



महालक्ष्मी विकास बैंक लि.
Mahalaxmi Bikas Bank Ltd.

(नेपाल राष्ट्र बैंकबाट "ब" श्रेणीको राष्ट्रिय स्तरको इजाजत प्राप्त संस्था)

Unaudited Financial Results (Quarterly)

As at Fourth Quarter Ending on 31/03/2076 (16/07/2019) of the Fiscal Year 2075/076

NRs in '000'

S.N.	Particulars	This Quarter Ending	Previous Quarter Ending	Corresponding Previous Year's Quarter Ending
1	Total Capital and Liabilities (1.1 to 1.7)	38,189,425	36,042,771	32,616,042
1.1	Paid Up Capital	2,844,501	2,844,501	2,633,797
1.2	Reserve and Surplus	1,420,369	1,286,470	1,430,225
1.3	Debenture and Bond	-	-	-
1.4	Borrowings	66,209	66,209	-
1.5	Deposits (a+b)	32,554,213	30,490,954	27,276,844
	a. Domestic Currency	32,551,823	30,488,962	27,274,766
	b. Foreign Currency	2,390	1,991	2,079
1.6	Income Tax Liability	-	-	-
1.7	Other Liabilities	1,304,132	1,354,637	1,275,175
2	Total Assets (2.1 to 2.7)	38,189,425	36,042,771	32,616,042
2.1	Cash & Bank Balance	1,702,363	1,486,608	1,825,045
2.2	Money at Call and Short Notice	5,892,116	5,678,613	6,540,229
2.3	Investment	2,496,893	1,720,123	1,767,357
2.4	Loans and Advances (a+b+c+d+e)	27,500,815	26,359,535	21,659,523
	a. Real Estate Loan	1,811,257	1,579,489	1,936,349
	1. Residential Real Estate Loan (Except Personal Home Loan upto Rs. 1.5 crore)	489,374	235,662	121,993
	2. Business Complex & Residential Apartment Construction Loan	8,948	98,027	107,143
	3. Income generating Commercial Complex Loan (Plotting)	1,311,488	1,243,136	1,707,213
	b. Personal Home Loan of Rs. 1.5 crore or less	4,196,501	2,195,769	1,600,643
	c. Margin Type Loan	1,320,039	975,779	994,042
	d. Term Loan	5,755,126	7,455,126	4,849,094
	e. Overdraft Loan/TR Loan/WC Loan	7,710,131	7,952,856	7,431,892
	f. Others	6,707,761	6,200,517	4,847,504
2.5	Fixed Assets	372,903	349,058	325,781
2.6	Non Banking Assets	-	-	-
2.7	Other Assets	224,335	448,834	498,107
3	Profit and Loss Account	Up to This Quarter	Up to Previous Quarter	Up to Corresponding Previous Year's Quarter
3.1	Interest Income	3,803,767	2,689,199	3,196,450
3.2	Interest Expenses	2,379,900	1,686,526	2,121,084
	A. Net Interest Income (3.1-3.2)	1,423,866	1,002,673	1,075,366
3.3	Fees, Commission and Discount	27,068	17,763	9,894
3.4	Other Operating Income	207,430	135,539	146,336
3.5	Foreign Exchange Gain/ Loss (Net)	1,759	25	24
	B. Total Operating Income (A.+3.3+3.4+3.5)	1,660,122	1,156,000	1,231,621
3.6	Staff Expenses	394,343	261,672	275,876
3.7	Other Operating Expenses	297,468	200,097	249,674
	C. Operating Profit Before Provision (B.- 3.6-3.7)	968,312	694,231	706,071
3.8	Provision for Possible Losses	185,228	197,516	605,330

	D. Operating Profit (C-3.8)	783,084	496,715	100,741
3.9	Non Operating Income/Expenses (Net)	42,116	38,981	60,216
3.10	Write Back of Provision for Possible Loss	185,950	71,022	705,695
	E. Profit from Regular Activites (D+3.9+3.10)	1,011,150	606,717	866,652
3.11	Extraordinary Income/Expenses (Net)	(43,871)	(35,752)	(28,149)
	F. Profit before Bonus and Taxes (E. + 3.11)	967,279	570,965	838,503
3.12	Provision for Staff Bonus	96,728	51,906	76,228
3.13	Provision for Tax	206,754	131,153	201,139
	G. Net Profit/Loss (F.-3.12-3.13)	663,797	387,906	561,136
4	Ratios	At the End of This Quarter	At the End of Previous Quarter	At the End of Corresponding Previous Year's Quarter
4.1	Capital Fund To RWA (As per NRB Directive)	18.97	15.97	16.86
4.2	Non Performing Loan (NPL) to Total Loan	2.54	3.85	3.88
4.3	Total Loan Loss Provision to Total NPL	103.37	86.84	86.56
4.4	Cost of Funds	8.62	8.58	9.01
4.5	Credit to Deposit Ratio (Calculated as per NRB Directives)	74.52	75.95	69.11
4.6	Base rate	11.25	11.45	12.34
4.7	Average Spread Rate	4.76	4.77	4.28
Additional Information				
4.8	Earning Per Share (Annualized)	23.34	18.18	21.31
4.9	Return on Total Assets (Annualized)	1.74	1.43	1.72
4.10	Networth per Share	149.93	145.23	154.30

Note: The figures are regrouped and rearranged wherever necessary.

The Unaudited Financial figures are subject to change from External auditors and Regulatory Authority.

Loan and Advances has been presented on Gross figure and Loan loss provision has been presented under other liabilities.

This interim financial report has been published in our bank's website (www.mahalaxmibank.com)

Mahalaxmi Bikas Bank Ltd.

