# Machhapuchchhre Bank Ltd.

**Condensed Consolidated Statement of Financial Position (Unaudited)**

As on Quarter ended 31st Ashad 2076

| | Group | | Bank | |
|---|---|---|---|---|
| **Assets** | This Quarter Ending | Immediate Previous Year Ending | This Quarter Ending | Immediate Previous Year Ending (Audited) |
| Cash and cash equivalent | 5,006,484,939 | 2,364,190,960 | 5,006,484,939 | 2,364,190,960 |
| Due from Nepal Rastra Bank | 3,226,962,096 | 7,096,607,818 | 3,226,962,096 | 7,096,607,818 |
| Placement with Bank and Financial Institutions | 5,054,432,347 | 1,395,303,965 | 5,054,432,347 | 1,395,303,965 |
| Derivative financial instruments | - | - | - | - |
| Other trading assets | 353,142,300 | 252,058,704 | 353,142,300 | 252,058,704 |
| Loan and advances to B/FIs | 2,243,710,818 | 1,798,387,585 | 2,243,710,818 | 1,798,387,585 |
| Loans and advances to customers | 75,297,273,964 | 62,417,217,568 | 75,297,273,964 | 62,417,217,568 |
| Investment securities | 11,151,647,083 | 7,732,134,169 | 11,151,647,083 | 7,732,134,169 |
| Current tax assets | 198,044,514 | 200,371,773 | 199,028,659 | 200,371,773 |
| Investment in subsidiaries | - | - | 200,000,000 | - |
| Investment in associates | - | - | - | - |
| Investment property | 78,457,743 | 24,870,824 | 78,457,743 | 24,870,824 |
| Property and equipment | 1,128,170,562 | 877,983,812 | 1,128,170,562 | 877,983,812 |
| Goodwill and Intangible assets | 43,769,092 | 45,439,230 | 43,769,092 | 45,439,230 |
| Deferred tax assets | 17,529,469 | - | 17,529,469 | - |
| Other assets | 8,657,550,414 | 583,081,406 | 8,657,650,414 | 583,081,406 |
| **Total Assets** | 112,457,175,341 | 84,787,647,814 | 112,658,259,486 | 84,787,647,814 |
| **Liabilities** | | | | |
| Due to Bank and Financial Institutions | 5,561,345,014 | 1,332,347,000 | 5,561,345,014 | 1,332,347,000 |
| Due to Nepal Rastra Bank | 1,820,524,291 | 637,802,484 | 1,820,524,291 | 637,802,484 |
| Derivative financial instruments | 72,597,160 | 116,400 | 72,597,160 | 116,400 |
| Deposits from customers | 84,991,104,699 | 71,142,372,641 | 85,198,526,498 | 71,142,372,641 |
| Borrowing | - | - | - | - |
| Current Tax Liabilities | - | - | - | - |
| Provisions | - | 739,627 | - | 739,627 |
| Deferred tax liabilities | - | 14,219,601 | - | 14,219,601 |
| Other liabilities | 8,762,274,786 | 1,303,178,275 | 8,761,390,221 | 1,303,178,275 |
| Debt securities issued | - | - | - | - |
| Subordinated Liabilities | - | - | - | - |
| **Total liabilities** | 101,207,845,949 | 74,430,776,028 | 101,414,383,183 | 74,430,776,028 |
| **Equity** | | | | |
| Share capital | 8,055,693,000 | 8,055,693,000 | 8,055,693,000 | 8,055,693,000 |
| Share premium | 30,881,765 | 30,881,765 | 30,881,765 | 30,881,765 |
| Retained earnings | 1,711,218,262 | 807,759,168 | 1,705,765,173 | 807,759,168 |
| Reserves | 1,451,536,365 | 1,462,537,853 | 1,451,536,365 | 1,462,537,853 |
| **Total equity attributable to equity holders** | 11,249,329,392 | 10,356,871,786 | 11,243,876,303 | 10,356,871,786 |
| **Non-controlling interest** | - | - | - | - |
| **Total equity** | 11,249,329,392 | 10,356,871,786 | 11,243,876,303 | 10,356,871,786 |
| **Total liabilities and equity** | 112,457,175,341 | 84,787,647,814 | 112,658,259,486 | 84,787,647,814 |

**Machhapuchchhre Bank Ltd.**
**Condensed Consolidated Statement of Profit or Loss (Unaudited)**
**For the Quarter ended 31st Ashad 2076**

