Agricultural Development Bank Ltd.
कृषि विकास बैंक लिमिटेड
तपाईं हाम्रो घरआँगनको बैंक
SWIFT: ADBLNPKA

Interim Financial Statements
As on Chaitra End 2075

Agricultural Development Bank Limited
Condensed Consolidated Statement of Financial Position
As on Quarter ended 30th Chaitra 2075

	Group		Bank	
Assets	This Quarter Ending	Immediate Previous Year Ending	This Quarter Ending	Immediate Previous Year Ending
Cash and cash equivalent	14,944,724,025	11,227,588,232	14,944,541,144	11,227,273,792
Due from Nepal Rastra Bank	4,561,247,408	8,270,666,878	4,561,247,408	8,270,666,878
Placement with Bank and Financial Institutions	-	-	-	-
Derivative financial instruments	-	-	-	-
Other trading assets	-	-	-	-
Loan and advances to B/FIs	495,000,000	495,000,000	495,000,000	495,000,000
Loans and advances to customers	109,883,910,860	100,030,112,260	109,883,910,860	100,030,112,260
Investment securities	11,773,108,917	12,290,782,714	11,773,815,675	12,246,645,443
Current tax assets	199,333,952	-	309,657,635	-
Investment in susidiaries		-	28,840,000	28,840,000
Investment in associates	471,665,411	402,787,755	69,384,000	69,384,000
Investment property	249,405,276	240,313,081	249,405,276	240,313,081
Property and equipment	1,196,192,737	1,215,932,866	1,196,108,951	1,213,597,403
Goodwill and Intangible assets	73,640,645	50,011,726	73,640,645	50,011,726
Deferred tax assets	-	-		-
Other assets	1,320,853,818	1,550,164,940	1,313,568,542	1,547,770,105
Total Assets	145,169,083,049	135,773,360,453	144,899,120,135	135,419,614,688
Liabilities				
Due to Bank and Financial Instituions	200,262,472	551,886,896	200,262,472	551,886,896
Due to Nepal Rastra Bank	197,727,624	195,156,104	197,727,624	195,156,104
Derivative financial instruments	-	-		-
Deposits from customers	112,825,382,993	104,216,347,357	112,848,770,568	104,216,459,617
Borrowing	338,624,330	360,447,613	338,624,330	360,447,613
Current Tax Liabilities	-	246,011,850		156,230,258
Provisions	-	-		-
Deferred tax liabilities	116,866,597	139,362,454	116,866,597	139,362,454
Other liabilities	3,728,123,012	2,903,398,969	3,725,148,594	2,881,767,061
Debt securities issued	460,000,000	460,000,000	460,000,000	460,000,000
Subordinated Liabilities	-	-		-
Total liabilities	117,866,987,028	109,072,611,243	117,887,400,184	108,961,310,003
Equity				
Share capital	14,448,240,960	13,937,928,000	14,448,240,960	13,937,928,000
Share premium	-	-	-	-
Retained earnings	2,980,796,732	2,839,115,711	2,694,231,053	2,598,638,414
Reserves	9,869,247,938	9,921,738,272	9,869,247,938	9,921,738,272
Total equity attributable to equity holders	27,298,285,630	26,698,781,983	27,011,719,951	26,458,304,686
Non-controlling interest	3,810,391	1,967,228	-	-
Total equity	27,302,096,021	26,700,749,211	27,011,719,951	26,458,304,686
Total liabilities and equity	145,169,083,049	135,773,360,453	144,899,120,135	135,419,614,688

Agricultural Development Bank Limited
Condensed Consolidated Statement of Profit or Loss
For the Quarter ended 30th Chaitra 2075

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)
Interest income	3,734,895,140	11,004,740,912	3,199,647,630	9,576,772,153	3,737,067,469	11,011,982,830	3,199,594,631	9,576,613,157
Interest expense	2,005,765,395	5,708,710,684	1,660,853,484	5,161,385,181	2,006,277,449	5,709,987,944	1,660,853,484	5,161,385,181
Net interest income	1,729,129,746	5,296,030,229	1,538,741,147	4,415,386,972	1,730,790,020	5,301,994,886	1,538,741,147	4,415,227,976
Fee and commission income	125,374,108	275,217,423	81,652,276	234,226,098	125,374,108	275,217,423	81,652,276	234,226,098
Fee and commission expense	45,028	500,575	889,924	1,205,502	44,898	495,547	889,924	1,028,560
Net fee and commission income	125,329,080	274,716,848	80,762,352	233,020,596	125,329,210	274,721,876	80,762,352	233,197,538
Net interest, fee and commission income	1,854,458,826	5,570,747,077	1,619,503,499	4,648,407,568	1,856,119,230	5,576,716,762	1,619,503,499	4,648,425,514
Net trading income	83,269,326	257,968,015	36,719,903	125,726,317	83,269,326	257,968,015	36,719,903	125,726,317
Other operating income	163,647,791	520,334,378	328,074,645	690,834,910	163,623,573	520,278,864	328,074,645	690,834,695
Total operating income	2,101,375,943	6,349,049,470	1,984,298,046	5,464,968,795	2,103,012,129	6,354,963,642	1,984,298,046	5,464,986,526
Impairment charge/(reversal) for loans and other losses	39,538,408	540,776,612	(74,221,586)	84,500,689	39,538,408	540,776,612	(74,221,586)	84,500,689
Net operating income	2,061,837,535	5,808,272,859	2,058,519,632	5,380,468,106	2,063,473,720	5,814,187,030	2,058,519,632	5,380,485,837
Operating expense			-	-				
Personnel expenses	831,908,216	2,347,193,725	1,003,347,154	2,534,291,183	831,508,471	2,346,076,168	1,002,586,968	2,532,133,307
Other operating expenses	210,364,769	579,900,855	174,069,787	481,407,189	210,267,779	579,305,709	173,951,793	481,087,446
Depreciation & Amortisation	38,274,448	119,610,842	33,007,847	98,972,896	38,268,093	119,591,778	32,982,525	98,947,574
Operating Profit	981,290,102	2,761,567,437	848,094,844	2,265,796,837	983,429,377	2,769,213,375	848,998,346	2,268,317,510
Non operating income	337,167,902	423,048,367	42,715,339	218,545,437	313,652,710	346,928,793	19,200,686	157,288,224
Non operating expense	-	-	25,639	55,639	-	-	25,639	55,639
Profit before income tax	1,318,458,004	3,184,615,804	890,784,544	2,484,286,635	1,297,082,087	3,116,142,168	868,173,392	2,425,550,094
Income tax expense	382,774,500	924,557,109	231,624,968	645,973,055	376,292,744	904,015,019	224,905,092	628,352,093
Current Tax	382,774,500	924,557,109	231,624,968	645,973,055	376,292,744	904,015,019	224,905,092	628,352,093
Deferred Tax	-	-	-	-	-	-	-	-
Profit/(loss) for the period	935,683,504	2,260,058,694	659,159,576	1,838,313,580	920,789,343	2,212,127,150	643,268,300	1,797,198,001

