Sanima Bank Ltd.
Condensed Consolidated Statement of Financial Position
As on Quarter ended 30th Chaitra 2075

Particulars	Group: This Quarter Ending	Group: Immediate Previous Year Ending (Audited)	Bank: This Quarter Ending	Bank: Immediate Previous Year Ending (Audited)
Assets				
Cash and cash equivalent	3,408,812,864	4,531,900,641	3,340,641,664	4,530,152,334
Due from Nepal Rastra Bank	4,652,466,052	5,608,171,848	4,652,466,052	5,608,171,848
Placement with Bank and Financial Institutions	129,208,596	649,156,510	129,208,596	649,156,510
Derivative financial instruments	120,264,062	-	120,264,062	-
Other trading assets	615,765,258	494,859,452	467,812,982	478,048,147
Loan and advances to B/FIs	1,890,774,722	1,645,223,405	1,890,774,722	1,645,223,405
Loans and advances to customers	79,135,778,216	67,598,133,216	79,135,778,216	67,598,133,761
Investment securities	11,848,614,982	9,615,731,842	11,817,610,331	9,413,443,775
Current tax assets	-	-	-	-
Investment in susidiaries	-	-	250,000,000	250,000,000
Investment in associates	-	-	-	-
Investment property	-	-	-	-
Property and equipment	912,093,466	889,501,757	905,234,565	881,846,292
Goodwill and Intangible assets	68,679,172	58,140,309	67,403,930	56,550,539
Deferred tax assets	55,145,958	50,605,018	54,307,127	50,151,213
Other assets	414,554,204	689,951,809	405,464,316	661,074,779
Total Assets	**103,252,157,550**	**91,831,375,806**	**103,236,966,562**	**91,821,952,603**
Liabilities				
Due to Bank and Financial Instituions	2,685,529,789	1,346,959,039	2,685,529,789	1,346,959,039
Due to Nepal Rastra Bank	1,119,929,473	358,950,008	1,119,929,473	358,950,008
Derivative financial instruments	-	18,851,134	-	18,851,134
Deposits from customers	85,195,054,931	77,805,318,203	85,269,298,923	77,849,380,056
Borrowing	-	-	-	-
Current Tax Liabilities	12,632,608	69,570,852	17,696,652	66,294,857
Provisions	28,072,192	12,572,748	27,698,643	11,817,943
Deferred tax liabilities	-	-	-	-
Other liabilities	1,241,252,893	1,040,306,882	1,164,588,271	1,011,814,065
Debt securities issued	1,724,712,000	370,000,000	1,724,712,000	370,000,000
Subordinated Liabilities	-	-	-	-
Total liabilities	**92,007,183,887**	**81,022,528,866**	**92,009,453,752**	**81,034,067,102**
Equity				
Share capital	8,001,255,440	8,001,255,440	8,001,255,440	8,001,255,440
Share premium	-	-	-	-
Retained earnings	1,147,035,397	1,156,659,737	1,127,529,040	1,136,681,538
Reserves	2,096,682,826	1,650,931,763	2,098,728,331	1,649,948,523
Total equity attributable to equity holders	**11,244,973,663**	**10,808,846,940**	**11,227,512,811**	**10,787,885,501**
Non-controlling interest	-	-	-	-
Total equity	**11,244,973,663**	**10,808,846,940**	**11,227,512,811**	**10,787,885,501**
Total liabilities and equity	**103,252,157,550**	**91,831,375,806**	**103,236,966,562**	**91,821,952,603**

Sanima Bank Ltd.

Condensed Consolidated Statement of Profit or Loss

For the quarter ended 30th Chaitra 2075

Particulars	Group				Bank			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Interest income	2,634,880,954	7,710,714,700	2,017,011,983	5,721,076,926	2,633,648,565	7,703,332,763	2,010,376,930	5,705,331,239
Interest expense	1,622,484,240	4,782,335,530	1,272,710,676	3,609,930,906	1,623,279,495	4,783,523,222	1,271,167,952	3,611,870,906
Net interest income	**1,012,396,714**	**2,928,379,169**	**744,301,307**	**2,111,146,020**	**1,010,369,070**	**2,919,809,541**	**739,208,978**	**2,093,460,333**
Fee and commission income	185,956,192	619,608,628	153,444,283	514,335,015	172,592,272	589,424,729	144,975,827	500,113,705
Fee and commission expense	7,028,129	35,737,215	11,605,295	35,189,655	5,758,367	34,467,453	11,605,395	35,189,655
Net fee and commission income	**178,928,063**	**583,871,413**	**141,838,988**	**479,145,360**	**166,833,905**	**554,957,276**	**133,370,432**	**464,924,050**
Net interest, fee and commission income	**1,191,324,777**	**3,512,250,582**	**886,140,296**	**2,590,291,381**	**1,177,202,974**	**3,474,766,817**	**872,579,410**	**2,558,384,384**
Net trading income	94,683,593	309,615,400	68,457,315	201,684,312	93,690,693	302,122,363	68,457,315	201,684,312
Other operating income	9,223,177	16,934,270	1,879,877	6,036,815	9,646,347	36,249,159	4,409,146	34,691,084
Total operating income	**1,295,231,547**	**3,838,800,252**	**956,477,488**	**2,798,012,507**	**1,280,540,014**	**3,813,138,339**	**945,445,872**	**2,794,759,779**
Impairment charge/(reversal) for loans and other losses	**(4,550,308)**	**259,083,635**	**86,382,339**	**191,705,401**	**(4,550,308)**	**259,083,635**	**86,382,339**	**191,705,401**
Net operating income	**1,299,781,855**	**3,579,716,617**	**870,095,149**	**2,606,307,106**	**1,285,090,322**	**3,554,054,705**	**859,063,533**	**2,603,054,378**
Operating expense								
Personnel expenses	270,245,966	858,207,368	176,443,261	545,203,997	266,657,925	847,738,940	173,697,330	535,022,717
Other operating expenses	136,426,156	373,146,811	94,591,384	262,641,783	135,295,209	367,657,637	94,953,164	258,178,114
Depreciation & Amortisation	34,831,618	97,537,129	29,298,028	74,361,743	34,355,142	96,135,566	28,748,544	72,823,407
Operating Profit	**858,278,115**	**2,250,825,308**	**569,762,477**	**1,724,099,582**	**848,782,045**	**2,242,522,561**	**561,664,495**	**1,737,030,140**
Non operating income	46,235	907,162	635,093	635,093	46,235	819,330	617,124	617,124
Non operating expense	-	-	-	318,865	-	-	-	318,865
Profit before income tax	**858,324,350**	**2,251,732,471**	**570,397,570**	**1,724,415,810**	**848,828,280**	**2,243,341,891**	**562,281,619**	**1,737,328,399**
Income tax expense								
Current Tax	258,440,707	676,236,103	173,260,857	518,422,115	255,591,886	668,018,929	171,486,735	515,119,055
Deferred Tax	-	-	4,358,235	17,432,939	-	-	4,358,235	17,432,939
Profit for the period	**599,883,643**	**1,575,496,368**	**392,778,478**	**1,188,560,756**	**593,236,394**	**1,575,322,962**	**386,436,649**	**1,204,776,405**

Sanima Bank Ltd.

