

Agricultural Development Bank Limited  
Interim Financial Statements  
As on Poush End 2080

Date: January 2024  
Place: Kathmandu

**Agricultural Development Bank Limited**  
**Condensed Consolidated Statement of Financial Position**  
As on Quarter ended 29 Poush 2080

	Group		Bank	
<b>Assets</b>	This Quarter Ending	Immediate Previous Year Ending	This Quarter Ending	Immediate Previous Year Ending
Cash and cash equivalent	10,959,099,052	9,463,050,415	10,959,099,052	9,462,421,091
Due from Nepal Rastra Bank	8,649,499,518	7,096,495,884	8,649,499,518	7,096,495,884
Placement with Bank and Financial Institut	3,626,027,500	-	3,626,027,500	-
Derivative financial instruments	-	17,588,448	-	17,588,448
Other trading assets	3,038,392,563	2,964,345,597	2,976,911,456	2,893,598,633
Loan and advances to B/FIs	3,516,041,532	4,134,543,000	3,516,041,532	4,134,543,000
Loans and advances to customers	187,361,479,196	176,303,722,237	187,361,479,196	176,303,722,237
Investment securities	67,980,815,650	55,671,394,278	67,770,819,216	55,461,069,332
Current tax assets	137,482,139	287,657,235	136,510,044	286,053,367
Investment in subsidiaries	-	-	28,840,000	28,840,000
Investment in associates	-	-	-	-
Investment properties	303,356,851	248,649,555	303,356,851	248,649,555
Property and equipment	2,261,863,928	2,293,412,293	2,259,519,630	2,291,066,048
Goodwill and Intangible assets	99,740,643	138,590,074	99,740,643	138,590,074
Deferred tax assets	-	-	-	-
Other assets	9,221,303,567	7,317,612,458	9,218,319,235	7,316,203,563
<b>Total Assets</b>	<b>297,155,102,138</b>	<b>265,937,061,475</b>	<b>296,906,163,873</b>	<b>265,678,841,233</b>
<b>Liabilities</b>				
Due to Bank and Financial Institutions	672,237,182	2,095,919,987	672,237,182	2,095,919,987
Due to Nepal Rastra Bank	3,377,762	4,571,178	3,377,762	4,571,178
Derivative financial instruments	-	-	-	-
Deposits from customers	229,347,435,297	199,467,139,587	229,368,832,638	199,486,613,568
Borrowing	2,024,558,568	2,136,563,784	2,024,558,568	2,136,563,784
Current Tax Liabilities	-	-	-	-
Provisions	-	-	-	-
Deferred tax liabilities	423,779,558	511,354,739	365,565,734	450,249,435
Other liabilities	8,978,829,613	7,297,189,773	8,971,485,379	7,289,854,169
Debt securities issued	20,473,530,263	20,473,530,263	20,473,530,263	20,473,530,263
Subordinated Liabilities	-	-	-	-
<b>Total liabilities</b>	<b>261,923,748,243</b>	<b>231,986,269,312</b>	<b>261,879,587,526</b>	<b>231,937,302,384</b>
<b>Equity</b>				
Share capital	18,884,386,078	18,884,386,078	18,884,386,078	18,884,386,078
Ordinary Share	13,451,674,078	13,451,674,078	13,451,674,078	13,451,674,078
Preference Share(Irredeemable)	5,432,712,000	5,432,712,000	5,432,712,000	5,432,712,000
Share premium	-	-	-	-
Retained earnings	817,032,038	1,146,831,661	752,194,067	1,079,013,438
Reserves	15,513,321,906	13,902,642,253	15,389,996,202	13,778,139,333
<b>Total equity attributable to equity holde</b>	<b>35,214,740,021</b>	<b>33,933,859,992</b>	<b>35,026,576,347</b>	<b>33,741,538,849</b>
<b>Non-controlling interest</b>	<b>16,613,874</b>	<b>16,932,171</b>		
<b>Total equity</b>	<b>35,231,353,895</b>	<b>33,950,792,163</b>	<b>35,026,576,347</b>	<b>33,741,538,849</b>
<b>Total liabilities and equity</b>	<b>297,155,102,138</b>	<b>265,937,061,475</b>	<b>296,906,163,873</b>	<b>265,678,841,233</b>

