

# Agricultural Development Bank Limited

## Interim Financial Statements

As on Asar End 2080

Date: August, 2023

Place: Kathmandu

**Agricultural Development Bank Limited**  
**Condensed Consolidated Statement of Financial Position**  
As on Quarter ended 31 Asar 2080

	Group		Bank	
<b>Assets</b>	This Quarter Ending	Immediate Previous Year Ending	This Quarter Ending	Immediate Previous Year Ending
Cash and cash equivalent	9,463,510,875	6,560,530,091	9,462,881,551	6,559,900,767
Due from Nepal Rastra Bank	7,096,495,884	6,208,948,746	7,096,495,884	6,208,948,746
Placement with Bank and Financial Institutions	-	127,900,000	-	127,900,000
Derivative financial instruments	17,588,448	103,880,000	17,588,448	103,880,000
Other trading assets	2,078,423,783	1,099,036,922	2,007,676,819	1,047,488,978
Loan and advances to B/FIs	8,432,457,000	4,123,680,396	8,432,457,000	4,123,680,396
Loans and advances to customers	171,699,191,787	173,314,972,381	171,699,191,787	173,314,972,381
Investment securities	55,593,520,277	45,953,605,307	55,383,195,331	45,922,116,899
Current tax assets	651,178,642	759,205,529	717,695,136	966,315,760
Investment in subsidiaries	-	-	28,840,000	28,840,000
Investment in associates	-	914,781,613	-	69,384,000
Investment properties	248,649,555	252,592,246	248,649,555	252,592,246
Property and equipment	2,242,987,695	2,227,388,333	2,240,641,450	2,225,084,172
Goodwill and Intangible assets	142,901,978	229,766,704	142,901,978	229,766,704
Deferred tax assets	-	39,992,489	-	52,152,028
Other assets	7,183,975,718	4,951,852,971	7,183,064,242	4,951,219,859
<b>Total Assets</b>	<b>264,850,881,643</b>	<b>246,868,133,729</b>	<b>264,661,279,183</b>	<b>246,184,242,937</b>
<b>Liabilities</b>				
Due to Bank and Financial Institutions	2,095,919,987	7,998,742,407	2,095,919,987	7,998,742,407
Due to Nepal Rastra Bank	4,571,178	9,781,708,310	4,571,178	9,781,708,310
Derivative financial instruments	-	-	-	-
Deposits from customers	199,467,139,587	166,570,805,157	199,486,613,568	166,590,266,216
Borrowing	2,136,563,784	1,777,211,512	2,136,563,784	1,777,211,512
Current Tax Liabilities	-	-	-	-
Provisions	-	-	-	-
Deferred tax liabilities	165,154,089	-	104,048,784	-
Other liabilities	6,146,068,250	6,208,667,157	6,141,291,856	6,210,241,991
Debt securities issued	20,469,234,585	20,469,037,529	20,469,234,585	20,469,037,529
Subordinated Liabilities	-	-	-	-
<b>Total liabilities</b>	<b>230,484,651,460</b>	<b>212,806,172,071</b>	<b>230,438,243,742</b>	<b>212,827,207,965</b>
<b>Equity</b>				
Share capital	18,884,386,078	18,620,627,763	18,884,386,078	18,620,627,763
Ordinary Share	13,451,674,078	13,187,915,763	13,451,674,078	13,187,915,763
Preference Share(Irredeemable)	5,432,712,000	5,432,712,000	5,432,712,000	5,432,712,000
Share premium	-	-	-	-
Retained earnings	2,008,916,637	4,219,412,634	2,007,156,984	3,521,792,308
Reserves	13,455,995,298	11,215,621,611	13,331,492,378	11,214,614,901
<b>Total equity attributable to equity holders</b>	<b>34,349,298,013</b>	<b>34,055,662,007</b>	<b>34,223,035,440</b>	<b>33,357,034,971</b>
<b>Non-controlling interest</b>	<b>16,932,171</b>	<b>6,299,650</b>		
<b>Total equity</b>	<b>34,366,230,183</b>	<b>34,061,961,658</b>	<b>34,223,035,440</b>	<b>33,357,034,971</b>
<b>Total liabilities and equity</b>	<b>264,850,881,643</b>	<b>246,868,133,729</b>	<b>264,661,279,183</b>	<b>246,184,242,937</b>

**Agricultural Development Bank Limited**  
**Condensed Consolidated Statement of Profit or Loss**  
For the Quarter ended 31 Asar 2080

