ग्रीन डेभलपमेन्ट बैंक लिमिटेड
GREEN DEVELOPMENT BANK LTD
PARTNERING FOR PROSPERITY

INTERIM FINANCIAL STATEMENT

ग्रीन डेभलपमेन्ट बैंक लिमिटेड
GREEN DEVELOPMENT BANK LTD
PARTNERING FOR PROSPERITY

AS ON POUSH END 2081

Condensed Statement of Financial Position

As on Quarter Ended Poush2081 Amount in NPR

Particulars	**This Quarter Ending**	**Immediate Previous Year Ending**
Assets		
Cash and Cash Equivalents	600,633,366	626,721,937
Due from Nepal Rastra Bank	252,013,023	230,572,773
Placement with Bank and Financial Institutions	60,000,000	-
Derivative Financial Instruments	-	-
Other Trading Assets	-	-
Loans and Advances to BFIs	161,268,085	214,930,482
Loans and Advances to Customers	4,084,460,245	3,945,861,047
Investment Securities	1,243,108,828	649,461,464
Current Tax Assets	11,139,263	-
Investment in Subsidiaries	-	-
Investment in Associates	-	-
Investment Property	28,135,217	5,135,217
Property and Equipment	69,283,533	70,835,210
Goodwill and Intangible Assets	210,934	463,300
Deferred Tax Assets	-	-
Other Assets	75,120,172	67,826,639
Total Assets	**6,585,372,667**	**5,811,808,069**
Liabilities		
Due to Bank and Financial Institutions	46,194,876	93,382,448
Due to Nepal Rastra Bank	-	-
Derivative Financial Instruments	-	-
Deposits from Customers	5,794,450,811	4,971,734,256
Borrowings	25,416,667	33,750,000
Current Tax Liabilities	-	2,147,230
Provisions	885,465	885,465
Deferred Tax Liabilities	1,633,005	843,716
Other Liabilities	79,808,897	80,811,387
Debt Securities Issued	-	-
Subordinated Liabilities	-	-
Total Liabilities	**5,948,389,721**	**5,183,554,502**
Equity		
Share Capital	538,722,000	538,722,000
Share Premium	1,809	1,809
Retained Earnings	44,797,943	37,901,733
Reserves	53,461,194	51,628,024
Total Equity Attributable to Equity Holders	**636,982,946**	**628,253,566**
Non-Controlling Interest	-	-
Total Equity	636,982,946	628,253,566
Total Liabilities and Equity	**6,585,372,667**	**5,811,808,069**
Contingent Liabilities and Commitments		
Assets Value per share	118.24	116.62

Condensed Statement of Profit or Loss

For the Quarter ended Poush2081

Amount in NPR

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Interest Income	119,284,321	256,169,412	134,419,967	281,354,296
Interest Expense	80,915,605	170,183,437	97,717,945	199,503,682
Net Interest Income	**38,368,716**	**85,985,975**	**36,702,022**	**81,850,614**
Fee and Commission Income	3,658,732	9,282,014	4,060,732	9,079,051
Fee and Commission Expense	25,983	259,200	138,655	355,856
Net Fee and Commission Income	**3,632,749**	**9,022,814**	**3,922,077**	**8,723,195**
Net Interest, Fee and Commission Income	**42,001,465**	**95,008,789**	**40,624,099**	**90,573,809**
Net Trading Income	-	-	-	-
Other Operating Income	4,125,875	4,666,142	348,748	757,562
Total Operating Income	**46,127,339**	**99,674,930**	**40,972,847**	**91,331,371**
Impairment Charge/ (Reversal) for Loans and Other Losses	(15,105,847)	26,838,913	10,540,497	25,689,569
Net Operating Income	**61,233,187**	**72,836,018**	**30,432,350**	**65,641,802**
Operating Expense				-
Personnel Expenses	17,259,255	33,647,995	12,410,908	28,145,925
Other Operating Expenses	14,201,445	23,541,376	7,090,398	15,670,761
Depreciation & Amortization	1,629,257	3,176,104	3,813,797	3,813,797
Operating Profit	**28,143,230**	**12,470,543**	**7,117,247**	**18,011,319**
Non-Operating Income	-	-	-	-
Non-Operating Expense	-	-	-	9,595
Profit Before Income Tax	**28,143,230**	**12,470,543**	**7,117,247**	**18,001,724**
Income Tax Expense	8,442,969	3,741,163	2,135,174	5,400,517
Current Tax	8,442,969	3,741,163	2,135,174	5,400,517
Deferred Tax	-	-	-	-
Profit for the Period	**19,700,261**	**8,729,380**	**4,982,073**	**12,601,207**

Ratios as per NRB Directive

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Tier 1 Capital to RWA		14.39%		14.90%
Capital Fund to RWA		15.96%		16.60%
Non-Performing Loan (NPL) to Total Loan		4.88%		4.70%
Total Loan Loss Provision to Total NPL		75.64%		82.52%
Cost of Funds		5.94%		9.32%
Credit to Deposit Ratio		74.21%		83.53%
Base Rate (Monthly)		8.91%		11.98%
Base Rate (Average Quarterly)		8.76%		12.23%
Interest Rate Spread		4.58%		4.43%
Return on Assets		0.13%		0.26%
Return on Equity		1.37%		2.13%

