

Agricultural Development Bank Limited

Interim Financial Statements

As on Aswin End 2077

Date: November, 2020

Place: Kathmandu

Agricultural Development Bank Limited
Condensed Consolidated Statement of Financial Position
As on Quarter ended 30 Aswin 2077

Assets	Group		Bank	
	This Quarter Ending	Immediate Previous Year Ending	This Quarter Ending	Immediate Previous Year Ending
Cash and cash equivalent	10,293,344,922	8,495,194,621	10,292,787,276	8,494,636,976
Due from Nepal Rastra Bank	6,942,341,321	12,561,906,357	6,942,341,321	12,561,906,357
Placement with Bank and Financial Institutions	3,406,050,000	5,007,605,980	3,406,050,000	5,007,605,980
Derivative financial instruments	172,835,800	133,762,200	172,835,800	133,762,200
Other trading assets	271,222,334	17,422,939	271,222,334	17,422,939
Loan and advances to B/FIs	81,346,591	1,137,559,451	81,346,591	1,137,559,451
Loans and advances to customers	123,422,704,133	121,940,775,566	123,422,704,133	121,940,775,566
Investment securities	25,638,314,434	24,448,538,843	25,611,838,012	24,422,064,121
Current tax assets	291,802,366	258,786,813	891,368,161	850,176,277
Investment in subsidiaries	-	-	28,840,000	28,840,000
Investment in associates	618,303,412	590,701,797	69,384,000	69,384,000
Investment properties	220,362,708	220,925,902	220,362,708	220,925,902
Property and equipment	1,264,044,333	1,295,852,289	1,261,743,026	1,293,544,827
Goodwill and Intangible assets	318,120,646	289,802,789	318,120,646	289,802,789
Deferred tax assets	-	-	-	-
Other assets	3,522,633,284	2,987,904,479	3,521,004,777	2,986,136,162
Total Assets	176,463,426,284	179,386,740,026	176,511,948,785	179,454,543,547
Liabilities				
Due to Bank and Financial Institutions	10,120,838	103,132,518	10,120,838	103,132,518
Due to Nepal Rastra Bank	9,045,494	9,670,494	9,045,494	9,670,494
Derivative financial instruments	-	-	-	-
Deposits from customers	140,681,784,290	143,608,262,850	140,705,252,683	143,631,899,817
Borrowing	10,937,376	10,937,376	10,937,376	10,937,376
Current Tax Liabilities	-	-	-	-
Provisions	-	-	-	-
Deferred tax liabilities	183,894,508	177,084,440	183,894,508	177,084,440
Other liabilities	4,180,248,600	4,585,935,983	4,179,333,930	4,585,055,653
Debt securities issued	2,494,678,983	2,494,649,108	2,494,678,983	2,494,649,108
Subordinated Liabilities	-	-	-	-
Total liabilities	147,570,710,090	150,989,672,769	147,593,263,811	151,012,429,406
Equity				
Share capital	14,989,172,698	14,989,172,698	14,989,172,698	14,989,172,698
Share premium	-	-	-	-
Retained earnings	2,732,988,754	2,241,359,417	2,762,543,128	2,290,016,587
Reserves	11,166,969,147	11,162,924,857	11,166,969,147	11,162,924,857
Total equity attributable to equity holders	28,889,130,599	28,393,456,971	28,918,684,973	28,442,114,141
Non-controlling interest	3,585,596	3,610,286		
Total equity	28,892,716,195	28,397,067,257	28,918,684,973	28,442,114,141
Total liabilities and equity	176,463,426,284	179,386,740,026	176,511,948,785	179,454,543,547

Agricultural Development Bank Limited
Condensed Consolidated Statement of Profit or Loss
For the Quarter ended 30 Aswin 2077

