



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

## Unaudited Interim Financial Statements

As on 30 Poush End, 2082  
(2nd Quarter F.Y. 2025-26)

# **Kamana Sewa Bikas Bank Nepal Limited**

Unaudited Interim Financial statements

For the quarter ended 30 Poush 2082

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**Kamana Sewa Bikas Bank Limited**  
**Condensed Statement of Financial Position**  
As on Quarter ended 30 Poush 2082

| Particulars                                    | This Quarter ending   | Immediate Previous Year<br>Ending (Audited) |
|--|-----------------------|---|
| <b>Assets</b>                                  |                       |   |
| Cash and Cash Equivalent                       | 1,949,105,555         | 1,786,654,797                               |
| Due from Nepal Rastra Bank                     | 3,085,982,311         | 2,724,031,338                               |
| Placement with Bank and Financial Institutions | -                     | -   |
| Derivative Financial Instruments               | -                     | -   |
| Other Trading Assets                           | -                     | -   |
| Loans and Advances to BFIs                     | 1,626,753,318         | 2,537,879,119                               |
| Loans and Advances to Customers                | 52,108,240,714        | 50,077,497,277                              |
| Investment Securities                          | 11,404,875,127        | 12,290,942,521                              |
| Current Tax Assets                             | -                     | -   |
| Investment in Subsidiaries                     | -                     | -   |
| Investment in Associates                       | -                     | -   |
| Investment Property                            | 314,522,941           | 354,180,029                                 |
| Property and Equipment                         | 912,618,580           | 932,123,307                                 |
| Goodwill and Intangible Assets                 | 10,725,410            | 13,304,569                                  |
| Deferred Tax Assets                            | 41,621,357            | 32,455,525                                  |
| Other Assets                                   | 571,913,505           | 705,505,466                                 |
| <b>Total Assets</b>                            | <b>72,026,358,818</b> | <b>71,454,573,948</b>                       |

| Particulars  | This Quarter ending   | Immediate Previous Year<br>Ending (Audited) |
|--|-----------------------|---|
| <b>Liabilities</b>                                 |                       |   |
| Due to Bank and Financial Institutions             | 360,565,427           | 667,439,221                                 |
| Due to Nepal Rastra Bank                           | -                     | -   |
| Derivative Financial Instruments                   | -                     | -   |
| Deposits from Customers                            | 63,624,322,919        | 62,834,301,164                              |
| Borrowings   | -                     | -   |
| Current Tax Liabilities                            | 9,573,804             | 11,699,214                                  |
| Provisions   | 28,260,843            | 26,950,201                                  |
| Deferred Tax Liabilities                           | -                     | -   |
| Other Liabilities                                  | 902,020,833           | 979,614,600                                 |
| Debt Securities Issued                             | 997,108,939           | 997,108,939                                 |
| Subordinated Liabilities                           | -                     | -   |
| <b>Total Liabilities</b>                           | <b>65,921,852,765</b> | <b>65,517,113,338</b>                       |
| <b>Equity</b>                                      |                       |   |
| Share Capital                                      | 3,861,930,815         | 3,510,846,195                               |
| Share Premium                                      | -                     | -   |
| Retained Earnings                                  | 295,766,904           | 587,575,801                                 |
| Reserves   | 1,946,808,335         | 1,839,038,613                               |
| <b>Total Equity Attributable to Equity Holders</b> | <b>6,104,506,054</b>  | <b>5,937,460,610</b>                        |
| Non Controlling Interest                           | -                     | -   |
| <b>Total Equity</b>                                | <b>6,104,506,054</b>  | <b>5,937,460,610</b>                        |
| <b>Total Liabilities and Equity</b>                | <b>72,026,358,818</b> | <b>71,454,573,948</b>                       |
| Net Assets Value per share                         | 158.07                | 169.12                                      |

