SiddharthaBank

INTERIM FINANCIAL STATEMENTS

As on Poush 30, 2079 (14 January 2023)

(Un-audited)

Siddhartha Bank Limited
Condensed Consolidated Statement of Financial Position
As on Quarter ended Poush, 2079

Amount in NPR

	Group		Bank	
	This Quarter Ending	**Immediate Previous Year Ending (Audited)**	**This Quarter Ending**	**Immediate Previous Year Ending (Audited)**
Assets				
Cash and cash equivalent	6,268,640,481	7,936,444,278	6,562,687,021	7,928,989,024
Due from Nepal Rastra Bank	9,889,239,323	5,730,448,535	9,889,239,323	5,730,448,535
Placements with Bank and Financial Institutions	1,159,215,303	320,313,255	1,159,215,303	320,313,255
Derivative financial instruments	12,771,171	19,694,323	12,771,171	19,694,323
Other trading assets	132,375,472	158,762,749	-	-
Loans and advances to B/FIs	5,977,656,778	6,403,394,142	5,977,656,778	6,403,394,142
Loans and advances to customers	177,613,550,833	178,597,694,694	177,601,676,739	178,587,363,232
Investment securities	47,926,509,734	57,591,637,732	47,447,883,734	57,368,161,732
Current tax assets	405,863,581	214,652,905	400,776,892	221,065,203
Investment in subsidiaries	-	-	51,000,000	51,000,000
Investment in associates	-	-	-	-
Investment property	218,938,434	213,307,612	218,938,434	213,307,612
Property and equipment	3,245,466,056	3,111,858,718	3,214,685,088	3,077,068,355
Goodwill and Intangible assets	150,822,000	73,722,348	148,910,089	71,490,971
Deferred tax assets	-	-	-	-
Other assets	4,640,151,109	4,364,344,920	4,612,552,193	4,334,727,127
Total Assets	**257,641,200,275**	**264,736,276,211**	**257,297,992,765**	**264,327,023,510**
Liabilities				
Due to Bank and Financial Institutions	6,132,319,639	7,234,641,506	6,132,319,639	7,234,641,506
Due to Nepal Rastra Bank	4,401,361,474	24,965,102,753	4,401,361,474	24,965,102,753
Derivative financial instruments	12,259,692	19,359,606	12,259,692	19,359,606
Deposits from customers	204,731,982,624	191,156,475,501	205,129,144,738	191,550,643,583
Borrowing	-	1,022,800,000	-	1,022,800,000
Current Tax Liabilities	-	-	-	-
Provisions	-	-	-	-
Deferred tax liabilities	370,241,775	222,407,228	387,057,835	239,223,287
Other liabilities	6,955,363,751	6,468,899,300	6,565,169,252	6,034,819,684
Debt securities issued	11,662,559,000	11,662,559,000	11,662,559,000	11,662,559,000
Subordinated Liabilities	-	-	-	-
Total liabilities	**234,266,087,955**	**242,752,244,893**	**234,289,871,630**	**242,729,149,419**
Equity				
Share capital	14,089,980,190	12,524,426,835	14,089,980,190	12,524,426,835
Share premium	-	-	-	-
Retained earnings	174,767,870	1,449,435,636	96,568,499	1,359,868,480
Reserves	8,905,548,579	7,795,961,806	8,821,572,447	7,713,578,776
Total equity attributable to equity holders	**23,170,296,640**	**21,769,824,277**	**23,008,121,136**	**21,597,874,092**
Non-controlling interest	**204,815,680**	**214,207,041**	**-**	**-**
Total equity	**23,375,112,320**	**21,984,031,318**	**23,008,121,136**	**21,597,874,092**
Total liabilities and equity	**257,641,200,275**	**264,736,276,211**	**257,297,992,765**	**264,327,023,510**

Siddhartha Bank Limited
Condensed Consolidated Statement of Profit or Loss
For the Quarter ended Poush 2079

Amount in NPR

	Group				Bank			
Particulars	**Current Year**		**Previous Year Corresponding**		**Current Year**		**Previous Year Corresponding**	
	This Quarter	**Up to This Quarter (YTD)**	**This Quarter**	**Up to This Quarter (YTD)**	**This Quarter**	**Up to This Quarter (YTD)**	**This Quarter**	**Up to This Quarter (YTD)**
Interest income	6,574,130,483	13,444,697,195	4,492,825,710	8,993,175,477	6,564,189,204	13,422,628,340	4,484,575,436	8,978,589,285
Interest expense	4,671,434,820	9,399,116,082	3,226,063,238	5,969,222,789	4,674,892,295	9,404,754,192	3,227,868,198	5,971,640,264
Net interest income	**1,902,695,662**	**4,045,581,113**	**1,266,762,472**	**3,023,952,688**	**1,889,296,909**	**4,017,874,148**	**1,256,707,238**	**3,006,949,021**
Fees and commission income	403,013,896	828,355,057	375,339,806	867,436,241	387,479,666	774,657,421	344,104,081	764,115,887
Fees and commission expense	91,114,079	177,450,892	85,594,797	166,812,028	88,028,315	161,845,930	80,059,280	149,540,407
Net fee and commission income	**311,899,817**	**650,904,165**	**289,745,009**	**700,624,213**	**299,451,352**	**612,811,491**	**264,044,801**	**614,575,480**
Net interest, fee and commission income	**2,214,595,479**	**4,696,485,278**	**1,556,507,481**	**3,724,576,901**	**2,188,748,260**	**4,630,685,639**	**1,520,752,039**	**3,621,524,501**
Net trading income	91,012,263	127,196,137	133,361,851	235,402,858	68,919,678	123,940,807	119,123,604	252,585,534
Other operating income	69,688,230	214,587,845	99,704,498	461,826,419	64,483,378	203,201,092	99,677,509	445,062,903
Total operating income	**2,375,295,971**	**5,038,269,260**	**1,789,573,830**	**4,421,806,178**	**2,322,151,316**	**4,957,827,539**	**1,739,553,152**	**4,319,172,938**
Impairment charge/(reversal) for loan and other losses	299,409,863	1,192,475,570	(137,327,920)	71,185,719	299,409,863	1,192,475,570	(137,327,920)	71,185,719
Net operating income	**2,075,886,108**	**3,845,793,690**	**1,926,901,750**	**4,350,620,459**	**2,022,741,453**	**3,765,351,969**	**1,876,881,072**	**4,247,987,219**
Operating expense								
Personnel expense	748,684,253	1,440,004,178	650,134,277	1,381,190,240	736,751,408	1,418,441,305	638,202,402	1,357,576,869
Other operating expense	299,384,654	593,623,738	272,842,998	529,045,440	293,857,224	583,191,163	267,990,335	518,042,978
Depreciation & Amortisation	57,929,399	110,849,826	47,013,994	93,219,652	55,730,657	106,452,064	46,184,472	91,515,549
Operating Profit	**969,887,803**	**1,701,315,948**	**956,910,481**	**2,347,165,127**	**936,402,165**	**1,657,267,436**	**924,503,863**	**2,280,851,823**
Non operating income	1,100,000	1,187,045	7,422,378	7,691,879	1,100,000	1,187,045	7,422,978	7,480,147
Non operating expense	-	-	15,619,158	16,694,239	-	-	15,619,158	16,694,239
Profit before income tax	**970,987,803**	**1,702,502,993**	**948,713,701**	**2,338,162,767**	**937,502,165**	**1,658,454,481**	**916,307,683**	**2,271,637,731**
Income tax expense								
Current Tax	284,598,387	510,469,250	297,446,724	714,281,442	274,552,696	497,254,696	287,724,918	694,323,931
Deferred Tax	-	-	-	-	-	-	-	-
Profit for the period	**686,389,416**	**1,192,033,743**	**651,266,977**	**1,623,881,325**	**662,949,469**	**1,161,199,785**	**628,582,765**	**1,577,313,800**

Siddhartha Bank Limited
Statement of Comprehensive Income
For the Quarter ended Poush 2079