**Agricultural Development Bank Limited**  
**Condensed Consolidated Statement of Profit or Loss**  
For the Quarter ended 29 Poush 2080

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	6,772,140,826	13,290,897,955	5,744,927,092	11,244,343,424	6,771,565,288	13,289,650,831	5,744,563,740	11,243,296,271
Interest expense	4,348,147,498	8,802,840,778	3,855,264,314	7,514,049,097	4,347,988,683	8,802,270,500	3,855,264,314	7,514,049,097
<b>Net interest income</b>	<b>2,423,993,328</b>	<b>4,488,057,177</b>	<b>1,889,662,778</b>	<b>3,730,294,328</b>	<b>2,423,576,605</b>	<b>4,487,380,331</b>	<b>1,889,299,427</b>	<b>3,729,247,174</b>
Fees and commission income	341,268,524	706,985,538	288,976,043	579,718,768	341,268,524	706,985,538	288,976,043	579,718,768
Fees and commission expense	137,870,537	163,272,349	18,752,527	37,301,077	137,870,537	163,272,349	18,752,487	37,301,037
<b>Net fee and commission income</b>	<b>203,397,987</b>	<b>543,713,189</b>	<b>270,223,516</b>	<b>542,417,691</b>	<b>203,397,987</b>	<b>543,713,189</b>	<b>270,223,556</b>	<b>542,417,731</b>
<b>Net interest, fee and commission income</b>	<b>2,627,391,315</b>	<b>5,031,770,367</b>	<b>2,159,886,294</b>	<b>4,272,712,018</b>	<b>2,626,974,592</b>	<b>5,031,093,520</b>	<b>2,159,522,982</b>	<b>4,271,664,905</b>
Net trading income	160,319,579	122,718,997	3,568,448	42,232,030	157,118,883	126,544,481	3,568,448	42,232,030
Other operating income	172,418,360	305,642,216	27,771,398	82,847,585	172,385,658	305,624,612	27,726,355	82,795,581
<b>Total operating income</b>	<b>2,960,129,254</b>	<b>5,460,131,579</b>	<b>2,191,226,140</b>	<b>4,397,791,633</b>	<b>2,956,479,133</b>	<b>5,463,262,612</b>	<b>2,190,817,785</b>	<b>4,396,692,515</b>
Impairment charge/(reversal) for loan and other losses	(1,063,570,774)	1,096,505,129	1,391,645,012	2,176,539,012	(1,063,570,774)	1,096,505,129	1,391,645,012	2,176,539,012
<b>Net operating income</b>	<b>4,023,700,028</b>	<b>4,363,626,450</b>	<b>799,581,128</b>	<b>2,221,252,622</b>	<b>4,020,049,908</b>	<b>4,366,757,483</b>	<b>799,172,773</b>	<b>2,220,153,503</b>
<b>Operating expense</b>								
Personnel expenses	919,138,046	1,792,440,229	820,719,658	1,699,867,162	917,982,406	1,790,506,752	820,163,871	1,698,498,687
Other operating expenses	273,612,129	578,985,419	254,732,323	479,827,857	273,285,490	578,386,033	254,508,322	479,467,107
Depreciation & Amortisation	70,725,524	148,201,596	82,595,801	153,729,404	70,716,704	148,185,700	82,595,801	153,729,404
<b>Operating Profit</b>	<b>2,760,224,329</b>	<b>1,843,999,206</b>	<b>(358,466,654)</b>	<b>(112,171,800)</b>	<b>2,758,065,308</b>	<b>1,849,678,999</b>	<b>(358,095,221)</b>	<b>(111,541,694)</b>
Non operating income	5,427,835	10,631,486	86,016,011	146,817,403	5,427,835	10,631,486	41,436,778	51,091,668
Non operating expense	2,178,663	2,178,663	39,241,069	48,291,602	2,178,663	2,178,663	39,241,069	48,291,602
<b>Profit before income tax</b>	<b>2,763,473,502</b>	<b>1,852,452,029</b>	<b>(311,691,713)</b>	<b>(13,645,999)</b>	<b>2,761,314,481</b>	<b>1,858,131,822</b>	<b>(355,899,513)</b>	<b>(108,741,628)</b>
Income tax expense	518,286,221	501,429,446	(6,012,827)	20,191,946	517,967,835	502,856,641	(6,012,827)	20,191,946
Current Tax	558,719,992	558,719,992	(67,193,901)	-	557,439,547	557,439,547	(67,193,901)	-
Deferred Tax	(40,433,770)	(57,290,546)	61,181,073	20,191,946	(39,471,712)	(54,582,906)	61,181,073	20,191,946
<b>Profit/(loss) for the period</b>	<b>2,245,187,281</b>	<b>1,351,022,584</b>	<b>(305,678,885)</b>	<b>(33,837,946)</b>	<b>2,243,346,646</b>	<b>1,355,275,181</b>	<b>(349,886,685)</b>	<b>(128,933,574)</b>

