

# Siddhartha Bank Limited

## Unaudited Financial Results

1<sup>st</sup> Quarter Ended of Fiscal Year 2077/78

### Condensed Consolidated Statement of Financial Position

Amount in NPR

Particulars	Group		Bank	
	This Quarter Ending	Immediate Previous Year Ending (Unaudited)	This Quarter Ending	Immediate Previous Year Ending (Unaudited)
<b>Assets</b>				
Cash and cash equivalent	8,936,768,205	5,962,454,404	8,899,147,826	5,959,208,400
Due from Nepal Rastra Bank	11,729,341,483	9,507,945,122	11,729,341,483	9,507,945,122
Placements with Bank and Financial Institutions	1,552,237,846	1,067,033,917	1,552,237,846	1,067,033,917
Derivative financial instruments	14,925,603,481	11,972,844,047	14,925,603,481	11,972,844,047
Other trading assets	314,890,800	178,081,148	169,428,844	147,021,248
Loans and advances to B/FIs	4,222,955,708	4,004,351,952	4,222,955,708	4,004,351,952
Loans and advances to customers	127,052,658,431	123,454,315,433	127,043,616,282	123,448,089,751
Investment securities	26,210,776,273	22,827,665,018	25,790,300,273	22,502,829,318
Current tax assets	100,513,515	315,020,547	106,516,819	313,258,188
Investment in subsidiaries	-	-	51,000,000	51,000,000
Investment in associates	-	-	-	-
Investment property	136,607,745	136,607,745	136,607,745	136,607,745
Property and equipment	1,425,408,445	1,390,737,623	1,408,853,584	1,379,725,544
Goodwill and Intangible assets	95,999,031	102,314,936	95,733,678	101,985,674
Deferred tax assets	-	-	-	-
Other assets	1,785,639,458	2,114,076,693	1,754,389,445	2,076,906,421
<b>Total Assets</b>	<b>198,489,400,421</b>	<b>183,033,448,585</b>	<b>197,885,733,014</b>	<b>182,668,807,327</b>
<b>Liabilities</b>				
Due to Bank and Financial Institutions	4,955,074,688	6,759,236,798	4,955,074,688	6,759,236,798
Due to Nepal Rastra Bank	15,806,114	20,054,195	15,806,114	20,054,195
Derivative financial instruments	14,812,141,902	11,862,128,229	14,812,141,902	11,862,128,229
Deposits from customers	149,250,939,242	139,172,356,368	149,452,597,204	139,609,497,543
Borrowing	-	-	-	-
Current Tax Liabilities	-	-	-	-
Provisions	-	-	-	-
Deferred tax liabilities	442,146,299	130,430,588	441,804,612	130,271,978
Other liabilities	3,285,862,926	3,597,901,132	2,855,547,299	3,149,240,519
Debt securities issued	8,162,559,000	5,162,559,000	8,162,559,000	5,162,559,000
Subordinated Liabilities	-	-	-	-
<b>Total liabilities</b>	<b>180,924,530,171</b>	<b>166,704,666,310</b>	<b>180,695,530,819</b>	<b>166,692,988,262</b>
<b>Equity</b>				
Share capital	9,787,767,142	9,787,767,142	9,787,767,142	9,787,767,142
Share premium	-	-	-	-
Retained earnings	1,825,055,021	1,026,378,825	1,733,511,800	1,210,979,433
Reserves	5,743,470,740	5,316,694,335	5,668,923,253	4,977,072,490
<b>Total equity attributable to equity holders</b>	<b>17,356,292,903</b>	<b>16,130,840,302</b>	<b>17,190,202,195</b>	<b>15,975,819,065</b>
Non-controlling interest	208,577,348	197,941,973	-	-
<b>Total equity</b>	<b>17,564,870,251</b>	<b>16,328,782,275</b>	<b>17,190,202,195</b>	<b>15,975,819,065</b>
<b>Total liabilities and equity</b>	<b>198,489,400,421</b>	<b>183,033,448,585</b>	<b>197,885,733,014</b>	<b>182,668,807,327</b>

### Information about reportable segments

The Bank has identified the key segments of business on the basis of nature of operations that assist the Executive Committee of the bank in decision making process and to allocate the resources. It will help the management to assess the performance of the business segments. The business segments identified are Banking (including loans, deposits and trade operations), Payment Solutions (Cards), Remittance, Treasury and Micro Banking. Treasury Department acts as the fund manager of the Bank.

