नारायणी डेभलपमेन्ट बैंक लि.

Narayani Development Bank Ltd.

"नेपाल राष्ट्र बैंकबाट 'ख' वर्गको इजाजतप्राप्त संस्था"

INTERIM FINANCIAL STATEMENT

As on Poush end, 2081

(Second Quarter F.Y 2081/82)

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A. Condensed Statement of Financial Position

As on Quarter ended 29th Poush, 2081

(Amount in NPR, Full Figure)

Particulars	Group		Bank	
	This Quarter Ending	**Immediate Previous Year Ending (Unaudited)**	**This Quarter Ending**	**Immediate Previous Year Ending (Unaudited)**
Assets				
Cash and Cash Equivalent	141,687,504	264,049,666	141,687,504	264,049,666
Due from Nepal Rastra Bank	42,310,297	48,488,766	42,310,297	48,488,766
Placement with Banks and FIs	-	-	-	-
Derivative Financial Instruments	-	-	-	-
Other Trading Assets	-	-	-	-
Loans and Advances to Banks and FIs	-	-	-	-
Loans and Advances to Customers	254,376,014	265,935,931	254,376,014	265,935,931
Investment Securities	48,095,856	47,153,554	48,095,856	47,153,554
Current Tax Assets	10,546,831	10,344,772	10,546,831	10,344,772
Investment in Subsidiaries	-	-	-	-
Investment in Associates	-	-	-	-
Investment Property	36,132,137	14,281,137	36,132,137	14,281,137
Property and Equipment	29,077,637	30,649,123	29,077,637	30,649,123
Goodwill and Intangible Assets	6,135,819	7,299,826	6,135,819	7,299,826
Deferred Tax Assets	28,470,640	38,764,169	28,470,640	38,764,169
Other Assets	13,599,318	10,775,599	13,599,318	10,775,599
Total Assets	**610,432,054**	**737,742,543**	**610,432,054**	**737,742,543**
Liabilities				
Due to Banks and FIS	-	-	-	-
Due to Nepal Rastra Bank	-	-	-	-
Derivative Financial Instruments	-	-	-	-
Deposit from Customers	503,310,690	631,521,022	503,310,690	631,521,022
Borrowings	-	-	-	-
Current Tax Liabilities	-	-	-	-
Provisions	-	-	-	-
Deferred Tax Liabilities	-	-	-	-
Other Liabilities	52,163,743	46,710,412	52,163,743	46,710,412
Debt Securities Issued	-	-	-	-
Subordinated Liabilities	-	-	-	-
Total Liabilities	**555,474,434**	**678,231,434**	**555,474,433**	**678,231,434**
Equity				
Share Capital	262,467,600	262,467,600	262,467,600	262,467,600
Share Premium	10,101,374	10,101,374	10,101,374	10,101,374
Retained Earnings	(419,359,580)	(410,029,381)	(419,359,580)	(410,029,381)
Reserves	201,748,227	196,971,517	201,748,227	196,971,517
Total Equity Attributable to Equity Holders	**54,957,621**	**59,511,110**	**54,957,621**	**59,511,110**
Non Controlling Interest	-			
Total Equity	**54,957,621**	**59,511,110**	**54,957,621**	**59,511,110**
Total Liabilities and Equity	**610,432,054**	**737,742,543**	**610,432,054**	**737,742,543**

B. Condensed Consolidated Statement of Profit and Loss
As on Quarter ended 29th Poush, 2081

Particulars	Group				Bank			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)
Interest income	11,650,418	19,647,261	11,496,786	26,356,759	11,650,418	19,647,261	11,496,786	26,356,759
Interest expense	9,651,187	22,014,121	9,966,037	21,910,812	9,651,187	22,014,121	9,966,037	21,910,812
Net interest income	**1,999,231**	**(2,366,860)**	**1,530,749**	**4,445,947**	**1,999,231**	**(2,366,860)**	**1,530,749**	**4,445,947**
Fee and commission income	132,674	236,543	176,410	380,971	132,674	236,543	176,410	380,971
Fee and commission expense	-	-	-	-	-	-	-	-
Net fee and commission income	**132,674**	**236,543**	**176,410**	**380,971**	**132,674**	**236,543**	**176,410**	**380,971**
Net interest, fee and commission income	**2,131,906**	**(2,130,317)**	**1,707,159**	**4,826,917**	**2,131,906**	**(2,130,317)**	**1,707,159**	**4,826,917**
Net trading income	-	-	-	-	-	-	-	-
Other operating income	(11,318)	765,482	-	-	(11,318)	765,482	-	-
Total operating income	**2,120,587**	**(1,364,836)**	**1,707,159**	**4,826,917**	**2,120,587**	**(1,364,836)**	**1,707,159**	**4,826,917**
Impairment charge/(reversal) for loans and other losses	(20,106,770)	(31,020,276)	42,337,481	45,684,622	(20,106,770)	(31,020,276)	42,337,481	45,684,622
Net operating income	**22,227,357**	**29,655,440**	**(40,630,322)**	**(40,857,705)**	**22,227,357**	**29,655,440**	**(40,630,322)**	**(40,857,705)**
Operating expense	-		-		-	-	-	
Personnel expenses	4,395,823	10,130,285	4,860,902	10,710,431	4,395,823	10,130,285	4,860,902	10,710,431
Other operating expenses	4,815,125	9,955,054	4,561,709	8,993,926	4,815,125	9,955,054	4,561,709	8,993,926
Depreciation & Amortization	1,411,410	2,816,095	1,650,116	3,300,232	1,411,410	2,816,095	1,650,116	3,300,232
Operating Profit	**11,604,999**	**6,754,006**	**(51,703,049)**	**(63,862,293)**	**11,604,999**	**6,754,006**	**(51,703,049)**	**(63,862,293)**
Non operating income	-	-	-	-	-	-	-	-
Non operating expense	1,956,269	1,956,269	-	-	1,956,269	1,956,269	-	-
Profit before income tax	**9,648,730**	**4,797,738**	**(51,703,049)**	**(63,862,293)**	**9,648,730**	**4,797,738**	**(51,703,049)**	**(63,862,293)**
Income tax expense	-	-	-		-	-	-	-
Current Tax	-		-		-	-	-	-
Deferred Tax	10,010,837	10,010,837	-	-	10,010,837	10,010,837	-	-
Profit for the period	**(362,107)**	**(5,213,099)**	**(51,703,049)**	**(63,862,293)**	**(362,107)**	**(5,213,099)**	**(51,703,049)**	**(63,862,293)**

Notes:
The unaudited figures as presented above may subject to vary with direction from Statutory auditor and regulatory body.

C. Condensed Consolidated Statement of Other comprehensive income

As on Quarter ended 29th Poush, 2081

Particulars	Group				Bank			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)
Profit or loss for the year	**(362,107)**	**(5,213,099)**	**(51,703,049)**	**(63,862,293)**	**(362,107)**	**(5,213,099)**	**(51,703,049)**	**(63,862,293)**
Other comprehensive income **a) Items that will not be reclassified to Profit or loss**								
• Gains/(losses) from Investments in equity instruments measured at fair value	(312,359)	942,302	10,022,720.60	2,984,963	(312,359)	942,302	10,022,721	2,984,963
• Gains/(losses) on revaluation	-		-		-	-	-	-
• Actuarial gains/(losses) on defined benefit plans	-		-		-	-	-	-
• Income tax relating to above items	93,708	(282,691)	(3,006,816)	(895,489)	93,708	(282,691)	(3,006,816)	(895,489)
Net other comprehensive income that will not be reclassified to profit or loss	**(218,651)**	**659,612**	**7,015,904**	**2,089,474**	**(218,651)**	**659,612**	**7,015,904**	**2,089,474**
b) Items that are or may be reclassified to profit or loss								
• Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-
• Exchange gains/(losses) (arising from trasalating financial assets of foreign operation)	-	-	-	-	-	-	-	-
• Income tax relating to above items	-	-	-	-	-	-	-	-
• Reclassify to profit or loss	-	-	-	-	-	-	-	-
Net other comprehensive income that are or may be reclassified to profit or loss	-	-	-	-	-	-	-	-
c) Share of other comprehensive income of associate accounted as per equited method	-	-	-	-	-	-	-	-
Other comprehensive income for the period, net of income tax	**(218,651)**	**659,612**	**7,015,904**	**2,089,474**	**(218,651)**	**659,612**	**7,015,904**	**2,089,474**
Total comprehensive income for the period	**(580,758)**	**(4,553,488)**	**(44,687,144)**	**(61,772,819)**	**(580,758)**	**(4,553,488)**	**(44,687,144)**	**(61,772,819)**
Basic earning per share	**(1.99)**	**(1.99)**	**(24.33)**	**(24.33)**	**(1.99)**	**(1.99)**	**(24.33)**	**(24.33)**
Diluted earning per share	**(1.99)**	**(1.99)**	**(24.33)**	**(24.33)**	**(1.99)**	**(1.99)**	**(24.33)**	**(24.33)**
Profit attributable to:								
Equity holders of the Bank	(580,758)	(4,553,488)	(44,687,144)	(61,772,819)	(580,758)	(4,553,488)	(44,687,144)	(61,772,819)
Non-controlling interest								
Profit for the period	**(580,758)**	**(4,553,488)**	**(44,687,144)**	**(61,772,819)**	**(580,758)**	**(4,553,488)**	**(44,687,144)**	**(61,772,819)**