Condensed Consolidated Statement of Other Comprehensive Income

For the Quarter ended 30th Chaitra 2075

Particulars	Group				Bank			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Profit for the year	**599,883,643**	**1,575,496,368**	**392,778,478**	**1,188,560,756**	**593,236,394**	**1,575,322,962**	**386,436,649**	**1,204,776,405**
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	(14,798,724)	(15,136,465)	-	-	(13,853,048)	(13,853,048)	-	-
Gain/(losses) on revalution								
Actuarial gains/(losses) on defined benefit plans								
Income tax relating to above items	4,439,617	4,540,940	-	-	4,155,915	4,155,915	-	-
Net other comrehensive income that will not be reclassified to profit or loss	(10,359,107)	(10,595,526)	-	-	(9,697,134)	(9,697,134)	-	-
b) Items that are or may be reclassified to profit or loss								
Gains/(losses) on cash flow hedge								
Exchange gains/(losses) (arising from translating financial assets of foreign operation)								
Income tax relating to above items	-	-	-	-	-	-	-	-
Reclassify to profit or loss								
Net other comrehensive income that are or may be reclassified to profit or loss	-	-	-	-	-	-	-	-
c) Share of other comprehensive income of associate accounted as per equity method	-	-	-	-	-	-	-	-
Other comprehensive income for the year, net of income tax	**(10,359,107)**	**(10,595,526)**	**-**	**-**	**(9,697,134)**	**(9,697,134)**	**-**	**-**
Total comprehensive income for the year	**589,524,536**	**1,564,900,842**	**392,778,478**	**1,188,560,756**	**583,539,260**	**1,565,625,828**	**386,436,649**	**1,204,776,405**
Total comprehensive income attributable to:								
Equity holders of the Bank	589,524,536	1,564,900,842	392,778,478	1,188,560,756	583,539,260	1,565,625,828	386,436,649	1,204,776,405
Non-controlling interest	-	-	-	-	-	-	-	-
Total comprehensive income for the year	**589,524,536**	**1,564,900,842**	**392,778,478**	**1,188,560,756**	**583,539,260**	**1,565,625,828**	**386,436,649**	**1,204,776,405**
Profit attributable to:								
Equity holders of the Bank	589,051,698	1,564,900,842	392,778,478	1,188,560,756	583,539,260	1,565,625,828	386,436,649	1,204,776,405
Non-controlling interest	-	-	-	-	-	-	-	-
Total	**589,051,698**	**1,564,900,842**	**392,778,478**	**1,188,560,756**	**583,539,260**	**1,565,625,828**	**386,436,649**	**1,204,776,405**
Earning per share								
Basic earnings per share		19.69		14.85		19.69		15.06
Annualized Basic earnings per share		26.52		19.93		26.52		20.21
Diluted earnings per share		26.52		19.93		26.52		20.21

Ratios as per NRB Directive

Particulars	Group				Bank			
	Current Year		Previous Year		Current Year		Previous Year	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Capital Fund to RWA (%)		13.30		13.46		12.97		13.15
Non Performing Loan (NPL) to Total Loan (%)		0.12		0.17		0.12		0.17
Total Loan Loss Provision to Total NPL (%)		1,094.49		689.32		1,094.49		689.32
Cost of Funds (%)		7.29		7.60		7.29		7.60
Credit To Deposit Ratio (%)		78.58		78.06		78.58		78.06
Base Rate (%)		9.31		9.88		9.31		9.88
Interest Rate Spread (%)		4.64		4.05		4.64		4.05
Additional Information								
Average Yeild LCY (%)		11.83		11.68		11.83		11.68
Return on Equity (%)		21.95		16.69		21.98		16.97
Return on Total Assets (%)		2.06		1.87		2.06		1.89

Sanima Bank Ltd.
Consolidated Statement of Changes in Equity
For the quarter ended 30th Chaitra 2075

	Group											
	Attributable to equity holders of the Bank											
	Share Capital	Share premium	General reserve	Exchange equalisation reserve	Regulatory reserve	Fair value reserve	Revaluation reserve	Retained earning	Other reserve	Total	Non-controlling interest	Total equity
Balance at Sawan 1, 2074	**6,897,634,000**	**-**	**832,540,000**	**6,054,236**	**-**	**-**	**-**	**1,285,614,783**	**131,441,892**	**9,153,284,910**		**9,153,284,910**
Profit for the year								1,688,094,393		1,688,094,393		1,688,094,393
Other comprehensive income, net of tax						(6,861,239)				(6,861,239)		(6,861,239)
Total comprehensive income for the year	-	-	-	-	-	(6,861,239)	-	1,688,094,393	-	1,681,233,154		1,681,233,154
Transfer to reserve during the period			339,504,000	3,452,862	337,775,191			(724,418,693)	18,015,517	(25,671,124)		(25,671,124)
Transfer from reserve during the year period								10,990,695	(10,990,695)	-		-
Contributions from and distributions to owners										-		-
Share issued										-		-
Share based payments										-		-
Dividends to equity holders										-		-
Bonus shares issued	1,103,621,440							(1,103,621,440)		-		-
Cash dividend paid										-		-
Other										-		-
Total contributions by and distributions	1,103,621,440	-	339,504,000	3,452,862	337,775,191	(6,861,239)	-	(128,955,045)	7,024,822	1,655,562,029	-	1,655,562,029
Balance at Ashad end 2075	**8,001,255,440**	**-**	**1,172,044,000**	**9,507,098**	**337,775,191**	**(6,861,239)**	**-**	**1,156,659,737**	**138,466,714**	**10,808,846,940**	**-**	**10,808,846,940**
Balance at 1 Sawan 2075	8,001,255,440	-	1,172,044,000	9,507,098	337,775,191	(6,861,239)	-	1,156,659,737	138,466,714	10,808,846,940	-	10,808,846,940
Restatement								(2,775,600)		(2,775,600)		(2,775,600)
Restated Opening Balance	8,001,255,440	-	1,172,044,000	9,507,098	337,775,191	(6,861,239)	-	1,153,884,137	138,466,714	10,806,071,339		10,806,071,339
Profit for the year								1,575,496,368		1,575,496,368		1,575,496,368
Other comprehensive income, net of tax						(10,595,526)		-		(10,595,526)		(10,595,526)
Total comprehensive income for the year	-	-	-	-	-	(10,595,526)	-	1,575,496,368	-	1,564,900,842	-	1,564,900,842
Transfer to reserve during the period	-	-	315,064,592	3,066,964	90,772,056	-	-	(462,254,194)	53,350,582	-		-
Transfer from reserve during the year period		-	-	-	-	-	-	-	(5,822,758)	(5,822,758)		(5,822,758)
Contributions from and distributions to owners										-		-
Share issued										-		-
Share based payments										-		-
Dividends to equity holders										-		-
Bonus shares issued										-		-
Cash dividend paid								(1,120,175,762)		(1,120,175,762)		(1,120,175,762)
Other										-		-
Total contributions by and distributions	-	-	315,064,592	3,066,964	90,772,056	(10,595,526)	-	(6,933,588)	47,527,824	438,902,323	-	438,902,323
Balance at Chaitra End 2075	**8,001,255,440**	**-**	**1,487,108,592**	**12,574,062**	**428,547,246**	**(17,456,765)**	**-**	**1,146,950,549**	**185,994,538**	**11,244,973,663**	**-**	**11,244,973,663**

	Bank											
	Attributable to equity holders of the Bank											
	Share Capital	Share premium	General reserve	Exchange equalisation reserve	Regulatory reserve	Fair value reserve	Revaluation Reserve	Retained earning	Other reserve	Total	Non-controlling interest	Total equity
Balance at Sawan 1, 2074	**6,897,634,000**	**-**	**832,540,000**	**6,054,236**	**-**	**-**		**1,280,242,935**	**131,441,892**	**9,147,913,063**		**9,147,913,063**
Profit for the year								1,697,503,224		1,697,503,224		1,697,503,224
Other comprehensive income, net of tax						(5,714,127)			(51,816,659)	(57,530,785)		(57,530,785)
Total comprehensive income for the year	-	-	-	-	-	(5,714,127)	-	1,697,503,224	(51,816,659)	1,639,972,439		1,639,972,439
Transfer to reserve during the period			339,504,000	3,452,862	335,644,839			(748,433,875)	69,832,175	-		-
Transfer from reserve during the year period								10,990,695	(10,990,695)	-		-
Contributions from and distributions to owners										-		-
Share issued										-		-
Share based payments										-		-
Dividends to equity holders										-		-
Bonus shares issued	1,103,621,440							(1,103,621,440)		-		-
Cash dividend paid										-		-
Other										-		-
Total contributions by and distributions	1,103,621,440	-	339,504,000	3,452,862	335,644,839	(5,714,127)	-	(143,561,397)	7,024,822	1,639,972,439	-	1,639,972,439
Balance at Ashad end 2075	**8,001,255,440**	**-**	**1,172,044,000**	**9,507,098**	**335,644,839**	**(5,714,127)**	**-**	**1,136,681,538**	**138,466,714**	**10,787,885,501**	**-**	**10,787,885,501**
Balance at 1 Sawan 2075	8,001,255,440	-	1,172,044,000	9,507,098	335,644,839	(5,714,127)	-	1,136,681,538	138,466,714	10,787,885,501	-	10,787,885,501
Profit for the year								1,575,322,962		1,575,322,962		1,575,322,962
Other comprehensive income, net of tax						(9,697,134)		-		(9,697,134)		(9,697,134)
Total comprehensive income for the year	-	-	-	-	-	(9,697,134)	-	1,575,322,962	-	1,565,625,828	-	1,565,625,828
Transfer to reserve during the period			315,064,592	3,066,964	90,772,056			(464,299,699)	55,396,087	-		-
Transfer from reserve during the year period								-	(5,822,758)	(5,822,758)		(5,822,758)
Contributions from and distributions to owners										-		-
Share issued										-		-
Share based payments										-		-
Dividends to equity holders										-		-
Bonus shares issued								-		-		-
Cash dividend paid								(1,120,175,762)		(1,120,175,762)		(1,120,175,762)
Other										-		-
Total contributions by and distributions	-	-	315,064,592	3,066,964	90,772,056	(9,697,134)	-	(9,152,498)	49,573,329	439,627,309	-	439,627,309
Balance at Chaitra End 2075	**8,001,255,440**	**-**	**1,487,108,592**	**12,574,062**	**426,416,894**	**(15,411,260)**	**-**	**1,127,529,040**	**188,040,043**	**11,227,512,811**	**-**	**11,227,512,811**