Particulars	Payment Solutions		Remittance		Treasury		Microbanking		Banking		Total	
	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter
Revenues from external customers	64,293,623	58,130,953	12,785,725	6,359,010	432,822,947	378,648,760	128,574,684	131,054,015	3,541,591,574	3,678,015,637	4,180,068,553	4,252,208,375
Intersegment revenues	-	-	22,964,286	10,324,618	17,541,392	26,637,463	-	-	1,510,992,573	1,309,527,034	1,551,498,250	1,346,489,115
Segment Profit (loss) before impairment charge	15,269,429	9,397,621	15,464,824	4,126,181	303,055,184	228,795,007	20,485,167	45,547,805	630,913,791	772,861,626	985,188,393	1,060,728,241
Impairment charge/(reversal) for loan and other losses	27,506,222	7,364,243	-	-	-	-	4,799,469	6,238,162	228,516,241	302,213,665	260,821,932	315,816,070
Segment Profit (loss) before tax	(12,236,793)	2,033,378	15,464,824	4,126,181	303,055,184	228,795,007	15,685,698	39,309,643	402,397,550	470,647,961	724,366,461	744,912,171
Segment assets	240,250,543	170,805,413	1,216,970,302	573,588,860	14,584,500,476	12,269,786,906	200,752,000	48,115,425	181,643,259,694	147,146,282,153	197,885,733,014	160,208,578,757
Segment liabilities	250,909,081	167,058,444	1,201,023,799	568,983,166	14,281,160,174	12,040,657,142	182,802,156	29,124,278	181,969,837,805	147,402,755,727	197,885,733,014	160,208,578,757

### 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. 201.66 million of SCL as at 16 October 2020 (Ashwin end 2077).
- Till the end of 1st quarter, SCL earned interest income of Rs. 1.63 million and Rs. 0.125 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. 20.07
Price Earnings Ratio (P/E Ratio)	15.84
Net Worth Per Share	Rs. 175.63
Total Assets Value Per Share	Rs. 2,021.77
Liquidity Ratio	27.34%

#### 2. Management Analysis

a) The length of COVID-19 pandemic and the depth of its severity is still unknown both locally and globally. This has created pressure on the business growth, reserves and profitability of the Bank.

Although the pandemic may lead to a crisis in the real economy, the impact on the bank-customer relationship can be defined as a 'positive discontinuity' for the purpose of digitization of the sector and the ability to offer an excellent customer experience.

b) The Bank has formulated its strategy with long term and short-term plans which focuses on sustainable growth, product diversification, operational efficiency, risk mitigation, customer satisfaction through digitization and automation.

c) The Bank continuously monitors the targets set and reviews the achievements on periodic basis.

d) The Bank has introduced new products and has re-aligned its existing products as per the requirement of customers.

e) The Bank has been giving continuity to its business process reengineering and service excellency to achieve optimum efficiency amid this pandemic.

#### 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 institution including total transaction and transacted days during the quarter.

Maximum Price	Rs. 359
Minimum Price	Rs. 283
Closing Price	Rs. 318
Total Traded Shares	2,855,800 Shares
Total Transaction No.	11,324
Total Traded Days	64 Days

#### 5. Problems and Challenges

##### Internal

- a) Attainment of reasonable level of cost of operations.
- b) Challenges in increasing non-interest revenue.
- c) Challenges in timely recovery of loans.
- d) Challenges in managing surplus liquidity.
- e) Disruption in full fledge operations of the Bank due to COVID-19 pandemic.

##### External

- a) With the onset of global pandemic, the prospect of Nepal's financial sector looks fairly bleak as it is one of the most severely hit. The contraction in economic activity is having adverse consequences on credit quality as it has put pressure on the borrower's repayment capacity.
- b) Risk to the bank due to changes in policies and regulations.
- c) Competition among banks and financial institutions.
- d) Pressure in the interest spread.

#### Strategies to overcome Challenges

- a) COVID-19 pandemic:
  - The Bank has carried out COVID-19 impact analysis of the borrowers incorporating various parameters related to borrowers regarding their financials, past performance with the Bank, security coverage and duration of relation with the Bank along with their view on impact of COVID-19 on their business.
  - The Bank has established a mechanism to interact with the borrowers and has been addressing their problems in line with the regulations issued by NRB.
  - The Bank will continue to focus on borrower's needs to help them recover from the impact of COVID-19.
  - Greater attention has been given to more challenged customer segments.
  - The Bank will monitor the effect of this pandemic regularly so as to maintain desired NPA level.
  - 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.
- b) Adapt the operating models to drive efficiency and resilience.
- c) Implementation of better cost management practices.
- d) Focus on new and high yielding products and services.
- e) Focus on non-funded business and explore new avenues for investment diversification.
- f) Drive digitization and automation to improve efficiency and productivity.
- g) Prudent management of assets and liabilities for optimum utilization of resources.
- h) 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.

