

Sindhu Bikash Bank Limited
Statement of Financial Position
As on 31 Asadh 2078

Particulars	Bank	
	This Quarter Ending	Immediate Previous year Ending
Assets		
Cash and Cash Equivalents	805,427,268	1,004,970,357
Due from Nepal Rastra Bank	139,354,986	135,992,047
Placement with Bank and Financial Institutions	-	-
Derivative Financial Instruments	-	-
Other Trading Assets	-	-
Loans and Advances to BFIs	628,478,272	412,296,475
Loans and Advances to Customers	2,926,053,692	2,124,506,091
Investment Securities	83,819,732	25,066,832
Current Tax Assets	20,053,742	9,148,214
Investment in Subsidiaries	-	-
Investment in Associates	-	-
Investment Property	25,756,777	27,112,397
Property and Equipment	197,052,917	198,167,438
Goodwill and Intangible Assets	2,941,292	2,994,888
Deferred Tax Assets	4,683,300	2,725,918
Other Assets	122,122,189	36,509,855
Total Assets	4,955,744,168	3,979,490,510

Particulars	Bank	
	Current Year	Previous Year
Liabilities		
Due to Bank and Financial Institutions	-	-
Due to Nepal Rastra Bank	-	-
Derivative Financial Instruments	-	-
Deposits from Customers	4,257,853,058	3,327,813,372
Borrowings	-	-
Current Tax Liabilities	13,669,318	4,475,253
Provisions	-	-
Deferred Tax Liabilities	-	-
Other Liabilities	46,933,702	37,241,647
Debt Securities Issued	-	-
Subordinated Liabilities	-	-
Total Liabilities	4,318,456,078	3,369,530,272
Equity		
Share Capital	557,456,067	557,456,067
Share Premium	-	-
Retained Earnings	20,828,360	13,898,251
Reserves	59,003,663	38,605,920
Total Equity Attributable to Equity Holders	637,288,090	609,960,238
Non Controlling Interest	-	-
Total Equity	637,288,090	609,960,238
Total Liabilities and Equity	4,955,744,168	3,979,490,510
Contingent Liabilities and Commitments	58,148,744	57,372,398
Net Assets Value per share	114.32	109.42

Sindhu Bikash Bank Limited
Statement of Profit or Loss
For the year ended 31 Asadh 2078

Particulars	Bank			
	Current Year		Previous Year	
	This Quarter	Upto This Quarter(YTD)	This Quarter	Upto This Quarter(YTD)
Interest Income	114,365,635	366,747,469	91,211,466	356,061,874
Interest Expense	54,939,665	197,335,303	50,787,309	211,760,682
Net Interest Income	59,425,970	169,412,166	40,424,157	144,301,192
Fee and Commission Income	4,302,852	24,865,300	5,642,623	21,914,426
Fee and Commission Expense	541,282	1,321,830	18,064	35,479
Net Fee and Commission Income	3,761,570	23,543,470	5,624,559	21,878,946
Net Interest, Fee and Commission Income	63,187,540	192,955,637	46,048,717	166,180,139
Net Trading Income	-	-	-	-
Other Operating Income	764,214	42,022,051	(2,221,811)	94,402
Total Operating Income	63,951,754	234,977,688	43,826,905	166,274,540
Impairment Charge/ (Reversal) for Loans and Other Losses	28,263,096	54,906,540	16,273,762	23,844,752
Net Operating Income	35,688,658	180,071,148	27,553,143	142,429,788
Operating Expense				
Personnel Expenses	23,224,742	75,199,747	17,162,245	63,946,486
Other Operating Expenses	13,360,939	44,590,861	10,710,502	40,242,940
Depreciation & Amortisation	4,515,664	14,716,145	4,032,677	14,424,288
Operating Profit	(5,412,687)	45,564,395	(4,352,280)	23,816,075
Non Operating Income	-	-	-	-
Non Operating Expense	-	-	-	-
Profit Before Income Tax	(5,412,687)	45,564,395	(4,352,280)	23,816,075
Income Tax Expense				
Current Tax	(1,623,806)	13,669,318	(1,305,684)	7,144,822
Deferred Tax	-	-	-	-
Profit for the Period	(3,788,881)	31,895,076	(3,046,596)	16,671,252
Profit Attributable to:				
Equity-holders of the Bank	(3,788,881)	31,895,076	(3,046,596)	16,671,252
Non-Controlling Interest	-	-	-	-
Profit for the Period	(3,788,881)	31,895,076	(3,046,596)	16,671,252
Earnings per Share				
Basic Earnings per Share		5.72		2.99
Diluted Earnings per Share		5.72		2.99