Agricultural Development Bank Limited
Statement of Comprehensive Income
For the period ended 30th Chaitra 2075

	Note	Group				Bank			
		Current Year		Previous Year		Current Year		Previous Year	
		This Quarter	Up to This Quarter	This Quarter	Up to This Quarter	This Quarter	Up to This Quarter	This Quarter	Up to This Quarter
Profit For the Period		935,683,504	2,260,058,694	659,159,576	1,838,313,580	920,789,343	2,212,127,150	643,268,300	1,797,198,001
Other comprehensive income									
a) Item that will not be reclassified to profit or loss									
Gains/(losses) from investments in equity instruments measured at fair value		78,739,086	(74,986,192)	(54,588,055)	(117,094,310)	78,739,086	(74,986,192)	(54,588,055)	(117,094,310)
Gains/(losses) on revaluation									
Actuarial gains/(losses) on defined benefit plans									
Income tax relating to above items		(23,621,726)	22,495,858	16,376,417	35,128,293	(23,621,726)	22,495,858	16,376,417	35,128,293
Net other comprehensive income that will not be reclassified to profit or loss		**55,117,360**	**(52,490,334)**	**(38,211,639)**	**(81,966,017)**	**55,117,360**	**(52,490,334)**	**(38,211,639)**	**(81,966,017)**
b) Item that are or may be reclassified to profit or loss									
Gairns/(losses) on cash flow hedge									
Exchange gains/(losses) (arising from translating financial assets of foreign operation)									
Income tax relating to above items									
Net other comprehensive income that are or may be reclassified to profit or loss		-	-	-	-	-	-	-	-
c) Share of other comprehensive income of associate accounted as per equity method									
Other comprehensive income for the period, net of income tax		**55,117,360**	**(52,490,334)**	**(38,211,639)**	**(81,966,017)**	**55,117,360**	**(52,490,334)**	**(38,211,639)**	**(81,966,017)**
Total comprehensive income for the period		**990,800,864**	**2,207,568,360**	**620,947,937**	**1,756,347,563**	**975,906,703**	**2,159,636,815**	**605,056,661**	**1,715,231,984**
Total comprehensive income attributable to:									
Equity holders of the Bank		990,781,329	2,205,725,197	621,008,421	1,756,526,822	975,906,703	2,159,636,815	605,056,661	1,715,231,984
Non-controlling interest		19,535	1,843,163	(60,484)	(179,259)	-	-	-	-
Total		990,800,864	2,207,568,360	620,947,937	1,756,347,563	975,906,703	2,159,636,815	605,056,661	1,715,231,984
Earning Per Share									
Basic Earning Per Share		9.47	22.36	6.41	17.68	9.31	21.83	6.23	17.22
Annualized Basic Earning Per Share		37.90	29.81	25.63	23.57	37.24	29.10	24.92	22.96
Diluted Earning Per Share		37.90	29.81	25.63	23.57	37.24	29.10	24.92	22.96

Ratios as per NRB Directive

Particulars	Group				Bank			
	Current Year		Corresponing Previous Year		Current Year		Corresponding Previous Year	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Capital Fund to RWA	19.74%	19.74%	20.76%	20.76%	19.74%	19.74%	20.76%	20.76%
Non-Performing loan (NPL) to total Loan	4.22%	4.22%	5.98%	5.98%	4.22%	4.22%	5.98%	5.98%
Total Loan Loss Provision to Total NPL	85.30%	85.30%	128.35%	128.35%	85.30%	85.30%	128.35%	128.35%
Cost of Funds	7.36%	7.36%	7.15%	7.15%	7.36%	7.36%	7.15%	7.15%
Credit to Deposit Ratio	78.29%	78.29%	79.13%	79.13%	78.29%	78.29%	79.13%	79.13%
Base Rate	11.16%	11.16%	12.72%	12.72%	11.16%	11.16%	12.72%	12.72%
Interest Rate Spread	5.20%	5.20%	5.61%	5.61%	5.20%	5.20%	5.61%	5.61%

Other Ratios

P/E Ratio						10.82		13.88
Networth Per Share						236.64		210.53
Liquidity Ratio						26.17%		23.01%