Statement of Financial Position

As on 31 Ashad End 2076

Assets	This Quarter Ending	Immediate Previous Quarter Ending
Cash and cash equivalent	6,405,057,227	7,070,896,350
Due from Nepal Rastra Bank	1,189,422,027	1,352,234,075
Placement with Bank and Financial Institutions	-	-
Derivative financial instruments	-	-
Other trading assets	-	-
Loan and advances to B/FIs	842,151,907	716,484,722
Loans and advances to customers	26,055,564,231	20,335,201,697
Investment securities	2,498,169,288	1,753,204,864
Current tax assets	21,017,019	54,864,482
Investment in subsidiaries	-	-
Investment in associates	4,733,900	2,233,900
Investment property	388,217,821	374,385,706
Property and equipment	318,537,067	244,760,354
Goodwill and Intangible assets	3,735,459	5,350,113
Deferred tax assets	-	-
Other assets	156,452,095	284,766,772
Total Assets	37,883,058,043	32,194,383,035
Liabilities		
Due to Bank and Financial Institutions	1,963,102,410	524,931,344
Due to Nepal Rastra Bank	66,209,302	-
Derivative financial instruments	-	-
Deposits from customers	30,591,110,810	26,751,913,118
Borrowing	-	-
Current Tax Liabilities	-	-
Provisions	34,230,242	18,717,813
Deferred tax liabilities	39,202,963	166,019,273
Other liabilities	549,706,034	589,322,468
Debt securities issued	-	-
Subordinated Liabilities	-	-
Total liabilities	33,243,561,762	28,050,904,016
Equity		
Share capital	2,844,501,240	2,633,797,444
Share premium	-	-
Retained earnings	446,841,927	380,893,190
Reserves	1,348,153,115	1,128,788,385
Total equity attributable to equity holders	4,639,496,282	4,143,479,019
Non-controlling interest	-	-
Total equity	4,639,496,282	4,143,479,019
Total liabilities and equity	37,883,058,043	32,194,383,035

Mahalaxmi Bikas Bank Ltd.

Condensed Consolidated Statement of Profit or Loss

For the year ended 31 Ashad 2076

Particulars	Current Quarter		Corresponding Previous Year Quarter	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Interest income	1,235,655,337	3,924,854,244	953,681,630	3,213,408,508
Interest expense	693,374,905	2,379,900,499	580,269,327	2,121,083,544
Net interest income	542,280,433	1,544,953,745	373,412,304	1,092,324,964
Fee and commission income	79,000,435	228,726,158	49,414,179	152,353,852
Fee and commission expense	1,800,709	5,514,197	956,145	3,063,521
Net fee and commission income	77,199,726	223,211,962	48,458,034	149,290,331
Net interest, fee and commission income	619,480,158	1,768,165,706	421,870,338	1,241,615,295
Net trading income		-		-
Other operating income	15,913,164	55,525,886	46,930,409	75,431,701
Total operating income	635,393,322	1,823,691,593	468,800,747	1,317,046,996
Impairment charge/(reversal) for loans and other losses	(141,049,056)	(14,554,428)	120,635,784	44,263,172
Net operating income	776,442,378	1,838,246,021	348,164,963	1,272,783,824
Operating expense	275,210,875	788,629,765	223,428,907	623,147,822
Personnel expenses	179,263,758	497,903,085	138,624,356	374,147,172
Other operating expenses	79,858,641	237,744,250	67,798,737	201,928,679
Depreciation & Amortisation	16,088,476	52,982,430	17,005,814	47,071,971
Operating Profit	501,231,503	1,049,616,256	124,736,056	649,636,002
Non operating income	(118,409)	11,315,828	3,125,241	4,687,652
Non operating expense	2,405,587	46,623,176	(27,279,833)	16,379,680
Profit before income tax	498,707,507	1,014,308,908	155,141,130	637,943,974
Income tax expense	202,417,193	206,753,754	41,401,731	185,788,297
Current Tax	202,417,193	333,570,064	54,549,066	198,935,632
Deferred Tax Income / Expenses	-	(126,816,310)	(13,147,335)	(13,147,335)
Profit for the year	296,290,314	807,555,154	113,739,399	452,155,677

Mahalaxmi Bikas Bank Ltd.

Statement of Comprehensive Income

For the year ended 31 Ashad 2076

Particulars	Current Quarter		Corresponding Previous Year Quarter	
	This Quarter	Upto This	This Quarter	Upto This
		Quarter (YTD)		Quarter (YTD)
Profit for the year	296,290,314	807,555,154	452,155,677	452,155,677
Other comprehensive income				
a) Items that will not be reclassified to profit or loss				
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-
Gain/(loss) on revaluation	-	-	-	-
Actuarial gain/loss on defined benefit plans	-	(4,433,320)	-	15,179,560
Income tax relating to above items	-	1,329,996	-	(4,553,868)
Net other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
b) Items that are or may be reclassified to profit or loss				
Gains/(losses) on cash flow hedge	-	-	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-
Income tax relating to above items	-	-	-	-
Net other comprehensive income that are or may be reclassified to profit or loss	-	-	-	-
c) Share of other comprehensive income of associate accounted as per equited method	-	-	-	-
Other comprehensive income for the period, net of income tax		(3,103,324)		10,625,692
Total comprehensive income for the year	296,290,314	804,451,830	452,155,677	462,781,369
Total comprehensive income attributable to:				
Equity holders of the Bank	296,290,314	804,451,830	452,155,677	462,781,369
Non-controlling interest				
Total comprehensive income for the year	296,290,314	804,451,830	452,155,677	462,781,369
Basic earnings per share		28.28		17.17
Annualised Basic Earnings per Share		28.28		17.17
Diluted earnings per share		28.28		17.17

Ratios as per NRB Directive	Current Quarter		Corresponding Previous Year Quarter	
	This Quarter	Upto This	This Quarter	Upto This
		Quarter (YTD)		Quarter (YTD)
Capital Fund to RWA		18.97		16.86
Non-Performing Loan (NPL) to Total Loan		2.54		3.88
Total Loan Loss Provision to Total NPL		103.37		86.56
Cost of Funds		8.62		9.01
Credit to Deposit Ratio (CCD Ratio as per NRB)		74.27		69.11
Base Rate		11.25		12.34
Interest Rate Spread		4.76		4.28

Mahalaxmi Bikas Bank Ltd.

