

Lumbini Bikas Bank Limited
Condensed Consolidated Statement of Financial Position
As on Quarter Ended 29 Poush 2076 (14 January 2020)

Figures in NPR

	Bank	
	This Quarter Ending	Immediate Previous Year Ending
Assets		
Cash and cash equivalent	4,453,050,027	4,125,966,766
Due from Nepal Rastra Bank	1,224,876,556	832,739,821
Placement with Bank and Financial Institutions	-	-
Derivative financial instruments	-	-
Other trading assets	-	-
Loan and advances to B/FIs	1,377,254,579	1,206,137,608
Loans and advances to customers	23,102,948,640	21,144,418,517
Investment securities	1,705,024,763	1,666,989,837
Current tax assets	112,226,467	109,783,096
Investment in subsidiaries	-	-
Investment in associates	433,699,636	408,866,853
Investment property	54,292,581	54,292,581
Property and equipment	318,154,699	322,691,123
Goodwill and Intangible assets	3,879,338	3,985,687
Deferred tax assets	34,093,408	34,435,648
Other assets	154,952,182	117,010,979
Total Assets	32,974,452,876	30,027,318,517
Liabilities		
Due to Bank and Financial Institutions	4,287,449,462	3,310,110,762
Due to Nepal Rastra Bank	301,100,000	681,687,112
Derivative financial instruments	-	-
Deposits from customers	23,639,583,700	21,496,400,627
Borrowing	-	-
Current Tax Liabilities	-	-
Provisions	-	-
Deferred tax liabilities	-	-
Other liabilities	652,635,712	331,099,952
Debt securities issued	-	-
Subordinated Liabilities	-	-
Total liabilities	28,880,768,874	25,819,298,452
Equity		
Share capital	2,716,311,729	2,209,766,313
Share premium	76,312	14,272,683
Retained earnings	177,872,013	522,039,599
Reserves	1,199,423,948	1,461,941,470
Total equity attributable to equity holders	4,093,684,002	4,208,020,064
Non-controlling interest	-	-
Total equity	4,093,684,002	4,208,020,064
Total liabilities and equity	32,974,452,876	30,027,318,517

Lumbini Bikas Bank Limited
Condensed Consolidated Statement of Profit or Loss
For the Quarter Ended 29 Poush 2076 (14 January 2020)

Figures in NPR

	Bank			
	Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Interest income	841,066,198	1,699,039,821	772,513,662	1,496,757,806
Interest expense	563,109,341	1,114,140,408	505,841,292	995,076,382
Net interest income	277,956,857	584,899,413	266,672,370	501,681,424
Fee and commission income	38,288,858	66,029,634	38,523,459	75,973,585
Fee and commission expense	467,100	1,145,614	364,636	654,973
Net fee and commission income	37,821,758	64,884,019	38,158,824	75,318,613
Net interest, fee and commission income	315,778,614	649,783,433	304,831,194	577,000,037
Net trading income	1,422	14,887	(12,061)	8,717
Other operating income	2,555,076	5,374,240	4,213,962	8,483,869
Total operating income	318,335,112	655,172,560	309,033,094	585,492,623
Impairment charge/(reversal) for loans and other losses	(47,449,157)	5,415,184	(34,688,693)	(23,159,775)
Net operating income	365,784,269	649,757,377	343,721,787	608,652,398
Operating expense				
Personnel expenses	77,811,550	165,899,945	75,549,915	156,322,535
Other operating expenses	51,894,625	96,166,852	41,517,415	80,304,422
Depreciation & Amortisation	12,797,301	25,997,564	12,064,665	25,218,906
Operating Profit	223,280,792	361,693,015	214,589,792	346,806,535
Non operating income	-	-	-	10,900,000
Non operating expense	1,298,145	1,298,145	-	-
Profit before income tax	221,982,648	360,394,870	214,589,792	357,706,535
Income tax expense	66,594,794	108,246,741	64,376,938	107,311,961
Current Tax	66,594,794	108,246,741	64,376,938	107,311,961
Deferred Tax	-	-	-	-
Profit for the period	155,387,853	252,148,130	150,212,854	250,394,575