Agricultural Development Bank Limited

Condensed Consolidated Statement of changes in equity

For the period ended 30 Chaitra 2075

Group

Amount in NPR

	Attributable to equity holders of the Bank											
	Share Capital	**Share premium**	**General reserve**	**Exchange equalisation reserve**	**Regulatory reserve**	**Fair value reserve**	**Revaluation reserve**	**Retained earning**	**Other reserve**	**Total**	**Non-controlling interest**	**Total equity**
Balance at Sawan 1, 2074	**12,520,392,000**	**540,826,597**	**5,392,136,575**	**106,685,490**	**-**	**142,480,632**	**-**	**3,584,313,479**	**1,479,455,727**	**23,766,290,500**	**2,320,756**	**23,768,611,256**
Profit for the Period								1,838,492,839	-	1,838,492,839	(179,259)	1,838,313,580
Other comprehensive income	-	-	-	-	-	(81,966,017)	-	-	-	(81,966,017)	-	(81,966,017)
Total comprehensive income	-	-	-	-	-	(81,966,017)	-	1,838,492,839	-	1,756,526,822	(179,259)	1,756,347,563
Transactions with owners, directly recognised in equity									-	-		-
Share issued									-	-		-
Share based payments									-	-		-
Dividends to equity holders									-	-		-
Bonus shares issued	1,417,536,000	(540,826,597)						(876,709,403)	-	-		-
Cash dividend paid								(400,569,878)	-	(400,569,878)		(400,569,878)
Other									-	-		-
Total contributions by and distributions	1,417,536,000	(540,826,597)	-	-	-	-	-	(1,277,279,281)	-	(400,569,878)	-	(400,569,878)
Balance at Chaitra End, 2074	**13,937,928,000**	**-**	**5,392,136,575**	**106,685,490**	**-**	**60,514,615**	**-**	**4,145,527,038**	**1,479,455,727**	**25,122,247,444**	**2,141,496**	**25,124,388,941**
Balance at Sawan 1, 2075	**13,937,928,000**	**-**	**6,080,601,334**	**109,048,240**	**1,768,019,550**	**352,404,910**	**-**	**2,839,115,711**	**1,611,664,238**	**26,698,781,983**	**1,967,228**	**26,700,749,211**
Profit for the Period								2,258,215,532		2,258,215,532	1,843,163	2,260,058,694
Other comprehensive income	-	-	-	-	-	(52,490,334)	-	-	-	(52,490,334)	-	(52,490,334)
Gain/(Losses) from investment in equity instruments measured at Fair Value						(52,490,334)				(52,490,334)		(52,490,334)
Gain/(losses) on revaluation										-		-
Acturial gain/(losses) on defined benefit plan										-		-
Gain/(losses) on cash flow hedge										-		-
Exchange gain/(losses) (arising from translating financial assets of foreign operation)										-		-
Total comprehensive income	-	-	-	-	-	(52,490,334)	-	2,258,215,532	-	2,205,725,197	1,843,163	2,207,568,360
Contributions from and distributions to owners										-		-
Share issued										-		-
Share based payments										-		-
Dividends to equity holders										-		-
Bonus shares issued	510,312,960							(510,312,960)		-		-
Cash dividend paid								(1,606,221,550)		(1,606,221,550)		(1,606,221,550)
Other										-		-
Total contributions by and distributions	**510,312,960**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,116,534,510)**	**-**	**(1,606,221,550)**	**-**	**(1,606,221,550)**
Balance at Chaitra end 2075	**14,448,240,960**	**-**	**6,080,601,334**	**109,048,240**	**1,768,019,550**	**299,914,575**	**-**	**2,980,796,732**	**1,611,664,238**	**27,298,285,630**	**3,810,391**	**27,302,096,021**

Agricultural Development Bank Limited
Condensed Consolidated Statement of changes in equity
For the period ended 30 Chaitra 2075

Bank

Amount in NPR

	Attributable to equity holders of the Bank											
	Share Capital	**Share premium**	**General reserve**	**Exchange equalisation reserve**	**Regulatory reserve**	**Fair value reserve**	**Revaluation reserve**	**Retained earning**	**Other reserve**	**Total**	**Non-controlling interest**	**Total equity**
Balance at Sawan 1, 2074	**12,520,392,000**	**540,826,597**	**5,392,136,575**	**106,685,490**	**-**	**142,480,632**	**-**	**3,412,354,677**	**1,479,455,727**	**23,594,331,698**	**-**	**23,594,331,698**
Profit for the period								1,797,198,001	-	1,797,198,001	-	**1,797,198,001**
Other comprehensive income	-	-	-	-	-	(81,966,017)	-	-	-	(81,966,017)	-	**(81,966,017)**
Gain/(Losses) from investment in equity instruments measured at Fair Value						(81,966,017)			-	(81,966,017)		**(81,966,017)**
Gain/(losses) on revaluation									-	-		**-**
Acturial gain/(losses) on defined benefit plan									-	-		**-**
Gain/(losses) on cash flow hedge									-	-		**-**
Exchange gain/(losses) (arising from translating financial assets of foreign operation)									-	-		**-**
Total comprehensive income	-	-	-	-	-	(81,966,017)	-	1,797,198,001	-	1,715,231,984	-	**1,715,231,984**
Contributions from and distributions to owners									-	-		**-**
Share issued									-	-		**-**
Share based payments									-	-		**-**
Dividends to equity holders									-	-		**-**
Bonus shares issued	1,417,536,000	(540,826,597)						(876,709,403)	-	-		**-**
Cash dividend paid								(400,569,878)	-	(400,569,878)		**(400,569,878)**
Other									-	-		**-**
Total contributions by and distributions	1,417,536,000	(540,826,597)	-	-	-	-	-	(1,277,279,281)	-	(400,569,878)	-	**(400,569,878)**
Balance at Chitra End 2074	**13,937,928,000**	**-**	**5,392,136,575**	**106,685,490**	**-**	**60,514,615**	**-**	**3,932,273,397**	**1,479,455,727**	**24,908,993,804**	**-**	**24,908,993,804**
										-		
Balance at Sawan 1, 2075	**13,937,928,000**	**-**	**6,080,601,334**	**109,048,240**	**1,768,019,550**	**352,404,910**	**-**	**2,598,638,414**	**1,611,664,238**	**26,458,304,686**	**-**	**26,458,304,686**
Profit for the period								2,212,127,150		2,212,127,150	-	**2,212,127,150**
Other comprehensive income	-	-	-	-	-	(52,490,334)	-	-	-	(52,490,334)	-	**(52,490,334)**
Gain/(Losses) from investment in equity instruments measured at Fair Value						(52,490,334)		-		(52,490,334)		**(52,490,334)**
Gain/(losses) on revaluation										-		**-**
Acturial gain/(losses) on defined benefit plan										-		**-**
Gain/(losses) on cash flow hedge										-		**-**
Exchange gain/(losses) (arising from translating financial assets of foreign operation)										-		**-**
Total comprehensive income for the Period	-	-	-	-	-	(52,490,334)	-	2,212,127,150	-	2,159,636,815	-	**2,159,636,815**
Contributions from and distributions to owners										-		**-**
Share issued										-		**-**
Share based payments										-		**-**
Dividends to equity holders										-		**-**
Bonus shares issued	510,312,960							(510,312,960)		-		**-**
Cash dividend paid								(1,606,221,550)		(1,606,221,550)		**(1,606,221,550)**
Other										-		**-**
Total contributions by and distributions	**510,312,960**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,116,534,510)**	**-**	**(1,606,221,550)**	**-**	**(1,606,221,550)**
Balance at Chaitra end 2075	**14,448,240,960**	**-**	**6,080,601,334**	**109,048,240**	**1,768,019,550**	**299,914,575**	**-**	**2,694,231,053**	**1,611,664,238**	**27,011,719,951**	**-**	**27,011,719,951**

Agricultural Development Bank Limited
Condensed Consolidated Statement of cash flows
For the period ended 30 Chaitra 2075

