



Particulars	Bank	
	This Quarter Ending	Immediate Previous Year Ending (Audited)
Assets		
Cash and cash equivalent	5,646,802,565	6,930,070,554
Due from Nepal Rastra Bank	2,154,426,998	1,798,069,116
Placement with Bank and Financial Institutions	-	-
Derivative financial instruments	-	-
Other trading assets	-	-
Loan and Advances to B/FIs	1,980,432,845	282,149,603
Loans and advances to customers	51,805,539,914	34,861,896,434
Investment securities	10,692,318,147	5,749,373,568
Current Tax Assets	7,733,441	26,306,044
Investment in subsidiaries	-	-
Investment in Associates	3,525,489	3,525,489
Investment property	32,114,800	32,114,800
Property and equipment	415,037,915	391,237,359
Goodwill and Intangible Assets	7,984,058	7,340,899
Deferred tax assets	13,576,560	13,576,560
Other assets	135,993,171	197,987,446
Total Assets	72,895,485,904	50,293,647,873
Liabilities		
Due to Bank and Financial Institutions	2,309,707,201	2,755,650,877
Due to Nepal Rastra Bank	631,516,408	134,573,512
Derivative Financial instruments	-	-
Deposit from customers	63,902,087,200	42,433,022,223
Borrowings	-	-
Current Tax Liabilities	-	-
Provisions	-	-
Deferred tax liabilities	-	-
Other liabilities	758,388,323	623,798,936
Debt securities issued	-	-
Subordinated Liabilities	-	-
Total liabilities	67,601,699,132	45,947,045,548
Equity		
Share Capital	3,675,912,501	3,238,689,428
Share Premium	97,068	97,068
Retained Earning	615,783,103	470,305,365
Reserves	1,001,994,100	637,510,464
Total equity attributable to equity holders	5,293,786,772	4,346,602,325
Non-controlling interests	-	-
Total equity	5,293,786,772	4,346,602,325
Total liabilities and equity	72,895,485,904	50,293,647,873



Statement of Profit or Loss
For the Quarter ended 31 Ashad 2078

	Bank			
	Current Year		Previous Year Corresponding	
	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)
	NPR	NPR	NPR	NPR
Interest Income	1,543,087,165	5,424,280,027	1,208,648,548	4,734,067,337
Interest Expense	(961,254,676)	(3,487,750,484)	(821,904,239)	(3,111,740,402)
Net interest income	581,832,489	1,936,529,543	386,744,309	1,622,326,935
Fees and Commission Income	86,954,708	406,996,124	55,975,377	294,052,204
Fees and Commission Expense	3,457,590	15,427,520	2,966,982	9,701,714
Net fee and Commission income	83,497,118	391,568,604	53,008,395	284,350,490
Net interest fee and commission income	665,329,608	2,328,098,147	439,752,704	1,906,677,425
Net Trading Income	5,025	44,205	2,905	(788,956)
Other Operating Income	54,540,192	324,346,665	(983,462)	11,023,728
Total operating income	719,874,824	2,652,489,018	438,772,146	1,916,912,197
Impairment charge/(reversal) for loans and other losses	203,298,124	402,347,050	154,006,876	235,642,197
Net Operating income	516,576,700	2,250,141,968	284,765,270	1,681,270,000
Operating expenses				
Personnel Expense	192,708,442	639,934,698	86,197,966	491,033,138
Other Operating Expenses	99,636,691	352,212,174	71,913,512	296,556,516
Depreciation and amortisation	24,060,201	88,902,711	21,314,468	80,929,368
Operating Profit	200,171,366	1,169,092,386	105,339,324	812,750,978
Non operating income	9,845,695	9,890,695	8,129,061	8,232,287
Non operating expense	-	-	-	-
Profit before share of results of Associates & Joint Ventures	210,017,061	1,178,983,081	113,468,385	820,983,264
Share of Results of Associates & Joint Venture	-	-	732,727	732,727
Profit before income tax	210,017,061	1,178,983,081	114,201,112	821,715,992
Income tax expense	63,005,118	353,694,924	33,364,535	244,460,223
Current tax Expenses	63,005,118	353,694,924	26,086,189	237,181,876
Deferred tax Expense/(Income)	-	-	7,278,347	7,278,347
Profit for the period	147,011,943	825,288,157	80,836,577	577,255,769
Profit attributable to:				
Equity holders of the bank	147,011,943	825,288,157	80,836,577	577,255,769
Non-controlling interest	-	-	-	-
Profit for the period	147,011,943	825,288,157	80,836,577	577,255,769