**Statement of changes in equity
For the year ended 31 Ashad 2076**

Amount in NPR

Particulars	Attributable to equity holders of the Bank											Total	Non-controlling interest	Total equity
	Share Capital	Share Premium	General Reserve	Exchange Equalisation Reserve	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve					
									Employee Capability Enhancement Fund	Investment Adjustment Reserve	CSR Fund			
Balance at Shrawan 1, 2074	2,633,797,444	-	677,296,318	203,271	891,107,201	82,043,159	-	162,793,770	959,375	4,394,766	7,331,274	4,459,926,578	-	4,459,926,578
Adjustment/Restatement	-	-	-	-	-	(47,220,107)	-	-	-	-	-	(47,220,107)	-	(47,220,107)
Adjusted/Restated balance at Shrawan 1, 2074	2,633,797,444	-	677,296,318	203,271	891,107,201	34,823,052	-	162,793,770	959,375	4,394,766	7,331,274	4,412,706,471	-	4,412,706,471
Comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	452,155,677	-	-	-	-	452,155,677	-	452,155,677
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain/(loss) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Atuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	10,625,692	-	-	-	-	10,625,692	-	10,625,692
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to reserve during the year	-	-	101,419,435	-	-	-	-	(101,419,435)	-	-	-	-	-	-
Transfer from reserve during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	(237,041,770)	-	-	-	-	(237,041,770)	-	(237,041,770)
Others	-	-	-	6,119	-	-	-	(6,119)	-	-	-	-	-	-
Exchange Fluctuation Fund	-	-	-	6,119	-	-	-	(6,119)	-	-	-	-	-	-
Deferred Tax Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Tax Impact of Investment Adj.	-	-	-	-	8,344,640	-	-	-	-	-	-	8,344,640	-	8,344,640
Interest Receivable	-	-	-	-	30,882,349	-	-	(30,882,349)	-	-	-	-	-	-
Investment Adjustment Reserve	-	-	-	-	-	-	-	(3,185,500)	-	3,185,500	-	-	-	-
Employee Capability Enhancement Fund	-	-	-	-	-	-	-	959,375	(959,375)	-	-	-	-	-
Reversal of Investment property	-	-	-	-	(66,509,545)	-	-	66,509,545	-	-	-	-	-	-
Impairment Reversal	-	-	-	-	(78,151,744)	-	-	78,151,744	-	-	-	-	-	-
Utilization of Institution CSR Fund	-	-	-	-	-	-	-	-	-	-	(1,905,259)	(1,905,259)	-	(1,905,259)
Institution CSR Fund	-	-	-	-	-	-	-	(5,070,972)	-	-	5,070,972	-	-	-
Total contributions by and distributions	2,633,797,444	-	778,715,753	209,390	785,672,901	34,823,052	-	393,589,658	-	7,580,266	10,496,987	4,644,885,451	-	4,644,885,451
Balance at 32 Ashad, 2075	2,633,797,444	-	778,715,753	209,390	785,672,901	34,823,052	-	393,589,658	-	7,580,266	10,496,987	4,644,885,451	-	4,644,885,451

Balance at Shrawan 1, 2075	2,633,797,444	-	778,715,753	209,390	785,672,901	34,823,052	-	393,589,688	-	7,580,266	10,496,987	4,644,885,451	-	4,644,885,451
Adjustment/Restatement	-	-	-	-	(503,236,456)	14,526,492	-	(12,696,468)	-	-	-	(501,406,432)	-	(501,406,432)
Adjusted/Restated balance at Shrawan 1, 2075	2,633,797,444	-	778,715,753	209,390	282,436,445	49,349,544	-	380,893,190	-	7,580,266	10,496,987	4,143,479,019	-	4,143,479,019
Comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	807,555,154	-	-	-	807,555,154	-	807,555,154
Other comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain/(loss) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial gain/loss on defined benefit plans	-	-	-	-	-	-	-	(4,433,320)	-	-	-	(4,433,320)	-	(4,433,320)
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to reserve during the year	-	-	161,511,031	-	-	-	-	(161,511,031)	-	-	-	-	-	-
Transfer from reserve during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with owners, directly recognised in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	210,703,796	-	-	-	-	-	-	(210,703,796)	-	-	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	(184,365,821)	-	-	-	(184,365,821)	-	(184,365,821)
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange Fluctuation Fund	-	-	-	439,685	-	-	-	(439,685)	-	-	-	-	-	-
Interest Received of Previous Accrual	-	-	-	-	(118,881,911)	-	-	-	-	-	-	(118,881,911)	-	(118,881,911)
Interest Receivable Net of interest received	-	-	-	-	64,516,774	-	-	(64,516,774)	-	-	-	-	-	-
Deferred Tax Reserve	-	-	-	-	126,816,490	-	-	(126,816,490)	-	-	-	-	-	-
Investment Adjustment Reserve	-	-	-	-	-	-	-	763,563	-	(763,563)	-	-	-	-
Reversal of Fair Value Reserve	-	-	-	-	-	(32,324,424)	-	32,324,424	-	-	-	-	-	-
Reversal of Impairment charge on Investment Property	-	-	-	-	13,832,115	-	-	(13,832,115)	-	-	-	-	-	-
Utilization of Institution CSR Fund	-	-	-	-	-	-	-	-	-	(3,856,839)	(3,856,839)	-	(3,856,839)	
Institution CSR Fund	-	-	-	-	-	-	-	(8,075,552)	-	-	8,075,552	-	-	
Total contributions by and distributions	2,844,501,240	-	940,226,784	649,075	368,719,913	17,025,120	-	446,841,747	-	6,816,703	14,715,700	4,639,496,282	-	4,639,496,282
Balance at 31 Ashad, 2076	2,844,501,240	-	940,226,784	649,075	368,719,913	17,025,120	-	446,841,747	-	6,816,703	14,715,700	4,639,496,282	-	4,639,496,282

Mahalaxmi Bikas Bank Ltd.