Earnings per share

Basic earnings per share	18.57	23.02
Diluted earnings per share	18.57	23.02

Lumbini Bikas Bank Limited
Consolidated Statement of Other Comprehensive Income
For the Quarter Ended 29 Poush 2076 (14 January 2020)

Figures in NPR

	Bank			
	Current Year		Previous Year Corresponding	
	This Quarter	Upto This Quarter (YTD)	This Quarter	Upto This Quarter (YTD)
Profit for the year	155,387,853	252,148,130	150,212,854	250,394,575
Other comprehensive income, net of income tax				
a) Items that will not be reclassified to Profit or loss				
• Gains/(losses) from Investments in equity instruments measured at fair value	15,651,976	1,140,796	102,779,258	85,366,776
• Income tax relating to above items	(4,695,593)	(342,239)	(30,833,777)	(25,610,033)
Net other comprehensive income that will not be reclassified to profit or loss	10,956,383	798,557	71,945,480	59,756,743
b) Items that are or may be reclassified to profit or loss				
c) Share of other comprehensive income of associate accounted as per equited method	(2,417,880)	20,761,784	-	16,215,733
Other comprehensive income for the period, net of income tax	8,538,503	21,560,340	71,945,480	75,972,476
Total comprehensive income for the year	163,926,357	273,708,470	222,158,335	326,367,051

Lumbini Bikas Bank Limited
Consolidated Statement of Changes in Equity
For the year ended 29 Poush 2076 (14 January 2020)

Group in NPR

	Bank									
	Attributable to equity holders of the Bank									
	Share Capital	Share premium	General reserve	Exchange equalization reserve	Regulatory reserve	Fair value reserve	Revaluation Reserve	Retained earning	Other reserves	Total
Balance at Shrawan 1, 2075	2,173,282,669	13,758,238	520,443,264	502,152	-	23,271,790	-	174,684,691	598,647,859	3,504,590,662
Comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	-	620,681,564	-	620,681,564
Other comprehensive income, net of tax										
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	-	(11,112,125)	-	-	-	(11,112,125)
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-
Share of Associates accounted as per Equity Method	-	-	-	-	-	-	-	-	57,726,176	57,726,176
Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	(864,303)	(864,303)
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	(11,112,125)	-	620,681,564	56,861,874	666,431,312
Transfer to reserve during the year	-	-	124,136,313	-	-	-	-	(139,097,189)	14,960,876	-
Transfer from reserve during the year	-	-	-	-	166,224,583	-	-	(134,229,468)	(31,995,115)	-
Transactions with owners, directly recognised in equity										
Share issued	36,483,644	-	-	-	-	-	-	-	-	36,483,644
Premium received on issuance of unsubscribed number of right shares	-	514,445	-	-	-	-	-	-	-	514,445
Share based payments	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	-	-	-	-	-	-	-	-	-	-
Cash dividend paid	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions	36,483,644	514,445	124,136,313	-	166,224,583	(11,112,125)	-	347,354,907	39,827,635	703,429,402
Balance at Ashad end 2076	2,209,766,313	14,272,683	644,579,577	502,152	166,224,583	12,159,665	-	522,039,599	638,475,493	4,208,020,064

Other reserves as at 31 Ashad 2076 includes Corporate Social Responsibility Reserve, Staff Training Fund, Investment Adjustment Reserve, and Actuarial Gain on Gratuity.