**Kamana Sewa Bikas Bank Limited**  
**Condensed Statement of Profit or Loss**  
For the Quarter ended 30 Poush 2082

| Particulars   | Current Year       |                         | Corresponding Previous Year |                         |
|---|--------------------|-------------------------|-----------------------------|-------------------------|
|   | This Quarter       | Upto This Quarter (YTD) | This Quarter                | Upto This Quarter (YTD) |
| Interest Income   | 1,274,345,696      | 2,667,977,443           | 1,450,896,526               | 2,972,691,979           |
| Interest Expense  | 680,513,510        | 1,456,508,644           | 880,043,340                 | 1,883,097,622           |
| <b>Net Interest Income</b>                                | <b>593,832,186</b> | <b>1,211,468,799</b>    | <b>570,853,186</b>          | <b>1,089,594,357</b>    |
| Fee and Commission Income                                 | 79,413,724         | 170,045,738             | 75,463,094                  | 156,874,611             |
| Fee and Commission Expense                                | 5,184,062          | 11,394,275              | 5,374,095                   | 11,541,725              |
| <b>Net Fee and Commission Income</b>                      | <b>74,229,662</b>  | <b>158,651,463</b>      | <b>70,088,999</b>           | <b>145,332,886</b>      |
| <b>Net Interest, Fee and Commission Income</b>            | <b>668,061,848</b> | <b>1,370,120,263</b>    | <b>640,942,185</b>          | <b>1,234,927,244</b>    |
| Net Trading Income  | 150,365            | 383,459                 | 167,830                     | 324,220                 |
| Other Operating Income                                    | 7,033,264          | 59,177,593              | 11,130,919                  | 54,866,014              |
| <b>Total Operating Income</b>                             | <b>675,245,477</b> | <b>1,429,681,315</b>    | <b>652,240,934</b>          | <b>1,290,117,478</b>    |
| Impairment Charge / (Reversal) for Loans and Other Losses | 76,435,036         | 187,128,806             | 147,707,479                 | 196,441,974             |
| <b>Net Operating Income</b>                               | <b>598,810,441</b> | <b>1,242,552,510</b>    | <b>504,533,455</b>          | <b>1,093,675,504</b>    |
| <b>Operating Expense</b>                                  |                    |                         |                             |                         |
| Personnel Expenses  | 197,076,168        | 439,889,265             | 180,866,893                 | 402,302,589             |
| Other Operating Expenses                                  | 100,046,487        | 198,356,292             | 90,496,367                  | 181,567,860             |
| Depreciation & Amortisation                               | 19,039,309         | 37,029,993              | 20,739,256                  | 40,617,813              |
| <b>Operating Profit</b>                                   | <b>282,648,476</b> | <b>567,276,959</b>      | <b>212,430,938</b>          | <b>469,187,242</b>      |
| Non Operating Income                                      | 1,269,935          | 1,419,935               | -                           | -                       |
| Non Operating Expense                                     | 2,537,797          | 5,053,225               | 843,049                     | 7,628,930               |
| <b>Profit Before Income Tax</b>                           | <b>281,380,614</b> | <b>563,643,670</b>      | <b>211,587,889</b>          | <b>461,558,312</b>      |
| Income Tax Expense  |                    |                         |                             |                         |
| Current Tax   | 84,414,184         | 169,093,101             | 64,073,971                  | 139,065,098             |
| Deferred Tax  | -                  | -                       | -                           | -                       |
| <b>Profit for the Period</b>                              | <b>196,966,430</b> | <b>394,550,569</b>      | <b>147,513,918</b>          | <b>322,493,214</b>      |
| <b>Profit Attributable to:</b>                            |                    |                         |                             |                         |
| Equity-holders of the Bank                                | 196,966,430        | 394,550,569             | 147,513,918                 | 322,493,214             |
| Non-Controlling Interest                                  | -                  | -                       | -                           | -                       |
| <b>Profit for the Period</b>                              | <b>196,966,430</b> | <b>394,550,569</b>      | <b>147,513,918</b>          | <b>322,493,214</b>      |

**Kamana Sewa Bikas Bank Limited**  
**Condensed Statement of Other Comprehensive Income**  
For the Quarter ended 30 Poush 2082

