

Nirdhan Utthan Laghubitta Bittiya Sanstha Limited

Bhagwati Bahal, Naxal, Kathmandu

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Unaudited Interim Financial Statements

Fiscal Year: 2081/2082

For the Period Ended Chaitra, 2081

Nirdhan Utthan Laghubitta Bittiya Sanstha Limited
Condensed Statement of Financial Position

As on Quarter Ended 31st Chaitra 2081

| Assets | This Quarter Ending (Provisional) | Immediate Previous Year Ending (Audited) |
|---|--------------------------------------|---|
| Cash and Cash equivalent | 1,250,444,067 | 2,076,026,449 |
| Statutory Balances and Due from Nepal Rastra Bank | 476,762,625 | 576,720,625 |
| Placement with Bank & Financial Institutions | - | 450,000,000 |
| Derivative Financial Instruments | - | - |
| Other Trading Assets | - | - |
| Loans and Advances to MFIs & Cooperatives | - | - |
| Loans and Advances to Customers | 24,083,244,253 | 24,126,806,408 |
| Investment Securities | 358,914,089 | 194,552,557 |
| Current Tax Assets | 58,965,712 | 24,680,645 |
| Investment Property | - | - |
| Property and Equipment | 227,947,456 | 231,998,067 |
| Goodwill and Intangible assets | 1,682,077 | 891,077 |
| Deferred Tax Assets | 303,651,708 | 303,651,708 |
| Other Assets | 320,536,844 | 324,081,735 |
| Total Assets | 27,082,148,831 | 28,309,409,271 |
| Liabilities | | |
| Due to Bank and Financial Institutions | - | - |
| Due to Nepal Rastra Bank | - | - |
| Derivative Financial Instrument | - | - |
| Deposits from Customers | 20,475,482,705 | 20,185,243,809 |
| Borrowing | 976,636,850 | 2,870,613,904 |
| Current Tax Liabilities | - | - |
| Provisions | 14,578,202 | 14,590,860 |
| Deferred Tax Liabilities | - | - |
| Other Liabilities | 181,493,054 | 283,348,846 |
| Debt Securities Issued | - | - |
| Subordinated Liabilities | - | - |
| Total Liabilities | 21,648,190,811 | 23,353,797,419 |
| Equity | | |
| Share Capital | 2,612,079,750 | 2,612,079,750 |
| Share Premium | 510,111 | 510,111 |
| Retained Earnings | 238,281,045 | (136,573,150) |
| Reserves | 2,583,087,113 | 2,479,595,140 |
| Total Equity | 5,433,958,020 | 4,955,611,852 |
| Total Liabilities and Equity | 27,082,148,831 | 28,309,409,271 |

Nirdhan Utthan Laghubitta Bittiya Sanstha Limited
Condensed Statement of Profit or Loss
For the Quarter ended 31st Chaitra 2081

