Unaudited Financial Results (Quarterly) 4th Quarter End of Fiscal Year 2075/76
Garima Bikas Bank Limited
Condensed Statement of Financial Position
As on Quarter Ended 31st Ashad 2076

Particulars	This Quarter Ending	Restated Immediate Previous Year Ending
Assets	**Amount in NPR**	**Amount in NPR**
Cash and cash equivalent	6,452,853,030	4,605,023,457
Due from Nepal Rastra Bank	1,219,671,094	1,078,038,091
Placement with Bank and Financial Institutions	-	-
Derivative financial instruments	8,943,288	-
Other trading assets	-	-
Loan and Advances to B/FIs	230,000,000	30,000,000
Loans and advances to customers	28,201,766,592	18,642,401,372
Investment in securities	1,390,879,576	503,858,156
Current Tax Assets	4,588,444	-
Investment in subsidiaries	-	-
Investment in Associates	2,801,907	1,945,865
Investment property	32,114,800	32,114,800
Property and equipment	342,360,544	222,011,411
Goodwill and Intangible Assets	7,582,168	8,098,058
Deferred tax assets	25,260,153	25,583,891
Other assets	169,751,754	144,181,592
Total Assets	**38,088,573,349**	**25,293,256,693**
Liabilities		
Due to Bank and Financial Institutions	3,371,683,211	1,492,594,229
Due to Nepal Rastra Bank	500,000,000	218,500,000
Derivative Financial instruments	-	-
Deposit from customers	29,762,509,255	19,728,951,342
Borrowings	-	-
Current Tax Liabilities	-	12,526,226
Provisions	-	-
Deferred tax liabilities	-	-
Other liabilities	677,189,892	546,361,672
Debt securities issued	-	-
Subordinated Liabilities	-	-
Total liabilities	**34,311,382,358**	**21,998,933,470**
Equity		
Share Capital	2,788,367,997	2,534,879,997
Share Premium	97,068	16,297,068
Retained Earning	498,514,178	351,880,200
Reserves	490,211,748	391,265,958
Total equity attributable to equity holders	3,777,190,991	3,294,323,224
Non-controlling interest	-	-
Total equity	**3,777,190,991**	**3,294,323,224**
Total liabilities and equity	**38,088,573,349**	**25,293,256,693**

1. Above financials are prepared in accordance with Nepal Financial Reporting Standard (NFRS) as per NRB directive.
2. Previous year figures & figures published in newspaper have been regrouped, rearranged and restated whenever necessary.
3. If the statutory and supervising authority notify to change the Unaudited financial statements, the figures may change accordingly.

Garima Bikas Bank Limited
Condensed Statement of Profit or Loss
For the Quarter ended 31 Ashad 2076

Bank

Particulars	Current Year		Restated Corresponding Previous Year	Restated
	This Quarter Ending	Up to this Quarter (YTD)	This Quarter Ending	Up to this Quarter(YTD)
	NPR	NPR	NPR	NPR
Interest Income	1,075,635,728	3,677,068,307	733,191,181	2,466,595,392
Interest Expense	(694,335,258)	(2,271,814,093)	(445,827,812)	(1,445,674,324)
Net interest income	**381,300,470**	**1,405,254,214**	**287,363,369**	**1,020,921,068**
Fees and Commission Income	90,521,732	296,523,719	58,144,131	191,958,918
Fees and Commission Expense	1,388,706	5,554,824	439,530	1,758,121
Net fee and Commission income	**89,133,026**	**290,968,894**	**57,704,601**	**190,200,797**
Net interest fee and commission income	**470,433,495**	**1,696,223,108**	**345,067,970**	**1,211,121,865**
Net Trading Income	-	-	-	-
Other Operating Income	2,394,985	2,394,985	2,869,509	2,869,509
Total operating income	**472,828,480**	**1,698,618,093**	**347,937,479**	**1,213,991,374**
Impairment charge/(reversal) for loans and other losses	8,497,026	93,559,628	(17,419,581)	76,066,605
Net Operating income	**464,331,454**	**1,605,058,466**	**365,357,061**	**1,137,924,769**
Operating expenses				
Personal Expense	123,802,261	425,102,366	72,414,744	284,030,446
Other Operating Expenses	77,299,891	254,762,667	47,656,809	161,455,091
Depreciation and amortisation	21,327,604	68,531,684	13,007,682	42,688,838
Operating Profit	**241,901,698**	**856,661,749**	**232,277,825**	**649,750,394**
Non operating income	5,690,382	8,103,636	(2,631,730)	403,380
Non operating expense	-	-	-	-
Profit before share of results of Associates & Joint Ventures	**247,592,081**	**864,765,385**	**229,646,096**	**650,153,774**
Share of Results of Associates & Joint Venture	247,419	989,673	45,024	45,024
Profit before income tax	**247,839,499**	**865,755,058**	**229,691,120**	**650,198,798**
Income tax expense	87,702,144	273,489,306	54,603,056	181,364,438
Current tax	82,663,853	268,451,014	66,642,388	193,403,770
Deferred tax Expenses/(Income)	5,038,292	5,038,292	(12,039,332)	(12,039,332)
Profit/(Loss) for the period	**160,137,355**	**592,265,752**	**175,088,064**	**468,834,360**

Earnings per share:

Basic earnings per share		21.24		18.50
Diluted earnings per Share		21.24		18.50

Ratios As Per NRB Directive

Capital Fund to RWA		14.40%		19.33%
Non Performing Loan (NPL) to Total Loan		0.20%		0.27%
Total Loan Loss Provision to Total NPL		576.53%		455.13%
Cost of Funds		8.69%		8.98%
Credit to Deposit Ratio		77.91%		76.33%
Base Rate		11.09%		12.41%
Interest Rate Spread		4.81%		5.82%