| Particulars   | Current Year       |                         | Corresponding Previous Year |                         |
|---|--------------------|-------------------------|-----------------------------|-------------------------|
|   | This Quarter       | Upto This Quarter (YTD) | This Quarter                | Upto This Quarter (YTD) |
| <b>Profit for the year</b>  | <b>196,966,430</b> | <b>394,550,569</b>      | <b>147,513,918</b>          | <b>322,493,214</b>      |
| <b>Other Comprehensive Income, Net of Income Tax</b>                                      |                    |                         |                             |                         |
| <b>a) Items that will not be reclassified to profit or loss</b>                           |                    |                         |                             |                         |
| Gains/(losses) from investment in equity instruments measured at fair value               | 38,571,700         | (30,552,773)            | (46,645,730)                | (17,237,991)            |
| Gains/(losses) on revaluation   | -                  | -                       | -                           | -                       |
| Actuarial gains/(losses) on defined benefit plans   | -                  | -                       | -                           | -                       |
| Income tax relating to above items  | (11,571,510)       | 9,165,832               | 13,993,719                  | 5,171,397               |
| <b>Net other comprehensive income that will not be reclassified to profit or loss</b>     | <b>27,000,190</b>  | <b>(21,386,941)</b>     | <b>(32,652,011)</b>         | <b>(12,066,594)</b>     |
| <b>b) Items that are or may be reclassified to profit or loss</b>                         |                    |                         |                             |                         |
| Gains/(losses) on cash flow hedge   | -                  | -                       | -                           | -                       |
| Exchange gains/(losses)(arising from translating financial assets of foreign operation)   | -                  | -                       | -                           | -                       |
| Income tax relating to above items  | -                  | -                       | -                           | -                       |
| Reclassify to profit or loss  | -                  | -                       | -                           | -                       |
| <b>Net other comprehensive income that are or may be reclassified to profit or loss</b>   | <b>-</b>           | <b>-</b>                | <b>-</b>                    | <b>-</b>                |
| <b>c) Share of other comprehensive income of associate accounted as per equity method</b> | <b>-</b>           | <b>-</b>                | <b>-</b>                    | <b>-</b>                |
| <b>Other Comprehensive Income for the year, Net of Income Tax</b>                         | <b>27,000,190</b>  | <b>(21,386,941)</b>     | <b>(32,652,011)</b>         | <b>(12,066,594)</b>     |
| <b>Total Comprehensive Income for the Period</b>  | <b>223,966,620</b> | <b>373,163,628</b>      | <b>114,861,907</b>          | <b>310,426,620</b>      |
| Total Comprehensive Income attributable to:   |                    |                         |                             |                         |
| Equity-Holders of the Bank  | 223,966,620        | 373,163,628             | 114,861,907                 | 310,426,620             |
| Non-Controlling Interest  | -                  | -                       | -                           | -                       |
| <b>Total Comprehensive Income for the Period</b>  | <b>223,966,620</b> | <b>373,163,628</b>      | <b>114,861,907</b>          | <b>310,426,620</b>      |
| <b>Earnings per Share</b>   |                    |                         |                             |                         |
| Basic Earnings per Share  |                    | 20.43                   |                             | 18.37                   |
| Diluted Earnings per Share  |                    | 20.43                   |                             | 18.37                   |
| <b>Ratio as per NRB Directive</b>   |                    |                         |                             |                         |
| Particulars   | Current Year       |                         | Previous Year Corresponding |                         |
|   | This Quarter       | Upto This Quarter (YTD) | This Quarter                | Upto This Quarter (YTD) |
| Capital Fund to RWE   |                    | 12.57%                  |                             | 12.59%                  |
| Tier 1 Capital to RWA   |                    | 10.02%                  |                             | 9.79%                   |
| CET 1 Capital to RWA  |                    | 10.02%                  |                             | 9.79%                   |
| Annualized Return on Equity   |                    | 13.11%                  |                             | 11.82%                  |
| Annualized Return on Assets   |                    | 1.10%                   |                             | 0.94%                   |
| Non-Performing Loan (NPL) to Total Loan   |                    | 4.10%                   |                             | 4.35%                   |
| Net Non-Performing Loan (NPL) to Total Loan   |                    | 0.77%                   |                             | 1.72%                   |
| Total Loan Loss Provision to Total NPL  |                    | 118.20%                 |                             | 98.66%                  |
| Cost of Funds   |                    | 4.25%                   |                             | 5.65%                   |
| Credit to Deposit Ratio (CD)  |                    | 86.77%                  |                             | 85.99%                  |
| Base Rate   |                    | 6.17%                   |                             | 7.72%                   |
| Interest Rate Spread  |                    | 4.17%                   |                             | 4.59%                   |