| Particulars | Current Year | | Previous Year Corresponding | |
|---|--------------------|---------------------------------|-----------------------------|----------------------|
| | This Quarter | Upto This Quarter (Provisional) | This Quarter | Upto This Quarter |
| Interest Income | 803,959,435 | 2,553,488,045 | 943,968,599 | 2,764,559,977 |
| Interest Expense | 420,046,183 | 1,356,492,452 | 478,559,187 | 1,400,819,379 |
| Net Interest Income | 383,913,252 | 1,196,995,593 | 465,409,411 | 1,363,740,598 |
| Fee and Commission Income | 63,910,889 | 180,112,494 | 174,979,955 | 362,923,418 |
| Fee and Commission Expense | 18,753 | 312,776 | 553,778 | 1,789,223 |
| Net Fee and Commission Income | 63,892,136 | 179,799,717 | 174,426,177 | 361,134,195 |
| Net Interest, Fee and Commission Income | 447,805,388 | 1,376,795,310 | 639,835,588 | 1,724,874,793 |
| Net Trading Income | - | - | - | - |
| Other Operating Income | 364,076,254 | 725,847,927 | - | - |
| Total Operating Income | 811,881,642 | 2,102,643,237 | 639,835,588 | 1,724,874,793 |
| Impairment charge/(reversal) for loans and other losses | (158,996,617) | 417,936,952 | (27,549,343) | 508,227,315 |
| Net Operating Income | 970,878,259 | 1,684,706,285 | 667,384,931 | 1,216,647,478 |
| Operating Expense | | | | |
| Personnel Expenses | 265,902,198 | 712,445,945 | 240,525,437 | 685,492,381 |
| Other Operating Expenses | 27,799,052 | 87,286,906 | 27,508,179 | 85,369,146 |
| Depreciation & Amortization | 6,018,362 | 12,656,733 | 3,287,240 | 13,783,421 |
| Operating Profit | 671,158,647 | 872,316,701 | 396,064,075 | 432,002,530 |
| Non Operating Income | 330,296 | 503,535 | 178,800 | 802,204 |
| Non Operating Expense | 141,700 | 7,158,254 | - | - |
| Profit before Income Tax | 671,347,243 | 865,661,981 | 396,242,875 | 432,804,735 |
| Income Tax Expense | 326,785,258 | 385,079,680 | 245,976,057 | 256,944,615 |
| Current Tax | 326,785,258 | 385,079,680 | 245,976,057 | 256,944,615 |
| Deferred Tax | - | - | - | - |
| Profit for the Period | 344,561,985 | 480,582,301 | 150,266,818 | 175,860,119 |

Statement of Comprehensive Income

| Profit for the Period | 344,561,985 | 480,582,301 | 150,266,818 | 175,860,119 |
|--|--------------------|--------------------|--------------------|--------------------|
| 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 | - | - | - | - |
| • Gain/(loss) on Revaluation | - | - | - | - |
| • Actuarial gain/(loss) on defined benefit plans | - | - | - | - |
| • Income tax relating to above items | - | - | - | - |
| Net other comprehensive income that will not be reclassified to profit or loss | - | - | - | - |
| 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 | - | - | - | - |
| Net other comprehensive income that are or may be reclassified to profit or loss | - | - | - | - |
| c) Share of other comprehensive income of associate accounted as per equity method | - | - | - | - |
| Other comprehensive income for the period, net of | - | - | - | - |
| Total comprehensive income for the period | - | - | - | - |
| Profit for the Period | 344,561,985 | 480,582,301 | 150,266,818 | 175,860,119 |
| Total | 344,561,985 | 480,582,301 | 150,266,818 | 175,860,119 |
| Earnings Per Share | | | | |
| Basic Earnings Per Share | | 18.40 | | 6.73 |
| Annualized Basic Earnings Per Share | | 24.53 | | 8.98 |
| Diluted Earnings Per Share | | 24.53 | | 8.98 |

Statement of Distributable Profit or Loss
For the Quarter ended 31st Chaitra 2081
(As per NRB Regulation)

| Particulars | Current year Upto this Qtr YTD | Previous Year Corresponding Qtr YTD |
|---|-----------------------------------|---|
| Net profit or (loss) as per statement of profit or loss | 480,582,301 | 175,860,119 |
| <u>Appropriations:</u> | | |
| a. General reserve | 96,116,460 | 35,172,024 |
| b. Foreign exchange fluctuation fund | | |
| c. Capital redemption reserve | | |
| d. Corporate social responsibility fund | 4,805,823 | 1,758,601 |
| e. Employees' training fund | | |
| f. Client Protection Fund | 4,805,823 | 1,758,601 |
| g. Other | | |
| Profit or (loss) before regulatory adjustment | 374,854,195 | 137,170,893 |
| <u>Regulatory adjustment :</u> | | |
| a. Interest receivable (-)/previous accrued interest received (+) | | |
| b. Short loan loss provision in accounts (-)/reversal (+) | | |
| c. Short provision for possible losses on investment (-)/reversal (+) | | |
| d. Short loan loss provision on Non Banking Assets (-)/reversal (+) | | |
| e. Deferred tax assets recognized (-)/ reversal (+) | | |
| f. Goodwill recognized (-)/ impairment of Goodwill (+) | | |
| g. Bargain purchase gain recognized (-)/reversal (+) | | |
| h. Actuarial loss recognized (-)/reversal (+) | | |
| i. Other (+/-) | | |
| <u>Total of Regulatory Reserve :</u> | - | - |
| <u>Net Profit for the period available for Distribution</u> | 374,854,195 | 137,170,893 |
| Opening Retained Earning | (136,573,150) | (357,515,437) |
| Adjustment (+/-) | - | |
| Distribution | | |
| Bonus Shares issued | | |
| Cash Dividend paid | | |
| <u>Total Distributable profit</u> | 238,281,045 | (220,344,545) |
| <i>Annualised Distributable Profit/Loss per share</i> | 12.16 | (11.25) |

