कामना सेवा
विकास बैंक लि.
Kamana Sewa Bikas Bank Ltd.

Unaudited Interim Financial Statements

As on 30 Ashwin End, 2080
(1st Quarter F.Y. 2023-24)

Kamana Sewa Bikas Bank Nepal Limited

Unaudited Interim Financial statements

For the quarter ended 30 Ashwin 2080

Contents	Page No.

Kamana Sewa Bikas Bank Limited

Condensed Statement of Financial Position

As on Quarter ended 30 Ashwin 2080

Particulars	This Quarter ending	Immediate Previous Year Ending
Assets		
Cash and Cash Equivalent	2,870,019,777	4,193,072,505
Due from Nepal Rastra Bank	2,279,035,090	2,167,394,329
Placement with Bank and Financial Institutions	-	-
Derivative Financial Instruments	-	-
Other Trading Assets	-	-
Loans and Advances to BFIs	2,339,293,640	2,195,086,685
Loans and Advances to Customers	43,512,291,190	43,851,337,345
Investment Securities	10,662,872,229	7,920,492,163
Current Tax Assets	172,904,724	38,777,223
Investment in Subsidiaries	-	-
Investment in Associates	-	-
Investment Property	334,444,024	374,298,199
Property and Equipment	1,128,585,774	1,135,491,003
Goodwill and Intangible Assets	12,071,852	14,161,348
Deferred Tax Assets	93,147,695	82,510,688
Other Assets	663,619,369	608,532,834
Total Assets	**64,068,285,365**	**62,581,154,321**

Particulars	Current Year	Previous Year
Liabilities		
Due to Bank and Financial Institutions	1,993,794,636	2,263,444,306
Due to Nepal Rastra Bank	-	-
Derivative Financial Instruments	-	-
Deposits from Customers	54,835,685,753	53,472,410,557
Borrowings	-	-
Current Tax Liabilities	-	-
Provisions	18,781,530	17,936,287
Deferred Tax Liabilities	-	-
Other Liabilities	1,395,800,887	1,096,499,712
Debt Securities Issued	995,160,201	995,160,201
Subordinated Liabilities	-	-
Total Liabilities	**59,239,223,006**	**57,845,451,063**
Equity		
Share Capital	3,281,164,669	3,281,164,669
Share Premium	-	-
Retained Earnings	25,630,390	52,756,328
Reserves	1,522,267,301	1,401,782,260
Total Equity Attributable to Equity Holders	**4,829,062,359**	**4,735,703,257**
Non Controlling Interest	-	-
Total Equity	**4,829,062,359**	**4,735,703,257**
Total Liabilities and Equity	**64,068,285,365**	**62,581,154,321**
Net Assets Value per share	147.18	144.33

Kamana Sewa Bikas Bank Limited
Condensed Statement of Profit or Loss
For the Quarter ended 30 Ashwin 2080

Particulars	Note	Current Year		Corresponding Previous Year	
		This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Interest Income	4.29	1,813,220,063	1,813,220,063	1,788,159,297	1,788,159,297
Interest Expense	4.30	1,322,309,341	1,322,309,341	1,265,866,745	1,265,866,745
Net Interest Income		**490,910,721**	**490,910,721**	**522,292,552**	**522,292,552**
Fee and Commission Income	4.31	71,434,828	71,434,828	64,474,766	64,474,766
Fee and Commission Expense	4.32	6,032,155	6,032,155	4,599,161	4,599,161
Net Fee and Commission Income		**65,402,673**	**65,402,673**	**59,875,605**	**59,875,605**
Net Interest, Fee and Commisson Income		**556,313,394**	**556,313,394**	**582,168,157**	**582,168,157**
Net Trading Income	4.33	17,899	17,899	30,037	30,037
Other Operating Income	4.34	22,102,885	22,102,885	3,095,631	3,095,631
Total Operating Income		**578,434,179**	**578,434,179**	**585,293,825**	**585,293,825**
Impairment Charge / (Reversal) for Loans and Other Losses	4.35	95,241,680	95,241,680	256,591,545	256,591,545
Net Operating Income		**483,192,498**	**483,192,498**	**328,702,280**	**328,702,280**
Operating Expense					
Personnel Expenses	4.36	186,644,547	186,644,547	164,682,614	164,682,614
Other Operating Expenses	4.37	93,292,180	93,292,180	79,935,445	79,935,445
Depreciation & Amortisation	4.38	23,160,259	23,160,259	24,710,921	24,710,921
Operating Profit		**180,095,512**	**180,095,512**	**59,373,300**	**59,373,300**
Non Operating Income	4.39	-	-	-	-
Non Operating Expense	4.40	150,659	150,659	-	-
Profit Before Income Tax		**179,944,853**	**179,944,853**	**59,373,300**	**59,373,300**
Income Tax Expense					
Current Tax	4.41	60,422,973	60,422,973	17,811,990	17,811,990
Deferred Tax		-	-	-	-
Profit for the Period		**119,521,880**	**119,521,880**	**41,561,310**	**41,561,310**