Condensed Statement of Other Comprehensive Income

Profit for the period	147,011,943	825,288,157	80,836,577	577,255,769
Total Other comprehensive income	40,118,488	144,908,031	5,238,337	2,534,525
Total Comprehensive income for the period	187,130,431	970,196,188	86,074,914	579,790,294

Profit attributable to:				
Equity holders of the bank	187,130,431	970,196,188	86,074,914	579,790,294
Non-controlling interest	-	-	-	-
Profit for the period	187,130,431	970,196,188	86,074,914	579,790,294

Earnings per share:

Basic earnings per share	22.45	17.82
Diluted earnings per Share	17.82	17.82

**Ratios as per NRB Directive****Bank**

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
	Capital Fund to RWA		11.42%	
Non-Performing Loan(NPL)to Total Loans		0.72%		0.79%
Total Loss Loan Provision to Total NPL		183.63%		204.18%
Costs of Funds		6.17%		7.16%
Credit to Deposit Ratio		76.30%		69.50%
Base Rate		8.17%		9.31%
Interest Rate Spread		4.50%		4.95%



Statement of Distributable Profit or Loss

(As per NRB Regulation)

Particulars	Bank Amount NPR
Net profit or (loss) as per statement of profit or loss	825,288,157
Appropriations:	
a. General reserve	(165,057,631)
b. Foreign exchange fluctuation fund	-
c. Capital redemption reserve	-
d. Corporate social responsibility fund	(8,252,882)
e. Employees' training fund	-
f. Other	-
Profit or (loss) before regulatory adjustment	651,977,644
Regulatory adjustment :	
a. Transfer to Regulatory Reserve	(50,042,527)
b. Transfer from Regulatory Reserve	3,777,435
Distributable profit or (loss)	605,712,551

गरिमा विकास बैंक लिमिटेड

लाजिम्पाट, काठमाण्डौ-२, काठमाण्डौ

फोन नं.: ०१-४४४५४२४/२५/२६/२७/२८ फ्याक्स नं.: ०१-४४४५४३०

Email: info@garimabank.com.np, www.garimabank.com.np

धितोपत्र दर्ता तथा निष्काशन नियमावली २०७३ को अनुसूची - १४

(नियम २६ को उपनियम १ संग सम्बन्धित)

आ.व.२०७७/७८ को चौथो त्रैमासिक अवधिको प्रतिवेदन

१. वित्तीय विवरण:

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

विकास बैंकको यस त्रैमासिक अवधिको वासलात तथा नाफा नोक्सान विवरण यसै साथ प्रकाशित गरिएको छ । सम्बन्धित पक्ष (Related Party) बिच कुनै कारोबार भएको छैन ।

(ख) प्रमुख वित्तीय अनुपातहरू:

प्रति शेयर आम्दानी : रु. २२.४५	मूल्य आम्दानी अनुपात : २४.२३
प्रति शेयर नेटवर्थ : रु. १४४.०१	प्रति शेयर कूल सम्पतिको मूल्य : रु. १९८३.०६
तरलता अनुपात : २६.४६ प्रतिशत	पुँजीकोष अनुपात : ११.४२ प्रतिशत

२. व्यवस्थापकीय विश्लेषण:

(क) चौमासिक अवधिमा संस्थाको मौज्दात, आम्दानी र तरलतामा कुनै परिवर्तन भएको भए सो को प्रमुख कारण सम्बन्धी विवरण: लामो समयसम्म सुस्ताएको नेपाली अर्थतन्त्रमा यस त्रैमासमा केही सुधार देखिँदै गर्दा विकास बैंकको यस त्रैमासिक अवधिमा निक्षेप संकलन तथा कर्जा लगानी र अन्य व्यावसायिको विस्तार सन्तोषजनक रूपमा वृद्धि भएको छ । साथै, विकास बैंकको आम्दानी व्यावसायिक योजना अनुरूप नै भएको देखिन्छ ।