	Bank									
	Attributable to equity holders of the Bank									
	Share Capital	Share premium	General reserve	Exchange equalization reserve	Regulatory reserve	Fair value reserve	Revaluation Reserve	Retained earning	Other reserves	Total
Balance at Shrawan 1, 2076	2,209,766,313	14,272,683	644,579,577	502,152	166,224,583	12,159,665	-	522,039,599	638,475,493	4,208,020,064
Comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	-	252,148,130	-	252,148,130
Other comprehensive income, net of tax										
Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	-	798,557	-	-	-	798,557
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-
Share of Associates accounted as per Equity Method	-	-	-	-	-	-	-	-	20,761,784	20,761,784
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	-	-	-	-	-	798,557	-	252,148,130	20,761,784	273,708,470
Transfer to reserve during the year	-	-	50,429,626	92,617	27,553,972	-	-	(80,913,086)	2,836,872	(0.00)
Transfer from reserve during the year	-	-	-	-	(1,990,082)	-	-	1,990,082	-	-
Transactions with owners, directly recognised in equity										
Share issued	-	-	-	-	-	-	-	-	-	-
Premium received on issuance of unsubscribed number of right shares	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-
Bonus shares issued	506,545,416	(14,196,371)	-	-	-	-	-	(129,348,178)	(363,000,867)	-
Cash dividend paid	-	-	-	-	-	-	-	(388,044,533)	-	(388,044,533)
Total contributions by and distributions	506,545,416	(14,196,371)	50,429,626	92,617	25,563,890	798,557	-	(344,167,585)	(339,402,212)	(114,336,062)
Balance at Poush end 2076	2,716,311,729	76,312	695,009,203	594,769	191,788,473	12,958,222	-	177,872,013	299,073,282	4,093,684,002

Other reserves as at 29th Poush 2076 includes Corporate Social Responsibility Reserve, Staff Training Fund, Investment Adjustment Reserve, and Actuarial Gain on Gratuity.

Lumbini Bikas Bank Limited
Condensed Consolidated Statement of cash flows
For the year ended Sharwan 1st 2076 to Poush 29th 2076

Figures in NPR

	Bank	
	Up to this quarter	Corresponding Previous Year Upto This Quarter
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	1,655,303,358	1,467,977,410
Fees and other income received	66,029,634	75,973,585
Dividend received	927,378	2,800,494
Receipts from other operating activities	4,298,548	16,555,432
Interest paid	(1,113,929,412)	(994,865,386)
Commission and fees paid	(1,145,614)	(654,973)
Cash payment to employees	(252,560,440)	(166,685,046)
Other expense paid	(96,166,852)	(80,304,422)
Operating cash flows before changes in operating assets and liabilities	262,756,599	320,797,096
(Increase)/Decrease in operating assets		
Due from Nepal Rastra Bank	(392,136,735)	108,982,465
Placement with bank and financial institutions	-	-
Other trading assets	-	-
Loan and advances to bank and financial institutions	(172,852,898)	(167,528,661)
Loans and advances to customers	(1,954,225,894)	(3,127,981,542)
Other assets	(22,191,069)	(6,100,718)
Increase/(Decrease) in operating liabilities		-
Due to bank and financial institutions	977,338,700	(621,153,802)
Due to Nepal Rastra Bank	(380,587,112)	598,056,607
Deposit from customers	2,143,183,072	2,028,865,162
Borrowings	-	-
Other liabilities	51,426,363	(45,860,982)
Net cash flow from operating activities before tax paid	512,711,029	(911,924,375)
Income taxes paid	(110,561,831)	(195,169,780)
Net cash flow from operating activities	402,149,197	(1,107,094,155)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(41,676,192)	(2,027,100)
Receipts from sale of investment securities	-	49,264,800
Purchase of property and equipment	(21,224,968)	(14,291,431)
Receipt from the sale of property and equipment	468,877	80,219
Purchase of intangible assets	(435,500)	(474,600)
Receipt from the sale of intangible assets	-	-
Purchase of investment properties	-	(12,906,786)
Receipt from the sale of investment properties	-	-
Interest received	711,062	763,295
Dividend received	-	-
Net cash used in investing activities	(62,156,720)	20,408,398
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt from issue of debt securities	-	-
Repayment of debt securities	-	-
Receipt from issue of subordinated liabilities	-	-
Repayment of subordinated liabilities	-	-
Receipt from issue of shares	-	1,989,000
Dividends paid	(12,909,217)	-
Interest paid	-	-
Other receipt/payment	-	-
Net cash from financing activities	(12,909,217)	1,989,000
Net increase (decrease) in cash and cash equivalents	327,083,260	(1,084,696,758)
Opening Cash and cash equivalents	4,125,966,767	4,678,800,961
Derecognition of Cash and cash equivalent of Subsidiary		-
Effect of exchange rate fluctuations on cash and cash equivalents held		-
Cash and cash equivalents at the end of the period	4,453,050,027	3,594,104,203

Statement of Distributable Profit Loss
(As per NRB Regulation)