Kamana Sewa Bikas Bank Limited

Condensed Statement of Other Comprehensive Income

For the Quarter ended 30 Ashwin 2080

Particulars	Current Year		Corresponding Previous Year	
	This Quarter	**Upto This Quarter (YTD)**	**This Quarter**	**Upto This Quarter (YTD)**
Profit for the year	**119,521,880**	**119,521,880**	**41,561,310**	**41,561,310**
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	(27,749,319)	(27,749,319)	(33,870,071)	(33,870,071)
Gains/(losses) on revaluation	-	-	-	-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-
Income tax relating to above items	8,324,796	8,324,796	10,161,021	10,161,021
Net other comprehensive income that will not be reclassified to profit or loss	**(19,424,523)**	**(19,424,523)**	**(23,709,049)**	**(23,709,049)**
b) Items that are or may be reclassified to profit or loss				
Gains/(losses) on cash flow hedge	-	-	-	-
Exchange gains/(losses)(arising from translating financial assets of foreign operation)	-	-	-	-
Income tax relating to above items	-	-	-	-
Reclassify to profit or loss	-	-	-	-
Net other comprehensive income that are or may be reclassified to profit or loss	-	-	-	-
c) Share of other comprehensive income of associate accounted as per equity method	-	-	-	-
Other Comprehensive Income for the year, Net of Income Tax	(19,424,523)	(19,424,523)	(23,709,049)	(23,709,049)
Total Comprehensive Income for the Period	**100,097,357**	**100,097,357**	**17,852,261**	**17,852,261**
Total Comprehensive Income attributable to:				
Equity-Holders of the Bank	100,097,357	100,097,357	17,852,261	17,852,261
Non-Controlling Interest	-	-	-	-
Total Comprehensive Income for the Period	**100,097,357**	**100,097,357**	**17,852,261**	**17,852,261**
Earnings per Share				
Basic Earnings per Share		14.57		5.29
Diluted Earnings per Share		14.57		5.29

Ratio as per NRB Directive

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	**Upto This Quarter (YTD)**	**This Quarter**	**Upto This Quarter (YTD)**
Capital Fund to RWE		12.31%		12.96%
Annualized Return on Equity		9.90%		3.46%
Non-Performing Loan (NPL) to Total Loan		3.48%		3.40%
Total Loan Loss Provision to Total NPL		112.60%		95.02%
Cost of Funds		9.20%		9.73%
Credit to Deposit Ratio (CD)		80.37%		87.08%
Base Rate		11.72%		12.23%
Interest Rate Spread		4.58%		4.67%