Condensed Statement of Comprehensive Income

As on Quarter Ended Poush 2081

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to this Quarter (YTD)
Profit for the year	**19,700,261**	**8,729,380**	**4,982,073**	**12,601,207**
Other Comprehensive Income, Net of Income Tax	-	-	-	-
a) Items that will not be reclassified to profit or loss	-	-	-	-
Gains/(losses) from investment in equity instruments measured at fair value	-	-	-	-
Gains/(losses) on revaluation	-	-	-	-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-
Income tax relating to above items	-	-	-	-
Net other comprehensive income that will not be reclassified to profit or loss	**-**	**-**	**-**	**-**
b) Items that are or may be reclassified to profit or loss	-	-	-	-
Gains/(losses) on cash flow hedge	-	-	-	-
Exchange gains/(losses)(arising from translating financial assets of foreign operation)	-	-	-	-
Income tax relating to above items	-	-	-	-
Reclassify to profit or loss	-	-	-	-
Net other comprehensive income that are or may be reclassified to profit or loss	-	-	-	-
c) Share of other comprehensive income of associate accounted as per equity method	-	-	-	-
Other Comprehensive Income for the year, Net of Income Tax	-	-	-	-
Total Comprehensive Income for the Period	**19,700,261**	**8,729,380**	**4,982,073**	**12,601,207**
Total Comprehensive Income attributable to:				
Equity-Holders of the Bank	19,700,261	8,729,380	4,982,073	12,601,207
Total Comprehensive Income for the Period	**19,700,261**	**8,729,380**	**4,982,073**	**12,601,207**

Statement of Changes in Equity

For the Quarter Ended Poush 2081

Particulars	Attributable to Equity-Holders of the Bank							
	Share Capital	**Share Prem.**	**General Reserve**	**Regulatory Reserve**	**Fair Value Reserve**	**Retained Earning**	**Other Reserve**	**Total Equity**
Balance at Shrawan 01, 2080	538,722,000	1,809	25,845,621	17,252,991	7,696,000	37,901,733	833,413	628,253,566
Adjustment/Restatement								
Restated Balance								
Comprehensive Income for the year								
Profit for the year						8,729,380		
Other Comprehensive Income, Net of Tax								
Gains/(losses) from investment in equity instruments measured at fair value								
Gains/(losses) on revaluation								
Actuarial gains/(losses) on defined benefit plans								
Total Comprehensive Income for the year						8,729,380		38,661,247
Transfer to Reserves during the year			1,745,876		-	(1,833,170)	87,294	-
Transfer from Reserves during the year							-	
Transactions with Owners, directly recognized in Equity								
Share Issued								
Share Based Payments								
Dividend to Equity-Holders								
Bonus Shares Issued								
Cash Dividend Paid								
Other-NFRS Adjustment								
Total Contributions by and Distributions			1,745,876			(1,833,170)	87,294	
Balance at Poush, 2081	**538,722,000**	**1,809**	**27,591,497**	**17,252,991**	**7,696,000**	**44,797,943**	**920,707**	**636,982,946**

Statement of Cash Flow

For the Quarter Ended Poush 2081

Particulars	Current Year	Immediate Previous Year Ending (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest Received	256,169,412	566,085,184
Fee and Other Income Received	9,282,014	20,001,282
Dividend Received	1,107,507	271,962
Receipts from Other Operating Activities	3,558,634	4,235,117
Interest Paid	(170,183,437)	(393,078,943)
Commissions and Fees Paid	(259,200)	(696,233)
Cash Payment to Employees	(33,647,995)	(63,359,316)
Other Expenses Paid	(23,541,376)	(59,600,543)
Operating Cash Flows before Changes in Operating Assets and Liabilities	**42,485,559**	**73,858,510**
(Increase) Decrease in Operating Assets		
Due from Nepal Rastra Bank	(21,440,250)	(68,591,378)
Placement with Banks and Financial Institutions	(60,000,000)	50,000,000
Other Trading Assets	-	-
Loans and Advances to BFIs	53,662,397	(211,798,916)
Loans and Advances to Customers	(138,599,198)	(648,754,297)
Other Assets	(18,432,796)	(6,935,591)
Increase (Decrease) in Operating Liabilities		
Due to Banks and Financial Institutions	(47,187,572)	(78,877,444)
Due to Nepal Rastra Bank	-	-
Deposit from Customers	822,716,555	1,067,853,086
Borrowings	(8,333,333)	8,750,000
Other Liabilities	(2,360,431)	2,875,153
Net Cash Flow from Operating Activities before Tax Paid	**622,510,931**	**188,379,123**
Income Tax Paid	(3,741,163)	(18,558,833)

Net Cash Flow from Operating Activities	**618,769,768**	**169,820,290**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investment Securities	(593,647,364)	(150,473,247)
Receipts from Sale of Investment Securities	-	-
Purchase of Property and Equipment	(1,624,427)	(4,566,777)
Receipts from Sale of Property and Equipment	-	-
Purchase of Intangible Assets	252,366	672,124
Purchase of Investment Properties	(23,000,000)	(5,135,217)
Receipts from Sale of Investment Properties	-	-
Interest Received	-	-
Dividend Received	-	-
Net Cash Used in Investing Activities	**(618,019,425)**	**(159,503,117)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from Issue of Debt Securities	-	-
Repayments of Debt Securities	-	-
Receipts from Issue of Subordinated Liabilities	-	-
Repayments of Subordinated Liabilities	-	-
Receipt from Issue of Shares	-	19,722,000
Dividends Paid	-	-
Interest Paid	-	-
Other Receipts/Payments	(26,838,914)	(21,457,967)
Net Cash from Financing Activities	**(26,838,914)**	**(1,735,967)**
Net Increase (Decrease) in Cash and Cash Equivalents	(26,088,571)	8,581,206
Cash and Cash Equivalents at Shrawan 01, 2081	626,721,937	618,140,730
Effect of Exchange Rate fluctuations on Cash and Cash Equivalents Held		
Cash and Cash Equivalents at Poush End 2081	**600,633,366**	**626,721,937**

Statement of Distributable Profit or Loss

For the Period Ended Poush 2081

(As per NRB Regulation)

Particulars	Current Year
Opening as of Shrawan 01, 2081	**37,901,732.59**
Net profit or (loss) as per statement of profit or loss	8,729,380.01
Appropriations:	
a. General reserve	1,745,876.00
b. Foreign exchange **fluctuation** fund	-
c. Capital redemption reserve	-
d. Corporate social responsibility fund	87,293.80
e. Employees' training fund	-
f. Other	-
Profit or (loss) before regulatory adjustment	**44,797,942.80**
Regulatory adjustment:	
a. Interest receivable (-)/previous accrued interest received (+)	5,511,271.76
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 (-)/reversal (+)	(17,725,187.01)
e. Deferred tax assets recognized (-)/ reversal (+)	-
f. Goodwill recognized (-)/ impairment of Goodwill (+)	-
g. Bargain purchase gain recognized (-)/reversal (+)	-
h. Actuarial loss recognized (-)/reversal (+)	-
i. Other (+/-)	-
Distributable profit or (loss)	**32,584,027.55**