Amount in NPR

Particulars	Group				Bank			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Profit or loss for the period	686,389,416	1,192,033,743	651,266,977	1,623,881,325	662,949,469	1,161,199,785	628,582,765	1,577,313,800
Other comprehensive income, net of income tax								
a) Items that will not be reclassified to profit or loss								
Gains/(losses) from investments in equity instruments measured at fair value	797,056,235	492,781,826	311,156,176	(623,931,242)	797,056,235	492,781,826	311,156,176	(623,931,242)
Gains/(losses) on revalution	-	-	-	-	-	-	-	-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-
Income tax relating to above items	(239,116,871)	(147,834,548)	(93,346,852)	187,179,373	(239,116,871)	(147,834,548)	(93,346,852)	187,179,373
Net other comprehsive income that will not be reclassified to profit or loss	**557,939,364**	**344,947,278**	**217,809,324**	**(436,751,869)**	**557,939,364**	**344,947,278**	**217,809,324**	**(436,751,869)**
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	-	-	-	-	-	-	-	-
Reclassify to profit or loss	-	-	-	-	-	-	-	-
Net other comprehsive 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 year, net of income tax	**557,939,364**	**344,947,278**	**217,809,324**	**(436,751,869)**	**557,939,364**	**344,947,278**	**217,809,324**	**(436,751,869)**
Total Comprehensive Income for the period	**1,244,328,780**	**1,536,981,021**	**869,076,301**	**1,187,129,456**	**1,220,888,833**	**1,506,147,063**	**846,392,089**	**1,140,561,931**
Total comprehensive income attributable to:								
Equity holders of the Bank	1,232,843,206	1,521,872,382	857,961,037	1,164,311,369	1,220,888,833	1,506,147,063	294,169,842	294,169,842
Non-controlling interest	11,485,574	15,108,639	11,115,264	22,818,087	-	-	-	-
Total	**1,244,328,780**	**1,536,981,021**	**869,076,301**	**1,187,129,456**	**1,220,888,833**	**1,506,147,063**	**294,169,842**	**294,169,842**
Earning per share								
Basic Earnings Per Share	4.79	8.35	4.54	11.36	4.71	8.24	4.46	11.19
Annualized Basic Earnings Per Share	19.87	16.75	18.63	22.66	19.52	16.53	18.30	22.33
Annualized Diluted Earnings Per Share	19.87	16.75	18.63	22.66	19.52	16.53	18.30	22.33

Ratios as per NRB Directive

Particulars	Group				Bank			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Capital Fund to RWA	12.33%	12.33%	12.89%	12.89%	12.33%	12.33%	12.88%	12.88%
Non-Performing Loan (NPL) to Total Loan	2.87%	2.87%	0.37%	0.37%	2.87%	2.87%	0.37%	0.37%
Total loan loss provision to Total NPL	93.96%	93.96%	478.17%	478.17%	93.96%	93.96%	478.17%	478.17%
Cost of Funds	8.70%	8.70%	6.59%	6.59%	8.70%	8.70%	6.59%	6.59%
Credit to Deposit Ratio	83.30%	83.30%	88.60%	88.60%	83.30%	83.30%	88.60%	88.60%
Base Rate	10.91%	10.91%	8.58%	8.58%	10.91%	10.91%	8.58%	8.58%
Interest Rate Spread	4.22%	4.22%	2.68%	2.68%	4.22%	4.22%	2.68%	2.68%
Return on Equity (Annualized)	12.34%	10.41%	12.32%	14.98%	12.33%	10.44%	12.32%	15.03%
Return on Assets (Annualized)	1.07%	0.90%	1.12%	1.36%	1.05%	0.89%	1.08%	1.35%

Siddhartha Bank Limited
Condensed Consolidated Statement of Changes in Equity
For the period ended Poush 2079

Group

Amount in NPR

	Attributable to equity holders of the Bank											
	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 Shrawan 1, 2078	**10,962,299,199**	**-**	**3,219,181,780**	**31,125,658**	**643,992,682**	**2,686,056,366**	**-**	**1,913,477,937**	**1,129,750,959**	**20,585,884,581**	**225,859,501**	**20,811,744,082**
Profit for the period	-	-	-	-	-	-	-	1,601,063,238	-	1,601,063,238	22,818,086	1,623,881,324
Other comprehensive income	-	-	-	-	-	(436,751,869)	-	-	-	(436,751,869)	-	(436,751,869)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(436,751,869)**	**-**	**1,601,063,238**	**-**	**1,164,311,368**	**22,818,086**	**1,187,129,455**
Transfer to reserve during the period	-	-	317,837,704	-	126,296,688	-	-	(891,536,941)	447,402,549	-	-	-
Transfer from reserve during the period	-	-	-	-	-	-	-	-	(11,981,342)	(11,981,342)	-	(11,981,342)
Contributions from and distributions to owners												
Share issued	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders										-	-	-
Bonus shares issued	1,562,127,636	-	-	-	-	-	-	(1,562,127,636)	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	(123,017,244)	-	(123,017,244)	(39,200,000)	(162,217,244)
Total contributions by and distributions	**1,562,127,636**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,685,144,880)**	**-**	**(123,017,244)**	**(39,200,000)**	**(162,217,244)**
Balance at Poush end 2078	**12,524,426,835**	**-**	**3,537,019,484**	**31,125,658**	**770,289,370**	**2,249,304,497**	**-**	**937,859,356**	**1,565,172,166**	**21,615,197,364**	**209,477,587**	**21,824,674,952**
Balance at Shrawan 1, 2079	**12,524,426,834**	**-**	**3,806,241,487**	**45,698,341**	**848,154,757**	**1,177,672,136**	**-**	**1,449,435,636**	**1,918,195,087**	**21,769,824,277**	**214,207,039**	**21,984,031,315**
Profit for the period	-	-	-	-	-	-	-	1,176,925,104	-	1,176,925,104	15,108,639	1,192,033,743
Other comprehensive income	-	-	-	-	-	344,947,278	-	-	-	344,947,278	-	344,947,278
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**344,947,278**	**-**	**1,176,925,104**	**-**	**1,521,872,382**	**15,108,639**	**1,536,981,021**
Transfer to reserve during the period	-	-	233,812,489	6,525,624	295,958,037	-	-	(1,278,141,968)	741,845,819	-	-	-
Transfer from reserve during the period	-	-	-	-	-	-	-	-	(13,502,473)	(13,502,473)	-	(13,502,473)
Contributions from and distributions to owners												
Share issued	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders										-	-	-
Bonus shares issued	1,565,553,357	-	-	-	-	-	-	(1,065,553,357)	(500,000,000)	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	(107,897,545)	-	(107,897,545)	(24,500,000)	(132,397,545)
Total contributions by and distributions	**1,565,553,357**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,173,450,902)**	**(500,000,000)**	**(107,897,545)**	**(24,500,000)**	**(132,397,545)**
Balance at Poush end 2079	**14,089,980,190**	**-**	**4,040,053,975**	**52,223,965**	**1,144,112,794**	**1,522,619,414**	**-**	**174,767,871**	**2,146,538,432**	**23,170,296,639**	**204,815,680**	**23,375,112,319**

Siddhartha Bank Limited
Condensed Consolidated Statement of Changes in Equity
For the period ended Poush 2079
Bank