Amount in NPR

	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	10,639,828,220	9,469,013,308	10,647,070,138	9,468,854,313
Fees and other income received	275,217,423	234,226,098	275,217,423	234,226,098
Dividend received	14,649,700	24,196,868	14,649,700	24,196,868
Receipts from other operating activities	1,117,823,405	949,652,582	1,110,525,973	949,652,367
Interest paid	(5,708,710,684)	(5,161,385,181)	(5,709,987,944)	(5,161,385,181)
Commission and fees paid	(500,575)	(1,205,502)	(495,547)	(1,028,560)
Cash payment to employees	(2,292,466,044)	(2,788,627,355)	(2,291,348,487)	(2,786,469,479)
Other expense paid	(579,900,855)	(481,462,829)	(579,305,709)	(481,143,086)
Operating cash flows before changes in operating assets and liabilities	**3,465,940,589**	**2,244,407,990**	**3,466,325,546**	**2,246,903,341**
(Increase)/Decrease in operating assets				
Due from Nepal Rastra Bank	3,709,419,471	4,923,083,060	3,709,419,471	4,923,083,060
Placement with bank and financial institutions	-	2,500,000	-	
Other trading assets	-		-	
Loan and advances to bank and financial institutions	-	-	-	-
Loans and advances to customers	(10,038,754,714)	(6,732,131,507)	(10,038,754,714)	(6,732,131,507)
Other assets	229,311,122	(2,409,231,093)	234,201,563	(2,407,229,897)
	(6,100,024,121)	**(4,215,779,540)**	**(6,095,133,680)**	**(4,216,278,344)**
Increase/(Decrease) in operating liabilities				
Due to bank and financial institutions	(351,624,424)	(78,154,854)	(351,624,424)	(78,154,854)
Due to Nepal Rastra Bank	2,571,520	(3,994,170)	2,571,520	(3,994,170)
Deposit from customers	8,609,035,637	(2,308,897,897)	8,632,310,951	(2,309,468,264)
Borrowings	(21,823,283)	(51,806,083)	(21,823,283)	(51,806,083)
Other liabilities	769,996,363	1,559,387,917	788,653,852	1,542,298,350
Net cash flow from operating activities before tax paid	**6,374,072,280**	**(2,854,836,637)**	**6,421,280,482**	**(2,870,500,023)**
Income taxes paid	(1,369,902,912)	(797,483,681)	(1,369,902,912)	(797,483,681)
Net cash flow from operating activities	**5,004,169,368**	**(3,652,320,318)**	**5,051,377,570**	**(3,667,983,704)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities		(17,697,200)		
Receipts from sale of investment securities	442,687,606	1,678,823,716	397,843,576	1,678,823,716
Purchase of property and equipment	(102,103,326)	(193,474,416)	(102,103,326)	(193,474,416)
Receipt from the sale of property and equipment	2,232,614	2,120,425		
Purchase of intangible assets	(23,628,918)	(50,843,537)	(23,628,918)	(50,843,537)
Receipt from the sale of intangible assets				
Purchase of investment properties				
Receipt from the sale of investment properties				
Interest received				
Dividend received				
Net cash used in investing activities	319,187,976	1,418,928,987	272,111,332	1,434,505,762
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipt from issue of debt securities				
Repayment of debt securities				
Receipt from issue of subordinated liabilities				
Repayment of subordinated liabilities				
Receipt from issue of shares				
Dividends paid	(1,606,221,550)	(400,569,878)	(1,606,221,550)	(400,569,878)
Interest paid				
Other receipt/payment				
Net cash from financing activities	**(1,606,221,550)**	**(400,569,878)**	**(1,606,221,550)**	**(400,569,878)**
Net increase (decrease) in cash and cash equivalents	3,717,135,794	(2,633,961,209)	3,717,267,352	(2,634,047,820)
Cash and cash equivalents at Sawan 1, 2075	11,227,588,232	12,254,031,124	11,227,273,792	12,252,208,074
Effect of exchange rate fluctuations on cash and cash equivalents held				
Cash and cash equivalents at Chaitra end 2075	**14,944,724,025**	**9,620,069,916**	**14,944,541,144**	**9,618,160,255**

Agricultural Development Bank Limited

Notes to Interim Financial Statements

1. Basis of Preparation

The interim condensed financial statements prepared for the third quarter of current FY 2075/76 ending 13 April 2019 (Chaitra 30, 2075)are presented in accordance with Nepal Accounting Standard -NAS 34 on "Interim Financial Reporting"published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN).These interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended 16 July 2018(Asadh 32, 2075). In order to conform to better presentation, previous year figures and phrases have been adjusted where relevant.

The disclosures made in this interim financial report have been limited based on the format prescribed by Nepal Rastra Bank through NRB circular 19 dated Falgun 14, 2075 (Ref No: Bai.Bi.Ni.Bi/Niti/Paripatra/ka kha ga/19/075/76).

1.1. Reporting Period and Approval of Financial Statements

Reporting Period is a period from the first day of Shrawan (mid July) of any year to the last day of quarter end, i.e; Ashoj (mid October),Poush (mid January), Chaitra (mid April), Ashad (mid July)as per Nepali calendar
Bank's management approves these quarterly interim financial statements which are reviewed by its internal audit department.

1.2. Functional and Presentation Currency

These consolidated financial statements are presented in Nepalese Rupees (NPR), which is both the bank's functional and presentation currency. All amounts have been rounded to the nearest rupee, except when otherwise indicated.

2. Statement of Compliance with NFRS

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

3. Use of Estimates, Assumptions and Judgments

The preparation of interim financial statements in conformity with NFRSs requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual result may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information about significant areas of estimates, uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are:

- Key assumptions used in discounted cash flow projections
- Measurement of defined benefit obligations
- Provisions and contingencies
- Determination of net realizable value
- Determination of useful life of the property, plants and equipment
- Determination of capitalization value and useful life of the intangible assets

4. Changes in Accounting Policies

There are no changes in accounting policies and methods of computation since the publication of annual financial statements for the year ended 16 July 2018.

5. Significant Accounting Policies

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

5.1 Basis of Measurement

Assets and Liabilities are measured at historic cost and income and expenses are recognized on accrual basis unless otherwise stated. Financial Assets and Liabilities are measured primarily at either amortized cost or Fair value. Basis of measurement further depends on classification of financial assets and liabilities.

5.2 Basis of Consolidation

5.2.1 Business Combination

During the reporting period, no business was acquired.