Sanima Bank Ltd.

Condensed Consolidated Statement of Cash Flows

For the quarter ended 30th Chaitra 2075

	Group		Bank	
	Upto This Quarter	**Corresponding Previous Year Upto This Quarter**	**Upto This Quarter**	**Corresponding Previous Year Upto This Quarter**
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	7,629,639,778	5,545,947,569	7,622,257,841	5,530,201,882
Fees and other income received	630,152,190	487,455,175	599,968,292	473,233,865
Dividend received	19,497,378	26,125,000	19,497,378	26,125,000
Receipts from other operating activities	301,335,769	172,032,354	313,349,205	202,297,592
Interest paid	(4,778,762,266)	(3,591,508,708)	(4,779,949,958)	(3,593,448,708)
Commission and fees paid	(35,737,215)	(35,189,655)	(34,467,453)	(35,189,655)
Cash payment to employees	(842,565,724)	(528,762,062)	(832,097,296)	(518,580,782)
Other expense paid	(988,851,210)	(337,322,392)	(981,960,472)	(331,320,386)
Operating cash flows before changes in operating assets and liabilities	**1,934,708,701**	**1,738,777,281**	**1,926,597,537**	**1,753,318,809**
(Increase)/Decrease in operating assets				
Due from Nepal Rastra Bank	955,705,796	816,312,531	955,705,796	816,312,531
Placement with bank and financial institutions	519,947,914	(209,001,972)	519,947,914	(209,001,972)
Other trading assets	(117,058,179)	(267,680,635)	14,082,792	(47,494,321)
Loan and advances to bank and financial institutions	13,532,317	(939,690,631)	13,532,317	(939,690,631)
Loans and advances to customers	(11,537,645,000)	(12,907,374,308)	(11,537,644,455)	(12,907,374,308)
Other assets	231,667,525	515,825,666	212,265,408	521,036,613
Increase/(Decrease) in operating liabilities				
Due to bank and financial institutions	1,338,570,750	79,126,235	1,338,570,750	79,126,235
Due to Nepal Rastra Bank	760,979,466	125,436,704	760,979,466	125,436,704
Deposit from customers	7,389,736,728	14,795,844,563	7,419,918,866	14,337,145,772
Borrowings	-	-	-	-
Other liabilities	37,785,184	(528,425,386)	(1,665,325)	(127,746,345)
Net cash flow from operating activities before tax paid	**1,527,931,201**	**3,219,150,047**	**1,622,291,067**	**3,401,069,085**
Income taxes paid	(645,883,848)	(486,757,953)	(637,666,674)	(483,454,893)
Net cash flow from operating activities	**882,047,353**	**2,732,392,094**	**984,624,393**	**2,917,614,192**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	(2,232,883,139)	(3,240,710,185)	(2,404,166,556)	(3,395,710,185)
Receipts from sale of investment securities	-	-	-	-
Purchase of property and equipment	(22,591,709)	(146,243,313)	(23,388,272)	(145,848,332)
Receipt from the sale of property and equipment	-	-	-	-
Purchase of intangible assets	(10,538,863)	(6,439,982)	(10,853,391)	(7,491,900)
Receipt from the sale of intangible assets	-	-	-	-
Purchase of investment properties	-	-	-	-
Receipt from the sale of investment properties	-	-	-	-
Interest received	-	-	-	-
Dividend received	2,776,058	5,837,374	2,496,642	4,208,435
Net cash used in investing activities	**(2,263,237,653)**	**(3,387,556,107)**	**(2,435,911,577)**	**(3,544,841,982)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipt from issue of debt securities	1,354,712,000	-	1,354,712,000	-
Repayment of debt securities	-	-	-	-
Receipt from issue of subordinated liabilities	-	-	-	-
Repayment of subordinated liabilities	-	-	-	-
Receipt from issue of shares	-	-	-	-
Dividends paid	-	-	-	-
Interest paid	42,760,168	(15,225,974)	42,760,168.03	(15,225,974)
Other receipt/payment	(1,139,369,645)	402,832,302	(1,135,695,653)	376,779,879
Net cash from financing activities	**258,102,523**	**387,606,328**	**261,776,515**	**361,553,905**
		-		-
Net increase (decrease) in cash and cash equivalents	**(1,123,087,778)**	**(267,557,685)**	**(1,189,510,670)**	**(265,673,884)**
Cash and cash equivalents at Sawan 1, 2075	4,531,900,641	2,952,471,513	4,530,152,334	2,948,780,102
Effect of exchange rate fluctuations on cash and cash equiv.	-	-	-	-
Cash and cash equivalents at Chaitra end 2075	**3,408,812,864**	**2,684,913,828**	**3,340,641,664**	**2,683,106,218**

Notes to the Interim Financial Statement

1. Basis of Preparation

The interim financial statements of the Bank have been prepared in accordance with Nepal Financial Reporting Standards (NFRS), including the carve-outs as issued by the Institute of Chartered Accountants of Nepal on 20th September 2018. The disclosures made in the condensed consolidated interim financial information have been limited based on the format prescribed by Nepal Rastra Bank through NRB Circular 19 dated Falgun 14, 2075.

2. Statement of Compliance

The Unaudited Condensed Financial Statements of the Bank for the period ended 13th April, 2019 comprising Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Profit or Loss, Statement of Comprehensive Income, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and Ratios as per NRB Directive have been prepared in accordance with Nepal Financial Reporting Standards (hereafter referred as NFRS), laid down by the Institute of Chartered Accountants of Nepal and in compliance with the requirements of all applicable laws and regulations.

3. Use of Estimates, Assumptions and Judgments

The preparation of Financial Statements in conformity with NFRS requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ due to these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect in the Financial Statements are as follows:

i. Fair Value of Financial Instruments
ii. Impairment of Financial Assets
iii. Assessment of current as well as deferred tax
iv. Defined Benefit Plans
v. Fair Value of Property, Plant and Equipment
vi. Useful Life-time of the Property, Plant and Equipment
vii. Commitments and Contingencies
viii. Provisions for Liabilities and Contingencies

4. Changes in Accounting Policies

There are no changes in accounting policies and methods of computation since the publication of annual accounts for the year end Ashad 2075 except provision for gratuity and leave have been provided as per the existing norms of the bank for interim reporting that may vary from the liability estimated through actuarial valuation on year end after such valuation.

5. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, and deviations if any have been disclosed accordingly.

5.1 Basis of Measurement

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

- Liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation less the fair value of the plan assets.
- Unquoted investments available for sale are measured through OCI.

5.2 Basis of consolidation

a. Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method as per the requirements of Nepal Accounting Standard - NFRS 03 (Business Combinations). The Bank measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is immediately recognised in the profit or loss.