Garima Bikas Bank Limited
Statement of Other Comprehensive Income
For the year ended 31 Ashad 2076

	Notes	This Quarter Current Year NPR	Year to Date Current Year NPR	Restated This Quarter Previous Year NPR	Restated Year to Date Previous Year NPR
Profit for the period		160,137,355	592,265,752	175,088,064	468,834,360
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		29,498,367	(8,596,155)	(4,092,603)	(13,140,350)
• Gains/(losses) on revaluation		-			
• Acturial gain/(losses) on defined benefit plans		(1,779,756)	(7,119,022)	(1,539,297)	(6,157,187)
• Income tax relating to above items		(8,315,584)	4,714,553	1,689,570	5,789,261
Net other comprehensive income that will not be reclassified to profit or loss		**19,403,028**	**(11,000,624)**	**(3,942,330)**	**(13,508,276)**
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 period, net of Income Tax		**19,403,028**	**(11,000,624)**	**(3,942,330)**	**(13,508,276)**
Total comprehensive income for the period		**179,540,383**	**581,265,128**	**171,145,734**	**455,326,085**
Total comprehensive income attributable to:					
Equity holders of the Bank		179,540,383	581,265,128	171,145,734	455,326,085
Non-controlling interest		-	-	-	-
Total Comprehensive income for the period		**179,540,383**	**581,265,128**	**171,145,734**	**455,326,085**

Garima Bikas Bank Limited
Statement of Changes in Equity
For the year ended 31 Ashad 2076

	Attributable to Equity-Holders of the Bank											
Particulars	**Share Capital**	**Share Premium**	**General Reserve**	**Exchange Equalisation Reserve**	**Regulatory Reserve**	**Fair Value Reserve**	**Revaluation Reserve**	**Retained Earning**	**Other Reserve**	**Total**	**Non-Controlling Interest**	**Total Equity**
Balance at Shrawan 01, 2074	2,534,879,997	16,297,068	256,728,124	-	-	-	-	1,440,408	19,021,838	**2,828,367,435**	-	**2,828,367,435**
Adjustment/Restatement	(330,636,521)	62,000,000	-	-	14,448,152	404,736	-	278,270,961	(5,384,512)	19,102,816		**19,102,816**
Adjustment/Restated Balance as at Shrawan 01, 2074	**2,204,243,476**	**78,297,068**	**256,728,124**	**-**	**14,448,152**	**404,736**	**-**	**279,711,370**	**13,637,326**	**2,847,470,251**		**2,847,470,251**
Comprehensive Income for the year										**-**		-
Profit for the year								468,834,360		468,834,360		468,834,360
Other Comprehensive Income, Net of Tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(13,508,276)**	**-**	**(13,508,276)**		**(13,508,276)**
Gains/(losses) from investment in equity instruments measured at fair value								(9,198,245)		(9,198,245)		(9,198,245)
Gains/(losses) on revaluation								-		-		-
Remeasurement of Gain/loss								-		-		-
Acturial gain/(losses) on defined benefit plans								(4,310,031)		(4,310,031)		(4,310,031)
Gains/(losses) on cash flow hedge								-		-		-
Exchange gains/(losses)(arising from translating financial assets of foreign operation)								-		-		-
Total Comprehensive Income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**455,326,085**	**-**	**455,326,085**		**455,326,085**
Transfer to Reserves during the year			88,371,989					(88,371,989)		-		-
Adjustment of Investment Adjustment Reserve								-	-	-		-
Utilization of CSR Fund								-	(2,056,548)	(2,056,548)		(2,056,548)
Creation of CSR Fund								(4,418,599)	4,418,599	-		-
Utilization of Staff Training Fund								635,926	(635,926)	-		-
Adjustment of Deferred Tax Asset Reserve								(15,756,952)	15,756,952	-		
Adjustment of Investment Adjustment Reserve due to Fair value adjustment as per audited								-	(5,799,628)	(5,799,628)		(5,799,628)
Adjustment of Investment Adjustment Reserve								(2,535,623)	2,535,623	-		-
Transfer from Reserves during the year					9,727,865	(1,961,276)	-	(3,456,559)	(4,310,031)	-		-
Transactions with Owners, directly recognized in Equity								-		-		-
Amount transferred from premium to share capital	62,000,000	(62,000,000)								-		-
Share Issued										-		-
Share Issued Expenses								(1,594,404)		(1,594,404)		(1,594,404)
Share Issued Expenses-Tax Impact								478,321		478,321		478,321
Share Based Payments										-		-
Dividend to Equity-Holders										-		-
Bonus Shares Issued	268,636,521							(268,636,521)		-		-
Cash Dividend Paid										-		-
Gain on Disposal of Share Classified into OCI								713,067		713,067		713,067
Current Tax on Gain on Disposal of Share Classified into OCI								(213,920)		(213,920)		(213,920)
Other												
Total Contributions by and Distributions										-		-
Balance at Asar 32, 2075	**2,534,879,997**	**16,297,068**	**345,100,113**	**-**	**24,176,017**	**(1,556,540)**	**-**	**351,880,201**	**23,546,368**	**3,294,323,224**		**3,294,323,224**
												-
Balance at Shrawan 01, 2075	2,534,879,997	16,297,068	345,100,113	-	24,176,017	(1,556,540)	-	351,880,201	23,546,368	3,294,323,224		3,294,323,224
Adjustment/Restatement										-		-
Adjustment/Restated Balance as at Shrawan 01, 2075	2,534,879,997	16,297,068	345,100,113	-	24,176,017	(1,556,540)	-	351,880,201	23,546,368	3,294,323,224	-	3,294,323,224
Comprehensive Income for the year										-		-
Profit for the year								592,265,752		592,265,752		592,265,752
Other Comprehensive Income, Net of Tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(11,000,624)**	**-**	**(6,017,308)**		**(6,017,308)**
Gains/(losses) from investment in equity instruments measured at fair value								(6,017,308)		(6,017,308)		(6,017,308)
Remeasurement of gain/loss on sale of shares								-				
Gains/(losses) on revaluation												
Acturial gain/(losses) on defined benefit plans								(4,983,315)				
Gains/(losses) on cash flow hedge												
Exchange gains/(losses)(arising from translating financial assets of foreign operation)										-		-
Total Comprehensive Income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**581,265,128**	**-**	**581,265,128**		**586,248,444**
Transfer to Reserves during the year		-	118,453,150		5,393,333	671,120	-	(119,534,288)	(4,983,315)	0		0
Transfer Deferred Tax Reserve to Retained Earnings during the year								22,493,874	(22,493,874)	-		-
Creation of CSR Fund								(5,922,658)	5,922,658	-		-
Creation of Training Fund								(2,104,394)	2,104,394	-		-
Utilization of Training Fund									-	-		-
Utilization of CSR Fund									(2,726,803)	(2,726,803)		(2,726,803)
Utilization of Staff Training Fund												-
Adjustment of Deferred Tax Asset Reserve												-
Adjustment of Investment Adjustment Reserve due to Fair value adjustment as per audited												-
Adjustment of Investment Adjustment Reserve								3,394,873	(3,394,873)			-
Transfer from Reserves during the year					-	-				-		-
Transactions with Owners, directly recognized in Equity										-		-
Amount transferred from premium to share capital	16,200,000	(16,200,000)								-		-
Share Issued										-		-
Share Based Payments										-		-
Share Issued Expenses								(1,054,950)		(1,054,950)		(1,054,950)
Share Issued Expenses-Tax Impact								316,485		316,485		316,485
Dividend to Equity-Holders								-		-		-
Bonus Shares Issued	237,288,000							(237,288,000)		-		-
Cash Dividend Paid								(95,058,000)		(95,058,000)		(95,058,000)