**Condensed Consolidated Statement of Comprehensive Income**

Profit/(loss) for the period	2,245,187,281	1,351,022,584	(305,678,885)	(33,837,946)	2,243,346,646	1,355,275,181	(349,886,685)	(128,933,574)
Other Comprehensive Income	21,869,373	(70,485,921)	15,677,578	(45,231,828)	21,399,069	(70,237,683)	15,677,578	(45,231,828)
<b>Total Comprehensive Income</b>	<b>2,267,056,654</b>	<b>1,280,536,662</b>	<b>(290,001,308)</b>	<b>(79,069,773)</b>	<b>2,264,745,715</b>	<b>1,285,037,499</b>	<b>(334,209,108)</b>	<b>(174,165,402)</b>
Basic earnings per share	64.34	17.66	(11.74)	(2.98)	64.29	17.73	(13.08)	(4.43)
Diluted earnings per share	64.34	17.66	(11.74)	(2.98)	64.29	17.73	(13.08)	(4.43)

**Profit attributable to:**

Equity holders of the Bank	2,245,466,357	1,351,301,659	(305,652,541)	(33,793,206)	2,243,346,646	1,355,275,181	(349,886,685)	(128,933,574)
Non-controlling interest	(279,075)	(279,075)	(26,344)	(44,740)	-	-	-	-
<b>Total</b>	<b>2,245,187,281</b>	<b>1,351,022,584</b>	<b>(305,678,885)</b>	<b>(33,837,946)</b>	<b>2,243,346,646</b>	<b>1,355,275,181</b>	<b>(349,886,685)</b>	<b>(128,933,574)</b>