Particulars	Ratios as per NRB Directive			
	Current Year		Previous year	
	This Quarter	Upto This Quarter(YTD)	This Quarter	Upto this Quarter(YTD)
Capital Fund to RWA	14.82%	14.82%	24.66%	24.66%
Non- Performing Loan (NPL) to total Loan	5.48%	5.48%	1.63%	1.63%
Total Loan loss provision to Total NPL	62.45%	62.45%	123.10%	123.10%
Cost of Funds	5.39%	5.39%	7.73%	7.73%
Credit to deposit Ratio	85.56%	85.56%	63.51%	63.51%
Base Rate	8.86%	8.86%	11.94%	11.94%
Interest Rate Spread	4.96%	4.96%	6.05%	6.05%

Notes to NFRS Compliant Financials as per NRB circular

- Above financials have been prepared as per NRB circular.
- Previous period figure have been regrouped / rearranged / restated wherever necessary.
- Loan and Advances include interest receivables and are presented net of impairment charges.
- Personnel Expenses include employment bonus provision calculated at 10 percent of profit after bonus and taxes on GAAP Profit
- Provision for gratuity and leave have been provided for as per estimates by management and hence actuarial gain /loss has not been separately disclosed and will change as per Actuary Report
- Property and Equipment line item has been inserted and disclosed separately in above financials.
- Above figures are subject to change upon otherwise instructions of Statutory Auditor and/or Regulatory Authorities .
- Detail interim financial report has been published in the bank's websites: www.sindhubank.com.np

Sindhu Bikash Bank Limited
Statement of Other Comprehensive Income
For the year ended 31 Asadh 2078

Particulars	Bank			
	Current Year		Previous Year	
	This Quarter	Upto This Quarter(YTD)	This Quarter	Corresponding Upto this Quarter(YTD)
Profit for the year	(3,788,881)	31,895,076	(3,046,596)	16,366,025
Other Comprehensive Income, Net of Income Tax				
a) Items that will not be reclassified to profit or loss				
Gains/(losses) from investment in equity instruments measured at fair value	(8,494,363)	(6,524,607)	2,833,511	854,341
Gains/(losses) on revaluation	-	-	-	-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-
Income tax relating to above items	2,548,309	1,957,382	(850,053)	(256,302)
Net other comprehensive income that will not be reclassified to profit or loss	(5,946,054)	(4,567,225)	1,983,458	598,039
b) Items that are or may be reclassified to profit or loss				
Gains/(losses) on cash flow hedge	-	-	-	-
Exchange gains/(losses)(arising from translating financial assets of foreign operation)	-	-	-	-
Income tax relating to above items	-	-	-	-
Reclassify to profit or loss	-	-	-	-
Net other comprehensive 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 year, Net of Income Tax	(5,946,054)	(4,567,225)	1,983,458	598,039
Total Comprehensive Income for the Period	(9,734,935)	27,327,852	(1,063,138)	16,964,064
Total Comprehensive Income attributable to:				
Equity-Holders of the Bank	(9,734,935)	27,327,852	(1,063,138)	16,964,064
Non-Controlling Interest				
Total Comprehensive Income for the Period	(9,734,934.77)	27,327,851.68	(1,063,138.28)	16,964,063.66

Sindhu Bikash Bank Limited
Statement of Cash Flows
For the year ended 31 Asadh 2078