The Bank elects on a transaction-by transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Transactions costs, other than those associated with the issue of debt or equity securities, that the Bank incurs in connection with a business combination are expensed as incurred.

b. Non-controlling interest (NCI)

Non-controlling interest (NCI), also known as minority interest, is an ownership position whereby a shareholder owns less than 50% of outstanding shares and has no control over decisions. Non-controlling interests are measured at the net asset value of entities and do not account for potential voting rights.

For each business combination, the Group elects to measure any non-controlling interest in the acquiree at fair value.

Changes in group interest in subsidiary that do not result in the loss of control are accounted for transactions of owners in the capacity of owners. Adjustments to non-controlling interest are based on proportionate amount of net assets of subsidiary.

c. Subsidiaries

Subsidiaries are entities that are controlled by the Bank. The Bank is presumed to control an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. At each reporting date the Bank reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more elements of control mentioned above.

The Financial Statements of Subsidiaries are fully consolidated from the date on which control is transferred to the Bank and continue to be consolidated until the date when such control ceases. The Financial Statements of the Bank's Subsidiaries are prepared for the same reporting period as per the Bank, using consistent accounting policies.

The cost of acquisition of a Subsidiary is measured as the fair value of the consideration, including contingent consideration, given on the date of transfer of title. The acquired identifiable assets, liabilities are measured at their fair values at the date of acquisition. Subsequent to the initial measurement, the Bank continues to recognize the investments in Subsidiaries at cost.

When a Subsidiary is acquired or sold during the year, operating results of such Subsidiary is included from the date of acquisition or to the date of disposal.

All Subsidiaries of the Bank have been incorporated in Nepal.

Subsidiary	**Principal Activities**	**Cost as on 13th April 2019**	**Cost as on 16th July 2018**
Sanima Capital Limited	Management of public offerings, portfolio management, underwriting of securities, management of mutual fund schemes	**250,000,000**	**250,000,000**
		250,000,000	**250,000,000**

d. Loss of Control

Upon the loss of control, the Bank derecognizes the assets and liabilities of the Subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in the Statement of Profit or loss.
If the Bank retains any interest in the previous Subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as equity-accounted investee or in accordance with the Bank's accounting policy for financial instruments depending on the level of influence retained.

e. Special Purpose Entity (SPE)

A special purpose vehicle/entity is a "bankruptcy-remote entity" that a parent company uses to isolate or securitize assets and it often holds this off-balance sheet. Some also call this a "bankruptcy-remote entity" or "variable interest entities" since its operations are limited to the acquisition and financing of specific assets as a method of isolating risk. A special purpose vehicle/entity is a subsidiary company with an asset/liability structure and legal status that makes its obligations secure, even if the parent company goes bankrupt.
Group does not have any SPE.

f. Transaction elimination on consolidation

Intra group balances and transactions, any unrealized income and expenses arising from intra group transactions, are eliminating in preparing the consolidated financial statements. Unrealized gains/losses arising from transactions with equity accounted investees are eliminated against the investments to the extent of group interest of investee.

5.3 Cash and cash equivalent

Cash and Cash Equivalents include cash in hand, balances with banks, placements with banks and money at call and at short notice with maturity less than three months.

5.4 Financial Assets and financial liabilities

a. Recognition

All financial assets and liabilities are initially recognized on the trade date, i.e. the date that Bank becomes a party to the contractual provisions of the instrument. This includes ‘regular way trades’. Regular way trade means purchases or sales of financial assets that required delivery of assets within the time frame generally established by regulation or convention in the market place.

The classification of financial instruments at the initial recognition depends on their purpose and characteristics and the management’s intention in acquiring them.

b. Classification and Measurement

Financial Assets

All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instruments except in the case of such financial assets and liabilities at fair value through profit or loss, as per the Nepal Accounting Standard - NAS 39 (Financial Instruments: Recognition and Measurement). Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with the Statement of Profit or Loss.

At the inception, a financial asset is classified into one of the following:

a. Financial assets at fair value through profit or loss
   i. Financial assets held for trading
   ii. Financial assets designated at fair value through profit or loss
b. Financial Assets at amortized cost
c. Financial assets at fair value through OCI

The subsequent measurement of financial assets depends on their classification.

Financial Assets at Fair Value through Profit or Loss

A financial asset is classified as fair value through profit or loss if it is held for trading or is designated at fair value through profit or loss.

i. Financial Assets Held for Trading

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. This category also includes derivative financial instruments entered into by Bank that are not designated as hedging instruments in hedge relationships as defined by Nepal Accounting Standards NAS 39 (Financial Instruments: Recognition and Measurement).

Financial assets held for trading are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognized in 'Net trading income'. Dividend income is recorded in 'Net trading income' when the right to receive the payment has been established.

Bank evaluates its held for trading asset portfolio, other than derivatives, to determine whether the intention to sell them in the near future is still appropriate. When Bank is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, Bank may elect to reclassify these financial assets.

Financial assets held for trading include instruments such as government securities and equity instruments that have been acquired principally for the purpose of selling or repurchasing in the near term.

ii. ***Financial Assets Designated at Fair Value through Profit or Loss***

Bank designates financial assets at fair value through profit or loss in the following circumstances:

- Such designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring the assets
- The assets are part of a group of Financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy
- The asset contains one or more embedded derivatives that significantly modify the cash flows that would otherwise have been required under the contract.

Financial assets designated at fair value through profit or loss are recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in 'Net gain or loss on financial instruments designated at fair value through profit or losses' in the Statement of Profit or Loss. Interest earned is accrued under 'Interest income', using the effective interest rate method, while dividend income is recorded under 'Other operating income' when the right to receive the payment has been established.

The Bank has not designated any financial assets upon initial recognition as designated at fair value through profit or loss.

Financial Assets measured at amortized cost

Held to Maturity Financial Assets are non-derivative financial assets with fixed or determinable payments and fixed maturities which the Bank has the intention and ability to hold to maturity. After the initial measurement, held to maturity financial investments are subsequently measured at amortized cost using the effective interest rate, less impairment. The amortization is included in 'Interest income' in the Statement of Profit or Loss. The losses arising from impairment of such investments are recognized in the Statement of Profit or Loss.

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

Loans and Receivables from Customers

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as fair value through profit or loss.
- Those that the Bank, upon initial recognition, designates as available for sale
- Those for which the Bank may not recover substantially all of its initial investment through contractual cash flows, other than because of credit deterioration.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate, less allowance for impairment. The amortization is included in 'Interest Income' in the Statement of Profit or Loss. The losses arising from impairment are recognized in 'Impairment charge / reversal for loans and other losses' in the Statement of Profit or Loss.

Staff Loans measured at fair value

The Bank has measured the staff loans at fair value. Difference of book value with fair value of loans has been shown as prepaid employee benefits.

Financial Assets measured at fair value through OCI

Financial assets measured through OCI include equity and debt securities. Equity Investments classified as 'Fair value through OCI' are those which are neither classified as 'Held for neither Trading 'nor 'Designated. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available for sale financial investments are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity through 'Other comprehensive income / expense' in the 'Fair value reserve'. When the investment is disposed of the cumulative gain or loss previously recognized in equity is recognized in the Statement of Profit or Loss under 'Other operating income'. Where Bank holds more than one investment in the same security, they are deemed to be disposed off on a first-in-first-out basis. Interest earned whilst holding 'Financial investments at fair value through OCI' is reported as 'Interest income' using the effective interest rate. Dividend earned whilst holding 'Financial investments at fair value through OCI' are recognized in the Statement of Profit or Loss as 'other operating income' when the right to receive the payment has been established. The losses arising from impairment of such investments are recognized in the Statement of Profit or Loss under 'Impairment charge for loans and other losses' and removed from the 'Available for sale reserve'.

Financial Liabilities

At the inception, Bank determines the classification of its financial liabilities. Accordingly financial liabilities are classified as:

a. Financial liabilities at fair value through profit or loss

i. Financial liabilities held for trading
ii. Financial liabilities designated at fair value through profit or loss

b. Financial liabilities at amortized cost

Financial Liabilities at Fair Value through Profit or Loss

Financial Liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value and changes therein are recognized in profit or loss.