धितोपत्र दर्ता तथा निष्काशन नियमावली, २०७३ को अनुसूची १४ (नियम २६ को उपनियम (१) सँग सम्वन्धित

१. वित्तीय विवरण :

(क) त्रैमासिक अवधिको वासलात, नाफा नोक्सान सम्वन्धी विवरण :

आ.व. २०८१/८२ को दास्रो त्रैमासिक अवधिको वासलात, नाफा नोक्सान सम्वन्धी विवरण र धितोपत्र सम्बन्धी विवरण मिति २०८१ माघ ७ गतेको आदर्श समाज दैनिकमा प्रकाशित गरिएको छ ।

(ख) प्रमुख वित्तीय अनुपातहरु:

प्रति शेयर आम्दानी (वार्षिक): रु.३.२४	मूल्य आम्दानी अनुपातः ३५२.७८
प्रति शेयर नेटवर्थः रु. ११८.२४	प्रति शेयर कुल सम्पत्तिको मूल्यः रु.१२२२.४१
तरलता अनुपातः ३५.९९%	पूँजी कोष अनुपात : १५.९६%

२. व्यवस्थापकिय विश्लेषण:

(क) त्रैमासिक अवधिमा संस्थाको मौज्दात, आम्दानी र तरलतामा कुनै परिवर्तन भएको भए सो को प्रमुख कारण सम्बन्धि विवरण :

आ.व.२०८१/८२ को दोश्रो त्रैमासिक अवधिमा बैंकिङ्ग क्षेत्रमा तरलताको अवस्था सहज रहेको कारण कर्जाको व्याजदर घट्दो क्रममा रहेको छ । कर्जा निक्षेप अनुपात घटेको कारण व्याज आम्दानीमा उल्लेखीय वृद्धि हुन नसकेको देखिन्छ । वित्तीय बजारका विद्यमान विभिन्न चुनौतिका वावजुद पनि बैंकको कारोवारहरु सन्तोषजनक रुपमा संचालन भैरहेको छ ।

(ख) आगामी अवधिको लागि व्यवसायिक योजना सम्बन्धमा व्यवस्थापनको विश्लेषणात्मक विवरण :

बैंकले ग्राहकको चाहनालाई मध्यनजर गर्दै अत्याधुनिक बैंकिङ्ग सेवा, ए.टि.एम. सेवा, मोबाइल बैंकिङ्ग सेवा, लकर सेवा तथा ग्राहक मुखी विभिन्न योजनाहरु सञ्चालन गर्दै आएको छ । वित्तीय वजारका ग्राहकहरुको माग तथा तत्कालिन वजार अवस्थालाई मध्यनजर गर्दै व्यवसायिक रणनिती तथा कार्ययोजनामा आवश्यक परिमार्जन गर्दै ग्राहकमुखी सेवा प्रदान गर्दै लगिएको छ । बैंकिङ्ग व्यवसाय विस्तारको क्रममा बैंकले आफ्ना कार्यक्षेत्र भित्र क्रमिक रुपमा शाखा विस्तार गर्ने रणनिति अवलम्वन गरिएको छ । आफ्ना ग्राहकहरुलाई प्रविधिमैत्री बैंकिङ्ग सुविधा प्रदान गर्नका लागि वैकिङ वजारमा प्रचलित अन्य सेवा सुविधाहरु समेत थप गर्दै लगिएको छ ।

(ग) विगतको अनुभवबाट बैंकको मौज्दात, नाफा वा नगदप्रवाहमा तात्विक असर पर्ने कुनै घटना, अबस्था आदि भए सो सम्बन्धि विश्लेषणात्मक विवरण :

समिक्षा अबधिमा बैंकको मौज्दात, नाफा वा नगदप्रवाहमा तात्विक असर पर्ने कुनै घटना, अबस्था नभएको ।

३. कानुनी कारवाही सम्वन्धी विवरण:

त्रैमासिक अवधिमा संस्थाले वा संस्थाको विरुद्ध कुनै मुद्दा दायर भएको जानकारीमा आएको छैन । संस्थाको संस्थापक वा संचालकले वा संस्थापक वा संचालक विरुद्ध कुनै किसिमको मुद्दा दायर भएको बैंकको जानकारीमा आएको छैन ।

४. संगठित संस्थाको शेयर कारोवार सम्बन्धी विश्लेषण:

धितोपत्र बजारमा यस बैंकको शेयरको कारोबारको स्थिति सन्तोषजनक रहेको छ । त्रैमासिक अवधिमा शेयरको अधिकतम, न्यूनतम, अन्तिम मूल्य, कारोवार भएको कूल दिन तथा कारोवार संख्या देहाय बमोजिम रहेको छ ।

अधिकतम मूल्य : रु.१३०५.६०	न्यूनतम मूल्यः रु.७०१.००
अन्तिम मूल्यः रु.११४३.००	कारोवार भएको कूल दिनः ५५
कारोवार संख्याः १२,३८३	कूल कारोवार शेयर संख्याः १६,९०,५४२

५. समस्या तथा चुनौतिः

आन्तरिक समस्या तथा चुनौती :

आन्तरिक समस्या तथा चुनौतीका रुपमा बैंकको संचालन खर्चमा बृद्धि, दक्ष जनशक्ति व्यवस्थापनको कठिनाई, व्याज दरमा हुने परिवर्तन, उत्पादनशिल क्षेत्रमा कर्जाको माग साथै निक्षेप वृद्धिमा सन्तुलन नभएको, वजारमा देखिएको तरलता अभाव, अस्वस्थ प्रतिस्पर्धा, संचालन जोखिम, सूचना प्रविधि सम्वन्धी जोखिम आदि समस्या तथा चुनौतीहरु रहेका छन ।

