Dharmapath, Kathmandu

Interim Financial Statement (Unaudited)

As on Ashwin End 2079

Condensed Statement of Financial Position (Quarterly)

As on Quarter ended Ashwin, 2079 (Mid October of 2022)

Assets	This Quarter Ending	Immediate Previous Year Ending
Cash and cash equivalent	9,548,993,323	6,418,943,689
Due from Nepal Rastra Bank	8,320,630,143	6,841,253,290
Placement with Bank and Financial Institutions	506,432,245	491,033,317
Derivative Financial Instrument	2,708,570	491,906,856
Other Trading Assets	80,001,206	127,684,427
Loan and advances to B/FIs	6,086,580,235	6,159,622,876
Loan and Advances to Customers	167,455,554,926	171,797,577,760
Investment Securities	35,728,781,276	42,737,711,342
Current Tax Assets	1,582,230,295	1,818,798,367
Investment in Subsidiaries	-	-
Investment in Associates	-	-
Investment Property	160,952,008	108,545,596
Property and Equipment	13,209,257,288	12,503,588,833
Goodwill and Intangible assets	34,682,913	35,435,219
Deferred Tax Assets	-	-
Other Assets	9,739,381,496	9,970,294,759
Total Assets	**252,456,185,921**	**259,502,396,331**
Liabilities		
Due to Bank and Financial Institutions	582,105,350	1,090,678,643
Due to Nepal Rastra Bank	5,834,885,046	5,888,868,046
Derivative Financial Instruments	2,669,298	508,072,543
Deposits from Customers	196,581,958,969	196,063,952,128
Borrowings	657,750,000	7,304,175,000
Current Tax Liabilities	-	-
Provisions	62,402,692	65,966,539
Deferred Tax Liabilities	4,086,766,472	4,259,747,017
Other Liabilities	5,059,754,121	5,040,139,639
Debt securities issued	3,494,471,766	3,494,336,625
Subordinated Liabilities	-	-
Total Liabilities	**216,362,763,715**	**223,715,936,180**
Equity		
Share Capital	14,405,904,831	14,405,904,831
Share Premium	-	-
Retained Earnings	2,902,524,113	3,563,835,442
Reserves	18,784,993,262	17,816,719,878
Total equity attributable to equity holders	36,093,422,207	35,786,460,152
Non-controlling interest	-	-
Total Equity	36,093,422,207	35,786,460,152
Total Liabilities and Equity	**252,456,185,921**	**259,502,396,331**

Condensed Statement of Profit or Loss

As on Quarter ended Ashwin, 2079 (Mid October of 2022)

Figures in NPR

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Interest Income	5,385,108,829	5,385,108,829	3,345,704,150	3,345,704,150
Interest expense	3,477,912,894	3,477,912,894	1,686,686,783	1,686,686,783
Net interest income	1,907,195,935	1,907,195,935	1,659,017,366	1,659,017,366
Fees and Commission Income	228,247,927	228,247,927	282,337,632	282,337,632
Fees and Commission Expense	8,050,706	8,050,706	9,637,516	9,637,516
Net fee and commission income	220,197,220	220,197,220	272,700,116	272,700,116
Net interest, fee and commission income	2,127,393,155	2,127,393,155	1,931,717,482	1,931,717,482
Net trading income	(28,322,460)	(28,322,460)	92,930,654	92,930,654
Other operating income	57,918,532	57,918,532	53,566,242	53,566,242
Total operating income	2,156,989,228	2,156,989,228	2,078,214,378	2,078,214,378
Impairment charge/(reversal) for loans and other losses	214,470,014	214,470,014	121,838,436	121,838,436
Net operating income	1,942,519,214	1,942,519,214	1,956,375,942	1,956,375,942
Operating Expenses				
Personnel Expense	876,568,128	876,568,128	751,206,676	751,206,676
Other Operating Expense	187,591,716	187,591,716	210,739,889	210,739,889
Depreciation and Amortization	84,330,018	84,330,018	44,343,748	44,343,748
Operating profit	794,029,353	794,029,353	950,085,629	950,085,629
Non-operating Income	1,126,837	1,126,837	8,139,151	8,139,151
Non-operating expense				
Profit before Income tax	795,156,189	795,156,189	958,224,780	958,224,780
Income tax Expenses				
Current Tax	236,942,410	236,942,410	249,677,240	249,677,240
Deferred Tax	(45,884,275)	(45,884,275)	(46,308,378)	(46,308,378)
Profit/(loss) for the period	**604,098,054**	**604,098,054**	**754,855,918**	**754,855,918**

Statement of Comprehensive Income

As on Quarter ended Ashwin 2079 (Mid October of 2022)

Figures in NPR

Particulars		Current Year		Previous Year Corresponding	
		This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Profit or Loss for the Period		**604,098,054**	**604,098,054**	**754,855,918**	**754,855,918**
Other Comprehensive Income					
a	**Items that will not be reclassified to Profit or Loss**				
	Gains / (Losses) from investment in equity instruments measured at fair value	44,735,324	44,735,324	293,833,402	293,833,402
	Gains / (Losses) on revaluation			-	
	Actuarial Gains / (Losses) on defined benefit plans	(465,668,987)	(465,668,987)	-	-
	Income tax relating to above items	126,280,099	126,280,099	(88,150,021)	(88,150,021)
	Net other Comprehensive Income that will not be reclassified to Profit or Loss	**(294,653,564)**	**(294,653,564)**	**205,683,381**	**205,683,381**
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	**(294,653,564)**	**(294,653,564)**	**205,683,381**	**205,683,381**
Total Comprehensive income for the period		**309,444,490**	**309,444,490**	**960,539,299**	**960,539,299**
	Profit attributable to:				
	Equity shareholder of the bank	**309,444,490**	**309,444,490**	**960,539,299**	**960,539,299**
	Non-controlling interest	-	-	-	-
Total		**309,444,490**	**309,444,490**	**960,539,299**	**960,539,299**