Gain on Disposal of Share Classified into OCI								179,867		179,867		179,867
Current Tax on Gain on Disposal of Share Classified into OCI								(53,960)		(53,960)		(53,960)
Other										-		
										-		-
Total Contributions by and Distributions										-		-
Balance at Asar 31, 2076	**2,788,367,997**	**97,068**	**463,553,263**	**-**	**29,569,350**	**(885,420)**	**-**	**498,514,179**	**(2,025,445)**	**3,777,190,991**	**-**	**3,782,174,306**

Garima Bikas Bank Limited
Statement of Cash Flows
As on Quarter Ended 31st Ashad 2076

	2075-76 NPR	Restated 2074-75 NPR
Cash flows from operating activities		
Interest Received	3,649,735,590	2,447,964,150
Fee and other income received	304,627,355	192,362,298
Dividend Received	2,251,306	2,880,544
Receipts from other operating activities	-	-
Interest paid	(2,215,850,277)	(1,273,820,267)
Commission and fee paid	(5,554,824)	(1,758,121)
Cash payments to employee	(387,780,180)	(261,654,070)
Other expense paid	(230,428,198)	(157,389,310)
Operating cash flows before change in operating assets and liabilities	**1,117,000,772**	**948,585,223**
(Increase)/Decrease in operating assets	**(9,995,892,333)**	**(6,140,382,121)**
Due from Nepal Rastra Bank	(141,633,003)	(284,257,488)
Placement with bank and financial institutions	-	-
Other Trading assets	-	-
Loan and advances to bank and financial institutions	(200,000,000)	(91,000)
Loan and advances to customer	(9,628,689,168)	(5,877,567,860)
Other Assets	(25,570,163)	21,534,227
Increase/(Decrease) in operating liabilities	**12,190,607,617**	**6,925,618,409**
Due to bank and financial institutions	1,879,088,982	780,130,822
Due to Nepal Rastra Bank	281,500,000	218,500,000
Deposits from customers	10,033,557,913	5,926,575,423
Borrowings	-	-
Other Liabilities	(3,539,277)	412,164
Net Cash flow from operating activities before tax paid	**3,311,716,057**	**1,733,821,511**
Income taxes paid	(285,303,159)	(181,437,763)
Net Cash flow from operating activities	**3,026,412,897**	**1,552,383,748**
Cash flows from investing activities		
Purchase of investment securities	(895,483,944)	(335,213,105)
Receipts from sale of investment securities	179,867	762,373
Purchase of plant and equipment	(188,880,816)	(134,676,547)
Receipt from sale of property and equipment	257,252	(60,514)
Purchase of intangible assets	515,890	(323,888)
Receipt from sale of intangible assets		
Purchase of investment properties	-	-
Receipt from the sale of investment properties		
Interest received		
Dividend received		
Net cash used in investing activities	**(1,083,411,752)**	**(469,511,681)**
Cash flows from financing activities		
Receipt from issue of debt securities	-	-
Repayment of debt securities		
Receipt from issue of subordinated liabilities	-	-
Repayment of subordinated liabilities		
Receipt from issue of shares	(0)	-
Dividend paid	(95,058,000)	-
Interest paid	-	-
Other receipt/payment	-	-
Net cash from financing activities	**(95,058,000)**	**-**
Net increase/(decrease) in cash and cash equivalents	**1,847,943,146**	**1,082,872,068**
Cash and Cash Equivalents at Shrawan 01, 2074	4,605,023,457	3,522,151,218
Effect of exchange rate fluctuations on cash and cash equivalents held	(113,573)	173
Closing Cash and Cash Equivalents	**6,452,853,030**	**4,605,023,458**

Statement of Distributable Profit or Loss
As on Quarter Ended Ashad 31 2076
(As per NRB Regulation)