**Kamana Sewa Bikas Bank Limited**  
**Condensed Statement of Changes in Equity**  
For the Quarter ended 30 Poush 2082

| Particulars   | Attributable to Equity-Holders of the Bank |               |                      |                                     |                       |                       |                        |                      |                                    |                    |                      | Total Equity         |
|---|--|---------------|----------------------|-------------------------------------|-----------------------|-----------------------|------------------------|----------------------|------------------------------------|--------------------|----------------------|----------------------|
|   | Share Capital                              | Share Premium | General Reserve      | Exchange<br>Equilisation<br>Reserve | Regulatory<br>Reserve | Fair Value<br>Reserve | Revaluation<br>reserve | Retained Earning     | Corporate Social<br>Responsibility | Other Reserve      | Total                |                      |
| <b>Balance at Shrawan 1, 2081</b>   | <b>3,281,164,669</b>                       | -             | <b>845,877,892</b>   | <b>1,110,974</b>                    | <b>649,365,921</b>    | <b>39,844,756</b>     | -                      | <b>411,201,538</b>   | <b>5,829,036</b>                   | <b>149,948,570</b> | <b>5,384,343,357</b> | <b>5,384,343,357</b> |
| Adjustment/Restatement  | -  | -             | -                    | -                                   | -                     | -                     | -                      | -                    | -                                  | -                  | -                    | -                    |
| <b>Adjusted/Restated balance as on Shrawan 1, 2081</b>                                  | <b>3,281,164,669</b>                       | -             | <b>845,877,892</b>   | <b>1,110,974</b>                    | <b>649,365,921</b>    | <b>39,844,756</b>     | -                      | <b>411,201,538</b>   | <b>5,829,036</b>                   | <b>149,948,570</b> | <b>5,384,343,357</b> | <b>5,384,343,357</b> |
| <b>Comprehensive Income for the year</b>  | -  | -             | -                    | -                                   | -                     | -                     | -                      | -                    | -                                  | -                  | -                    | -                    |
| <b>Profit for the year</b>  | -  | -             | -                    | -                                   | -                     | -                     | -                      | <b>669,751,323</b>   | -                                  | -                  | <b>669,751,323</b>   | <b>669,751,323</b>   |
| <b>Other Comprehensive Income, Net of Tax</b>   | -  | -             | -                    | -                                   | -                     | -                     | -                      | -                    | -                                  | -                  | -                    | -                    |
| Gains/(losses) from investment in equity instruments measured at fair value             | -  | -             | -                    | -                                   | -                     | 52,132,409            | -                      | -                    | -                                  | -                  | 52,132,409           | 52,132,409           |
| 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) | -  | -             | -                    | -                                   | -                     | -                     | -                      | -                    | -                                  | -                  | -                    | -                    |
| <b>Total Comprehensive Income for the year</b>  | -  | -             | -                    | -                                   | -                     | <b>52,132,409</b>     | -                      | <b>669,751,323</b>   | -                                  | -                  | <b>721,883,731</b>   | <b>721,883,731</b>   |
| Transfer to Reserves during the year  | -  | -             | 136,082,985          | 275,527                             | (171,520,839)         | (10,663,602)          | -                      | (99,637,300)         | 6,697,513                          | 138,765,715        | -                    | -                    |
| Transfer from Reserves during the year  | -  | -             | -                    | -                                   | -                     | -                     | -                      | -                    | (4,708,245)                        | -                  | (4,708,245)          | (4,708,245)          |
| Transactions with Owners, directly recognized in Equity                                 | -  | -             | -                    | -                                   | -                     | -                     | -                      | -                    | -                                  | -                  | -                    | -                    |
| Share Issued  | -  | -             | -                    | -                                   | -                     | -                     | -                      | -                    | -                                  | -                  | -                    | -                    |
| Share Based Payments  | -  | -             | -                    | -                                   | -                     | -                     | -                      | -                    | -                                  | -                  | -                    | -                    |
| Dividend to Equity-Holders  | -  | -             | -                    | -                                   | -                     | -                     | -                      | -                    | -                                  | -                  | -                    | -                    |
| Bonus Shares Issued   | 229,681,527                                | -             | -                    | -                                   | -                     | -                     | -                      | (229,681,527)        | -                                  | -                  | -                    | -                    |
| Cash Dividend Paid  | -  | -             | -                    | -                                   | -                     | -                     | -                      | (164,058,233)        | -                                  | -                  | (164,058,233)        | (164,058,233)        |
| Other   | -  | -             | -                    | -                                   | -                     | -                     | -                      | -                    | -                                  | -                  | -                    | -                    |