Ratios as per NRB Directive

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Earning Per share				
Basic Earnings Per Share		16.77		23.89
Diluted Earnings per share		16.77		23.89
Ratio as per NRB Directives				
Ratios as per NRB Directives				
Capital fund to RWA		15.43%		16.42%
Non-Performing Loan (NPL) to total loan		2.36%		2.00%
Total Loan Loss provision to Total NPL		120.85%		141.18%
Cost of Funds		6.92%		4.22%
Credit to Deposit Ratio		85.14%		86.23%
Base Rate		8.92%		5.93%
Interest Rate Spread		3.66%		3.69%

Condensed Consolidated Statement of Changes in Equity

As on Quarter ended Ashwin 2079 (Mid October of 2022)

Figures in NPR

Attributable to equity holders of the Bank

Particulars	Share Capital	Share premium	General reserve	Exchange equalisation reserve	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained earning	Other reserve	Total	Non-controlling interest	Total equity
Balance at 1st Shrawan 2078	**12,636,758,624**	**431,883,238**	**5,482,348,025**	**86,786,914**	**3,364,868,990**	**2,129,626,985**	**7,743,591,321**	**3,732,371,500**	**(2,393,089,576)**	**33,215,146,020**		**33,215,146,020**
Comprehensive income for the year									-	-		-
Profit for the year								**3,266,085,015**	-	**3,266,085,015**		**3,266,085,015**
Other comprehensive income, net of tax									-	-		-
Gains/(losses) from investment in equity instruments measured at fair value.						(66,198,377)			-	(66,198,377)		**(66,198,377)**
Gains/(losses) on revaluation									-	-		-
Actuarial gains/(losses) on defined benefit plans									(223,451,377)	(223,451,377)		**(223,451,377)**
Gains/(losses) on cash flow hedges									-	-		-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)									-	-		-
Total Comprehensive income for the year	-	-	-	-	-	**(66,198,377)**	-	**3,266,085,015**	**(223,451,377)**	**2,976,435,261**		**2,976,435,261**
Transfer to reserve during the year			653,217,003		615,426,127	-		1,144,720	450,756,935	1,720,544,786		1,720,544,786
Transfer from reserve during the year						(801,304)		(1,719,400,066)	-	(1,720,201,370)		**(1,720,201,370)**
Deferred tax impact of respective reserve									-	-		-
Transactions directly recognised in equity									-	-		-
share issued									-	-		-
Share based payment									-	-		-
Dividends to equity holders									-	-		-
Bonus shares issued	1,769,146,207	(431,883,238)						**(1,337,262,969)**	-	-		-
Cash dividend paid								(379,102,758)	-	(379,102,758)		**(379,102,758)**
Other		-				-			(26,361,787)	(26,361,787)		**(26,361,787)**
Total contributions by and distributions	**1,769,146,207**	**(431,883,238)**	**592,246,066**	-	**1,381,594,534**	**(78,623,650)**	-	**(2,331,579,348)**	**(55,050,040)**	**845,850,531**		**(495,505,818)**
Balance at 31st Asadh 2079	**14,405,904,831**	-	**6,135,565,028**	**86,786,914**	**3,980,295,117**	**2,062,627,304**	**7,743,591,321**	**3,563,835,442**	**(2,192,145,805)**	**35,786,460,152**		**35,786,460,152**

Balance at 1st Shrawan 2079	14,405,904,831	-	6,135,565,028	86,786,914	3,980,295,117	2,062,627,304	7,743,591,321	3,563,835,442	(2,192,145,805)	35,786,460,152		35,786,460,152
Comprehensive income for the year		-							-	-		-
Profit for the year								604,098,054	-	604,098,054		604,098,054
Other comprehensive income, net of tax									-	-		-
Gains/(losses) from investment in equity instruments measured at fair value.						31,314,726			-	31,314,726		31,314,726
Gains/(losses) on revaluation									-	-		-
Actuarial gains/(losses) on defined benefit plans									(325,968,291)	(325,968,291)		(325,968,291)
Gains/(losses) on cash flow hedges									-	-		-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)									-	-		-
Total Comprehensive income for the year	-	-	-	-	-	31,314,726	-	604,098,054	(325,968,291)	309,444,490		309,444,490
Transfer to reserve during the year			120,819,611		1,026,782,291	-		35,680,638	115,903,083	1,299,185,622		1,299,185,622
Transfer from reserve during the year						-		(1,301,090,021)	-	(1,301,090,021)		(1,301,090,021)
Deferred tax impact of respective reserve									-	-		-
Transactions with owners, directly recognised in equity									-	-		-
share issued									-	-		-
Share based payment									-	-		-
Dividends to equity holders									-	-		-
Bonus shares issued	-	-						-	-	-		-
Cash dividend paid								-	-	-		-
Other		-				-			(578,036)	(578,036)		(578,036)
Total contributions by and distributions	-	-	120,819,611	-	1,026,782,291	-	-	(1,265,409,383)	115,325,046	(2,482,435)		(2,482,435)
Balance at Ashwin End 2079	14,405,904,831	-	6,256,384,638	86,786,914	5,007,077,408	2,093,942,030	7,743,591,321	2,902,524,113	(2,402,789,049)	36,093,422,207		36,093,422,207

Statement of Cash Flows

As on Quarter ended Ashwin 2079 (Mid October of 2022)