Amount in NPR

	Attributable to equity holders of the Bank											
	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 Shrawan 1, 2078	**10,962,299,199**	**-**	**3,191,648,969**	**31,125,658**	**643,992,682**	**2,686,056,366**	**-**	**1,808,628,800**	**1,078,054,653**	**20,401,806,327**	**-**	**20,401,806,327**
Profit for the period	-	-	-	-	-	-	-	1,577,313,800	-	1,577,313,800	-	1,577,313,800
Other comprehensive income	-	-	-	-	-	(436,751,869)	-	-	-	(436,751,869)	-	(436,751,869)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(436,751,869)**	**-**	**1,577,313,800**	**-**	**1,140,561,931**	**-**	**1,140,561,931**
Transfer to reserve during the period	-	-	315,462,760	-	126,296,688	-	-	(888,924,502)	447,165,055	-	-	**-**
Transfer from reserve during the period	**-**	**-**	**-**	**-**	-	-	**-**	-	(11,981,342)	(11,981,342)	-	(11,981,342)
Contributions from and distributions to owners												
Share issued	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders										-	-	-
Bonus shares issued	1,562,127,636	-	-	-	-	-	-	(1,562,127,636)	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	(82,217,244)	-	(82,217,244)	-	(82,217,244)
Total contributions by and distributions	**1,562,127,636**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,644,344,880)**	**-**	**(82,217,244)**	**-**	**(82,217,244)**
Balance at Poush end 2078	**12,524,426,835**	**-**	**3,507,111,729**	**31,125,658**	**770,289,370**	**2,249,304,497**	**-**	**852,673,219**	**1,513,238,366**	**21,448,169,671**	**-**	**21,448,169,671**
Balance at Shrawan 1, 2079	**12,524,426,833**	**-**	**3,775,841,483**	**45,698,341**	**848,154,757**	**1,177,672,136**	**-**	**1,359,868,481**	**1,866,212,062**	**21,597,874,092**	**-**	**21,597,874,091**
Profit for the period	-	-	-	-	-	-	-	1,161,199,785	-	1,161,199,785	-	1,161,199,785
Other comprehensive income	-	-	-	-	-	344,947,278	-	-	-	344,947,278	-	344,947,278
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**344,947,278**	**-**	**1,161,199,785**	**-**	**1,506,147,063**	**-**	**1,506,147,063**
Transfer to reserve during the period	-	-	232,239,957	6,525,624	295,958,037	-	-	(1,276,548,866)	741,825,248	-	-	-
Transfer from reserve during the period	**-**	**-**	**-**	**-**	-	-	**-**	-	(13,502,473)	(13,502,473)	**-**	(13,502,473)
Contributions from and distributions to owners												
Share issued	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders										-	-	-
Bonus shares issued	1,565,553,357	-	-	-	-	-	-	(1,065,553,357)	(500,000,000)	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	(82,397,545)	-	(82,397,545)	-	(82,397,545)
Total contributions by and distributions	**1,565,553,357**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,147,950,902)**	**(500,000,000)**	**(82,397,545)**	**-**	**(82,397,545)**
Balance at Poush end 2079	**14,089,980,190**	**-**	**4,008,081,440**	**52,223,965**	**1,144,112,794**	**1,522,619,414**	**-**	**96,568,499**	**2,094,534,834**	**23,008,121,136**	**-**	**23,008,121,136**

Siddhartha Bank Limited
Condensed Consolidated Statement of Cash Flows
For the period ended Poush 2079

Amount in NPR

Particulars	Group: Upto This Quarter	Group: Corresponding Previous Year Up to this Quarter	Bank: Upto This Quarter	Bank: Corresponding Previous Year Up to this Quarter
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	11,696,787,721	8,177,841,582	11,699,044,434	8,177,995,117
Fees and other income received	832,691,027	881,876,140	774,657,421	764,115,887
Dividend received	-	-	-	-
Receipts from other operating activities	195,686,762	281,119,807	195,176,362	280,456,265
Interest paid	(8,816,557,171)	(5,708,813,442)	(8,822,195,281)	(5,711,230,916)
Commission and fees paid	(177,450,892)	(166,812,028)	(161,845,930)	(149,540,407)
Cash payment to employees	(1,147,379,689)	(1,109,936,164)	(1,125,816,816)	(1,086,322,793)
Other expense paid	(593,622,155)	(545,739,679)	(583,191,163)	(534,737,217)
Operating cash flows before changes in operating assets and liabilities	**1,990,155,602**	**1,809,536,217**	**1,975,829,026**	**1,740,735,936**
(Increase)/Decrease in operating assets				
Due from Nepal Rastra Bank	(4,158,790,788)	(597,308,410)	(4,158,790,788)	(597,308,410)
Placement with bank and financial institutions	(838,902,048)	2,277,519,476	(838,902,048)	2,277,519,476
Other trading assets	3,023,138	24,281,305	-	-
Loan and advances to bank and financial institutions	425,737,364	(683,788,514)	425,737,364	(683,788,514)
Loans and advances to customers	(214,007,617)	(18,420,349,859)	(212,419,899)	(18,422,157,612)
Other assets	(271,860,005)	1,099,743,385	(270,901,915)	1,098,645,191
	(5,054,799,957)	**(16,299,902,617)**	**(5,055,277,286)**	**(16,327,089,869)**
Increase/(Decrease) in operating liabilities				
Due to bank and financial institutions	(1,102,321,867)	(2,209,421,134)	(1,102,321,867)	(2,209,421,134)
Due to Nepal Rastra Bank	(20,563,741,279)	3,235,027,256	(20,563,741,279)	3,235,027,256
Deposit from customers	13,575,507,123	8,086,769,651	13,578,501,155	7,874,420,282
Borrowings	(1,022,800,000)	949,600,000	(1,022,800,000)	949,600,000
Other liabilities	293,502,150	(2,224,384,593)	338,976,933	(1,999,555,026)
	(8,819,853,873)	**7,837,591,180**	**(8,771,385,057)**	**7,850,071,378**
Net cash flow from operating activities before tax paid	**(11,884,498,228)**	**(6,652,775,220)**	**(11,850,833,317)**	**(6,736,282,555)**
Income taxes paid	(700,086,114)	(785,003,993)	(676,966,386)	(764,002,235)
Net cash flow from operating activities	**(12,584,584,342)**	**(7,437,779,213)**	**(12,527,799,702)**	**(7,500,284,790)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	(219,577,869)	(298,424,714)	-	-
Receipts from sale of investment securities	10,413,059,824	9,278,224,269	10,413,059,824	9,278,224,269
Purchase of property and equipment	(226,702,075)	(147,290,596)	(226,633,175)	(146,130,539)
Receipt from the sale of property and equipment	-	4,915,101	-	-
Purchase of intangible assets	(95,689,078)	-	(95,689,078)	-
Receipt from the sale of intangible assets	-	-	-	-
Purchase of investment properties	-	-	-	-
Receipt from the sale of investment properties	-	-	-	-
Interest received	1,639,079,815	831,905,683	1,615,232,137	817,617,765
Dividend received	135,074,086	423,909,493	133,986,920	423,909,493
Net cash used in investing activities	**11,645,244,703**	**10,093,239,236**	**11,839,956,628**	**10,373,620,989**
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	(132,402,774)	(162,217,244)	(82,397,545)	(82,217,244)
Interest paid	(582,558,911)	(260,409,348)	(582,558,911)	(260,409,348)
Other receipt/payment	(13,502,473)	(11,981,342)	(13,502,473)	(11,981,342)
Net cash from financing activities	**(728,464,157)**	**(434,607,933)**	**(678,458,929)**	**(354,607,933)**
Net increase (decrease) in cash and cash equivalents	**(1,667,803,796)**	**2,220,852,089**	**(1,366,302,003)**	**2,518,728,265**
Cash and cash equivalents at Shrawan 1, 2079	7,936,444,278	6,198,805,271	7,928,989,024	5,976,055,588
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-	-	-
Cash and cash equivalents at Poush end 2079	**6,268,640,481**	**8,419,657,360**	**6,562,687,021**	**8,494,783,854**

Notes to the Interim Financial Statements

1. Basis of preparation

The interim condensed financial statements prepared for the second quarter of FY 2079/80 ending 14 January 2023 (Poush 30, 2079) are presented in accordance with Nepal Accounting Standard - NAS 34 on "Interim Financial Reporting" published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN). These interim condensed financial statements should be read in conjunction with the audited financial statements for the year ended 16 July 2022 (Ashadh 32, 2079). In order to conform to better presentation, previous year figures and phrases have been adjusted where relevant.

1.1 Functional and Presentation Currency

The interim condensed financial statements of the Bank are presented in Nepalese Rupees (NPR), which is the currency of the primary economic environment in which the Bank operates. The interim financial information has been presented in Nepalese Rupees and has been shown in actual figure, unless otherwise stated.