5.2.2 Non-Controlling Interest

The Bank presents non-controlling interests in its consolidated statement of financial position within equity, separately from the equity of the owners of the Bank. The Bank attributes the profit or loss and each component of other comprehensive income to the owners of the Bank and to the non-controlling interests. The proportion allocated to the Bank and non-controlling interests are determined on the basis of present ownership interests.

The Bank also attributes total comprehensive income to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

5.2.3 Subsidiaries

Subsidiaries are the entities controlled by bank. Bank controls the entity if it has right to variable returns from its involvement with the entity and has ability to affect those returns through its power over the entity.

The financial statements of Subsidiaries are fully consolidated from the date on which control is transferred to the Bank and continue to be consolidated until the date when such control ceases. The financial statements of the Bank's Subsidiaries are prepared for the same reporting period as per the Bank, using consistent accounting policies.

The acquired identifiable assets, liabilities are measured at their cost at the date of acquisition. After the initial measurement, the Bank continues to recognize the investments in subsidiaries at cost.

5.2.4 Loss of Control

Bank reassess whether it has control if there are changes to one or more elements of control. Changes in bank's interest in subsidiary that do not result in loss of control are accounted as equity transaction.

5.2.5 Special Purpose Entity (SPE)

No such entities exist.

5.2.6 Transaction elimination on consolidation

In consolidating a subsidiary, the Bank eliminates full intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the subsidiary and the bank (profits or losses resulting from intra-group transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full).

During the reporting period, no transactions were made between the parent and subsidiaries. A sum of Rs. 500,000,000 loan was provided to its associate at the previous year-end and group's share was eliminated on the same.

5.3 Cash and Cash Equivalent

Cash and cash equivalents include bank notes and coins in hand, unrestricted balances held with banks 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 licensed institution in management of its short term commitments.

5.4 Financial assets and Financial Liabilities

5.4.1 Recognition

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

The classification of financial instruments at the initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instruments except in the case of such financial assets and liabilities at fair value through profit or loss, as per the Nepal Accounting Standard - NAS 39 (Financial Instruments: Recognition and Measurement). Transaction costs in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with the Statement of Profit or Loss.

5.4.2 Classification-Financial Assets

Bank classifies it based on its business model for managing the asset and the asset's contractual cash flow characteristics, as follows:

- **Amortized Cost**—a financial asset is 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.
- **Fair Value through Other Comprehensive Income**—financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
- **Fair Value through Profit or Loss**—any financial assets that are not held in one of the two business models mentioned is measured at fair value through profit or loss.

  When and only when, an entity changes its business model for managing financial assets it must reclassify all affected financial assets.

5.4.2 Classification-Financial liabilities

All financial liabilities are measured at amortized cost, except for financial liabilities at fair value through profit or loss. Such liabilities include derivatives (other than derivatives that are financial guarantee contracts or are designated and effective hedging instruments), other liabilities held for trading, and liabilities that an entity designates to be measured at fair value through profit or loss.

5.4.3 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.

5.4.4 De-recognition- Financial Assets

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

On de-recognition of a financial assets, the difference between the carrying amount of the assets (or the carrying amount allocated to the portion of the assets derecognized) and the sum of (i) the consideration received (including any new assets obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in income or expenditure. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the bank is recognized as a separate assets or liability.

5.4.5 De recognition- 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 de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in Statement of Profit or Loss.

5.4.6 Determination of Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability 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 Investment in Promoter shares of a Company which are listed but not actively traded is valued at lower of last traded price or market price of its ordinary shares.

5.4.7 Impairment

Financial assets

At each reporting date the bank assesses the objective evidence that a financial asset or group of financial assets is impaired or not. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated.

Bank has measured impairment loss on loan and advance to customer as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for Loan Loss provisioning and amount determined as per Para 63 of NAS 39 and shall apply impairment Para 63 of NAS 39 to measure the impairment loss on Financial assets other than Loan and advances.

Additional details of disclosure regarding impairment is presented in 5.11

Bank uses carve- outs as mentioned in 13 below.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower
- Default in making due on due date
- breach of contract, such as default or delinquency by a borrower
- the bank, for economic or legal reasons relating to the financial difficulties, grant to the borrower a concession that the lender would not otherwise consider
- indication that a borrower will enter bankruptcy;
- disappearance of an active market for a security; or
- Observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group or economic conditions that correlate with defaults in the group.

The amount of loss is measured as the difference between the asset's carrying amount and amount the management considers it as recoverable on the basis of financial position of the borrower or issuer and appropriate estimation made by the management. Appropriate provisions for possible losses on investments in shares, fixed deposits; and loans and advances have been made. Receivables considered as bad and irrecoverable are written off from the books of account and directly charged to Statement of comprehensive income. In addition, for an investment in an unquoted equity security, a significant or prolonged decline in its book value is objective evidence of impairment.

Individual Assessment of Impairment

Bank assess whether objective evidence of impairment exists individually that is significant. An individual measurement of impairment is based on management's best estimate of the present value of cash flows that are expected to be received. In estimating these cash flows, management made judgments about debtor's financial position and net realizable value of any underlying collateral. Bank considers individual impairment is not significant (Very low average loan size) and cost might exceed the benefit and so individual impairment was not done.

Collective Assessment of Impairment

Loan and advances is classified on homogenous loans group and impairment is calculated using statistical method/tool. For small portfolios a formula based approach based on historical loss rate experience has been taken. Loan that is overdue for more than 360 days after Default in making payment (Principal or interest or part thereof) is considered as objective evidence that loan is impaired. Impairment allowance is provided based on management internally generated tools. Management estimated that present terms and condition of loan and advance could be continued. Impairment is provided as ratio of overdue amount for more than 360 days in proportion to total exposure.

5.4.8 Write off

Bank writes off loan or investment either partially or in full and related allowance for impairment losses when it determined that there will be no realistic prospect of recovery.

Non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost and value in use. An impairment loss is recognized in Statement of profit and loss. Provisions against impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Changes in the provisions are recognized as income/expense in the statement of comprehensive income.

No impairment loss is recognized during this year.

5.5 Trading Assets

Trading assets are those assets that the bank acquires principally for the purpose of selling in the near term, or holds as part of a portfolio that is managed together for short-term profit .Trading assets are initially recognized and subsequently measured at fair value in the statement of financial position with transactions cost recognized in income and expenditure. All changes in the fair value are recognized as part of the net trading income in income and expenditure.