Particulars	**Amount**
Net profit or (loss) as per statement of profit or loss	**592,265,752**
Appropriations:	
a. General reserve	(118,453,150)
b. Foreign exchange fluctuation fund	-
c. Capital redemption reserve	-
d. Corporate social responsibility fund	(5,922,658)
e. Employees' training fund	(2,104,394)
f. Other	-
Profit or (loss) before regulatory adjustment	**465,785,550**
Regulatory adjustment :	
Regulatory adjustments as per NRB Directive	(12,672,752)
Distributable profit or (loss)	**453,112,798**

Significant Accounting Policies

1. Reporting Entity

Garima Bikas Bank Limited (referred to as "the Bank" hereinafter) is a National level Development bank domiciled in Nepal, registered as a Public Limited Company under Companies Act 2063 & Banking and Financial Institution Act, 2073. The bank has been formed after the merger of erstwhile bank Garima Bikas Bank limited, Nilgiri Bikas Bank Limited & Subhechha Bikas Bank limited after approval from Nepal Rastra Bank.The registered address of the Bank is located at Lazimpat, Kathmandu Nepal. Garima Bank Limited is listed on Nepal Stock Exchange and is trading under the code "GBBL".

2. Basis of Preparation

The financial statements of the Bank have been prepared on accrual basis of accounting in accordance with Nepal Financial Reporting Standards (NFRS) as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and in the format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives, 2075.The financial statements comprise the Statement of Financial Position, Statement of Profit or Loss and Statement of Other Comprehensive Income shown in a single statement, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Accounts.

2.1 Statement of Compliance

The financial statements have been prepared and approved by the Board of Directors in accordance with Nepal Financial Reporting Standards (NFRS) and as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN) and in the format issued by Nepal Rastra Bank in Directive No. 4 of NRB Directives, 2075.

These policies have been consistently applied to all the year presented except otherwise stated.

2.2 Reporting Period & approval of Financial Statements

The Bank has, for the preparation of financial statements, adopted the NFRS pronounced by ASB with effect from fiscal year 2075/76. To comply the NFRS provisions following dates have been considered, in terms of first- time adoption.

Relevant Financial Statement	Nepalese Calendar Date
Opening NFRS SFP* date	1 Shrawan 2074
Comparative SFP* Date	31 Ashad 2075
Comparative reporting period	1 Shrawan 2074- 31 Ashad 2075
First NFRS SFP* Date	32 Ashad 2076
First NFRS reporting period	1 Shrawan 2075- 32 Ashad 2076

*SFP- Statement of Financial Position

2.3 Functional & Presentation Currency

The financial statements are presented in Nepalese Rupees (NPR) which is the Bank's functional currency. All financial information presented in NPR has been rounded to the nearest rupee except where indicated otherwise.

2.4 Use of Estimates, Assumptions & Judgements

The Bank, under NFRS, is required to apply accounting policies to most appropriately suit its circumstances and operating environment. Further, the Bank is required to make judgments in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the financial statements. This may later be determined that a different choice could have been more appropriate.

The NFRS requires the Bank to make estimates and assumptions that will affect the assets, liabilities, disclosure of contingent assets and liabilities, and profit or loss as reported in the financial statements. The Bank applies estimates in preparing and presenting the financial statements and such estimates and underlying assumptions are reviewed periodically. The revision to accounting estimates are recognised in the period in which the estimates are revised and are applied prospectively.

2.5 Going Concern

The financial statements are prepared on a going concern basis, as the Board of the Bank is satisfied that the Bank has the resources to continue in business for the foreseeable future. In making this assessment, the Board of Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

2.6 Changes in Accounting Policies

The Bank has applied several standards for the first time during the year ended 32 Ashad 2076. The Bank has prepared the opening statement of financial position as per Nepal Financial Reporting Standard (NFRS) as at 1st Shrawan 2074 (the transition date) by recognising all assets and liabilities whose recognition is required by NFRS, not recognising the items of assets or liabilities which are not permitted by NFRS, by reclassifying items from previous GAAP to NFRS as required by NFRS and applying NFRS in measurement of recognised assets and liabilities.

2.7 Reporting Pronouncements

The Bank has, for the preparation of financial statements, adopted the NFRS pronounced by ASB as effective on September 13, 2013. The NFRS conform, in all material respect, to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

However, the Institute of Chartered Accountants of Nepal (ICAN) has resolved that Carve-outs in NFRS with Alternative Treatment and effective period shall be provided to the Banks and Financial Institutions regulated by NRB on the specific recommendation of Accounting Standard Board (ASB).

2.8 New Standards in Issue but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

- ✓ ***IFRS 9 – Financial Instruments***

IFRS 9 – Financial Instruments having expected credit loss model has been issued and effective from 1st January 2018 internationally but is not yet pronounced by The Institute of Chartered Accountants of Nepal (ICAN). For the reporting of financial instruments, NAS 32-Financial Instruments, Presentation, NAS 39- Financial Instruments Recognition and Measurements and NFRS 7- Financial Instruments – Disclosures have been applied.

A number of new standards and amendments to the existing standards and interpretations have been issued by IASB after the pronouncements of NFRS with varying effective dates. Those become applicable when ASB Nepal incorporates them within NFRS.

A significant impact on classification and measurement including impairment of financial instruments, will arise as a result of application of IFRS 9.

2.9 New Standards & Interpretations Not Adapted

Although IFRS 9 is applicable internationally from 1st of January 2018, it has not been applied as it is yet to be adopted by ICAN.

Further the Institute of Chartered Accountants of Nepal (ICAN) has provided carve out on various standards with different time frame; some of which are compulsory and others optional for banks and financial institutions. The list of carve-out and its compliance status while preparation of financial statement of the bank is as given below;

NFRS 10: Consolidated Financial Statements-Preparation of consolidated financial statement using uniform accounting policies is necessary unless it is impracticable to do so-Optional-up to FY 2019-20-This carve out has no implication to the Bank as it does not have any subsidiaries.