2. Statement of Compliance with NFRSs

The interim financial statements of the Bank which comprises Statement of Financial Position, Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows have been prepared in accordance with Nepal Financial Reporting Standards comprising of Nepal Financial Reporting Standards and Nepal Accounting Standards (hereafter referred as NFRS), laid down by the Institute of Chartered Accountants of Nepal and in compliance with the requirements of the Companies Act, 2006.

3. Use of estimates, assumptions and judgments

The preparation of interim financial statements in conformity with Nepal Financial Reporting Standards (NFRS) requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect in the Financial Statements are as follows:

1. Going Concern
2. Fair Value of Financial Instruments
3. Impairment of Financial Assets
4. Taxation (Current as well as Deferred Tax)
5. Defined Benefit Plans
6. Useful Life-time of the Property, Plant and Equipment
7. Commitments and Contingencies
8. Classification of Investment Properties

4. Changes in accounting policies

There are no changes in accounting policies and methods of computation since the publication of financial statements for the year ended 16 July 2022, unless otherwise indicated.

5. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

5.1 Cash and cash equivalents

Cash and Cash Equivalents include cash in hand, balances with banks and money at call and at short notice. These are subject to insignificant risk of changes in their fair value and are used by the Bank in the management of short term commitments.

5.2 Financial assets and Financial Liabilities

Initial Recognition

a. Date of Recognition

All financial assets and liabilities are initially recognized on the trade date, i.e. the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes 'regular way trades'. Regular way trade means purchases or sales of financial assets that required delivery of assets within the time frame generally established by regulation or convention in the market place.

b. Recognition and Initial Measurement of Financial Instruments

The classification of financial instruments at the initial recognition depends on their purpose, characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instruments except in the case of such financial assets and liabilities at fair value through profit or loss. Transaction costs in relation to financial assets and financial liabilities at fair value through profit or loss are dealt within the Statement of Profit or Loss.

Classification and subsequent measurement of Financial Instruments

Classification and Subsequent Measurement of Financial Assets

At the inception, a financial asset is classified into one of the following:

(a) Financial assets at fair value through profit or loss
   i. Financial assets held for trading
   ii. Financial assets designated at fair value through profit or loss

(b) Financial assets measured at amortized cost

(c) Financial assets at fair value through other comprehensive income

The subsequent measurement of financial assets depends on their classification.

(a) Financial Assets at Fair Value through Profit or Loss

A financial asset is classified as fair value through profit or loss if it is held for trading or is designated at fair value through profit or loss.

(a) (i) Financial Assets Held for Trading

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or hold as a part of a portfolio that is managed together for short-term profit or position taking.

Financial assets held for trading are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognized in Statement of Profit or Loss under the heading - Net trading income. Dividend income is recorded in 'Net trading income' when the right to receive the payment has been established.

Bank evaluates its held for trading asset portfolio, other than derivatives, to determine whether the intention to sell them in the near future is still appropriate. When Bank is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Bank may elect to reclassify these financial assets. Financial assets held for trading include instruments such as equity instruments that have been acquired principally for the purpose of selling or repurchasing in the near term.

(a) (ii) Financial Assets Designated at Fair Value through Profit or Loss

Bank designates financial assets at fair value through profit or loss in the following circumstances:

- Such designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring the assets.
- The assets 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 assets contain one or more embedded derivatives that significantly modify the cash flows that would otherwise have been required under the contract.

Financial assets designated 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 trading income' in the Statement of Profit or Loss. Interest earned is accrued under 'Interest income', using the effective interest rate method, while dividend income is recorded under 'Other operating income' when the right to receive the payment has been established.

The Bank has not designated any financial assets upon initial recognition as designated at fair value through profit or loss.

(b) Financial assets measured at amortized cost

Financial assets measured at amortized cost are non-derivative financial assets with fixed or determinable payments and fixed maturities which the Bank has the intention and ability to hold to maturity. After the initial measurement, financial assets measured at amortized cost are subsequently measured at amortized cost using the effective interest rate, less impairment. The amortization is included in 'Interest income' in the Statement of Profit or Loss. The losses arising from impairment of such investments are recognized in the Statement of Profit or Loss.

(c) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity and debt securities. Equity Investments classified as financial assets at fair value through other comprehensive income are those which are neither classified as 'Held for Trading' nor 'Designated at fair value through profit or loss'. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, financial assets at fair value through other comprehensive income are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity through Statement of Other comprehensive income in the 'Fair value reserve'. When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the Statement of Profit or Loss under 'Other operating income'. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in-first-out basis. Interest earned whilst holding financial assets at fair value through other comprehensive income is reported as 'Interest income' using the effective interest rate. Dividend earned whilst holding Financial assets at fair value through other comprehensive income are recognized in the Statement of Profit or Loss as 'other operating income' when the right to receive the payment has been established. The losses arising from impairment of such investments are recognized in the Statement of Profit or Loss under 'Impairment charge for loans and other losses' and removed from the 'Fair value reserve'.

Financial assets at fair value through other comprehensive income that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortized cost of the security are recognized in Statement of Profit or Loss and other changes in the carrying amount are recognized in Statement of Other comprehensive income.

In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received). In certain circumstances, however, the fair value will be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only data from observable markets, such as interest rate yield, option volatilities and currency rates. When such evidence exists, the Bank recognizes a trading gain or loss on inception of the financial instrument, being the difference between the transaction price and fair value.

When unobservable market data have a significant impact on the valuation of financial instruments, the entire initial difference in fair value from the transaction price as indicated by the valuation model is not recognized immediately in the Statement of Profit or Loss. Instead, it is recognized over the life of the transaction on an appropriate basis, when the inputs become observable, the transaction matures or is closed out, or when the Bank enters into an offsetting transaction.

Classification and Subsequent Measurement of Financial Liabilities

At the inception, the Bank determines the classification of its financial liabilities. Accordingly financial liabilities are classified as:

(a) Financial liabilities at fair value through profit or loss
  i. Financial liabilities held for trading
  ii. Financial liabilities designated at fair value through profit or loss
(b) Financial liabilities at amortized cost

(a) Financial Liabilities at Fair Value through Profit or Loss

Financial Liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value and changes therein are recognized in Statement of profit or loss.

(a) (i) Financial Liabilities Held for Trading

Financial liabilities are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or hold as a part of a portfolio that is managed together for short-term profit or position taking.

(a) (ii) Financial Liabilities Designated at Fair Value through Profit or Loss

Bank designates financial liabilities at fair value through profit or loss at following circumstances:

- Such designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring the liabilities.
- The 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 liability contains one or more embedded derivatives that significantly modify the cash flows that would otherwise have been required under the contract.

(b) Financial Liabilities at amortized Cost

Financial instruments issued by Bank that are not classified as fair value through profit or loss are classified as financial liabilities at amortized cost, where the substance of the contractual arrangement results in Bank having an obligation either to deliver cash or another financial asset to another Bank, or to exchange financial assets or financial liabilities with another Bank under conditions that are potentially unfavorable to the Bank or settling the obligation by delivering variable number of Bank's own equity instruments.

After initial recognition, such financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Within this category, deposits and debt instruments with fixed maturity period have been recognized at amortized cost using the method that very closely approximates effective interest rate method. The amortization is included in 'Interest Expenses' in the Statement of Profit or Loss. Gains and losses are recognized in the Statement of Profit or Loss when the liabilities are derecognized.

Reclassification of Financial Instruments

a. *Reclassification of Financial Instruments 'At fair value through profit or loss'*

Bank does not reclassify derivative financial instruments out of the fair value through profit or loss category when it is held or issued.

Non-derivative financial instruments designated at fair value through profit or loss upon initial recognition are not reclassified subsequently out of fair value through profit or loss category.