Particulars	Group				Bank			
	Current Year		Previous Year		Current Year		Previous Year	
			Corresponding				Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Interest income	6,119,152,803	23,607,403,532	5,596,591,037	19,582,976,921	6,120,647,593	23,606,993,499	5,598,958,952	19,582,603,309
Interest expense	4,286,212,430	15,525,234,582	3,404,155,117	11,225,755,853	4,287,570,490	15,526,592,642	3,404,494,226	11,226,663,800
<b>Net interest income</b>	<b>1,832,940,373</b>	<b>8,082,168,951</b>	<b>2,192,435,920</b>	<b>8,357,221,068</b>	<b>1,833,077,103</b>	<b>8,080,400,858</b>	<b>2,194,464,725</b>	<b>8,355,939,509</b>
Fees and commission income	404,304,727	1,367,890,631	361,812,094	1,464,286,132	404,304,727	1,367,890,631	361,812,094	1,464,286,132
Fees and commission expense	73,050,592	146,775,841	34,986,823	56,187,247	73,050,657	146,775,841	34,986,823	56,186,387
<b>Net fee and commission income</b>	<b>331,254,135</b>	<b>1,221,114,790</b>	<b>326,825,270</b>	<b>1,408,098,884</b>	<b>331,254,070</b>	<b>1,221,114,790</b>	<b>326,825,270</b>	<b>1,408,099,744</b>
<b>Net interest, fee and commission income</b>	<b>2,164,194,508</b>	<b>9,303,283,741</b>	<b>2,519,261,191</b>	<b>9,765,319,952</b>	<b>2,164,331,173</b>	<b>9,301,515,647</b>	<b>2,521,289,996</b>	<b>9,764,039,253</b>
Net trading income	1,092,422,842	1,080,720,046	(185,655,116)	(257,538,650)	1,079,612,291	1,057,154,014	(185,655,116)	(232,458,124)
Other operating income	71,550,027	134,454,647	54,340,115	234,981,018	71,583,595	134,319,000	54,333,633	234,762,916
<b>Total operating income</b>	<b>3,328,167,377</b>	<b>10,518,458,433</b>	<b>2,387,946,190</b>	<b>9,742,762,320</b>	<b>3,315,527,059</b>	<b>10,492,988,662</b>	<b>2,389,968,513</b>	<b>9,766,344,046</b>
Impairment charge/(reversal) for loan and other loss	(1,197,505,376)	919,120,301	(527,160,328)	992,764,740	(1,197,505,376)	919,120,301	(527,160,328)	992,764,740
<b>Net operating income</b>	<b>4,525,672,753</b>	<b>9,599,338,133</b>	<b>2,915,106,518</b>	<b>8,749,997,580</b>	<b>4,513,032,435</b>	<b>9,573,868,361</b>	<b>2,917,128,840</b>	<b>8,773,579,306</b>
<b>Operating expense</b>								
Personnel expenses	953,303,821	3,435,946,797	854,948,123	3,826,387,008	952,231,617	3,432,933,314	854,377,664	3,823,916,299
Other operating expenses	403,682,509	1,287,447,000	338,556,891	873,737,861	403,416,546	1,286,752,650	338,192,121	872,306,775
Depreciation & Amortisation	63,161,542	310,005,751	87,683,658	472,966,792	63,123,835	309,968,044	87,683,658	472,951,148
<b>Operating Profit</b>	<b>3,105,524,881</b>	<b>4,565,938,584</b>	<b>1,633,917,845</b>	<b>3,576,905,919</b>	<b>3,094,260,437</b>	<b>4,544,214,352</b>	<b>1,636,875,398</b>	<b>3,604,405,084</b>
Non operating income	(25,144,965)	158,325,721	105,249,459	241,071,697	103,504,041	158,325,721	58,458,029	87,530,848
Non operating expense	8,427,461	56,719,063	30,681,820	51,546,554	8,427,461	56,719,063	30,681,820	51,546,554
<b>Profit before income tax</b>	<b>3,071,952,456</b>	<b>4,667,545,243</b>	<b>1,708,485,484</b>	<b>3,766,431,062</b>	<b>3,189,337,017</b>	<b>4,645,821,011</b>	<b>1,664,651,607</b>	<b>3,640,389,377</b>
Income tax expense	1,133,892,251	1,552,032,604	606,884,599	1,473,775,908	1,131,037,907	1,546,483,935	564,577,975	1,414,623,429
Current Tax	768,818,387	1,191,616,289	663,180,840	1,751,025,708	767,866,174	1,190,664,076	620,874,215	1,684,696,231
Deferred Tax	365,073,864	360,416,315	(56,296,241)	(277,249,800)	363,171,733	355,819,859	(56,296,241)	(270,072,802)
<b>Profit/(loss) for the period</b>	<b>1,938,060,205</b>	<b>3,115,512,639</b>	<b>1,101,600,885</b>	<b>2,292,655,154</b>	<b>2,058,299,110</b>	<b>3,099,337,076</b>	<b>1,100,073,632</b>	<b>2,225,765,948</b>