| <b>Total Contributions by and Distributions</b>   | <b>229,681,527</b>                         | -             | <b>136,082,985</b>   | <b>275,527</b>                      | <b>(171,520,839)</b>  | <b>41,468,807</b>     | -                      | <b>176,374,263</b>   | <b>1,989,269</b>                   | <b>138,765,715</b> | <b>553,117,253</b>   | <b>553,117,253</b>   |
| <b>Balance at Ashadh 32, 2082</b>   | <b>3,510,846,195</b>                       | -             | <b>981,960,877</b>   | <b>1,386,501</b>                    | <b>477,845,082</b>    | <b>81,313,563</b>     | -                      | <b>587,575,801</b>   | <b>7,818,304</b>                   | <b>288,714,285</b> | <b>5,937,460,610</b> | <b>5,937,460,610</b> |
| Adjustment/Restatement  | -  | -             | -                    | -                                   | -                     | -                     | -                      | -                    | -                                  | -                  | -                    | -                    |
| <b>As on Shrawan 1<sup>st</sup>, 2081</b>   | <b>3,510,846,195</b>                       | -             | <b>981,960,877</b>   | <b>1,386,501</b>                    | <b>477,845,082</b>    | <b>81,313,563</b>     | -                      | <b>587,575,801</b>   | <b>7,818,304</b>                   | <b>288,714,285</b> | <b>5,937,460,609</b> | <b>5,937,460,609</b> |
| <b>Comprehensive Income for the year</b>  | -  | -             | -                    | -                                   | -                     | -                     | -                      | -                    | -                                  | -                  | -                    | -                    |
| <b>Profit for the year</b>  | -  | -             | -                    | -                                   | -                     | -                     | -                      | 394,550,569          | -                                  | -                  | 394,550,569          | 394,550,569          |
| <b>Other Comprehensive Income, Net of Tax</b>   | -  | -             | -                    | -                                   | -                     | -                     | -                      | -                    | -                                  | -                  | -                    | -                    |
| Gains/(losses) from investment in equity instruments measured at fair value             | -  | -             | -                    | -                                   | -                     | (21,386,941)          | -                      | -                    | -                                  | -                  | (21,386,941)         | (21,386,941)         |
| 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) | -  | -             | -                    | -                                   | -                     | -                     | -                      | -                    | -                                  | -                  | -                    | -                    |
| <b>Total Comprehensive Income for the year</b>  | -  | -             | -                    | -                                   | -                     | <b>(21,386,941)</b>   | -                      | <b>394,550,569</b>   | -                                  | -                  | <b>373,163,628</b>   | <b>373,163,628</b>   |
| Transfer to Reserves during the year  | -  | -             | 83,062,233           | 215,307                             | (2,876,614)           | (20,760,597)          | -                      | (132,014,406)        | 3,945,506                          | 68,428,571         | -                    | -                    |
| Transfer from Reserves during the year  | -  | -             | -                    | -                                   | -                     | -                     | -                      | -                    | (2,857,743)                        | -                  | (2,857,743)          | (2,857,743)          |
| Contributions from and distributions to owners  | -  | -             | -                    | -                                   | -                     | -                     | -                      | -                    | -                                  | -                  | -                    | -                    |
| Share Issued  | -  | -             | -                    | -                                   | -                     | -                     | -                      | -                    | -                                  | -                  | -                    | -                    |
| Share Based Payments  | -  | -             | -                    | -                                   | -                     | -                     | -                      | -                    | -                                  | -                  | -                    | -                    |
| Dividend to Equity-Holders  | -  | -             | -                    | -                                   | -                     | -                     | -                      | -                    | -                                  | -                  | -                    | -                    |
| Bonus Shares Issued   | 351,084,620                                | -             | -                    | -                                   | -                     | -                     | -                      | (351,084,620)        | -                                  | -                  | -                    | -                    |
| Cash Dividend Paid  | -  | -             | -                    | -                                   | -                     | -                     | -                      | (203,260,440)        | -                                  | -                  | (203,260,440)        | (203,260,440)        |
| Others  | -  | -             | -                    | -                                   | -                     | -                     | -                      | -                    | -                                  | -                  | -                    | -                    |
| <b>Total Contributions by and Distributions</b>   | <b>351,084,620</b>                         | -             | <b>83,062,233</b>    | <b>215,307</b>                      | <b>(2,876,614)</b>    | <b>(42,147,538)</b>   | -                      | <b>(291,808,897)</b> | <b>1,087,762</b>                   | <b>68,428,571</b>  | <b>167,045,444</b>   | <b>167,045,444</b>   |
| <b>Balance at Poush 30, 2082</b>  | <b>3,861,930,815</b>                       | -             | <b>1,065,023,110</b> | <b>1,601,808</b>                    | <b>474,968,468</b>    | <b>39,166,025</b>     | -                      | <b>295,766,904</b>   | <b>8,906,067</b>                   | <b>357,142,856</b> | <b>6,104,506,054</b> | <b>6,104,506,054</b> |