Bank may, in rare circumstances, reclassify financial instruments out of fair value through profit or loss category if such instruments are no longer held for the purpose of selling or repurchasing in the near term notwithstanding that such financial instruments may have been acquired principally for the purpose of selling or repurchasing in the near term. Financial assets classified as fair value through profit or loss at the initial recognition which would have also met the definition of 'Loans and Receivables' as at that date is reclassified out of the fair value through profit or loss category only if Bank has the intention and ability to hold such asset for the foreseeable future or until maturity.

The fair value of financial instruments at the date of reclassification is treated as the new cost or amortized cost of the financial instrument after reclassification. Any gain or loss already recognized in respect of the reclassified financial instrument until the date of reclassification is not reversed to the Statement of Profit or Loss.

If a financial asset is reclassified, and if Bank subsequently increases its estimates of the future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the effective interest rate from the date of the change in estimate rather than an adjustment to the carrying amount of the asset at the date of change in estimate.

b. *Reclassification of Financial assets at fair value through other comprehensive income*

Bank may reclassify financial assets at fair value through other comprehensive income as a result of change in intention or ability or in rare circumstances that a reliable measure of fair value is no longer available.

A financial asset classified as a financial asset at fair value through other comprehensive income that would have met the definition of loans and receivables at the initial recognition may be reclassified out of 'financial assets at fair value through other comprehensive income' category to the loans and receivables category if Bank has the intention and ability to hold such asset for the foreseeable future or until maturity.

The fair value of financial instruments at the date of reclassification is treated as the new cost or amortized cost of the financial instrument after reclassification. Difference between the new amortized cost and the maturity value is amortized over the remaining life of the asset using the effective interest rate. Any gain or loss already recognized in Other Comprehensive Income in respect of the reclassified financial instrument is accounted as follows:

i) Financial assets with fixed maturity

Gain or loss recognized up to the date of reclassification is amortized to profit or loss over the remaining life of the investment using the effective interest rate. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

ii) Financial assets without fixed maturity

Gain or loss recognized up to the date of reclassification is recognized in profit or loss only when the financial asset is sold or otherwise disposed of. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

If a financial asset is reclassified, and if Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the effective interest rate from the date of the change in estimate rather than an adjustment to the carrying amount of the asset at the date of change in estimate.

c. Reclassification of financial assets measured at amortized cost

As a result of a change in intention or ability, if it is no longer appropriate to classify an investment as financial assets measured at amortized cost, Bank may reclassify such financial assets as financial assets at fair value through other comprehensive income and re- measure those financial instruments at fair value. Any difference between the carrying value of the financial asset before reclassification and fair value is recognized in equity through other comprehensive income.

De-recognition of Financial Assets and Liabilities

a. De-recognition of Financial Assets

Bank derecognizes a financial asset (or where applicable a part of financial asset or part of a group of similar financial assets) when:

- The rights to receive cash flows from the asset have expired; or
- Bank has transferred its rights to receive cash flows from the asset or
- Bank has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either Bank has transferred substantially

all the risks and rewards of the asset or it has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

When Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. In that case, Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Bank has retained.

When Bank's continuing involvement that takes the form of guaranteeing the transferred asset, the extent of the continuing involvement is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received by Bank that Bank could be required to repay.

When securities classified as financial assets at fair value through other comprehensive *income* are sold, the accumulated fair value adjustments recognized in other comprehensive income are reclassified to the Statement of Profit or Loss as gains and losses from investment securities.

b. 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 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 profit or loss.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when and only when Bank has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under NFRSs or for gains and losses arising from a group of similar transaction such as in trading activity.

Amortized Cost Measurement

The Amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

Fair Value Measurement

'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 Bank has access at that date. The fair value of 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 (Level 01 valuation). 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 on an arm's length 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. 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 analysis and option pricing models. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data. Assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price. Where the Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to net open position as appropriate.

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.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Bank believes a third-party market participant would take them into account in pricing a transaction. The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Impairment of Financial Assets

Bank assesses at each reporting date, whether there is any objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss is impaired. A financial asset or group of financial assets is deemed to be impaired if and only if there is objective evidence of impairment as a result of one or more events, that have occurred after the initial recognition of the asset (an 'incurred 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.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganization; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

a. Impairment of Financial Assets carried at Amortized Cost

For financial assets carried at amortized cost, such as amounts due from banks, held to maturity investments etc., Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant or collectively for financial assets that are not individually significant. In the event Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics such as collateral type, past due status and other relevant factors and collectively assesses them for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the Statement of 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.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current rate that closely approximates effective interest rate. If the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new rate that closely approximates effective interest rate determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralized financial assets reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

(a) (i) Individually Assessed Financial Assets

The criteria used to determine whether there is objective evidence of impairment include and not limited to:

- Known cash flow difficulties experienced by the borrowers:
- Past due contractual payments of either principal or interest;
- Breach of loan covenants or conditions;
- The probability that the borrower will enter bankruptcy or other financial reorganization; and
- A significant downgrading in credit rating by an external credit rating agency.

If there is objective evidence that an impairment loss on financial assets measured at amortized cost has been incurred, the amount of the loss is measured by discounting the expected future cash flows of a financial asset at its original effective interest rate and comparing the resultant present value with the financial asset's current carrying amount. The impairment allowances on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of reduction in the established loss estimate. Interest on impaired assets continues to be recognized through the unwinding of the discount.

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 future write off is later recovered, the recovery is credited to the impairment charges for loans and other losses.

When impairment losses are determined for those financial assets where objective evidence of impairment exists, the following common factors are considered:

- Bank's aggregate exposure to the customer;
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flows to service debt obligations;
- The amount and timing of expected receipts and recoveries;
- The extent of other creditors' commitments ranking ahead of, or pari-pasu with the Bank and the likelihood of other creditors continuing to support the company;
- The realizable value of security and likelihood of successful repossession

(a) (ii) Collectively Assessed Financial Assets

Impairment is assessed on a collective basis in two circumstances:

- To cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- For homogeneous groups of loans that are not considered individually significant.

Incurred but not yet identified impairment

Individually assessed financial assets for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the Bank has incurred as a result of events occurring before the reporting date, which the Bank is not able to identify on an individual loan basis and that can be reliably estimated.

These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual financial assets within the group, those financial assets are removed from the group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:

- Historical Loss Experience in portfolios of similar credit risk; and

- Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is like to be greater or less than that suggested by historical experience.

Homogeneous groups of Financials Assets

Statistical methods are used to determine impairment losses on a collective basis for homogenous groups of financial assets. Losses in these groups of financial assets are recorded on an individual basis when individual financial assets are written off, at which point they are removed from the group.

Bank uses the following method to calculate historical loss experience on collective basis:

After grouping of loans on the basis of homogeneous risks, the Bank uses net flow rate method. Under this methodology, the movement in the outstanding balance of customers into default categories over the periods are used to estimate the amount of financial assets that will eventually be irrecoverable, as a result of the events occurring before the reporting date which the Bank is not able to identify on an individual loan basis.

Under this methodology, loans are grouped into ranges according to the number of days in arrears and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency and ultimately prove irrecoverable.

Current economic conditions and portfolio risk factors are also evaluated when calculating the appropriate level of allowance required to cover inherent loss. These additional macro and portfolio risk factors may include:

- Recent loan portfolio growth and product mix
- Unemployment rates
- Gross Domestic Production (GDP) Growth
- Inflation
- Interest rates
- Changes in government laws and regulations
- Property prices
- Payment status

But, the amount of provision to be created against Loans and Advances shall be higher of the following two amounts as required by Directive No. 4 of Unified Directives issued by Nepal Rastra Bank:

i) Impairment calculated as per Impairment Assessment Methodology as described above or,

ii) Loan Loss Provision calculated as per the provisions of Unified Directives issued by Nepal Rastra Bank.

(a) (iii) Reversal of Impairment

If the amount of an impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognized, the excess is written back by reducing the financial asset Impairment allowance account accordingly. The write-back is recognized in the Statement of Profit or Loss.

(a) (iv) Write-off of Financial Assets Carried At Amortized Cost

Financial assets (and the related impairment allowance accounts) are normally written off either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, this is generally after receipt of any proceeds from the realization of security.