**Agricultural Development Bank Limited**  
**Consolidated Statement of Comprehensive Income**  
For the period ended 29 Poush 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	2,245,187,281	1,351,022,584	(305,678,885)	(33,837,946)	2,243,346,646	1,355,275,181	(349,886,685)	(128,933,574)
<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	31,241,962	(100,694,173)	22,396,539	(64,616,897)	30,570,098	(100,339,547)	22,396,539	(64,616,897)
Gains/(losses) on revaluation								
Actuarial gains/(losses) on defined benefit plans	-	-	-	-				
Income tax relating to above items	(9,372,589)	30,208,252.04	(6,718,962)	19,385,069	(9,171,029)	30,101,864	(6,718,962)	19,385,069
<b>Net other comprehensive income that will not be reclassified to profit or loss</b>	<b>21,869,373</b>	<b>(70,485,921)</b>	<b>15,677,578</b>	<b>(45,231,828)</b>	<b>21,399,069</b>	<b>(70,237,683)</b>	<b>15,677,578</b>	<b>(45,231,828)</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>21,869,373</b>	<b>(70,485,921)</b>	<b>15,677,578</b>	<b>(45,231,828)</b>	<b>21,399,069</b>	<b>(70,237,683)</b>	<b>15,677,578</b>	<b>(45,231,828)</b>
<b>Total comprehensive income for the period</b>	<b>2,267,056,654</b>	<b>1,280,536,662</b>	<b>(290,001,308)</b>	<b>(79,069,773)</b>	<b>2,264,745,715</b>	<b>1,285,037,499</b>	<b>(334,209,108)</b>	<b>(174,165,402)</b>
<b>Total comprehensive income attributable to:</b>								
Equity holders of the Bank	2,266,902,405	1,280,815,738	(289,974,964)	(79,025,034)	2,264,745,715	1,285,037,499	(334,209,108)	(174,165,402)
Non-controlling interest	154,249	(279,075)	(26,344)	(44,740)	-	-	-	-
<b>Total</b>	<b>2,267,056,654</b>	<b>1,280,536,662</b>	<b>(290,001,308)</b>	<b>(79,069,773)</b>	<b>2,264,745,715</b>	<b>1,285,037,499</b>	<b>(334,209,108)</b>	<b>(174,165,402)</b>
<b>Earning Per Share</b>								
Basic Earning Per Share	16.08	8.83	(2.94)	(1.49)	16.07	8.86	(3.27)	(2.21)
Annualized Basic Earning Per Share	64.34	17.66	(11.74)	(2.98)	64.29	17.73	(13.08)	(4.43)
Diluted Earning Per Share	64.34	17.66	(11.74)	(2.98)	64.29	17.73	(13.08)	(4.43)

**Agricultural Development Bank Limited**  
**Consolidated Statement of changes in equity**  
For the period ended 29 Poush 2080  
Group