D. Statement of change in Equity
As on Quarter ended 29th Poush, 2081

Particulars	Attributable to Equity holders of the Bank											Non-Controlling Interest	Total Equity
	Share Capital	Proposed Bonus Share	Share Premium	General Reserve	Exchange Equalization	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total		
Balance at Ashadh end 2081	**262,467,600**	**-**	**10,101,374**	**108,174,262**	**-**	**49,078,752**	**(976,931)**	**-**	**(410,029,381)**	**40,695,434**	**59,511,110**	**-**	**59,511,110**
Adjustment/Restatement											-	-	-
Adjusted/Restated balance at 1 Sawan 2080											-	-	-
Comprehensive income for the year											-	-	-
Profit for the year							659,612		(5,213,099)		**(4,553,487)**	-	**(4,553,487)**
Other comprehensive income, net of tax											-	-	-
Remeasurements of defined benefit liability (assets)											-	-	-
Fair value reserve (Investment in equity instrument):											-	-	-
Net change in fair value											-	-	-
Net amount transferred to profit or loss											-	-	-
Gain on sale of share transferred to retained earning											-	-	-
Net gain (loss) on revaluation											-	-	-
Cash flow hedges:											-	-	-
Effective portion of changes in fair value											-	-	-
Net Amount reclassified to profit or loss											-	-	-
Total comprehensive income for the year											-	-	-
Transfer of equity on merger and acquisition											-	-	-
Transfer to reserve during the year						**(9,649,030)**					**(9,649,030)**	-	**(9,649,030)**
Transfer from reserve during the year									**9,649,030**		**9,649,030**	-	**9,649,030**
Provision for NBA transferred to regulatory reserve						**13,766,130**			**(13,766,130)**		-	-	-
Transfer to Corporate Social											-	-	-
Transfer to Staff Training Fund											-	-	-
Addition in calls in advance											-	-	-
Transactions with owners, directly recognized in equity											-	-	-
Right share issued											-	-	-
Dividends to equity holders											-	-	-
Bonus shares issued											-	-	-
Cash dividend paid											-	-	-
Total contributions by and distributions											-	-	-
Balance as at Poush end 2081	**262,467,600**	**-**	**10,101,374**	**108,174,262**	**-**	**53,195,852**	**(317,319)**	**-**	**(419,359,580)**	**40,695,432**	**54,957,621**	**-**	**54,957,621**

E. Statement of Cash Flow
For the year ended on 29th Poush, 2081

Particulars	Note	As at 29.09.2081	As at 31.03.2081
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		20,563,724	51,658,434
Fees and other income received		236,543	4,354,077
Divided received		-	-
Receipts from other operating activities		765,482	10,038
Interest paid		(22,014,121)	(46,810,903)
Commission and fees paid		-	(350)
Cash payment to employees		(10,130,285)	(21,059,543)
Other expense paid		(9,955,054)	(26,312,240)
Operating cash flows before changes in operating assets and liabilities		**(20,533,712)**	**(38,160,488)**
(Increase)/Decrease in operating assets			
Due from Nepal Rastra Bank		6,178,469	7,609,487
Placement with bank and financial institutions		-	-
Other trading assets		-	(14,281,137)
Loan and advances to bank and financial institutions		-	-
Loans and advances to customers		41,663,731	145,358,350
Other assets		(2,823,719)	5,164,557
Increase/(Decrease) in operating liabilities			-
Due to bank and financial institutions			-
Due to Nepal Rastra Bank			-
Deposit from customers		(128,210,332)	(1,292,126)
Borrowings			-
Other liabilities		5,453,332	(207,187)
Net cash flow from operating activities before tax paid		**(98,272,231)**	**104,191,456**
Income taxes paid		(202,059)	(364,732)
Net cash flow from operating activities		**(98,474,290)**	**103,826,724**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities		-	-
Receipts from sale of investment securities		-	-
Purchase or Sale of debenture/bond		-	-
Purchase of property and equipment		(118,500)	(621,928)
Receipt from the sale of property and equipment		37,898	156,962
Purchase of intangible assets		-	-
Receipt from the sale of intangible assets		(21,851,000.00)	-
Purchase/sale of investment properties		-	-
Receipt from the sale of investment properties		-	-
Interest received		-	155,200
Dividend received		-	2,288,271
Net cash used in investing activities		**(21,931,602)**	**1,978,505**
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		-	-
Dividends paid		-	-
Interest paid		-	-
Other receipt/payment		(1,956,269)	30,043,601
Net cash from financing activities		**(1,956,269)**	**30,043,601**
Net increase (decrease) in cash and cash equivalents		**(122,362,161)**	**135,848,830**
Cash and Cash Equivalent From Acquisition			
Opening balance of cash and cash equivalents		**264,049,666**	**128,200,835**
Effect of exchange rate fluctuations on cash and cash equivalents held			
Closing Cash and Cash Equivalent		**141,687,504**	**264,049,666**

F. Statement of Distributable Profit or Loss
As on Quarter ended 29th Poush, 2081

Amount in full figure

Particulars	Amount
Net Profit for the period end Poush 2080	(5,213,099)
Net profit or (loss) as per statement of profit or loss	
Appropriations:	
a. General reserve	-
b. Foreign exchange fluctuation fund	-
c. Capital redemption reserve	-
d. Corporate social responsibility fund	-
e. Employees' training fund	-
f. Other	-
Profit or (loss) before regulatory adjustment	**(5,213,099)**
Regulatory adjustment (if any)	-
Distributable profit or (loss)	**(5,213,099)**

G. Ratio as per NRB Directives First Quarter
As on Quarter ended 29th Poush, 2081

Particulars	Group				Bank			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)	This Quarter	Upto this Quarter (YTD)
Capital Fund To RWA	1.19%	1.19%	9.46%	9.46%	1.19%	1.19%	9.46%	9.46%
Non Performing Loan (NPL) To Total Loan	43.69%	43.69%	27.75%	27.75%	43.69%	43.69%	27.75%	27.75%
Total Loan Loss provision To Total NPL	68.00%	68.00%	99.00%	99.00%	68.00%	68.00%	99.00%	99.00%
Total Loan Loss provision To Total Loan	31.04%	31.04%	27.54%	27.54%	31.04%	31.04%	27.54%	27.54%
Cost of Fund	6.75%	6.75%	8.19%	8.19%	6.75%	6.75%	8.19%	8.19%
Credit To Deposit Ratio	72.55%	72.55%	91.20%	91.20%	72.55%	72.55%	91.20%	91.20%
Base Rate	15.91%	15.91%	17.64%	17.64%	15.91%	15.91%	17.64%	17.64%
Interest Spread	3.65%	3.65%	5.96%	5.96%	3.65%	3.65%	5.96%	5.96%

H. Notes to Interim Financial Statement

1. General Information of the Entity

Narayani Development Bank Limited (referred to as "the Bank") is a district-level Class "B" licensed financial institution, regulated by Nepal Rastra Bank. Originally registered as Narayani Audyogik Bikash Bank Ltd., it underwent a renaming process to become Narayani Development Bank Ltd. Notably, the Bank encountered challenges and was designated a problematic financial institution on 2070/12/27.

In response to this categorization, the Bank undertook several strategic initiatives aimed at its revival. These efforts included the diligent recovery of loans and advances, alongside enhancements to its capital adequacy ratio. Consequently, the Bank successfully alleviated its problematic status, leading to the withdrawal of restrictions imposed by Nepal Rastra Bank, as detailed in letter no. Bi.Bai.Su.Bi/Ni.Yo/077/78 dated 2077/04/21.

Presently, the Bank operates as a district-level development bank, with its registered and corporate headquarters situated in Ratna Nagar, Chitwan, Bagmati Pradesh, Nepal. Domiciled and incorporated under the Companies Act 2063 as a public limited company, the Bank is also listed on the Nepal Stock Exchange.