Particulars	Group				Bank			
	Current Year		Previous Year		Current Year		Previous Year	
	This Quarter	Up to This Quarter (YTD)	Corresponding		This Quarter	Up to This Quarter (YTD)	Corresponding	
			This Quarter	Up to This Quarter (YTD)			This Quarter	Up to This Quarter (YTD)
Interest income	3,561,464,185	3,561,464,185	3,890,876,706	3,890,876,706	3,563,114,592	3,563,114,592	3,896,893,809	3,896,893,809
Interest expense	2,202,378,928	2,202,378,928	2,231,274,930	2,231,274,930	2,202,378,928	2,202,378,928	2,231,699,204	2,231,699,204
Net interest income	1,359,085,257	1,359,085,257	1,659,601,775	1,659,601,775	1,360,735,665	1,360,735,665	1,665,194,605	1,665,194,605
Fees and commission income	339,784,067	339,784,067	325,475,612	325,475,612	339,784,067	339,784,067	325,475,612	325,475,612
Fees and commission expense	4,555,939	4,555,939	2,694,410	2,694,410	4,555,939	4,555,939	2,694,380	2,694,380
Net fee and commission income	335,228,128	335,228,128	322,781,202	322,781,202	335,228,128	335,228,128	322,781,232	322,781,232
Net interest, fee and commission income	1,694,313,385	1,694,313,385	1,982,382,977	1,982,382,977	1,695,963,793	1,695,963,793	1,987,975,837	1,987,975,837
Net trading income	23,736,931	23,736,931	15,791,809	15,791,809	23,736,931	23,736,931	15,791,809	15,791,809
Other operating income	221,850,206	221,850,206	69,810,879	69,810,879	221,850,206	221,850,206	69,806,778	69,806,778
Total operating income	1,939,900,522	1,939,900,522	2,067,985,665	2,067,985,665	1,941,550,930	1,941,550,930	2,073,574,424	2,073,574,424
Impairment charge/(reversal) for loan and other losses	316,885,328	316,885,328	250,386,832	250,386,832	316,885,328	316,885,328	250,386,832	250,386,832
Net operating income	1,623,015,194	1,623,015,194	1,817,598,833	1,817,598,833	1,624,665,602	1,624,665,602	1,823,187,592	1,823,187,592
Operating expense								
Personnel expenses	699,796,014	699,796,014	769,681,239	769,681,239	699,124,294	699,124,294	769,123,984	769,123,984
Other operating expenses	258,237,517	258,237,517	183,117,772	183,117,772	258,221,235	258,221,235	184,492,468	184,492,468
Depreciation & Amortisation	55,497,409	55,497,409	41,506,886	41,506,886	55,491,254	55,491,254	41,506,886	41,506,886
Operating Profit	609,484,255	609,484,255	823,292,936	823,292,936	611,828,819	611,828,819	828,064,254	828,064,254
Non operating income	34,415,882	34,415,882	30,852,716	30,852,716	4,816,881	4,816,881	3,912,816	3,912,816
Non operating expense	98,883	98,883	1,444,467	1,444,467	98,883	98,883		
Profit before income tax	643,801,254	643,801,254	852,701,185	852,701,185	616,546,817	616,546,817	831,977,070	831,977,070
Income tax expense	163,253,752	163,253,752	239,170,719	239,170,719	155,077,421	155,077,421	232,953,485	232,953,485
Current Tax	158,176,951	158,176,951	239,170,719	239,170,719	150,000,620	150,000,620	232,953,485	232,953,485
Deferred Tax	5,076,801	5,076,801	-	-	5,076,801	5,076,801	-	-
Profit/(loss) for the period	480,547,502	480,547,502	613,530,466	613,530,466	461,469,396	461,469,396	599,023,586	599,023,586

Agricultural Development Bank Limited
Consolidated Statement of Comprehensive Income