Figures in NPR

Particulars	Up to This Quarter	Corresponding Previous Year Upto This Quarter
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	4,284,656,938	2,781,621,439
Fees and other income received	228,247,927	282,337,632
Dividend received	-	-
Receipts from other operating activities	24,768,391	154,636,047
Interest paid	(3,382,930,505)	(1,686,686,783)
Commission and fees paid	(8,050,706)	(9,637,516)
Cash payment to employees	(864,479,352)	(751,206,676)
Other expense paid	(228,134,193)	(332,578,325)
Operating cash flows before changes in operating assets and liabilities	**54,078,500**	**438,485,817**
(Increase)/Decrease in operating assets		
Due from Nepal Rastra Bank	(1,479,376,852)	1,054,824,523
Placement with Bank and Financial Institutions	(15,398,928)	13,750,696
Other trading assets	47,683,222	(50,588,543)
Loans and advances to bank and financial institutions	73,042,641	(198,942,268)
Loans and advances to customers	3,877,602,910	(12,333,694,935)
Other assets	(157,000,458)	4,004,909,278
Increase/(Decrease) in operating liabilities		
Due to bank and financial institutions	(508,573,293)	(298,015,330)
Due to Nepal Rastra Bank	(53,983,000)	(432,440,795)
Deposit from customers	518,006,841	10,285,206,372
Borrowings	(6,646,425,000)	-
Other liabilities	(7,134,948,829)	(571,849,673)
Net cash flow from operating activities before tax paid	**(11,425,292,247)**	**1,911,645,142**
Income taxes paid		(204,189)
Net cash flow from operating activities	**(11,425,292,247)**	**1,911,440,952**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investment securities	-	
Receipts from sale of investment securities	7,053,665,390	1,464,988,795
Purchase of property and equipment	(76,658,609)	(98,745,838)
Receipt from the sale of property and equipment	322,770	175,871
Purchase of intangible assets	-	(553,700)
Receipt from the sale of intangible assets	7,008,930,066	-
Purchase of investment properties	(53,456,412)	-
Receipt from the sale of investment properties	1,063,377	300,000

Interest received	622,053,335	325,640,526
Dividend received	-	
Net cash used in investing activities	**14,555,919,917**	**1,691,805,653**
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt from issue of debt securities	-	-
Repayment of debt securities	-	-
Receipts from issue of subordinated liabilities	-	-
Repayment of subordinated liability	-	-
Receipts from issue of shares	-	-
Dividends paid	-	-
Interest paid	-	-
Other receipt/payment	(578,036)	(1,467,933)
Net cash from financing activities	**(578,036)**	**(1,467,933)**
Net increase (decrease) in cash and cash equivalents	**3,130,049,634**	**3,601,778,673**
Cash and cash equivalents at the beginning of the period	6,418,943,689	6,528,388,522
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-
Cash and cash equivalents at the end of the period	**9,548,993,323**	**10,130,167,195**

Statement of Distributable Profit or Loss
As on Quarter ended Ashwin 2079 (Mid October of 2022)

Figures in NPR

Particulars	Ashwin 2079
Opening Retained Earning	3,563,835,442
Net Profit for the Quarter ended Ashwin 2079	**604,098,054**
1. Appropriations	
1.1 Profit required to be appropriated to statutory reserve	(236,722,694)
a. General Reserve	(120,819,611)
b. Capital Redemption Reserve	-
c. Exchange Fluctuation Fund	-
d. Corporate Social Responsibity Fund	(6,040,981)
e. Employees Training Fund	(12,639,880)
f. Others	-
-Debenture Redemption Reserve	(97,222,222)
1.2 Profit required to be transfer to Regulatory Reserve	(1,026,782,291)
a. Transfer to Regulatory Reserve	(1,026,782,291)
b. Transfer from Regulatory Reserve	
Net Profit for Quarter end Ashwin 2079 available for distribution	**(659,406,930)**
Transfer from Fair Value Reserve / Others	(1,904,399)
Closing Retained Earning Ashwin 2079	**2,902,524,114**

Notes to the Interim Financial Statements

1. Basis of Preparation

The interim financial statements of the Bank have been prepared on accrual basis of accounting except the Cash flow information which is prepared, on a cash basis, using the direct method. The interest income is recognized on effective interest rate method.

The financial statements comprise the Condensed Statement of Financial Position, Condensed Statement of Profit or Loss and Condensed Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and the Notes to the Accounts. The significant accounting policies applied in preparation of financial statements are set out below in point number 5. These policies are consistently applied to all the years presented, except for the changes in accounting policies disclosed specifically.

The interim financial statements are presented in Nepalese Currency (NPR) (rounded to the nearest Rupee unless otherwise stated), which is the bank's functional currency. The Bank determines the functional currency and items included in the financial statements are measured using that functional currency.

Reporting Period is a period from the first day of Shrawan (mid-July) of any year to the last day of quarter end i.e. Ashwin (mid October), Poush (mid January), Chaitra (mid April), (mid July) as per Nepalese calendar.

The current period refers to 1st Shrawan 2079 to 31st Ashwin 2079 as per Nepalese Calendar corresponding to 17th July 2022 to 17th Oct 2022 as per English Calendar and corresponding previous year period is 1st Shrawan 2078 to 31st Ashwin 2079 as per Nepalese Calendar corresponding to 16th July 2021 to 17th Oct 2022 as per English calendar.

Period	Nepalese Calendar	English Calendar
Current Year Period	1st Shrawan 2079 31st Ashwin 2079	17th July 2022 to 17th October 2022
Previous Year Period	1st Shrawan 2078 31st Ashwin 2078	16th July 2021 to 17th Oct 2022

2. Statement of Compliance with NFRSs

The interim financial statements have been prepared in accordance with Nepal Financial Reporting Standard (hereinafter referred as NFRS) and carve out laid down by the Institute of Chartered Accountant of Nepal.

The financial statements have been prepared on the going-concern basis.

The Bank presents its interim financial statements as per the format specified in directive 4 of unified directive issued by NRB.

3. Use of Estimates, assumptions and judgments

The preparation of the Bank's financial statement requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable estimates and underlying assumptions are reviewed on an ongoing basis.

Information about assumptions, estimates and judgment used in preparation of interim financial statements for 2078/79 that has a significant risk of resulting in a material adjustment within the next financial year are:

- Key assumptions used in discounted cash flow projections.
- Measurement of defined benefit obligations.

- Provisions, commitments and contingencies.
- Determination of net realizable value.
- Determination of useful life of the property, plants and equipment.
- Assessment of the Bank's ability to continue as going concern.
- Determination of fair value of financial instruments; and property and equipment.
- Impairment of financial and non-financial assets.
- Assessment of current as well as deferred tax.