Particulars	Bank	
	Upto This Quarter	Corresponding Previous Year Up
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest Received	314,392,254	328,368,803
Fee and Other Income Received	24,865,300	21,912,426
Dividend Received	-	-
Receipts from Other Operating Activities	-	94,402
Interest Paid	(197,335,303)	(211,760,682)
Commissions and Fees Paid	(1,321,830)	(85,208)
Cash Payment to Employees	(66,589,304)	(59,400,872)
Other Expenses Paid	(44,590,861)	(40,773,669)
Operating Cash Flows before Changes in Operating Assets and Liabilities	29,420,256	(256,246)
(Increase) Decrease in Operating Assets		
Due from Nepal Rastra Bank	(3,362,940)	(49,766,314)
Placement with Banks and Financial Institutions	-	-
Other Trading Assets	-	-
Loans and Advances to BFIs	(218,365,451)	(76,267,106)
Loans and Advances to Customers	(857,655,763)	(470,367,557)
Other Assets	(69,765,237)	(17,835,056)
Increase (Decrease) in Operating Liabilities		
Due to Banks and Financials Institutions	-	-
Due to Nepal Rastra Bank	-	-
Deposit from Customers	930,039,686	711,583,235
Borrowings	-	-
Other Liabilities	13,660,953	4,770,901
Net Cash Flow from Operating Activities before Tax Paid	(176,028,496)	123,976,205
Income Tax Paid	(13,669,318)	(3,141,597)
Net Cash Flow from Operating Activities	(189,697,814)	116,831,383
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investment Securities	(58,752,900)	905,228
Receipts from Sale of Investment Securities	42,022,051	-
Purchase of Property and Equipment	(12,685,343)	(122,684,066)
Receipts from Sale of Property and Equipment	-	-
Purchase of Intangible Assets	(862,686)	(1,221,530)
Purchase of Investment Properties	-	-
Receipts from Sale of Investment Properties	1,355,620	(27,112,397)
Interest Received	23,645,208	29,340,449
Dividend Received	-	-
Net Cash Used in Investing Activities	(5,278,050)	(120,772,316)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from Issue of Debt Securities	-	-
Repayments of Debt Securities	-	-
Receipts from Issue of Subordinated Liabilities	-	-
Repayments of Subordinated Liabilities	-	-
Receipt from Issue of Shares	-	51,419,143
Dividends Paid	-	(3,022,566)
Interest Paid	-	-
Other Receipts/Payments	(4,567,225)	(49,295,678)
Net Cash from Financing Activities	(4,567,225)	(899,101)
Net Increase (Decrease) in Cash and Cash Equivalents	(199,543,089)	15,660,287
Cash and Cash Equivalents at Shrawan 01	1,004,970,357	989,310,069
Effect of Exchange Rate fluctuations on Cash and Cash Equivalents Held	-	-
Cash and Cash Equivalents at Asadh 31, 2078	805,427,268	1,004,970,357

Sidhu Bikash Bank Limited
Statement of Changes in Equity
For the year ended 31 Asar 2078