**Agricultural Development Bank Limited**  
**Consolidated Statement of Comprehensive Income**  
For the period ended 31 Asar 2080

	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	1,938,060,205	3,115,512,639	1,101,600,885	2,292,655,154	2,058,299,110	3,099,337,076	1,100,073,632	2,225,765,948
<b>Other comprehensive income</b>								
<b>a) Item that will not be reclassified to profit or loss</b>								
Gains/(losses) from investments in equity instruments measured at fair value	(24,730,048)	182,806,928	361,328,492	(96,639,687)	(25,548,326)	5,224,906	361,328,492	(93,502,916)
Gains/(losses) on revaluation				-				-
Actuarial gains/(losses) on defined benefit plans	(659,274,269)	(659,274,269)	54,776,686	54,908,241	(659,274,269)	(659,274,269)	54,776,686	54,776,686
Income tax relating to above items	293,885,104	240,462,199	(124,831,553)	12,386,159	205,446,778	196,214,809	(124,831,553)	11,617,869
<b>Net other comprehensive income that will not be reclassified to profit or loss</b>	<b>(390,119,213)</b>	<b>(236,005,142)</b>	<b>291,273,624</b>	<b>(29,345,286)</b>	<b>(479,375,816)</b>	<b>(457,834,554)</b>	<b>291,273,624</b>	<b>(27,108,361)</b>
<b>b) Item that are or may be reclassified to profit or loss</b>								
Gains/(losses) on cash flow hedge								
Exchange gains/(losses) (arising from translating financial assets of foreign operation)								
Income tax relating to above items								
<b>Net other comprehensive income that are or may be reclassified to profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>c) Share of other comprehensive income of associate accounted as per equity method</b>								
<b>Other comprehensive income for the period, net of income tax</b>	<b>(390,119,213)</b>	<b>(236,005,142)</b>	<b>291,273,624</b>	<b>(29,345,286)</b>	<b>(479,375,816)</b>	<b>(457,834,554)</b>	<b>291,273,624</b>	<b>(27,108,361)</b>
<b>Total comprehensive income for the period</b>	<b>1,547,940,992</b>	<b>2,879,507,497</b>	<b>1,392,874,509</b>	<b>2,263,309,867</b>	<b>1,578,923,293</b>	<b>2,641,502,522</b>	<b>1,391,347,256</b>	<b>2,198,657,587</b>
<b>Total comprehensive income attributable to:</b>								
Equity holders of the Bank	1,547,342,973	2,878,357,161	1,392,865,678	2,264,769,162	1,578,923,293	2,641,502,522	1,391,347,256	2,198,657,587
Non-controlling interest	598,019	1,150,336	8,832	(1,459,294)	-	-	-	-
<b>Total</b>	<b>1,547,940,992</b>	<b>2,879,507,497</b>	<b>1,392,874,509</b>	<b>2,263,309,867</b>	<b>1,578,923,293</b>	<b>2,641,502,522</b>	<b>1,391,347,256</b>	<b>2,198,657,587</b>
<b>Earning Per Share</b>								
Basic Earning Per Share	13.80	20.74	7.58	14.62	14.70	20.62	7.57	14.12
Annualized Basic Earning Per Share	55.21	20.74	30.33	14.62	58.78	20.62	30.29	14.12
Diluted Earning Per Share	55.21	20.74	30.33	14.62	58.78	20.62	30.29	14.12

**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		15.05%		15.59%		15.05%		15.59%
Non-Performing loan (NPL) to total Loan		2.48%		2.09%		2.48%		2.09%
Total Loan Loss Provision to Total NPL		137.70%		124.34%		137.70%		124.34%
Cost of Funds		7.51%		6.89%		7.51%		6.89%
Credit to Deposit Ratio		81.73%		89.17%		81.73%		89.17%
Base Rate		10.06%		8.90%		10.06%		8.90%
Interest Rate Spread		3.94%		4.37%		3.94%		4.37%