2. Basis of Preparation

The financial statements of the Bank have been prepared in Going Concern Basis and under historic cost conventions except where the standards require otherwise. The financial statements have been prepared in accordance with the Nepal Financial Reporting Standards (NFRS) with allowed carveouts as published by the Accounting Standard Board (ASB) of Nepal and pronounced by the Institute of Chartered Accountants of Nepal (ICAN) and in the format prescribed by Directives 4 of Unified Directives issued by Nepal Rastra Bank.

The financial statements comprise the Condensed Statement of Financial Position, Condensed Statement of Profit or Loss and Condensed Statement of Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows Statement of Distributable Profit/Loss and other explanatory notes.

The significant accounting policies applied in preparation of financial statements are set out below in point number 6. These policies are consistently applied to all the years presented, except for the changes in accounting policies disclosed specifically

3. Statement of Compliance

The financial statements have been prepared under historical cost convention except where the standards require treatment otherwise. The financial statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) with allowed carveouts as published by the Accounting Standards Board, Nepal (ASB Nepal) and pronounced by The Institute of Chartered Accountants of Nepal (ICAN). The financial statements also comply the requirements of Companies Act 2063 and policy, procedures and directives of Securities Board of Nepal.

3.1 Reporting Period and Approval of Financial Statements

2.2.1 Reporting Period

The reporting period for this financial statements is Second quarter 2081-82, starting from 1st of Kartik, 2081 and ending on 29th Poush, 2081.

3.2 Functional and Presentation Currency

The financial statements are presented in Nepalese Rupee (NPR), which is also the functional currency of Bank. Figures are rounded off to nearest Rupee, accordingly, minor rounding off error may exist.

4. Use of Estimates, Assumptions and Judgments

The preparation of the financial statements in conformity with Nepal Financial Reporting Standards (NFRS) requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the company's accounting policies. The company 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. In the future, actual result may differ from these estimates and assumptions. The estimates and assumptions that might result in adjustment to the carrying amounts of assets and liabilities within the next financial year are on the following components:

I. Classification of financial assets

Classification of financial assets into Amortized cost or at fair value (either through profit or loss or through other comprehensive income) depends upon the intention of management whether to hold or trade the assets. At the reporting dates, the classification been based on the intention of management on particular group of financial assets. The classification of financial assets may change based on the economic circumstances and intention of management.

II. Fair value of financial assets

- Fair value of financial statements is determined on three levels on the basis of available market on reporting date and the measurement may change depending on available market circumstances.
- The fair value of financial instruments that are traded in an active market is the closing price on the reporting dates. Whenever the instruments are not actively traded in active market, they are determined using other techniques considering the observable market inputs to the extent possible.
- The Bank measures fair values using the following fair value hierarchy as provided in NFRS 13.

  Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability. Company has used its own data (accounting value) and considered if there exist factors that would otherwise result in changes to the book value of assets or liabilities.

III. Impairment loss on financial assets

NRFS 9 mandates on impairment model that requires the recognition of the Expected Credit losses (ECL) on all financial debt instruments held at amortized cost, Fair value through other comprehensive Income (FVOCI), undrawn loan commitments and financial guarantees.

Bank used to recognize the impairment of loans and advances as higher of the impairment as per NAS 39 and the provisions prescribed by Nepal Rastra Bank.

Staging of Financial Instruments

NFRS 9 outlines a three – stage model for impairment based on changes in credit quality since initial recognition.

Financial instruments that are not already credit-impaired are originated into stage 1 and a 12 month expected credit losses provisions is recognized.

Instrument will remain in stage 1 until they are repaid, unless they experience significant credit deterioration (Stage 2) or they become credit impaired (stage 3)

Instruments will transfer to stage 2 and a lifetime expected credit loss provision is recognized when there has been a significant change in Credit risk compared to what was expected at origination.

The framework used to determine a significant increase in credit risk is set out below:

Particulars	Financial Instrument	ECL
Stage 1	Performing	12 months
Stage 2	Performing but has exhibited Significant increase in credit risk	Lifetime
Stage 3	- Non-Performing - Credit Impaired - Purchased or Originated Credit Impaired (POCI) financial assets	Lifetime

Definition of Default

- The bank considers loan to be in default when it is unlikely that the borrower will repay its credit obligations in full without recourse to actions such as realizing security, or when the borrower is past due on any material credit obligation by more than 90 days.

- The bank may consider other qualitative factors, such as management's assessment of the borrower's creditworthiness, which could indicate a significant deterioration in the ability to meet obligations. The bank may use their own definitions of default if they are consistent with this principle and applied in a manner aligned with their credit risk management practices. Default definitions play a critical role in determining expected credit losses (ECL) and must be consistently applied across the ECL measurement process.

IFRS 9 Expected Credit Loss Methodology

Approach for determining expected credit losses:

Bank computes ECL using three main components:

Component	Definition
Probability of Default (PD)	The probability that the counterparty will not be able to fulfill its liability is called Probability of Default (PD). The probability that a counterparty will default, over the next 12 months from the reporting date (stage 1) or over the lifetime of the product (Stage 2), incorporating the impact of the forward- looking economic assumptions that have an effect on Credit Risk, such as Gross Domestic Product, Inflation etc., The PD estimates will fluctuate in line with the economic cycle. The lifetime (or term structure) PDs are based on statistical models, calibrated using historical data and adjusted to incorporate forward-looking economic assumptions.
Loss Given Default (LGD)	The loss that is expected to arise on default, which represents the difference between the contractual cash flows due and those that the bank expects to receive. The LGD is determined based on the historical recovery rates and takes into accounts the recovery of any collateral (applying haircuts) that is integral to the financial assets.
Exposure at Default (EAD)	The Exposure at Default (EAD) represents the potential exposure to the lender in the event of a default by the borrower. It reflects the total amount the lender is at risk of losing if the borrower defaults, considering both the outstanding balance and any potential increases in exposure due to undrawn commitments or principal repayments. For revolving loans, the EAD is calculated as the outstanding balance of the loan, plus any additional undrawn amounts that may be utilized prior to default, adjusted for the Credit Conversion Factor (CCF). The CCF reflects the likelihood that

	the undrawn portions of the loan will be utilized before the default occurs. This adjustment is important as it accounts for the potential increase in exposure if the borrower draws on the available credit. For term loans, the EAD is based on the outstanding balance of the loan, adjusted for any principal repayments made by the borrower. Since term loans are typically repaid over time according to a fixed amortization schedule, the EAD decreases as principal is repaid, reducing the exposure in the event of default. Therefore, the EAD for term loans reflects the amount remaining after accounting for any principal recoveries, as per the amortization plan.

To determine the expected credit loss, these components are multiplied together. PD for the reference period (up to 12 months or lifetime) * LGD * EAD and discounted to the balance sheet dates using the Coupon Rate of the reporting date as the discount rate.

For stage 3 loans, the Probability of Default is already 100% so the Expected Credit Loss is calculated as LGD * EAD.

NFRS 9 ECL models have been developed collective basis.

The following processes are in place to access the ongoing performance of the models:

- Quarterly model monitoring
- Annual independent validations of the performance of the model.

Application of Lifetime

Expected credit loss is estimated based on the period over which the asset is exposed to Credit Risk. For majority of the exposures this equates to the maximum contractual period. For revolving facilities, the bank does not typically enforce the contractual period, Credit Risk for these instruments reflects the 12-month time period since the behavior maturity of these loans are not accessed during this quarter.

Key assumptions and Judgement in determining the expected credit loss

Incorporation of the forward-looking information

It is a fundamental principal of NFRS 9 that the provisions bank hold against the potential future Credit Risk losses should depend, not just on the health of the economy today, but should also take into account potential changes to the economic environment.

To capture the effect of changes to the economic environment, the PDs used to calculate ECL incorporate the forward- looking information in the form of forecasts of the values of economic variable.

The base forecast of the economic variables depends on the data published by International Monetary Fund (IMF) for the Nepal region. For the future periods, the bank uses the forecast provided by the IMF. All projections are updated on a quarterly basis.

IFRS 9 requires reported ECL to be a probability -weighted ECL, calculated over a range of possible outcomes. The three possible scenarios are taken into account i.e. Baseline, Upturn and downturn. The base line forecasts are used to create the upturn and downturn scenarios. Management uses the following probability weights:

Particulars	Probability Weights
Base Line	40%
Upturn	30%
Downturn	30%

Significant Increase in Credit Risk (SICR)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure.