(a) (v) Impairment of Rescheduled Loans and Advances

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms 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 effective interest rate (EIR).

(a) (vi) Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Nepal Rastra Bank. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuator and audited financial statements.

(a) (vii) Collateral legally repossessed or where properties have devolved to the Bank

Legally Repossessed Collateral represents Non-Financial Assets acquired by the Bank in settlement of the overdue loans. The assets are initially recognized at fair value when acquired. The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. The proceeds are used to reduce or repay the outstanding claim. The immovable property acquired by foreclosure of collateral from defaulting customers, or which has devolved on the Bank as part settlement of debt, has not been occupied for business use. These assets are shown as "Investment Properties" in Statement of Financial Position.

b. Impairment of financial assets at fair value through other comprehensive income

For financial assets at fair value through other comprehensive income, Bank assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments, Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the Statement of Profit or Loss. Future interest income is based 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. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized, the impairment loss is reversed through the Statement of Profit or Loss.

In the case of equity investments classified as financial assets at fair value through other comprehensive income, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss is removed from equity and recognized in the Statement of profit or loss. However, any subsequent increase in the fair value of an impaired equity security measured at fair value through other comprehensive income is recognized in other comprehensive income.

Bank writes-off certain financial assets at fair value through other comprehensive income when they are determined to be uncollectible.

5.3 Trading Assets

One of the categories of financial assets at fair value through profit or loss is "held for trading" financial assets. All financial assets acquired or held for the purpose of selling in the short term or for which there is a recent pattern of short term profit taking are trading assets.

5.4 Derivatives assets and derivative liabilities

A derivative is a financial instrument whose value changes in response to the change in an underlying variable such as an interest rate, commodity or security price, or index; that requires no initial investment, or one that is smaller than would be required for a contract with similar response to changes in market factors; and that is settled at a future date.

Forward contracts are the contracts to purchase or sell a specific quantity of a financial instrument, a commodity, or a foreign currency at a specified price determined at the outset, with delivery or settlement at a specified future date. Settlement is at maturity by actual delivery of the item specified in the contract, or by a net cash settlement.

All freestanding contracts that are considered derivatives for accounting purposes are carried at fair value on the statement of financial position regardless of whether they are held for trading or non-trading purposes. Changes in fair value of derivatives held for trading are included in net gains/ (losses) from financial instruments in fair value through profit or loss.

5.5 Property, Plant and Equipment

Recognition

Property, plant and equipment are tangible items that are held for use in the production or supply of services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Bank applies the requirements of the Nepal Accounting Standard - NAS 16 (Property, Plant and Equipment) in accounting for these assets. Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably measured.

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of an item of property, plant & equipment. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of computer equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Cost Model

Property and equipment is stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

Revaluation Model

The Bank has not applied the revaluation model to any class of freehold land and buildings or other assets. Such properties are carried at a previously recognized GAAP Amount.

On revaluation of an asset, any increase in the carrying amount is recognized in 'Other comprehensive income' and accumulated in equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of Profit or Loss. In this circumstance, the increase is recognized as income to the extent of previous write down. Any decrease in the carrying amount is recognized as an expense in the Statement of Profit or Loss or debited to the Other Comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that asset.
The decrease recognized in other comprehensive income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Subsequent Cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item, if it is probable that the future economic benefits embodied within that part will flow to the Bank and it can be reliably measured. The cost of day to day servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred.
Depreciation

Depreciation is calculated by using the straight line method on cost or valuation of the property. The rates of depreciations are given below:

Asset Category	**Rate of Depreciation per annum (%)**	
	As of Poush 2079	**As of Poush 2078**
Buildings	50 years	50 years
Vehicles	10 years	10 years
Office Equipment	7 years	7 years
Furniture & Fixtures-Wooden	10 years	10 years
Furniture & Fixtures-Metal	7 years	7 years
Furniture & Fixtures-Plastic	5 years	5 years
Battery	3 years	3 years
Computer hardware	7 years	7 years
Leasehold Properties	Lease term	Lease term
Sign Board/Mats and Carpets	2 Years	2 Years

Changes in Estimates

The asset's methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Capital Work in Progress

These are expenses of capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalization. Capital work-in-progress would be transferred to the relevant asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work-in-progress is stated at cost less any accumulated impairment losses.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of an asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Bank incurs in connection with the borrowing of funds.

De-recognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of property, plant and equipment is included in the Statement of Profit or Loss when the item is derecognized. When replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.

5.6 Goodwill and Intangible Assets

Recognition

An intangible asset is an identifiable non-monetary asset without physical substance, held for use in the production or supply of goods or services, for rental to others or for administrative purposes. An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. Expenditure incurred on an intangible item that was initially recognized as an expense by the Bank in previous annual financial statements or interim financial statements are not recognized as part of the cost of an intangible asset at a later date.

Computer Software & Licenses

Cost of purchased licenses and all computer software costs incurred, licensed for use by the Bank, which are not integrally related to associated hardware, which can be clearly identified, reliably measured, and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category 'Intangible assets' and carried at cost less accumulated amortization and any accumulated impairment losses.

Subsequent Expenditure

Expenditure incurred on software is capitalized only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

Amortization of Intangible Assets

Intangible Assets, except for goodwill, are amortized on a straight–line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the bank. Amortization methods, useful lives, residual values are reviewed at each financial year end and adjusted if appropriate. The Bank assumes that there is no residual value for its intangible assets.

Goodwill is measured at cost less accumulated impairment losses.

Asset Category	Period of Amortization	
	As of Poush 2079	As of Poush 2078
Software	Useful life or 7 years, whichever is lower	Useful life or 7 years, whichever is lower

De-recognition of Intangible Assets

The carrying amount of an item of intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising on de-recognition of an item of intangible assets is included in the Statement of Profit or Loss when the item is derecognized.

5.7 Investment Property

Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both but not for sale in the ordinary course of business.

Measurement

Investment property is accounted for under Cost Model in the Financial Statements. Accordingly, after recognition as an asset, the property is carried at its cost, less impairment losses. If any property is reclassified to investment property due to changes in its use, fair value of such property at the date of reclassification becomes its cost for subsequent accounting.

De-recognition

Investment properties are derecognized when they are disposed of or permanently withdrawn from use since no future economic benefits are expected. Transfers are made to and from investment property only when there is a change in use. When the use of a property changes such that it is reclassified as Property, Plant and Equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

5.8 Income Tax

As per Nepal Accounting Standard- NAS 12 (Income Taxes), tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income Tax expense is recognized in the statement of Profit or Loss, except to the extent it relates to items recognized directly in equity or other comprehensive income in which case it is recognized in equity or in other comprehensive income. The Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

Current Tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to Inland Revenue Department in respect of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years.

Deferred Tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and is probable that the temporary differences will not reverse in the foreseeable future.

- Deferred tax assets are recognized for all deductible temporary differences, carried forward unused tax credits and unused tax losses (if any), to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilized except:
- Where the deferred tax asset relating to the deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in Subsidiaries, 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 difference will be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is probable that sufficient profit will be available to allow the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.
Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority.

5.9 Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are the Bank's sources of funding. Deposits include non-interest bearing deposits, saving deposits, term deposits, call deposits and margin deposits. The estimated fair value of deposits with no stated maturity period is the amount repayable on demand. The fair value of fixed interest bearing deposits is considered as the interest receivable on these deposits plus carrying amount of these deposits. The fair value of debt securities issued is also considered as the carrying amount of these debt securities issued. Sub-ordinated liabilities are liabilities subordinated, at the event of winding up, to the claims of depositors, debt securities issued and other creditors.

5.10 Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking in to account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows. A provision for onerous contracts is recognized when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Provision are not recognized for future operating losses.

Before a provision is established, the Bank recognizes any impairment loss on the assets associated with that contract. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

5.11 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

Interest Income

For all financial assets measured at amortized cost, interest bearing financial assets classified as financial assets at fair value through other comprehensive income and financial assets designated at fair value through profit or loss, interest income is recorded using the rate that closely approximates the EIR because the bank considers that the cost of exact calculation of effective interest rate method exceeds the benefit that would be derived from such compliance. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

When a receivable is impaired, the Bank reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original closely approximate EIR.