Kamana Sewa Bikas Bank Limited

Condensed Statement of Changes in Equity

For the Quarter ended 30 Ashwin 2080

Particulars	Share Capital	Share Premium	General Reserve	Exchange Equlisation Reserve	Regulatory Reserve	Fair Value Reserve	Revaluation reserve	Retained Earning	Corporate Social Responsibility	Other Reserve	Total	Non-Controlling Interest	Total Equity
	Attributable to Equity-Holders of the Bank												
Balance at Shrawan 1, 2079	**3,142,577,022**	**-**	**657,238,618**	**724,969**	**466,897,594**	**(60,046,207)**	**-**	**146,719,988**	**6,097,654**	**4,369,690**	**4,364,579,329**	**-**	**4,364,579,329**
Adjustment/Restatement	-	-	-	-	-	-	-	(865,355)	-	-	(865,355)		**(865,355)**
Adjusted/Restated balance as on Shrawan 1,2079	**3,142,577,022**	**-**	**657,238,618**	**724,969**	**466,897,594**	**(60,046,207)**	**-**	**145,854,633**	**6,097,654**	**4,369,690**	**4,363,713,974**	**-**	**4,363,713,974**
Comprehensive Income for the year	-	-	-	-	-	-	-	-	-	-	-		-
Profit for the year	-	-	-	-	-	-	-	**361,364,544**	-	-	**361,364,544**		**361,364,544**
Other Comprehensive Income, Net of Tax	-	-	-	-	-	-	-	-	-	-	-		-
Gains/(losses) from investment in equity instruments measured at fair value	-	-	-	-	-	28,946,669	-	-	-	-	28,946,669		28,946,669
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-	-		-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	(5,327,544)	(5,327,544)		(5,327,544)
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-		-
Exchange gains/(losses)(arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-	-	-	-		-
Total Comprehensive Income for the year	**-**	**-**	**-**	**-**	**-**	**28,946,669**	**-**	**361,364,544**	**-**	**(5,327,544)**	**384,983,669**		**384,983,669**
Transfer to Reserves during the year	-	-	72,272,909	318,466	233,870,273	-	-	(308,581,114)	3,613,645	(1,494,179)	0		0
Transfer from Reserves during the year	-	-	-	-	-	-		-	(5,700,299)	-	(5,700,299)		(5,700,299)
Transactions with Owners, directly recognized in Equity	-	-	-	-	-	-	-	-	-	-	-		-
Share Issued	-	-	-	-	-	-	-	-	-	-	-		-
Share Based Payments	-	-	-	-	-	-	-	-	-	-	-		-
Dividend to Equity-Holders	-	-	-	-	-	-	-	-	-	-	-		-
Bonus Shares Issued	138,587,647	-	-	-	-	-	-	(138,587,647)	-	-	-		-
Cash Dividend Paid	-	-	-	-	-	-	-	(7,294,087)	-	-	(7,294,087)		(7,294,087)
Other	-	-	-	-	-	-	-	-	-	-	-		-
Total Contributions by and Distributions	**138,587,647**	**-**	**72,272,909**	**318,466**	**233,870,273**	**28,946,669**	**-**	**(93,098,304)**	**(2,086,654)**	**(6,821,723)**	**371,989,283**		**371,989,283**
Balance at Ashadh 31, 2080	**3,281,164,669**	**-**	**729,511,527**	**1,043,435**	**700,767,867**	**(31,099,538)**	**-**	**52,756,328**	**4,011,000**	**(2,452,033)**	**4,735,703,258**	**-**	**4,735,703,257**
Adjustment/Restatement	-	-	-	-	-	-	-	-	-	-	-		-
As on Shrawan 1st,2080	**3,281,164,669**	**-**	**729,511,527**	**1,043,435**	**700,767,867**	**(31,099,538)**	**-**	**52,756,328**	**4,011,000**	**(2,452,033)**	**4,735,703,257**	**-**	**4,735,703,257**
Comprehensive Income for the year													
Profit for the year	-	-	-	-	-	-	-	119,521,880	-	-	119,521,880		119,521,880
Other Comprehensive Income, Net of Tax	-	-	-	-	-	-	-	-	-	-	-		-
Gains/(losses) from investment in equity instruments measured at fair value	-	-	-	-	-	(24,819,683)	-	-	-	-	(24,819,683)		(24,819,683)
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-	-		-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	-	-		-
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-		-
Exchange gains/(losses)(arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-	-	-	-		-
Total Comprehensive Income for the year	**-**	**-**	**-**	**-**	**-**	**(24,819,683)**	**-**	**119,521,880**	**-**	**-**	**94,702,197**	**-**	**94,702,197**
Transfer to Reserves during the year	-	-	23,904,376	22,745	121,525,479	-		(146,647,818)	1,195,219	-	0		0
Transfer from Reserves during the year	-	-		-			-		(1,343,095)	-	(1,343,095)		(1,343,095)
Contributions from and distributions to owners	-	-	-	-	-	-	-	-	-	-	-		-
Share Issued	-	-	-	-	-	-	-	-	-	-	-		-
Share Based Payments	-	-	-	-	-	-	-	-	-	-	-		-
Dividend to Equity-Holders	-	-	-	-	-	-	-	-	-	-	-		-
Bonus Shares Issued	-	-	-	-	-	-	-	-	-	-	-		-
Cash Dividend Paid	-	-	-	-	-	-	-	-	-	-	-		-
Others	-	-	-	-	-	-	-	-	-	-	-		-
Total Contributions by and Distributions	**-**	**-**	**23,904,376**	**22,745**	**121,525,479**	**(24,819,683)**	**-**	**(27,125,939)**	**(147,876)**	**-**	**93,359,102**		**93,359,102**
Balance at Ashwin End, 2080	**3,281,164,669**	**-**	**753,415,903**	**1,066,180**	**822,293,346**	**(55,919,221)**	**-**	**25,630,390**	**3,863,124**	**(2,452,033)**	**4,829,062,359**	**-**	**4,829,062,359**