Particulars	Upto This Quarter
Net profit or (loss) as per statement of profit or loss	252,148,130
<u>Appropriations:</u>	
<i>a. General reserve</i>	50,429,626
<i>b. Foreign exchange fluctuation fund</i>	92,617
<i>c. Capital redemption reserve</i>	-
<i>d. Corporate social responsibility fund</i>	1,735,284
<i>e. Employees' training fund</i>	1,101,587
<i>f. Other</i>	-
Profit or (loss) befor regulatory adjustment	198,789,015
<u>Profit required to be trasfer to Regulatory Reserve</u>	
<i>a. Transfer to Regulatory Reserve</i>	(27,553,972)
<i>b. Transfer from Regulatory Reserve</i>	1,990,082
Distributable profit or (loss) as on Poush end 2076	173,225,125

Particulars	Current Year		Previous year corresponding	
	This Quarter Ending	Up to this quarter	This Quarter Ending	Up to this quarter
Capital Fund to RWA		14.53%		15.82%
Non Performing Loan (NPL) to total Loan		1.96%		2.31%
Total Loan Loss Provision to Total NPL		119.90%		113.63%
Cost of Fund		8.61%		8.83%
Credit to Deposit Ratio		78.66%		78.81%
Base Rate		11.10%		11.16%
Interest rate Spread		5.29%		4.40%

Lumbini Bikas Bank Limited

For the period ended 29th Poush, 2076

Notes to the Interim Financial Statements

1. Reporting Entity

Lumbini Bikas Bank is a Public company incorporated and operating in Nepal. The address of its registered office is Dillibazar, Kathmandu Nepal. The bank carries out banking business in Nepal as national level development bank under Bank and Financial Institution Act 2073.

2. Basis of preparation

The Interim financial statements of the bank have been prepared as per Nepal Financial Reporting Standards (NFRS): NAS 34 Interim Financial Reporting and Carve-outs as issued by Institute of Chartered Accountant of Nepal (ICAN).

The consolidated financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the consolidated financial statements.

The consolidated financial statements are presented in functional and presentation currency of the Bank i.e. Nepalese Rupee (“NPR”) which is the currency of the primary economic environment in which the Group operates.

3. Statement of Compliance with NFRS

The consolidated financial statements have been prepared in accordance with applicable Nepal Financial Reporting Standards (NFRS) as published by Nepal Accounting Standard Board and as pronounced by the Institute of Chartered Accountants of Nepal (ICAN) and in compliance with applicable laws and regulation.

Application of NFRS Carve outs

a) NAS 28 - Investment in Associates and Joint Ventures

A parent company shall account for an associate in its consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances unless it is impracticable to do so.

The Bank has applied this carve out for the equity accounting of its four Associates in the Consolidated financial statements.

b) NAS 39 – Financial Instruments: Recognition and Measurement

Incurring Loss Model to measure impairment loss on loans and advances

This is a mandatory carve out for Banks and Financial Institutions registered under Banking and Financial Institution Act 2073, which requires an entity to measure impairment allowance on loans and advances at higher of amount determined as per regulatory norms prescribed by Nepal Rastra Bank and amount determined under Para 63-Incurring Loss Model.

Lumbini Bikas Bank Limited

For the period ended 29th Poush, 2076

The bank has applied this carve out and recognized all its impairment allowance for Loans and Advances based on norms prescribed under NRB Directive no. 02/2075 being amount higher than the amount calculated under Incurred Loss Model.

c) NAS 39 – Financial Instruments: Recognition and Measurement

Impracticability to determine interest income on amortized cost

Once a financial asset or a Bank of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income shall be calculated by applying effective interest rate to the gross carrying amount of a financial asset unless the financial asset is written off either partially or fully.

The Bank has applied this carve out and recognized interest income by applying the effective interest rate to the gross carrying amount of a financial assets.

4. Use of estimates, assumptions and judgments

The preparation of the consolidated financial statements in conformity with Nepal Financial Reporting Standards requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Bank's accounting policies. The Bank makes certain estimates and assumptions regarding the future events. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

5. Changes in accounting policies

The Bank applies its accounting policies consistently for all periods presented. This is the first time adoption of NFRS. The adoption of NFRS has been carried out in accordance with NFRS 1, First-time Adoption of NFRS. NFRS 1 requires that all NFRS and interpretations that are issued and effective for the first NFRS financial statements be applied retrospectively and consistently for all financial years presented.