	Attributable to equity holders of the Bank																					Non-controlling interest	Total equity
	Share Capital	Share premium	General reserve	Exchange equalization reserve	Regulatory reserve	Fair value reserve	Revaluation reserve	Retained earning	Corporate Social Responsibility Reserve	Capital Redemption Reserve	Investment Adjustment Reserve	Capital Reserve	Assets Revaluation Reserve	Dividend Equalization Reserve	Actuarial Gain/(losses)	Special Reserve	Debtenture Redemption Reserve	Deferred Tax Reserve	Employee Development Fund	Other reserve	Total		
Balance at Year End, 2079	18,620,627.763	-	8,789,792.077	104,221.006	3,100,146.441	437,435.744	-	4,219,412.634	39,161.055	1,000,000.000	8,047.698	229,277	-	-	(2,496,547.502)	-	-	0	232,061.722	(1,217,045.750)	34,054,589.916	6,299,650	34,060,889.566
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted balance as on Srawan 1, 2079	18,620,627.763	-	8,789,792.077	104,221.006	3,100,146.441	438,507.835	-	4,219,412.634	39,161.055	1,000,000.000	8,047.698	229,277	-	-	(2,496,547.502)	-	-	0	232,061.722	(1,217,045.750)	34,054,589.916	6,299,650	34,060,889.566
Profit for the Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	(45,231.820)	-	(33,793.200)	-	-	-	-	-	-	-	-	-	-	-	-	-	(44,740)	(33,837.940)
Gain/(Losses) from investment in equity instruments measured at Fair Value	-	-	-	-	-	(45,231.820)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(45,231.820)
Gain/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(45,231.820)
Actual gain/(losses) on defined benefit plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(45,231.820)
Gain/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange gain/(losses) arising from translating financial assets of foreign operation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	(45,231.820)	-	(33,793.200)	-	-	-	-	-	-	-	-	-	-	-	-	(79,025.034)	(44,740)	(79,069.773)
Transactions with owners, directly recognized in equity	-	-	-	-	-	797,510.539	-	(797,510.539)	-	-	-	-	-	-	-	-	-	-	-	-	(5,540.218)	1,797.049	1,797.049
Transfer to reserve during the period	-	-	-	-	-	(7,943.220)	-	(5,540.218)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from reserve during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	797,510.539	(7,943.220)	-	(792,140.052)	(5,540.218)	-	-	-	-	-	-	-	-	-	-	-	(5,540.218)	1,797.049	1,797.049
Balance at Poush End, 2079	18,620,627.763	-	8,789,792.077	104,221.006	3,897,656.980	383,332.787	-	3,487,399.376	33,622.837	1,000,000.000	8,047.698	229,277	-	-	(2,496,547.502)	-	-	0	232,061.722	(1,222,585.968)	33,978,434.423	6,254,910	33,984,689.333
<b>Balance at Year End, 2080</b>	<b>18,884,386.078</b>	-	<b>9,310,797.121</b>	<b>108,114.236</b>	<b>5,060,373.876</b>	<b>599,613.732</b>	-	<b>1,444,931.663</b>	<b>40,258.759</b>	<b>1,500,000.000</b>	<b>8,047.698</b>	<b>229,277</b>	-	-	<b>(2,962,071.358)</b>	-	-	<b>0</b>	<b>241,278.913</b>	<b>(1,167,256.712)</b>	<b>33,933,859.992</b>	<b>16,932.171</b>	<b>33,950,792.163</b>
Adjustment	-	-	-	-	-	(925.970)	-	993.265	-	-	-	-	-	-	-	-	-	-	-	-	-	(19,224)	(19,224)
Adjusted balance as on Srawan 1, 2080	18,884,386.078	-	9,310,797.121	108,114.236	5,060,373.876	599,684.756	-	1,447,824.930	40,258.759	1,500,000.000	8,047.698	229,277	-	-	(2,962,071.358)	-	-	0	241,278.913	(1,167,256.712)	33,933,859.992	16,892.948	33,949,752.940
Profit for the Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	(70,485.921)	-	1,351,301.650	-	-	-	-	-	-	-	-	-	-	-	-	-	(79,075)	1,351,025.566
Gain/(Losses) from investment in equity instruments measured at Fair Value	-	-	-	-	-	(70,485.921)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(70,485.921)
Gain/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(70,485.921)
Actual gain/(losses) on defined benefit plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(70,485.921)
Gain/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange gain/(losses) arising from translating financial assets of foreign operation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	(70,485.921)	-	1,351,301.650	-	-	-	-	-	-	-	-	-	-	-	-	1,280,815.738	(79,075)	1,280,536.662
Transfer to reserve during the period	-	-	271,055.036	-	1,097,812.404	-	-	(1,091,086.521)	13,552.752	250,000.000	-	-	-	-	-	-	-	-	58,666.331	322,219.083	-	-	-
Transfer from reserve during the period	-	-	-	-	-	-	-	8,991.971	(8,991.971)	-	-	-	-	-	-	-	-	-	-	(8,991.971)	-	-	-
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	-	-	271,055.036	-	1,097,812.404	-	-	(1,082,094.552)	4,946.781	250,000.000	-	-	-	-	-	-	-	-	58,666.331	313,227.111	-	-	-
Balance at Achvin end, 2080	18,884,386.078	-	9,581,852.157	108,114.236	6,158,186.280	519,198.834	-	3,173,637.75	49,819.539	1,750,000.000	8,047.698	229,277	-	-	(2,962,071.358)	-	-	0	299,945.243	(857,629.680)	35,214,740.023	16,613.872	35,231,353.895