Kamana Sewa Bikas Bank Limited

Statement of Distributable Profit or Loss

For the Quarter ended 30 Ashwin 2080

(As per NRB Regulation)

Particulars	Current Year Upto this Quarter YTD	Previous Year Corresponding Quarter YTD
Net profit or (loss) as per statement of profit or loss	**119,521,880**	**41,561,310**
Appropriations:		
a. General reserve	(23,904,376)	(8,312,262)
b. Foreign exchange fluctuation fund	(22,745)	(244,636)
c. Capital redemption reserve	-	
d. Corporate social responsibility fund	(1,195,219)	(415,613)
e. Employees' training fund	-	-
Profit or (loss) before regulatory adjustment	**94,399,540**	**32,588,800**
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(118,884,290)	(155,860,998)
d. Short loan loss provision on Non Banking Assets (-)/reversal (+)	25,108,130	(23,633,820)
i. Fair value Loss on investment	(27,749,319)	(33,870,071)
Net Profit for the period ending on 4th quarter available for distribution	**(27,125,939)**	**(180,776,089)**
Opening retained earnings	**52,756,328**	**198,617,801**
Adjustment/Restatement	-	-
Distribution:		
Bonus Share issued	-	-
Cash dividend paid	-	-
Total Distributable profit or loss as on year end date	**25,630,390**	**17,841,712**
Annualised Distributable Profit/Loss per share	**3.12**	**2.18**

1. General Information

Kamana Sewa Bikas Bank Limited is a limited liability company domiciled in Nepal which has been in operation in Nepal since 2064/02/24 (2007/06/07). The Bank is registered with the Office of Company Registrar as a public limited company and carries out banking activities in Nepal under the license from Nepal Rastra Bank as Class "Kha" licensed institution (National Level). It's registered, and corporate office are at Kathmandu, Nepal.

The Bank merged with Sewa Bikas Bank Limited in the Fiscal year 2074/75 and started joint operation from 20th Shrawan, 2075.

2. Basis of Preparation

The interim financial statements of the Bank have been prepared in accordance with Nepal Financial Reporting Standards (NFRS): NAS 34 Interim Financial Reporting pronounced by The Institute of Chartered Accountants of Nepal (ICAN).

The interim financial statements have been prepared on the formats mandated by the Directive No. 4 of The Unified Directives as made applicable by the Nepal Rastra Bank.

The Condensed Consolidated Interim Financial Statements comprise of:

- Condensed Consolidated Statement of Financial Position
- Condensed Consolidated Statement of Profit or Loss
- Condensed Consolidated Statement of Other Comprehensive Income
- Condensed Consolidated Statement of Changes in Equity
- Condensed Consolidated Statement of Cash Flows
- Notes to Interim Financial Statements and
- Ratios as per NRB Directive

3. Functional and Presentation Currency

The financial statements of the Bank are presented in Nepalese Rupees (NPR), which is the currency of the primary economic environment in which the Bank operates. Financial information is presented in Nepalese Rupees. There was no change in the presentation and functional currency during the year under review. The figures are rounded to nearest integer, except otherwise indicated.

4. Statement of Compliance

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

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements.