Lumbini Bikas Bank Limited

For the period ended 29th Poush, 2076

6. Significant accounting policies

i. Basis of measurement

These consolidated financial statements are prepared under historical cost convention except for certain material items that have been measured at fair value as required by the relevant NFRS as mentioned below:

- Liabilities for defined employee benefit under NAS 19 ‘Employee Benefit’
- Investment Property under NAS 40 ‘Investment Property’
- Investment Securities under NFRS 9 ‘Financial Instruments’

ii. Cash and cash equivalents

Cash and cash equivalent comprises cash in hand, balances with bank and financial institutions, money at call and short notice, and highly liquid financial assets with original maturities of three months or less from the acquisition date with insignificant risk of changes in their value which are held by the bank to meet short term cash commitments.

iii. Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognized when the Bank becomes a party to the contract embodying the related financial instruments. All financial assets, financial liabilities and financial guarantee contracts are initially measured at transaction cost and where such values are different from the fair value, at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit and loss are immediately recognized in the statement of profit and loss.

iv. Trading Assets

Trading Assets are those which the bank principally acquires for selling or on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These assets are designated as Fair Value through Profit or Loss.

v. Property, Plant and Equipment

Freehold land is carried at historical cost and is not depreciated. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The assets are depreciated over their useful life using Straight line method. The estimated useful lives are;

Lumbini Bikas Bank Limited

For the period ended 29th Poush, 2076

Item	Useful Life
Office Equipment	5 years
Furniture Fixture and Fitting	5 years
Vehicle	5 years
Computer, Printer and Accessories	5 years
ATM Machine	7 Years
Freehold Premises	50 Years
Leasehold Assets	Earlier of 10 years or Lease Tenure

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

vi. Goodwill and Other Intangibles

Goodwill is the residual of the cost of acquisition over the fair value of the identifiable net assets acquired. It is assessed for impairment at the end of each reporting period

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

Computer software costs are capitalized and recognized as intangible assets based on materiality, accounting prudence and significant benefits expected to flow there from for a period longer than one year.

vii. Investment Property

An investment property is property held by the bank to earn rentals or for capital appreciation or both, rather than own-occupied. The investment property of the bank solely consists of land or building acquired under the Non-Banking Assets. Subsequently all investment properties are reported at cost less accumulated depreciation.

viii. Income Tax

Income tax on the profit or loss for the year comprises current taxes and deferred taxes. Income tax is recognized in the profit or loss statement except to the extent that it relates to items recognized directly to equity.

Current tax

Current tax is the expected tax payable on the taxable income for the year using tax rates at the balance sheet date and any adjustment to tax payable in respect of previous years.

Income tax rates applicable to Bank: 30%

Deferred tax

- The amount of deferred tax provided is based on the expected realization or settlement of the carrying amount of assets and liabilities using tax rates at the balance sheet date.

Lumbini Bikas Bank Limited

For the period ended 29th Poush, 2076

- A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.
- Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

ix. Deposits, debt securities issued and subordinated liabilities

The Bank presents the deposits held from customers and bank and financial institutions at amortized cost.

The Bank does not have any debt or subordinated liabilities at the reporting date.

x. Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

xi. Revenue Recognition

Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. It is measured at the fair value of the consideration received or receivable. Revenue is recognized to the extent that it is probable that economic benefit will flow to the Bank and that the revenue can be reliably measured.

Interest Income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Fee and commission income

Fee and commission earned for the provision of services over a period of time are accrued over that period.

Lumbini Bikas Bank Limited

For the period ended 29th Poush, 2076

Dividend Income

Dividend income (net of withholding taxes) from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably). In case of stock dividend only the number of shares is increased.

Net trading income

It comprises gain or loss on trading assets, interest or dividend income on trading assets and gains or losses arising under settlement of foreign currency transactions.

xii. Interest Expenses

Interest expense is recognized in the profit or loss using effective interest rate for all the financial liabilities measured at amortized cost

xiii. Employee Benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. Such benefits include short term, long term, termination and other long term benefits.