## Kamana Sewa Bikas Bank Limited

### Condensed Statement of Cash Flows

For the Quarter ended 30 Poush 2082

| Particulars  | Up to This Quarter   | Corresponding<br>Previous Year Up to this<br>Quarter |
|--|----------------------|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                    |                      |  |
| Interest Received  | 2,402,106,448        | 2,715,175,371  |
| Fee and Other Income Received  | 170,045,738          | 156,874,611  |
| Dividend Received  | -                    | -  |
| Receipts from Other Operating Activities                                       | 13,378,569           | 31,722,428   |
| Interest Paid  | (1,411,631,932)      | (1,838,193,513)                                      |
| Commissions and Fees Paid  | (11,394,275)         | (11,541,725)   |
| Cash Payment to Employees  | (399,677,498)        | (367,329,431)  |
| Other Expenses Paid  | (203,409,517)        | (189,196,790)  |
| <b>Operating Cash Flows before Changes in Operating Assets and Liabilities</b> | <b>559,417,533</b>   | <b>497,510,950</b>                                   |
| <b>(Increase) Decrease in Operating Assets</b>                                 |                      |  |
| Due from Nepal Rastra Bank   | (361,950,973)        | (115,860,616)  |
| Placement with Banks and Financial Institutions                                | -                    | -  |
| Other Trading Assets   | -                    | -  |
| Loans and Advances to BFIs   | 911,125,801          | 6,047,594  |
| Loans and Advances to Customers  | (2,030,743,437)      | (2,807,752,936)                                      |
| Other Assets   | 124,426,129          | (16,252,237)   |
| <b>Increase (Decrease) in Operating Liabilities</b>                            |                      |  |
| Due to Banks and Financials Institutions                                       | (306,873,794)        | 172,781,613  |
| Due to Nepal Rastra Bank   | -                    | -  |
| Deposit from Customers   | 790,021,755          | 1,990,264,779  |
| Borrowings   | -                    | -  |
| Other Liabilities  | (78,408,535)         | (155,582,788)  |
| <b>Net Cash Flow from Operating Activities before Tax Paid</b>                 | <b>(392,985,521)</b> | <b>(428,843,641)</b>                                 |
| Income Tax Paid  | (169,093,101)        | (139,065,098)  |
| <b>Net Cash Flow from Operating Activities</b>                                 | <b>(562,078,622)</b> | <b>(567,908,739)</b>                                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                    |                      |  |
| Purchase of Investment Securities  | 886,067,394          | 778,050,809  |
| Receipts from Sale of Investment Securities                                    | -                    | -  |
| Purchase of Property and Equipment   | (17,525,266)         | (21,558,486)   |
| Receipts from Sale of Property and Equipment                                   | -                    | -  |
| Purchase of Intangible Assets  | 2,579,159            | 2,240,896  |
| Purchase of Investment Properties  | 39,657,088           | 43,238,582   |
| Receipts from Sale of Investment Properties                                    | -                    | -  |
| Interest Received  | 265,870,995          | 257,516,609  |
| Dividend Received  | 47,602,419           | 23,467,807   |
| <b>Net Cash Used in Investing Activities</b>                                   | <b>1,224,251,788</b> | <b>1,082,956,216</b>                                 |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                    |                      |  |
| Receipts from Issue of Debt Securities   | -                    | -  |
| Repayments of Debt Securities  | -                    | -  |
| Receipts from Issue of Subordinated Liabilities                                | -                    | -  |
| Repayments of Subordinated Liabilities   | -                    | -  |
| Receipt from Issue of Shares   | -                    | -  |
| Dividends Paid   | (203,260,440)        | (229,681,527)  |
| Interest Paid  | (44,876,712)         | (44,904,109)   |
| Other Receipts/Payments  | (251,585,257)        | (180,443,502)  |
| <b>Net Cash from Financing Activities</b>                                      | <b>(499,722,409)</b> | <b>(455,029,138)</b>                                 |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                    | <b>162,450,757</b>   | <b>60,018,338</b>                                    |
| Cash and Cash Equivalents at Shrawan 01  | 1,786,654,797        | 1,774,367,964  |
| Effect of Exchange Rate fluctuations on Cash and Cash Equivalents Held         | -                    | -  |
| <b>Cash and Cash Equivalents at Poush End</b>                                  | <b>1,949,105,555</b> | <b>1,834,386,303</b>                                 |