(i) Financial Liabilities Held for Trading

Financial liabilities are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. This category includes derivative financial instrument entered into by Bank that are not designated as hedging instruments in hedge relationships as defined by Nepal Accounting Standard - NAS 39 (Financial Instruments: Recognition and Measurement).

(ii) Financial Liabilities Designated at Fair Value through Profit or Loss

Bank designates financial liabilities at fair value through profit or loss at following circumstances:

- Such designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring the liabilities.
- The liabilities are part of a group of Financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy
- The liability contains one or more embedded derivatives that significantly modify the cash flows that would otherwise have been required under the contract.

Financial Liabilities At Amortized Cost

Financial instruments issued by Bank that are not classified as fair value through profit or loss are classified as financial liabilities at amortized cost, where the substance of the contractual arrangement results in Bank having an obligation either to deliver cash or another financial asset to another Bank, or to exchange financial assets or financial liabilities with another Bank under conditions that are potentially unfavorable to the Bank or settling the obligation by delivering variable number of Bank's own equity instruments.
After initial recognition, such financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortization is included in 'Interest Expenses' in the Statement of Profit or Loss. Gains and losses are recognized in the Statement of Profit or Loss when the liabilities are derecognized.

Reclassification

(i) ***Reclassification of Financial Instruments 'At fair value through profit or loss',***

Bank does not reclassify derivative financial instruments out of the fair value through profit or loss category when it is held or issued.

Non-derivative financial instruments designated at fair value through profit or loss upon initial recognition are not reclassified subsequently out of fair value through profit or loss category.

Bank may, in rare circumstances reclassify financial instruments out of fair value through profit or loss category if such instruments are no longer held for the purpose of selling or repurchasing in the near term notwithstanding that such financial instruments may have been acquired principally for the purpose of selling or repurchasing in the near term. Financial assets classified as fair value through profit or loss at the initial recognition which would have also met the definition of 'Loans and Receivables' as at that date is reclassified out of the fair value through profit or loss category only if Bank has the intention and ability to hold such asset for the foreseeable future or until maturity.

The fair value of financial instruments at the date of reclassification is treated as the new cost or amortized cost of the financial instrument after reclassification. Any gain or loss already recognized in respect of the reclassified financial instrument until the date of reclassification is not reversed to the Statement of Profit or Loss.

If a financial asset is reclassified, and if Bank subsequently increases its estimates of the future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the effective interest rate from the date of the change in estimate rather than an adjustment to the carrying amount of the asset at the date of change in estimate.

(ii) Reclassification of 'Financial Assets measured at fair value through OCI'

Bank may reclassify financial assets out of available for sale category as a result of change in intention or ability or in rare circumstances that a reliable measure of fair value is no longer available.

The fair value of financial instruments at the date of reclassification is treated as the new cost or amortized cost of the financial instrument after reclassification. Difference between the new amortized cost and the maturity value is amortized over the remaining life of the asset using the effective interest rate. Any gain or loss already recognized in Other Comprehensive Income in respect of the reclassified financial instrument is accounted as follows:

1. **Financial assets with fixed maturity :**

   Gain or loss recognized up to the date of reclassification is amortized to profit or loss over the remaining life of the investment using the effective interest rate. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

2. **Financial assets without fixed maturity :**

   Gain or loss recognized up to the date of reclassification is recognized in profit or loss only when the financial asset is sold or otherwise disposed of. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

If a financial asset is reclassified, and if Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the effective interest rate from the date of the change in estimate rather than an adjustment to the carrying amount of the asset at the date of change in estimate.

(iii) Reclassification of 'Financial Instruments amortized at cost'

As a result of a change in intention or ability, if it is no longer appropriate to classify an investment as amortized at cost, Bank may reclassify such financial assets as at fair value through OCI and re- measured at fair value. Any difference between the carrying value of the financial asset before reclassification and fair value is recognized in equity through other comprehensive income.

However, if Bank were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity [other than in certain specific circumstances permitted in Nepal

Accounting Standard - NAS 39 (Financial Instruments: Recognition and Measurement)], the entire category would be tainted and would have to be reclassified as 'Investment measured at fair value through OCI'. Furthermore, Bank would be prohibited from classifying any financial assets as 'Held to Maturity' during the following two years. These reclassifications are at the election of management and determined on an instrument by instrument basis.

c. Derecognition

Derecognition of Financial Assets

Bank derecognizes a financial asset (or where applicable a part of financial asset or part of a group of similar financial assets) when:

- The rights to receive cash flows from the asset have expired; or
- Bank has transferred its rights to receive cash flows from the asset or
- Bank has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either Bank has transferred substantially all the risks and rewards of the asset or it has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

When Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. In that case, Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Bank has retained.

When Bank's continuing involvement that takes the form of guaranteeing the transferred asset, the extent of the continuing involvement is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received by Bank that Bank could be required to repay.

Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability.

The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when and only when Bank has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under NFRSs or for gains and losses arising from a group of similar transaction such as in trading activity.

d. Determination of fair value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of principal market, in the most advantageous market for asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1 - Valuation technique using quoted market price:** financial instruments with quoted prices for identical instruments in active markets.
- **Level 2 - Valuation technique using observable inputs:** financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- **Level 3 – Valuation technique with significant unobservable inputs:** financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

Level 1
When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument or dealer price quotations (assets and long positions are measured at a bid price, liabilities and short positions are measured at an asking price), without any deduction for transaction costs.

A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

Level 2
If a market for a financial instrument is not active, then the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as

possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Level 3

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Bank's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded (day 1 profit or loss) is deferred and recognised only when the inputs become observable or on de-recognition of the instrument.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

Assets and Liabilities Recorded at Fair Value

A description of how fair values are determined for assets and liabilities that are recorded at fair value using valuation techniques is summarized below which incorporates the bank's estimate of assumptions that a market participant would make when valuing the instruments.

Derivative financial Instruments

Derivative financial instruments such as forward foreign exchange contracts are valued using a valuation technique with market observable inputs (Level 2). The most frequently applied valuation technique is forward pricing model which incorporates various inputs including foreign exchange spot and forward premiums.

Financial Investments measured at fair value through OCI

Quoted equities, Quoted Mutual Funds classified as financial investments measured at fair value through OCI are valued using quoted market prices in the active markets as at the reporting date (Level 1).
Foreign Quoted Debt Securities classified as financial investments measured at fair value through OCI are valued using market rate published by the Stock exchange in which the Securities is listed (Level 1).
Unquoted equities, classified as financial investments measured at fair value through OCI are valued using a valuation technique with market observable inputs (Level 2). The most frequently applied valuation technique is proxy pricing which incorporates the inputs of market price of similar market instruments.

e. Impairment

At each reporting date, Bank assesses whether there is any objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss is impaired. A financial asset or group of financial assets is deemed to be impaired if and only if there is objective evidence of impairment as a result of one or more events, that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganization; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Impairment of Financial Assets carried at Amortized Cost

For financial assets carried at amortized cost, such as amounts due from banks, held to maturity investments etc., Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant or collectively for financial assets that are not individually significant. In the event Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, financial assets in a group with similar credit risk characteristics are collectively assesses for impairment. However, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

(i) Individual assessed Financial Assets

The criteria used to determine whether there is objective evidence of impairment include and not limited to:

- Known Cash Flow difficulties experienced by the borrowers:

- Past due contractual payments of either principal or interest;
- Breach of loan covenants or conditions;
- The probability that the borrower will enter bankruptcy or other financial reorganization; and
- A significant downgrading in credit rating by an external credit rating agency.

If there is objective evidence that an impairment loss on financial assets measured at amortized cost has been incurred, the amount of the loss is measured by discounting the expected future cash flows of a financial asset at its original effective interest rate and comparing the resultant present value with the financial asset's current carrying amount. The impairment allowances on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate. Interest on impaired assets continues to be recognised through the unwinding of the discount.