**Agricultural Development Bank Limited**  
**Statement of changes in equity**  
For the period ended 29 Poush 2080

	Attributable to equity holders of the Bank															Other reserve	Total
	Share Capital	Share premium	General reserve	Exchange equalization reserve	Regulatory reserve	Fair value reserve	Revaluation reserve	Retained earning	Corporate Social Responsibility Reserve	Capital Redemption Reserve	Investment Adjustment Reserve	Capital Reserve	Assets Revaluation Reserve	Dividend Equalization Reserve	Actuarial Gain/(losses)		
<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>437,435,744</b>	-	<b>3,521,792,308</b>	<b>39,163,055</b>	<b>1,000,000,000</b>	<b>8,047,698</b>	<b>229,277</b>	-	-	<b>(2,496,482,121)</b>	-	<b>33,357,034,971</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>437,435,744</b>	-	<b>3,521,792,308</b>	<b>39,163,055</b>	<b>1,000,000,000</b>	<b>8,047,698</b>	<b>229,277</b>	-	-	<b>(2,496,482,121)</b>	-	<b>33,357,034,971</b>
Profit for the period	-	-	-	-	-	-	-	(128,933,574)	-	-	-	-	-	-	-	-	(128,933,574)
Other comprehensive income	-	-	-	-	-	(45,231,828)	-	-	-	-	-	-	-	-	-	-	(45,231,828)
Gain/(Losses) from investment in equity instruments measured at Fair Value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	-	-	<b>(45,231,828)</b>	-	<b>(128,933,574)</b>	-	-	-	-	-	-	-	-	<b>(174,165,402)</b>
Transfer to reserve during the period	-	-	-	-	797,510,539	-	-	(797,510,539)	-	-	-	-	-	-	-	-	-
Transfer from reserve during the period	-	-	-	-	-	(7,943,220)	-	15,280,487	(5,540,218)	-	-	-	-	-	-	(5,540,218)	1,797,049
<b>Contributions from and distributions to owners</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total contributions by and distributions</b>	-	-	-	-	797,510,539	(7,943,220)	-	(782,230,052)	(5,540,218)	-	-	-	-	-	-	(5,540,218)	1,797,049
<b>Balance at Poush End, 2079</b>	<b>18,620,627,763</b>	-	<b>8,789,792,077</b>	<b>104,221,006</b>	<b>3,897,656,981</b>	<b>384,260,696</b>	-	<b>2,610,628,681</b>	<b>33,622,837</b>	<b>1,000,000,000</b>	<b>8,047,698</b>	<b>229,277</b>	-	-	<b>(2,496,482,121)</b>	<b>0</b>	<b>33,184,666,618</b>
	<b>18,620,627,763</b>	-	<b>8,789,792,077</b>	<b>104,221,006</b>	<b>3,897,656,981</b>	<b>384,260,696</b>	-	<b>2,610,628,681</b>	<b>33,622,837</b>	<b>1,000,000,000</b>	<b>8,047,698</b>	<b>229,277</b>	-	-	<b>(2,496,482,121)</b>	<b>0</b>	<b>33,184,666,618</b>
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at Asar End, 2080</b>	<b>18,884,386,078</b>	-	<b>9,310,797,121</b>	<b>108,114,236</b>	<b>5,060,373,876</b>	<b>466,110,812</b>	-	<b>1,079,013,438</b>	<b>45,258,759</b>	<b>1,500,000,000</b>	<b>8,047,698</b>	<b>229,277</b>	-	-	<b>(2,962,071,358)</b>	<b>0</b>	<b>33,741,538,849</b>
<b>Adjusted balance as on Sawan 1, 2080</b>	<b>18,884,386,078</b>	-	<b>9,310,797,121</b>	<b>108,114,236</b>	<b>5,060,373,876</b>	<b>466,110,812</b>	-	<b>1,079,013,438</b>	<b>45,258,759</b>	<b>1,500,000,000</b>	<b>8,047,698</b>	<b>229,277</b>	-	-	<b>(2,962,071,358)</b>	<b>0</b>	<b>33,741,538,849</b>
Profit for the period	-	-	-	-	-	-	-	1,355,275,181	-	-	-	-	-	-	-	-	1,355,275,181
Other comprehensive income	-	-	-	-	-	(70,237,683)	-	-	-	-	-	-	-	-	-	-	(70,237,683)
Gain/(Losses) from investment in equity instruments measured at Fair Value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	-	-	<b>(70,237,683)</b>	-	<b>1,355,275,181</b>	-	-	-	-	-	-	-	-	<b>1,285,037,499</b>
Transfer to reserve during the period	-	-	271,055,036	-	1,097,812,404	-	-	(1,691,080,523)	13,552,752	250,000,000	-	-	-	-	-	-	322,219,083
Transfer from reserve during the period	-	-	-	-	-	-	-	8,991,971	(8,991,971)	-	-	-	-	-	-	-	(8,991,971)
<b>Contributions from and distributions to owners</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total contributions by and distributions</b>	-	-	271,055,036	-	1,097,812,404	-	-	(1,682,094,552)	4,560,781	250,000,000	-	-	-	-	-	-	58,666,331
<b>Balance at Aswin end, 2080</b>	<b>18,884,386,078</b>	-	<b>9,581,852,157</b>	<b>108,114,236</b>	<b>6,158,186,280</b>	<b>395,873,130</b>	-	<b>752,194,067</b>	<b>49,819,539</b>	<b>1,750,000,000</b>	<b>8,047,698</b>	<b>229,277</b>	-	-	<b>(2,962,071,358)</b>	<b>0</b>	<b>35,026,576,347</b>