4. Changes in accounting policies

The Bank has consistently applied the accounting policies to all periods presented in these interim financial statements except for new or revised statements and interpretations implemented during the year. Comparative financials have been grouped or regrouped to facilitate comparison, corrections of error and any changes in accounting policies have been separately disclosed with detail explanations.

5. Significant Accounting policies

The principal accounting policies applied by the Bank in preparation of these interim financial statements are presented below. These policies have been consistently applied to all the years presented unless stated otherwise.

5.1 Basis of Measurement

The interim financial statements are prepared on the historical-cost basis except for the following material items in the statement of financial position:

- Investment property is measured at cost under deemed cost approach.
- Liabilities for cash-settled, share-based-payment arrangements are measured at fair value.
- Derivative financial instruments are measured at fair value.
- Defined benefit schemes, surpluses and deficits are measured at fair value.
- Impairment of financial asset is measured at fair value and related disposal cost.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The estimates and judgments used in the preparation of the financial statements are continuously evaluated by the Bank. Any revisions to accounting estimates are recognized prospectively in the period in which the estimates are revised and in the future periods. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in notes that follow.

Materiality and Aggregation

In compliance with NFRS 1 - Presentation of Financial Statements, each material class of similar items is presented separately in the financial Statements. Items of dissimilar nature or functions are presented separately unless they are not material. Such presentation of line items is consistent with the format issued by NRB.

5.2 Basis of consolidation

The Bank does not have any subsidiaries or special purpose entities over which it exercises control. Hence, only standalone financial statement is prepared.

5.3 Cash and cash equivalent

Cash and cash equivalents include cash at vault and money at call and short notice which are subject to an insignificant risk of changes in value including interest receivable on investment with maturity up to 3 month or less. Cash and Cash equivalent are measured at amortized cost in the statement of financial position.

Statement of Cash Flows has been prepared by using the 'Direct Method' in accordance with NAS 07-Statement of Cash Flows.

5.4 Financial assets and financial liabilities

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 trade date. All financial assets and liabilities are initially recognized at their cost value and are subsequently presented as per NFRS based on the respective classification.

Classification

i. Financial Assets

The Bank classifies the financial assets as 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:

1. *Financial assets measured at amortized cost*

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

   a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
   b) 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.

2. *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:

   a) *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 costs are 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.

   b) *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 though 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 the financial liabilities as follows:

a) *Financial liabilities at fair value through profit or loss*

Financial liabilities 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 Statement of Profit or Loss as incurred. Subsequent changes in fair value is recognized at profit or loss

b) *Financial liabilities measured at amortized cost*

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

Measurement

Financial assets at FVTOCI

On initial recognition, the Bank can make an irrevocable election (on an instrument-by instrument basis) to present the subsequent changes in fair value in other comprehensive income pertaining to investments in equity instruments. This election is not permitted if the equity investment is held for trading. These elected investments are initially measured at fair value. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the 'Fair Value Reserve'. The cumulative gain or loss is not reclassified to Statement of Profit and Loss on disposal of the investments.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Dividends on these investments in equity instruments are recognized in Statement of Profit and Loss when the Bank's right to receive the dividends is established, it is probable that the economic benefits associated with the dividend will flow to the entity, the dividend does not represent a recovery of part of cost of the investment and the amount of dividend can be measured reliably. Dividends recognized in Statement of Profit and Loss are included in the 'Other income' line item.

Financial assets at fair value through profit or loss (FVTPL)

Investments in equity instruments are classified as at FVTPL, unless the Bank irrevocably elects on initial recognition to present subsequent changes in fair value in other comprehensive income for investments in equity instruments which are not held for trading.

Debt instruments that do not meet the amortized cost criteria or FVTOCI criteria (see above) are measured at FVTPL. In addition, debt instruments that meet the amortized cost criteria or the FVTOCI criteria but are designated as at FVTPL are measured at FVTPL.

A financial asset that meets the amortized cost criteria or debt instruments that meet the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in Statement of Profit and Loss. The net gain or loss recognized in Statement of Profit and Loss incorporates any dividend or interest earned on the financial asset and is included in the 'Other income' line item. Dividend on financial assets at FVTPL is recognized when the Bank's right to receive the dividends is established, it is probable that the economic benefits associated with the dividend will flow to the entity, the dividend does not represent a recovery of part of cost of the investment and the amount of dividend can be measured reliably.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a company of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the Company is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and NFRS 9 permits the entire combined contract to be designated as at FVTPL in accordance with NFRS 9.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in Statement of Profit and Loss. The net gain or loss recognized in Statement of Profit and Loss incorporates any interest paid on the financial liability and is included in the 'Other income' line item.

However, for non-held-for-trading financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss, in which case these effects of changes in credit risk are recognized in Statement of Profit and Loss. The remaining amount of change in the fair value of liability is always recognized in Statement of Profit and Loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are reflected immediately in retained earnings and are not subsequently reclassified to Statement of Profit and Loss.

Financial liabilities subsequently measured at amortized cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortized cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortized cost are determined based on the effective interest method. Interest expense that is not capitalized as part of costs of an asset is included in the 'Finance Expenses' line item.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

De-recognition

i. De-recognition of financial assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset 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.

Any interest in such transferred financial assets that qualify for de-recognition that is created or retained by the Bank is recognized as a separate asset or liability. On de-recognition of a financial asset, the difference between the carrying amount of the asset, and the sum of

(i) The consideration received and

(ii) Any cumulative gain or loss that had been recognized in other comprehensive income is recognized in retained earnings.

The Bank enters into transactions whereby it transfers assets recognized on its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include, for example repurchase transactions.

ii. De-recognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled 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 de-recognition 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.