NAS 28: Investments in Associates and Joint Ventures

Accounting for Investment in Associates as per equity method using uniform accounting policies Optional-up to FY 2019-20- (Not applicable)

NAS 34 : Interim Financial Reporting

Impracticable to restate the corresponding previous interim period Information-Optional-up to FY 2018-19-The Bank has utilized this carve out.

NAS 39: Financial Instruments: Recognition and Measurement- Incurred Loss Model to measure the Impairment Loss on Loan and Advances or impairment provision as per Nepal Rastra Bank (NRB) directive whichever is higher- compulsory-up to FY 2019-20. The Bank loans and advances are greater as per NRB Directive as compared to NFRS. Therefore, loans and advances are impaired as per NRB Directive.

NAS 39: Financial Instruments: Recognition and Measurement-Impracticability to determine transaction cost of all previous years which is the part of effective interest rate-Optional-up to FY 2018-19-The Bank has utilized this carve out.

NAS 39: Financial Instruments: Recognition and Measurement- Impracticability to determine interest income on amortized cost Optional-up to FY 2019-20-The Bank has utilized this carve out.

2.10 Discounting

Discounting has been applied where assets and liabilities are non-current and the impact of the discounting is material.

2.11 Limitation of NFRS Implementation

If the information is not available and the cost to develop would exceed the benefit derived, such exception to NFRS implementation has been noted and disclosed in respective section.

3. Significant Accounting Policies

3.1 Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for available –for-sale investments, assets held for sale and discontinued operations, other financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss (FVTPL), all of which have been measured at fair value.
The financial statements have been prepared on a going concern basis where the accounting policies and judgements as required by the standards are consistently used and in case of deviations disclosed specifically.

3.2 Basis of Consolidation

The Bank does not have control over any other entity for consolidation of Financial Statements.

3.3 Cash & Cash Equivalent

The fair value of cash is the carrying amount. Cash and cash equivalent represent the amount of cash in hand, balances with other bank and financial institutions, money at short notice 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 value and used by the Bank in the management of short-term commitment.

3.4 Financial Assets & Financial Liabilities

a. Recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date i.e. the date that the Bank becomes a party to the contractual provisions of the instrument. Investments in equity instruments, bonds, debenture, Government securities, NRB bond or deposit auction, reverse repos, outright purchase are recognized on trade date at which the Bank commits to purchase/ acquire the financial assets. Regular way purchase and sale of financial assets are recognized on trade date at which the Bank commits to purchase or sell the asset.

b. Classification

1) Financial assets

The Bank classifies the financial assets as subsequently measured at amortized cost or fair value on the basis of the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The two classes of financial assets are as follows;

i. Financial assets measured at amortized cost

The Bank classifies a financial asset 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.

ii. Financial asset measured at fair value

Financial assets other than those measured at amortized cost are measured at fair value. Financial assets measured at fair value are further classified into two categories as below:

- **Financial assets at fair value through profit or loss.**

Financial assets are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost is directly attributable to the acquisition are recognized in profit or loss as incurred. Such assets are subsequently measured at fair value and changes in fair value are recognized in Statement of Profit or Loss.

- **Financial assets at fair value through other comprehensive income**

Investment in an equity instrument that is not held for trading and at the initial recognition, the Bank makes an irrevocable election that the subsequent changes in fair value of the instrument is to be recognized in other comprehensive income are classified as financial assets at fair value though other comprehensive income. Such assets are subsequently measured at fair value and changes in fair value are recognized in other comprehensive income.

2) Financial Liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as follows;

- **Financial Liabilities at Fair Value through Profit or Loss**

Financial liabilities are classified as fair value through profit or loss if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction costs are directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. Subsequent changes in fair value is recognized at profit or loss

- **Financial Liabilities measured at amortised cost**

All financial liabilities other than measured at fair value though profit or loss are classified as subsequently measured at amortized cost using effective interest rate method.

c. Measurement

i. Initial Measurement

All financial instruments are initially recognised at fair value plus transaction cost except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

ii. Subsequent measurement

Financial assets and liabilities designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value taken directly to the statement of profit or loss. Interest and dividend income or expense is recorded in revenue according to the terms of the contract, or when the right to payment has been established.

Available-for-sale financial assets are subsequently carried at fair value, with gains and losses arising from changes in fair value taken to Other Comprehensive Income. The Bank makes irrevocable election to route fair value changes through Other Comprehensive Income. Gain/Loss on equity instruments classified as fair value through other comprehensive income is charged directly to equity and impact of re-measurement is shown in OCI.

Loans and receivables and held-to-maturity financial assets are subsequently measured at amortised cost. Within this category loans and advances to the customers have been recognised at amortised cost using the method that very closely approximates effective interest rate method. The losses arising from impairment of such investments are recognised in the income statement within credit loss expense. If the Bank were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale.

Financial liabilities are subsequently measured at amortised cost, with any difference between proceeds net of directly attributable transaction costs and the redemption value recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

iii. Derecognition

Financial assets are derecognised when the rights 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 recognised to the extent of the Bank's continuing involvement.

Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

c. Determination of Fair value

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the observability of the significant inputs used to determine the fair values. Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Bank recognises transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

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.

d. Impairment of Loans & Advances

The Bank reviews its individually significant loans and advances at each Reporting date to assess whether an impairment loss should be provided in the Statement of Profit or loss. In particular, the Management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and hence actual results may differ, resulting in future changes to the provisions made.

The individual impairment provision applies to financial assets evaluated individually for impairment and is based on Management's best estimate of the present value of the future cash flows that are expected to be received. In estimating these cash flows, Management makes judgments about a borrower's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable.