**Agricultural Development Bank Limited**  
**Consolidated Statement of changes in equity**

For the period ended 31 Asar 2080

Group												
	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
<b>Balance at Asar End, 2078</b>	<b>16,422,641,802</b>	-	<b>8,299,321,556</b>	<b>104,188,923</b>	<b>3,206,548,011</b>	<b>734,936,107</b>	-	<b>4,293,416,539</b>	<b>(913,929,173)</b>	<b>32,147,123,765</b>	<b>7,901,113</b>	<b>32,155,024,878</b>
<b>Adjusted balance as on Sawan 1, 2078</b>	<b>16,422,641,802</b>	-	<b>8,299,321,556</b>	<b>104,188,923</b>	<b>3,206,548,011</b>	<b>734,936,107</b>	-	<b>4,293,416,539</b>	<b>(913,929,173)</b>	<b>32,147,123,765</b>	<b>7,901,113</b>	<b>32,155,024,878</b>
Profit for the Period	-	-	-	-	-	-	-	2,294,114,448	-	2,294,114,448	(1,459,294)	2,292,655,154
Other comprehensive income	-	-	-	-	-	(67,638,887)	-	-	38,435,769	(29,203,118)	(142,168)	(29,345,286)
Gain/(Losses) from investment in equity instruments measured at Fair Value	-	-	-	-	-	(67,638,887)	-	-	-	(67,638,887)	(142,168)	(67,781,055)
Gain/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial gain/(losses) on defined benefit plan	-	-	-	-	-	-	-	-	38,435,769	38,435,769	-	38,435,769
Gain/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchange gain/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	(67,638,887)	-	2,294,114,448	38,435,769	2,264,911,330	(1,601,462)	2,263,309,867
<b>Transactions with owners, directly recognised in equity</b>												
Transfer to reserve during the period	-	-	490,470,521	32,084	239,983,962	(2,202,728)	-	(1,276,817,240)	546,330,673	(2,202,728)	-	(2,202,728)
Transfer from reserve during the period	-	-	-	-	(346,385,531)	(226,586,657)	-	681,800,145	(21,352,124)	87,475,834	-	87,475,834
<b>Contributions from and distributions to owners</b>												
Share issued	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	2,197,985,960	-	-	-	-	-	-	(1,331,455,065)	(866,530,895)	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	(441,646,193)	-	(441,646,193)	-	(441,646,193)
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions	2,197,985,960	-	490,470,521	32,084	(106,401,570)	(228,789,385)	-	(2,368,118,353)	(341,552,346)	(356,373,088)	-	(356,373,088)
<b>Balance at Asar End, 2079</b>	<b>18,620,627,763</b>	-	<b>8,789,792,077</b>	<b>104,221,006</b>	<b>3,100,146,441</b>	<b>438,507,835</b>	-	<b>4,219,412,634</b>	<b>(1,217,045,750)</b>	<b>34,055,662,007</b>	<b>6,299,650</b>	<b>34,061,961,658</b>
<b>Balance at Asar End, 2079</b>	<b>18,620,627,763</b>	-	<b>8,789,792,077</b>	<b>104,221,006</b>	<b>3,100,146,441</b>	<b>438,507,835</b>	-	<b>4,219,412,634</b>	<b>(1,217,045,750)</b>	<b>34,055,662,007</b>	<b>6,299,650</b>	<b>34,061,961,658</b>
<b>Adjusted balance as on Sawan 1, 2079</b>	<b>18,620,627,763</b>	-	<b>8,789,792,077</b>	<b>104,221,006</b>	<b>3,100,146,441</b>	<b>438,086,216</b>	-	<b>3,508,526,734</b>	<b>(1,216,980,368)</b>	<b>33,344,419,869</b>	<b>6,299,650</b>	<b>33,350,719,520</b>
Profit for the Period	-	-	-	-	-	-	-	3,114,362,303	-	3,114,362,303	1,150,336	3,115,512,639
Other comprehensive income	-	-	-	-	-	127,509,882	-	-	(461,491,988)	(333,982,106)	9,482,185	(324,499,922)
Gain/(Losses) from investment in equity instruments measured at Fair Value	-	-	-	-	-	127,509,882	-	-	-	127,509,882	9,482,185	136,992,067
Gain/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial gain/(losses) on defined benefit plan	-	-	-	-	-	-	-	-	(461,491,988)	(461,491,988)	-	(461,491,988)
Gain/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-
Exchange gain/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	127,509,882	-	3,114,362,303	(461,491,988)	2,780,380,196	10,632,521	2,791,012,717
Transfer to reserve during the period	-	-	621,682,339	-	1,440,571,485	-	-	(2,602,464,386)	540,210,561	-	-	-
Transfer from reserve during the period	-	-	-	-	-	(7,943,220)	-	28,883,755	(19,809,134)	1,131,401	-	1,131,401
<b>Contributions from and distributions to owners</b>												
Share issued	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	263,758,315	-	-	-	-	-	-	(263,758,315)	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	(1,776,633,454)	-	(1,776,633,454)	-	(1,776,633,454)
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions	263,758,315	-	621,682,339	-	1,440,571,485	(7,943,220)	-	(4,613,972,400)	520,401,427	(1,775,502,053)	-	(1,775,502,053)
<b>Balance at Asar end, 2080</b>	<b>18,884,386,078</b>	-	<b>9,411,474,417</b>	<b>104,221,006</b>	<b>4,540,717,926</b>	<b>557,652,878</b>	-	<b>2,008,916,637</b>	<b>(1,158,070,930)</b>	<b>34,349,298,013</b>	<b>16,932,171</b>	<b>34,366,230,183</b>