Determination of fair value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The fair value measurement hierarchy is as follows:

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 there are unobservable inputs of the instruments. The inputs are not based on observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability (Level 01 valuation) nor based on a valuation technique that uses only data from observable markets (Level 02 valuation), then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out. In case the fair value is evidenced by a quoted price in an active market for an identical asset or liability (Level 01 valuation), the difference between the transaction price and fair value is recognized in profit or loss immediately.

Impairment

At each reporting date, the Bank assesses whether there is objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

In case of financial difficulty of the borrower, the Bank considers to restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the EIR method and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

Impairment of financial assets measured at amortized cost

The Bank considers evidence of impairment for loans and advances measured at amortized cost at both specific asset and collective level. The Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant and that are not individually significant are assessed on collectively.

If there is objective evidence on that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Impairment of loans and advances portfolios are based on the judgments in past experience of portfolio behavior. In assessing collective impairment, the Bank uses 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.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. 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 allowance account. If a write off is later recovered, the recovery is recognized in the 'Non-operating income'.

5.5 Trading assets

Interest income on all trading assets 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.

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.

5.6 Derivatives assets and derivative liabilities

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognized in the income statement in Net trading income. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the statement of financial position and is also recognized in the income statement in Net trading income.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. For hedged items recorded at amortized cost, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge using the recalculated EIR method. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the income statement.

5.7 Property and Equipment

a) Recognition and Measurement

Property and Equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Bank and the cost of the asset can be reliably measured. The cost includes expenditures that are directly attributable to the acquisition of the assets. Cost of self-constructed assets includes followings:

- Cost of materials and direct labour;
- Any other cost directly attributable to bringing the assets to the working condition for their intended use; and
- Capitalized borrowing cost

Property and equipment are measured at cost (for land using deemed cost at on the transition date) less accumulated depreciation and accumulated impairment loss if any. Neither class of the property and equipment are measured at revaluation model nor is their fair value measured at the reporting date.

Subsequent expenditure is capitalized if it is probable that the future economic benefits from the expenditure will flow to the entity. Ongoing repairs and maintenance to keep the assets in working condition are expensed as incurred.

Any gain or losses on de-recognition of an item of property and equipment is recognized in profit or loss.

b) Capital work in progress

Assets in the course of construction are capitalized in the assets under capital work in progress account (CWIP). At the point when an asset is capable of operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences. Where an obligation (legal or constructive) exists to dismantle or remove an asset or restore a site to its former condition at the end of its useful life, the present value of the estimated cost of dismantling, removing or restoring the site is capitalized along with the cost of acquisition or construction upon completion and a corresponding liability is recognized.

c) Depreciation

Property and equipment are depreciated from the date they are available for use on property on written down value method over estimated useful lives as determined by the Management. Depreciation is recognized in profit or loss. Land is not depreciated. Charging of depreciation is ceased from the earlier of the date from which the asset is classified as held for sale or is derecognized.

The estimated useful lives of significant items of property and equipment for current year and comparative periods are as follows:

Class of Assets	Useful Life	Rate of Depreciation
Building	20 years	5%
Leasehold Properties	As per lease agreement (maximum to 10 years)	Amortized over lower of lease period or useful life.
Computer and Accessories	4 years	25%
Vehicles	5 years	20%
Furniture fixture & Equipment	4 years	25%
Other Assets	6.66 years	15%

Assets costing less than NPR 2,000 are fully depreciated in the year of purchase.

Goodwill / Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The intangible asset with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.
Certain computer software costs are capitalized and recognized as intangible assets based on materiality, accounting prudence and significant benefits expected to flow therefrom for a period longer than one year. The estimated useful lives of significant items of intangible assets for current year and comparative periods are as follows:

Class of Assets	Useful Life	Rate of Depreciation
Goodwill & Intangible	5 years	20%

5.8 Investment Property

Investment property is the land or building or both held either for rental income or for capital appreciation or for both, but not for sale in ordinary course of business and owner-occupied property. The Bank holds investment property that has been acquired through the enforcement of security over the loan and advances.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred. If the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. Investment property which initially measured at cost and subsequently at Cost Model. Accordingly, such properties are subsequently measured at cost less accumulated depreciation and impairment loss if any.

Investment properties are derecognized either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

5.9 Income tax

The Company is subject to tax laws of Nepal. Income Taxes have been calculated as per the provisions of the Income Tax Act, 2058. Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax law carry-forwards become deductible. The Bank considers the expected reversal of deferred tax liabilities and projected future taxable income making this assessment. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

Income tax comprises current and deferred tax. Income tax expense is recognized in the statement of profit and loss except to the extent it relates to items directly recognized in equity or in other comprehensive income.

Current Tax

Current tax is the amount of tax payable based on the taxable profit for the year. Taxable profit differs from ‘profit before tax’ as reported in the statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the countries where the Bank operates and generates taxable income. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

Deferred Tax

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

Deferred tax is determined using tax rates (and laws) enacted or substantively enacted at the reporting date and that are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Deferred tax assets are reviewed at each reporting date and reversed if it is no longer probable that the related tax benefits will be realized. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax relating to items recognized in OCI is recognized in OCI. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5.10 Deposits, debt securities issued and subordinated liabilities

Bank deposits consist of money placed into the Bank by its customers. These deposits are made to deposit accounts such as fixed deposit accounts, savings accounts, margin deposit accounts, call deposit accounts and current accounts. Details and further disclosures about deposits have been explained in Note that follows.

5.11 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and when the amount can be reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.
A disclosure for contingent liabilities is made where there is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligation that arises from past events but is not recognized because:

- o It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- o The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets.

Provisions, contingent liabilities, contingent assets and commitments are reviewed at each reporting period. Provisions for onerous contracts are recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the future obligations under the contract.

5.12 Revenue Recognition

Revenue comprises of interest income, fees and commission, foreign exchange income, cards income, disposal income etc. 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 bases of incomes recognition are as below:

Interest income

Interest income is recognized in profit or loss using effective interest method. Effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of financial asset or liability to the carrying amount of the asset or liability. The calculation of effective interest rate includes all transactions cost and fee and points paid or received that are integral part of the effective interest. The transaction costs include incremental costs that are directly attributable to the acquisition or issue of financial assets.