बाह्य समस्या तथा चुनौती :

बाह्य समस्या तथा चुनौतीका रुपमा मुद्रास्फिर्ती तथा घट्दो ब्याजदरको कारण सम्भावित राष्ट्रिय तथा अन्तराष्ट्रिय अर्थतन्त्रको संकूचन उत्पन्न हुन सक्ने जोखिमहरु तथा असुलिमा चापको कारणले समग्र अर्थतन्त्रको आगामी दिशा, बढ्दो प्रतिस्पर्धा, लगानी मैत्री वातावरणको कमी तथा नियमनकारी निकायहरुको निर्देशनले श्रृजना हुनसक्ने समस्याको कारण प्रतिफलात्मक व्यवसाय वृद्धिमा चुनौतिहरु थप हुन सक्ने छन् ।

रणनीति :

समग्र आन्तरिक तथा बाह्य समस्याहरुको कारणले श्रृजना हुन सक्ने संभावित चुनौतिहरुलाई दृष्टिगत गरी व्यवसायिक रणनीति तथा कार्ययोजना परिमार्जित गर्दै ग्राहकमुखी सेवा प्रदान गरी व्यवसाय विस्तार गरिदै लगिने रणनीति अपनाईने छ । व्यवसायको आकारमा वृद्धी, बजारको माग अनुरुप ब्याजदरमा समयानुकुल परिमार्जन, दक्ष जनशक्ति विकास, सञ्चालन खर्चको व्यवस्थापन, लगानीयोग्य परियोजनको खोजी, जोखिम व्यवस्थापनका लागि आन्तरिक नियन्त्रण प्रणालीको विकास, समायनुकुल प्रविधिको प्रयोग तथा सेवाको गुणस्तरको वृद्धी गर्ने रणनीति अपनाईने छ ।

६. संस्थागत सुशासनः

संस्थागत सुशासनका लागि आन्तरिक नियन्त्रण प्रणाली व्यवस्थित गर्न बाह्य एवं आन्तरिक लेखापरिक्षकको व्यवस्थाको साथै आन्तरिक लेखापरिक्षण समिति, जोखिम व्यवस्थापन समिति, सम्पत्ति शुद्धीकरण निवारण सम्बन्धी समिति, संचालक समिति लगायत बैंकका सवै तहका पदाधिकारीहरुलाई पदिय दायित्व अनुरुप कृयाशिल गराईएकोछ । नियमनकारी निकायहरुबाट प्रदान गरिएका नीति निर्देशन अनुरुप बैंकको कारोवारलाई व्यवस्थित गर्न आवश्यक नीति नियम तथा निर्देशिकाहरु तर्जुमा गरी कार्यान्वयन गरिएको छ ।

७. सत्य तथ्यता सम्बन्धमा कार्यकारी प्रमुखको उद्घोषणः

आजका मितिसम्म यस प्रतिवेदनमा उल्लेखित जानकारी तथा विवरणहरुको शुद्धता सम्वन्धमा म व्यक्तिगत रुपमा उत्तरदायित्व लिन्छु । साथै म यो उद्घोष गर्दछु कि मैले जाने बुझेसम्म यस प्रतिवेदनमा उल्लेखित विवरणहरु सत्य, तथ्य र पूर्ण छन र लगानीकर्ताहरुलाई सूसुचित निर्णय लिन आवश्यक कुनै विवरण, सूचना तथा जानकारी लुकाइएको छैन ।

Notes to the Interim Financial Statements

1. **Basis of Preparation**

The interim financial statements have been prepared on accrual basis of accounting except the Cash Flow information, which is prepared on a cash basis, using the direct method. The financial statements comprise the Statement of Financial Position, Statement of Profit or Loss and Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and Statement of Distributable Profit of the bank. The accounting policies are consistently applied to all the years presented, except for the changes in accounting policies disclosed specifically.

2. **Statement of Compliance with NFRS**

The Interim Financial Statements of the Bank have been prepared in accordance with the requirement of Nepal Financial Reporting Standards (NFRS)-NAS 34 "Interim Financial Reporting" as published by the Accounting Standards Board (ASB) Nepal and pronounced by "The Institute of Chartered Accountants of Nepal" (ICAN) and carve out issued by the Institute of Chartered Accountants of Nepal and in compliance with BAFIA 2073 and Unified Directives 2075 issued by Nepal Rastra Bank and all other applicable laws and regulations.

The formats used in the preparation of the Financial Statements and the disclosures made Therein comply with the specified formats prescribed by the Nepal Rastra Bank for the Preparation, presentation and publication of Interim Financial Statements.

The Condensed Interim Financial Statement comprise of:

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

Reporting Period

Reporting Period is a period from the first day of Shrawan of any year to the last day of quarter end, i.e.; Ashwin, Poush, Chaitra and Asadh as per Nepali calendar.

	Nepali Calendar	English Calendar
Current Year Period	1st Kartik 2081 to 29th Poush 2081	17th Oct. 2024 to 13th Jan. 2025
Previous Year Period	1st Kartik 2080 to 29th Poush 2080	18th Oct. 2023 to 14th Jan. 2024

Functional and Presentation Currency

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

Comparative Information

Comparative information is provided in narrative and descriptive nature, if it is relevant to understand the current period's interim financial statement and re-classified wherever necessary to conform to current period presentation. Further, audited Financials has been taken into consideration for Comparison purpose.

3. Use of Estimates, assumptions and judgments

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

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

Impairment losses on financial assets

The measurement of impairment losses across the categories of financial assets under Nepal Financial Reporting Standard - NFRS 9 on "Financial Instruments" requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses. Accordingly, the Bank reviews its individually significant loans and advances portfolio at each reporting date to assess whether an impairment loss should be recognized in the Income Statement. In particular, the Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, Management makes judgements about a borrower's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable. These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the impairment allowance made.

