%	90.42%

Disclosure as required by Securities Registration and Issuance Regulation 2065 (Related to Rule 22(2) for the second quarter of 2067/68)

1. Financial Highlights (Unaudited figures of 2067.09.30)

Earning Per share	Market Value per share	Price Earning Ratio	Net worth per ordinary share	Return on total Assets	Liquidity Ratio
Rs.43.13	Rs. 138	3.19	168.64	2.42%	25%

2. Management Analysis:

- a. **Details relating to the change in the Bank's reserve, income, liquidity in the quarter (if any) and its main reasons:** Positive changes in profitability and reserves have been observed during the period. Reserve has increased due to the increment in profitability and the finalization of the accounts for the financial year 2066/67. Growth in income is mainly contributed by the income from loan assets and treasury businesses. Liquidity position was satisfactory during the period.
- b. **Management's analytical details regarding future business Plan:** The bank will primarily focus on effective and efficient credit and investment operations and augmenting income from non-fund business. To have the efficiency and effectiveness in business, the state of the art technologies will be embedded within its systems and processes, which it is in the process of installation.
- c. **Analytical details of the incidents that may have major impact on reserve, profit or cash flow:** During the period under review, there were no such extra-ordinary incidents/events which have had impact on the reserve, profit or cash flow position of the institution.

3. Details of Legal Action:

During the review period:

- a. **Case filed by the institution during the period:**
Three cases have been filed by the bank. All of these are related to loan assets amounting Rs. 2,012 thousand.
- b. **Case relating to disobedience of the prevailing laws or commission of the criminal offence filed by or against the promoters or directors of the Institution.**
No such information has been received by the Institution.
- c. **Case relating to the commission of financial crime filed against any promoter or director.**
No such information has been received by the institution

4. Details of the Share Transaction

a. Management View

Market price of the bank's shares is largely determined by the market forces, and thus, the bank management believes it is neutral on this regard. However, the bank aims to eliminate the information asymmetry and timely discloses any information that it considers material.

- b. **Maximum, Minimum, Last transaction price, total traded days and volume during the quarter:** Maximum price Rs.172, Minimum price Rs. 134 Closing price Rs.138, No. of trading 5208 , Days of trading 56 days.

5. Problems and Challenges:

a. Internal Problems & Challenges

- i. Maintaining the cost of fund at existing level.
- ii. Managing non-performing and written-off loans.
- iii. Increment in employee related expenses.
- iv. Procurement of core banking system and adapting the possible changes.

Strategy to manage the internal problems and challenges:

- i. Adoption of competitive pricing and effective marketing measures as well as enhancing the quality of service delivery mechanisms to augment low cost deposits.
- ii. Extensive monitoring and follow-up activities are being launched to enhance quality of loan portfolio and to recover written of loans.
- iii. Enhance employees' productivity through providing training and developments in various technical areas including computer literacy. Moreover, the bank is adopting a policy to consistently reduce the number of employees through normal as well as voluntary retirement.
- iv. Under the Rural Finance Sector Development Cluster Program financed by Asian Development Bank, the bank is in the process of installing Core Banking System for enhancing its overall efficiency and productivity. A massive and intensive awareness program is being conducted throughout the institution at different levels as per the requirements.

b. External Problems & Challenges:

- i. Changes in socio-economic environment.
- ii. Increasing competition in the banking industry.

Strategy to manage the external problems and challenges:

- i. The bank is consistently monitoring the existing socio-economic situation of the country and timely reshaping its strategies to minimize the possible adverse effects on its business.
- ii. To manage the increasing competition, the management is adopting various measures related to competitive pricing, effective marketing, manpower development and conversion of lending branches into commercial banking branches.

6. Corporate Governance:

Corporate governance is the focal point of the institution. The bank aims to balance the varying interests of different stakeholders. It has taken the following steps to strengthen the corporate governance:

- a. The bank is complying with corporate governance provisions of both the NRB directives and the Company Act 2063. The Corporate Governance Committee consisting non-executive directors oversees overall corporate governance aspects of the bank.
- b. The Audit Committee headed by the non-executive directors review management reports and reports from external as well as internal auditors, and provides the feedback to the board of directors as required.
- c. The Asset and Liability Committee (ALCO) and Loan Portfolio Management Committee (LPMC) at head office and regional offices deal with related issues concerning credit and other risk management.

7. Disclosure of the Chief Executive Officer:

I am personally responsible for the correctness of the facts and figures disclosed in this report. Also, to the extent of my knowledge, the facts and figures disclosed in this report are correct and comprehensive and all the material information relevant to take proper investment decision for the investors are disclosed properly in this statement.