Particulars	Bank										Non-Controlling Interest	Total Equity
	Attributable to Equity-Holders of the Bank											
	Share Capital	Share Premium	General Reserve	Exchange Equalisation	Fair Value Reserve	Regulatory Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total		
Balance at Shrawan 01, 2076	500,027,317	6,009,608	32,359,182	-	(2,603,292)	8,240,141	-	54,541,097	810,167	599,384,220	-	599,384,220
Comprehensive Income for the year												
Profit for the year								11,475,118		11,475,118		11,475,118
Other Comprehensive Income, Net of Tax												
Gains/(losses) from investment in equity instruments measured at fair value					1,001,900					1,001,900		1,001,900
Gains/(losses) on revaluation												
Actuarial gains/(losses) on defined benefit plans									1,121,565	1,121,565		1,121,565
Gains/(losses) on cash flow hedge												
Exchange gains/(losses)(arising from translating financial assets of foreign operation)												
Total Comprehensive Income for the year	-	-	-	-	1,001,900	-	-	11,475,118	1,121,565	13,598,583	-	13,598,583
Transfer to Reserves during the year			2,295,024			515,735,115		(5,916,397)	(1,532,361)	0		0
Transfer from Reserves during the year						(8,240,141)		8,240,141				
Transactions with Owners, directly recognized in Equity												
Share Issued												
Share Based Payments												
Dividend to Equity-Holders												
Bonus Shares Issued	57,428,750	(6,009,608)						(51,419,143)				
Cash Dividend Paid								(3,022,566)		(3,022,566)		(3,022,566)
Other												
Total Contributions by and Distributions	57,428,750	(6,009,608)	2,295,024	-	1,001,900	(3,086,406)	-	(40,642,846)	(410,796)	10,576,017	-	10,576,017
Balance at Asar 31, 2077	557,456,067	-	34,654,206	-	(1,601,392)	5,153,735	-	13,898,251	399,371	609,960,237	-	609,960,237
Balance at Shrawan 01, 2077	557,456,067	-	34,654,206	-	(1,601,392)	5,153,735	-	13,898,251	399,371	609,960,237	-	609,960,237
Comprehensive Income for the year												
Profit for the year								31,895,076		31,895,076		31,895,076
Other Comprehensive Income, Net of Tax												
Gains/(losses) from investment in equity instruments measured at fair value					(4,567,225)					(4,567,225)		(4,567,225)
Gains/(losses) on revaluation												
Actuarial gains/(losses) on defined benefit plans												
Gains/(losses) on cash flow hedge												
Exchange gains/(losses)(arising from translating financial assets of foreign operation)												
Total Comprehensive Income for the year	-	-	-	-	(4,567,225)	-	-	31,895,076	-	27,327,852	-	27,327,852
Transfer to Reserves during the year			6,379,015			23,608,656		(30,306,622)	318,951			
Transfer from Reserves during the year						(5,153,735)		5,341,654	(187,919)			
Transactions with Owners, directly recognized in Equity												
Share Issued												
Share Based Payments												
Dividend to Equity-Holders												
Bonus Shares Issued	-	-										
Cash Dividend Paid												
Other												
Total Contributions by and Distributions	-	-	6,379,015	-	(4,567,225)	18,454,920	-	6,930,109	131,032	27,327,852	-	27,327,852
Balance at Asar 31, 2078	557,456,067	-	41,033,221	-	(6,168,617)	23,608,656	-	20,828,360	530,403	637,288,089	-	637,288,089

Sindhu Bikash Bank Limited
Statement of Distributable Profit or Loss
For the year ended 31 Asadh 2078
(As per NRB Regulation)

Particulars	Bank Current Year
Net profit or (loss) as per statement of profit or loss	31,895,076
Opening Balance in Retained Earnings	13,898,251
Appropriations:	
a. General reserve	(6,379,015)
b. Foreign exchange fluctuation fund	-
c. Capital redemption reserve	-
d. Corporate social responsibility fund	(318,951)
e. Employees' training fund	-
f. Other	187,919.16
Profit or (loss) before regulatory adjustment	39,283,280
Transfer to regulatory reserve	23,608,656
Transfer from regulatory reserve	5,153,735
a. Interest receivable (-)/previous accrued interest received (+)	14,358,131
b. Short loan loss provision in accounts (-)/reversal (+)	-
c. Short provision for possible losses on investment (-)/reversal (+)	-
d. Short loan loss provision on Non Banking Assets (-)/resersal (+)	-
e. Deferred tax assets recognised (-)/ reversal (+)	4,683,300
f. Goodwill recognised (-)/ impairment of Goodwill (+)	-
g. Bargain purchase gain recognised (-)/resersal (+)	-
h. Acturial loss recognised (-)/reversal (+)	-
i. Other (+/-)	
- Fair Value Reserves	4,567,225
Distributable profit or (loss)	20,828,360

Notes to the Interim Financial Statements

1. Basis of Preparation

The interim financial statements of the Bank have been prepared on going concern basis and under historical conventions except where the standards require otherwise.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the period presented, unless otherwise stated as per carve out issued by Institute of Chartered Accountants of Nepal. The Bank has applied following carve out from carve out issued by Institute of Chartered Accountants of Nepal:

i. Calculation of Effective Interest rate

Transaction cost and fees incurred and received in obtaining deposits and lending to customers are not included in calculating the effective interest rate. Those costs and fees are not of material item and the effect of these will not materially differ in the original effective interest rate and recalculated effective interest rate.

ii. Incurred loss model to measure the Impairment Loss on Loans and advances.