**Kamana Sewa Bikas Bank Limited**  
**Statement of Distributable Profit or Loss**  
For the Quarter ended 30 Poush 2082  
(As per NRB Regulation)

| Particulars   | Current Year<br>Upto this Quarter YTD | Previous Year<br>Corresponding Quarter YTD |
|---|---------------------------------------|--|
| <b>Net profit or (loss) as per statement of profit or loss</b>        | <b>394,550,569</b>                    | <b>322,493,214</b>                         |
| <b>Appropriations:</b>  |                                       |  |
| a. General reserve  | (83,062,233)                          | (64,498,643)                               |
| b. Foreign exchange fluctuation fund                                  | (215,307)                             | (189,944)                                  |
| c. Capital redemption reserve   | (71,428,571)                          | (71,428,571)                               |
| d. Corporate social responsibility fund                               | (3,945,506)                           | (3,224,932)                                |
| e. Employees' training fund   | -                                     | -  |
| f. Other  |                                       |  |
| Investment adjustment reserve   | 3,000,000                             | -  |
| Deferred Tax  | -                                     | -  |
| Merger  | -                                     | -  |
| CSR Expenses  | -                                     | -  |
| Fair Value Reserve  | 20,760,597                            | 9,413,872                                  |
| <b>Profit or (loss) before regulatory adjustment</b>                  | <b>259,659,549</b>                    | <b>192,564,996</b>                         |
| <b>Regulatory adjustment :</b>  |                                       |  |
| a. Interest receivable (-)/previous accrued interest received (+)     | (16,860,719)                          | 97,449,425                                 |
| b. Short loan loss provision in accounts (-)/reversal (+)             | -                                     | -  |
| c. Short provision for possible losses on investment (-)/reversal (+) | -                                     | -  |
| d. Short loan loss provision on Non Banking Assets (-)/reversal (+)   | 19,737,333                            | 68,107,941                                 |
| e. Deferred tax assets recognized (-)/ reversal (+)                   | -                                     | -  |
| f. Goodwill recognized (-)/ impairment of Goodwill (+)                | -                                     | -  |
| g. Bargain purchase gain recognized (-)/reversal (+)                  | -                                     | -  |
| h. Actuarial loss recognized (-)/reversal (+)                         | -                                     | -  |
| i. Fair value Loss on investment                                      | -                                     | -  |
| j. Other (+/-)  | -                                     | -  |
| <b>Net Profit for the quarter end available for distribution</b>      | <b>262,536,163</b>                    | <b>358,122,362</b>                         |
| <b>Opening retained earnings</b>                                      | <b>587,575,801</b>                    | <b>411,201,538</b>                         |
| Adjustment/Restatement  | -                                     | -  |
| <b>Distribution:</b>  |                                       |  |
| Bonus Share issued  | (351,084,620)                         | (229,681,527)                              |
| Cash dividend paid  | (203,260,440)                         | (164,058,233)                              |
| <b>Total Distributable profit or loss as on quarter end date</b>      | <b>295,766,904</b>                    | <b>375,584,140</b>                         |
| <b>Annualised Distributable Profit/Loss per share</b>                 | <b>15.32</b>                          | <b>21.40</b>                               |

**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 20<sup>th</sup> Shrawan, 2075.

**2. Basis of Preparation**

The interim financial statements of the Bank have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) in line with NRB Directives. **In compliance with NRB's ECL Guidelines, Bank has de-recognized interest income on loans and advances classified as Lifetime ECL under Stage-3. Bank has considered the impairment on credit exposures as the higher of total ECL provision as per NFRS 9 and existing regulatory provision in Unified Directives. Separate reporting of ECL shall be done to NRB by the 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 2081 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 through 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**

The Bank recognizes a loss allowance for expected credit losses on a financial asset. At each reporting date, the bank measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance of that financial instrument at an amount equal to 12-month expected credit losses.

The Bank recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized in accordance with the standard.

While determining significant increase in credit risk, the bank uses the change in the risk of a default occurring over the expected life of financial asset instead of the change in the amount of expected credit losses. The Bank compares the risk of default occurring on a financial instrument as at the reporting date with the risk of default occurring on a financial instrument as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increase in credit risk since initial recognition. If such reasonable and supportable forward looking information is not available without undue cost or effort, the bank uses past due information.

The Bank measures expected credit losses of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.
- The time value of money and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

Further, Bank has followed **Expected Credit Loss Related Guidelines, 2024** issued by Nepal Rastra Bank, within the requirements of NFRS 9.

### **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 % to 100 % on the basis of classification of loans and advances, overdraft and bills purchased in accordance with NRB directives.

### **Policies Adopted**

The bank has considered the impairment on loans and advances as the higher of total impairment charge calculated under ECL provision as per NFRS 9 and as per existing regulatory provisions as per NRB directive, in accordance to ECL guidelines 2024 issued by NRB.