5.6 Derivative Assets and Derivative Liabilities

At reporting date, the bank's outstanding contract for a non-deliverable forward contract liability (NDF) was of Rs. 5,896,260,000.00. The bank has a policy to maintain a square-off position on such derivative contracts.

5.7 Property Plant and Equipment

5.7.1 Recognition and measurement

Property, Plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price including non-refundable duties and taxes; and any directly attributable cost incurred in bringing the asset to their present location and condition necessary for it to be capable of operating in the manner intended by the management but excluding trade discounts and rebates. Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow in to the Bank. Ongoing repair and maintenance are expensed as incurred. If significant part of an item of Property, Plant or equipment has different useful lives, then they are accounted for as separate items (major components) of Property, Plant and equipment.

Any gain or loss on disposal of an item of Property, Plant and equipment (calculated as the difference between the net proceeds from disposal and carrying amount of the items) is recognized within other income in Statement of profit and Loss Account.

5.7.2 Depreciation

Land is not depreciated. All other property, plant and equipment are depreciated from the date they are available for use or in respect of self-constructed assets, from the date that the construction is completed and ready for use. Depreciation is charged on straight-line method over the estimated useful life of property, plant and equipment. Useful lives and residual values are reviewed on each reporting date and adjusted if required.

Class of assets	Estimated useful life
Building	50 years
Office Equipment	10 years
Fixtures and fittings	10 years
Computers	5 years
Vehicles	above 6yrs
Others	10 years

5.7.3 Assets Received in Grant

In order to fair present the grant assets' economic benefits over its useful lives, non-current assets acquired under the government grant is recognized as "Grant Assets" and included under respective head of property, plant and equipment with corresponding credit to "Deferred Grant Income" under the head of Other Liabilities.

5.8 Goodwill and Intangible assets

Banking Software

Intangible assets include software purchased by the bank. The intangible assets that are acquired by the bank and have definite useful lives are measured at cost less accumulated amortization and any impairment losses. Costs incurred in the ongoing maintenance of software are expensed immediately as incurred. Subsequent cost on software is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Bank has a policy to amortize banking software at 20% on straight line basis.

Other Intangibles

Other Intangibles are recognized at cost and subsequently amortized at 20% on straight line basis.

5.9 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, used in the supply of services or for administrative purpose. Investment property is measured initially at cost. After initial recognition investment property shall be measured at its cost (NAS16 Property Plant and Equipment) less any accumulated depreciation and any accumulated impairment unless the investment property meets the criteria to be classified as held for sale as per (NFRS 5) Non-current Assets held for sale. Investment property includes land, land and building acquired as non-banking assets by bank but not sold. On reclassification into Property and Equipment, its carrying value or recoverable value whichever is lower is considered as its cost for subsequent accounting.

5.10 Income Tax

Income Tax expense comprises of current and deferred tax. It is recognized in Profit or loss except to the extent that relate to items recognized directly in equity or in other comprehensive income (OCI). 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.

5.10.1 Current Tax

Current tax comprises of expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the payable or receivable in respect to previous years. Current tax is measured using tax rate enacted or subsequently enacted at the reporting date.

5.10.2 Deferred Tax

Deferred tax is recognized in respect of temporary difference between the carrying amount of assets and liabilities in the financial statements and the tax base of these assets and liabilities as per the legislation. Deferredh tax is measured using tax rate enacted or subsequently enacted at the reporting date.

5.11 Deposits, Debt Securities Issued and Subordinated Liabilities

Deposits and borrowings are the source of funds of the bank in addition to its reserves. These are initially measured at fair value minus direct transaction cost and subsequently measured at amortized cost using the effective interest method, except where the bank designates liabilities at fair value through profit or loss.

Subordinated Liabilities

These are the liabilities subordinated, at the event of winding up, to claims of depositors, debt Securities issued and other creditors. It shall include redeemable preference shares, subordinated notes issued, borrowings etc.

5.12 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. Provisions are determined by discounting (in case of non-current) the expected future cash flows at the pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

5.13 Revenue Recognition

5.13.1 Interest income

Interest income/expenses are recognized in Profit or Loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipt, or payment through expected life of the financial instrument or where appropriate a shorter period. While calculating the effective interest rate, the bank estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses. The calculation includes all amount paid or received by the bank that are an integral part of the effective interest rate of the financial instrument, including the transaction costs and other premium or discounts.

Bank uses ASB carve- outs as mentioned in 13 below and treats coupon rate as effective interest rate.

Interest due from loans and advances to customer for the period of 5 year or more has been considered as not probable of flow of economic benefits to bank and hence revenue is not recognized.

5.13.2 Fees and Commission Income

5.13.3 Dividend Income

Dividend income is recognized when the right to receive is established. A right to receive is considered to have been established when the entity makes a formal announcement for dividend declaration.

5.13.4 Net Trading Income

Net trading income comprises gains less losses relating to trading assets and liabilities and includes all realized and unrealized fair value changes, and net income from financial instruments designated at fair value through profit or Loss. All gains and losses from the changes in the fair value of financial assets and liabilities designated at fair value are recognized through profit and loss. Interest income and expenses and dividend income arising on these financial instruments are also included, except for interest arising from debt securities issued by the bank, and derivatives managed in conjunction with those debt securities which is recognized in Interest expense.

5.13.5 Net income from other financial instrument at fair value through profit or loss

Net income from other financial instrument at fair value through profit and loss related to non-trading derivatives held for risk management purposes that do not form part of the qualifying hedge relationships are recognized through profit or loss. It includes realized and unrealized fair value changes, interest, and dividend income and foreign exchange differences.

5.14 Interest Expenses

Interest expense is recognized in Profit or Loss using the effective interest method. The effective interest rate is the rates that exactly discount estimated future cash payment through expected life of the financial instrument or where appropriate a shorter period, to the net carrying amount of the financial liability. While calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but excluding future credit gains. The calculation includes all amount paid by the bank that are an integral part of the effective interest rate of the financial instrument, including the transaction costs and other premium or discounts.

Bank uses ASB carve- outs as mentioned in 13 below and treat coupon rate as effective interest rate.