Interest income presented in statement of profit and loss includes:

- Interest income on financial assets measured at amortized cost calculated on an effective interest rate method. These financial assets include loans and advances including staff loans, investment in government securities, investment in corporate bonds, investment in NRB Bond and deposit instruments, reverse repos, inter banking lending etc.
- Interest on investment securities measured at fair value, calculated on effective interest rate.
- Income on discounted instruments like bills purchased, documents negotiation is recognized over the period of discounting on accrual basis using effective interest rate.

  Interest income on all trading assets 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.

Fee and commission income

Fees and commission income that are integral to the effective interest rate on a financial asset are included in measurement of effective interest rate. Other fees and commission income including management fee, service charges, syndication fee, forex transaction commission, commission of issue of letter of credit and guarantee are recognized as the related services are performed.

Dividend income

Dividend on investment in resident company is recognized when the right to receive payment is established. Dividend income 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 instruments.

Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading. This includes any ineffectiveness recorded in hedging transactions. Net trading income also includes gain on foreign exchange transaction.

Net income from other financial instrument at fair value through Profit or Loss

Financial assets and financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis.
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that would otherwise be required by the contract.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in Net gain or loss on financial assets and liabilities designated at fair value through profit or loss is recognized in statement of Profit or Loss. Interest earned or incurred is accrued in Interest income or Interest expense, respectively, using the effective interest rate (EIR), while dividend income is recorded in other operating income when the right to the payment has been established.

5.13 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.

5.14 Employees Benefits

a) Short Term Employee Benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is also recognized for the amount expected to be paid under bonus required by the prevailing Bonus Act pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably under short term employee benefits.

Short-term employee benefits include all the following items (if payable within 12 months after the end of the reporting period):

- wages, salaries and social security contributions;
- paid annual leave and paid sick leave;
- non-monetary benefits

b) Post-Employment Benefit Plan

Post-employment benefit plan includes followings:

i. Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays a fixed contribution to a separate entity and has no legal or constructive obligation to pay future amounts.

Obligations for contributions to defined contribution plans are recognized as personnel expense in profit or loss in the periods during which the related service are rendered by employees. Pre-paid contributions are recognized as an asset to the extent that cash refund or reduction in future payments is available. Contributions to a defined contribution plan being due for more than 12 months after the end of the period in which the employee render the service are discounted at their present value. The following are the defined contribution plan provided by the Bank to its employees:

a) Employees Provident Fund

In accordance with law, all employees of the Bank are entitled to receive benefits under the provident fund, a defined contribution plan in which both the employee and the Bank contribute monthly at a pre-determined rate (currently, 10% of the basic salary plus grades). Bank does not assume any future liability for provident fund benefits other than its annual contribution.

ii. Defined Benefit Plan

The Bank provides Pension & Gratuity Plan, Retirement Plan and Leave Encashment Plan (in terms of Annual Leave and Sick Leave) as defined benefits to its employees. These benefits are post-employment benefit plans and are paid based on length of service. These benefit plans are funded whereas the Bank makes earmark investment of these funds. The gratuity plan provides for lump sum payments to vested employees at retirement or upon death while in employment or on termination of employment for an amount equivalent defined days' eligible salary payable for each completed year of service.

The pension plan provides for lump sum payments to vested employees at retirement or equated payment till death of the employee (and half thereafter to the spouse of the employee). Further, employees of the Bank are entitled to avail Annual Leave and Sick Leave. The employees can carry forward the un-availed leave and are entitled to encash the cumulative leave at the time of the retirement. The obligation under these plans is calculated by a qualified actuary every year using projected unit credit method.

The following are the defined benefit plans provided by the Bank to its employees:

a) Gratuity

Bank provides for gratuity on accrual basis covering eligible employees in terms of Employee Service Byelaws of the Bank. The plan provides for lump sum payments to vested employees at retirement or upon death while in employment or on termination of employment for an amount equivalent defined days' eligible salary payable for each completed years of service. The Bank accounts for the liability for gratuity as per the actuarial valuation.

b) Leave Salary

The employees of the Bank are entitled to carry forward a part of their unavailed/ unutilized leave subject to a maximum limit. The employees can encash unavailed/ unutilized leave partially in terms of Employee Service Byelaws of the Bank. The Bank accounts for the liability for accumulated leave as per the actuarial valuation.

c) Termination Benefits

Termination benefits are recognized as expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal plan to provide termination benefits to employees as a result of an offer made to encourage voluntary redundancy. Termination benefits are recognized if the Banks made an offer for voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be measured reliably. If the benefits are payable in more than 12 months after the reporting date, they are discounted to their present value.

5.15 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

The Bank as a Lessee:

NFRS 16 is first time adoption in Nepalese BFIs since 1st Shrawan 2078. Now, there is no longer distinction between operating lease and finance lease for lessee.

The leases are capitalised and presented on the statement of financial position as both assets, known as right of use (ROU) asset, and lease liabilities and expenses of depreciation and interest expense on the statement of profit and loss.

Under NFRS 16, a lease is defined as a contract conveying an entity the right to utilize a specific asset for a period of time in exchange for consideration where right to substantially all economic benefits from the use of identified asset is established except short term lease and low value assets.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the implicit interest rate / incremental borrowing rate i.e. market rate.

The Bank as a lessor

Leases in which the Bank does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

5.16 Foreign Currency translation

The items included in the financial statements of the entity are measured using the functional currency of the Bank which Nepalese Rupees is using the exchange rates prevailing at the dates when the transactions were affected.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the buying rate of exchange at the balance sheet date. Any resulting exchange differences are included in the “Other Operating Income” in statement of profit or loss.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of initial transaction. Non-monetary item assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined.

Foreign exchange differences arising on settlement of monetary items is included in “Net Trading Income” in statement of profit or loss.