5. Use of Estimates, Assumptions and Judgement

The preparation of financial statements requires management to make judgments, estimates and assumptions in the application of accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Continuous evaluation is done on the estimation and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Revisions to accounting estimates are recognized prospectively.

6. Changes in accounting policies

The Bank applies its accounting policies consistently from year to year except where deviations have been explicitly mandated by the applicable accounting standards.

7. Significant Accounting Policies

7.1 Basis of Measurement

The Financial Statements of the Bank have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position:

- Quoted investment classified under Available for Sale are measured at fair value.
- Liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation less the fair value of the plan assets.

7.2 Basis of Consolidation

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

7.3 Cash & Cash Equivalent

Cash and Cash Equivalents include cash in hand, balances with banks and money at call and at short notice. These are subject to insignificant risk of changes in their fair value and are used by the Bank in the management of short-term commitments.

7.4 Financial Assets and Financial Liabilities

Recognition

The Bank initially recognizes a financial asset or a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. The Bank initially recognize loans and advances, deposits and debt securities/ subordinated liabilities issued on the date that they are originated which is the date that the Bank becomes party to the contractual provisions of the instruments. 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.

Classification

Financial instruments are classified as

- Financial Assets
- Financial Liabilities

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;

- Financial assets measured at amortized cost
- Financial asset measured at fair value

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.

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 at fair value through other comprehensive income

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 are 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.

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 measured at amortized cost

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 cost 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 amortized 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 method.

Measurement

Initial Measurement
A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are recognized in Statement of Profit or Loss.

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

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

Financial assets classified at fair value are subsequently measured at fair value. The subsequent changes in fair value of financial assets at fair value through profit or loss are recognized in Statement of Profit or Loss whereas of financial assets at fair value through other comprehensive income are recognized in other comprehensive income.

Derecognition

Derecognition of Financial Assets
The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of

- The consideration received (including any new asset obtained less any new liability assumed) and
- Any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Derecognition of Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. 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 recognized in Statement of Profit or Loss.

Determination of Fair Value
Fair value is the amount for which an asset could be exchanged, or a liability be settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of a liability reflects its non-performance risk. The fair values are determined according to the following hierarchy:

Level 1: Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Valuations are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3: Portfolios are those where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognized in profit or loss on initial recognition of the instrument. In other cases, the difference is not recognized in profit or loss immediately but is recognized over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable. All unquoted equity investments are recorded at cost, considering the non-trading of promoter shares up to the date of balance sheet, the market price of such shares could not be ascertained with certainty. Hence, these investments are recognized at cost net of impairment, if any

Offsetting
Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group has a legal right to set off the amounts and it intends either settle them on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under NFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

Impairment
At each reporting date the Bank assesses whether there is any indication that an asset may have been impaired. If such indication exists, the recoverable amount is determined. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Bank considers the following factors in assessing objective evidence of impairment:

- Whether the counterparty is in default of principal or interest payments.
- When a counterparty files for bankruptcy and this would avoid or delay discharge of its obligation.
- Where the Bank initiates legal recourse of recovery in respect of a credit obligation of the counterpart.
- Where the Bank consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments.
- Where there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

The Bank considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics. Impairment test is done on annual basis for trade receivables and other financial assets based on the internal and external indication observed.

In assessing collective impairment, the Bank uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortized cost
Financial assets carried at amortized cost (such as amounts due from Banks, loans and advances to customers as well as held–to–maturity investments is impaired, and impairment losses are recognized, only if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset. The amount of the loss is measured as the difference between the asset's carrying amount and the deemed recoverable value of loan.

Bank considers evidence of impairment for loans and advances and investment securities measured at amortized cost at both specific asset and collective level. Bank first assess individually whether objective evidence of impairment exists for financial assets that are individually significant and assessed on collective basis for those that are not individually significant. Loans and advances to customers with significant value are assessed for individual impairment test. The recoverable value of loan is estimated on the basis of realizable value of collateral and the conduct of the borrower/past experience of the bank.

If there is objective evidence that impairment loss has been incurred, the amount of loss is measured at the difference between asset's carrying amount and present value of estimated future cash flows. Carrying amount of the asset is reduced through the use of an allowance account and amount of loss is recognized in profit or loss. All individually significant loans and advances and investment securities are assessed for specific impairment. Those not found to be specifically impaired are collectively assessed for impairment by grouping together loan and advances and held to maturity with similar risk characteristics.