Statement of cash flows For the year ended 31 Ashad 2076

CASH FLOWS FROM OPERATING ACTIVITIES	Up to This Quarter	Corresponding Previous Year Quarter
Interest received	3,882,738,063	3,213,408,508
Fees and other income received	228,726,158	155,091,358
Divided received	8,191,469	23,067,052
Receipts from other operating activities	53,503,093	54,314,794
Interest paid	2,348,542,623	2,121,083,544
Commission and fees paid	5,514,197	3,321,966
Cash payment to employees	440,565,648	374,147,172
Other expense paid	228,299,036	309,385,056
Operating cash flows before changes in operating assets and liabilities	1,150,237,279	637,943,974
(Increase)/Decrease in operating assets		
Due from Nepal Rastra Bank	162,812,048	225,449,803
Placement with bank and financial institutions	-	-
Other trading assets	(9,041,965)	-
Loan and advances to bank and financial institutions	(125,667,186)	-
Loans and advances to customers	(5,864,246,396)	(886,302,105)
Other assets	105,915,047	(20,968,219)
	(5,730,228,452)	(681,820,521)
Increase/(Decrease) in operating liabilities		
Due to bank and financial institutions	1,438,171,066	305,704,492
Due to Nepal Rastra Bank	66,209,302	-
Deposit from customers	3,839,197,692	2,140,231,592
Borrowings	-	-
Other liabilities	(180,142,489)	95,017
	5,163,435,571	2,446,031,101
Net cash flow from operating activities before tax paid	583,444,398	2,402,154,554
Income taxes paid	295,007,605	275,840,715
Net cash flow from operating activities	288,436,792	2,126,313,839
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(764,951,234)	(619,344,271.00)
Receipts from sale of investment securities	-	-
Purchase of property and equipment	(130,303,801)	44,664,964.00
Receipt from the sale of property and equipment	5,357,062	-
Purchase of intangible assets	(197,751)	-
Receipt from the sale of intangible assets	-	-
Purchase of investment properties	-	-
Receipt from the sale of investment properties	120,185,630	-
Interest received	-	-
Dividend received	-	-
Net cash used in investing activities	(769,910,094)	(574,679,307)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt from issue of debt securities	-	-
Repayment of debt securities	-	-
Receipt from issue of subordinated liabilities	-	-
Repayment of subordinated liabilities	-	-
Receipt from issue of shares	-	-
Dividends paid	(184,365,821)	(237,041,770)
Interest paid	-	-
Other receipt/payment	-	-
Net cash from financing activities	(184,365,821)	(237,041,770)
Net increase (decrease) in cash and cash equivalents	(665,839,123)	1,314,592,762
Cash and cash equivalents at Shrawan, 01, 2075	7,070,896,350	5,756,303,588
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-
Cash and cash equivalents at Ashad end 2076	6,405,057,227	7,070,896,350

MAHALAXMI BIKAS BANK LTD.
Notes to Interim Financial Statements
For the year ended 31st Ashad, 2076

1. Reporting Entity

Mahalaxmi Bikas Bank Limited (“MBBL” or “the Bank”) is a limited liability company domiciled in Nepal. The address of its registered office is G.P.O. Box 12711, Durbarmarg, Kathmandu, Nepal. The Bank has obtained "Class B" (National Level) license from Nepal Rastra Bank having NRB code 12009000 and carrying out banking activities in Nepal.

The Bank offers the services permitted for class ‘B’ as authorized by the Nepal Rastra Bank (Central Bank of Nepal).

The Bank is listed on Nepal Stock Exchange and its stock symbol is “**MLBL**”

2. Basis of Preparation

The interim financial statements of the Bank have been prepared in accordance with Nepal Financial Reporting Standards (NFRS): NAS 34 Interim Financial Reporting as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN).

The interim financial statements comprise of the Statement of Financial Position, Statement of Profit or Loss, Statement of Other Comprehensive Income, Ratios as per NRB Directive, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Accounts.

The interim financial statements do not include all of the information required for a complete set of NFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Bank's financial position and performance since the last annual financial statements.

2.1 Statement of Compliance with NFRS

The interim financial statements have been prepared and approved by the Board of Directors in accordance with Nepal Financial Reporting Standards (NFRS) and as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and in the format issued by Nepal Rastra Bank through NRB Circular dated 14 Falgun, 2075 (Ref No: Bai.Bi.Ni.Bi/Niti/Paripatra/Ka Kha Ga/19/075/76).

2.2 Functional and Presentation Currency

The interim financial statements are presented in Nepalese Rupees (NPR) which is also the Bank's functional currency. All financial information presented in NPR has been rounded off to the nearest rupee except where indicated otherwise.

2.3 Use of Estimates, Assumptions and Judgments

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The Bank applies estimates in preparing and presenting the financial

statements and such estimates and underlying assumptions are reviewed periodically. The revision to accounting estimates are recognized in the period in which the estimates are revised and are applied prospectively.

2.4 Changes in Accounting Policies

The Bank had adopted NFRS for the first time in previous year. The bank prepared the statement of financial position as per NFRS by recognizing all assets and liabilities whose recognition was required by NFRS, not recognizing the items of assets or liabilities which were not permitted by NFRS, and applying NFRS in measurement of recognized assets and liabilities.

During the current year, there is no change in accounting policies.

2.5 Reporting Pronouncements

The Bank has, for the preparation of financial statements, adopted the NFRS pronounced by ASB as effective on 13 September, 2013. The NFRS conform, in all material respect, to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Subsequently, ICAN vide its notice dated 20 September 2018 has resolved that Carve-outs in NFRS with Alternative Treatment and effective period shall be provided to the Banks and Financial Institutions regulated by NRB on the specific recommendation of ASB.

2.6.1 NAS 17: Lease

In para 33, lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term *unless either:*

(a) Another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis; or

(b) The payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.

Bank as a lessee

Leases that do not transfer to the Bank substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Bank as a lessor

Leases where the Bank does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in other operating income.

2.6.2 NAS 39: Financial Instruments: Recognition and Measurement

a) Impairment

In para 58, an entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. If any such evidence exists, the entity shall apply paragraph 63 to determine the amount of any impairment loss *unless the entity is Bank or financial institutions registered as per Bank and Financial Institutions Act, 2073. Such entities shall measure impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63; and shall apply paragraph 63 to measure the impairment loss on financial assets other than loan and advances. The entity shall disclose the impairment loss as per this carve-out and the amount of impairment loss determined as per paragraph 63.*

b) Impracticability to determine transaction cost of all previous years which is the part of effective interest rate

In para 9, the effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received, *unless it is immaterial or impracticable to determine reliably*, between parties to the contract that are an integral part of the effective interest rate (see NAS 18 Revenue), transaction costs and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

The carve out has been provided for the FY 2017-18 and 2018-19. Accordingly, the Bank has opted the carve out.

c) Impracticability to determine interest income on amortized cost

In para AG 93, once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. *Interest income shall be calculated by applying effective interest rate to the gross carrying amount of a financial asset unless the financial asset is written off either partially or fully.*

The carve out is optional and has been provided for the FY 2017-18 and 2018-19. Accordingly, the Bank has opted the carve out.

2.6 New Standards in issue but not yet effective

For the reporting of financial instruments, NAS 32 Financial Instruments, Presentation, NAS 39 Financial Instruments Recognition and Measurements and NFRS 7 Financial Instruments – Disclosures have been applied. NFRS 9 has been complied for the classification of Financial Instruments.