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

Quantitative Criteria

Quantitative factors that indicate that there has been a significant increase in credit risk include processes linked to current risk management.

Backstop

Across all portfolios, accounts that are 30 or more days past due (DPD) on contractual payments of principal or interest that have not been captured by the criteria above are considered to have experienced a significant increase in credit risk.

Quantitative Criteria

All assets that have been placed on early alert are deemed to have experienced a significant increase in credit risk.

Bank considers the conditions stipulated in the guidelines issued by NRB on identifying SICR criteria for assessing credit facilities for ECL computations. The bank regularly monitors the effectiveness of the criteria used to identify SICR to confirm that the criteria is capable of identifying SICR before an exposure is in default.

When estimating ECL on a collective basis for a group of similar assets, the bank applies the same principles as those above for assessing whether there has been a significant increase in credit risk since initial recognition.

Assessment of Credit -Impaired financial assets

For the Credit-Impaired Financial assets, the assets are assessed on individual basis. The life time expected Credit Loss is calculated on the credit impaired loans. The ECL is the difference between the contractual cash flow and the recovery estimates. The Probability of Default is considered as 100% since the loan is already into default status. The LGD is based on the assessment of the management based on the recovery time period of the loan. The Exposure at default is the outstanding balance of the loan with Accrued Interest Rate (AIR).

Write off of Financial Assets

Financial assets are written off (either partially or fully) when recovery is no longer considered realistic. A write-off is treated as a de-recognition event, where the asset's carrying amount is reduced by the amount written off. This occurs when the bank determines that further collection efforts are unlikely to result in significant recoveries. Any recoveries on written-off amounts are recognized as income in the period in which they are received.

Transfers between stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative change in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on bank's assessments. Financial instruments are transferred out of Stage 3 when they no longer exhibit any evidence of credit impairment as described above as per the Policy on Upgrading of Credit Facilities.

Transfer from Stage 2 to Stage 1:

If all due contractual payments associated with such credit facility as at the date of upgrading are fully settled.

Transfer Out of Stage 3:

Though the conditions for an exposure to be classified in Stage 3 no longer exist, the Bank continues to monitor for a minimum probationary period of 180 days to upgrade from Stage 3.

For Restructured/Rescheduled Exposures:

Restructured and rescheduled facilities are gradually upgraded upon satisfactory repayment for a stipulated period according to the policy while exercising prudence principles. The Bank monitor restructured/rescheduled exposures classified under Stage 3 for a minimum probationary period of 24 months before upgradation.

Impairment Charges as per Expected Credit Loss (ECL) method:

Particulars	Expected Credit Loss (ECL)As on Poush End, 2081
Loans and Advances to Customers (A)	78,142,022.19
Advances to Staff (B)	847,207.18
Total Impairment (A+B)	**78,989,229.37**

Impairment Charges as per Staging of Financial Asset:

Particulars	**Expected Credit Loss (ECL)As on Poush End, 2081**			
	Stage 1	Stage 2	Stage 3	Total
Loans & Advances to Customers	1,381,514.18	2,018,141.28	74,742,366.63	78,142,022.19
Advances to Staffs	847,207.18			847,207.18
Total	**2,228,721.36**	**2,018,141.28**	**74,742,366.63**	**78,989,229.37**

Recognition of Impairment Charges on Loans and Advances

The Bank, following regulatory backstop as mentioned in Clause 16 of "NFRS 9- Expected Credit Loss Related Guidelines, 2024" has recognized impairment on credit exposures as the HIGHER of total ECL calculated as per NFRS 9 and existing regulatory provisions as mentioned in Unified NRB Directives no 02.

Following is the details of impairment under both methods:

Particulars	**Amount**
Total Impairment as per NRB	112,464,654.80
Total Impairment as per ECL	78,989,229.37

The higher of two above, i.e. 112,464,654.80 has been taken in account for impairment loss on loan and advances for the reporting period.

IV. Useful life and salvage value of property and equipment.

Management reconsiders the economic useful life and salvage value of property and equipment on each reporting dates based on the information available on such dates.

V. Impairment loss of non-financial assets

Impairment loss is calculated if carrying amount exceeds the recoverable amount. For recoverable amount, value in use is estimated and an estimated discount rate is used to arrive the present value of value in use.

VI. Current Tax and Deferred tax

Significant management judgment is required to arrive at the figure of current tax and deferred tax, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared.

VII. Employee benefit obligations

Judgment is required to determine the estimated liability that shall arise on part of accumulated leave of staff which is generally paid out on retirement or termination of employment. Valuation of such has to be done by qualified actuary using assumption like interest rate, rate of increase in annual compensation, remaining service period etc. Factors considered may change depending on market changes or legal changes which are beyond the control of the company. However, bank has not carried out any actuarial valuation for such liability and the liability is recognized on the basis of accrued amount as of reporting date.

5. Changes in Accounting Policies

The financial statements are prepared as per NFRS. There are no changes in accounting policy.

6. Significant Accounting Policies

The significant accounting policies adopted by Bank while preparing financial statements are as follows:

Note No.	Accounting Policy
5.1	Basis of Measurement
5.2	Basis of Consolidation
5.3	Cash and Cash Equivalent
5.4	Financial Assets and Financial Liabilities
5.5	Trading Assets
5.6	Derivative Assets and Liabilities
5.7	Property and Equipment
5.8	Goodwill Intangible assets
5.9	Investment Property
5.1	Income tax
5.11	Deposits, debt securities issued and subordinated liabilities
5.12	Provisions
5.15	Revenue Recognition
5.14	Interest expense
5.15	Employees Benefits
5.16	Leases
5.17	Foreign Currency translation
5.18	Financial guarantee and loan commitment
5.19	Share capital and reserves
5.20	Earnings per share including diluted
5.21	Segment reporting

6.1 Basis of Measurement

Financial statements are prepared on historical cost convention except for the following material items:

Particulars	Measurement Basis
Investment in shares and mutual fund schemes	Fair value
Non-banking assets	Cost
Long term employee benefits	Accrued amount as of reporting date.
Loans to employees	Amortized cost

6.2 Basis of consolidation

Bank does not have subsidiary companies, accordingly, consolidation of financial statements is not a requirement.

6.3 Cash and cash equivalent

Cash and cash equivalent comprises of cash, demand deposit and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. In general, short term investments with original maturity of up to three months are considered as cash equivalent. Cash and cash equivalent are presented at amortized cost on the financial statements.

6.4 Financial assets and financial liabilities

Financial asset is any assets that is cash, equity instrument of another entity or any contractual right to receive cash or financial assets of another entity.

Financial liability is any liability with contractual obligation to deliver cash or other financial assets to another entity.

Recognition

The Bank initially recognizes financial assets or financial liability on the date of which the Bank becomes party to the contractual arrangement.

6.4.1 Classification and Measurement

A. Financial Assets: The classification and measurement of financial assets depend on how these are managed i.e. the Bank's business model and their contractual cash-flow characteristics. Based on these factors, financial assets are classified on following three categories:

i) At Amortized Cost

ii) At Fair Value through Profit or Loss (FVPL)

iii) At Fair Value through Other Comprehensive Income (FVOCI)

i) At amortized cost: Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments for which the Bank has intent and ability to hold till maturity. They are initially measured at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, such financial assets are measured at amortized cost using effective interest rate method less any impairment losses.

ii) **At fair value through profit or loss:** Financial assets are classified at fair value through profit or loss if the Bank manages such instruments and makes purchases and sales decisions based on its fair value. Attributable transaction costs and changes in fair value are taken to profit or loss.

iii) **At fair value through other comprehensive income:** Financial assets at FVOCI are non-derivative financial assets that are not classified in any of the above category. Financial assets at FVOCI are measured at fair value. Subsequent to initial recognition, financial assets are measured at fair value, as far as such fair value is available, and changes therein are recognized in other comprehensive income and presented in the fair value reserve in equity. Bank has opted to classify the investment made in shares as financial assets at FVOCI on initial recognition.

B. **Financial Liabilities:** Bank classifies its financial liabilities, other than financial guarantee and loan commitments, as measured at amortized cost or fair value through profit or loss. Financial liability is measured initially at fair value, or an item not at fair value through profit or loss, at transactions costs that are directly attributable to its acquisition or issue.

6.4.2 De-recognition

A. Financial Assets

Financial assets are partially or fully de-recognized in any of the following condition:

- termination of contractual rights to cash flow
- upon transfer of contractual cash flows in a transaction in which substantially all of the risk and rewards of the ownership of the financial assets are transferred or in which the Bank neither transfer nor retains substantially all of the risk and rewards of the ownership and it does not retain control of the financial assets.
- On de-recognition of a financial asset, the difference between the carrying amount of the assets (or the carrying amount allocated to the portion of the assets derecognized) and the sum of (i) the consideration received (including any new assets obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in statement of profit or loss.