Individual assessment of impairment of exposures means establishing whether objective evidence of impairment exists, estimation of the present value of future cash flows, and calculation of the value of impairment for each individual receivable from the borrower included in this assessment.

The bank has considered all loans and advances above **NRs. 15 million** and non-performing as per NRB directive loan for individual assessment of impairment. The bank determines, for each individual loan to be assessed for individual impairment, whether they expect to collect their receivables from expected future cash flows (going concern) or from collateral realization (gone concern). If a bank identifies objective evidence of impairment, the bank indicates, at single debtor level, the most realistic sources of repayment (collection approach/strategy) based on all available information regarding such borrower's financial position and performances. The bank assesses whether collection will be made from the borrower`s expected future operating cash flows (borrower continues to perform business activities – going concern) or on the basis of collateral enforcement and realization (expectation that the borrower ceases to exist – gone concern). In both cases, bank uses conservative assumptions relating to the estimation of the expected cash flows, taking into account current economic conditions and the Bank's own economic forecasts.
When estimating impairment based on collateral realization, the recoverable amount is the present value of the net inflow from collateral realization (taking into account the priority of claims), discounted by applying the original effective interest rate to the expected time to realization.

A collective impairment provision is established for:

☐ Groups of homogeneous loans and advances that are not considered individually significant; and

☐ Groups of assets that are individually significant but that were not found to be individually impaired

For the purpose of collective assessment of impairment bank has categorized assets in to fourteen broad products as follows:

1. Agriculture Loan
2. Foreign Employment Loan
3. Business Loan
4. Deprived Sector Loan
5. Education Loan
6. Gold Silver Loan
7. Hire Purchase Loan
8. Housing Loan
9. Loan Against FDR
10. Personal Loan
11. Real Estate Loan
12. Service Loan
13. Working Capital Loan
14. Margin Lending

The collective provision for groups of homogeneous loans is established using statistical methods based on historical loss rate experience, Loss Given Default (LGD) and Probability of Default (PD) computed using the statistical analysis of historical data on delinquency to estimate the amount of loss for each class of portfolio selected on the basis of its product, risk factor, collateral coverage, exposure group etc. Management applies judgment to ensure that the estimate of loss arrived at, on the basis of historical information is appropriately adjusted to reflect the economic conditions and portfolio factors as at the Reporting date. The loss rates are regularly reviewed against actual loss experience.

In assessing the need for collective impairment, Management considers factors such as credit quality (for example, loan to collateral ratio, level of restructured performing loans), portfolio

Size, concentrations and economic factors.

To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the provision depends on the model assumptions and parameters used in determining the collective provision.

As already stated the bank loans and advances is greater considering the NRB directive as compared to NFRS impairment provisioning. Therefore, provisioning as per NRB directive is applied.

e. Impairment of Financial Investments- Available for Sale

The Bank also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost along with the historical share price movements, duration and extent up to which the fair value of an investment is less than its cost.

f. Impairment of Non-financial Assets

The Bank assesses whether there are any indicators of impairment for an asset or a cash generating unit (CGU) at each Reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the 'Value in use' of such individual assets or the CGUs. Estimating 'Value in use' requires the Management to make an estimate of the expected future cash flows from the asset or the CGU and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Bank to make estimates about expected future cash flows and discount rates and hence, they are subject to uncertainty.

3.5 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 shall be presented under this account head. The other trading asset includes non-derivative financial assets. It includes Government bonds, NRB Bonds, Domestic Corporate bonds, Treasury bills, Equities etc held primarily for the trading purpose.

3.6 Property & Equipment

All property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Freehold land is not depreciated although it is subject to impairment testing. Depreciation on other assets is calculated using the straight- line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Computer and Accessories 4 Years
- Furniture and Fixtures 7 Years
- Furniture (Metal) 10 Years

- Machineries 9 Years
- Office Equipment 5 Years
- Other Assets 5 Years
- Vehicles 5 Years
- Lease-hold Properties Leasehold period

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. The value of the assets fully depreciated but continued to be in use is considered not material.

The bank has adopted SLM basis for the Fiscal year 75/76, prior to the practice of depreciation under WDV valuation. The life has been estimated as above and depreciation has been charged on the basis of given life. This is the change in estimate, hence, the effect is of prospective nature.

Assets with costs less than NPR 5,000 are charged off on purchase as revenue expenditure.

3.6 Intangible Assets

Acquired Intangible Assets

Intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the Bank and are amortised on the basis of their expected useful lives.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with the development of software are capitalised where it is probable that it will generate future economic benefits in excess of its cost. Computer software costs are amortised over the period of 5 years in Straight Line method (SLM). Costs associated with maintaining software are recognised as an expense as incurred.

At each reporting date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

3.7 Investment Property

Land or Land and Building other than those classified as property and equipment and non-current assets held for sale under relevant accounting standard are presented under this account head.

Further land which is rented and held for capital appreciation motive is classified as investment property. Non-Banking Assets which are not intended to be sold within a period of next one year is also classified as Investment Property. Land situated at Narayangarh has been classified as Investment Property which is valued at NRs. 32,114,800 which is valued at cost.

3.8 Assets held for sale and discontinued operation

Land or Land and Building other than those classified as property and equipment and investment property under relevant accounting standard are presented under this account head. The Non-Banking Assets acquired by the company is classified as assets held for sale only if there is intention to sale with identification of prospective buyer has been identified. The bank doesn't have any Land or building classified under Asset held for sale and Discontinued operation.

3.9 Investment in Associates

Associates are those entities in which the Bank has significant influence, but not control, over the financial and operating policies. Investments in associate entities are accounted for using the equity method (equity-accounted investees) and are recognized initially at cost. Nepal Clearing House Ltd (NCHL) is the associate of the Bank from 8th Asadh, 2075. The Bank has less than 1% of total share in NCHL, however, the representation in Board of Directors indicates significant influence in that company.