(ख) आगामी अवधिको लागि व्यावसायिक योजना सम्बन्धमा व्यवस्थापनको विश्लेषणात्मक विवरण: विकास बैंकले ग्राहकको चाहना बमोजिम अत्याधुनिक बैंकिङ सेवा, ए.टि.एम. सेवा, मोबाईल बैंकिङ सेवा, ईन्टरनेट बैंकिङ, गरिमा रेमिट, Online Account Opening, विदेशी मुद्रा सटही तथा ग्राहकमुखी विभिन्न योजनाहरू सञ्चालन गर्दै आएको छ । बैंकिङ क्षेत्रमा देखिएको प्रतिस्पर्धा तथा ग्राहकको चाहनामा भएको परिवर्तन समेतलाई मध्यनजर गर्दै आगामी दिनमा समयसापेक्ष प्राविधिक विकास गर्दै व्यावसायिक विस्तार गर्ने, नयाँ व्यवसायिक योजनाको विकास, लगानीका लागी तुलनात्मक लाभका नयाँ क्षेत्रहरूको खोजी, व्यवसाय विविधीकरण तथा गुणस्तरीय सेवा प्रदान गर्ने विकास बैंकको योजना रहेको छ ।

(ग) विगतको अनुभवबाट संगठित संस्थाको मौज्दात, नाफा वा नगद प्रवाहमा तात्त्विक असर पार्न सक्ने घटना, अवस्था आदि भएमा सो सम्बन्धी विश्लेषणात्मक विवरण:

विकास बैंकको मौज्दात, नाफा वा नगद प्रवाहमा तात्त्विक असर पार्न सक्ने घटना, अवस्था आदि भएको छैन ।

३. कानूनी कारवाही सम्बन्धी विवरण:

(क) कर्जा कारोबारको सन्दर्भमा पर्ने नियमित प्रकृतिका मुद्दा मामिला बाहेक यस त्रैमासिक अवधिमा विकास बैंकले वा यस विकास बैंकको विरुद्ध कुनै मुद्दा दायर भएको छैन ।

(ख) यस अवधिमा विकास बैंकको संस्थापक वा सञ्चालकले वा संस्थापक वा सञ्चालकको विरुद्धमा प्रचलित नियमको अवज्ञा वा फौजदारी अपराध गरेको सम्बन्धमा कुनै मुद्दा दायर भएको जानकारी प्राप्त भएको छैन ।

(ग) हालसम्म विकास बैंकको संस्थापक वा सञ्चालक विरुद्ध आर्थिक अपराध गरेको सम्बन्धमा कुनै मुद्दा दायर भएको जानकारी प्राप्त भएको छैन ।

४. विकास बैंकको शेयर कारोबार सम्बन्धी विश्लेषण:

(क) तेस्रो त्रैमासको तुलनामा यस त्रैमासमा शेयर बजारले विस्तारै गती लिन थाल्यो । शेयर कारोबारमा हुने उतार चढाव खुल्ला बजारले प्रतिपादन गरेको मूल्य तथा मान्यता अनुरूप हुने गरेको छ ।

(ख) विकास बैंकको यस त्रैमासिक अवधिमा शेयरको अधिकतम, न्यूनतम, अन्तिम मूल्य, कारोबार भएको कुल दिन तथा कारोबार संख्या देहाय बमोजिम रहेको छ । (नेपाल स्टक एक्चेन्जको वेबसाइट www.nepalstock.com.np अनुसार)

शेयरको अधिकतम मूल्य	: रु. ६२७
शेयरको न्यूनतम मूल्य	: रु. ३२३
शेयरको अन्तिम मूल्य	: रु. ५४४
कारोबार भएको कुल दिन	: ६५ दिन
कुल कारोबार संख्या	: ७१२४९
कारोबार भएको कुल शेयर संख्या	: १४२३७५१२ कित्ता शेयर

५. समस्या तथा चुनौती:

आन्तरिक

- बढ्दो सञ्चालन लागत तथा घट्दो व्याजदर अन्तर,
- तिब्र रुपमा मुलुकमा विस्तार भइरहेको बैकिङ्ग सञ्जालको तुलनामा दक्ष जनशक्तिको उपलब्धतामा कमी हुनु,
- कारोबार तथा शाखाहरुको बृद्धि संगसगै संचालन जोखिम व्यवस्थापन थप चुनौतीपूर्ण हुनु ।

बाह्य

- प्रतिस्पर्धी बैकिङ्ग क्षेत्र,
- तरलतामा हुने उतारचढाव,
- बैकिङ्ग क्षेत्रमा विकास भइरहेको प्राविधिक परिवर्तनको अवस्था,
- विभिन्न ह्याकर समुहबाट हुनसक्ने सुरक्षा चुनौती
- कोरोना भाईरस (Covid-19) को उच्च जोखिम र यसकै कारण प्रभावित परेको अर्थतन्त्र ।

समस्या तथा चुनौती समाधान गर्न व्यवस्थापनले अवलम्बन गरेको रणनीति :

- संचालन खर्च न्युनीकरण गर्नका लागि प्रभावकारी अनुगमन प्रणालीको विकास गरिएको छ ।
- कर्मचारीको कार्यक्षमता अभिवृद्धिको लागि आन्तरिक तथा बाह्य तालिमको व्यवस्था गरिएको छ ।
- निष्क्रिय कर्जामा वृद्धि हुन सक्ने परिस्थितिको विश्लेषण गरी ग्राहकहरुको कर्जा चुक्ता गर्न सक्ने क्षमताको विश्लेषण गरेर मात्र कर्जा प्रवाह गर्ने प्रयास गरिएको छ ।
- बजारको प्रतिस्पर्धाको विश्लेषण गरी ग्राहकको चाहना बमोजिम विभिन्न वस्तु तथा सेवा प्रस्तुत गरिएको छ ।
- तरलता व्यवस्थापनका लागि कम लागतमा निक्षेप संकलन गर्न प्रयास गरिएको छ ।
- कर्जा लगानीका विभिन्न नयाँ क्षेत्रहरुको खोजी गर्नुका साथै उत्कृष्ट ग्राहकहरु पहिचान गर्ने रणनीति अवलम्बन गरिएको छ ।
- समयसापेक्ष प्रविधिमा आधारित सेवाहरुको पहिचान तथा प्रयोगमा जोड दिईएको छ ।
- सेवाग्राहीहरु संग राम्रो एवं सुमधुर सम्बन्ध कायम गर्न निरन्तर प्रयास गरिएको छ ।
- परिवर्तित प्रविधिलाई आत्मसाथ गर्दै संभावित जोखिमको विश्लेषणका आधारमा उच्च सर्तकता अपनाईएको छ ।
- नेपाल सरकार र नेपाल राष्ट्र बैकद्वारा जारी निर्देशनको पूर्ण रुपमा पालना गर्दै शुरुकाका मापदण्ड अपनाएर सेवा प्रवाह गरिएको छ ।
- संभावित अवसरको खोजी गर्दै तुलनात्मक लाभका क्षेत्रको पहिचान गरी विकास बैकका आगामी क्रियाकलापहरु त्यसतर्फ उन्मुख गर्ने योजना बनाईएको छ ।

६. संस्थागत सुशासन:

विकास बैकले नेपाल राष्ट्र बैक तथा अन्य नियमनकारी निकायको निर्देशन बमोजिम आवश्यक नीति, नियम तथा निर्देशिकाहरु तयार गरी सम्बन्धित पक्षको काम, कर्तव्य र दायित्व एवं कार्य पद्धती स्पष्ट तोकिएको हुनाले आन्तरिक नियन्त्रण प्रणाली प्रभावकारी रहेको छ । आन्तरिक नियन्त्रण प्रणालीलाई क्रियाशिल गराउन एक स्वतन्त्र आन्तरिक लेखापरीक्षकको व्यवस्था गरिएको र प्रत्येक त्रैमासको आन्तरिक लेखा परीक्षण गर्ने गरिएको छ । नेपाल राष्ट्र बैकको निर्देशन बमोजिम कारोबारको आन्तरिक लेखापरीक्षण प्रतिवेदनलाई लेखापरीक्षण समितिमा छलफल गराई प्राप्त राय तथा सुझावलाई सञ्चालक समितिको बैठकमा प्रस्तुत गरी निर्णय गरिने भएकाले जांच तथा सन्तुलन प्रभावकारी हुन गई आन्तरिक नियन्त्रण प्रणाली सबल बनेको छ । साथै, विकास बैकका शेयरधनी, ग्राहकहरु तथा सरोकारवालाहरु सबैको हित संरक्षण गर्नको लागि विकास बैकको व्यवस्थापन पक्ष सदैव प्रतिबद्ध रहेको छ ।

७. सत्य, तथ्य सम्बन्धमा कार्यकारी प्रमुखको उद्घोषण:

आजका मितिसम्म यस प्रतिवेदनमा उल्लेखित जानकारी तथा विवरणहरुको शुद्धता सम्बन्धमा म व्यक्तिगत रुपमा उत्तरदायित्व लिन्छु । साथै, म यो उद्घोष गर्दछु की मैले जानेबुझेसम्म यस प्रतिवेदनमा उल्लेखित विवरणहरु सत्य, तथ्य र पूर्ण छन् र लगानीकर्ताहरुलाई सुसूचित निर्णय लिन कुनै विवरण, सूचना तथा जानकारीहरु लुकाईएको छैन ।

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 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.

2.3 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.

2.4 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.

2.5 Changes in Accounting Policies

There are different accounting principles adopted by management and these policies are consistently applied to all years presented except or changes in accounting policies that has been disclosed separately. 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 accounting policies have been included in the relevant notes for each item of the financial statements and the effect and nature of the changes, if any, have been disclosed.

2.6 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).

2.7 New Standards in Issue but not yet effective

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.

2.8 New Standards & Interpretations Not Adapted

In preparing financial statement, Standards and pronouncement issued by Accounting Standard Board Nepal has been adopted. Management has used its assumptions and understandings for preparation of financial statements under compliance with NFRS, however, certain interpretations might vary regarding the recognition, measurement, and other related provisions where the standards are not specific and not clear.

2.9 Discounting

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

2.10 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 through 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 through 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

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 where 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.

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.

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.

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.

✓ **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_g 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 through 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.



Particulars	Province1	Province 2	Province 3	Province 4	Province 5	Province 6	Province 7	Total
Revenue from External Customers	523,747,302	89,934,266	2,904,408,435	2,560,749,305	1,382,386,263	40,077,972	100,588,001	7,601,891,544
Intersegment Revenues	(164,181,391)	(21,494,066)	(175,373,861)	479,713,994	(69,961,352)	(13,101,391)	(35,601,933)	-
Net Revenue	687,928,692	111,428,332	3,079,782,296	2,081,035,311	1,452,347,615	53,179,364	136,189,935	7,601,891,544
Interest Revenue	482,740,759	75,090,471	1,865,402,684	1,835,372,809	1,168,587,989	36,345,954	91,074,106	5,554,614,771
Interest Expenses	126,057,930	29,266,258	1,475,712,790	1,289,109,947	538,624,917	7,503,273	20,079,147	3,486,354,261
Net Interest Revenue	356,682,829	45,824,214	389,689,894	546,262,861	629,963,072	28,842,681	70,994,960	2,068,260,510
Depreciation and Amortization	9,503,392	3,250,923	38,167,684	18,586,567	14,988,378	823,172	3,582,596	88,902,711
Segment Profit/(Loss)	134,840,671	(487,734)	(120,613,355)	885,441,414	469,218,507	11,084,960	12,406,884	1,391,891,348
Segment Assets	20,904,435	9,519,195	311,279,391	28,403,710	21,199,195	2,718,504	8,322,620	402,347,050
Segment Liabilities	5,647,705,233	1,679,390,491	43,782,434,758	27,559,717,759	13,784,946,316	456,648,085	1,161,898,640	94,072,741,282

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.