The Bank provides for defined benefits in the form of gratuity. The liability or asset recognized in the balance sheet in respect of defined benefit gratuity plan is the present value of defined benefit obligations at the end of the reporting period less fair value of plan assets. The defined benefit obligation is calculated annually by actuaries through actuarial valuation using the projected unit credit method.

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the obligation as at the reporting date determined based on an actuarial valuation.

For the Interim financial statement provision for leave and gratuity has been provided on estimated actuarial valuation and hence actuarial gain loss has not been separately disclosed and it will change as per Actuarial Valuation Report.

xiv. Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. A lease is classified at the inception date as a finance lease or an operating lease

A lease that transfers substantially all the risks and rewards incidental to ownership to the Bank is classified as a finance lease. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Bank will obtain ownership by the

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end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased asset or, at the present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Bank's general policy on the borrowing costs.

Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

xv. Share Capital and Reserves

Equity is the residual interest in the total assets of an entity after deducting all the liabilities. The share capital of the Bank includes the equity share capital with promoter and public shareholding. The Bank has also maintained several statutory reserves and free reserves which are presented in the statement of changes in equity.

xvi. Earnings Per Share

Basic earnings per share is computed by dividing the profit/(loss) for the year by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for treasury shares, bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares).

Diluted earnings per share is computed by dividing the profit/ (loss) for the year as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date.

7. Segment Reporting

Operating segment are those components of an entity that engages in business activities which earns revenue and incurs expenses and whose results are regularly reviewed by the entity's chief operating decision maker for those segment having discrete financial information.

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The senior management of the Bank is the Chief Operating Decision Maker.

Particulars	Banking		Treasury and remittance		Other (not separately reportable)		Total	
	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter
Revenue From External Customer	1,559,982,696	2,849,661,370	139,057,126	268,098,964	5,183,061	8,851,970	1,704,222,882	3,126,612,304
Intersegment Revenue	-	-	-	-	-	-	-	-
Segment Profit (Loss) before Tax	315,832,949	313,027,885	41,367,790	37,937,477	3,194,131	6,741,173	360,394,871	357,706,535
Segment Assets	29,095,614,788	24,925,594,656	3,576,623,269	3,183,518,020	302,214,819	419,875,301	32,974,452,876	28,528,987,977
Segment Liability	28,228,133,162	24,190,719,258	1,123,750	1,463,200	651,511,962	189,644,696	28,880,768,874	24,381,827,154

Reconciliation of reportable segment (profit loss)

Particulars	Current Quarter	Corresponding Previous Year Quarter
Total Profit before tax for reportable segment	357,200,739	350,965,362
Profit before tax for other segment	3,194,131	6,741,173
Elimination of intersegment profit	-	-
Uallocated amount	-	-
Profit before tax	360,394,871	357,706,535

8. Events after interim period

There have been no material events after the reporting period affecting the financial status of the Bank as on Poush end, 2076.

9. Related Party Disclosure

The key management personnel of the bank including member of the Board of Directors, Chief Executive Officer and other executive level staff of the Bank are as follow.

Mr. Dasarath Risal	- Chairman
Mr. Shushil Raj Parajuli	-Director
Mr. Chinta Mani Bhattarai	-Director
Mr. Prabin Krishna Shrestha	-Director
Mr. Pratap Kumar Acharya	-Director
Mr. Ram Chandra Sigdel	-Director
Mrs. Anju Kumari Gupta	-Director
Mr. Naresh Singh Bohra	-Chief Executive Officer
Mr. Paban Dhakal	-Senior Deputy Chief Executive Officer
Mr. Umesh Regmi	- Deputy Chief Executive Officer
Mr. Hari Krishna Subedi	-Chief Manager/Company Secretary
Mr. Deepak Khanal	-Chief Manager
Mr. Bhesh Raj Gautam	-Senior Manager

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The bank has the following associates:

- i.** Muktinath Capital Limited (Former: Vibor Capital Limited)
- ii.** Deprosc Laghubitta Bittiya Sanstha Limited
- iii.** NADEP Laghubitta Bittiya Sanstha Limited
- iv.** Lumbini General Insurance Limited