When impairment losses are determined for those financial assets where objective evidence of impairment exists, the following factors are considered:

- Bank's aggregate exposure to the customer;
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flows to service debt obligations;
- The amount and timing of expected receipts and recoveries;
- The extent of other creditors' commitments ranking ahead of, or pari-passu with the Bank and the likelihood of other creditors continuing to support the company;
- The complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- The realizable value of security (or other credit mitigants) and likelihood of successful repossession;
- The likely deduction of any costs involved in recovery of amounts outstanding;
- The ability of the borrower to obtain and make payments in the currency of the loan if not denominated in local currency; and
- The likely dividend available on liquidation or bankruptcy;

(ii) Collectively Assessed Financial Assets

Impairment is assessed on a collective basis in two circumstances:

- To cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- For homogeneous groups of loans that are not considered individually significant.

Incurred But not yet identified impairment

Individually assessed financial assets for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the bank has incurred as a result of events occurring before the reporting date, which the Bank is not able to identify on an individual loan basis and that can be reliably estimated.

These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual financial assets within the group, those financial assets are removed from the group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:

- Historical Loss Experience in portfolios of similar credit risk; and
- Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is like to be greater or less than that suggested by historical experience.

Homogeneous groups of Financials Assets

Statistical methods are used to determine impairment losses on a collective basis for homogenous groups of financial assets. Losses in these groups of financial assets are recorded on an individual basis when individual financial assets are written off, at which point they are removed from the group.

Two alternative methods are used to calculate historical loss experience on a collective basis:

- When the group of financial assets by nature long term, the Bank uses migration analysis method. Under this methodology the movements in number of customers into bad categories over the periods are used to estimate the amount of financial assets that will eventually be written off as a result of the events occurring before the reporting date which the Bank is not able to identify on an individual financial asset basis and that can be reliably estimated.

- When the group of loan by nature short term, the Bank uses net flow rate method. Under this methodology the movement in the outstanding balance of customers into bad categories over the periods are used to estimate the amount of financial assets that will eventually be written off as a result of the events occurring before the reporting date which the Bank is not able to identify on an individual loan basis and that can be reliably estimated.

Under both methodologies, loans are grouped into ranges according to the number of days in arrears and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency and ultimately prove irrecoverable.

Current economic conditions and portfolio risk factors are also evaluated when calculating the appropriate level of allowance required to cover inherent loss. These additional macro and portfolio risk factors may include:

- Recent loan portfolio growth and product mix
- Unemployment rates
- Gross Domestic Production (GDP) Growth
- Inflation
- Exchange rates
- Interest rates
- Changes in government laws and regulations

(iii) Reversal of Impairment

If the amount of an impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the financial asset impairment allowance account accordingly. The write-back is recognized in the Statement of Profit or Loss.

(iv) Write-off of Financial Assets measured at Amortized Cost

Financial assets (and the related impairment allowance accounts) are normally written off either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, this is generally after receipt of any proceeds from the realization of security.

(v) Impairment of Rescheduled Loans and Advances

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate (EIR).

(vi) Collateral Valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the central bank (Nepal Rastra Bank). Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuator and audited financial statements.

(vii) Collateral Repossessed or Where Properties have Devolved to the Bank

The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. The immovable property acquired by foreclosure of collateral from defaulting customers, or which has devolved on the Bank as part settlement of debt, has not been accounted for as an investment property or as part of the assets of the Bank in accordance with directions issued by the Nepal Rastra Bank.

Collateral repossessed are considered as Non-Banking Assets, are the assets obtained as security for loans & advances subsequently taken over by the Bank in the course of loan recovery. Such assets are valued at fair market value or total amount due from the borrower, whichever is lower and the balance loan remaining is charged to profit and loss account in the same year. Provision for possible losses on non-banking assets equal to the takeover value is made in the year of takeover by a charge to the Income Statement.

Impairment of Financial Assets measured at fair value through OCI

For financial investments measured at fair value through OCI, Bank assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments, Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised, the impairment loss is reversed through the Income Statement.

In the case of equity investments classified as fair value through OCI, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss is removed from equity and recognized in the Statement of profit or loss. However, any subsequent increase in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

Bank writes-off certain financial investments measured at fair value through OCI when they are determined to be uncollectible.

Impairment of Non-Financial Assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or the fair value of the Cash Generating Units (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

5.5 Trading Assets

Financial assets such as government securities, equity etc. held for short term with an intention to trade have been classified as trading assets. Trading assets are measured at fair value with any changes in fair value being recognised in Profit or Loss.

5.6 Derivative assets and derivative liabilities

Derivative financial instruments such as forward foreign exchange contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation technique is forward pricing model which incorporates various inputs including foreign exchange spot and forward premiums.

5.7 Property and Equipment

Recognition

Property, plant and equipment are tangible items that are held for use in the production or supply of services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Bank applies the requirements of the Nepal Accounting Standard - NAS 16 (Property, Plant and Equipment) in accounting for these assets. Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably measured.

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of an item of property, plant & equipment. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of computer equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Cost Model

Property and equipment is stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

Revaluation Model

The Bank has not applied the revaluation model to the any class of freehold land and buildings or other assets. Such properties are carried at a previously recognised GAAP Amount.

On revaluation of an asset, any increase in the carrying amount is recognised in ‘Other comprehensive income’ and accumulated in equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of Profit or Loss. In this circumstance, the increase is recognised as income to the extent of previous write down. Any decrease in the carrying amount is recognised as an expense in the Statement of Profit or Loss or debited to the Other Comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that asset.

The decrease recognised in other comprehensive income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Subsequent Cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied within that part will flow to the Bank and it can be reliably measured. The cost of day to day servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of property, plant and equipment is included in the Statement of Profit or Loss when the item is derecognized. When replacement costs are recognized in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.

Depreciation

Depreciation is calculated by using the straight line method on cost or carrying value of property, plant & equipment other than freehold land.

Changes in Estimates

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Capital Work in Progress

These are expenses of capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalization. Capital work-in-progress would be transferred to the relevant asset when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work-in-progress is stated at cost less any accumulated impairment losses.

5.8 Intangible Assets

Recognition

An intangible asset is an identifiable non-monetary asset without physical substance, held for use in the production or supply of goods or services, for rental to others or for administrative purposes. An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost. Expenditure incurred on an intangible item that was initially recognised as an expense by the Bank in previous annual Financial Statements or interim Financial Statements are not recognised as part of the cost of an intangible asset at a later date.

Computer Software

Cost of purchased licenses and all computer software costs incurred, licensed for use by the Bank, which are not integrally related to associated hardware, which can be clearly identified, reliably measured, and it's probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category 'Intangible assets' and carried at cost less accumulated amortization and any accumulated impairment losses.

Goodwill

Goodwill, if any that arises upon the acquisition of Subsidiaries is included in intangible assets. Goodwill is measured at initial recognition in accordance with Note.

Subsequent Expenditure

Expenditure incurred on software is capitalized only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

Goodwill is measured at cost less accumulated impairment losses.

Amortization of Intangible Assets

Intangible Assets, except for goodwill, are amortized on a straight–line basis in the Statement of Profit or Loss from the date when the asset is available for use, over the best of its useful economic life based on a pattern in which the asset's economic benefits are consumed by the bank. Amortization methods, useful lives, residual values are reviewed at each financial year end and adjusted if appropriate. The Bank assumes that there is no residual value for its intangible assets.

Derecognition of Intangible Assets

The carrying amount of an item of intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. The gain or loss arising on de recognition of an item of intangible assets is included in the Statement of Profit or Loss when the item is derecognized.

5.9 Investment Property

Properties held to earn rental and or capital appropriation are recognised as investment property. Such properties are measured at cost.

5.10 Income Tax

As per Nepal Accounting Standard- NAS 12 (Income Taxes) tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income Tax expense is recognised in the statement of Profit or Loss, except to the extent it relates to items recognised directly in equity or other comprehensive income in which case it is recognised in equity or in other comprehensive income.

Current Tax

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

5.11 Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities have been measured at amortized cost. Bank has a policy to treat debt securities issue expenses up to 1% of debt securities issue price as immaterial thus the same has not been considered in computation of fair value of debt securities.