Notes:

- 1 Above financial statements are prepared in accordance with Nepal Financial Reporting Standards(NFRS) and certain Carve-outs issued by the Institute of Chartered Accountants of Nepal (ICAN). These figures may vary at the instances of statutory auditors and regulators.
- 2 The detailed interim financial report has been published in the website (<https://www.nirdhan.com.np>)
- 3 Loans and Advances are presented net of impairment charges and includes staff loans
- 4 Actuarial Valuation will be done for Employee Benefits
- 5 Personnel Expenses also include employee's bonus provision.
- 6 The above figures are subject to change upon otherwise as per the direction of the Regulators and/or Statutory Auditor
- 7 Opening Retained Earning for Corresponding Previous Year Quarter is as per Auidted Financial Report for FY 2079-80.

Nirdhan Utthan Laghubitta Bittiya Sanstha Limited
Condensed Statement of Changes in Equity
For the Period Shrawan 1, 2081 to 31st Chaitra 2081

| Particulars | Share Capital | Share Premium | General Reserve | Exchange Equalization Reserve | Regulatory Reserve | Fair Value Reserve | Revaluation Reserve | Reschedule & Restructure Reserve | Retained Earnings | Other Reserves | Total |
|--|----------------------|----------------|----------------------|-------------------------------|----------------------|--------------------|---------------------|----------------------------------|------------------------|---------------------|----------------------|
| Balance at Shrawan 1, 2079 | 2,195,025,000 | 510,111 | 1,137,198,688 | 709,566 | 488,948,193 | - | - | - | 487,303,543 | 317,926,968 | 4,627,622,069 |
| Adjustment/Restatement | - | - | - | - | (117,019,889) | - | - | - | 204,438,919 | (87,419,030) | - |
| Comprehensive Income for the Year | - | - | - | - | - | - | - | - | 169,958,114 | - | 169,958,114 |
| Profit for the Period | - | - | - | - | - | - | - | - | 169,958,114 | - | 169,958,114 |
| Other comprehensive income, Net of tax | - | - | - | - | - | - | - | - | - | - | - |
| Gains(losses) from investments in equity Instruments measured at fair value | - | - | - | - | - | - | - | - | - | - | - |
| Gains(losses) on revaluation | - | - | - | - | - | - | - | - | - | - | - |
| Actuarial gains(losses) on defined benefit plans | - | - | - | - | - | - | - | - | 81,798,162 | - | 81,798,162 |
| Gains(losses) on cash flow hedge | - | - | - | - | - | - | - | - | - | - | - |
| Exchange gains(losses) (arising from translating financial assets of foreign operations) | - | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | - | - | - | - | 281,756,276 | - | 281,756,276 |
| Transfer to reserve during the year | - | - | - | - | - | - | - | - | (3,399,162) | 97,835,848 | 94,436,686 |
| Transfer from reserve during the year | - | - | 33,991,623 | - | 302,644,502 | - | - | 298,403,345 | (729,476,156) | (36,519,864) | (130,956,550) |
| Transactions with owners, directly recognised in equity | - | - | - | - | - | - | - | - | - | - | - |
| Share issued | - | - | - | - | - | - | - | - | - | - | - |
| Share based payments | - | - | - | - | - | - | - | - | - | - | - |
| Transfer to Employees' training fund | - | - | - | - | - | - | - | - | - | - | - |
| Previous Year Adjustment of Housing Loan | - | - | - | - | - | - | - | - | (129,133,856) | - | (129,133,856) |