A collective impairment provision is established for:

- Banks of homogeneous loans and advances that are not considered individually significant; and
- Assets of Banks that are individually significant but that were not found to be individually impaired.

Following NFRS 9, the Bank's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the Bank's ECL models that are considered accounting judgements and estimates include:

- Criteria for qualitatively assessing whether there has been a significant increase in credit risk (SICR) and if so, allowances for financial assets measured on a Life Time Expected Credit Loss (LT - ECL) basis.

- Segmentation of financial assets when their ECL is assessed on a collective basis.
- Various statistical formulas and the choice of inputs used in the development of ECL models.
- Associations between macroeconomic inputs, such as GDP growth, inflation, interest rates, exchange rates and unemployment and the effect of these inputs on Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).
- Forward-looking macroeconomic scenarios and their probability weightings.
- Coupon rate of loan has been considered by the Bank as effective interest rate since transaction cost associated with extending credit facility is nominal.
- Early payment behavior of the exposures for the reporting period has not been assumed.

As such, the accuracy of the impairment provision depends on the model assumptions and parameters used in determining the ECL calculations
Further, the Bank has assigned weightages for base case, best case and worst-case scenarios when assessing the probability weighted forward looking macro-economic indicators.

4. Changes in accounting policies

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

5. Significant Accounting Policies

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

5.1 Cash and Cash Equivalent

Cash and cash equivalents include cash in hand, balances with B/FIs, money at call & short notice and highly liquid financial assets with original maturities of three months or less from the acquisition dates that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.

5.2 Financial Assets and Financial Liabilities

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

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

5.2.1 Recognition

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

5.2.2 Classification

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

a. Financial assets or liabilities held-for-trading

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

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

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

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

c. Financial Instruments measured at amortized cost

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

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

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

These investments include equity and debt securities. Equity investments classified as FVOCI are those which are neither classified as held–for–trading nor designated at fair value through profit or loss. After initial measurement, such financial investments are subsequently measured at fair value.

5.2.3 Measurement

Initial Measurement

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are recognized in Statement of Profit or Loss.

Subsequent Measurement

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

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or un-collectability.

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.

5.2.4 De-recognition

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

5.2.5 Determination of Fair value

Fair value is the amount for which an asset could be exchanged or a liability be settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

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

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

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

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

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

5.2.6 Offsetting of Financial Instruments

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

5.2.7 Impairment of Financial Assets and liabilities

Identification and measurement of impairment of financial assets

The Bank records an allowance for ECL for loans and advances to customers, debt and other financial instruments measured at amortized cost, debt instruments measured at FVOCI, any other financial assets measured at amortized cost, loan commitments, financial guarantee contracts etc.

NFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition.

- Stage 1: A financial asset that is not originally credit impaired on initial recognition is classified in Stage 1. Financial instruments in Stage 1 have their ECL measured at an amount equal to the proportion of lifetime expected credit losses (LTECL) that result from default events possible within next 12 months (12M ECL).

- Stage 2: If a significant increase in credit risk (SICR) since origination is identified, the financial asset is moved to Stage 2 and the Bank records an allowance for LTECL. Details have been mentioned below regarding how the Bank determines when a SICR has occurred.
- Stage 3: If a financial asset is credit- impaired, it is moved to Stage 3 and the Bank recognizes an allowance for LTECL, with probability of default at 100%. Details have been mentioned below regarding how the Bank determines when a SICR has occurred.

Purchased or originated credit impaired (POCI) financial assets:
Financial assets which are credit impaired on initial recognition are categorized within Stage 3 with a carrying value already reflecting the LTECL.

Significant Increase in Credit Risk (SICR)
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and available qualitative information analysis, based on the Bank's historical experience and credit assessment and including forward looking information.
The Bank considers an exposure to have significantly increased credit risk when contractual payments of a customer are more than 30 days past due in accordance with the rebuttable presumption in NFRS 9.
The Bank individually reviews at each reporting date, loans and advances above a predefined threshold to identify whether the credit risk has increased significantly since origination, before an exposure is in default. Such indicators include inter-alia:

- When the absolute lifetime PD is 5% or more
- When the relative lifetime PD is increased by 100% or more
- When the risk rating (internal or external) downgraded by 2 notches since initial recognition
- When the risk rating downgraded to non-investment grade by external credit rating agency (BB+ or below) or by bank's internal credit rating system
- When there is deterioration of relevant determinants of credit risk (e.g., future cash flows) for an individual obligor (or pool of obligors)
- When there is expectation of forbearance or restructuring due to financial difficulties
- When there is deterioration of prospects for sector or industries within which a borrower operates
- When the borrowers are affected by macroeconomic conditions based on reasonable and supportable forecasts.
- When there are modification of terms resulting in restructuring/rescheduling
- Credit Quality Indicators determined as per internal credit assessment of performing loans which are subject to individual monitoring and review, are weaker than that in the initial recognition
- Management decision to strengthen collateral and/or covenant requirements for credit exposures because of changes in the credit risk of those exposures since initial recognition.

Credit facilities/exposures which have one or more of the above indicators are treated as facilities with SICR and assessed accordingly in ECL computations. The Bank also considers the conditions stipulated in the guidelines issued by the NRB on identifying SICR criteria for assessing credit facilities for ECL computations. The Bank regularly monitors the effectiveness of the criteria used to identify SICR to confirm that the criteria is capable of identifying SICR before an exposure is in default.

Definition of default and credit impaired assets
The Bank considers loans and advances to other customers are defaulted when:

- The borrower is unlikely to pay its obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held); or
- The borrower becomes 90 days past due on its contractual payments.

In assessing whether a borrower is in default, the Bank reviews its individually significant loans and advances above a predefined threshold at each reporting date. Further, as per "Unified NRB directive/02", Non-Performing Loans (NPL) means all the credit facilities where the contractual payments of a customer are past due for more than 90 days or has remained in excess of the sanctioned limit for more than 90 days, and any other credit facilities classified as Stage 3 credit facility under NFRS 9.