For the period ended 30 Aswin 2077

	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	480,547,502	480,547,502	613,530,466	613,530,466	461,469,396	461,469,396	599,023,586	599,023,586
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	16,834,703	16,834,703	(45,937,913)	(45,937,913)	16,834,703	16,834,703	(45,937,913)	(45,937,913)
Gains/(losses) on revaluation								
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-
Income tax relating to above items	(5,050,411)	(5,050,411)	13,781,374	13,781,374	(5,050,411)	(5,050,411)	13,781,374	13,781,374
Net other comprehensive income that will not be reclassified to profit or loss	11,784,292	11,784,292	(32,156,539)	(32,156,539)	11,784,292	11,784,292	(32,156,539)	(32,156,539)
b) Item that are or may be reclassified to profit or loss								
Gains/(losses) on cash flow hedge								
Exchange gains/(losses) (arising from translating financial assets of foreign operation)								
Income tax relating to above items								
Net other comprehensive income that are or may be reclassified to profit or loss	-	-	-	-	-	-	-	-
c) Share of other comprehensive income of associate accounted as per equity method								
Other comprehensive income for the period, net of income tax	11,784,292	11,784,292	(32,156,539)	(32,156,539)	11,784,292	11,784,292	(32,156,539)	(32,156,539)
Total comprehensive income for the period	492,331,794	492,331,794	581,373,927	581,373,927	473,253,688	473,253,688	566,867,047	566,867,047
Total comprehensive income attributable to:								
Equity holders of the Bank	492,356,484	492,356,484	581,398,180	581,398,180	473,253,688	473,253,688	566,867,047	566,867,047
Non-controlling interest	(24,690)	(24,690)	(24,253)	(24,253)	-	-	-	-
Total	492,331,794	492,331,794	581,373,927	581,373,927	473,253,688	473,253,688	566,867,047	566,867,047
Earning Per Share								
Basic Earning Per Share	4.18	4.18	5.57	5.57	3.98	3.98	5.42	5.42
Annualized Basic Earning Per Share	16.70	16.70	22.27	22.27 †	15.90	15.90	21.66	21.66
Diluted Earning Per Share	16.70	16.70	22.27	22.27 †	15.90	15.90 †	21.66	21.66

Ratios as per NRB Directive

Particulars	Group				Bank			
	Current Year		Corresponding 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	20.33%	20.33%	20.77%	20.77%	20.33%	20.33%	20.77%	20.77%
Non-Performing loan (NPL) to total Loan	2.37%	2.37%	3.70%	3.70%	2.37%	2.37%	3.70%	3.70%
Total Loan Loss Provision to Total NPL	149.32%	149.32%	81.73%	81.73%	149.32%	149.32%	81.73%	81.73%
Cost of Funds	5.97%	5.97%	7.34%	7.34%	5.97%	5.97%	7.34%	7.34%
Credit to Deposit Ratio	72.47%	72.47%	71.42%	71.42%	72.47%	72.47%	71.42%	71.42%
Base Rate	8.53%	8.53%	10.18%	10.18%	8.53%	8.53%	10.18%	10.18%
Interest Rate Spread	4.39%	4.39%	5.26%	5.26%	4.39%	4.39%	5.26%	5.26%

Agricultural Development Bank Limited
Consolidated Statement of changes in equity

For the period ended 30 Aswin 2077

Group

	Attributable to equity holders of the Bank										Non-controlling interest	Total equity
	Share Capital	Share premium	General reserve	Exchange equalisation reserve	Regulatory reserve	Fair value reserve	Revaluation reserve	Retained earning	Other reserve	Total		
Balance at Asar End, 2076	14,448,240,960	-	6,918,919,461	102,467,240	1,704,294,736	369,886,672	-	3,591,510,018	1,386,886,384	28,522,205,471	3,374,413	28,525,579,884
Adjustment												
Adjusted balance as on Sawan 1, 2076	14,448,240,960	-	6,918,919,461	102,467,240	1,704,294,736	369,886,672	-	3,591,510,018	1,386,886,384	28,522,205,471	3,374,413	28,525,579,884
Profit for the Period								480,547,502	-	480,547,502	(24,253)	480,523,249
Other comprehensive income												
Gain/(Losses) from investment in equity instruments measured at Fair Value								(32,156,539)	-	(32,156,539)	-	(32,156,539)
Gain/(losses) on revaluation												
Actuarial 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								480,547,502		448,390,963	(24,253)	448,366,710
Transactions with owners, directly recognised in equity												
Transfer to reserve during the year												
Transfer from reserve during the year										0		0
Contributions from and distributions to owners												
Share issued												
Share based payments												
Dividends to equity holders												
Bonus shares issued												
Cash dividend paid												
Other												
Total contributions by and distributions										0		
Balance at Aswin End, 2076	14,448,240,960	-	6,918,919,461	102,467,240	1,704,294,736	337,730,133	-	4,072,057,519	1,386,886,384	28,970,596,434	3,350,160	28,973,946,594
Balance at Asar End, 2077	14,989,172,698	-	7,607,491,170	104,012,335	2,572,069,204	423,530,018	-	2,241,359,417	455,822,130	28,393,456,971	3,610,286	28,397,067,257
Adjustment												
Adjusted balance as on Sawan 1, 2077	14,989,172,698	-	7,607,491,170	104,012,335	2,572,069,204	423,530,018	-	2,241,359,417	455,822,130	28,393,456,971	3,610,286	28,397,067,257
Profit for the Period								480,572,192		480,572,192	(24,690)	480,547,502
Other comprehensive income												
Gain/(Losses) from investment in equity instruments measured at Fair Value								11,784,292		11,784,292	-	11,784,292
Gain/(losses) on revaluation												
Actuarial 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								11,784,292		492,356,484	(24,690)	492,331,794
Transfer to reserve during the period												
Transfer from reserve during the period								(7,740,002)		11,057,146		
Contributions from and distributions to owners												
Share issued												
Share based payments												
Dividends to equity holders												
Bonus shares issued												
Cash dividend paid												
Other												
Total contributions by and distributions								11,057,146				
Balance at Aswin end 2077	14,989,172,698	-	7,607,491,170	104,012,335	2,572,069,204	427,574,308	-	2,732,988,754	455,822,130	28,889,130,599	3,585,596	28,892,716,195