Bank has separately calculated the impairment loss on loans and advances under incurred loss model. Bank has applied carve out which mandate for providing loss allowance for loans and advances as per the directive issued by Nepal Rastra Bank or NAS 39, whichever is higher.

Further, the financial statements have been prepared on accrual basis of accounting except the cash flow information which is prepared, on a cash basis, using the direct method.

2. Statement of Compliance with NFRS

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) 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.

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 Interim Financial Statement comprise of:

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

2.1 Reporting Period

Reporting Period is a period from the first day of Shrawan of any year to the last day of quarter end, i.e; Ashoj ,Poush, Chaitra and Ashadh as per Nepali calendar. The financial statement thus presented is for the fourth quarter of the fiscal year 2077/78 i.e. period from 1st Baishakh 2078 to Asadh end 2078.

2.2 Functional and Presentation Currency

The Financial Statements of the Bank are presented in Nepalese Rupees (Rs), which is the functional and presentation currency of the Bank. The figures are rounded to nearest integer, except otherwise indicated.

2.3 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 re-classified wherever necessary to conform to current period presentation. Further, audited Financials has been taken into consideration for Comparison purpose.

3. Use of Estimates, assumptions and judgments

The preparation of financial statements requires the management to make estimates and assumptions that are considered while reporting amounts of assets and liabilities (including contingent assets and liabilities) as of the date of the financial statements. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognized prospectively in current and future periods.

Information about assumptions and estimation that have a significant risk of resulting in a material adjustment within the next financial year are:

- Measurement of defined benefit obligations.
- Provisions, commitments and contingencies
- Determination of useful life of the property, plants and equipment.
- Assessment of the Bank's ability to continue as going concern.
- Determination of fair value of financial instruments; and property and equipment.
- Impairment of financial and non-financial assets.
- Assessment of current as well as deferred tax.
- Impairment on loans and advances (Higher of provision for loan loss calculated as per NRB and Impairment loss calculated as per NFRS as carve out issued by ICAN to be mandatorily implemented till carve out period)

4. Changes in accounting policies

The Bank has applied its accounting policies consistently from year to year except for some comparatives have been grouped or regrouped to facilitate comparison, corrections of errors and any deviations from the same have been explicitly mentioned.

5. Significant Accounting Policies

The accounting policies applied and method of computation followed in the preparation of the consolidated interim financial statement is in consistent with the accounting policies applied and method of computation followed in preparation of the annual financial statement.

5.1 Cash and Cash Equivalent

Cash and cash equivalents include cash in hand, balances with B/FIs, money at call & short notice and highly liquid financial assets with original maturities of three months or less from the acquisition dates

that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.

5.2 Financial Assets and Financial Liabilities

The Bank determines the classification of its financial instruments (assets and liabilities) at initial recognition. The classification of financial instruments is done as:

- Financial assets or liabilities held-for-trading
- Financial assets or liabilities held at fair value through profit or loss
- Financial Instruments measured at amortized cost
- Financial Investments at FVTOCI

8.2.1 Recognition

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

8.2.2 Classification

The classification of financial instruments at initial recognition depends on the purpose and the management’s intention for which the financial instruments are acquired and their characteristics.

a. Financial assets or liabilities held-for-trading

Financial assets / liabilities held for the purpose of selling in the short term and for which there is a recent pattern of short term profit taking. The Bank has not designated any financial assets and liabilities upon initial recognition as held for trading.

b. Financial assets or liabilities designated at fair value through profit or loss

Management designates an instrument at fair value through profit or loss upon initial recognition when the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis.