Assets that are individually assessed and for which no impairment exists are grouped with financial assets with similar credit risk characteristics and collectively assessed for impairment. The credit risk statistics for each group of the loan and advances are determined by management prudently being based on the past experience. For the purpose of collective assessment of impairment bank has categorized assets in to four broad products as follows:

1. Term Loan
2. Auto Loan
3. Home Loan
4. Overdraft

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the other reserves and funds (impairment reserve) in other comprehensive income and statement of changes in equity. If a future write–off is later recovered, the recovery is credited to the 'Income Statement'.

Loan Loss Provision as per direction of Nepal Rastra Bank
Loan loss provisions in respect of non-performing loans and advances are based on management's assessment of the degree of impairment of the loans and advances, subject to the minimum provisioning level prescribed in relevant NRB guidelines. Provision is made for possible losses on loans and advances at 1.3 % to 100 % on the basis of classification of loans and advances, overdraft and bills purchased in accordance with NRB directives.

Policies Adopted
The bank adopts carve out issued by ICAN for measurement of impairment loss on loans and advances. As per the Carve out notice issued by ICAN, the Bank has measured impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and the amount determined as per applicable framework of carve out provided by ICAN.

Impairment of investment in equity instrument classified as fair value though other comprehensive income
Where objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the amortized cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of profit or loss) is reclassified from equity and recognized in the profit or loss. A significant or prolonged decline in the fair value of an equity security below its cost is considered, among other factors in assessing objective evidence of impairment for equity securities.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the statement of profit or loss. Impairment losses recognized in the profit or loss on equity instruments are not reversed through the profit or loss.

7.5 Trading Assets

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as a part of a portfolio that is managed together for short term profit or position taking.

Trading assets and liabilities are initially recognized at fair value and subsequently measured at fair value in the statement of financial position, with transaction costs recognized in profit or loss. All changes in fair value are recognized as part of net trading income in profit or loss as regarded as fair value through profit & loss account.

7.6 Derivative Financial Instruments

Derivative instruments includes transactions like interest rate swap, currency swap, forward foreign exchange contract etc. held for trading as well as risk management purposes. Derivative financial instruments are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. The bank do not have any derivative instrument during the reporting period

7.7 Property and Equipment

Recognition and Measurement

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures directly attributable to the acquisition of the asset.

Depreciation

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

Asset Category	Rate of Depreciation p. a. (%)
Freehold Buildings	5%
Motor Vehicles	20%
Computer Equipment	25%
Furniture and Fixtures	25%
Equipment’s and others	25%
Leasehold Properties	10%

Other disclosures regarding the depreciation;

a) Depreciation for income tax purpose is calculated separately at the rate and manner prescribed by the Income Tax Act, 2058.

b) Assets with a unit value of NPR 5,000 or less are expensed-off during the year of purchase irrespective of its useful life.

c) Leasehold assets and cost of software licenses are amortized over a period of useful life and in case useful life cannot be ascertained the bank has the policy to amortize the cost in five years.

7.8 Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance, held for use in the production or supply of goods or services, for rental to others or for administrative purposes. An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. Intangible Assets, except for goodwill, are amortized on a straight–line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the bank.

7.9 Investment Property

Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both but not for sale in the ordinary course of business.

Measurement

Investment property is accounted for under Cost Model in the Financial Statements. Accordingly, after recognition as an asset, the property is carried at its cost, less impairment losses. If any property is reclassified to investment property due to changes in its use, fair value of such property at the date of reclassification becomes its cost for subsequent accounting.

De-recognition

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

7.10 Income Tax

Income tax comprises of current tax and deferred tax

Current Tax

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

Deferred Tax

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

Deferred tax assets are recognized for all deductible temporary differences, carried forward unused tax credits and unused tax losses (if any), to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilized:

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

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

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

7.11 Deposits, debts securities issued and subordinated liabilities

Deposits
The Bank accepts deposits from its customers under account, current, term deposits and margin accounts which allows money to be deposited and withdrawn by the account holder. These transactions are recorded on the bank's books, and the resulting balance is recorded as a liability for the Bank and represents the amount owed by the Bank to the customers.