Agricultural Development Bank Limited

Statement of changes in equity

For the period ended 30 Aswin 2077

Bank

	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
Balance at Asar End, 2076	14,448,240,960	-	6,918,919,461	102,467,240	1,704,294,736	369,886,672	-	3,419,077,358	1,386,886,384	28,349,772,812
Adjustment									-	-
Adjusted balance as on Sawan 1, 2076	14,448,240,960	-	6,918,919,461	102,467,240	1,704,294,736	369,886,672	-	3,419,077,358	1,386,886,384	28,349,772,812
Profit for the period								599,023,586	-	599,023,586
Other comprehensive income	-	-	-	-	-	(32,156,539)	-	-	-	(32,156,539)
Gain/(Losses) from investment in equity instruments measured at Fair Value						(32,156,539)				(32,156,539)
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	-	-	-	-	-	(32,156,539)	-	599,023,586	-	566,867,047
Total comprehensive income for the period						(96,469,617)	-	599,023,586	-	502,553,968
Transfer to reserve during the period										-
Transfer from reserve during the period										0
Contributions from and distributions to owners										-
Share issued										-
Share based payments										-
Dividends to equity holders										-
Bonus shares issued										-
Cash dividend paid										-
Other										-
Total contributions by and distributions	-	-	-	-	-	-	-	-	-	0
Balance at Aswin End 2076	14,448,240,960	-	6,918,919,461	102,467,240	1,704,294,736	337,730,133	-	4,018,100,944	1,386,886,384	28,916,639,858
Balance at Asar End, 2077	14,989,172,698	-	7,607,491,170	104,012,335	2,572,069,204	423,530,018	-	2,290,016,587	455,822,130	28,442,114,141
Adjustment									-	-
Adjusted balance as on Sawan 1, 2077	14,989,172,698	-	7,607,491,170	104,012,335	2,572,069,204	423,530,018	-	2,290,016,587	455,822,130	28,442,114,141
Profit for the period								461,469,396	-	461,469,396
Other comprehensive income	-	-	-	-	-	11,784,292	-	-	-	11,784,292
Gain/(Losses) from investment in equity instruments measured at Fair Value						11,784,292				11,784,292
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	-	-	-	-	-	11,784,292	-	461,469,396	-	473,253,688
Transfer to reserve during the period										-
Transfer from reserve during the period						(7,740,002)		11,057,146		3,317,144
Contributions from and distributions to owners										-
Share issued										-
Share based payments										-
Dividends to equity holders										-
Bonus shares issued										-
Cash dividend paid										-
Other										-
Total contributions by and distributions	-	-	-	-	-	(7,740,002)	-	11,057,146	-	-
Balance at Aswin end 2077	14,989,172,698	-	7,607,491,170	104,012,335	2,572,069,204	427,574,308	-	2,762,543,128	455,822,130	28,915,367,830