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

c. Financial Instruments measured at amortized cost

These financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. After initial measurement, such financial investments are subsequently measured at amortized cost using the Effective Interest Rate (EIR), less impairment. Amortized cost is generally calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR.

Included in this classification are loans and advances, treasury bills, government bonds and other debt securities.

d. Financial Assets and liabilities measured at fair value through other comprehensive income.

These investments include equity and debt securities. Equity investments classified as FVOCI are those which are neither classified as held-for-trading nor designated at fair value through profit

or loss. After initial measurement, such financial investments are subsequently measured at fair value.

8.2.3 Measurement

Initial Measurement

A financial asset or financial liability is measured initially at fair value plus, 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 uncollectability.

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.

8.2.4 Derecognition

Financial assets are derecognised when the right to receive cash flows from the assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Bank has retained control, the assets continue to be recognised to the extent of the Bank's continuing involvement. Financial liabilities are derecognised when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expired.

8.2.5 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 values are determined according to the following hierarchy as per NFRS 13:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The bank measures the fair value of an instrument using quoted prices in an active market if available. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transaction on arm's length basis.

Further, All unquoted equity investments are recorded at cost.

8.2.6 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when and only when Bank has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under NFRSs or for gains and losses arising from a group of similar transaction such as in trading activity.

8.2.7 Impairment of Financial Assets and liabilities

Loans & Advances: The Bank recognises impairment on loans and advances as the higher of the amount computed as per the norms prescribed by the Regulator and amount determined as per paragraph 63 of NAS -39.

Under the norms prescribed by the Regulator, impairment is provisioned from 0.25% to 100% of the outstanding balance depending on the categorization of the individual loans & advances.

For assessment of impairment under NAS 39, the Bank reviews its individually significant loans and advances at each statement of financial position date against pre-determined criteria to assess whether an impairment loss should be recorded in the income statement. The Bank has set the criteria of Significance for Individual Impairment as follows:

- i.** Top 50 Customers based on the amortized cost, outstanding as at year end date
- ii.** The loans those are overdue for more than 180 days as at year end date.

In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. All individually not significant loans and advances and those significant loans & advances not individually impaired are assessed collectively, in groups of assets with similar product nature (viz. Home Loan, Hire Purchase Loan, Short Term Loan, Term Loan and Personal Loan), to determine whether impairment need to be recognized due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilization, loan to collateral ratios, etc.), and judgments to the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

Financial investments at FVOCI:

For these financial investments, the Bank assesses at each reporting date whether there is objective evidence that an investment is impaired. The Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost.

In the case of equity investments, objective evidence would also include a ‘significant’ or ‘prolonged’ decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognized in other comprehensive income.

8.2.8 *Reversal of Impairment*

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

8.2.9 *Write-off of Financial Assets Carried At Amortized Cost*

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

8.2.10 *Collateral Valuation*

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

5.3 *Collateral Legally Repossessed or Where Properties have Devolved to the Bank*

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

These assets are shown as Legally Repossessed Collateral under “Other Assets.”

5.4 Trading Assets

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

5.5 NFRS Carve out

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.

5.6 Derivative financial Instruments:-

Bank does not have any Derivative financial Instruments

5.7 Property Plant and Equipment

5.7.1 Recognition

Property, plant and equipment are tangible items that are held for use in the production or supply of services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Bank applies the requirements of the Nepal Accounting Standard - NAS 16 (Property, Plant and Equipment) in accounting for these assets.

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably measured.

5.7.2 Measurement

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

5.7.3 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.

5.7.4 Revaluation Model

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

On revaluation of an asset, any increase in the carrying amount is recognized in ‘Other comprehensive income’ and accumulated in equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of Profit or Loss. In this circumstance, the increase is recognized as income to the extent of previous write down. Any decrease in the carrying amount is recognized as an expense in the Statement of Profit or Loss or debited to the Other Comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that asset.

The decrease recognized in other comprehensive income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

5.7.5 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.