5.15 Employee Benefits

5.15.1 Defined contribution plan and Defined Benefit Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays a fixed contribution to a separate entity and has no legal or constructive obligation to pay future amounts. Obligations for contributions to defined contribution plans are recognized as employee benefit expense in profit or loss in the periods during which the related service are rendered by employees. Pre-paid contributions are recognized as an asset to the extent that cash refund or reduction in future payments is available. Contributions to a defined contribution plan being due for more than 12 months after the end of the period in which the employee render the service are discounted at their present value.

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

1) Defined Contribution Plan: All permanent employees are entitled for participation in employee Provident Fund (Retirement Fund) wherein the employees contribute at 10 percent of their current basic salaries. The bank contributes 10% of basic salary to this fund, which is separately administered as a defined contribution plan as per Bank Staff By-Law. The bank's obligations for contributions to the above fund are recognized as an expense in Statement of profit or loss as the related services are rendered.

2) Defined Benefit Plan: A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The bank’s net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods. That benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on corporate bonds, that have maturity dates approximating the terms of the bank's obligation and that are denominated in the currency in which the benefits are expected to be paid.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. The bank recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefits plans in employee benefit are expensed in profit and loss account. When the calculation results in a potential assets for the group, the recognized assets is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits consideration is given to any applicable minimum funding requirements.

Measurements of the net defined benefit liability comprise actuarial gains and losses. The return on plan assets (excluding interest income) and the effect of the assets ceiling (if any excluding interest) are recognized immediately in OCI. The bank determines the net interest expense (income) on the net defined liability (assets) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefits liability (assets), taking into account any changes in the net defined benefits liability (asset) during the period as a result of contribution and benefits payments. Net interest expenses and other expenses related to defined benefit plans are recognized in personal expenses in Statement of profit and Loss.

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

1) Gratuity
2) Staff Security Fund
3) Leave Encashment
4) Medical Facilities

5.15.2 Other long term employee benefits

Other Long term benefit includes long term leave, long term disability facility. These benefit s are recognized on actuarial valuation.

5.15.3 Termination Benefits

The termination benefits are expensed at the earlier of which the bank can no longer withdrawn the offer of those benefits and when the bank recognizes costs for restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

5.15.4 Short term employee benefits

Short term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and obligation can be estimated reliably and settled within 12 month period.

5.16 Leases

The bank has a policy to conduct its business operations through having a short-term rental agreement with property-owners (operating leases) in those places where it lacks required infrastructure.

5.17 Foreign currency Transaction

Foreign Currency differences arising on translation are recognized in profit and loss. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the rate of exchange prevailing on that date. The foreign currency gain or loss on monetary items is the difference between the carrying amounts at the beginning of the year/origination date, adjusted for the foreign currency translated at the rate of exchange at the reporting date. Non monetary assets and liabilities that measured at fair value in a foreign currency are translated into the functional currency at the rate of exchange prevailing at the date on which the fair value is determined. Non monetary items that are measured based on historical cost in the foreign currency are translated using the rate of exchange on the date of transactions. An amount equivalent to the net exchange gain /loss during the year is transferred to/other operating Income.

5.18 Financial Guarantee and Loan Commitment

Financial Guarantees are contingent liabilities that arise out of the contract that the bank might make specified payments to reimburse the holder for loss that it incurs because a specified debtor fails to make payment when it is due in accordance with terms of debt instrument.

Loan Commitments are firm commitment to provide credit under pre-specified terms and conditions. Liabilities arising from financial guarantee and loan commitments are included with in provisions.

5.19 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.

Reserve

Reserves are the allocation out of profit or retained earnings. These are created as statutory requirement and bank's own policies.

Reserve due to change in measurement basis is transferred to regulatory reserve. It amounts to Rs. 374,004,888 for the period.

5.20 Earnings per Share (EPS)

Bank presents basic and diluted EPS for its ordinary shares. Profit after tax (PAT) excludes Other Comprehensive Income (OCI).

Basic Earnings per Share

Bank calculate basic earnings per share amounts for profit or loss attributable to ordinary equity holders of the bank and profit or loss from continuing operation attributable to those equity holders. It is calculated by dividing profit or loss attributable to equity holders of the bank by the weighted average number of ordinary share outstanding.

Diluted Earnings per Share

Bank calculate diluted earnings per share amounts for profit or loss attributable to ordinary equity holders of the bank and profit or loss from continuing operation attributable to those equity holders. It is calculated by dividing profit or loss attributable ordinary equity holders of the bank and weighted number shares outstanding for the effect of all dilutive potential ordinary shares.

5.21 Segment Reporting

An operating segment is a component of an entity:

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

•whose operating results are regularly reviewed by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

•for which discrete financial information is available.

Not every part of an entity is necessarily an operating segment or part of an operating segment. For example, a corporate headquarters or some functional departments may not earn revenues or may earn revenues that are only incidental to the activities of the entity and would not be operating segments.

The bank has identified the operating segments on the basis of the regional offices that assist the Executive Committee of the bank in decision making process and to allocate the resources. The bank evaluates the performance of its segments before tax.

5.22 Employee bonus

Employee bonus shall be calculated at the rate of 5% of Profit before bonus and tax

5.23 Inter-Office Transactions

The net credit balance of Rs. 240,249,026 inter-office transactions under reconciliation is presented as General Account under Sundry Liabilities.

6. Segmental Information

A. Information about reportable segments

The bank has identified its operating segments on the basis of regional offices. The Bank evaluates the performance of its segments before tax.

(Rs in 000')

Regional Offices		Revenues from external customers	Inter Segment Revenue	Segment profit (loss) before tax	Segment Assets	Segment Liabilities
Bhairahawa	Current Quarter	1,255,189	-	739,938	6,663,436	6,663,436
	Corresponding Previous Year Quarter	1,164,101	-	683,444	4,916,252	4,916,252
Birgunj	Current Quarter	1,211,316	-	749,698	4,959,828	4,959,828
	Corresponding Previous Year Quarter	1,113,092	-	615,061	6,712,530	6,712,530
Biratnagar	Current Quarter	1,444,206	-	824,125	5,085,180	5,085,180
	Corresponding Previous Year Quarter	1,265,421	-	686,641	6,429,533	6,429,533
Dang	Current Quarter	519,792	-	367,709	2,235,946	2,235,946
	Corresponding Previous Year Quarter	482,538	-	353,067	1,915,767	1,915,767
Janakpur	Current Quarter	796,962	-	460,169	2,954,625	2,954,625
	Corresponding Previous Year Quarter	762,329	-	485,000	3,311,471	3,311,471
Kathmandu	Current Quarter	2,852,728	-	(1,330,708)	49,527,730	49,527,730
	Corresponding Previous Year Quarter	2,922,816	-	(1,785,890)	47,387,376	47,387,376
Nepalgunj	Current Quarter	613,240	-	348,654	4,040,981	4,040,981