A number of new standards and amendments to the existing standards and interpretations have been issued by IASB after the pronouncements of NFRS with varying effective dates. Those become applicable when ASB Nepal incorporates them within NFRS. In this connection, ASB has

issued Exposure Draft of Nepal Financial Reporting Standards (NFRSs) 2018. NFRSs 2018 is yet to be pronounced by the Institute of Chartered Accountants of Nepal.

NFRSs 2018 introduced following standards which is applicable to the Bank:

- ✓ NFRS 15 Revenue from Contracts with Customers: The standard shall supersede existing NAS 18 Revenue and NAS 11 Construction Contract.
- ✓ NFRS 16 Leases: It shall supersede NAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains lease, SIC-15 Operating Lease – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

2.7 New Standards and Interpretations Not adapted

The following new standards are not mandatory and have not been early adopted by the Bank even the Bank is currently assessing the impact of these amendments in impairment of risk assets:

1. IFRS 9: Financial Instruments'-Impairment
2. IFRS 15: Revenue from contract with customer
3. IFRS 16: Leases

2.8 Discounting

Discounting has been applied where assets and liabilities are non-current, and the impact of the discounting is material.

2.9 Limitation of NFRS Implementation

Wherever the information is not adequately available, and/or it is impracticable to adopt, such exception to NFRS implementation has been noted and disclosed in respective sections.

3. Significant Accounting Policies

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of Measurement

The interim financial statements have been prepared on a historical cost basis, except for available for sale investments, assets held for sale and discontinued operations, other financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss (FVPL), all of which have been measured at fair value.

The interim financial statements have been prepared on a going concern basis where the accounting policies and judgments as required by the standards are consistently used and in case of deviations disclosed specifically.

3.2 Basis of Consolidation

The Bank does not have control over any other entity for consolidation of Financial Statements.

3.3 Cash and Cash equivalent

Cash and cash equivalents include cash in hand, balances with B/FIs, money at call and short notice and highly liquid financial assets with original maturities of three months or less from the acquisition dates that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are presented in the carrying value in the statement of financial position.

3.4 Financial Assets and Financial Liabilities

A. Recognition

The Bank initially recognizes a financial asset or a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. The Bank initially recognize loans and advances, deposits and debt securities/ subordinated liabilities issued on the date that they are originated which is the date that the Bank becomes party to the contractual provisions of the instruments. Investments in equity instruments, bonds, debenture, Government securities, NRB bond or deposit auction, reverse repos, outright purchase are recognized on trade date at which the Bank commits to purchase/ acquire the financial assets. Regular way purchase and sale of financial assets are recognized on settlement date.

B. Classification

I. Financial Assets

The Bank classifies the financial assets subsequently measured at amortized cost or fair value on the basis of the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The two classes of financial assets are as follows:

i. Financial assets measured at amortized cost

The Bank classifies a financial asset measured at amortized cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii. **Financial asset measured at fair value**

Financial assets other than those measured at amortized cost are measured at fair value. Financial assets measured at fair value are further classified into two categories as below:

✓ **Financial assets at fair value through profit or loss**

Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost is directly attributable to the acquisition are recognized in profit or loss as incurred. Such assets are subsequently measured at fair value and changes in fair value are recognized in Statement of Profit or Loss.

✓ **Financial assets at fair value through other comprehensive income**

Investment in an equity instrument that is not held for trading and at the initial recognition, the Bank makes an irrevocable election that the subsequent changes in fair value of the instrument is to be recognized in other comprehensive income are classified as financial assets at fair value through other comprehensive income. Such assets are subsequently measured at fair value and changes in fair value are recognized in other comprehensive income.

II. **Financial Liabilities**

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as follows;

✓ **Financial Liabilities at Fair Value through Profit or Loss**

Financial liabilities are classified as fair value through profit or loss if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction costs are directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. Except for particular liabilities designated as at FVTPL, the amount of the change in the fair value that is attributable to changes in the liability's credit risk is recognized in Other Comprehensive Income.

✓ **Financial Liabilities measured at amortized cost**

All financial liabilities other than measured at fair value through profit or loss are classified as subsequently measured at amortized cost using effective interest rate method.

C. **Measurement**

i. **Initial Measurement**

A financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue except on the case of financial assets and liabilities

recorded at fair value through profit or loss. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are recognized in Statement of Profit or Loss.

ii. **Subsequent Measurement**

A financial asset or financial liability is subsequently measured either at fair value or at amortized cost based on the classification of the financial asset or liability. Financial asset or liability classified as measured at amortized cost is subsequently measured at amortized cost using effective interest rate method.

Financial assets classified at fair value are subsequently measured at fair value. The subsequent changes in fair value of financial assets at fair value through profit or loss are recognized in Statement of Profit or Loss whereas of financial assets at fair value through other comprehensive income are recognized in other comprehensive income.

3.4.1 **Derecognition**

Derecognition of Financial Assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

De-recognition of Financial Liabilities

Financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in Statement of Profit or Loss.

3.4.2 **Determination of Fair Value**

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the observability of the significant inputs used to determine the fair values. Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Bank recognizes transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

The fair values are determined according to the following hierarchy:

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 valuations are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 portfolios are those where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognized in profit or loss on initial recognition of the instrument. In other cases, the difference is not recognized in profit or loss immediately but is recognized over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

All unquoted equity investments are recorded at cost/ In case of listed promoter shares last traded price as on the balance sheet date has been considered net of impairment.

3.4.3 Impairment

At each reporting date the Bank assesses whether there is any indication that an asset may have been impaired. If such indication exists, the recoverable amount is determined. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Bank considers the following factors in assessing objective evidence of impairment:

- ✓ Whether the counterparty is in default of principal or interest payments.
- ✓ When a counterparty files for bankruptcy and this would avoid or delay discharge of its obligation.
- ✓ Where the Bank initiates legal recourse of recovery in respect of a credit obligation of the counterpart.
- ✓ Where the Bank consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments.
- ✓ Where there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

The Bank considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and investment securities measured at amortized cost are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Loans and advances and investment securities measured at amortized cost that are not individually significant are collectively assessed for impairment by grouping together loans and advances and investment securities measured at amortized cost with similar risk characteristics. Impairment test is done on annual basis for trade receivables and other financial assets based on the internal and external indication observed.