Agricultural Development Bank Limited

Consolidated Statement of cash flows

For the period ended 30 Aswin 2077

	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	3,299,751,619	3,674,189,287	3,301,402,027	3,674,331,643
Fees and other income received	346,568,453	101,650,275	346,568,453	101,650,275
Dividend received				
Receipts from other operating activities	206,052,111	305,410,035	204,054,726	305,405,934
Interest paid	(2,234,647,076)	(2,231,274,930)	(2,234,647,076)	(2,231,699,204)
Commission and fees paid	(4,555,939)	(2,694,410)	(4,555,939)	(2,694,380)
Cash payment to employees	(663,604,186)	(769,681,239)	(662,932,466)	(769,123,984)
Other expense paid	(258,306,525)	(184,562,239)	(258,290,243)	(184,492,468)
Operating cash flows before changes in operating assets and liabilities	691,258,457	893,036,778	691,599,482	893,377,816
(Increase)/Decrease in operating assets				
Due from Nepal Rastra Bank	5,619,565,036	2,300,734,512	5,619,565,036	2,300,734,512
Placement with bank and financial institutions	1,601,555,979	(4,056,450,000)	1,601,555,979	(4,056,450,000)
Other trading assets	(236,846,850)		(236,846,850)	
Loan and advances to bank and financial institutions	1,066,881,677	(43,789,882)	1,066,881,677	(43,789,882)
Loans and advances to customers	(1,547,206,952)	(691,213,505)	(1,547,206,952)	(691,213,505)
Other assets	(573,802,405)	(2,056,272,732)	(573,942,215)	(2,056,365,514)
	5,930,146,486	(4,546,991,608)	5,930,006,676	(4,547,084,389)
Increase/(Decrease) in operating liabilities				
Due to bank and financial institutions	(93,011,679)	(172,451,522)	(93,011,679)	(172,451,522)
Due to Nepal Rastra Bank	(625,000)	(5,347,222)	(625,000)	(5,347,222)
Deposit from customers	(2,926,478,560)	3,788,455,227	(2,926,647,135)	3,783,335,384
Borrowings	-	-	-	-
Other liabilities	(409,611,063)	(842,899,706)	(409,645,403)	(843,829,513)
Net cash flow from operating activities before tax paid	3,191,678,640	(886,198,052)	3,191,676,940	(891,999,446)
Income taxes paid	(191,192,503)		(191,192,503)	
Net cash flow from operating activities	3,000,486,137	(886,198,052)	3,000,484,437	(891,999,446)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	(1,233,705,227)	(1,151,317,273)	(1,233,703,527)	(1,151,311,673)
Receipts from sale of investment securities	60,764,339		60,764,339	
Purchase of property and equipment	(3,579,810)	(31,392,293)	(3,579,810)	(29,159,681)
Receipt from the sale of property and equipment				
Purchase of intangible assets	(48,427,500)		(48,427,500)	
Receipt from the sale of intangible assets				
Purchase of investment properties				
Receipt from the sale of investment properties				
Interest received				
Dividend received	22,612,361	7,930,806	22,612,361	7,930,806
Net cash used in investing activities	(1,202,335,836)	(1,174,778,761)	(1,202,334,136)	(1,172,540,549)
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				
Interest paid				
Other receipt/payment				
Net cash from financing activities	-	-	-	-
Net increase (decrease) in cash and cash equivalents	1,798,150,301	(2,060,976,813)	1,798,150,300	(2,064,539,995)
Cash and cash equivalents at Sawan 1, 2077	8,495,194,621	11,442,811,242	8,494,636,976	11,440,697,045
Effect of exchange rate fluctuations on cash and cash equivalents held				
Cash and cash equivalents at Aswin end 2077	10,293,344,922	9,381,834,429	10,292,787,276	9,376,157,049

Notes to the Interim Financial Statements

1. Basis of Preparation

The interim condensed financial statements prepared for the first quarter of current FY 2077/78 ending 16 October 2020 (Aswin 30, 2077) 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). In order to conform to better presentation, prior period figures and phrases have been adjusted where relevant.

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; Aswin (mid October), Poush (mid January), Chaitra (mid April), and Ashad (mid July) as per Nepali calendar.

These quarterly interim financial statements approved by bank’s management, 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, and Other Explanatory Notes 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 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.

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 2019, unless otherwise indicated.

5. Significant Accounting Policies

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

5.1 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.

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.

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). Bank's interest on gain/losses from transactions with associates is eliminated.

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 short term commitments.

5.4 Financial assets and Financial Liabilities

5.4.1 Recognition

All financial assets and liabilities are initially recognized on the date on which the Bank becomes a party to the contractual provisions of the instrument.

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.

If business model for managing financial assets is changed, all affected financial assets are reclassified.