5.7.6 Depreciation

Depreciation is calculated by using the written down value method on cost or valuation of the Property & Equipment other than freehold land and leasehold properties. Depreciation on leasehold properties is calculated by using the straight line method on cost or valuation of the property. The rates of depreciations are given below:

Rate of Depreciation per annum (%)

Asset Category	Current Year	Previous Year
Freehold Buildings	5%	5%
Motor Vehicles	15%	15%
Computer Equipment	25%	25%
Furniture, Office Equipment	15%	15%
Leasehold Properties	20%	20%

5.7.7 Changes in Estimates

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

5.7.8 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.

5.7.9 Borrowing Costs

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

5.7.10 De-recognition

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

5.8 Goodwill and Intangible Assets

5.8.1 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.

5.8.2 Computer Software & Licenses

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

5.8.3 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.

5.8.4 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.

5.8.5 De-recognition of Intangible Assets

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

5.9 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. Generally, it includes land, land and building acquired by the Bank as non-banking assets but not sold as on the reporting date. The Bank holds investment property that has been acquired through enforcement of security over the loans and advances.

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

Building situated at Charikot has been classified as investment property and accounted for under cost model, accordingly property is carried at cost less impairment losses i.e depreciation.

5.10 Income Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income. The Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

5.11 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.

5.12 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.

5.13 Deposits and liabilities

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

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.

5.14 Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking in to account the risks and uncertainties

surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows. A provision for onerous contracts is recognized when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Provision are not recognized for future operating losses.

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

5.15 Revenue Recognition

As per NAS 18 “Revenue” 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.

5.15.1 Interest Income

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

Similarly interest bearing financial assets classified as Fair value through Profit and loss Effective interest is not recognized on such instruments. As transaction cost on such instruments are directly recognized in the statement of Profit and loss.

Further, 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

5.15.2 Fee and Commission Income

Fees earned for the provision of services over a period of time are accrued over that period. These fees include Service fees, commission income.

Fees and other commission income are recognized on accrual basis.

5.15.3 Dividend Income

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

5.15.4 Net Trading Income

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

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

Trading assets such as equity shares and mutual fund are recognized at fair value through profit or loss. No other financial instrument are designated at fair value through profit or loss. The bank has no income under the heading net income from other financial instrument at fair value through profit or loss.

5.15.6 Interest Expense

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

5.15.7 Employee Benefits

Employee benefits include:

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

Short term employee benefits are measured on an undiscounted basis and are expenses as the related service is provided.

- Termination Benefits
- Other long term benefit
- Post-employment benefits, such as the following:

Defined Contribution Plans

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

Defined Benefit Plans

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

Gratuity

An actuarial valuation is carried out every year to ascertain the full liability under gratuity. The calculation is performed using project unit credit method. However actuarial valuation has not been done in quarterly financials and hence will be adjusted in Annual Financials.

Unutilized Accumulated Leave

Bank's liability towards the accumulated leave which is expected to be utilized beyond one year from the end of the reporting period is treated as other long term employee benefits. Bank's net obligation towards unutilized accumulated leave is calculated by discounting the amount of future benefit that employees have earned in return for their service in the current and prior periods to determine the present value of such benefits. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the 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. However actuarial valuation has not been done in quarterly financials and hence will be adjusted in Annual Financials.

5.16 Other Operating Expenses.

Other operating expenses are accounted on accrual basis and charged to the Statement of Profit and loss unless they are of capital nature.

5.17 Share capital and reserves

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

5.18 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.

6. Segment Reporting

As Per NFRS 8, an operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),

- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

Bank has identified reportable segment on basis of geographical area by the management for decision making purpose.

7. Events after Interim Period

The Bank monitors and assesses events that may have potential impact to qualify as adjusting and/or non-adjusting events after the end of the reporting period. All adjusting events are adjusted in the books with additional disclosures and non-adjusting material events are disclosed in the notes with possible financial impact, to the extent ascertainable.

There are no material events that have occurred subsequent to the reporting date till the publication of this interim financial statement.

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

No such change in composition has occurred.