Debt Securities Issued
It includes debentures, bonds or other debt securities issued by the Bank. Deposits, debt securities issued, and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method, except where the Group designates liabilities at fair value through profit or loss. However, debentures issued by the bank are subordinate to the deposits from customer.

Subordinated Liabilities
Subordinated liabilities are those liabilities which at the event of winding up are subordinate to the claims of depositors, debt securities issued and other creditors. The bank does not have any of such subordinated liabilities.

7.12 Provisions

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

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

7.13 Revenue Recognition

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

Interest Income

For all financial assets measured at amortized cost, interest bearing financial assets classified as Fair value through profit and loss, interest income is recorded using the rate that closely approximates the effective interest rate (EIR) because the bank considers that the cost of exact calculation of effective interest rate method exceeds the benefit that would be derived from such compliance. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

Further, Interest income on Loans and Advances is recognized as per the guideline on recognition of interest income, 2019 issued by NRB and carve out issued by ICAN has been opted.

Carve out issued by ICAN

As per the carve out regarding the effective interest rate EIR rate treatment issued by ICAN, when calculating EIR, all these shall be considered unless it is immaterial or impracticable to do so. Since all these transaction costs cannot be identified separately and separate EIR computation for every customer seems impracticable, such transaction costs of all previous years has not been considered when computing EIR. Due to impracticability, such relevant costs are ignored, due to which EIR rate equals to the rate provided to customers and therefore, income recognized by system on accrual basis has been considered as income Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and Commission Income

Fees earned for the provision of services over a period of time are accrued over that period. These fees include Service fees, commission income. Guarantee commission are recognized on cash basis. Loan syndication fees are recognized as revenue when the syndication has been completed and the Bank retained no part of the loan package for itself, or retained a part at the same effective interest rate as for the other participants. Portfolio and other management advisory fees and service distribution fees are recognized based on the applicable contracts, usually on a time apportionment basis.

Dividend Income

Dividend incomes are recognized when the right to receive such dividend is established. Usually this is the ex-dividend date for equity securities. Dividends are presented in net trading income, net income from other financial instruments at fair value through profit or loss or other revenue based on the underlying classification of the equity investment.

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

Net Income from other financial instrument at fair value through Profit or Loss
Trading assets such as equity shares and mutual fund are recognized at fair value through profit or loss. No any other financial instrument are designated at fair value through profit or loss. Contractual interest income and expense on financial instruments held at fair value through profit or loss is recognized within net interest income. The bank has no income under the heading net income from other financial instrument at fair value through profit or loss.

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

7.14 Employee Benefits

Short term employee benefits
The Bank's short term employee benefits mainly include wages, salaries, allowances, socials security expenses, bonuses as provided in the law and other employee related expenses. Short term employee benefits are measured on an undiscounted basis and are charged to statement of profit and loss as and when the related service is provided.

Long term employee benefits

Defined Contribution Plans
The contributions to defined contribution plans are recognized in profit or loss as and when the services are rendered by employees which the bank contributes fixed percentage of the salary to the Employee's Provident Fund. The Bank has no further obligations under these plans beyond its periodic contributions.

Defined Benefit Plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The bank's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods. That benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on corporate bonds, that have maturity dates approximating the terms of the bank's obligation and that are denominated in the currency in which the benefits are expected to be paid. The defined benefit obligation is recognized on the basis of the report of qualified actuary using the projected unit credit method. The bank recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefits plans in employee benefit are expensed in profit and loss account. When the calculation results in a potential assets for the group, the recognized assets is limited to

the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Measurements of the net defined benefit liability comprise actuarial gains and losses. The return on plan assets (excluding interest income) and the effect of the assets ceiling (if any excluding interest) are recognized immediately in Other Comprehensive Income. The bank determines the net interest expense (income) on the net defined liability (assets) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefits liability (assets), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefits payments. Net interest expenses and other expenses related to defined benefit plans are recognized as personnel expenses in Statement of profit and Loss. The Bank provides gratuity and leave encashment as the defined benefits plans to its employees.

7.15 Leases

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

As a lessee

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. The bank has considered rate of 10% as incremental borrowing rate for discounting of remaining lease payments.

