

As at 12 April 2020 (3rd quarter of FY 2076/77)

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

1. a) Related Party Disclosure:

Group comprises of Siddhartha Bank Ltd. (Parent Co.) and Siddhartha Capital Ltd. (Subsidiary Co.). The Bank has 51% shareholding in Siddhartha Capital Limited (SCL) and SCL is licensed as a Mutual Fund Manager and Depository from Securities Board of Nepal (SEBON) as per Mutual Fund Regulation 2010 and also obtained the license for merchant banking business from SEBON in 2015. The Bank has appointed subsidiary as its Registrar to Share.

- The Bank has held call deposits of Rs. 451.35 million of SCL as at 12 April 2020 (Chaitra end 2076).
- Till the end of 3rd quarter, SCL earned interest income of Rs. 14.21 million and Rs. 0.375 million Share RTS fee from the Bank.
- All intra-group balances and transactions arising from intra-group transactions are eliminated from the Statement of Financial Position and Statement of Profit or Loss of the Group.

b) Major Financial Indicators

Earnings Per Share	Rs. 18.91
Price Earnings Ratio (P/E Ratio)	15.28
Net Worth Per Share	Rs. 153.44
Total Assets Value Per Share	Rs. 1,832.40
Liquidity Ratio	20.42%

2. Management Analysis

- a) The Bank has formulated its strategy with long term and short-term plans which focuses on business growth, investment and product diversification, network expansion, operational efficiency, risk mitigation, digitization, etc.
- b) The Bank continuously monitors the targets set and reviews the achievements on periodic basis.
- c) The Bank has introduced new products and has re-aligned its existing products as per the requirement of customers.
- d) The Bank has been giving continuity to its business process reengineering and service excellency to achieve optimum efficiency.
- e) COVID-19 pandemic has resulted in an unprecedented disruption to the economic activity and has put stress on the financial sector too. This is likely to put pressure on the business growth, reserve, profitability and liquidity position of the Bank.

3. Details Regarding Legal Actions

- a) Case filed by or to organized institution during the quarter:
There are normal business-related legal issues which have insignificant impact in the Bank's overall business.
- b) Case filed by or against the Promoter or Director of organized institution regarding disobedience of prevailing law or commission of criminal offence:
None to our knowledge.
- c) Case filed against any Promoter or Director of organized institution regarding commission of financial crime:

None to our knowledge.

4. Analysis of share transaction and progress of organized institution

- a) Management's view of share transactions of organized institution of securities market:
Since the price of the share is determined by open market operation, the management holds a neutral view on share transactions and its movement.
- b) Maximum, minimum and last share price of the organized institutions including total transaction and transacted days during the quarter.

Maximum Price	Rs. 393
Minimum Price	Rs. 282
Closing Price	Rs. 289
Total Traded Shares	2,572,708 Shares
Total Transaction No.	7,530
Total Traded Days	46 Days

5. Problems and Challenges

Internal

- a) Increased cost of operations.
- b) Recruitment and retention of quality human resources.
- c) Challenges in increasing non-interest revenue.
- d) Challenges in timely recovery of loans.

External

- a) COVID-19 pandemic:
 - This pandemic has adverse effect on the economy. There are certain industries which are affected less and may rebound faster like pharmaceuticals, e-commerce, FMCG, etc. But there are many industries which will take longer time to rebound such as travel, tourism, hotels, aviation, etc. These industries need to be carefully monitored as there will be problem in repayment capacity of loans.
 - Due to disruption in supply chains, most businesses are likely to see a much longer working capital cycle and demand of working capital loan may create pressure in the banking industry for loanable fund.
 - Remittance inflow has contributed significantly in the country's GDP. In current crisis, remittance inflow has decreased and the downturn in remittance may create severe impact on overall consumption in the country.
- b) Risk of bearish trend of stock market.
- c) Risk to the bank due to changes in policies and regulations.
- d) Competition among banks and financial institutions.
- e) Volatile foreign exchange market.
- f) Continuous pressure in the interest spread.

Strategies to overcome Challenges

- a) COVID-19 pandemic:
 - The silver lining of the current pandemic is the movement towards digital banking. The situation has forced many new users to uptake digital banking services for conducting transactions. Like in the past, the Bank will further encourage customers to shift towards digital transactions. The infrastructure will be strengthened accordingly for security of digital transactions.
 - The Bank will also focus on subsidized agriculture and skill based SME loans which will help in reduction of unemployment that is likely to be created by current pandemic situation.
 - The Bank will establish a mechanism to interact with the borrowers and will address their problems in line with the regulations issued by NRB.

- The Bank will monitor the effect of this pandemic regularly so as to maintain desired NPA level.
- b) Implementation of better cost management practices.
- c) Focus on new and high yielding products and services.
- d) Focus on non-funded business and explore new avenues for investment diversification.
- e) Drive digitization and automation to improve efficiency and productivity.
- f) Prudent management of assets and liabilities for optimum utilization of resources.
- g) Developing human resources through online trainings and motivating them for growth.

6. Corporate Governance

- The Bank is committed to maintain high standards of corporate governance by compliance to legal, statutory and regulatory requirements.
- Proper work ethics, integrity and transparency are paramount to the Bank's business.
- Executive Committee (EXCOM) and Asset Liability Management Committee (ALCO) are in place to ensure effective and efficient operations of the Bank.
- Audit Committee ensures the establishment of effective internal controls and provides recommendations to the management regarding internal controls and compliance issues as appropriate.
- Required policies, process and structures are in place and are regularly being reviewed and monitored by Board of Directors and Board Level Committees who meets on a regular basis.
- Good Corporate Governance is an integral part of the Bank to safeguard the interest of stakeholders.

7. Declaration by CEO

I, CEO of the Bank, take responsibility for the truthfulness of the information and details disclosed in this report. I also hereby declare that to the best of my knowledge and belief, the information disclosed in this report are true, fair and complete and have not concealed any matters that can adversely affect the investment decision of the investors.