**Agricultural Development Bank Limited**  
**Statement of changes in equity**

For the period ended 31 Asar 2080

<b>Bank</b>										
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, 2078	16,422,641,802	-	8,299,321,556	104,188,923	3,206,548,011	731,677,170	-	3,654,511,980	(913,771,703)	31,505,117,739
<b>Adjustment</b>										
<b>Adjusted balance as on Sawan 1, 2078</b>	<b>16,422,641,802</b>	<b>-</b>	<b>8,299,321,556</b>	<b>104,188,923</b>	<b>3,206,548,011</b>	<b>731,677,170</b>	<b>-</b>	<b>3,654,511,980</b>	<b>(913,771,703)</b>	<b>31,505,117,739</b>
Profit for the period								2,225,765,948	-	2,225,765,948
Other comprehensive income	-	-	-	-	-	(65,452,041)	-	-	38,343,680	(27,108,361)
Gain/(Losses) from investment in equity instruments measured at Fair Value						(65,452,041)		-	-	(65,452,041)
Gain/(losses) on revaluation								-	-	-
Acturial gain/(losses) on defined benefit plan								-	38,343,680	38,343,680
Gain/(losses) on cash flow hedge								-	-	-
Exchange gain/(losses) (arising from translating financial assets of foreign operation)								-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(65,452,041)</b>	<b>-</b>	<b>2,225,765,948</b>	<b>38,343,680</b>	<b>2,198,657,587</b>
Transfer to reserve during the period			490,470,521	32,084	239,983,962	(2,202,728)		(1,276,817,240)	546,330,673	(2,202,728)
Transfer from reserve during the period					(346,385,531)	(226,586,657)		691,432,879	(21,352,124)	97,108,567
<b>Contributions from and distributions to owners</b>										
Share issued									-	-
Share based payments									-	-
Dividends to equity holders									-	-
Bonus shares issued	2,197,985,960							(1,331,455,065)	(866,530,895)	-
Cash dividend paid								(441,646,193)	-	(441,646,193)
Other									-	-
Total contributions by and distributions	2,197,985,960	-	490,470,521	32,084	(106,401,570)	(228,789,385)	-	(2,358,485,620)	(341,552,346)	(346,740,354)
<b>Balance at Asar End, 2079</b>	<b>18,620,627,763</b>	<b>-</b>	<b>8,789,792,077</b>	<b>104,221,006</b>	<b>3,100,146,441</b>	<b>437,435,744</b>	<b>-</b>	<b>3,521,792,308</b>	<b>(1,216,980,368)</b>	<b>33,357,034,971</b>
<b>Balance at Asar End, 2079</b>	<b>18,620,627,763</b>	<b>-</b>	<b>8,789,792,077</b>	<b>104,221,006</b>	<b>3,100,146,441</b>	<b>437,435,744</b>	<b>-</b>	<b>3,521,792,308</b>	<b>(1,216,980,368)</b>	<b>33,357,034,971</b>
<b>Adjustment</b>										
<b>Adjusted balance as on Sawan 1, 2079</b>	<b>18,620,627,763</b>	<b>-</b>	<b>8,789,792,077</b>	<b>104,221,006</b>	<b>3,100,146,441</b>	<b>437,435,744</b>	<b>-</b>	<b>3,521,792,308</b>	<b>(1,216,980,368)</b>	<b>33,357,034,971</b>
Profit for the period								3,099,337,076	-	3,099,337,076
Other comprehensive income	-	-	-	-	-	3,657,434	-	-	(461,491,988)	(457,834,554)
Gain/(Losses) from investment in equity instruments measured at Fair Value						3,657,434		-	-	3,657,434
Gain/(losses) on revaluation								-	-	-
Acturial gain/(losses) on defined benefit plan								-	(461,491,988)	(461,491,988)
Gain/(losses) on cash flow hedge								-	-	-
Exchange gain/(losses) (arising from translating financial assets of foreign operation)								-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,657,434</b>	<b>-</b>	<b>3,099,337,076</b>	<b>(461,491,988)</b>	<b>2,641,502,522</b>
Transfer to reserve during the period			621,682,339		1,440,571,485			(2,602,464,386)	540,210,561	-
Transfer from reserve during the period					-	(7,943,220)		28,883,755	(19,809,134)	1,131,401
<b>Contributions from and distributions to owners</b>										
Share issued									-	-
Share based payments									-	-
Dividends to equity holders									-	-
Bonus shares issued	263,758,315							(263,758,315)	-	-
Cash dividend paid								(1,776,633,454)	-	(1,776,633,454)
Other									-	-
Total contributions by and distributions	263,758,315	-	621,682,339	-	1,440,571,485	(7,943,220)	-	(4,613,972,400)	520,401,427	(1,775,502,053)
<b>Balance at Asar end, 2080</b>	<b>18,884,386,078</b>	<b>-</b>	<b>9,411,474,417</b>	<b>104,221,006</b>	<b>4,540,717,926</b>	<b>433,149,959</b>	<b>-</b>	<b>2,007,156,984</b>	<b>(1,158,070,930)</b>	<b>34,223,035,441</b>