### **Impairment of investment in equity instrument classified as fair value through 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:

| <b>Asset Category</b>  | <b>Rate of Depreciation p. a. (%)</b> |
|------------------------|---------------------------------------|
| Freehold Buildings     | 5%                                    |
| Motor Vehicles         | 20%                                   |
| Computer Equipment     | 25%                                   |
| Furniture and Fixtures | 25%                                   |
| Office Equipment       | 25%                                   |
| Machineries and others | 15%                                   |
| 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 **Guidance Note on Interest Income Recognition, 2025**.

#### **Guideline on Recognition of Interest Income, 2025 by NRB.**

This guidance note has been prepared for interest income recognition of financial assets measured at amortized cost within the context of NFRS 9 Expected Credit Loss Related Guidelines, 2024 (ECL Guidelines).

Interest Income recognition shall be as below:

|                           |  |
|---------------------------|--|
| Stage 1 Financial Assets- | Based on coupon interest rate on principal outstanding for all financial assets (Accrual Basis)      |
| Stage 2 Financial Assets- | Based on coupon interest rate on principal outstanding for all financial assets (Accrual Basis)      |
| Stage 3 Financial Assets- | Based on cash basis approach (incremental) and coupon interest rate applied on principal outstanding |

For stage 3 financial assets, interest income recognized on accrual basis shall be adjusted against the movement in accrued interest receivable during the current quarter and interest suspense at beginning of quarter and only cash based interest income during the current quarter shall be recognized. Similarly, for

Stage 1 and 2 financial assets, interest income is recognized on accrual basis (coupon rate or effective rate) and any interest suspense at the beginning of quarter is also recognized as interest income.

**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 well 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**

The interest expenses recognized as per NFRSs shall be presented under this head. The interest accrued on deposits collected, debt securities issued, borrowings obtained, subordinated liabilities, amount due to bank and financial institutions, due to NRB etc. shall be presented under this heading.

**7.14 Employee Benefits**

**Short term employee benefits**

The Bank's short term employee benefits mainly include wages, salaries, allowances, social 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**

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

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

#### ➤ **Provident Fund**

Bank contributed 10% on the salary of each employee to the Employees' Provident Fund. The above expenses are identified as contributions to 'Defined Contribution Plans' as defined in Nepal Accounting Standards – NAS 19 (Employee Benefits).

#### ➤ **Gratuity**

Bank has followed Defined Contribution Plan dated from 2024/07/11. Provision for Gratuity has been deposited as per the Employee Service Bylaws. Unless otherwise stated in Employee Service Bylaws, Bank has provided gratuity at 8.33% of the basic salary of each month for all employees.

### **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:**

| <b>Sr. No.</b> | <b>Name of Related Party</b> | <b>Relationship</b>            |
|----------------|------------------------------|--------------------------------|
| 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.             | Mr. Pawan Kumar Sharma       | Member, Board of Directors     |
| 7.             | Mrs. Srijana Dangal          | Member, Board of Directors     |
| 8.             | Mr. Dinesh Thakali           | Chief Executive Officer        |
| 9.             | 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 Poush End, 2082.

**Additional Disclosure as per Securities Registration and Issue Regulation, 2073  
(Rule 26 (1), Annexure 14)****2<sup>nd</sup> Quarter Report Fiscal Year 2082/083****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               | 20.43    |
| Price Earnings Ratio (P/E Ratio) | 22.17    |
| Net worth Per Share              | 158.07   |
| Liquidity Ratio                  | 23.86%   |
| Total Assets per share           | 1,865.03 |
| Capital Adequacy Ratio           | 12.57%   |

**2. Management Analysis**

a. The bank has registered NPR 394.55 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.

c. The bank has been able to generate satisfactory financial results as of 2<sup>nd</sup> Quarter of Fiscal year 2082-83.

**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](http://www.nepalstock.com) )

|               |        |                        |                  |
|---------------|--------|------------------------|------------------|
| Maximum Price | 455    | Total Days Transacted  | 55               |
| Minimum Price | 413.90 | Total Share Transacted | 1,212,454 Shares |
| Closing Price | 453    | Total Transactions     | NRs. 528,302,532 |

## 5. Problems and challenges

### Internal

- Recruitment and retention of quality manpower.
- Increasing cost of operation.
- Management of increased operational risk with the increase in business volume and no. of branches.
- Increasing trend of Non-Performing Assets.
- Limited scope for increasing non-interest income.

### External

- Slowdown in country's economic activities.
- Competitive banking business.
- Limited credit opportunities in productive sectors.
- Excess availability of liquid funds in market
- Political instability.
- Increasing cyber frauds and information security risks.
- Current trend of selection of foreign countries for better opportunity by the youths.

### Strategy

- 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 culture on governance and compliance. 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.