B. Financial Liabilities

Upon settlement or termination of any liability related to financial liability, financial liability is de-recognized. The difference between carrying amount and settlement amount is accounted through statement of profit or loss.

6.4.3 Determination of fair value

- Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is initially considered based on quoted rate where the assets or liabilities are principally transaction, in the absence of which the most advantageous market is the active market.

- When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. The market is regarded as active if transactions for the assets or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
- If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Fair Value Hierarchy

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the observability of the significant inputs used to determine the fair values.

Level 1: Fair value is determined based on quoted price of financial instruments in active market.

Level 2: Fair value is determined based on quoted price of similar financial instruments within consideration to significant observable inputs.

Level 5: Fair value is determined used using other method as the inputs for valuation are unobservable inputs for the asset or liability. Bank has used its own data (accounting value) and considered if there exist factors that would otherwise result in changes to the book value of assets or liabilities for this level of valuation.

6.4.4 Impairment

- At each reporting date, the Bank assesses whether there is objective evidence that financial assets are impaired. The financial assets or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss has an impact on the future cash flows of the asset that can be estimated reliably.
- Objective evidence that financial assets are impaired includes:
  - ❖ significant financial difficulty of the borrower or issuer
  - ❖ default or delinquency by a borrower
  - ❖ the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
  - ❖ indication that a borrower or issuer will enter bankruptcy
  - ❖ the disappearance of an active market for a security; or
  - ❖ Observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group or economic conditions that correlate with defaults in the group.
- In addition, for an investment in an equity security, a significant or prolonged decline in its net worth below its book value is objective evidence of impairment.

- The Bank considers evidences of impairment for loans and advances and investment securities at both specific asset and at collective level. All individually significant loans and advances and investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and investment securities with similar risk characteristics.
- In assessing the collective impairment, the Bank uses the statistical modeling of historic trends of the probability of default, the time of recoveries and the amount of loss incurred and makes an adjustment if the current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historic trends. Default rates, loss rates and expected timing of future recoveries are regularly benchmarked against the actual outcomes to ensure that they remain appropriate.
- Impairment losses on assets measured at amortized cost are calculated as difference between the carrying amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate.
- Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and receivables or investment securities. Interest on the impaired assets continues to be recognized through the unwinding of the discount. If an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss (through OCI for such investments measured at fair value through OCI on which there exists fair value reserve).
- The Bank writes off a loan or an investment security, either partially or in full and any related allowance for impairment losses, when the Bank determines that there is no realistic prospect of recovery.

6.4.5 Amortized cost measurement

The amortized cost' of a financial asset and 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 initial amount recognized and the maturity amount minus any reduction for impairment.

6.4.6 Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

6.5 Trading assets

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

6.6 Derivatives assets and derivative liabilities

Derivative assets and liabilities are initially measured at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. The changes in value of instruments are accounted through profit or loss.

6.7 Property and Equipment

Non-financial tangible assets that are held for service providing to customers and for administrative use of the Bank are classified as Property and Equipment.

Recognition

Property and Equipment are recognized in books whenever it is probable that future economic benefits associated with such assets will flow to the entity and the amount of assets can be reliably measured.

Measurement

- At initial recognition, items of property and equipment are measured at cost. Cost includes the purchase price and other directly attributable costs as well as the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions. Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow in to the Bank. Ongoing repair and maintenance are expensed off as incurred.
- Subsequent to the initial measurement, there is option to measure the assets either on cost or on revaluation. Bank has measured all items at cost on subsequent measurement. On transition to NFRS, the Bank has elected to continue with the carrying value of all of its property and equipment measured as per the previous NAS.

De-recognition

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

Capital Work in Progress

Assets in the course of construction are capitalized in the assets under capital work in progress (CWIP). At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences.

Salvage Value

The Bank has assessed the salvage value of all property, plant and equipment considering the expected realizable value on the end of life of such assets.

Depreciation

- Depreciation is charged upon the assets is available for use and does not cease until the assets is disposed of, classified as held for sale or ceases to generate economic benefits.
- Freehold land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property and equipment so as to write-off their carrying value over the expected useful economic lives.
- Items of property and equipment are depreciated as per Income Tax Act 2058.

6.8 Goodwill and Intangible assets

Goodwill

- Goodwill arises on the acquisition financial institutions when the aggregate of the fair value of the consideration transferred exceed the amount of the identifiable assets and liabilities acquired. If the amount of the identifiable assets and liabilities acquired is greater, the difference is recognized immediately in the Statement of profit or loss.
- Goodwill is allocated to cash generating units (CGU) at the lowest level at which goodwill is monitored for internal management process. Impairment testing is performed annually, and whenever there is an indication that CGU may be impaired. If the present value of expected cash inflows is less than carrying amount, impairment loss is recognized and accounted through Statement of Profit or Loss. Goodwill is stated at cost less accumulated impairment losses.

Acquired Intangible Assets

Intangible assets are recognized whenever the cost of assets can be reliably measured, by the past experience it is demonstrated Bank has control over such assets for the specified period and it is probable that future economic benefits could be derived from such assets.

Computer Software

- Computer software are capitalized on the basis of the purchase cost of software or license and costs incurred to bring it to use. Cost of internally developed software includes directly attributable costs.
- Intangible assets are amortized over the period of its estimated use, or in case of licenses, over the period of contractual right of use. Whenever there is no specific life or license period, such software are amortized over the period of five years.
- At each reporting date, impairment test of intangible assets is done in order to oversee whether the carrying amount exceeds recoverable amount. Impairment loss is charged to Statement of Profit or Loss.

6.9 Investment Property

- Investment property is land and building held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the supply of services or for administrative purpose.
- Land or building or both acquired by the Bank as part of Non-Banking Assets are carried at the lower of fair value or the total receivable amount of loan, which is the cost of assets to bank.

6.10 Income tax

Income tax expenses include current tax, deferred tax and any adjustments recognized in the period for current tax of prior periods.

- **Current Tax**

  Current tax is the amount of income tax payable in respect of taxable profit. This is calculated as per the provisions of Income Tax Act with the effective tax rate for current period. Taxable profit differs from the profit reported in the statement of profit or loss, because some item of income or expense are taxable or deductible in different years or may never be taxable or deductible. Income tax rate applicable for Bank is 30%.

- **Deferred Tax**

  Deferred tax is calculated using balance sheet approach on temporary differences between tax base of assets and liabilities and carrying amount in the financial statements. Deferred tax is calculated using known future tax rate on each reporting date.

  Deferred tax is recognized when it is probable that future taxable profit will be available to adjust the impact of temporary differences. Changes in deferred tax over period is recognized as deferred tax income/expenses in Statement of Profit or Loss.

- **Income tax on items of OCI**

  Income tax arising on the items of other comprehensive income is charged to statement of OCI itself.

6.11 Deposits, debt securities issued and subordinated liabilities

- Deposit are financial liabilities and are generally repayable on demand except fixed period deposit accepted by Bank from its customers.
- The bank borrows money by issuing debt securities and subordinated debt. The borrowing is acknowledged or
- Evidenced by issue of a negotiable instrument. The negotiable instrument can be certificate of deposit, commercial paper or debt note. Subordinated debt is issued to meet the capital requirements at bank level and to supply the capital to various operations. This debt generally consists of negotiable instruments and is usually listed on exchanges providing an active secondary market for the debt.

6.12 Provisions

- Provision is a liability with uncertain timing and event. Provision is recognized, if as a result of a past event, the group 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. Provisions are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.
- The institution has deposit in Crystal Finance Limited amounting to NPR. 304,948. The institution is declared crisis ridden financial institution by the NRB. In view of this provision was made for the balance in the Crystal Finance.
- **Contingent Liabilities:** are i) possible obligations arising from past events whose existence will be confirmed on happening or not happening or uncertain future events not wholly within the control of Bank, or ii) a present obligation arising from past events but are not recognized because outflow of resources to settle may not be required or such amount cannot be reliably estimated.
- **Contingent liabilities** are separately disclosed in financial statements.

6.13 Revenue Recognition

Revenue is recognized in line with NAS 18 Revenue when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably.

5.13.1 Interest income

Interest, in general, is recognized using effective interest rate on the particular assets. Bank has opted to use the carve-out mentioned in Note 2.1.1 (c) and continued to use the actual interest rate to account for interest income.