**Agricultural Development Bank Limited**  
**Consolidated Statement of cash flows**

For the Quarter ended 31 Asar 2080

	Group		Bank	
	Up to This Quarter	Corresponding Previous Year Up to this Quarter	Up to This Quarter	Corresponding Previous Year Up to this Quarter
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Interest received	23,007,944,278	19,969,691,698	23,007,534,245	19,969,318,086
Fees and other income received	1,367,890,631	1,464,286,132	1,367,890,631	1,464,286,132
Dividend received				
Receipts from other operating activities	1,314,245,477	484,223,854	1,290,678,018	480,716,655
Interest paid	(15,340,501,664)	(10,469,787,020)	(15,341,859,724)	(10,470,694,967)
Commission and fees paid	(146,578,785)	(56,187,247)	(146,578,785)	(56,186,387)
Cash payment to employees	(3,899,235,503)	(3,835,380,287)	(3,896,222,020)	(3,832,845,856)
Other expense paid	(1,344,166,063)	(932,458,443)	(1,343,471,713)	(931,027,357)
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>4,959,598,371</b>	<b>6,624,388,687</b>	<b>4,937,970,652</b>	<b>6,623,566,305</b>
<b>(Increase)/Decrease in operating assets</b>				
Due from Nepal Rastra Bank	(887,547,138)	3,531,664,562	(887,547,138)	3,531,664,562
Placement with bank and financial institutions	127,900,000	3,989,675,000	127,900,000	3,989,675,000
Other trading assets	(775,847,386)	24,792,864	(890,803,841)	26,479,947
Loan and advances to bank and financial institutions	(4,365,528,474)	(4,050,517,417)	(4,365,528,474)	(4,050,517,417)
Loans and advances to customers	1,356,814,109	(24,109,898,308)	1,356,814,109	(24,109,898,308)
Other assets	(2,145,831,195)	(622,346,174)	(2,145,552,831)	(621,868,098)
	<b>(6,690,040,085)</b>	<b>(21,236,629,472)</b>	<b>(6,804,718,176)</b>	<b>(21,234,464,313)</b>
<b>Increase/(Decrease) in operating liabilities</b>				
Due to bank and financial institutions	(5,902,822,420)	7,823,418,291	(5,902,822,420)	7,823,418,291
Due to Nepal Rastra Bank	(9,777,137,132)	1,065,345,149	(9,777,137,132)	1,065,345,149
Deposit from customers	32,896,334,430	3,777,471,296	32,896,347,352	3,775,335,539
Borrowings	359,352,272	1,238,681,568	359,352,272	1,238,681,568
Other liabilities	(915,880,163)	1,851,444,984	(922,231,392)	1,855,159,200
<b>Net cash flow from operating activities before tax paid</b>	<b>14,929,405,274</b>	<b>1,144,120,503</b>	<b>14,786,761,156</b>	<b>1,147,041,739</b>
Income taxes paid	(1,083,589,402)	(1,436,450,864)	(942,043,452)	(1,436,450,864)
<b>Net cash flow from operating activities</b>	<b>13,845,815,872</b>	<b>(292,330,361)</b>	<b>13,844,717,705</b>	<b>(289,409,125)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investment securities	(9,668,415,974)	(8,502,803,678)	(9,667,263,378)	(8,498,458,959)
Receipts from sale of investment securities	11,354,734	366,454,177	11,354,734	362,788,513
Purchase of property and equipment	(238,740,387)	(1,279,824,069)	(238,660,597)	(1,279,788,111)
Receipt from the sale of property and equipment		151,251,204		151,251,204
Purchase of intangible assets		(56,639,075)		(56,639,075)
Receipt from the sale of intangible assets				
Purchase of investment properties				
Receipt from the sale of investment properties				
Interest received				
Dividend received	59,254,937	198,749,305	59,120,718	198,531,204
<b>Net cash used in investing activities</b>	<b>(9,836,546,690)</b>	<b>(9,122,812,135)</b>	<b>(9,835,448,522)</b>	<b>(9,122,315,225)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipt from issue of debt securities		6,000,000,000		6,000,000,000
Repayment of debt securities				
Receipt from issue of subordinated liabilities				
Repayment of subordinated liabilities				
Receipt from issue of shares				
Dividends paid	(1,106,288,397)	(665,106,806)	(1,106,288,397)	(665,106,806)
Interest paid				
Other receipt/payment				
<b>Net cash from financing activities</b>	<b>(1,106,288,397)</b>	<b>5,334,893,194</b>	<b>(1,106,288,397)</b>	<b>5,334,893,194</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,902,980,785</b>	<b>(4,080,249,302)</b>	<b>2,902,980,785</b>	<b>(4,076,831,155)</b>
Cash and cash equivalents at Sawan 1, 2079	6,560,530,091	10,640,779,393	6,559,900,767	10,636,731,923
Effect of exchange rate fluctuations on cash and cash equivalents held				
<b>Cash and cash equivalents at Asar End 2080</b>	<b>9,463,510,875</b>	<b>6,560,530,091</b>	<b>9,462,881,551</b>	<b>6,559,900,767</b>