In assessing collective impairment, the Bank uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

a) *Impairment losses on assets measured at amortized cost*

As per NAS 39

Financial assets carried at amortized cost (such as amounts due from Banks, loans and advances to customers as well as held-to-maturity investments) is impaired, and impairment losses are recognized, only if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset. The amount of the loss is measured as the difference between the asset's carrying amount and the deemed recoverable value of loan.

Loans and advances to customers with significant value i.e. NPR 25 million individually are assessed for individual impairment test. The recoverable value of loan is estimated on the basis of realizable value of collateral and the conduct of the borrower/past experience of the bank. Assets that are individually assessed and for which no impairment exists are grouped with financial assets with similar credit risk characteristics and collectively assessed for impairment. The credit risk statistics for each group of the loan and advances are determined by management prudently being based on the past experience. For the purpose of collective assessment of impairment Bank has categorized assets in twelve broad products as follows:

- a. Agriculture Loan
- b. Business Overdraft Loan
- c. Business Term Loan
- d. Deprive Sector Individual Loan
- e. Education Loan (Term)
- f. Gold & Silver Loan
- g. Hire Purchase Loan
- h. Housing Loan (Term)
- i. Loan against Fixed deposit
- j. Margin Lending Loan
- k. Personal Loan (Overdraft)
- l. Personal Loan (Term)

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the other reserves and funds (impairment reserve) in statement of other comprehensive income and statement of changes in equity. If a write-off is later recovered, the recovery is credited to the 'Statement of Profit or Loss.'

As per Loan Loss Provision of Nepal Rastra Bank

Loan loss provisions in respect of non-performing loans and advances are based on management's assessment of the degree of impairment of the loans and advances, subject to the minimum

provisioning level prescribed in relevant NRB guidelines. Provision is made for possible losses on loans and advances including bills purchased at 1% to 100% on the basis of classification of loans and advances, overdraft and bills purchased in accordance with NRB directives.

Policies Adopted

As per the Carve out notice issued by ICAN, the Bank has measured impairment loss on loan and advances as the higher of amount derived as per requirement of Nepal Rastra Bank on loan loss provision and amount determined as per paragraph 63 of NAS 39. The impairment figure of NPR 272 million is derived from the impairment test which is less than the regulatory provision of NPR 723 million. Hence, the bank has considered the higher amount i.e. NPR 723 million.

Trading Assets

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognized at fair value and subsequently measured at fair value in the statement of financial position, with transaction costs recognized in profit or loss. All changes in fair value are recognized as part of net trading income in profit or loss as regarded as fair value through profit and loss account.

3.5 Derivatives Assets and Derivative Liabilities

The Bank does not deal with any derivative financial instruments.

3.6 Property and Equipment

a. Recognition and Measurement

The cost of an item of property and equipment shall be recognized as an asset, initially recognized at cost, if, and only if:

- ✓ it is probable that future economic benefits associated with the item will flow to the entity; and
- ✓ the cost of the item can be measured reliably.

Cost includes purchase price including any non-refundable taxes after deducting volume rebates and trade discounts and such other costs that are incurred to bring asset to location and condition to be operating in a manner intended by management.

The cost of self-constructed assets includes the following:

- ✓ the cost of materials and direct labor;
- ✓ any other costs directly attributable to bringing the assets to a working condition for their intended use;
- ✓ when the Bank has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- ✓ Capitalized borrowing costs for qualifying assets
- ✓ The Bank adopts cost model for entire class of property and equipment. Neither class of the property and equipment are measured at revaluation model nor is their fair value measured at the reporting date. The items of property and equipment are measured at cost less

accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Subsequent expenditure is capitalized if it is probable that the future economic benefits from the expenditure will flow to the Bank. Ongoing repairs and maintenance to keep the assets in working condition are expensed as incurred. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized within other income in profit or loss.

Assets with a value of less than NPR 5,000 are charged off to revenue irrespective of their useful life in the year of purchase.

b. Capital Work in Progress (CWIP)

The Bank does not have any CWIP as on the reporting date.

c. Depreciation

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful life as per management judgment as follows:

S. No.	Asset	Estimated Useful Life
1.	Building	50 Years
2.	Vehicle Office	7 Years
3.	Machinery	8 Years
4.	Metal Furniture	10 Years
5.	Wooden Furniture	8 Years
6.	Office Equipment	7 Years
7.	Computer Hardware	5 Years
8.	Leasehold Expenditure	Over the leasehold period
9.	Computer Software	5 Years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. The value of the assets fully depreciated but continued to be in use is considered not material.

At each reporting date, assets are also assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately to the recoverable amount.

d. De-recognition

The carrying amount of Property and Equipment shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property and equipment shall be included in profit or loss when the item is derecognized except for sales & lease back transaction. The gain shall not be classified as revenue.

Depreciation method, useful lives and residual value are reviewed at each reporting date and adjusted, if any.

3.7 Intangible Assets/ Goodwill

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with the development of software are capitalized where it is probable that it will generate future economic benefits in excess of its cost. Computer software costs are amortized on the basis of expected useful life. Costs associated with maintaining software are recognized as an expense as incurred.

At each reporting date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Software is amortized on a straight-line basis in profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods is five years.

At each reporting date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

3.8 Investment Property/Non-Current Assets Held for Sale

Investment Property

Investment properties include land or land and buildings other than those classified as property and equipment and non-current assets held for sale. Generally, it includes land, land and building acquired by the Bank as non-banking assets but remains unsold at the reporting date. Investment property of bank includes the land purchased by bank and rented out of NPR 51 million located at Gyaneshwor.

The details of Non-Banking Assets classified as investment property has been provided in note 4.14.

Non-Current Assets Held for Sale

Non-current assets (such as property) and disposal groups (including both the assets and liabilities of the disposal groups) are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when: (i) their carrying amounts will be recovered principally through sale; (ii) they are available-for-sale in their present condition; and (iii) their sale is highly probable.

Immediately before the initial classification as held for sale, the carrying amounts of the assets (or assets and liabilities in a disposal group) are measured in accordance with the applicable accounting policies described above.

3.9 Income Tax

Tax expense comprises current and deferred tax expense. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

a. Current Tax

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

b. Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred income tax is determined using tax rate applicable to the Bank as at the reporting date which is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized.