3.10 Income Taxes

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities of Nepal. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in Nepal. The liabilities recognised for the purpose of current Income tax, including fees, penalties are included under this head.

Deferred Tax Liabilities

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements Deferred income tax is determined using tax rate applicable to the Bank as at the reporting date which is expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax relating to items which are charged or credited directly to equity, is credited or charged directly to equity and is subsequently recognised in the statement of profit or loss together with the deferred gain or loss.

3.11 Deposits, Debt Securities Issued & Subordinate Liabilities

The deposits held by the bank on behalf of its customers are classified as financial liabilities and measured at amortised cost under effective interest method. The bank does not have any debt securities issued and subordinated liabilities.

3.12 Provisions

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflow of resources will be required to settle the obligations and they can be reliably estimated.

3.13 Revenue Recognition

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

Interest Income

Interest Income include interest income on loan and advance, investment securities except on those investment securities measure at fair value through profit or loss, cash and cash equivalent, due from Nepal Rastra Bank, due from BFIs, loan and advances to staff etc. Interest income on loans and advances is recognized on amortised principal which is nearer to the effective interest method suggested by NFRS. The adoption of effective interest method is not possible due to constraints of time, effort and cost in short term compared to

the benefits it provides. Benefit of cave out has been applied to this effect. Interest of loans and advances which are significantly impaired are not recognized.
Interest income on government bond, treasury bills and bank balances are recognized under effective interest method.

Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided or significant act performed. Service Fee Income/Expenses are recognized on accrual basis unless it is impracticable to recognize as allowed through carve-out on NFRS.

Dividend Income

Dividend income is recognised when the Bank’s right to receive the payment is established, which is generally when the shareholders approve the dividend.

Net Trading Income

Net trading income includes all gains and losses from changes in fair value and the related interest income or expense and dividends, for financial assets and financial liabilities held for trading.

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

Gains and losses arising from changes in the fair value of financial instruments designated at fair value through profit or loss are included in the statement of profit or loss in the period in which they arise. Contractual interest income and expense on financial instruments held at fair value through profit or loss is recognised within net interest income.

3.14 Interest Expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available-for-sale and financial instruments designated at FVTPL, interest expense is recorded using the EIR unless it is impracticable.

3.15 Employee Benefits

Retirement Benefits

The Bank has schemes of retirement benefits namely Gratuity, Provident Fund and Medical Allowance.

Retirement benefit obligation

Details of post-employment benefits are as follows:

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an 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).

The contribution payable by the employer to a defined contribution plan in proportion to the services rendered to Bank by the employees and is recorded as an expense under ‘Personnel expense’ as and when they become due. Unpaid contribution are recorded as a liability under ‘Other Liabilities’.

Bank contributed 10% on the salary of each employee to the Employees’ Provident Fund. The above expenses are identified as contributions to ‘Defined Contribution Plans’ as defined in Nepal Accounting Standards – NAS 19 (Employee Benefits). In compliance with Labour Act 2074, provision is made for gratuity payable to employees who joined bank on a permanent basis.

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.

Bank's obligation in respect of defined benefit obligation is calculated by estimating the amount of future benefit that employees have earned for their service in the current and prior periods and discounting that benefit to determine its present value, then deducting the fair value of any plan assets (if any) to determine the net amount to be shown in the Statement of Financial Position. The value of a defined benefit asset is restricted to the present value of any economic benefits available in the form of refunds from the plan or reduction on the future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirement that apply to any plan in Bank. An economic benefit is available to Bank if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Bank determines the interest expense on the defined benefit liability by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period to the defined benefit liability at the beginning of the annual period. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating to the terms of Bank's obligations.

The increase in gratuity liabilities attributable to the services provided by employees during the year ended 16th July, 2019 (current service cost) has been recognized in the Statement of Profit or Loss under 'Personnel Expenses' together with the net interest expense. Bank recognizes the total actuarial gain and loss that arises in calculating Bank's obligation in respect of gratuity in other comprehensive income during the period in which it occurs.

The demographic assumptions underlying the valuation are retirement age (58 years), early withdrawal from service and retirement on medical grounds.

Accumulated Leave

The Bank provides accumulated leave benefit under its staff byelaw. The Home Leave is accumulated up to 60 days and there is no limit for the accumulation of Sick Leave.

Accumulated leave benefits are treated as short term employment benefit as allowed by Para 15 of NAS 19. Therefore, the additional expenses on accumulated leave is charged to Profit and Loss account as on Ashad end 2076.

The bank has no further payment obligations once the contributions have been paid.

Staff Bonus

Provision for bonus has been made at 10% of net profit.

3.16 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

- ✓ **Bank as a lessee**

Leases that do not transfer to the Bank substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement **on a straight-line basis** over the lease term.

- ✓ **Bank as a lessor**

Leases where the Bank does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in other operating income.

3.17 Foreign Currency Translation

Foreign currency transactions are translated into the NPR using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when recognised in other comprehensive income. Non-monetary assets that are measured at fair value are translated using exchange rate at the date that fair value was determined.

3.18 Share Capital & Reserves

Share Capital

Financial instruments issues are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue available number of own equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as deduction net of taxes from the proceeds.
Dividends on ordinary shares classified as equity are recognised in equity in the period in which they are declared.
The share issue expenses which can be avoided for the issue was charged in the year of issue directly through equity and disclosed in statement of changes in equity. Tax impact is also disclosed.

Reserves

The reserves include regulatory and free reserves.

- ✓ **General Reserve**

There is a regulatory requirement to set aside 20% of the net profit to the general reserve until the reserve is twice the paid of share capital. The reserve is the accumulation of setting aside profits over the years.