## Statement of Distributable Profit or Loss

For the Quarter ended on 31 Asar 2080

(As per NRB Regulation)

Amount in Rs.

	Bank	
	Current Year Upto this Quarter YTD	Previous Year Corresponding Qtr YTD
<b>Net Profit or (loss) as per statement of profit or loss</b>	<b>3,099,337,076</b>	<b>2,225,765,948</b>
<b>1. Appropriations</b>		
a. General Reserve	621,682,339	490,470,521
b. Exchange Fluctuation Fund		32,084
c. Capital Redemption Reserve	500,000,000	500,000,000
d. Corporate Social Responsibility Fund	30,993,371	22,257,659
e. Employees Training Fund	9,217,191	24,073,013
f. Other	(28,883,755)	(345,047,347)
CSR Expenses transferred to Retain earning from CSR Reserve	(19,809,134)	(21,352,124)
Transfer from Fair Value Reserve	(9,074,621)	(323,695,224)
<b>Profit or (loss) before regulatory adjustment</b>	<b>1,966,327,931</b>	<b>1,533,980,018</b>
<b><u>Regulatory Adjustment:</u></b>		
a. Interest receivable (-)/previous accrued interest received (+)	(161,202,491)	(114,031,228)
b. Short loan loss provision in accounts (-)/reversal (+)		
c. Short provision for possible losses on investment (-)/reversal (+)		
d. Short loan loss provision on Non Banking Assets (-)/resersal (+)	87,239,182	(54,307,403)
e. Deferred tax assets recognised (-)/ reversal (+)	71,645,331	(71,645,331)
f. Goodwill recognised (-)/ impairment of Goodwill (+)		
g. Bargain purchase gain recognised (-)/resersal (+)		
h. Acturial loss recognised (-)/reversal (+)	(659,274,269)	38,343,680
i. Other (+/-)	(778,979,238)	308,041,851
<b>Net Profit or (loss) for the Qtr ended on 31 Asar 2080 available for distribution</b>	<b>525,756,446</b>	<b>1,640,381,587</b>
Opening Retained Earnings as on Shrawan 1, 2079	3,521,792,308	3,654,511,980
Adjustments(+/-)		
<b><u>Distribution:</u></b>		
Bonus Share Issued	(263,758,315)	(1,331,455,065)
Cash Dividend Paid	(1,776,633,454)	(441,646,193)
<b>Total Distributable Profit or (Loss) as on Qtr end 31 Asar 2080</b>	<b>2,007,156,984</b>	<b>3,521,792,308</b>
Annualized Distributable Profit/Loss per share*	14.92	26.70

\* Preference dividend is not considered while computing annualized distributable profit or loss per share

## **Notes to the Interim Financial Statements**

### **1. Basis of Preparation**

The interim condensed financial statements prepared for the 4<sup>th</sup> quarter of current FY 2079/80 ending 16 July 2023 (31 Asar, 2080) 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 confirm 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 except for NFRS 09 and NFRS 16 due to which current period interest expenses, personnel expenses and depreciation are not comparable with that of corresponding previous period.