5.17 Financial guarantee and loan commitment

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

5.18 Share capital and reserves

The Bank classifies the capital instruments as equity instruments or financial liabilities in accordance with the substance with the contractual terms of the instruments. Equity is defined as residual interest in total assets of an entity 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.

The Bank is required to maintain the capital adequacy ratio imposed by the regulator. The ratio is fixed at 11% for current year and the Bank has maintained the ratio as mention above under ratios as per NRB directive as at Ashwin end 2079.

Incremental costs directly attributable to issue of an equity instruments are deducted from the equity.

5.19 Earnings per share including diluted

Basic earnings per share is computed by dividing the profit/ (loss) for the year by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed by dividing the profit/ (loss) for the year as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these financial statements which would require the restatement of earnings per share.

6. Segment Information

A. Information about reportable Segment

Particulars	Banking		Treasury		Remittance		Government Transaction		All Other		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	4,749,380,359	3,007,985,538	642,825,746	347,765,116	93,787,169	69,840,614	3,758,087	23,726,860	154,328,303	333,359,700	5,644,079,664	3,782,677,828
Intersegment revenues	-	-	-	-	-	-	-	-	-	-	-	-
Segment Profit / (Loss) before tax	1,056,997,452	1,199,460,319	642,825,746	347,765,116	91,575,077	67,795,726	3,758,087	23,726,860	(1,000,000,172)	(680,523,241)	795,156,189	958,224,780
Segment Assets	175,835,151,584	156,778,963,482	39,807,532,960	36,464,028,198	-	-	2,015,939,873	999,972,614	34,794,607,234	30,331,037,251	252,453,231,651	224,574,001,545
Segment liabilities	197,265,876,893	173,707,986,026	-	-	-	-	-	-	19,093,971,825	16,701,174,158	216,359,848,717	190,409,160,184

B. Reconciliation of reportable segment profit or loss

Particulars	Current Quarter	Corresponding Previous year Quarter
Total profit before tax for reportable segments	1,795,156,361	1,638,748,021
Profit before tax for other Segments	(1,000,000,172)	(680,523,241)
Elimination of inter-segment profit	-	-
Elimination of discontinued operation	-	-
Unallocated amounts:	-	-
- Other Corporate expenses	1,154,328,475	1,013,882,941

7. Related Parties disclosures

The related parties of the Bank which meets the definition of related parties as defined in "NAS 24 Related Parties Disclosure" are as follows:

7.1 Nepal Government

Nepal Government holds 51% shares in the bank and representation in the board of directors of the bank, is considered to be related party to the bank.

7.2 *Key Management Personnel (KMP)*

The key management personnel are those persons having authority and responsibility of planning, directing and controlling the activities of the entity, directly or indirectly including any director. The key management of the Bank includes members of its Board of Directors, Chief Executive Officer, and other higher-level employee of the Bank. The name of the key management personnel who were holding various positions in the office during the year (As at Ashwin End 2079) were as follows:

Name of Directors

S.No.	Name	Position
1	Mr. Ganga Prasad Gyawali	Chairman
2	Mr. Kedarnatha Sharma	Director
3	Dr. Savitri Ranjit Shrestha	Director
4	Mr. Vivek SJB Rana	Director
5	Mr. Vishnu Kumar Agrawal	Director
6	Mr. Rochan Shrestha	Director

Key Management Personnel

S.No.	Name	Post
1	Krishna Bahadur Adhikari	Chief Executive Officer
2	Samata Pant (Bhatta)	Deputy Chief Executive officer
3	Laxman Poudel	Assistant Chief Executive officer
4	Bishwo Raj Baral	Assistant Chief Executive officer
5	Prakash Kumar Adhikari	Assistant Chief Executive Officer
6	Hom Bahadur Khadka	Assistant Chief Executive Officer

7.3 Compensation to Key Management Personnel

The members of Board of Directors are entitled for meeting allowances. Salary and allowances are provided to Chief Executive Officer and other member of the management team. Salary and Allowances paid to the Chief Executive Officer is based on the contract entered by the Bank with him whereas compensation paid to other members of management team are governed by Employees Byelaws and decisions made by management time to time in this regard. In addition to salaries and allowances, non- cash benefits like vehicle facility, subsidized rate employees' loan, and termination benefits are also provided to KMP.

The details relating to compensation paid to key management personnel (Director's only) were as follows:

S.No.	Particulars	Upto Ashwin End 2079
1	Director's Fee	379,000
2	Other Expenses	26,000
	Total	**405,000**

The details relating to compensation paid to key management personnel other than directors were as follows:

S.No.	Name	Upto Ashwin End 2079
1	Krishna Bahadur Adhikari	1,704,000
2	Samata Pant (Bhatta)	822,090
3	Laxman Paudel	852,995
4	Bishwo Raj Baral	839,495
5	Prakash Kumar Adhikari	839,495
6	Hom Bahadur Khadka	852,995
	Total	**5,911,072**

Besides above remuneration, other facilities like staff loan facilities and vehicle facilities were provided to KMPs as per the staff bylaws of the bank.

8. Dividend paid (aggregate or per share) separately for ordinary shares or other shares

During the reporting period Bank has not paid any dividend.

9. Issues, repurchase and repayment of debt and equity securities

No any issues, repurchase and repayment of debt and equity securities.

10. Events after interim period

There are no material events after reporting date affecting financial status as on Ashwin End 2079.

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

No such changes during the interim period as on Ashwin End 2079.

12. Use of Carve-outs Adjustment

12.1.1 For Impairment Calculation

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 of NAS 39: Financial Instruments: Recognition and Measurement, 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. Bank and Financial Institutions shall measure impairment loss on loan and advances as higher of amount derived as per prudential norms prescribed by Nepal Rastra Bank and amount determined as per paragraph 63. However, bank and financial institutions shall apply paragraph 63 of NAS 39: Financial Instruments: Recognition and Measurement to determine the amount of impairment loss on financial assets other than loan and advances.