	Corresponding Previous Year Quarter	571,045	-	307,374	3,739,036	3,739,036
Dhangadhi	Current Quarter	627,627	-	348,129	3,731,208	3,731,208
	Corresponding Previous Year Quarter	643,945	-	387,809	3,473,065	3,473,065
Pokhara	Current Quarter	978,592	-	2,640,267	4,501,241	4,501,241
	Corresponding Previous Year Quarter	924,975	-	540,653	3,985,059	3,985,059
Rajbiraj	Current Quarter	686,141	-	426,559	3,114,784	3,114,784
	Corresponding Previous Year Quarter	611,371	-	351,453	2,634,225	2,634,225

B. Reconciliation of reportable segment profit or loss ***(Rs. in 000')***

Particulars	Current Quarter	Corresponding Previous Year Quarter
Total profit before tax for reportable segments	3,235,839.60	2,624,611.57
Profit before tax for other segments		
Elimination of inter- segment profit	-	-
Elimination of discontinued operation	-	-
Unallocated amounts:		
-Other Corporate expenses	(119,697.43)	(199,061.48)
Profit before tax	3,116,142.17	2,425,550.09

7. Related Parties

7.1 Parent and Ultimate Controlling Party

Fifty one percentages of the bank's shares has been held by Government of Nepal. As a result, the ultimate controlling party of the bank is Government of Nepal. In addition to share investment, Government of Nepal has invested in following equity and debt instruments.

Particulars	Amount (Rs.)
6% Non Cumulative Irredeemable Preference Shares	5,432,712,000
6% Debenture	460,000,000

Maturity Date of 6% Debenture issued to Nepal Government is Ashad 1, 2076 and the redemption reserve created against the debenture is Rs 1,840 million.

Details of other transactions associated with Nepal Government are.

Particulars	Amount (Rs.)
Youth self-employment fund	225,698,602
Rural agro loan	98,210,000
Small and cottage industry development committee	13,593,024
Relief Program	10,462,500

7.2 Transactions with Key Management Personnel

There is no such transaction between company and the key management personnel other than the employee advance as per company's internal policies.

7.3 Key management Personnel Compensation

Key management personnel compensation comprised the following:

Nature of Compensation	Amount (Rs.)	Remarks
Short-term employee benefits	Rs.7,047,210	It includes salaries, allowances and Provident Fund of CEO and DGMs.
Post-employment benefits	N/A	Post employment benefit not paid during the period.
Other long-term benefits	N/A	Post employment benefit not paid during the period.
Termination Benefits	N/A	Termination Benefits not paid during the period.
Share-based payments	N/A	Bank has no such policy.

Compensation of the bank's key management personnel includes salaries, non-cash benefits and contributions to the post-employment defined benefit plans.

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

During the interim period, the Bank has paid cash dividend as well as bonus dividend to its shareholders which were declared in F.Y. 2074/75. The details of dividends paid are as follows:

Class of Shareholder	**Nature of Dividend**	**Rate of Dividend**	**Total Dividend (Rs.)**
Equity Shareholders	Cash Dividend	15.053%	1,280,258,830
	Bonus Shares	6%	510,312,960
Preference Shareholders	Cash Dividend	6%	325,962,720
Total			2,116,534,510

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

5103130 nos. of Bonus Shares were issued on Equity Share Capital and listed on the stock exchange till the reporting period.

10. Events after interim period

There are no material events after Balance Sheet Date affecting financial status of the Bank as well as Group.

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

There is no merger or acquisition affecting the changes in the composition of the entity during the interim period as of Chaitra end, 2075.

12. Distributable Profit

Net Profit for the period ended on 30th Chairta 2075	**2,212,127,150**
1. Appropriations	
1.1 Profit required to be appropriated to statutory reserve	**508,393,067**
a. General Reserve	442,425,430
b. Capital Redemption Reserve	-
c. Exchange Fluctuation Fund	32,747,682
d. Corporate Social Responsibility Fund	22,121,271
e. Employees Training Fund	11,098,684
f. Other	-
1.2 Profit required to be transfer to Regulatory Reserve	**374,004,888**
a. Transfer to Regulatory Reserve	374,004,888
b. Transfer from Regulatory Reserve	-
Net Profit for the period ended on 30th Chaitra 2075 available for distribution	**1,329,729,194**

13. Adoption of Carve-outs notified by Institute of Chartered Accountants of Nepal

Accounting Standard Board has resolved carve-outs for implementation of NFRS as on September 13, 2018 (Bhadra 28, 2075). Bank has opted to use carve outs with alternative treatment specified therein as below:

Carve- Out Number	Alternative treatment	Bank's Treatment
1	A parent company shall prepare consolidated financial statements using uniform accounting policy for like transaction and other events in similar circumstances unless it is impracticable to do so.	Bank has consolidated financial statements of subsidiary based on existing Accounting Policy of Subsidiary which is not NFRS compliant.
3	The Entity's financial statements shall be prepared using uniform accounting policy for like	Financial statements for Investment in associate are prepared as per Equity method based on existing

	transaction and other events in similar circumstances unless it is impracticable to do so	Accounting Policy of associate which is not NFRS compliant.
5	An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial assets or group of financial assets measured at amortized cost is impaired. If any such evidence exists the entity shall apply paragraph 63 to determine the amount of any impairment loss unless the entity is bank and Financial institution registered as per Bank and Financial Institution Act 2073. Such entities shall measure impairment loss on loan and advance as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for Loan Loss provisioning and amount determined as per Para 63 of NAS39 and shall apply impairment Para 63 of NAS 39 to measure the impairment loss on Financial assets other than Loan and advances.	Bank has adopted NAS 39 for impairment of financial assets. For loan and advances to customers, impairment loss is taken as higher of regulatory requirement and NFRS requirement.
6	The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received, unless it is immaterial or impracticable to determine reliably, between parties to the contract that are an integral part of the effective interest rate (see NAS 18 Revenue), transaction costs and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).	Bank uses coupon rate as effective interest rate on loan and advances.

7	Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.	Bank shall recognize interest income on gross carrying amount of Financial assets unless Financial assets are written off.