| | Group | | | | Bank | | | |
|---|---|---|---|---|---|---|---|---|
| | Current Year | | Previous Year Corresponding | | Current Year | | Previous Year Corresponding | |
| **Particulars** | 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 | 2,742,178,326 | 10,167,714,261 | 2,295,886,517 | 7,766,355,770 | 2,742,178,326 | 10,167,714,261 | 2,295,886,517 | 7,766,355,770 |
| Interest expense | 1,794,908,661 | 6,618,747,740 | 1,414,643,706 | 5,026,556,648 | 1,803,927,949 | 6,627,767,028 | 1,414,643,706 | 5,026,556,648 |
| **Net interest income** | 947,269,665 | 3,548,966,521 | 881,242,811 | 2,739,799,122 | 938,250,377 | 3,539,947,233 | 881,242,811 | 2,739,799,122 |
| Fee and commission income | 254,822,946 | 802,431,615 | 123,876,120 | 491,068,818 | 254,822,946 | 802,431,615 | 123,876,120 | 491,068,818 |
| Fee and commission expense | 25,483,493 | 69,126,989 | 22,227,335 | 51,568,932 | 25,483,493 | 69,126,989 | 22,227,335 | 51,568,932 |
| **Net fee and commission income** | 229,339,453 | 733,304,626 | 101,648,784 | 439,499,886 | 229,339,453 | 733,304,626 | 101,648,784 | 439,499,886 |
| **Net interest, fee and commission income** | 1,176,609,118 | 4,282,271,146 | 982,891,596 | 3,179,299,008 | 1,167,589,830 | 4,273,251,859 | 982,891,596 | 3,179,299,008 |
| Net trading income | 70,644,513 | 303,331,669 | 50,627,186 | 166,803,239 | 70,644,513 | 303,331,669 | 50,627,186 | 166,803,239 |
| Other operating income | 4,167,727 | 28,379,546 | 2,896,810 | 9,034,108 | 4,167,727 | 28,379,546 | 2,896,810 | 9,034,108 |
| **Total operating income** | **1,251,421,358** | **4,613,982,361** | **1,036,415,592** | **3,355,136,355** | **1,242,402,071** | **4,604,963,074** | **1,036,415,592** | **3,355,136,355** |
| Impairment charge/(reversal) for loans and other losses | (51,232,725) | 116,708,351 | 44,453,557 | 152,735,872 | (51,232,725) | 116,708,351 | 44,453,557 | 152,735,872 |
| **Net operating income** | **1,302,654,083** | **4,497,274,010** | **991,962,035** | **3,202,400,483** | **1,293,634,796** | **4,488,254,723** | **991,962,035** | **3,202,400,483** |
| **Operating expense** | | | | | | | | |
| Personnel expenses | 282,309,786 | 1,216,960,699 | 235,179,590 | 874,639,789 | 281,444,216 | 1,216,095,129 | 235,179,590 | 874,639,789 |
| Other operating expenses | 259,465,026 | 720,029,848 | 147,050,777 | 419,489,928 | 259,101,435 | 719,666,257 | 147,050,777 | 419,489,928 |
| Depreciation & Amortization | 35,428,119 | 130,358,432 | 28,178,629 | 100,013,185 | 35,428,119 | 130,358,432 | 28,178,629 | 100,013,185 |
| **Operating Profit** | 725,451,153 | 2,429,925,031 | 581,553,039 | 1,808,257,581 | 717,661,026 | 2,422,134,904 | 581,553,039 | 1,808,257,581 |
| Non operating income | 31,000 | 121,163,374 | 2,400,000 | 3,120,460 | 31,000 | 121,163,374 | 2,400,000 | 3,120,460 |
| Non operating expense | 44,207,251 | 95,187,044 | - | 1,448,209 | 44,207,251 | 95,187,044 | - | 1,448,209 |
| **Profit before income tax** | 681,274,901 | 2,455,901,361 | 583,953,039 | 1,809,929,832 | 673,484,774 | 2,448,111,234 | 583,953,039 | 1,809,929,832 |
| Income tax expense | 213,064,837 | 746,872,968 | 188,316,843 | 560,241,516 | 210,727,799 | 744,535,930 | 188,316,843 | 560,241,516 |
| Current Tax | 214,697,963 | 743,689,559 | 171,529,178 | 558,867,013 | 212,360,925 | 741,352,521 | 171,529,178 | 558,867,013 |
| Deferred Tax | (1,633,126) | 3,183,409 | 16,787,666 | 1,374,503 | (1,633,126) | 3,183,409 | 16,787,666 | 1,374,503 |
| **Profit for the period** | 468,210,065 | 1,709,028,394 | 395,636,195 | 1,249,688,316 | 462,756,976 | 1,703,575,305 | 395,636,195 | 1,249,688,316 |

**Condensed Consolidated Statement of Comprehensive Income**

| 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 | 468,210,065 | 1,709,028,394 | 395,636,195 | 1,249,688,316 | 462,756,976 | 1,703,575,305 | 395,636,195 | 1,249,688,316 |
| **Other comprehensive income** | | | | | | | | |
| **a) Items that will not be reclassified to profit or loss** | | | | | | | | |
| -Gains/(losses) from investments in equity instruments measured at fair value | 2,190,097 | (4,256,976) | (7,318,022) | (15,374,257) | 2,190,097 | (4,256,976) | (7,318,022) | (15,374,257) |
| -Gain/(loss) on revaluation | | | | | | | - | - |
| -Actuarial gain/loss on defined benefit plans | (11,459,433) | (11,459,433) | (26,853,845) | (26,853,845) | (11,459,433) | (11,459,433) | (26,853,845) | (26,853,845) |
| -Income tax relating to above items | 2,780,801 | 4,714,923 | 10,251,560 | 12,668,431 | 2,780,801 | 4,714,923 | 10,251,561 | 12,668,431 |
| **Net other compressive income that will not be reclassified to profit or loss** | **(6,488,535)** | **(11,001,487)** | **(23,920,307)** | **(29,559,671)** | **(6,488,535)** | **(11,001,487)** | **(23,920,307)** | **(29,559,671)** |
| **b) Items that are or may be reclassified to profit or loss** | | | | | | | | |
| -Gains/(losses) on cash flow hedge | - | - | - | - | - | - | - | - |
| -Exchange gains/(losses) (arising from translating financial assets of foreign operation) | - | - | - | - | - | - | - | - |
| -Income tax relating to above items | - | - | - | - | - | - | - | - |
| **Net other compressive income that are or may be reclassified to profit or loss** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **c) Share of other comprehensive income of associate accounted as per equity method** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Other comprehensive income for the period, net of income tax** | **(6,488,535)** | **(11,001,487)** | **(23,920,307)** | **(29,559,671)** | **(6,488,535)** | **(11,001,487)** | **(23,920,307)** | **(29,559,671)** |
| **Total Comprehensive Income for the period** | **461,721,529** | **1,698,026,907** | **371,715,888** | **1,220,128,644** | **456,268,440** | **1,692,573,818** | **371,715,889** | **1,220,128,645** |
| **Profit attributable to:** | | | | | | | | |
| Equity holders of the Bank | 461,721,529 | 1,698,026,907 | 371,715,888 | 1,220,128,644 | 456,268,440 | 1,692,573,818 | 371,715,889 | 1,220,128,645 |
| Non-controlling interest | - | - | - | - | - | - | - | - |
| **Total** | **461,721,529** | **1,698,026,907** | **371,715,888** | **1,220,128,644** | **456,268,440** | **1,692,573,818** | **371,715,889** | **1,220,128,645** |
| **Earnings per share** | | | | | | | | |
| Basic earnings per share | 5.73 | 21.08 | 4.70 | 15.81 | 5.74 | 21.15 | 4.70 | 15.81 |
| Annualized Basic Earnings Per Share | 22.93 | 21.08 | 18.81 | 15.81 | 22.98 | 21.15 | 18.81 | 15.81 |
| Diluted earnings per share | 22.93 | 21.08 | 18.81 | 15.81 | 22.98 | 21.15 | 18.81 | 15.81 |

**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 | | 12.88% | | 15.36% | | 12.88% | | 15.36% |
| Non-performing loan (NPL) to total loan | | 0.37% | | 0.44% | | 0.37% | | 0.44% |
| Total loan loss provision to Total NPL | | 333.36% | | 335.32% | | 333.36% | | 335.32% |
| Cost of Funds | | 7.88% | | 7.61% | | 7.88% | | 7.61% |
| Credit to Deposit Ratio | | 76.98% | | 76.13% | | 76.98% | | 76.13% |
| Base Rate | | 10.37% | | 11.06% | | 10.37% | | 11.06% |
| Interest Rate Spread | | 4.27% | | 4.75% | | 4.27% | | 4.75% |