IMPAIRMENT AS PER NAS 39

Using the carve-out issued by Institute of Chartered Accountant of Nepal, the higher of the Impairment loss as per NFRS and Impairment as per Norms of NRB is taken into consideration for impairment loss on loan and advances for preparation of interim financial statement.

IMPAIRMENT AS PER NAS 39	
Loans and advances to Customers	**Ashwin 2079**
Loans and advances to Customers (A)	**175,768,074,555**
Less:	
Impairment allowances (a + b)	**3,191,376,508**
Collective Allowances (a)	2,140,747,714
Individual Allowances (b)	1,050,628,794
Impairment as percentage of Total Loans and advances	**1.82%**

The impact of the application of carve-out in the interim financial statement is as under

Particulars	Amount (NPR)
Impairment Loss as per NFRS	3,191,376,508
Impairment Loss as per norms of NRB	5,013,401,855

Using the carve-out issued by Institute of Chartered Accountant of Nepal, the higher of the above is taken into consideration for impairment loss on loan and advances for preparation of interim financial statement.

12.2 For Using Effective Interest rate

During the reporting period Bank has used the exemption for not calculating Interest Income using Effective Interest Rate (EIR) as Bank has considered such calculation to be impracticable. Accordingly, Bank has used Normal interest rate to charge interest income.

12.3 Interest calculation on Impaired Loan and advances

NAS 39 requires when 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. The Bank has not considered fees and transaction cost being immaterial. The interest income has been calculated using EIR.

Interest income on loan and advances that are overdue for more than 180 days are not recognized as Interest income citing the recoverability of such amount.

Disclosure as per Securities Registration and Issuance Regulation, 2073
(Related to sub Rule (1) of Rule 26)
Quarterly Detail as of Ashwin end 2079 (October 17, 2022)

1. Financial Statements

A. Statement of Financial Position and statement of profit or Loss

Published along with this report.

B. Related Party Disclosure

Nepal Government holds 51% shares in the bank and has representation in the board of directors of the bank and hence considered to be related party to the bank.
The directors, chief executive officer and other key management personnel are also considered to be related party to the bank. No transaction between bank and KMPs was observed other than as prescribed under employees bylaws of the bank and relating to remuneration.

C. Major Financial Highlights

a.	Earnings per Share (Annualized)	NPR	16.77	d.	Liquidity	%	20.06
b.	Market Value per Share	NPR	296.80	e.	Return on Assets	%	0.96%
c.	Price Earnings Ratio	(Times)	17.70	f.	Net worth per Share	NPR	250.55

2. Management Analysis

a. Cash recovery from the borrower is satisfactory and NPA has been slightly increased. The reserve has been increased as a result of increment in regulatory Reserve.
b. The liquidity of the bank is just sufficient to meet the lending opportunities.
c. The bank is constantly improving its IT infrastructure to allow automated transaction through digital channel and make the bank more competitive.
d. The bank has prepared a robust risk management and AML/CFT policy as per international norms and is implementing them thoroughly.
e. There is no incident happened that materially impacted on reserve, profit, liquidity of the bank during the quarter under review.

3. Detail relating to legal action

Except in the normal course of banking business, no law-suits of material nature have been filed by or against the bank/promoters/directors/on account of violation of prevailing laws or commission of criminal offences or financial crime.

4. Analysis of share transaction and progress of the bank

a. Management view on share transaction of the bank at securities market –

The share transaction of the bank takes place in the secondary market of Nepal Stock Exchange through open share market operation. The management 's view on this is neutral.

b. Maximum, minimum and last share price of the bank including total number of shares traded and days of transaction during the quarter.

Maximum Price: NPR 317.50 Minimum Price: NPR 263 Last Price: NPR 296.80
Transaction volume: 2,737,246.00 shares Days of transaction: 65

5. Problems and Challenges

Internal

- Increase in cost of operation due to inflation.
- Effect of Change in interest rate on deposit and lending.
- Shortage of loanable fund to meet the prospective lending opportunities.
- Retention of qualified and skilled human resources.
- Strengthening operational efficiencies to minimize possible inherent risk.

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External

- Adverse impact of Covid-19 on various sector of economy result into slow growth of business, default in credit portfolio and increases NPL.
- Adverse impact in business due to ongoing global economic crisis.
- The regulation of interest spread and base rate squeezes the margin.
- Stiff competition from Bank and Financial Institutions.
- Challenge to increase revenue growth.
- Slow growth of Deposit in the Market.
- Economic Risk due to instability in economic sector of Country.

Strategy

- Focus on controlled business growth and profit management.
- Digitize the banking service to increase operating efficiency and continue to introduce the new banking product.
- Focus on Prudent Assets and Liability Management of the bank.
- Explore new sector for non-interest income of the bank.

6. Corporate Governance

The Board of the bank is the apex body which is responsible and accountable to the shareholder for the maintenance of good governance in the bank.

The Risk Management Committee which is a sub-committee of the Board is entrusted to review the overall risks of the bank and recommend the Board and management for policy prescription when required. The Sub-committee meets regularly as and when required.

The Audit Committee which is sub-committee of the Board review the audit reports of all the branches and departments/divisions of the bank and give feedback to the Board and the Senior Management.

The Credit Committee of the bank is the CEO level committee comprising the senior executive representing various different business functions of the bank approve, review and monitor the credit portfolio of the bank. This committee also recommend the credit related proposal to the Board for approval.

The ALM Committee which is led by CEO is responsible to prudent management of the Balance sheet of the bank. It reviews interest rate risk, liquidity risk and market risk of the bank regularly.

The Governance Division which is headed by the Board Secretary is responsible to monitor the governance in the bank and report to the Board.

7. Declaration by the Chief Executive Officer on the Truthfulness and Accuracy of information

I, as at the date, hereby individually accept responsibility for the accuracy of the information and details contained in this report. I also hereby declare that to the best of my knowledge and belief, the information contained in this report is true, accurate and complete and there are no other matters concealed, the omission of which shall adversely affect the informed investment decision by the investors.