Movement between the stages
Financial assets can be transferred between the different categories (other than POCI) depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described below and also as per the Expected Credit Loss Policy. Financial instruments are transferred out of Stage 3 when they no longer exhibit any evidence of credit impairment as described above as per the Expected Credit Loss Policy.
The Bank has developed a comprehensive Expected Credit Loss Policy in line with the NFRS 9- Expected Credit Loss Related Guidelines, 2024. Accordingly, credit facilities other than restructured and rescheduled facilities are upgraded to a better stage.

Transfer from Stage 2 to Stage 1:
If all due contractual payments associated with such credit facility as at the date of upgrading are fully settled.

Transfer Out of Stage 3:
Though the conditions for an exposure to be classified in Stage 3 no longer exist, the Bank continues to monitor for minimum probationary period of 180 days to upgrade from Stage 3.

For Restructured/Rescheduled Exposures:
Restructured and rescheduled facilities are gradually upgraded upon satisfactory repayment for a stipulated period according to the policy while exercising prudence principles. The Bank monitor restructured/ rescheduled exposures classified under Stage 3 for a minimum probationary period of 24 months before upgradation.

Banking financial assets measured on collective basis
The Bank calculates ECL either on a collective or an individual basis. Those financial assets for which, the Bank determines that no provision is required under individual impairment are then collectively assessed for ECL. For the purpose of ECL calculation on collective basis, financial assets are grouped on the basis of similar risk characteristics. Loans and advances to other customers are grouped in to homogeneous portfolios, based on a combination of product and customer characteristics.

Impairment charges as per NFRS 9

The Bank recognizes loss allowances for expected credit loss (ECL) on the following financial instruments that are not measured at FVTPL:

- Cash and cash equivalents;
- Placements with banks;
- Financial assets at amortized cost-debt and other financial instruments;

No impairment loss is recognized on equity investments. The Bank assesses the credit risk and the estimates unbiased and probability- weighted ECL, and incorporates all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL takes into account the time value of money.

Impairment charges on loans and advances to customers

For loans and advances above a predefined threshold, the Bank individually assesses for significant increase in credit risk (SICR). If a particular loan is individually impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. If the Bank determines that no provision is required under individual impairment, such financial assets are then collectively assessed for any impairments along with the remaining portfolio.

The Bank computes ECL using three main components; a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD) under the collective assessment. These parameters are generally derived from developed statistical models and historical data and then adjusted to reflect forward-looking information.

- **PD** – The probability of default represents the likelihood of a borrower defaulting on its financial obligations either over the next 12-months (12m PD) or over the remaining lifetime (Lifetime PD) of the obligation. PD estimates are estimates at a certain date and days past due (DPD) is the primary input into the determination of the term structure of PD for exposures. DPD are determined by counting the number of days since the due date. The Bank employs statistical models to analyses the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.
- **LGD** – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. The Bank estimates LGD parameters based on historical recovery rates of claims against defaulted counterparties. They are calculated on a discounted cash flow basis using original interest rates as the discounting factor. LGD is usually expressed as a percentage of the EAD. The Bank applies standard haircuts and selling costs rates duly prescribed by Nepal Rastra Bank to derive realizable value of the collaterals.
- **EAD** – The exposure at default represents the expected exposure in the event of a default. The Bank estimates EAD, taking into account the repayment of principal and interest from the reporting date to the default event together with any expected drawdowns of committed facilities. To calculate EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months. To calculate EAD of all other loans, default events over the lifetime of the financial instruments are considered.

Impairment charges on financial investments

Impairment charges on financial investments include ECL on debt instruments at FVOCI and financial assets at amortized cost.

Revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft facilities. The Bank reviews the sanction limits at least annually and therefore has the right to cancel and/or reduce the limits. Therefore, the Bank calculates only the 12-month ECL (12m ECL) allowance on these facilities. The EAD is arrived by taking the maximum of either sanction limit adjusted for Credit Conversion Factor (CCF) and the gross carrying amount of the loan (utilized amount). The expected 12-month default probabilities are applied to EAD and multiplied by the expected LGD.

Undrawn loan commitments

When estimating Life Time ECL (LTECL) for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down.

Forward-looking information

It is a fundamental principal of NFRS 9 that the provisions bank hold against the potential future Credit Risk losses should depend, not just on the health of the economy today, but should also take into account potential changes to the economic environment.

To capture the effect of changes to the economic environment, the PDs used to calculate ECL incorporate the forward- looking information in the form of forecasts of the values of economic variable.

The base forecast of the economic variables depends on the the data published by International Monetary Fund (IMF) for the Nepal region. For the future periods, the bank uses the forecast provided by the IMF. All projections are updated on a quarterly basis using statistical method.

IFRS 9 requires reported ECL to be a probability -weighted ECL, calculated over a range of possible outcomes. The three possible scenarios are taken into account i.e., Baseline, Upturn and downturn. The base line forecasts are used to create the upturn and downturn scenarios. Management uses the following probability weights:

Particulars	Probability Weights
Base Line	50%
Upturn	25%
Downturn	25%

Calculation of ECLs

The Bank measures loss allowance at an amount equal to LTECL, except for Loans and advances on which credit risk has not increased significantly since the initial recognition, which are measured as 12m ECL.

ECLs are measured as follows:

Financial assets that are not credit- impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);

- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of expected cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive;
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Financial assets that are not credit-impaired at the reporting date
As described above, the Bank calculates 12m ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to EAD and multiplied by the economic factor adjustment expected LGD and discounted by an approximation to the interest rate, if necessary. When the financial asset has shown a SICR since origination, the Bank records an allowance for LTECLs based on PDs estimated over the lifetime of the instrument.

Financial assets that are credit-impaired at the reporting date
Impairment allowance on credit-impaired financial assets assessed on individual basis is computed as the difference between the asset's gross carrying amount and the present value of estimated future cash flows. The expected future cash flows are based on the estimate made by the bank as at the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest. The Bank regularly reviews the assumptions for projecting future cash flows.