**Machhapuchchhre Bank Ltd.**
**Condensed Consolidated Statement of Changes in Equity (Unaudited)**
**For the Period (17th July 2018 to 16th July 2019) ended 31st Ashad 2076**

| | Group | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Attributable to equity holders of the Bank | | | | | | | | | | | |
| | Share Capital | Share premium | General reserve | Exchange equalization reserve | Regulatory reserve | Fair value reserve | Revaluation reserve | Retained earning | Other reserve | Total | Non-controlling interest | **Total equity** |
| Balance at Sawan 1, 2074 | 6,598,700,000 | - | 864,186,016 | 9,280,311 | - | 548,177 | - | 1,228,874,295 | 55,861,218 | 8,757,450,016 | - | 8,757,450,016 |
| Profit for the period | | | | | | | | 1,249,688,316 | | 1,249,688,316 | | 1,249,688,316 |
| Other Comprehensive income | | | | | | (10,761,980) | | - | (18,797,691) | (29,559,670) | - | (29,559,670) |
| **Total comprehensive income** | | | | | | (10,761,980) | | 1,249,688,316 | (18,797,691) | 1,220,128,645 | | 1,220,128,645 |
| **Contributions from and distributions to owners** | | | | | | | | | | | | |
| Share issued | 791,844,000 | 30,881,765 | | | | | | - | | 822,725,765 | | 822,725,765 |
| Share based payments | | | | | | | | - | | - | | - |
| Dividends to equity holders | | | | | | | | | | | | - |
| Bonus shares issued | 665,149,000 | | | | | | | (665,149,000) | | - | | - |
| Cash dividend paid | | | | | | | | (443,432,640) | | (443,432,640) | | (443,432,640) |
| Other | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total contributions by and distributions** | 1,456,993,000 | 30,881,765 | - | - | - | (10,761,980) | - | 141,106,676 | (18,797,691) | 1,599,421,770 | - | 1,599,421,770 |
| **Balance at 32nd Ashad end 2075** | 8,055,693,000 | 30,881,765 | 864,186,016 | 9,280,311 | - | (10,213,803) | - | 1,369,980,971 | 37,063,527 | 10,356,871,786 | - | 10,356,871,786 |
| | | | | | | | | | | | | |
| Balance at Sawan 1, 2075 | 8,055,693,000 | 30,881,765 | 1,114,123,679 | 10,716,548 | 338,258,835 | (10,213,802) | - | 807,759,168 | 9,652,594 | 10,356,871,786 | - | 10,356,871,786 |
| Profit for the period | | | | | | | | 1,709,028,394 | | 1,709,028,394 | | 1,709,028,394 |
| Other Comprehensive income | | | | | | (11,001,488) | | | - | (11,001,488) | | (11,001,488) |
| **Total comprehensive income** | | | | | | (11,001,488) | | 1,709,028,394 | | 1,698,026,906 | | 1,698,026,906 |
| **Contributions from and distributions to owners** | | | | | | | | | | - | | - |
| Share issued | | | | | | | | - | | - | | - |
| Share based payments | | | | | | | | - | | - | | - |
| Dividends to equity holders | | | | | | | | | | - | | - |
| Bonus shares issued | | | | | | | | | | - | | - |
| Cash dividend paid | | | | | | | | (805,569,300) | | (805,569,300) | | (805,569,300) |
| Other | - | - | - | - | - | - | - | - | | - | | - |
| **Total contributions by and distributions** | - | - | - | - | - | (11,001,488) | - | 903,459,094 | - | 892,457,606 | - | 892,457,606 |
| **Balance at 31st Ashad end 2076** | 8,055,693,000 | 30,881,765 | 1,114,123,679 | 10,716,548 | 338,258,835 | (21,215,290) | - | 1,711,218,262 | 9,652,594 | 11,249,329,392 | - | 11,249,329,392 |

| | Bank | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Attributable to equity holders of the Bank | | | | | | | | | | | |
| | Share Capital | Share premium | General reserve | Exchange equalization reserve | Regulatory reserve | Fair value reserve | Revaluation reserve | Retained earning | Other reserve | Total | Non-controlling interest | Total equity |
| Balance at Sawan 1, 2074 | 6,598,700,000 | - | 864,186,016 | 9,280,311 | - | 548,177 | - | 1,228,874,295 | 55,861,218 | 8,757,450,016 | - | 8,757,450,016 |
| Profit for the period | | | | | | | | 1,249,688,316 | | 1,249,688,316 | - | 1,249,688,316 |
| Other Comprehensive income | | | | | | (10,761,980) | | | (18,797,691) | (29,559,670) | - | (29,559,670) |
| **Total comprehensive income** | | | | | | (10,761,980) | | 1,249,688,316 | (18,797,691) | 1,220,128,645 | - | 1,220,128,645 |
| **Contributions from and distributions to owners** | | | | | | | | | | | | - |
| Share issued | 791,844,000 | 30,881,765 | | | | | | - | | 822,725,765 | - | 822,725,765 |
| Share based payments | | | | | | | | - | | - | | - |
| Dividends to equity holders | | | | | | | | | | | | - |
| Bonus shares issued | 665,149,000 | | | | | | | (665,149,000) | | - | | - |
| Cash dividend paid | | | | | | | | (443,432,640) | | (443,432,640) | - | (443,432,640) |
| Other | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total contributions by and distributions** | 1,456,993,000 | 30,881,765 | - | - | - | (10,761,980) | - | 141,106,676 | (18,797,691) | 1,599,421,770 | - | 1,599,421,770 |
| **Balance at 32th Ashad end 2075** | 8,055,693,000 | 30,881,765 | 864,186,016 | 9,280,311 | - | (10,213,803) | - | 1,369,980,971 | 37,063,527 | 10,356,871,786 | - | 10,356,871,786 |
| | | | | | | | | | | | | |
| Balance at Sawan 1, 2075 | 8,055,693,000 | 30,881,765 | 1,114,123,679 | 10,716,548 | 338,258,835 | (10,213,802) | - | 807,759,168 | 9,652,594 | 10,356,871,786 | - | 10,356,871,786 |
| Profit for the period | | | | | | | | 1,703,575,305 | | 1,703,575,305 | | 1,703,575,305 |
| Other Comprehensive income | | | | | | (2,979,883) | | | (8,021,604) | (11,001,488) | | (11,001,488) |
| **Total comprehensive income** | | | | | | (2,979,883) | | 1,703,575,305 | (8,021,604) | 1,692,573,817 | | 1,692,573,817 |
| **Contributions from and distributions to owners** | | | | | | | | | | - | | - |
| Share issued | - | - | | | | | | - | | - | | - |
| Share based payments | | | | | | | | - | | - | | - |
| Dividends to equity holders | | | | | | | | | | - | | - |
| Bonus shares issued | - | | | | | | | - | | - | | - |
| Cash dividend paid | | | | | | | | (805,569,300) | | (805,569,300) | | (805,569,300) |
| Other | - | - | - | - | - | - | - | - | | - | | - |
| **Total contributions by and distributions** | - | - | - | - | - | (2,979,883) | - | 898,006,005 | (8,021,604) | 887,004,517 | - | 887,004,517 |
| **Balance at 31st Ashad end 2076** | 8,055,693,000 | 30,881,765 | 1,114,123,679 | 10,716,548 | 338,258,835 | (13,193,686) | - | 1,705,765,173 | 1,630,990 | 11,243,876,303 | - | 11,243,876,303 |