3.10 Deposits, debts securities issued and subordinated liabilities

a. Deposits

The Bank accepts deposits from its customers under account, current, term deposits and margin accounts which allows money to be deposited and withdrawn by the account holder. These transactions are recorded on the bank's books, and the resulting balance is recorded as a liability for the Bank and represents the amount owed by the Bank to the customer.

b. Debt Securities Issued

The Bank does not have any debt securities issued as on the reporting date.

c. Subordinated Liabilities

Subordinated liabilities are those liabilities which at the event of winding up are subordinate to the claims of depositors, debt securities issued and other creditors. The Bank does not have any of such subordinated liabilities.

3.11 Provisions

The Bank recognizes a provision if, as a result of past event, the Bank has a present constructive or legal obligation that can be reliability measured and it is probable that an outflow of economic benefit will be required to settle the obligation.

A disclosure for contingent liability is made when there is a possible obligation or a present obligation as a result of past event that may but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

A provision for onerous contract is recognized when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed. Contingent assets are not recognized in the financial statements if it is not probable that the amount will be received. If it is probable, then disclosure is given for the contingent

asset. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

3.12 Revenue Recognition

Revenue is the gross inflow of economic benefits during the period arising from the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Revenue is not recognized during the period in which its recoverability of income is not probable. The Bank's revenue comprises of interest income, fees and commission, foreign exchange income, cards income, remittance income, bancassurance commission, etc. and the bases of incomes recognition are as follows:

a. Interest Income

Interest income on available-for-sale assets and financial assets held at amortized cost shall be recognized using the Bank's normal interest rate which is very close to effective interest rate using effective interest rate method.

For income from loans and advances to customers, initial charges are not amortized over the life of the loan and advances as the income so recognized closely approximates the income that would have been derived under effective interest rate method. The difference is not considered material. The Bank considers that the cost of exact calculation of effective interest rate method exceeds the benefit that would be derived from such compliance.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. As per the Carve-out Notice issued by ICAN, the calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts unless it is immaterial or impracticable to determine reliably, between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

The Bank recognizes the interest income on loans and advances as per Guideline on Recognition of Interest Income, 2019. The Bank has derecognized the interest income amounting to **NPR 174,190,112** in case of loan where contractual payments of principal and/or interest are more than 6 months in arrears, irrespective of the net realizable value of collateral.

b. Fees & Commission

Fees and commissions are recognized on an accrual basis when the service has been provided or significant act performed whenever the benefit exceeds cost in determining such value. Whenever, the cost of recognizing fees and commissions on an accrual basis exceeds the benefit in determining such value, the fees and commissions are charged off during the year. Generally income less than five thousand are recognized under cash basis.

c. Dividend Income

Dividend income are recognized when right to receive such dividend is established. Usually this is the ex-dividend date for equity securities. Dividends are presented in net trading income, net

income from other financial instruments at fair value through profit or loss or other revenue based on the underlying classification of the equity investment.

d. Net Trading Income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences.

e. Net Income from other financial instrument at fair value through Profit or Loss

Gains and losses arising from changes in the fair value of financial instruments designated at fair value through profit or loss are included in the statement of profit or loss in the period in which they arise. Contractual interest income and expense on financial instruments held at fair value through profit or loss is recognized within net interest income.

3.13 Interest expense

Interest expense on all financial liabilities including deposits are recognized in profit or loss using effective interest rate method. Interest expense on all trading liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income.

3.14 Employees Benefits

The Bank has schemes of retirement benefits namely Gratuity, Provident Fund and Medical Allowance.

a. Retirement benefit obligations

The Bank operates a defined contribution plans as provident fund contribution, Gratuity (compliance with Labour Act, 2074) and medical Allowance of its employees and defined benefit plans for the Gratuity payment.

For Provident Fund, the Bank pays contributions to the publicly administered provident fund plans (named Employee Provident Fund) on a mandatory basis, and such amounts are charged to operating expenses. The Bank has no further payment obligations once the contributions have been paid.

For medical allowance, the Bank creates fund within the bank every year as one month salary of all permanent staff on a mandatory basis, and such amounts are charged to operating expenses. The Bank has obligations up to the amount contributed per month.

The new Labour Act 2074 is applicable from Bhadra 19, 2074 which requires payment of minimum Gratuity of at least 8.33% of basic salary to all staff (equal to one month salary per year as the law is already in force, the Bank has provided 8.33% of basic salary as gratuity for all staff who is not covered for gratuity benefit (both nature of staff and period of service) under existing byelaws. These benefits are treated as defined contribution plan and provided accordingly.

The Gratuity benefits for rest of the staff are provided as per existing employees byelaws. As these gratuity are defined benefit plans, the liability recognized in the statement of financial position is the present value of the defined benefit obligation less the fair value of plan assets. Such obligations are estimated on the basis of actuarial Valuation.

b. Long Term Benefit Liability (Accumulated Leave) Long Term Benefit Liability

The Bank provides accumulated leave benefit under its staff byelaw. The Home Leave is accumulated up to 60 days and there is no limit for the accumulation of Sick Leave.

Accumulated leave benefits are treated as long term benefit liability. Accumulated leave obligations are estimated on the basis of actuarial valuation. Long term benefit liability are not subject to same degree of uncertainty as defined benefit plan. Therefore re-measurement gain/ (loss) on accumulated leave is charged to Statement of Profit or Loss as on Ashad end 2076.

The Bank has no further payment obligations once the contributions have been paid.

3.15 Leases

Lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis.

3.16 Foreign Currency Translation

The interim financial statements are presented in Nepalese Rupees (NPR).

Transactions in foreign currencies are initially recorded at the functional currency using rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the statement of financial position date.

Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

Non-monetary assets and liabilities are translated at historical exchange rates if held at historical cost, or year-end exchange rates if held at fair value, and the resulting foreign exchange gains and losses are recognized in either the statement of profit or loss or other comprehensive income depending on the treatment of the gain or loss on the asset or liability.

3.17 Financial guarantee and loan commitment

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Loan commitment is the commitment where the Bank has confirmed its intention to provide funds to a customer or on behalf of a customer in the form of loans, overdrafts, future guarantees, whether cancellable or not, or letters of credit and the Bank has not made payments at the reporting date, those instruments are included in these financial statements as commitments.

3.18 Share Capital and Reserves

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Equity is defined as residual interest in total assets of the Bank after deducting all its liabilities. Common shares are classified as equity

of the Bank and distributions thereon are presented in statement of changes in equity. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments considering the tax benefits achieved thereon.

Dividends on ordinary shares classified as equity are recognized in equity in the period in which they are declared.