5.12 Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking in to account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows. A provision for onerous contracts is recognized when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

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

5.13 Revenue Recognition

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

Interest Income

For all financial instruments measured at amortized cost, interest bearing financial assets classified as measured at fair value through OCI and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as ’Interest income’ for financial assets and ’Interest and similar expense' for financial liabilities. However, for a reclassified financial asset for which the bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Bank has a policy to treat loan administration fees up to 1% of loan amount as immaterial thus the same has not been considered in computation of effective interest rate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and Commission Income

Fees earned for the provision of services over a period of time are accrued over the period, which include service fees and commission income. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan.

Dividend Income

Dividend income is recognized when the right to receive payment is established.

Net Trading Income

Net Trading Income includes all gains and losses from changes in fair value and related capital gain/loss and dividend from financial assets 'Held for Trading'.

Net income from other financial instrument measured at fair value through Profit or Loss

Net income from other financial instrument measured at fair value through Profit or Loss includes all gains/(losses) arised from the revaluation of financial instrument at fair value.

5.14 Interest expense

For all financial liabilities measured at amortized cost, interest expense is recognised using the EIR. EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liabilities or a shorter period, where appropriate, to the net carrying amount of the financial liability.

5.15 Employee Benefits

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which the Bank makes fixed contribution into a separate Bank account (a fund) and will have no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods as defined in Nepal Accounting Standards – NAS 19 (Employee Benefits).

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

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

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Accordingly, staff gratuity and leave encashment has been considered as defined benefit plans as per Nepal Accounting Standards – NAS 19 (Employee Benefits).

(a) Gratuity

An actuarial valuation is carried out every year to ascertain the full liability under gratuity.

Bank's obligation in respect of defined benefit obligation is calculated by estimating the amount of future benefit that employees have earned for their service in the current and prior periods and discounting that benefit to determine its present value, then deducting the fair value of any plan assets to determine the net amount to be shown in the Statement of Financial Position. The value of a defined benefit asset is restricted to the present value of any economic benefits available in the form of refunds from the plan or reduction on the future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirement that apply to any plan in Bank. An economic benefit is available to Bank if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Bank determines the interest expense on the defined benefit liability by applying the discount rate used to measure the defined benefit liability at the beginning of the annual period. The discount rate is the average yield on government bonds issued during the period having maturity of five years or more.

The demographic assumptions underlying the valuation are retirement age (58 years), early withdrawal from service and retirement on medical grounds.

(b) Unutilized Accumulated Leave

Bank's liability towards the accumulated leave which is expected to be utilized beyond one year from the end of the reporting period is treated as other long term employee benefits. Bank's net obligation towards unutilized accumulated leave is calculated by discounting the amount of future benefit that employees have earned in return for their service in the current and prior periods to determine the present value of such benefits. The discount rate is the average yield on government bonds issued during the period having maturity of five years or more. The calculation is performed using the Projected Unit Credit method. Net change in liability for unutilized accumulated leave including any actuarial gain and loss are recognized in the Statement of Profit or Loss under 'Personnel Expenses' in the period in which they arise.

5.16 Leases

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

Finance Lease

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance lease. When Bank is the lessor under finance lease, the amounts due under the leases, after deduction of unearned interest income, are included in, 'Loans & receivables from other customers', as appropriate. Interest income receivable is recognised in 'Net interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

When Bank is a lessee under finance leases, the leased assets are capitalized and included in 'Property, Plant and Equipment' and the corresponding liability to the lessor is included in 'Other liabilities'. A finance lease and its corresponding liability are recognized initially at the fair value of the asset or if lower, the present value of the minimum lease payments. Finance charges payable are recognised in 'Interest expenses' over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

Operating Lease

All other leases are classified as operating leases. When acting as lessor, Bank includes the assets subject to operating leases in 'Property, plant and equipment' and accounts for them accordingly. Impairment losses are recognized to the extent that residual values are not fully recoverable and the carrying value of the assets is thereby impaired.

When Bank is the lessee, leased assets are not recognized on the Statement of Financial Position. Rentals payable and receivable under operating leases are accounted for on a straight-line basis over the periods of the leases and are included in 'Other operating expenses' and 'Other operating income', respectively.

The bank recognized accrued lease for the period as an expense on incremental basis (as per lease term) considering the inflation factor as more systematic.

5.17 Foreign currency translation

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Nepalese Rupees using the spot foreign exchange rate ruling at that date and all differences arising on non-trading activities are taken to 'Other Operating Income' in the Statement of Profit or Loss. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the rates of exchange prevailing at the end of the reporting period.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items in foreign currency measured at fair value are translated using the exchange rates at the date when the fair value was determined.
Foreign exchange differences arising on the settlement or reporting of monetary items at rates different from those which were initially recorded are dealt with in the Statement of Profit or Loss. However, foreign currency differences arising on available-for-sale equity instruments are recognized in other comprehensive income.

5.18 Financial guarantee and loan commitments

Contingent Liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured as defined in the Nepal Accounting Standard- NAS 37 (Provisions, Contingent Liabilities and Contingent Assets).

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letter of credit and other undrawn commitments to lend. Letters of credit, guarantees and acceptances commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. They carry a similar credit risk to loans. Operating lease commitments of the Bank (as a lessor and as a lessee) and pending legal claims against the Bank too form part of commitments of the Bank. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote. But these contingent liabilities do contain credit risk and are therefore form part of the overall risk of the Bank.

Financial guarantees are initially recognised in the Statement of Financial Position (within 'other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortization recognised in the Statement of Profit or Loss, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to the financial guarantees is recorded in the Statement of Profit or Loss under 'Impairment Charges for Loans & other losses'. The premium received is recognised in the Statement of Profit or Loss under 'Net fees and commission income' on a straight line basis over the life of the guarantee.

5.19 Share capital and reserves

Share capital and reserves have been treated as equity instrument as per NAS 32 representing the net assets of the entity. Bank has a policy to treat share/debenture issue expenses upto 1% of issue amount as immaterial. Thus, same has not been deducted from capital/debenture and has been charged to profit or loss of relevant period.

5.20 Earnings per share including diluted

Bank presents basic and diluted Earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary equity holders of Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting both the profit and loss attributable to the ordinary equity holders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

6. Segmental Information

The bank has identified its four segments (treasury, card, remittance and banking) based on the business activities that each unit is engaged for the purpose of reviewing the operating result as well as to intervene business strategies. Management monitors the operating results of its business units independently for the purpose of making decisions about resource allocations and performance assessment. Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently as presented in financial statements. The bank has used Fund Transfer Pricing (FTP) method to recognize income/expense for inter segment transactions. The segmental financial information summarized below:

A. Information about reportable segments

Rs in '000'

Particular	Banking		Treasury		Card		Remittance		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	Current Quarter	Corresponding Previous Year Quarter
Revenues from external customers	7,752,496	5,792,295	777,909	552,080	88,681	87,090	12,861	10,654	8,631,948	6,442,119
Intersegment revenues	210,119	134,650	(208,081)	(127,157)	(1,604)	(6,137)	(433)	(1,357)	-	-
Net Revenue	7,962,615	5,926,946	569,829	424,923	87,077	80,953	12,428	9,297	8,631,948	6,442,119
Segment profit/ (loss) before tax	1,727,922	1,737,328	462,962	-	47,462	-	4,995	-	2,243,342	1,737,328
Segment assets	83,088,835	67,319,978	19,957,938	18,022,130	171,132	155,456	19,061	21,514	103,236,967	85,519,078
Segment liabilities	90,066,699	72,890,885	1,836,157	1,824,230	105,309	71,537	1,289	2,957	92,009,454	74,789,608

B. Reconciliation of reportable segment profit or loss

Rs in '000'

Particulars	Current Quarter	Corresponding Previous Year Quarter
Total profit before tax for reportable segments	2,243,342	1,737,328
Profit before tax for other segments	-	-
Elimination of inter-segment profit	-	-
Elimination of discontinued operation	-	-
Unallocated amounts:		
Other corporate expenses	-	-
Profit before tax	2,243,342	1,737,328

7. Related Parties Disclosures:

- Group represents Sanima Bank Ltd. and its 100% subsidiary Sanima Capital Ltd.
- All inter-company transactions are done on arm's length basis. All inter-company transactions and outstanding balances amongst group companies have been eliminated in the above statement related to group.
- The Bank had Rs. 74.23 million as various deposits of its subsidiary at this quarter end. The Bank paid net interest amount Rs. 2.47 million for the reported period.
- The Bank has entered into Service Level Agreement with its subsidiary to provide operational and technical assistance for a fee of Rs. 1.44 million for the year 2018-19.
- The Bank has appointed subsidiary company as the share registrar of the Bank.