# Machhapuchchhre Bank Ltd.
## Condensed Consolidated Statement of Cash Flows (Unaudited)
**For the Period (17th July 2018 to 16th July 2019) ended 31st Ashad 2076**

| Particular | Group | | Bank | |
|---|---|---|---|---|
| | Up to This Quarter | Corresponding Previous Year Up to this Quarter | Up to This Quarter | Corresponding Previous Year Up to this Quarter |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Interest received | 9,750,617,247 | 7,453,215,409 | 9,750,617,247 | 7,453,215,409 |
| Fees and other income received | 802,431,615 | 491,068,818 | 802,431,615 | 491,068,818 |
| Divided received | - | - | - | - |
| Receipts from other operating activities | 424,495,043 | 169,923,699 | 424,495,043 | 169,923,699 |
| Interest paid | (6,618,747,740) | (5,026,556,648) | (6,627,767,028) | (5,026,556,648) |
| Commission and fees paid | (69,126,989) | (51,568,932) | (69,126,989) | (51,568,932) |
| Cash payment to employees | (1,185,872,626) | (851,508,956) | (1,185,872,626) | (851,508,956) |
| Other expense paid | (719,611,830) | (419,489,928) | (719,248,240) | (419,489,928) |
| **Operating cash flows before changes in operating assets and liabilities** | **2,384,184,720** | **1,765,083,462** | **2,375,529,023** | **1,765,083,462** |
| **(Increase)/Decrease in operating assets** | | | | |
| Due from Nepal Rastra Bank | 3,869,645,722 | (1,635,168,484) | 3,869,645,722 | (1,635,168,484) |
| Placement with bank and financial institutions | (3,659,128,382) | (1,322,766,549) | (3,659,128,382) | (1,322,766,549) |
| Other trading assets | (101,083,596) | (171,811,041) | (101,083,596) | (171,811,041) |
| Loan and advances to bank and financial institutions | (445,323,233) | (105,175,767) | (445,323,233) | (105,175,767) |
| Loans and advances to customers | (13,085,321,841) | (12,610,192,215) | (13,085,321,841) | (12,610,192,215) |
| Other assets | (8,002,088,248) | (75,820,218) | (8,002,088,248) | (75,820,218) |
| | (21,423,299,578) | (15,920,934,274) | (21,423,299,578) | (15,920,934,274) |
| **Increase/(Decrease) in operating liabilities** | | | | |
| Due to bank and financial institutions | 4,228,998,014 | 30,126,526 | 4,228,998,014 | 30,126,526 |
| Due to Nepal Rastra Bank | 1,182,721,807 | 477,099,221 | 1,182,721,807 | 477,099,221 |
| Deposit from customers | 13,848,732,058 | 13,815,516,434 | 14,056,153,856 | 13,815,516,434 |
| Borrowings | - | - | - | - |
| Other liabilities | 7,392,223,351 | 101,817,298 | 7,392,104,356 | 101,817,298 |
| **Net cash flow from operating activities before tax paid** | 26,652,675,229 | 14,424,559,479 | 26,859,978,033 | 14,424,559,479 |
| Income taxes paid | (776,294,779) | (498,577,603) | (774,941,886) | (498,577,603) |
| **Net cash flow from operating activities** | **6,837,265,592** | **(229,868,937)** | **7,037,265,592** | **(229,868,937)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Purchase of investment securities | (4,474,509,518) | (3,904,253,403) | (4,674,509,518) | (3,904,253,403) |
| Receipts from sale of investment securities | 1,050,000,000 | 980,840,000 | 1,050,000,000 | 980,840,000 |
| Purchase of property and equipment | (402,106,123) | (281,471,169) | (402,106,123) | (281,471,169) |
| Receipt from the sale of property and equipment | 26,797,923 | 8,218,283 | 26,797,923 | 8,218,283 |
| Purchase of intangible assets | (3,566,845) | (7,771,792) | (3,566,845) | (7,771,792) |
| Receipt from the sale of intangible assets | - | - | - | - |
| Purchase of investment properties | (53,586,918.40) | - | (53,586,918.40) | - |
| Receipt from the sale of investment properties | - | 645 | - | 645 |
| Interest received | 417,097,013 | 313,140,361 | 417,097,013 | 313,140,361 |
| Dividend received | 3,207,495 | 1,762,843 | 3,207,495 | 1,762,843 |
| **Net cash used in investing activities** | (3,436,666,974) | (2,889,534,232) | (3,636,666,974) | (2,889,534,232) |
| **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 | - | 369,969,665 | - | 369,969,665 |
| Dividends paid | (781,143,647) | (393,271,730) | (781,143,647) | (393,271,730) |
| Interest paid | - | - | - | - |
| Other receipt/payment | - | - | - | - |
| **Net cash from financing activities** | **(781,143,647)** | **(23,302,065)** | **(781,143,647)** | **(23,302,065)** |

| | | | | |
|---|---|---|---|---|
| **Net increase (decrease) in cash and cash equivalents** | 2,619,454,972 | (3,142,705,233) | 2,619,454,972 | (3,142,705,233) |
| Cash and cash equivalents at Sawan 1, 2075 | 2,364,190,960 | 5,501,151,243 | 2,364,190,960 | 5,501,151,243 |
| Effect of exchange rate fluctuations on cash and cash equivalents held | 22,839,007 | 5,744,951 | 22,839,007 | 5,744,951 |
| **Cash and cash equivalents at 31st Ashadh 2076** | **5,006,484,939** | **2,364,190,960** | **5,006,484,939** | **2,364,190,960** |

## Notes to the Interim Financial Statements

## 1. Basis of Preparation

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

The formats used in the preparation of the Financial Statements and the disclosures made therein comply with the specified formats prescribed by the Nepal Rastra Bank for the preparation, presentation and publication of Interim Financial Statements.