**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 during the reporting period.

**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 computed impairment loss on loans and advances as per the norms prescribed by Nepal Rastra Bank and as suggested by paragraph 5 of carve-outs issued by Accounting Standard Boards of Nepal. All other financial assets has been impaired as per the principal stated in paragraph 5 of carve-outs.

##### **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**

Statistical methods are used to determine impairment losses on a collective basis for homogenous groups of financial assets. After grouping of loans on the basis of homogeneous risks, the Bank uses net flow rate method. Under this methodology, the movement in the outstanding balance of customers into default categories over the periods are used to estimate the amount of financial assets that will eventually be irrecoverable, as a result of the events occurring before the reporting date.

#### **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.

#### **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 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 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.

## 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.

Particulars	Koshi		Madhesh		Bagmati		Gandaki		Lumbini		Karnali		Sudur-Paschim		<i>Total (Rs. in million)</i>	
	Current Year (Qtr)	Previous Year (Qtr)	Current Year (Qtr)	Previous Year (Qtr)	Current Year (Qtr)	Previous Year (Qtr)	Current Year (Qtr)	Previous Year (Qtr)	Current Year (Qtr)	Previous Year (Qtr)	Current Year (Qtr)	Previous Year (Qtr)	Current Year (Qtr)	Previous Year (Qtr)	Current Year (Qtr)	Previous Year (Qtr)
Revenues from External customer	3,291	2,689	4,035	3,197	10,139	7,532	2,018	1,687	4,335	3,372	756	23,304	1,242	1,100	25,815	42,882
Inter Segment revenues	(885)	(678)	(1,733)	(1,234)	2,236	1,847	(534)	(442)	(1,341)	(970)	(91)	(83)	(186)	(179)	(2,534)	(1,738)
Segment profit/(loss) before tax	332	752	411	812	60	1,226	84	350	565	817	115	109	73	292	1,641	4,358
Segment Assets	15,401	24,122	10,969	27,271	133,621	74,696	10,692	15,159	20,810	32,932	4,702	4,940	8,264	9,147	204,458	188,267
Segment liabilities	15,401	24,122	10,969	27,271	133,621	74,696	10,692	15,159	20,810	32,932	4,702	4,940	8,264	9,147	204,458	188,267

*Note : Segment reporting excludes Head Office.*

### B. Reconciliation of Reportable Segment Profit or Loss

*Rs. in million*

Particulars	Current Quarter	Corresponding Previous year Quarter
Total profit before tax for reportable segments	1,641	4,358
Profit before tax for other segments	-	-
Elimination of inter-segment profit	-	-
Elimination of discontinued operation	-	-
Unallocated amounts:		
– Other corporate Income/expenses	3,004	(718)
<b>Profit before tax</b>	<b>4,646</b>	<b>3,640</b>

## 7. Concentration of Borrowings and Deposits

A. Concentration of Borrowings		Amount in NPR	
Particulars	Current Year	Previous Year	
Borrowings from 10 largest lenders	4,055,941,080	28,978,977,176	
Percentage of borrowings from ten largest lenders to total depositors	2.04%	16.60%	

B. Concentration of Credit exposures		Amount in NP	
Particulars	Current Year	Previous Year	
Total exposures to twenty largest borrowers			
a. As per group (related party)			
b. As per individual customer	12,081,932,618	5,652,804,804	
Percentage of exposures to twenty largest borrowers to total loans and advances			
a. As per group (related party)			
b. As per individual customer	6.61%	3.17%	

C. Concentration of Deposits			
Particulars	Current Year	Previous Year	
Total Deposit from twenty largest depositors			
a. Groupwise			
b. As per individual customer	40,676,909,758	35,179,571,780	
Percentage of deposits from twenty largest depositors to total deposits			
a. Groupwise			
b. As per individual customer	20.37%	20.15%	

## 8. Related Parties

### 8.1 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

### 8.2 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.

**9. Events after interim period**

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

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

Banks' associate Sana Kisan Bikas Laghubitta Bittiya Sanstha Limited and RMDC merged with the approval of Nepal Rastra Bank and started joint operation from 2080/03/24. Now banks' share of interest in new entity is 13.02% only. On this ground it is difficult to presume significant influence and hence the investment in Sana Kisan Bikas Laghubitta Bittiya Sanstha Limited is not considered as Investment in associates and it is valued at Fair value through Profit or Loss.