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

The Bank has not proposed or paid any interim dividend on ordinary shares for FY 2075-76.The last dividend paid was the dividend payment of FY 2074-75 as approved by 14th AGM during the reporting period.

9. Issues, repurchases and repayments of debt and equity securities

The Bank had issued 10-year debenture amounting Rs. 1.35 billion with the face value of Rs. 1000/- each and 10% coupon rate, payable semi-annually after approval from SEBON.

10. Events after interim period

No circumstances have arisen and no material events have occurred since the reporting date, which require disclosures or adjustments to the financial statements.

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

There is no any merger or acquisition effecting the changes in the composition of the entity during the interim period as on Chaitra end, 2075.

धितोपत्र दर्ता तथा निष्काशन नियमावली २०७३ को अनुसूची १४ बमोजिमको विवरण

(नियम २६ को उपनियम (१) सँग सम्बन्धित)

१. वित्तीय विवरण

क) बैंकको आ.व. २०७५/७६ को तेस्रो त्रैमासको वित्तीय विवरण यसैसाथ प्रकाशित गरिएको छ।

ख) प्रमुख वित्तिय अनुपातहरु

प्रति शेयर आम्दानी (रु.)	२६।५२	प्रति शेयर कुल सम्पति (रु.)	१,२९०।२६
मुल्य आम्दानी अनुपात	११।९९	तरलता अनुपात (%)	२१।५७
प्रति शेयर नेटवर्थ (रु.)	१४०।३२		

२. व्यवस्थापकीय विश्लेषण

क) समिक्षा अवधिमा बैंकको नाफा, निक्षेप तथा कर्जा लगानीमा क्रमश बृद्धि हुँदै गएको छ।

ख) प्रस्तुत त्रैमासमा कर्जा लगानी योग्य रकमको अभावका कारण निक्षेप तथा कर्जाको बृद्धि दरमा कमी आएको छ। दिगो आर्थिक विकासको लागि बैंकले विश्वसनीय तवरबाट सदाझै बिशुद्ध बैंकिङ सुबिधा प्रदान तथा सरोकारवाालाहरुको हितको पनि संरक्षण गर्दै जानेछ। समिक्षा अवधिमा बैकले काठमाडौंको कान्तिपथ, पूतलिसडक, जोरपाटी र भक्तपूरको गट्ठाघरमा आफ्नो शाखा विस्तार गरि बैकिङ्ग सेवा उपलब्ध गराएको छ।

ग) समिक्षा अवधिमा बैंकको मौजदात, नाफा वा नगद प्रवाह तात्विक असर पार्ने घटना नभएको।

३. कानुनी कारवाही सम्वन्धी विवरण

क) त्रैमासिक अवधिमा संगठित संस्थाले वा संस्था विरुद्ध कुनै मुद्दा दायर भएको भए।

- यस त्रैमासमा बैंकको कर्जासंग सम्बन्धी मुद्दा बाहेक अन्य मुद्दा दायर नभएको।

ख) संगठित संस्थाको संस्थापक वा संचालकले संस्थापक वा संचालकको विरुद्धमा प्रचलित नियमको अवज्ञा वा फौजदारी अपराध गरेको सम्वन्धमा दायर मुद्धा।

- यस बैंकको जानकारीमा नरहेको।

ग) कुनै संस्थापक वा संचालक विरुद्ध आर्थिक अपराध गरेको सम्वन्धमा कुनै मुद्धा दायर भएको भए।

- यस बैकको जानकारीमा नरहेको।

४. संगठित संस्थाको शेयर कारोवार सम्वन्धी विश्लेषण

समिक्षा अवधिमा शेयरको अधिकतम, न्यूनतम र अन्तिम मूल्य, कुल कारोवार भएको दिन र कुल कारोवार भएको संख्या र शेयर विवरण देहाय वमोजिम रहेको छ।

अधिकतम मूल्य (रु.)	३२९	कुल कारोवार दिन	६०
न्यूनतम मूल्य (रु.)	२८६	कुल कारोवार संख्या	३,१२४
चैत्र मसान्तको अन्तिम मूल्य (रु.)	३१८	कुल कारोवार शेयर संख्या	८३१,१३४।००

५. समस्या तथा चुनौती

क) आन्तरिक समस्या तथा चुनौती

- आयको विविधिकरण।
- वित्तिय स्रोतको लागतमा बृद्धि।

ख) वाह्य समस्या र चुनौती

- वित्तिय स्रोतको अभाव।
- बैंक तथा वित्तीय संस्थाको वीच तीव्र प्रतिष्पर्धा।
- कर्जाको माग तथा निक्षेप बृद्धिमा सन्तुलन नहुनु ।

ग) रणनीति

- निक्षेप तथा कर्जाको विविधिकरण।
- आयआर्जन गर्ने नयाँ क्षेत्रहरु विस्तार तथा निक्षेप परिचालनमा जोड।
- समय सापेक्ष प्रविधिमा आधारित नयाँ सेवाहरुको विकास।
- पूजिँकोष बृद्धि।
- Core Banking System को आधुनिकिकरण।

६. संस्थागत सुशासन

- बैंक तथा वित्तीय संस्था सम्वन्धि ऐन, २०७३, नेपाल राष्ट्र बैंक द्धारा जारी गरिएका निर्देशन तथा परिपत्रहरुको पूर्ण रुपमा पालना गरिएको छ। संस्थागत सुशासनलाई सदैव उच्च प्राथमिकतामा राख्दै आएको र संस्थागत सुशासन सम्बन्धी निर्देशन तथा परिपत्रहरुको अक्षरस पालना गरिएको छ।
- आन्तरिक नियन्त्रण प्रणाली व्यवस्थित गर्न लेखापरीक्षण समिती (Audit Committee) गठन गरिएको छ जसले वाह्य र आन्तरिक लेखापरीक्षकवाट दिईएका सुझाव तथा निर्देशनहरुलाई कार्यान्वयन गराउनुका साथै, आन्तरिक नियन्त्रण प्रणालीलाई अझ सुदृढ वनाउन व्यवस्थापनलाई सल्लाह र सुझावहरु दिदै आईरहेको छ।
- कारोवारलाई छिटो, छरितो, चुस्त तथा वैज्ञानिक वनाउन तथा अन्य आवश्यक रणनीति तय गर्न व्यवस्थापन समिती (MANCOM), कर्जा पुनरावलोकन समिती (Credit Review Committee), सम्पत्ती⁄ दायित्व व्यवस्थापन समिती (ALCO) लगायतका विभिन्न समितिहरु क्रियासिल रहेका छन्।
- नेपाल राष्ट्र बैंकको निर्देशन, स्थलगत निरिक्षण प्रतिवेदन, आन्तरिक तथा बाह्य लेखापरीक्षण प्रतिवेदनमा औल्याईएका सुझाव तथा निर्देशनहरुलाई यस बैंकले सदैव पालना गर्दै आएको छ। संस्थागत सुशासनको पूर्ण पालना गर्दै यसलाई अझ सुदृढ वनाउँदै लैजान यस बैंकको संचालक समिती र व्यवस्थापन प्रतिवद्ध रहेको छ।

७. सत्यतथ्य सम्वन्धमा कार्यकारी प्रमुखको उद्घोषण

आजका मितिसम्म यस प्रतिवेदनमा उल्लेखित जानकारी तथा विवरणहरुको शुद्धता सम्वन्धमा म व्यक्तिगत रुपमा उत्तरदायित्व लिन्छु। साथै, म यो उद्घोष गर्दछु कि मैले जाने वुझेसम्म यस प्रतिवेदनमा उल्लेखित विवरणहरु सत्य, तथ्य र पुर्ण छन् र लगानीकर्ताहरुलाई सुसुचित निर्णय लिन आवश्यक कुनै विवरण, सुचना तथा जानकारीहरु लुकाईएको छैन।