The Condensed Consolidated Interim Financial Statement comprise of:

- Condensed Consolidated Statement of Financial Position,
- Condensed Consolidated Statement of Profit or Loss,
- Condensed Consolidated Statement of Comprehensive Income,
- Condensed Consolidated Statement of Changes in Equity,
- Condensed Consolidated Statement of Cash Flows,
- Notes to Interim Financial Statements and
- Ratios as per NRB Directive

### 1.1. Reporting Period

The Bank follows the Nepalese financial year based on the Nepalese calendar. The corresponding dates for the English calendar are as follows:

| Relevant Financial Statement | Nepalese Calendar Date/Period | English Calendar Date/Period |
|---|---|---|
| Statement of Financial Position | 31st Ashadh,2076 | 16th July,2019 |
| Statement of Profit/Loss | 1st Shrawan 2075 to 31st Ashadh,2076 | 17th July,2018 to 16th July,2019 |

### 1.2. Functional and Presentation Currency

The Nepalese Rupees (NRs), being the currency of primary economic environment under which bank operates, has been used as the functional currency. The Interim Financial information has been presented in Nepalese Rupees and has been shown in actual figure, unless indicated otherwise.

### 1.3. New standards in issue but not yet effective

The interim financial statements of the Bank have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) to the extent applicable and as issued by Accounting Standard Board- Nepal

### 1.4. Discounting

Discounting has been done, using the relevant discount rate, for computing the present value of a payment or stream of payments that is to be received in future in case required under NFRS for any valuations, adjustments. Market interest rates, EIR rates are used for discounting the future payments as required under the provision. It has been applied in the cases where discounting is material.

### 1.5. Comparative Information

Comparative information is provided in narrative and descriptive nature, if it is relevant to understand the current period's interim financial statement and reclassified whenever necessary to conform to current period presentation.

## 2. Statement of Compliance with NFRSs

The interim financial statement of group which comprises of Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Profit or Loss, Condensed Consolidated Statement of Comprehensive Income, Ratios, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and Notes to the Consolidated Interim Financial Statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) as issued by Accounting Standards Board and carve out issued by the Institute of Chartered Accountants of Nepal and in compliance with BAFIA 2073 and Unified Directives 2075 issued by Nepal Rastra Bank and all other applicable laws and regulations.

## 3. Use of Estimates, Assumptions and Judgments

The Management of the Bank has made judgments, estimations and assumptions which affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses that is required for the preparation of interim condensed financial statements in conformity with Nepal Financial Reporting Standards (NFRS). The Management believes that the estimates used in preparation of financial statements are prudent and reasonable. Estimates and underlying assumptions are reviewed on an ongoing basis. Necessary revisions to accounting estimates are recognized in the period in which such estimates are revised and in any future periods affected. Actual results may differ from these estimates. Any revision in accounting estimate is recognized prospectively in present and future periods as required under NAS 08 Accounting Policies, Changes in Accounting Estimates and Error.

Significant estimates, assumptions and judgments used in applying accounting policies which have material effect in financial statements are:

- Impairment on loans and advances (Higher of provision for loan loss calculated as per NRB and Impairment loss calculated as per NFRS as per carve out issued by ICAN to be mandatorily implemented till carve out period)
- Impairment of other financial and non-financial assets
- Determination of fair value of financial instruments
- Assessment of Bank's ability to continue as going concern.

## 4. Changes in Accounting Policies

There are no changes in accounting policies and methods of computation since the publication of annual accounts for the year ended Ashad 2075.Provision for gratuity and leave encashment has been provided as per preliminary report of actuarial valuation

## 5. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, and deviations if any have been disclosed accordingly.

### 5.1. Basis of Measurement

The financial statements have been prepared on historical cost basis except for the following material items in the statement of financial position:

- Financial instruments at fair value through profit or loss or through OCI are measured at fair value.
- Financial instruments subsequently measured at amortized cost.
- Liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.
- Derivative financial instruments are measured at fair value.

### 5.2. Basis of Consolidation

#### 5.2.1 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method as per the requirements of Nepal Accounting Standard-NFRS 03(Business Combinations).The Bank measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquire, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is immediately recognized in the profit or loss.

The Bank elects on a transaction by transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Bank incurs in connection with a business combination are expensed as incurred.

### 5.2.2 Non-Controlling Interest (NCI)

Bank elects to measure any non-controlling interests for each business combination in the acquire either:

- At fair value; or
- At their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Bank's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in profit or loss.

### 5.2.3 Subsidiaries

Subsidiaries are the entities controlled by the Bank. The Bank controls an entity if it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

The Bank reassesses whether it has control if there are changes to one or more of the elements of control. The Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The Consolidated Financial Statements are prepared for the common financial year end.

The Bank currently has only one subsidiary- "MBL Capital Limited" which has been incorporated in Nepal.

| Subsidiary | Cost as on Ashadh end 2076 | Cost as on Ashadh end 2075 |
|---|---|---|
| MBL Capital Limited | 200,000,000 | |

### 5.2.4 Loss of Control

When the Bank loses control over a Subsidiary, it derecognizes the assets and liabilities of the former subsidiary at its fair value when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant

NFRSs. That fair value shall be regarded as the fair value on initial recognition of a financial asset in accordance with relevant NFRS or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. The Bank recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

### 5.2.5 Special Purpose Entity(SPE)

Special purpose entity is a legal entity (usually limited company of some type or, sometimes, a limited partnership) created to fulfil narrow, specific or temporary objectives. SPEs are typically used by companies to isolate the firm from financial risk.

The Bank does not have any special purpose entity as of now.

### 5.2.6 Transaction Elimination on Consolidation

All intra-group balances and transaction, and any unrealized income and expense (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

## 5.3. Cash and Cash equivalent

Cash and cash equivalents include notes and coins on hand and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

## 5.4. Financial Assets and Financial Liabilities

**a. Recognition**

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

**b. Classification**

**1. Financial Assets**

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

The two classes of financial assets are as follows:

*i.* ***Financial assets measured at amortized cost***

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

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

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

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

- ***Financial assets at fair value through profit or loss.***

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

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

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

**2. Financial Liabilities**

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

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

  Financial liabilities are classified as fair value through profit or loss if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost are directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. Subsequent changes in fair value is recognized at profit or loss

- ***Financial Liabilities measured at amortized cost***

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

### c. Measurement

**Initial Measurement**

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are recognized in Statement of Profit or Loss.