- Interest, in general, is recognized using effective interest rate on the particular assets. Bank has opted to use the carve-out mentioned in Note 2.1.1 (c) and continued to use the actual interest rate to account for interest income.
- Bank, in general, generates interest income from loan to customers and on investment in debt securities.

5.13.2 Fee and commission income

- Fees and commissions are generally recognized on an accrual basis when the service has been provided or significant act performed. The fees and commission income and expense that are integral to the effective interest rate on the financial assets and financial liability are included in the measurement of the effective interest rate. Bank has opted to use carve-out as mentioned in Note 2.1.1 (c) on this matter and accounted all realized fee and commission income upfront.
- Commission on guarantees issued that are for more than one year are immediately accounted as income. If the period of guarantee is more than one year, then proportionate amount of fee is accounted as income.

5.13.3 Dividend income

- Dividend income is recognized when the right to receive dividend is established i.e. dividend is approved by general meeting of companies.
- Dividend income if related to period earlier than the date of acquisition of shares and it amount related to pre and post-acquisition could be segregated, then the pre-acquisition period dividend is adjusted to cost of investment.

5.13.4 Net trading income

Income derived from buying/selling of assets and liabilities classified as for trading purpose are accounted as net trading income. Gain and loss on trading assets and liabilities are recognized on mark to market basis and not on realization basis.

5.13.5 Other Operating Income

Income other than interest, fees and commission and trading income are accounted as other operating income. This primarily comprises of changes in foreign exchange rate, dividend income, gain on disposal of non-financial assets etc.

6.14 Interest expense

Interest on deposit accepted from customer and borrowings of the bank are accounted on accrual basis.

6.15 Employees Benefits

- Employee expenses includes the amount paid to employees of bank in respect of their service. Payment in respect of services are for the current service and long term benefits. Long term benefits are in the form of defined contribution plan and defined benefit plan. Expenses under defined contribution plan are accounted as they incur and on defined benefit plan as per accrual on reporting date.
- Short term employee benefits include salary, allowance, encashment of unused leave, provident fund, annual bonus based on profit of the Bank, subsidized loans etc. These are provided as the services are rendered by the employees and measured on undiscounted amount of payment made.
- Long term employee benefits include accumulated leave not encashed during service period. These are generally paid on retirement or termination of service of the employee.
- Employee benefits are provided as per Employee Service Regulation of the Bank.

6.16 Leases

The Bank has applied NFRS 16 "Leases" for accounting of operating lease from 1st of Shrawan, 2078 replacing NAS 17 "Leases".

- ***As a Lessee***

The Bank enters into lease agreements as a lessee for its premises.

On the lease commencement date, a right-of-use asset and a lease liability are recognized. The right-of-use asset is initially measured at cost, which corresponds to the value of the lease liability adjusted for any lease payment made at or before the commencement date, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. The estimated useful

Management assesses at least annually if indicators of impairment exist for its right-of-use assets that generate cash inflows that are largely independent of those from other assets or groups of assets of the Bank. When impairment indicators exist for such right-of-use assets, management compares their carrying value to their recoverable amount, which is determined using a value in use approach based on the expected sublease terms over the remainder of the head-leases. These terms notably include base rent recovery and variable rent recovery, as well as the expected absorption period.

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 Bank's incremental borrowing rate for a similar asset. Generally, bank uses its cost of fund rate as the discount rate. Lease payments included in the measurement of the lease liability comprise fixed payments, reduced by any incentive receivables, and exclude operational costs and variable lease payments. Lease payments related to extension options are also included in the measurement of the lease liability if management has concluded that it is reasonably certain that the option will be exercised. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

- ***Short term lease and lease of low value assets***

Short-term leases are leases with a lease term of 12 months or less. For short-term leases and leases of low-value assets. The Bank records the lease payments as an operating expense on a straight-line basis over the lease term.

The Bank presents right-of-use assets in Property, Plant and Equipment and lease liabilities in other liabilities on the Consolidated Statement of Financial Position. The interest expense is presented under financial cost under NFRS 16 leases, and the depreciation is presented under the Property, Plant and Equipment depreciation on the Consolidated Statement of Profit and Loss.

6.17 Foreign Currency Transaction

- Transaction in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of transactions.
- Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the rate of exchange prevailing on that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payment during the year and the amortized cost in the foreign currency translated at the rate of exchange at the reporting date.
- Non-monetary assets and liabilities that measured at fair value in a foreign currency are translated into the functional currency at the rate of exchange prevailing at the

date on which the fair value is determined. Non-monetary items that are measured based on historical cost in the foreign currency are translated using the rate of exchange on the date of transactions. The resulting exchange gain or loss differences are generally recognized in Profit or Loss.

6.18 Financial guarantee and loan commitment

- Financial guarantees are contract that require the Fund to make specified payments to reimburse the holder for a loss that incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.
- Liabilities arising from financial guarantees or commitments to provide a loan at a below -market interest rate are initially measured at fair value and the initial fair value is amortized over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable. Financial guarantees and commitments to provide a loan at a below market interest rate included within other liabilities.

6.19 Share Capital and Reserves

5.19.1 Share Capital

- Equity share capital is financial instruments issued by the company only to the extent that they do not meet the definition of financial liabilities.
- All the issued shares are paid up and are listed with Nepal Stock Exchange for the purpose of trading by shareholders. All shares have right to vote on the basis of no. of shares hold. Bank does not have shares of other kind other than ordinary shares.

5.19.2 Reserves

Bank has created various types of reserves as part of regulatory requirement.

a. General Reserve

General reserve is the statutory reserve. In this reserve, the amount transformed from appropriation of net profit according to the Banks and Financial Institutions Act, 2075 shall be included. No type of dividend (cash or bonus share) shall be distributed from the amount in general/statutory reserve. Approval of NRB shall be required in order to use the amount in this reserve.

b. Exchange Equalization Reserve

Exchange equalization reserve is a statutory reserve. A bank which has earned foreign exchange revaluation gain on foreign currency other than India currency has to allocate 25 percent of such revaluation gain to this reserve as per provision of the Bank and Financial Institution Act. Any amount allocated to exchange equalization reserve as per the provision of the Bank and Financial Institutions Act, shall be presented under this heading.

c. Corporate Social Responsibility (CSR) Reserve

In line with clause 16 of Directive 16/075, Bank is required to allocate 1% of its net profit for the year for CSR and is required to create CSR Reserve. The amount appropriated to this reserve is expensed off as prescribed in the same Directive in the next fiscal year.

d. Regulatory Reserve

This is specific reserve created in line with NRB Directive 4. All the adjustments made in NFRS that are different from earlier NRB Directives are included in this fund. This fund is not available for distribution of dividend. The provision for NBA as required by GAAP but not required by NFRS is included in regulatory reserve.

e. Capital Reserve

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

f. Fair Value Reserve

The fair value reserve comprises the cumulative net change in the fair value of financial assets that are measured at fair value and the changes in fair value is recognized in other comprehensive income, until the assets are derecognized. The cumulative amount of changes in fair value of those financial assets shall be presented under this account head.

g. Actuarial Gain Reserve

This reserve is for presenting the OCI component of defined benefit obligations. This is not an actual reserve.

h. Special Reserve

In line with circular no. 12/072/075, the interest capitalized on loan that have been restructured or rescheduled because of the borrower facing difficulty resulting from earthquake in 2072 is kept in this reserve. The reserve is required to be maintained till the loan is settled.

i. Assets Revaluation Reserve

Any reserve created from revaluation of assets (such as Property and Equipment, Intangible Assets, Investment Property) shall be presented under this heading. Revaluation reserves often serve as a cushion against unexpected losses but may not be fully available to absorb unexpected losses due to the subsequent deterioration in market values and tax consequences of revaluation.

j. Capital Redemption Reserve

This head shall include the statutory reserve created for making payment towards Redeemable Non-Convertible Preference Shares.

k. Dividend Equalization Reserve

For the purpose of maintaining uniformity in dividend payment, certain amount of profit during the year of profit making may be transferred shall be presented under this account head. Dividend may be distributed by debiting this account with the approval of the Board of Directors and endorsed by the General meeting.

l. Investment Adjustment Reserve

It is a regulatory reserve created as a cushion for adverse price movements in bank's investments as directed by the Directives of Nepal Rastra Bank.

m. Capital Adjustment/ Equalization Fund

Calls in advance towards subscription to share capital and amount set aside for increasing the capital of the institution to fulfill minimum capital requirement are presented under this head.

5.19.3 Share Premium

The amount of money collected on issue of shares in excess of its face value shall be presented under this heading. The outstanding amount in this account shall not be considered eligible for distribution of cash dividend.