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, which is normally the transaction price plus, for those financial assets and liabilities not carried at fair value through profit or loss, directly attributable transaction costs. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are recognized in Statement of Profit or Loss.

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and financial assets classified as amortized cost or at fair value through other comprehensive income are initially recognized on the trade-date.

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.

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.

5.4.5 De recognition- Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expired.

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.

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.

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 NAS39 and shall apply impairment Para 63 of NAS 39 to measure the impairment loss on Financial assets other than Loan and advances.

Individual Assessment of Impairment

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 to sell 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 period.

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

Derivative financial instruments are accounted for as derivative financial asset or derivative financial liability measured at FVTPL and corresponding fair value changes are recognized in profit or loss.

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.

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.

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. Deferred 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 is recognized using the rate that closely approximates the EIR because the bank considers that the cost of exact calculations 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 instruments or of shorter period, where appropriate, to the net carrying amount of the financial assets or financial liabilities.

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

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

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 Accounting Standard Board of Nepal carve- outs and treats coupon rate as effective interest rate.

5.15 Employee Benefits

5.15.1 Defined contribution plan and Defined Benefit Plan

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.

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 benefits 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.

5.20 Earnings per Share (EPS)

Bank presents basic and diluted EPS for its ordinary shares. Profit after tax (PAT) for this purpose 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 to 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

Provision for employee bonus is calculated at 5% of profit before bonus and tax as per the provisions made for government controlled entity in the bonus bylaws 2075.

6. Segmental Information

A. Information about reportable segments

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

(Rs. In full figure)

Particulars	Provinces							Total
	Province no. 1	Province no. 2	Bagmati	Gandaki	Lumbini	Karnali	Sudur-Paschim	
Revenues from External customer	478,574,997	600,062,830	1,158,262,282	286,556,658	658,928,525	90,357,883	171,426,304	3,444,169,479
Inter Segment revenues	-	-	-	-	-	-	-	-
Net Revenue	478,574,997	600,062,830	1,158,262,282	286,556,658	658,928,525	90,357,883	171,426,304	3,444,169,479
Total interest revenue	484,745,836	498,230,448	1,150,032,963	274,504,781	669,704,007	68,465,702	168,240,667	3,313,924,404
Interest expense	132,151,468	66,552,040	1,620,365,003	76,780,246	169,584,059	13,036,254	51,072,840	2,129,541,909
Net Interest Revenue	352,594,368	431,678,408	(470,332,040)	197,724,535	500,119,948	55,429,449	117,167,827	1,184,382,495
Depreciation and amortization	4,341,143	4,494,789	7,084,724	2,704,026	5,784,171	1,463,153	3,026,859	28,898,864
Segment profit/(loss)	272,917,157	460,615,175	(633,640,695)	160,214,292	391,004,826	56,818,979	79,125,466	787,055,200
Entity's interest in the profit or loss of associates accounted for using equity method	-	-	-	-	-	-	-	-
Impairment of assets	-	-	-	-	-	-	-	-
Segment Assets	5,951,965,399	7,795,514,322	100,173,817,528	6,477,902,402	15,156,468,042	2,334,064,512	5,938,521,368	143,828,253,572

Segment liabilities	5,951,965,399	7,795,514,322	100,173,817,528	6,477,902,402	15,156,468,042	2,334,064,512	5,938,521,368	143,828,253,572
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Note : Segment reporting excludes Head Office.

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 6% Non-cumulative Irredeemable Preference Shares.

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

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.

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

Bank has not paid any divided during the reporting period.

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

No such issues, repurchases and repayments of debt and equity securities.

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 Aswin end, 2077.

12. Distributable Profit

Amount in NPR

Net Profit for the period ended on 30 Aswin 2077	461,469,396
1. Appropriations	
<i>1.1 Profit required to be appropriated to statutory reserve</i>	66,048,448
a. General Reserve	92,293,879
b. Capital Redemption Reserve	-
c. Exchange Fluctuation Fund	
d. Corporate Social Responsibility Fund	4,614,694
e. Employees Training Fund	12,069,740
f. Other	-42,929,865
<i>1.2 Profit required to be transfer to Regulatory Reserve</i>	393,124,588
a. Transfer to Regulatory Reserve	393,687,782
b. Transfer from Regulatory Reserve	563,194
Net Profit for the period ended on 30 Aswin 2077 available for distribution	2,296,360