**Subsequent Measurement**

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

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

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

### d. Derecognition

**Derecognition of Financial Assets**

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

Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the

Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

**Derecognition of Financial Liabilities**

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

**e. Determination of Fair Value**

Fair value is the amount for which an asset could be exchanged, or a liability be settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of a liability reflects its non-performance risk.

The fair values are determined according to the following hierarchy:

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

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

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

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

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

**f. Offsetting**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and it intends either settle them 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 NFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

**g. Impairment**

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

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

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

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

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

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

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

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

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

Loans and advances to customers with significant value are assessed for individual impairment test. The recoverable value of loan is estimated on the basis of realizable value of collateral and the conduct of the borrower/past experience of the bank.

If there is objective evidence that impairment loss has been incurred, the amount of loss is measured at the difference between assets carrying amount and present value of estimated future cash flows. Carrying amount of the asset is reduced through the use of an allowance account and amount of loss is recognized in profit or loss. All individually significant loans and advances and investment securities are assessed for specific impairment. Those not found to be specifically impaired are collectively assessed for impairment by grouping together loan and advances and held to maturity with similar risk characteristics.

Assets that are individually assessed and for which no impairment exists are grouped with financial assets with similar credit risk characteristics and collectively assessed for impairment. The credit risk statistics for each group of the loan and advances are determined by management prudently being based on the past experience. For the purpose of collective assessment of impairment bank has categorized assets in to four broad products as follows:
1. Term Loan
2. Auto Loan
3. Home Loan
4. Overdraft

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

**Impairment of investment in equity instrument classified as fair value though other comprehensive income**

Where objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the amortized cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of profit or loss) is reclassified from equity and recognized in the profit or loss. A significant or prolonged decline in the fair value of an equity security below its cost is considered, among other factors in assessing objective evidence of impairment for equity securities.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the statement of profit or loss. Impairment losses recognized in the profit or loss on equity instruments are not reversed through the profit or loss.

## 5.5. Trading Asset and liabilities

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

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

## 5.6. Derivative financial Instruments

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk, indices etc. Derivatives are categorized as trading unless they are designated as hedging instruments. All derivatives are initially recognized and subsequently measured at fair value, with all revaluation gains or losses recognized in the Statement of Profit or Loss under Operating Income. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Fair value is determined using the forward market rates ruling on the reporting date.

## 5.7. 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.

**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.

Property and Equipment are measured at cost less accumulated depreciation and accumulated impairment loss if any. Revaluation model is not used and therefore, Property and Equipment are not revalued and are recognized at cost.

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. Bank has adopted cost model for entire class of property and equipment. The items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment loss.

**Revaluation Model**

The Bank has not applied the revaluation model to the 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.

**Derecognition**

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.

**Depreciation**

Depreciation is calculated by using the straight line method on cost or carrying value of property, plant & equipment other than freehold land. Fixed Assets are depreciated on the basis of expected useful life on Straight Line Method (SLM) basis. Land is not depreciated. Management has determined the expected life of the fixed assets for depreciation purpose as follows:

| S.N. | Assets Types | Expected useful life (Years) |
|---|---|---|
| 1 | Building | 50 |
| 2 | Vehicle | 7 |
| 3 | Furniture Wooden | 8 |
| 4 | Furniture Metal | 10 |
| 5 | Office Equipment | 10 |
| 6 | Computers | 5 |
| 7 | Generators and Others | 10 |
| 8 | ATM | 7 |
| 9 | Battery | 3 |

The depreciation on the assets purchased and capitalized during the current year has been accounted from the next month of purchase. In case of assets being sold and written off, the depreciation is charged upto the previous month of disposal and gain or loss on the sales transaction is accounted for.

a) Depreciation for income tax purpose is calculated separately at the rate and manner prescribed by the Income Tax Act, 2058.

b) Assets with a unit value of NPR 10,000 or less are expensed-off during the year of purchase irrespective of its useful life.

c) Leasehold assets and cost of software licenses are amortized over a period of useful life and in case useful life cannot be ascertained the bank has the policy to amortize the cost in five years.

**Changes in Estimates**

The asset's residual values, useful lives and 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.

## 5.8. Intangible Assets and Goodwill

**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**

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.

#### Goodwill

Goodwill, if any that arises upon the acquisition of Subsidiaries is included in intangible assets.

#### 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.

Goodwill is measured at cost less accumulated impairment losses.

#### 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.

#### Derecognition 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.

### 5.9. Investment Property

Investment properties include land or land and buildings other than those classified as property and equipment and non-current assets held for sale. They are either held for rental income or for capital appreciation or for both, but not for sale in ordinary course of business and owner occupied property. Generally, it includes land, land and building acquired by the Bank as non-banking assets but not sold as on the reporting date. They have been valued at cost or fair value whichever is lower.

The Bank holds investment property that has been acquired through enforcement of security over the loans and advances. Accordingly, Investment properties include the assets obtained as security for loans & advances and subsequently taken over by the Bank in the course of loan recovery. Such assets are booked at fair market value or total amount due from the borrower, whichever is lower in accordance with NRB Directives.

#### Non-Current Assets Held for Sale

Non-current assets (such as property) and disposal groups (including both the assets and liabilities of the disposal groups) are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell if their carrying amount is recovered principally through sale rather than continuing use. They are recognized and measured when:

(i) Their carrying amounts will be recovered principally through sale;

(ii) They are available-for-sale in their present condition; and

(iii) Their sale is highly probable.

Any impairment loss on initial classification and subsequent measurement is recognized as expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognized) is recognized in the statement of Profit or Loss.

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

## 5.10. 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.

### a) 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.

### b) 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.

## 5.11. Deposit from Customers

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

They have been valued at amortized cost. As per Para 09 of NAS 39 regarding Financial Instruments recognition and measurement, EIR rate is to be used for booking such interest expense and when calculating the EIR, an entity shall estimate cash flows considering all contractual term of the financial instrument but not credit loss, which includes the fees and points received or paid, transaction costs, premiums, discounts as per the Carve Out regarding the EIR rate treatment issued by ICAN, when calculating EIR, all these transaction cost shall be considered unless it is immaterial or impracticable to do so. Since all these transaction costs cannot be identified separately for every customer and it seems impracticable, separate EIR rate has not been computed as allowed by Carve Out issued by ICAN. The Amortization is included in “Interest expenses” in the Statement of Profit or Loss.

## 5.12. Provisions

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.

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.

## 5.13. Revenue Recognition

Revenue is the gross inflow of economic benefits during the period arising from the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Revenue is recognized to the extent 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.

### a) Interest Income

For all financial instruments measured at amortized cost, interest bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss or other comprehensive income.