The reserves include retained earnings and other statutory reserves such as general reserve, bond redemption reserve, foreign exchange equalization reserve, regulatory reserve, investment adjustment reserve, staff training and development fund, CSR reserve etc.

3.19 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. The basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization due to right share, bonus issue, the calculation of basic and diluted earnings per share for all periods presented are adjusted retrospectively.

3.20 Segment Reporting

The Bank is organized for management and reporting purposes into segments such as Business Banking, Treasury, Card and remittance. The segment results that are reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly common assets, head office expenses, and tax assets and liabilities.

A. Information about reportable segments

NPR in million

Particulars	Business		Treasury		Card		Remittance		Others		Total	
	Current Quarter	Corresponding previous quarter	Current Quarter	Corresponding previous quarter	Current Quarter	Corresponding previous quarter	Current Quarter	Corresponding previous quarter	Current Quarter	Corresponding previous quarter	Current Quarter	Corresponding previous quarter
Revenues from external customers	3,764	920	383	361	39	15	8	9	17	18	4,212	214
Intersegment revenues	-	-	-	-	-	-	-	-	-	-	-	-
Segment profit (loss) before tax	638	413	315	278	21	(28)	5	(16)	26	(10)	1,005	638
Entity's interest in the profit or loss of associates accounted for by the equity method	-	-	-	-	-	-	-	-	-	-	-	-
Segment assets	33,894	23,039	3,450	3,198	351	2,067	70	1,315	156	2,574	37,922	32,193
Segment liabilities	29,722	20,075	3,025	2,786	308	1,801	61	1,146	137	2,243	33,253	28,051

B. Reconciliation of Reportable segment profit or loss*NPR in million*

Particulars	Current Quarter	Corresponding Previous Year Quarter
Total profit before tax for reportable segments	979	648
Profit before tax for other segments	26	(10)
Elimination of inter-segment profit	0	0
Elimination of discontinued operation	0	0
Unallocated amounts:	0	0
– Other corporate expenses	0	0
Profit before tax	1,005	638

4. Related Party Disclosures

The Bank identifies the following as the related parties under the requirements of NAS 24.

Name	Relationship
Mr. Rajesh Upadhyay	Chairman
Mr. Sanjay Giri	Director
Mr. Rajesh Kumar Rauniar	Director
Mr. Shyam Sundar Rungta	Director
Mr. Rupendra Poudel	Director
Mr. Rahul Agrawal	Director
Mr. Krishna Raj Lamichhane	Chief Executive Officer
Mr. Sagar Sharma	Senior DCEO
Mr. Dhurba Raj Tiwari	DCEO
Mr. Dipesh Lamsal	DCEO
Mr. Jalaj Kumar Adhikari	ACEO

5. Dividends paid (aggregate or per share) separately for ordinary shares and other shares

Since the end of the previous financial year, the Bank has paid NPR 184,365,821 as cash dividend and NPR 210,703,796 as stock dividend for ordinary shares till the reporting period.

6. Issues, repurchases and repayments of debt and equity securities

- i. The bank has not issued any debt securities during the reporting period.
- ii. The bank has issued bonus shares of NPR 210,703,796 during the reporting period.

7. Events after interim period

There were no material events subsequent to the date of the condensed statement of financial position that require disclosure or adjustments to the unaudited interim financial statements.

Interest collected till Shrawan 25, 2076 of NPR 54,953,286 has been considered and not been transferred from regulatory reserve as per circular no. 27/075/76.

Loans and advances which have been regularized and settled after Asadh end 2076 till the date of publication of the interim financial statement has also been considered for the purpose of preparation of interim financial statement.

8. Effect of changes in the composition of the entity during the interim period including merger and acquisition

There are no merger or acquisitions transaction during the reporting period ended 31st Ashadh, 2076.

Disclosure as prescribed by Securities Registration and Issuance Regulation, 2073 (Related to Sub rule (1) of Rule 26), for the Fourth quarter of Fiscal Year 2075/76.

1. Financial Detail

- a) Related party transaction has not taken place.
- b) Major Financial Indicators
 - i. Earnings per Share(Annualized) : 28.28
 - ii. Net Worth per Share : NPR 163.10
 - iii. Return on Total Asset: 2.13%
 - iv. Liquidity Ratio: 31.71%

2. Management Analysis:

- a) The liquidity position of the bank is in satisfactory position.
- b) Non-performing loan will be further managed in the coming quarter. There have been positive changes in the bank's reserve, profit, cash flow position and increment in operating income during the review period.

3. Details relating to legal action

- a) Case filed by or against the bank in this year: No such information has been received.
- b) Case relating to disobedience of prevailing law or commission of criminal offence filed by or against the Promoter or Director of the bank: No such information has been received
- c) Case relating to financial crime filed against any Promoter or Director: No such information has been received.

4. Analysis of stock performance of the bank

The bank's share price and transaction are determined according to the demand and supply of shares in the market. Maximum, Minimum and last Share price of the bank including total share transaction number, volume and days of transaction during the quarter:

Maximum Share Price: NPR 198
Minimum Share Price: NPR 194
Last Share Price: NPR 195
Transaction volume (No. of shares): 511,903 shares
Transaction volume (Amount): NPR 98,910,861
Transaction Days: 64

5. Problems and Challenges

- i) Increased cost of operation due to inflation.
- ii) Slowdown in Remittance growth
- iii) Increased level of operation risk in the industry
- iv) Stiff competition and huge staff turnover due to expansion of branches

6. Strategy to overcome Problems and Changes

- i) Management of Assets and liabilities
- ii) Introduction of customer-oriented & innovative products and services
- iii) Strengthening human resource capabilities to minimize various risk
- iv) Proper portfolio management targeting good quality loan customers.
- v) Identification of new investment avenues

- vi) To stringent bank internal control system & policy to face various risk.
- vii) Expansion of branches to enhance the networking and customer base.

7. Corporate Governance

The bank is committed towards high standard of corporate governance, professionalism, ethical standard and compliance with superior standard in business practice. In order to maintain the superior standard of corporate governance, various committees are effectively functioning in the bank. Further, Internal Audit Department of the bank is also outsourced and it is functioning effectively. The Bank has been fully complying with the directives, guidelines issued by NRB.

8. Declaration of CEO

To the best of my knowledge, the information published in this report is true and fair. No material information for investors has been concealed. I personally take the responsibility of the genuineness and purity of the report till the date.