However, interest accrual is suspended and are not recognized as Interest income in the Statement of Profit or Loss in following circumstances:

a. Loans where there is reasonable doubt about the ultimate collectability of principal or interest
b. Loans against which individual impairment as per NAS 39 has been made
c. Loans where contractual payments of principal and/or interest are more than 3 months in arrears and where the “net realizable value” of security is insufficient to cover payment of principal and accrued interest

d. Loans where contractual payments of principal and/or interest are more than 12 months in arrears, irrespective of the net realizable value of collateral
e. Overdrafts and other short term facilities which have not been settled after the expiry of the loan and even not renewed within 3 months of the expiry, and where the net realizable value of security is insufficient to cover payment of principal and accrued interest
f. Overdrafts and other short term facilities which have not been settled after the expiry of the loan and even not renewed within 12 months of the expiry, irrespective of the net realizable value of collateral

Fee and Commission Income

Fees earned for the provision of services over a period of time are accrued over that period. These fees include Service fees, commission income. Loan syndication fees are recognized as revenue when the syndication has been completed and the Bank retained no part of the loan package for itself, or retained a part at the same effective interest rate as for the other participants. Portfolio and other management advisory fees and service distribution fees are recognized based on the applicable contracts, usually on a time apportionment basis.

Dividend Income

Dividend income on equity instruments are recognized in the statement of profit and loss when the Bank's right to receive payment is established.

Net Trading Income

Net trading income comprises gains less losses relating to trading assets and liabilities, and includes all realized interest, dividend and foreign exchange differences as wells as unrealized changes in fair value of trading assets and liabilities.

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

Trading assets such as equity shares and mutual fund are recognized at fair value through profit or loss. No other financial instrument are designated at fair value through profit or loss.

5.12 Interest Expense

For financial liabilities measured at amortized cost using the rate that closely approximates effective interest rate, interest expense is recorded using such rate. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

5.13 Employee Benefits

Employee benefits include:

- Short-term employee benefits such as the following, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services:
    - i. Wages, salaries and social security contributions;
    - ii. Paid annual leave and paid sick leave;
    - iii. Profit sharing and bonuses, and
    - iv. Non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees

  Short term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if the Bank has present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.
- Post-employment benefits, such as the following:
    - i. Retirement benefits (For example: pensions, lump sum payments on retirement); and
    - ii. Other post-employment benefits such as post-employment life insurance and post-employment medical care;
- Other long term employee benefits and
- Termination benefits

1. Post employments benefits

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contribution into a separate Bank (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods, as defined in Nepal Accounting Standards – NAS 19 (Employee Benefits).

The contribution payable by the employer to a defined contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under 'Personnel expense' as and when they become due. Unpaid contribution are recorded as a liability under 'Other Liabilities'.
Bank contributes 10% of the salary of each employee to the Employees' Provident Fund. The above expense is identified as contributions to 'Defined Contribution Plans' as defined in Nepal Accounting Standards – NAS 19 (Employee Benefits).

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Accordingly, staff gratuity has been considered as defined benefit plan as per Nepal Accounting Standards – NAS 19 (Employee Benefits).

- **Gratuity**

In compliance with Labor Act, 2017, provision is made in the account year of service, for gratuity payable to employees who joined bank on a permanent basis.

An actuarial valuation is carried out every year to ascertain the full liability under gratuity. Bank's obligation in respect of defined benefit obligation is calculated by estimating the amount of future benefit that employees have earned for their service in the current and prior periods and discounting that benefit to determine its present value, then deducting the fair value of any plan assets to determine the net amount to be shown in the Statement of Financial Position. The value of a defined benefit asset is restricted to the present value of any economic benefits available in the form of refunds from the plan or reduction on the future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirement that apply to any plan in the Bank. An economic benefit is available to the Bank if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Bank determines the interest expense on the defined benefit liability by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the defined benefit liability at the beginning of the annual period. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the terms of Bank's obligations.

The increase in gratuity liabilities attributable to the services provided by employees during the year (current service cost) is recognized in the Statement of Profit or Loss under 'Personnel Expenses' together with the net interest expense. Bank recognizes the total actuarial gain and loss that arises in calculating Bank's obligation in respect of gratuity in other comprehensive income during the period in which it occurs.

The demographic assumptions underlying the valuation are retirement age (60 years), early withdrawal from service and retirement on medical grounds.

2. Other long term employee benefits

Other long term employee benefits are all employee benefits other than short term employee benefits, post-employment benefits and terminal benefits. Accordingly, leave encashment plan of the Bank has been considered as other long term employee benefits as per Nepal Accounting Standards – NAS 19 (Employee Benefits).

- **Unutilized Accumulated Leave**

Bank's liability towards the accumulated leave which is expected to be utilized beyond one year from the end of the reporting period is treated as other long term employee benefits. Bank's net obligation towards unutilized accumulated leave is calculated by discounting the amount of future benefit that employees have earned in return for their service in the current and prior periods to determine the present value of such benefits. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the term of Bank's obligation. The calculation is performed using the Projected Unit Credit method. Net change in liability for unutilized accumulated leave including any actuarial gain and loss are recognized in the Statement of Profit or Loss under 'Personnel Expenses' in the period in which they arise.

5.14 Finance and Operating Leases

The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement 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.

1. Finance Lease

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance lease. When Bank is the lessor under finance lease, the amounts due under the leases, after deduction of unearned interest income, are included in 'Loans & receivables from other customers', as appropriate. Interest income receivable is recognized in 'Net interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

When the Bank is a lessee under finance leases, the leased assets are capitalized and included in 'Property, plant and equipment' and the corresponding liability to the lessor is included in 'Other liabilities'. A finance lease and its corresponding liability are recognized initially at the fair value of the asset or if lower, the present value of the minimum lease payments. Finance charges payable are recognized in 'Interest expenses' over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

2. Operating Lease

All other leases are classified as operating leases. When acting as lessor, Bank includes the assets subject to operating leases in 'Property, plant and equipment' and accounts for them accordingly. Impairment losses are recognized to the extent that residual values are not fully recoverable and the carrying value of the assets is thereby impaired.

When the Bank is a lessee under operating leases, the leased assets are capitalized and included in 'Property, plant and equipment' and the corresponding liability to the lessor is included in 'Other liabilities'.

Foreign Currency Transactions, Translation and Balances

All foreign currency transactions are translated into the functional currency, which is Nepalese Rupees, using the exchange rates prevailing at the dates when the transactions were affected.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Nepalese Rupees using the spot foreign exchange rate ruling at that date and all differences arising on non-trading activities are taken to 'Other Operating Income' in the Statement of Profit or Loss. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the rates of exchange prevailing at the end of the reporting period.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items in foreign currency measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange differences arising on the settlement or reporting of monetary items at rates different from those which were initially recorded are dealt with in the Statement of Profit or Loss. However, foreign currency differences arising on available-for-sale equity instruments are recognized in other comprehensive income. Forward exchange contracts are valued at the forward market rates ruling on the reporting date.

5.15 Financial guarantee and loan commitment

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due. Financial guarantee contracts may have various legal forms, such as a guarantee, some types of letter of credit, etc. 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, etc. whether cancellable or not and the bank had not made payments at the reporting date, those instruments are included in these financial statements as commitments.

5.16 Share capital and reserves

Share capital and reserves are different classes of equity claims. Equity claims are claims on the residual interest in the assets of the entity after deducting all its liabilities. Changes in equity during the reporting period comprise income and expenses recognized in the statement of profit or loss and in the statement of other comprehensive income; plus contributions from holders of equity claims, minus distributions to holders of equity claims.

5.17 Earnings per share

The Bank presents basic and diluted Earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary equity holders of Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting both the profit and loss attributable to the ordinary equity holders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any. Earnings per share is calculated and presented in consolidated statement of profit or loss.