Interest income includes interest income on the basis of accrual basis from loan and advance to borrowers, `loans, investment in government securities, investment in NRB bond, corporate bonds, interest on investment securities measured at fair value.

As per the carve out regarding the EIR rate treatment issued by ICAN, when calculating EIR, all these shall be considered unless it is immaterial or impracticable to do so. Since all these transaction costs cannot be identified separately and separate EIR computation for every customer seems impracticable, such transaction costs of all previous years has not been considered when computing EIR. Due to impracticability, such relevant costs are ignored, due to which EIR rate equals to the rate provided to customers and therefore, income recognized by system on accrual basis has been considered as income

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

**b) Fee and Commission Income**

Fees and Commission Income being the transaction costs integral to the effective interest rate on financial asset. However, as per the Carve out issued by ICAN regarding the treatment of fee and commission in EIR rate, fees and points to be considered for EIR computation unless it is impracticable to determine reliably. Since such transaction costs are not identifiable for separate customer and therefore being impracticable, they have not been considered when computing EIR. They have been booked on accrual basis except commission on guarantees issued by the bank which is recognized as income over the period of the guarantee, except for guarantee commission not exceeding NPR one lakhs is recognized at the time of issue.

Other fee and commission income are recognized on accrual basis.

**i) Dividend Income**

Dividend income are recognized when right to receive such dividend is established. Usually this is the ex-dividend date for equity securities. Dividends are presented in net trading income, net income from other financial instruments at fair value through profit or loss or other revenue based on the underlying classification of the equity investment.

**ii) Net Trading Income**

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

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

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss. It includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences.

## 5.14. Interest Expense

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

## 5.15. Employment Benefits

**Short term employee Benefits:**

Short term employee benefits are the benefits that are expected to be settled wholly before 12 months and therefore booked as expense in the period in which employees render the related service. It includes the following:

- Wages, salaries and social security contributions
- Paid annual and paid sick leave
- Profit sharing and bonuses
- Non-monetary benefits

**Post-employment benefit**

Post-employment benefit includes the following

**a) Defined Contribution Plans**

A defined contribution plan is a post-employment benefit plan under which the Bank makes fixed contribution into a separate Bank account (a fund) and will have no legal or constructive obligation to pay further contributions even 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 in proportion to the services rendered to 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 Provisions' in Notes 33.

Bank contributed 10% of the salary of each employee to the Employees' Provident Fund and also gratuity amount is deposited in CIT. The above expenses are identified as contributions to 'Defined Contribution Plans' as defined in Nepal Accounting Standards – NAS 19 (Employee Benefits).

**b) Defined Benefit Plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Accordingly, leave encashment and gratuity has been considered as defined benefit plans as per Nepal Accounting Standards – NAS 19 (Employee Benefits). Net Obligation in DBP is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value and then deducting the fair value of any plan assets. Bank recognizes all actuarial gains and losses arising from DBP in the Other Comprehensive Income and expenses related to DBP under personnel expense in the Statement of Profit or Loss.

Under NFRS, the actuarial gains and losses form part of re measurement of the net defined benefit liability / asset which is recognized in Other Comprehensive income (OCI). Also, the tax effect of the same has also been recognized in Other Comprehensive Income (OCI) under NFRS. Some assumptions used by actuarial valuator for valuation are as under:

1. **Discount Rate:** It is based on Yield to Maturity Available on Government Bonds having similar term to decrement-adjusted estimated term of liabilities.
2. **Expected Return on Planned Asset:** Average long term rate of return expected on investments of Trust Fund.
3. **Salary Escalation Rate:** Management estimation of 8% after considering the expected earnings inflation as well as performance and seniority related increase.
4. **Withdrawal rate:** Management estimation on the basis of 12% on the basis of expected long term future employee turnover within the organization.
5. **Mortality Rate:** Nepali Assured Lives Mortality issued by Beema Samiti.

**(a) Gratuity**

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 Bank. An economic benefit is available to 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 under 'Personnel Expenses' together with the net interest expense. Also, actuarial gain loss have been shown under Other Comprehensive Income (OCI).Bank recognizes the total actuarial gain/ (loss) that arises in computing 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 (58 years), early withdrawal from service and retirement on medical grounds.

**(b) 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 binds that have maturity dates approximating to the terms 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.

## 5.16. Other Operating Expenses

Other operating expenses are incurred and accounted on an accrual basis and are charged to income statement unless those expenses from the capital nature.

## 5.17. 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.

**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 to & 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 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.

**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.

## 5.18. 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.

## 5.19. Financial guarantee and loan commitment

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

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

## 5.20. Share Capital and Reserves

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

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

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments considering the tax benefits achieved thereon.

### 5.21. Earnings per Share

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.

### 5.22. Segment Reporting

An operating segment is a component that engages in business activities from which it earns revenue and incurs expense, including revenues and expenses that relating to transaction with any of groups other components, whose operating results are reviewed by management.

For management purposes, the Bank has organized into operating segments based on business.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.
Interest income is reported net as management primarily relies on net interest revenue as a performance measure, not the gross income and expense. Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the bank’s total revenue **in the reporting period.**

Segment results that are reported to the Bank’s include directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise corporate assets, tax assets and liabilities.

## 6. Segmental Information

Segmental Reporting has been presented for three key business segments of the Bank, identified on the basis of key functional business activities that generate revenue for the Bank and incur expenses. These segments serve as the key functional units for resource allocation, decision making and review of operating results/performance by the Management. These are summarized as follows:

### A. Information about reportable segments

**Rs in Million**

| Particulars | Banking | | Treasury | | Transaction 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 |
| Revenues from external customers | 10,301 | 7,780 | 867 | 528 | 303 | 196 | 11,471 | 8,504 |
| Intersegment revenues | 369 | 262 | (490) | (329) | (6) | (3) | (127) | (71) |
| Segment profit (loss) before tax | 3,396 | 2,551 | 266 | 160 | 157 | 93 | 3,819 | 2,805 |
| Segment assets | 78,947 | 65,360 | 19,696 | 11,696 | 292 | 182 | 98,934 | 77,239 |
| Segment liabilities | 91,254 | 74,095 | 3,348 | 720 | 84 | 73 | 94,686 | 74,888 |

- Revenue from external customers includes the total interest and non-interest revenue
- Intersegment Revenue includes revenues from transaction with other operating segments of Bank. Transactions between segments are reported on pre-determined transfer price.
- Segment Assets and liabilities includes the assets and liabilities identifiable to particular segment.
- The result reported include the items directly attributable to a segment as well as those that can be allocated on reasonable basis.
- Segment assets and liabilities has been netted off from total assets and liabilities regarding the items that can be offset.(contra items)