5.19.4 Retained Earning

The accumulated profits which has not been distributed to shareholders and has been ploughed back in the licensed institutions' operations and is free for distribution to the shareholders is be presented under this heading. There is no unrealized gain on sale of investment during this quarter.

6.20 Earnings per share including diluted

The Bank measures earning per share on the basis of the earning attributable to the equity shareholders for the period. The number of shares is taken as the weighted average number of shares for the relevant period as required by NAS 55 Earnings per Share.

7. Segment reporting

Bank's management has identified its operating segments based on the management of its branches and offices. In line with this, 7 different segments are identified based on 7 Provinces of Nepal on geographical separation basis. The operation, risk, transactions, etc. are more inclined on similar manner on a particular state. All the related income and expenses of such segments are presented in the segment information. Equity, staff bonus, NFRS adjustments and income tax are not segregated and are included in central account. Intra-segment transactions are eliminated. As per NFRS 8, an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Bank's management has identified its operating segments based on the management of its branch and offices situated on different geographical location. In line with this, all its branches are located in same province i.e. province 3, hence the bank has single operating segment.

Particulars	Province							
	1	2	3	4	5	6	7	Total
Revenue from external customers	-	-	-	-	-	-	-	-
Intersegment revenues	-	-	-	-	-	-	-	-
Net revenue	-	-	-	-	-	-	-	**-**
Interest income	-	-	19,647,621	-	-	-	-	19,647,621
Interest expenses	-	-	22,014,121	-	-	-	-	22,014,121
Net interest revenue	-	-	(2,366,860)	-	-	-	-	(2,366,860)
Depreciation and amortization	-	-	2,816,095	-	-	-	-	2,816,095
Segment profit/(loss)	-	-	**(5,213,099)**	-	-	-	-	**(5,213,099)**

8. Related Party Disclosure

The key management personnel (KMP) are those persons having authority and responsibility of planning, directing and controlling the activities of the entity, directly or indirectly including any director. Key Management Personnel of the Bank includes members of the Board, Chief Executive Officer and top level executive managers. Followings are a list of key managerial personnel as at Poush end, 2081.

S.N.	Board of Directors	Relation
1.	Mr. Chandraman Maleku	Chairman
2.	Mr. Teknath Dhakal	Director
3.	Mr. Ganesh Man Pradhan	Director
4.	Mr. Pukar Thapa	Director
5.	Mrs. Yashoda Adhikari	Director
6.	Mr. Balram Paudel	Independent Director

S.N.	Key Management Personnel (KMP)	Relation
1.	Mr. Bishnu Regmi	Chief Executive Officer
2.	Mr. Shree Krishna Dawadi	Chief Business Officer
3.	Mr. Sajjad Hussain Ansari	Chief Operating Officer/Chief Risk Officer

All members of the Board are paid meeting fees and monthly allowances. Specific non-executive allowances paid to directors up to Poush end, 2081 are as under:

S. No.	Particular	Amount
1	**Board Meeting fee and allowances**	
	Meeting Allowances	255,175/-
	Telephone Allowances	30,000/-
	Internet Allowance	75,000/-

	Newspaper Allowances	20,000/-
2	Other Expenses	215,342/-
	Total	**595,517/-**

Total financial benefit provided to Key Management Personnel i.e. Chief Executive Officer, Deputy Chief Executive Officer, General Managers, Deputy General Managers, Assistant Managers of the bank during the period up to Poush end, 2081 (i.e. Second quarter) are presented below:

SN	Particulars	Amount
1	Short term employee benefit	2,014,425/-
2	Post-employment benefit	0
3	Other long term employee benefit	0
4	Termination benefits (Leave encashment)	0
5	Share based payment	0

9. Dividends paid (aggregate or per share) for ordinary shares and other shares.

No dividend has been distributed on this quarter.

10. Issues, repurchases and repayments of debt and equity Securities

There is no repurchase and repayments of debt and equity securities during the interim period as on Poush end, 2081.

11. Events after interim period

- These are the events occurring between the reporting date and up to the date of approval of financial statements which are either adjustable or adjustable.
- Adjustable events are adjusted in the presented financial statements. There are no events that require additional disclosure in the financial statements.

12. Effect of changes in the composition of the entity during the interim period including merger and acquisition

NDBL has not merged or acquired other bank till date.

Additional Disclosure
As per Securities Registration and Issuance Regulation - 2073
(Sub-Rule (1) of Rule 26, Annex 14)
Second Quarter of FY 2081/82

1. Financial Statements

i. The Statement of Financial Position, statement of Profit and Loss, Statement of Other Comprehensive Income, and Statement of Change in Equity, Statement of Cash Flow, Statement of Distributable Profit and Loss as well as Ratio as per NRB Directives is published along with this report.

ii. Key Financial Indicators and ratios:

Earnings Per Share (EPS)	(1.99)
Return on Equity (ROE)	(9.49)%
Price Earnings Ratio (P/E ratio)	(497.44)
Net worth per share	20.93
Liquidity Ratio	37.35%
Total Assets per share	232.57
Capital Adequacy Ratio	1.19%

2. Management Analysis

i. **Details relating to the change in the Bank's reserve, income and liquidity in the quarter and its main reason:** During the review period, the economy experienced a contraction in liquidity, resulting in a slowdown in business transactions. Consequently, the anticipated rise in bank deposits and credit investments has not been fully realized; nonetheless, there has been a gradual improvement in this regard.

ii. For the forthcoming business plan and in support of sustainable economic development, the bank will maintain its commitment to offering reliable and pure banking facilities while safeguarding the interests of stakeholders.

3. Statement related to legal proceedings:

i. Apart from the case currently being heard in Hetauda High Court regarding the illegal fraud involving the interference of this bank's system, the bank has not filed any other lawsuits against anyone or against the bank itself.

ii. In instances of non-compliance with prevailing regulations by the bank's Promoter or director, legal action has been initiated at the time when bank was declared problematic. These cases currently remain unresolved, contributing to a state of uncertainty. The case is still under consideration in the honorable court.

4. Statements related to Share Transaction

i. The shares of this Bank are listed on the Nepal Stock Exchange and are actively traded. The management maintains a neutral stance regarding share price and transactions, as these are determined by the market. Nonetheless, in compliance with current regulations, the Bank has provided the necessary information and disclosures to investors and relevant agencies.

ii. Maximum, minimum and closing share price, total transaction days and total transacted number of shares in the quarter.

Month	No. of Transactions	Total Transactions (NRs.)	Total Transactions Days	Maximum Price (NRs.)	Minimum Price (NRs.)	Close Price (NRs.)
Kartik	705,155	5,640,08,077	17	1055	610.1	996.5
Mangsir	819,311	908,042,756	19	1361	947	1260
Poush	821,646	911,390,896	19	1433	882	988

(source: www.nepalstock.com.np)

5. Problems and Challenges

i) <u>Internal Problems and Challenges</u>

- ❖ Difficulty in optimizing operational expenses to achieve cost efficiency.
- ❖ Retention of Qualified and Trained Human Resource due to competitive market conditions.
- ❖ Striving to manage interest spread effectively while maintaining profitability.
- ❖ Difficulties in the recovery of non-performing loans, which in turn impacts the quality of assets.
- ❖ Challenges in business growth amidst fluctuating economic conditions.
- ❖ Challenges in augmenting revenue streams beyond interest based income.
- ❖ Complexity in managing operational risk management is escalating with the rapid growth of banking operations and branch networks nationwide.
- ❖ Lack of sufficiency in technology in providing banking facilities to customer in this competitive banking industry.

ii) <u>External Problems and Challenges</u>

- ❖ Increased competition, risks, and challenges in information and technology fields.
- ❖ Challenges arising from liquidity contraction in the economy and anticipated future impacts.
- ❖ Disruptions in customer cash flow due to market commercial recession.
- ❖ Multifaceted challenges stemming from negative events, external attacks, and rumors affecting financial institutions.

iii) <u>Strategy</u>

The bank must remain vigilant of the internal problems and challenges mentioned above and undertake comprehensive risk assessments to anticipate potential risks, while aligning its strategies with the integrated directives of Nepal Rastra Bank and adhering to circulars, policies, rules, and procedures. It should focus on minimizing costs, balancing interest rates, and promoting sustainable deposits, alongside efforts to reduce operational expenses and expand the business and branch network. Recruitment of skilled employees, coupled with comprehensive training programs to enhance their capacity and deliver quality services, is essential. Additionally, the bank should implement measures to reduce non-performing loans, provide convenient facilities to customers, and diversify income sources beyond interest-based revenue. Adoption of appropriate policies to foster customer loyalty and engagement with the bank is crucial for long-term success.