No Dividend (either cash dividend or bonus share) are distributed from the amount in General/ Statutory Reserve.

- ✓ **Assets Revaluation Reserve**

Any Reserve created from revaluation of assets (such as Property & Equipment, Intangible Assets, Investment Property) shall be presented under this heading. Revaluation reserves often serve as a cushion against unexpected losses but may not be fully available to absorb unexpected losses due to the subsequent deterioration in market value and tax consequences of revaluation. The Bank has followed cost model therefore no assets revaluation reserve is created.

- ✓ **Capital Reserve**

The capital reserve represents the amount of those reserves which are in nature of capital and which shall not be available for distribution of cash dividend. The amount from share forfeiture due to non-payment of remaining amount for the unpaid shares, capital grants received in cash or kind, capital reserve arising out of merger and acquisition etc are presented under this heading.

- ✓ **Special Reserve**

Any special reserve that is created as per the specific requirement of NRB directive or special instruction of NRB are represented as special reserve. The amount allocated to this reserve by debiting retained earning account are presented under this heading.

- ✓ **Corporate Social Responsibility Fund**

The fund created for the purpose of corporate social responsibility by allocating 1% of Net profit as per NRB Directive is presented under this account head.

- ✓ **Investment Adjustment Reserve**

It is a regulatory reserve created as a cushion for adverse price movements in Bank's investments as directed by the Directives of Nepal Rastra Bank. Banks are required to create Investment Adjustment Reserve equal to 2% of Value of investment.

- ✓ **Regulatory Reserve**

The amount that is allocated from profit or retained earnings of the Bank to this reserve as per the *Directive of NRB for the purpose of implementation of NFRS* and which shall not be regarded as free for distribution of dividend (cash as well as bonus shares) shall be presented under this account head. The amount allocated to this reserve shall include interest income recognized but not received in cash, difference of loan loss provision as per NRB directive and impairment on loan and advance as per NFRS (in case lower impairment is recognized under NFRS), amount equals to deferred tax assets, actual loss recognized in other comprehensive income, amount of goodwill recognized under NFRS etc.

- ✓ **Actuarial Gain/(Loss) Reserve**

Actuarial Gain/ loss Reserve has been created to record the Actuarial gain or loss occurring due to change in actuarial assumption under NAS 19. The gain or loss has been disclosed under this reserve after presentation through Other Comprehensive Income

- ✓ **Fair Value Reserve**

Assets that are not classified as Fair Value through Profit and Loss, Held to maturity and Loans and Receivables are categorised as Available for Sale financial instruments. The Bank has under regulatory provisions a requirement to appropriate the upward movements in fair value under AFS reserve. The accounting of gain or loss in the fair value movement of AFS Financial Assets is done though other comprehensive income under NAS 39.

- ✓ **Other reserve**

Any reserve created with specific or non-specific purpose (except stated in above) are presented under thus by disclosing accounting heads.

3.19 Earnings Per Share

The Bank measures earning per share on the basis of the earning attributable to the equity shareholders for the period. The number of shares is taken as the weighted average number of shares for the relevant period as required by *NAS 33 - Earnings Per Share.*

3.20 Segmental Reporting

The Bank's segmental reporting is in accordance with NFRS 8 Operating Segments. Operating segments are reported in a manner consistent with the internal reporting provided to the bank's management, which is responsible for allocating resources and assessing performance of the operating segments. All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in Head Office. Income and expenses directly associated with each segment are included in determining business segment performance. The Bank has determined segments based on the geographical area by the management for decision making purpose. The segmental business of Province 7 is very nominal so has not been considered.

Particulars	Province no 1		Province no 2		Province no 3		Province no 4		Province no 5		Total	
	Current quarter	Corresponding previous quarter	Current quarter	Corresponding previous quarter	Current quarter	Corresponding previous quarter	Current quarter	Corresponding previous quarter	Current quarter	Corresponding previous quarter	Current quarter	Corresponding previous quarter
Revenues from external customers	34,394,338	555,088	24,909,468	23,189,516	219,674,352	190,612,458	530,060,359	397,325,416	266,509,797	133,219,553	1,075,548,314	744,902,032
Intersegment revenues	37,189,775	91,441	154,278	-	15,355,921	47,474,876	56,868,788	26,627,158	26,714,201	5,021,738	136,282,962	79,215,214
Segment profit /(loss)	(30,200,057)	239,555	18,149,025	17,244,411	107,398,664	42,782,957	169,019,467	145,695,388	104,625,374	60,338,745	368,992,474	266,301,056
Segment assets	441,456,746	66,309,407	183,420,333	178,527,178	898,983,794	1,935,037,123	3,673,978,219	2,830,707,678	2,062,333,413	1,186,474,895	7,260,172,505	6,197,056,281
Segment liabilities	857,477,533	62,833,422	93,660,052	70,426,491	1,211,822,962	1,557,053,075	3,969,608,474	2,622,245,612	2,150,414,051	1,063,838,510	8,282,983,073	5,376,397,110

Reconciliation of Reportable Profit/Loss

Particulars	**Current quarter**	**Corresponding previous quarter**
Segment profit/(Loss)	368,992,474	266,301,056
Profit before tax for other segments	-	
Elimination of inter-segment revenue	(136,282,962)	(79,215,214)
Elimination of discontinued operation	-	-
Unallocated Amounts	15,129,988	52,666,273
Profit before tax	247,839,500	239,752,115

3.10 Interim Financial Reporting

Interim reports corresponding to the financial statements had been reported in accordance with the regulatory reporting requirements. Those statements have been published quarterly in national level newspaper. The bank has utilized the benefits provided by Carve-out on NFRS for reinstatement of earlier year figures.