### B. Reconciliation of reportable segment profit or loss

| Particulars | Current Quarter | Corresponding Previous Year Quarter |
|---|---|---|
| Total profit before tax for reportable segments | 3,819 | 2,805 |
| Profit before tax for other segments | - | - |
| Elimination of inter-segment profit | 127 | 71 |
| Elimination of discontinued operation | - | - |
| Unallocated amounts: | | |
| – Other corporate expenses | (1,498) | (1,065) |
| **Profit before tax** | 2,448 | 1,810 |

## 7. Related Parties Disclosures

**(i) Related Party Disclosure of the Bank**

The related parties of the Bank which meets the definition of related parties as defined in "NAS 16 Related Party Disclosures" are as follows:

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

| Name of the Key Management Personnel | Post |
|---|---|
| Dr. Birendra Prasad Mahatto | BOD Chairman |
| Mr. Roshan K.C | Director |
| Mr. Gopi Krishna Neupane | Director |
| Mr. Jaya Mukunda Khanal | Director |
| Mr. Ramman Shrestha | Director |
| Mr.Bishwo Prakash Gautam | Director |
| Mr.Omesh Laal Shrestha | Director |
| Mr.Suman Sharma | Chief Executive Officer |
| Mr.Santosh Koirala | Deputy Chief Executive Officer |
| Mr.Sarju Kumar Thapa | Chief Credit Business Officer |
| Mr.Bishwambhar Neupane | Chief Risk Officer |
| Mr. Narayan Prakash Bhuju | Chief Technology Officer |

**(ii) Compensation to Key Management Personnel:**

The members of Board of Directors are entitled for meeting allowances. Salary and allowances are provided to Chief Executive Officer and other member of Key Management Personnel (KMP). Salary and Allowances paid to the Chief Executive Officer is based on the contract entered by the Bank with him whereas compensation paid to other member of KMP are governed by Employees Byelaws and decisions made by management from time to time in this regard. In addition to salaries and allowances, non- cash benefits like vehicle facility, subsidized rate employees loan, termination benefits are also provided to KMP. The details relating to compensation paid and expenses incurred to key management personnel (directors only) were as follows:

| Particulars | Current Year "NPR" |
|---|---:|
| Meeting Fees | 1,782,600.00 |
| Other Board Facility | 783,666.67 |
| Other Expenses | 609,092.51 |
| **Total** | **3,175,359.18** |

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

| Particulars | Current Year (NPR) |
|---|---:|
| Short term employee benefits | 40,762,034.79 |
| Post- employment benefits* | 1,687,319.70 |
| Other long term benefits** | 223,899.00 |
| **Total** | **42,673,253.49** |

*Post- employment benefits includes Provident Fund and Gratuity. Provident Fund is deposited in an independent institution and Gratuity is provided for as per actuarial valuation against which investment is made in an independent planned asset.

**Other long term employment benefit includes Home Leave and Sick Leave encashment over and above the accumulation limit set as per Employee Byelaws of the Bank.

*** KMP also get accidental and medical insurance, vehicle, fuel, lunch and mobile facilities as per Employee Byelaws of the Bank.

(iii) The Bank has invested Rs. 200 million in Machhapuchchhre Capital Ltd, a wholly owned subsidiary company of the Bank, which is in the process of obtaining necessary approval from SEBON for its operation.

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

The Bank has not proposed or paid any interim dividend on ordinary shares for FY 2075-76.The last dividend paid was the dividend payment of FY 2074-75 as approved by AGM during the reporting period.

## 9. Issues, repurchases and repayments of debt and equity securities

The Bank is in the process of issuing a 10-year debenture amounting Rs. 3 billion (to be listed as unsecured rated redeemable subordinated Basel III compliant debentures) with the face value of Rs. 1000/- each and 10.25% coupon rate, payable semi-annually.

## 10. Events after Interim Period

No circumstances have arisen and no material events have occurred since the reporting date, which require disclosures or adjustments to the financial statements.

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

During the reporting period there were no material changes in the composition of assets, liabilities and contingent liabilities and the Bank did not engage in any merger and acquisition activities.

## 12. **NFRS Carve-Outs Adjustments**:

During the reporting period, the Group has not applied the numbers of standards as prescribed in NFRS and used the NFRS carve-out adjustments. As a consequence, the net profit and retained earnings have been impacted.

The impacts of each carve- out adjustment done have been summarized as follows:

**12.1 NAS 39: Recognition and Measurement (Incurred Loss Model to measure the Impairment Loss on Loans and Advances)**

NAS 39 Para 58 requires an entity to assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. If any such evidence exists, the entity shall apply paragraph 63 to determine the amount of any impairment loss. However, as per carve out on NAS 39 Para 58, the Bank has assessed and measured impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS 39.

**12.2 NAS 39: Recognition and Measurement (Impracticability to determine transaction cost of all previous years which is the part of effective interest rate)**

NAS 39 Para 9 requires using of the effective interest rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see NAS 18 Revenue), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

However, as per carve out on NAS 39 Para 9, the Bank has not included the fees and points paid or received that are immaterial or impracticable to determine reliably the effective interest rate and have recognized them directly as revenue in the Statement of Profit or Loss.

12.3 NAS 39: Recognition and Measurement (Impracticability to determine interest income on amortized cost)

As per NAS 39 Para AG93, once a financial asset or a group of similar financial assets have been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. However, as per carve out on NAS 39 AG 93, the Bank has applied the effective interest rate to the gross carrying amount of a financial asset unless the financial asset is written off either partially or fully.

13. Above figures reported in interim financial report are subject to change upon otherwise instructions of statutory auditor and/or regulatory authorities.

## 14. Distributable Profit Note

| Particular | Amount |
|---|---|
| **Net Profit for the period end 4th quarter** | **1,703,575,305** |
| **1. Appropriations** | |
| **1.1 Profit required to be appropriated to statutory reserve** | **341,031,498** |
| a. General Reserve | 340715061 |
| b. Capital Redemption Reserve | - |
| c. Exchange Fluctuation Reserve | 5,709,752 |
| d. Corporate Social Responsibility Fund | 1,145,795 |
| e. Employees Training Fund | (6,539,111) |
| f. Other | - |
| **1.2 Profit Required to be transferred to Regulatory Reserve** | **42,085,787** |
| a. Transfer to Regulatory Reserve | 42,085,787 |
| b. Transfer from Regulatory Reserve | - |
| **Net Profit for the period end 4th quarter available for distribution** | **1,320,458,020** |