6. Corporate Governance

The Bank as well as its BOD is committed in maintaining highest level of ethical standards, Corporate Governance and Compliance. The bank has meticulously complied with the Corporate Governance standard as stated in Unified Directives issued by Nepal Rastra Bank. The Internal Audit, External Audit as well as Onsite Inspection of NRB team has been monitoring the level of compliance of the Bank. The Audit Committee of the bank has also been working to monitor the compliance as well as ways to mitigate the risks arising from business activities of the bank.

7. CEO's declaration regarding truth and fairness

I, CEO, take responsibility for the truth and fairness of the information and statements in this report till date. Besides, I declare that, to the extent of my knowledge and belief, the statements are true and fair and any information necessary for investors to take informed decisions has not been suppressed.

दुई लाख सिरियाली शरणार्थी स्वदेश फिर्ता

दमास्कस– सिरियामा लामो समयदेखि शासन गर्दै आएका बसर अल-असदलाई सत्ताच्युत गरिएपछि अन्तरिम सरकार र सहयोगी अन्तर्राष्ट्रिय संघसंस्थाको पहलमा करिब दुई लाख शरणार्थी स्वदेश फिर्ता भएका छन् ।

संयुक्त राष्ट्रसंघीय शरणार्थी उच्चायुक्त फिलिप्पो ग्रान्डीले गत वर्षको डिसेम्बरयता करिब दुई लाख सिरियाली शरणार्थी आफ्नो देश फर्केको पुष्टि गरे । सन् २०२४ डिसेम्बर ८ मा राष्ट्रपति बसर अल असदको सरकार ढलेपछि जनवरी १६ सम्ममा एक लाख ९५ हजार २०० सिरियाली नागरिक स्वदेश फर्किसकेका ग्रान्डीले सामाजिक सञ्जाल एक्समा पोस्ट गरेको तथ्यांकमा उल्लेख छ । उनले शरणार्थी व्यवस्थापनका लागि सिरिया र छिमेकी देशहरूको भ्रमण गर्ने योजना पनि घोषणा गरेका छन् ।

शरणार्थीहरूका लागि संयुक्त राष्ट्रसंघीय शरणार्थी उच्चायुक्त (युएनएचसिआर), संयुक्त राष्ट्रसंघीय शरणार्थी निकायको समर्थनलाई बलियो बनाउन समयसीमा निर्दिष्ट नगरिएको भए पनि क्रमिकरूपमा कार्यतालिका सावजनिक गरिने र शरणार्थीको फिर्ती तथा व्यवस्थापन गरिने छ । यसैबीच, युएनएचसिआरका अनुसार सन् २०२४ मा पाँच लाख ५० हजारभन्दा बढी सिरियाली आफ्नो देश फर्केका छन् । फिर्ता भएका शरणार्थीमध्ये सबैभन्दा बढी हिस्सा उत्तरी अलेप्पो प्रान्तका रहेको बताइएको छ ।

धेरै सिरियाली शरणार्थीले स्वदेश फर्कन चासो देखाए पनि युएनएचसिआरले शुक्रबार सार्वजनिक गरेको प्रतिवेदनमा मिश्रित भावना रहेको उल्लेख गरिएको छ । उनीहरूमध्ये धेरैले सिरियाभित्र आफ्नो जीवन र घर फर्कन र पुनर्निर्माण गर्न सक्षम हुन वित्तीय तथा बन्दोबस्तीका सामानको सहायताको आवश्यकतामा जोड दिएका छन् ।

प्रत्युत्तरमा युएनएचसिआर र यसका साझेदार संस्थाहरूले शरणार्थीको स्वदेश फिर्तीका लागि अन्तरनिकाय योजना अघि सारेको प्रतिवेदनमा उल्लेख छ । निकायले शरणार्थी र उनीहरूलाई स्वागत गर्ने समुदाय दुवैका लागि दिगो कोष र सुरक्षा कार्यक्रमहरूको महत्वलाई पनि जोड दिएको छ । *रासस/एएफपी*

अमेरिकामा टिकटक सेवा बन्द

वासिङ्टन– अमेरिकामा टिकटकमाथि प्रतिबन्ध लगाउने तयारी भइरहेका समय टिकटकले सेवा अवरूद्धताका लागि आफ्ना प्रयोगकर्ताहरूसँग क्षमायाचना गर्दै हाललाई अमेरिकामा यो सेवा अवरूद्ध भएको घोषणा गरेको छ ।

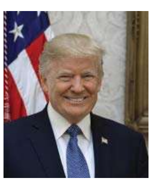
केही अमेरिकी प्रयोगकर्ताले टिकटकलाई गुगल एप स्टोरबाट पनि हटाइएको बताएका छन् । अमेरिकामा प्रतिबन्ध लागू हुनुभन्दा केही घण्टाअघि नै सामाजिक सञ्जाल टिकटक बन्द गरिएको हो । प्रयोगकर्ताले अमेरिकामा टिकटक खोल्दा उनीहरूको

टिकटक पेजमा 'तपाइं अहिले टिकटक प्रयोग गर्न सक्नुहुन्न' भन्ने एउटा सन्देश देखिन्छ । यो सन्देश टिकटकले अमेरिकामा आफ्नो सेवा बन्द भएको घोषणा गरेपछि देखिन थालेको हो ।

धेरै प्रयोगकर्ताले एप स्टोरबाट पनि टिकटक हटाइएको बताएका छन् । अमेरिकी सर्वोच्च अदालतले शुक्रबार टिकटकमाथि प्रतिबन्ध लगाउने कानुनको पक्षमा फैसला सुनाएको थियो । टिकटकको मूल कम्पनी बाइटडान्सले अमेरिकी फर्म वा कम्पनीलाई टिकटकको स्वामित्व बेचेको खण्डमा मात्र टिकटक प्रतिबन्धबाट बच्न सक्ने फैसलामा उल्लेख छ ।

त्यसपछि टिकटकले एक विज्ञप्ति जारी गर्दै जो बाइडेन, ह्वाइट हाउस र न्याय मन्त्रालयले स्पष्टता र आश्वासन दिन असफल भएकाले सेवा अर्को व्यवस्था नभएसम्मका लागि बन्द गरिएको छ । 'सौभाग्यवश, अमेरिकी राष्ट्रपति निर्वाचित हुनुभएका रिपब्लिकन नेता डोनाल्ड ट्रम्पले पदभार ग्रहण गरेपछि टिकटक पुनः सुरु गर्ने समाधान खोज्न हामीसँग मिलेर काम गर्ने संकेत गर्नुभएको छ,' टिकटकले भनेको छ । अमेरिकाका नवनिर्वाचित राष्ट्रपति डोनाल्ड ट्रम्पले टिकटकलाई ९० दिनको प्रतिबन्धबाट छुट दिन सक्ने आश्वासन दिएको टिकटकले जनाएको छ । *रासस/एएफपी*

ट्रम्प चीन भ्रमण गर्न इच्छुक



वासिङ्टन– अमेरिकाका नवनिर्वाचित राष्ट्रपति डोनाल्ड ट्रम्पले पदभार ग्रहण गरेपछि चीन भ्रमण गर्न इच्छुक रहेको आफ्ना सल्लाहकारहरूलाई बताएका छन् । ट्रम्पले आफ्नो कार्यकालको पहिलो १०० दिनमा चीन भ्रमण गर्ने इच्छा व्यक्त गरेका छन् तर यस विषयमा अहिलेसम्म कुनै निर्णय नभएको स्रोतलाई उद्धृत गर्दै द वाल स्ट्रिट जर्नलको समाचारमा उल्लेख गरिएको छ । ट्रम्पले सोमबार दोस्रो कार्यकालका लागि शपथ लिने छन् ।

उनले पहिलो चार वर्षे कार्यकालको एक वर्ष नपुग्दै सन् २०१७ मा बेइजिङको भ्रमण गरेका थिए । चिनियाँ विदेश मन्त्रालयका प्रवक्ताले अमेरिकी पक्षको निमन्त्रणामा चिनियाँ राष्ट्रपति सी चिनफिङका विशेष प्रतिनिधि उपराष्ट्रपति हान भ्हेङ जनवरी २० मा वासिङ्टन डिसीमा हुने ट्रम्पको उद्घाटन समारोहमा सहभागी हुने घोषणा गरेका छन् भने शुक्रबार सीले ट्रम्पसँग फोनवार्ता गरेका थिए । *रासस/सिन्हवा*