### Condensed Consolidated Statement of Profit or Loss

Amount in NPR

Particulars	Group				Bank			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Up To This Quarter (YTD)	This Quarter	Up To This Quarter (YTD)	This Quarter	Up To This Quarter (YTD)	This Quarter	Up To This Quarter (YTD)
Interest income	3,750,438,093	3,750,438,093	3,822,106,219	3,822,106,219	3,741,491,525	3,741,491,525	3,812,195,804	3,812,195,804
Interest expense	2,396,121,657	2,396,121,657	2,373,916,445	2,373,916,445	2,397,749,282	2,397,749,282	2,380,375,800	2,380,375,800
<b>Net interest income</b>	<b>1,354,316,436</b>	<b>1,354,316,436</b>	<b>1,448,189,774</b>	<b>1,448,189,774</b>	<b>1,343,742,243</b>	<b>1,343,742,243</b>	<b>1,431,820,004</b>	<b>1,431,820,004</b>
Fees and commission income	287,156,451	287,156,451	276,536,732	276,536,732	251,599,469	251,599,469	254,555,793	254,555,793
Fees and commission expense	56,051,573	56,051,573	45,791,498	45,791,498	48,306,754	48,306,754	42,963,767	42,963,767
<b>Net fee and commission income</b>	<b>231,104,878</b>	<b>231,104,878</b>	<b>230,745,234</b>	<b>230,745,234</b>	<b>203,292,715</b>	<b>203,292,715</b>	<b>211,592,027</b>	<b>211,592,027</b>
<b>Net interest, fee and commission income</b>	<b>1,585,421,314</b>	<b>1,585,421,314</b>	<b>1,678,935,008</b>	<b>1,678,935,008</b>	<b>1,547,034,958</b>	<b>1,547,034,958</b>	<b>1,643,412,030</b>	<b>1,643,412,030</b>
Net trading income	107,500,604	107,500,604	108,360,862	108,360,862	106,114,930	106,114,930	110,815,812	110,815,812
Other operating income	87,000,282	87,000,282	75,194,417	75,194,417	80,753,729	80,753,729	74,526,967	74,526,967
<b>Total operating income</b>	<b>1,779,922,200</b>	<b>1,779,922,200</b>	<b>1,862,490,287</b>	<b>1,862,490,287</b>	<b>1,733,903,617</b>	<b>1,733,903,617</b>	<b>1,828,754,809</b>	<b>1,828,754,809</b>
Impairment charge/(reversal) for loan and other losses	260,821,932	260,821,932	315,816,070	315,816,070	260,821,932	260,821,932	315,816,070	315,816,070
<b>Net operating income</b>	<b>1,519,100,268</b>	<b>1,519,100,268</b>	<b>1,546,674,217</b>	<b>1,546,674,217</b>	<b>1,473,081,685</b>	<b>1,473,081,685</b>	<b>1,512,938,739</b>	<b>1,512,938,739</b>
<b>Operating expense</b>								
Personnel expense	512,724,306	512,724,306	524,196,455	524,196,455	501,599,230	501,599,230	514,212,188	514,212,188
Other operating expense	198,737,388	198,737,388	215,095,785	215,095,785	194,824,357	194,824,357	209,985,802	209,985,802
Depreciation & Amortisation	53,307,986	53,307,986	45,411,996	45,411,996	52,375,859	52,375,859	43,942,578	43,942,578
<b>Operating Profit</b>	<b>754,330,588</b>	<b>754,330,588</b>	<b>761,969,981</b>	<b>761,969,981</b>	<b>724,282,239</b>	<b>724,282,239</b>	<b>744,798,171</b>	<b>744,798,171</b>
Non operating income	108,901	108,901	118,179	118,179	108,901	108,901	114,000	114,000
Non operating expense	24,679	24,679	-	-	24,679	24,679	-	-
<b>Profit before income tax</b>	<b>754,414,810</b>	<b>754,414,810</b>	<b>762,088,160</b>	<b>762,088,160</b>	<b>724,366,461</b>	<b>724,366,461</b>	<b>744,912,171</b>	<b>744,912,171</b>
<b>Income tax expense</b>								