Collateral valuation
The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, gold, Government Securities, Letters of Credit/Guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements, etc. While determining loss rate or recovery rate for the purpose of calculation of loss allowance, expected cash flows from collateral realization have been considered based on latest reliable internal/external valuations.

Write-off of financial assets
Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

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

5.2.9 Derivative financial Instruments
Bank does not have any Derivative financial Instruments

5.3 Property Plant and Equipment

5.3.1 Recognition

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

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

5.3.2 Measurement

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

5.3.3 Cost Model

Property and equipment are stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

5.3.4 Revaluation Model

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

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

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

5.3.5 Subsequent Cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item, if it is probable that the future economic benefits embodied within that part will flow to the Bank and it can be reliably measured. The cost of day-to-day servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred.

5.3.6 Depreciation

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

Rate of Depreciation per annum (%)

Asset Category	Current Period	Previous Period
Freehold Buildings	5%	5%
Motor Vehicles	20%	20%
Computer Equipment	25%	25%
Furniture, Office Equipment	25%	25%
Generator and Other Assets	15%	15%
Leasehold Properties	10 years	10 years

5.3.7 Changes in Estimates

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

5.3.8 Capital Work in Progress

These are expenses of capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalization. Capital work-in-progress would be transferred to the relevant asset when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work-in-progress is stated at cost less any accumulated impairment losses.

5.3.9 Borrowing Costs

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

5.3.10 De-recognition

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

5.4 Goodwill and Intangible Assets

5.4.1 Recognition

An intangible asset is an identifiable non-monetary asset without physical substance, held for use in the production or supply of goods or services, for rental to others or for administrative purposes. An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. Expenditure incurred on an intangible item that was initially recognized as an expense by the Bank in previous annual Financial Statements or interim Financial Statements are not recognized as part of the cost of an intangible asset at a later date.

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

5.4.3 Subsequent Expenditure
Expenditure incurred on software is capitalized only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.
Goodwill is measured at cost less accumulated impairment losses.

5.4.4 Amortization of Intangible Assets
Intangible Assets, except for goodwill, are amortized on a straight–line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the bank. Amortization methods, useful lives, residual values are reviewed at each financial year end and adjusted if appropriate. The Bank assumes that there is no residual value for its intangible assets.

Asset Category	Current Period	Previous Period
Computer Software	5 years	5 years

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

5.5 Investment Property
Investment properties include land or land and buildings other than those classified as property and equipment and non-current assets held for sale. Generally, it includes land, land and building acquired by the Bank as non-banking assets but not sold as on the reporting date. The Bank holds investment property that has been acquired through enforcement of security over the loans and advances.

Investment properties are initially measured at cost, including transaction costs. Subsequently all investment properties (without exception) are reported at fair value with any gains or losses in fair value reported in the income statement as they arise. The fair value used is that which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction and should reflect market conditions at the balance sheet date.

Investment properties are derecognized when they are disposed of or permanently withdrawn from use since no future economic benefits are expected. Transfers are made to and from investment property only when there is a change in use. When the use of a property changes such that it is reclassified as Property, Plant and Equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

5.6 Income Tax

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

5.7 Current Tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to Inland Revenue Department in respect of the current year, using the tax rates and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years.

5.8 Deferred Tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and is probable that the temporary differences will not reverse in the foreseeable future.

- Deferred tax assets are recognized for all deductible temporary differences, carried forward unused tax credits and unused tax losses (if any), to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilized except: Where the deferred tax asset relating to the deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in Subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference will be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is probable that sufficient profit will be available to allow the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority.

5.9 Deposits and liabilities

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

As per Para 09 of NAS 39 regarding Financial Instruments recognition and measurement, EIR rate is to be used for booking such interest expense and when calculating the EIR, an entity shall estimate cash flows considering all contractual term of the financial instrument but not credit loss, which includes the fees and points received or paid, transaction costs, premiums, discounts as per the Carve Out regarding the EIR rate treatment issued by ICAN, when calculating EIR, all these transaction cost shall be considered unless it is immaterial or impracticable to do so. Since all these transaction costs cannot be identified separately for every customer and it seems impracticable, separate EIR rate has not been computed as allowed by Carve Out issued by ICAN. The Amortization is included in "Interest expenses" in the Statement of Profit or Loss.

5.10 Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking in to account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, carrying amount is determined based on the present value of those cash flows. A provision for onerous contracts is recognized when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Provision is not recognized for future operating losses.

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

5.11 Revenue Recognition

As per NAS 18 "Revenue" Revenue is recognized to the extent that it is probable that the economic benefits will flow to Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

5.11.1 Interest Income

Interest income includes interest income on the basis of accrual basis from loan and advance to borrowers, loans, and investment in government securities, investment in

NRB bond, corporate bonds, and interest on investment securities measured at fair value.

Treatment of transaction cost

Transaction costs cannot be identified separately and separate EIR computation for every customer seems impracticable, such transaction costs of all previous years has not been considered when computing EIR. Due to impracticability, such relevant costs are ignored, due to which EIR rate equals to the rate provided to customers and therefore, income recognized by system on accrual basis has been considered as income Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

NFRS 9- Expected Credit Loss Guidelines 2024 by NRB.

Interest income recognition

Pursuant to adoption of ECL model, recognition of interest income has been based upon NRB NFRS 9 ECL Related Guidelines, 2024.

Particulars	Stage-1	Stage-2	Stage-3
Criteria	Where credit has not significantly increased since Initial Recognition	Significant Increase in Credit Risk	Credit Impaired
Credit Risk	Low	Moderate to High	Significant
ECL Model	Twelve-month ECL	Lifetime ECL	Lifetime ECL
Interest Income Recognition	Interest on Gross Recognition following Accrual basis	Interest on actual cash receipts basis	Interest on actual cash receipts basis

5.11.2 Fee and Commission Income

Fees earned for the provision of services over a period of time are accrued over that period. These fees include Service fees, commission income.
Fees and other commission income are recognized on accrual basis.