## Statement of Distributable Profit or Loss

For the Quarter ended 29 Poush 2080

(As per NRB Regulation)

	Bank
	Current Year
	Upto this Quarter YTD
<b>Net Profit or (loss) as per statement of profit or loss</b>	<b>1,355,275,181</b>
<b>1. Appropriations</b>	
a. General Reserve	271,055,036
b. Capital Redemption Reserve	250,000,000
c. Exchange Fluctuation Fund	
d. Corporate Social Responsibility Fund	13,552,752
e. Employees Training Fund	58,666,331
f. Other	(8,991,971)
CSR Expenses transferred to Retain earning from CSR Reserve	(8,991,971)
Transfer from Fair Value Reserve	-
<b>Profit or (loss) before regulatory adjustment</b>	<b>770,993,033.62</b>
<b><u>Regulatory Adjustment:</u></b>	
<i>a. Interest receivable (-)/previous accrued interest received (+)</i>	(1,150,795,020)
<i>b. Short loan loss provision in accounts (-)/reversal (+)</i>	-
<i>c. Short provision for possible losses on investment (-)/reversal (+)</i>	-
<i>d. Short loan loss provision on Non Banking Assets (-)/resersal (+)</i>	(3,763,215)
<i>e. Deferred tax assets recognised (-)/ reversal (+)</i>	-
<i>f. Goodwill recognised (-)/ impairment of Goodwill (+)</i>	-
<i>g. Bargain purchase gain recognised (-)/resersal (+)</i>	-
<i>h. Acturial loss recognised (-)/reversal (+)</i>	-
<i>i. Others(+/-)</i>	56,745,830
<b>Net Profit or (loss) for the Qtr ended on 29 Poush 2080 available for distribution</b>	<b>(326,819,370)</b>
Opening Retained Earnings as on Shrawan 1, 2080	1,079,013,438
Adjustments(+/-)	
<b><u>Distribution:</u></b>	
Bonus Share Issued	-
Cash Dividend Paid	-
<b>Total Distributable Profit or (Loss) as on Qtr end Poush 2080</b>	<b>752,194,067</b>
Annualised Distributable Profit/(Loss) per Share	(4.86)

**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		13.32%		14.83%		13.32%		14.83%
Non-Performing loan (NPL) to total Loan		3.02%		4.52%		3.02%		4.52%
Total Loan Loss Provision to Total NPL		136.68%		92.41%		136.68%		92.41%
Cost of Funds		7.55%		8.53%		7.55%		8.53%
Credit to Deposit Ratio		76.46%		87.54%		76.46%		87.54%
Base Rate		9.82%		11.06%		9.82%		11.06%
Interest Rate Spread		3.97%		3.74%		3.97%		3.74%