5.18 Segment reporting

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

Not every part of an entity is necessarily an operating segment or part of an operating segment. For example, a corporate headquarters or some functional departments may not earn revenues or may earn revenues that are only incidental to the activities of the entity and would not be operating segments. For the purposes of this NFRS, an entity's post-employment benefit plans are not operating segments.

The bank has identified the key segments of business on the basis of nature of operations that assists the Executive Committee of the bank in decision making process and to allocate the resources. It will help the management to assess the performance of the business segments. The business segments identified are Banking (including loan, deposit and trade operations), Payment solutions (Cards), Remittance, Treasury and Micro Banking. All operations between the segments are conducted on pre-determined transfer price. Treasury department acts as the fund manager of the Bank.

5.19 Employee Bonus

Employee bonus shall be calculated at the rate of 10% of Profit before bonus and tax.

5.20 Dividend on Ordinary Shares

Dividend on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim Dividend is deducted from equity when they are declared and no longer at the discretion of the Bank. Dividend for the year that is approved after the reporting date is disclosed as an event after the reporting date.

5.21 Cash Flow Statement

The cash flow statement has been prepared by taking into consideration the gross cash receipts and gross cash payments of operating activities, finance activities and investing activities.

6. Segmental Information

A. Information about reportable segments

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

Particulars	Payment Solutions		Remittance		Treasury		Banking		Total	
	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter
Revenues from external customers	266,974,566	235,098,414	40,209,044	28,454,430	1,891,570,257	1,494,130,493	12,326,860,840	8,690,150,420	14,525,614,707	10,447,833,757
Intersegment revenues	3,087,769	-	129,593,554	77,731,623	81,790,232	51,567,155	5,251,895,356	3,441,018,224	5,466,366,911	3,570,317,001
Segment Profit (loss) before tax	36,824,712	81,403,140	27,054,209	31,900,934	452,343,683	1,014,618,645	1,142,231,878	1,143,715,012	1,658,454,481	2,271,637,731
Segment assets	472,250,605	362,919,458	3,087,558,813	2,034,502,995	8,029,890,795	9,015,179,858	245,708,292,552	226,491,017,145	257,297,992,765	237,903,619,457
Segment liabilities	435,425,893	276,674,548	3,060,504,604	2,000,930,793	7,577,547,112	7,999,562,961	246,224,515,156	227,626,451,155	257,297,992,765	237,903,619,457

B. Reconciliation of reportable segment profit or loss

Particulars	Current Quarter	Corresponding Previous Year Quarter
Total profit before tax for reportable segments	**1,658,454,481**	**2,271,637,731**
Profit before tax for other segments	-	-
Elimination of inter-segment profit	-	-
Elimination of discontinued operation	-	-
Unallocated amounts:		
- Other corporate expenses	-	-
Profit before tax	**1,658,454,481**	**2,271,637,731**

7. Concentration of Borrowings, Credits and Deposits

A. Concentration of Borrowings

Particulars	Poush 2079	Poush 2078
Borrowings from 10 largest lenders*	6,683,593,000	6,691,101,000
Percentage of borrowings from ten largest lenders to total deposit	3.18%	3.47%

*It does not include borrowings (including refinance) made from Nepal Rastra Bank.

B. Concentration of Credit exposures

Particulars	Poush 2079	Poush 2078
Total exposures to 20 largest borrowers		
a. As per group (related party)	25,621,695,314	21,734,880,391
b. As per individual customer	19,509,716,346	18,514,504,784
Percentage of exposures to 20 largest borrowers to Total loans and Advances		
a. As per group (related party)	13.87%	11.77%
b. As per individual customer	10.56%	10.03%

C. Concentration of Deposits

Particulars	Poush 2079	Poush 2078
Total deposits from 20 largest depositors		
a. Group-wise	38,426,873,939	35,739,506,875
b. As per individual customer	2,249,712,881	2,796,203,525
Percentage of deposits from 20 largest depositors to Total Deposits		
a. As per group	18.28%	18.53%
b. As per individual customer	1.07%	1.45%

8. Related parties disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include major shareholders, subsidiary companies, associates, retirement funds, directors and key management personnel and their close family members.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

a. Subsidiary

Transactions between the Bank and its subsidiary, Siddhartha Capital Limited, meet the definition of related party as defined under NAS-24 "Related Party Disclosures".

Transactions during the interim period	**Poush 2079 (NPR)**
Call Deposits held by Siddhartha Capital Limited at Siddhartha Bank Ltd.	397,162,114
Interest earned by Siddhartha Capital Ltd. on deposits held at Siddhartha Bank Ltd.	5,638,110
Share RTS fee earned by Siddhartha Capital Ltd	250,000

All of the transactions mentioned above have been eliminated upon consolidation.

b. Associates

Transactions between the Bank and its associates also meet the definition of related parties. The Bank considers an investee as its associate if the Bank can exercise significant influence in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Bank does not exercise significant influence in the financial and operating policy decisions of any of its investees as at Poush 30, 2079.

The Bank has appointed its employee as a director in case of following investees but do not exercise significant influence in their financial and operating policy decisions:

Particulars	**Poush 2079 (NPR)**
Siddhartha Insurance Limited	
Investment in shares	80,432,213
Shareholding %	15%

c. Directors and other Key Managerial Personnel (KMP)

Key Management Personnel and their immediate family members are also considered to be related parties for disclosure purpose as per NAS-24 "Related Party Disclosures".

As per Nepal Financial Reporting Standard (NAS 24) "Related Party Disclosures", Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. The Bank considers the members of its Board, Chief Executive Officer and all managerial level executives as Key Management Personnel (KMP) of the Bank.

Following is a list of Board of Directors and CEO bearing office at Poush 30, 2079.

Mr. Manoj Kumar Kedia	Chairman
Mr. Narendra Kumar Agrawal	Director
Mr. Rahul Agrawal	Director
Mr. Dinesh Shanker Palikhe	Director
Mr. Ankit Kedia	Director
Mrs. Mina Kumari Sainju	Independent Director
Mr. Sundar Prasad Kadel	Chief Executive Officer

Compensation to the members of the Board

All members of the Board are non-executive directors and no executive compensation is paid to the directors. Specific non-executive allowances paid to directors are as under:

Particulars	Poush 2079 (NPR)	Poush 2078 (NPR)
Board Meeting fees	694,000	818,000
Other board related expenses	1,356,068	1,254,443

Compensation to other KMP of the Bank

Nature of Compensation	Total Compensation (NPR) up to Poush 30, 2079	Remarks
Short-term employee benefits	177,178,929	Salary, PF and allowances of management level staff (Management level staff comprises of all staff of assistant manager level and above)
Post employee benefits	Nil	
Other long-term benefits	13,088,000	Sick Leave and Annual Leave
Terminal benefits	28,011,914	Gratuity benefits of eligible management staff
Share based payments	Nil	

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

During the interim period, the Bank has paid NPR 1,565,553,354 as bonus shares and NPR 82,397,545 as cash dividend for FY 2078/79.

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

The Bank has not issued or repaid any debt or equity securities during the interim period.

11. Events after interim period

No material events have occurred subsequent to Poush 30, 2079 till the publication of the interim financial statements.

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

There has been no change in the composition of the entity during the interim period. The bank has also not entered into any merger or acquisition during the interim period.

13. Distributable Profit

	Amount in NPR
Opening retained earnings after distribution of dividend for FY 2078/79	**211,917,579**
Add: Net Profit for the period ended Poush 2079	**1,161,199,785**
1. Appropriations	
1.1 Profit required to be appropriated to statutory reserve	**980,590,829**
a. General Reserve	232,239,957
b. Capital Redemption Reserve	-
c. Exchange Fluctuation Fund	6,525,624
d. Corporate Social Responsibility Fund	11,611,998
e. Employees Training Fund	-
f. Debenture Redemption Reserve	730,213,250
g. Others	-
1.2 Profit required to be transferred to Regulatory Reserve	**295,958,037**
a. Transfer to Regulatory Reserve	295,958,037
b. Transfer from Regulatory Reserve	-
Total distributable profit as of Poush 30, 2079	**96,568,499**