5.11.3 Dividend Income

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

5.11.4 Net Trading Income

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

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

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

5.11.6 Interest Expense

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

5.11.7 Employee Benefits

Employee benefits include:

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

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

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

Defined Contribution Plans

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

Defined Benefit Plans

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

Gratuity

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

Unutilized Accumulated Leave

Bank's liability towards the accumulated leave which is expected to be utilized beyond one year from the end of the reporting period is treated as other long-term employee benefits. Bank's net obligation towards unutilized accumulated leave is calculated by discounting the amount of future benefit that employees have earned in return for their service in the current and prior periods to determine the present value of such benefits. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the terms of Bank's obligation. The calculation is performed using the Projected Unit Credit method. Net change in liability for unutilized accumulated leave including any actuarial gain and loss are recognized in the Statement of Profit or Loss under 'Personnel Expenses' in the period in which they arise. However, actuarial valuation has not been done in quarterly financials and hence will be adjusted in Annual Financials.

5.12 Other Operating Expenses

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

5.13 Share capital and reserves

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

5.14 Earnings per share

Bank presents basic and diluted Earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary equity holders of Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting both the profit and loss attributable to the ordinary equity holders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

6 Segment Reporting

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

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- For which discrete financial information is available.

Bank has identified reportable segment on basis of business on the nature of banking operations. It helps management to assess the performance of the business segments. The business segments identified are Banking (including Loans and Deposits), Remittance and Treasury.

B. Reconciliation of Reportable Segment Profit or Loss

Particulars	Current Quarter	Corresponding Quarter
Total Profit before tax for reportable segment	12,470,543	18,001,725
Profit before tax for other segments	-	-
Elimination of intersegment profit	-	-
Elimination of discontinues operation	-	-
Uncollected Amounts:	-	-
Other Corporate Expenses	-	-
Profit before tax	12,470,543	18,001,725

7 Impairment Charge as per Expected Credit Loss (ECL) Method

Particulars	As on Poush End 2081			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers (A)	5,242,750.50	12,795,294.65	99,355,254.75	117,393,299.91
Loans and advances to staffs (B)	-	-	-	137,175.19
Other Financial Assets (C)	-	-	-	-
Cash and Cash Equivalents	-	-	-	-
Due from Nepal Rastra Bank	-	-	-	-
Placement with Bank and Financial Institutions	-	-	-	-
Derivative Financial Instruments	-	-	-	-
Other Trading Assets	-	-	-	-
Investment Securities	-	-	-	-
Other Assets	-	-	-	-
Off-balance sheet credit exposures (D)	-	-	-	2,256.24
Total impairment charges (E = A+B+C+D)	-	-	-	117,532,731.34

Impairment Charge recognized in Income Statements

The Bank, following regulatory backstop as mentioned Clause 16 of "NFRS 9- Expected Credit Loss Related Guidelines, 2024" has recognize impairment on credit exposures as the HIGHER of total ECL calculated as per NFRS 9 and existing regulatory provisions as mentioned in Unified NRB Directives no 02. Following are the details of impairment under both methods:

Particulars	As on Poush end 2081
Total Impairment on loan and advances as per Unified NRB Directives no 02	159,123,522.24
Total Impairment on exposures duly calculated under ECL methods as per NFRS 9	117,532,731.34

As Impairment on Loan and advances as per NRB Directive is HIGHER than ECL calculated as per NFRS 9, the amount of Rs. 159,123,522.24 has been taken as loan loss provision.

8 Related party disclosures

The related parties of the Bank which meets the definition of related parties as defined in "NAS 24 Related Party Disclosures" are as follows-

As per Para 9 of NAS 24

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Mr. Ganesh Kumar Shrestha	Chairman
Mr. Krishna Shankar Shrestha	Director
Mr. Manobigyan Shrestha	Director
Mr. Prajwol Shrestha	Director
Mr. Surya Prasad Lamsal	Director
Mrs. Narayani Devi Shrestha	Director
Mr. Hari Bahadur Budhathoki	Chief Executive Officer

Compensation to Key managerial Personnel

All the members of the Board are non-executive directors and no executive compensation is paid to the directors. Specific non-executive allowances paid to the directors till current period ended Poush 2081 as under:

Particulars	**Current Year (NPR)**
Board Meeting Allowances	2,15,000
Other Committee Meeting Allowances	1,26,000
Other Board Expenses	2,74,164.30
Total	**6,15,164.30**

Compensation to CEO and Deputy CEO of the bank

Particulars	**CEO**	**Deputy CEO**
Short Term Employee Benefits	900,000.00	480,000.00
Employee Bonus & Welfare	169,354.84	78,962.50
Post Employment Benefits	164,970.00	87,984.00
Festival Allowances	250,000.00	134,000.00
Other Allowances	615,000.00	339,000.00
Total	**2,099,324.84**	**1,119,946.50**

Compensation to Senior Management Personnel of the bank

Particulars	**Current Year (NPR)**
Short Term Employee Benefits	1,871,500.00
Employee Bonus & Welfare	418,320.00
Post Employment Benefits	343,046.00
Festival Allowances	531,216.00
Other Allowances	1,393,800.00
Total	**4,557,882.00**

Senior Management Personnel indicates the staff of Manager level and above.

9 Dividend paid (aggregate or per share) separately for ordinary shares and other shares

The bank has not declared any dividend for this Fiscal year.

10 Issued, repurchases and repayments of debt and equity securities

There are no issues, repurchase and repayments of debt and equity securities during interim period as on Poush End 2081.

11 Events after Interim Period

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

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

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

There is no any merger and acquisition effecting changes in the composition of the entity during the interim period on Poush End 2081.

13 Other Significant matters requiring disclosure for true and fair presentation

The Bank had provided Rs. 60 million as Interbank Lending to Karnali Development Bank Limited. Pursuant to changes in management composition by Nepal Rastra Bank, the amount remains yet to be received. Communication is ongoing with Nepal Rastra Bank as well as Karnali Development Bank either for acquisition of performing loans from Karnali Development Bank or to refer the same to other Banks. This matter is likely to reach conclusion by Next Quarter End.

******The End******