**Notes:**

- The above figures are subject to change as per the direction of the Regulators/Statutory Auditors.
- Figures are regrouped/rearranged/restated whereas necessary for consistent presentation and comparison.
- Personnel Expenses include provision for employee bonus calculated at 5% of profit before bonus and tax as per the provisions made for government controlled entity in the bonus bylaws 2075.
- Loan and Advances to Customer is presented net of impairment charges and includes interest accruals and staff loans and advances.
- Loan administration fees that are integral part of effective interest rate (EIR) is considered immaterial and hence not considered while computing the effective interest rate.
- The Group Financial Statements includes two Subsidiaries namely Kosh Byabasthapan Company Limited, having 92.89% holding and Gobar Gas Company having 83.96% holding. 100 percent impairment allowance has been provided against the investment in Gobar Gas Company.
- All Inter-company transactions and outstanding balances among group companies are adjusted in Group Financial Statements.
- Other Comprehensive Income is not considered while computing Earnings Per Share.
- Debt securities issued represents debenture worth Rs. 2,500 million and Agri bond worth Rs. 18,000 million. As per NRB directives, we considered these financial instruments as source.
- Interim financial statements has been prepared based on NFRSs except for NFRS 9 and NFRS 16.
- A detailed interim financial report has been published in the Bank's website [www.adbl.gov.np](http://www.adbl.gov.np)

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

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

The interim condensed financial statements prepared for the Second Quarter of current FY 2080/81 ending 14 January 2024 (Poush 29, 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 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; Ashwin (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 the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual result may differ from these estimates.

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

#### **4. Changes in Accounting Policies**

There are no changes in accounting policies and methods of 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 its short term commitments.

### 5.4 Financial assets and Financial Liabilities

#### 5.4.1 Recognition

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

#### **Subsequent Measurement**

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

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 asset 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 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 have 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 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 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 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 gains 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) 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 Provincial 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 t

## 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 '000')

Particulars	Provinces							Total
	Koshi	Madhesh	Bagmati	Gandaki	Lumbini	Karnali	Sudur-Paschim	
Revenues from External customer	3,101,039	3,661,404	10,383,979	1,835,632	4,096,549	597,969	1,183,853	24,860,426
Inter Segment revenues	(458,971)	(897,575)	2,315,261	(208,570)	(649,357)	(37,987)	(88,146)	(25,345)
Net Revenue	3,560,010	4,558,979	8,068,718	2,044,202	4,745,906	635,955	1,271,999	24,885,770
Total interest revenue	1,471,164	1,714,615	4,736,988	874,545	1,985,254	283,425	555,719	11,621,711
Interest expense	584,610	330,271	5,743,042	415,871	717,792	107,000	238,767	8,137,353
Net Interest Revenue	886,554	1,384,344	(1,006,054)	458,674	1,267,462	176,425	316,952	3,484,357
Depreciation and amortization	9,341	9,950	18,826	6,145	11,868	4,847	6,139	67,115
Segment profit/(loss)	152,648	55,635	663,312	119,110	374,010	70,399	109,422	1,544,535
Entity's interest in the profit or loss of associates accounted for using equity method	-	-	-	-	-	-	-	-
Impairment of assets	-	-	-	-	-	-	-	-
Segment Assets	16,718,512	11,527,615	162,256,073	11,260,412	20,911,761	4,318,803	8,008,949	235,002,125
Segment liabilities	16,718,512	11,527,615	162,256,073	11,260,412	20,911,761	4,318,803	8,008,949	235,002,125

*Note : Segment reporting excludes Head Office.*

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

Particulars	Current Qtr (Rs in '000')
Total Profit/(Loss) before tax for reportable segments	1,544,535
Profit before tax for other segments	
Elimination of inter-segment profit	
Elimination of discontinued operation	
Unallocated amounts: – Other corporate Income/expenses	313,597
Profit before tax	1,858,132

## **7. Related Parties**

### **7.1 Parent and Ultimate Controlling Party**

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

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

### **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. Events after interim period**

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

## **9. 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 Poush end, 2080.