7.16 Foreign Currency Translation

All foreign currency transactions are translated into the functional currency, which is Nepalese Rupees, using the exchange rates prevailing at the dates when the transactions were affected.

7.17 Share Capital and Reserves

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

8. Related Party Disclosure:

Sr. No.	Name of Related Party	Relationship
1.	Mr. Sudeep Acharya	Chairman, Board of Directors
2.	Mr. Bhim Prasad Tulachan	Member, Board of Directors
3.	Mr. Chaturakhar Adhikari	Member, Board of Directors
4.	Mr. Bishweshwar Subedi	Member, Board of Directors
5.	Mr. Balaram Baral	Member, Board of Directors
6.	Mrs. Sita Ghimire	Member, Board of Directors
7.	Mr. Dinesh Thakali	Chief Executive Officer
8.	Mr. Binay Dahal	Deputy Chief Executive Officer

9. Events after interim period:

There are no material events that have occurred after the reporting period affecting the financial status of the Bank as on Ashwin End, 2080.

Additional Disclosure as per Securities Registration and Issue Regulation, 2073 (Rule 26 (1), Annexure 14)

1st Quarter Report Fiscal Year 2080/81

1. Financial Statement

a. Statement of Financial Position and Statement of Profit and Loss as per Nepal Financial Reporting Standard: Published along with this report. There has been no transaction between related parties.

b. Key financial indicators and ratios

Earnings Per Share	14.57
Price Earnings Ratio (P/E Ratio)	20.51
Net worth Per Share	147.18
Liquidity Ratio	26.49%
Total Assets per share	1,952.61
Capital Adequacy Ratio	12.31%

2. Management Analysis

a. The bank has registered NPR 119.52 million in net profit.

b. There has been change in the bank's reserve, profit and liquidity position in line with the growth in business volume.

3. Details relating to legal action

a. Case filed against the bank

There were no major cases except those arising during the normal course of the bank's business.

b. Case relating to disobedience of prevailing law or commission of criminal offence filed by or against the promoter or director of the bank

No such information has been received.

c. Case relating to financial crime filed against any promoter or director

No such information has been received.

4. Analysis of share transaction and progress of the bank

a. Management's view on share transaction of bank in the secondary market

As the prices in the secondary market is determined by open share market operations, management view is neutral on this.

b. Maximum, minimum, closing price, total traded days and total share transacted during the quarter *(Source www.nepalstock.com)*

Maximum Price	380	Total Days Transacted	61
Minimum Price	297	Total Share Transacted	2,726,061 Shares
Closing Price	299	Total Transactions	NRs. 916,886,217

5. Problems and challenges

Internal

- Recruitment and retention of quality manpower.
- Increasing cost of operation.
- Attraction of low-cost deposit.
- Management of increased operational risk with the increase in business volume and number of branches.
- Recovery of problematic loan files/ borrower.

External

- Adverse impact of Post COVID 19 effect on the national economy.
- Adverse effect of high inflation and international geopolitical situation leading to slow down in country's economic activities.
- Competitive banking business.
- Limited credit opportunities in productive sectors.
- High fluctuations in liquidity/ Interest Rates.
- Regulatory challenges.
- Uncertainty of international oil prices/ supply due to ongoing Russia and Ukraine war and its effect on general price level.

Strategy

- Focus on activities to cope and navigate through the impact of COVID-19.
- Identification of new possibilities for business development.
- Focus on quality onboarding of customers/ borrowers.
- Strong risk management approach and portfolio diversification.
- Reinforcement of prudent banking practices.
- Re-pricing of assets and liabilities keeping in view the market fluctuations.
- Prioritization of digitization in banking services to enhance efficiency.
- Robust recovery management.

6. Corporate Governance

The bank follows zero tolerance governance and compliance culture. It ensures absolute compliance of directives and guidelines issued by Nepal Rastra Bank. To ensure adequate compliance and risk management the bank has developed strong policy and procedural framework along with dedicated independent compliance, audit and risk management function.

The board of directors, audit committee, risk management committee, human resource management committee, recruitment committee and all other management committee are committed to enforce highest standard of corporate governance within the bank.

7. Declaration by CEO

I hereby declare that the data and information provided in this report is true, complete and factual to the best of my knowledge. No any conscious attempt has been made to misguide the investors.