| Dividends to equity holders | 417,054,750 | - | - | - | - | - | - | - | (417,054,750) | - | - |
| > Bonus shares issued | - | - | - | - | - | - | - | - | - | - | - |
| > Cash dividend paid | - | - | - | - | - | - | - | - | (21,950,250) | - | (21,950,250) |
| Other | - | - | - | - | - | - | - | - | - | - | - |
| Total contributions by and distributions | 417,054,750 | - | 33,991,623 | - | 302,644,502 | - | - | 298,403,345 | (1,301,014,175) | 61,315,984 | (187,603,970) |
| Balance at Ashad end 2080 | 2,612,079,750 | 510,111 | 1,171,190,311 | 709,566 | 674,572,806 | - | - | 298,403,345 | (357,515,437) | 291,823,923 | 4,691,774,375 |
| Balance at Shrawan 1, 2080 | 2,612,079,750 | 510,111 | 1,171,190,311 | 709,566 | 674,572,806 | - | - | 298,403,345 | (357,515,437) | 291,823,923 | 4,691,774,375 |
| Comprehensive Income for the Year | - | - | - | - | - | - | - | - | 266,248,560 | - | 266,248,560 |
| Profit for the Period after necessary Adjustment | - | - | - | - | - | - | - | - | 266,248,560 | - | 266,248,560 |
| Other comprehensive income, Net of tax | - | - | - | - | - | - | - | - | - | - | - |
| Gains(losses) from investments in equity Instruments measured at fair value | - | - | - | - | - | - | - | - | - | - | - |
| Gains(losses) on revaluation | - | - | - | - | - | - | - | - | - | - | - |
| Actuarial gains(losses) on defined benefit plans | - | - | - | - | - | - | - | - | 8,503,885 | - | 8,503,885 |
| Gains(losses) on cash flow hedge | - | - | - | - | - | - | - | - | - | - | - |
| Exchange gains(losses) (arising from translating financial assets of foreign operations) | - | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | - | - | - | - | 274,752,445 | - | 274,752,445 |
| Transfer to reserve during the year | - | - | 53,249,712 | - | (14,422,015) | - | - | (9,834,067) | - | 24,816,527 | 78,066,239 |
| Transfer from reserve during the year | - | - | - | - | - | - | - | - | (53,810,157) | (10,914,968) | (88,981,207) |
| Transactions with owners, directly recognised in equity | - | - | - | - | - | - | - | - | - | - | - |
| Share issued | - | - | - | - | - | - | - | - | - | - | - |
| Share based payments | - | - | - | - | - | - | - | - | - | - | - |
| Dividends to equity holders | - | - | - | - | - | - | - | - | - | - | - |
| > Bonus shares issued | - | - | - | - | - | - | - | - | - | - | - |
| > Cash dividend paid | - | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - | - |
| Total contributions by and distributions | - | - | - | - | - | - | - | - | - | - | - |
| Balance at 31st Ashad 2081 | 2,612,079,750 | 510,111 | 1,224,440,023 | 709,566 | 660,150,791 | - | - | 288,569,278 | (136,573,150) | 305,725,482 | 4,955,611,852 |
| Balance at Shrawan 1, 2081 | 2,612,079,750 | 510,111 | 1,224,440,023 | 709,566 | 660,150,791 | - | - | 288,569,278 | (136,573,150) | 305,725,482 | 4,955,611,852 |
| Comprehensive Income for the Year | - | - | - | - | - | - | - | - | 480,582,301 | - | 480,582,301 |
| Profit for the Period | - | - | - | - | - | - | - | - | 480,582,301 | - | 480,582,301 |
| Other comprehensive income, Net of tax | - | - | - | - | - | - | - | - | - | - | - |
| Gains(losses) from investments in equity Instruments measured at fair value | - | - | - | - | - | - | - | - | - | - | - |
| Gains(losses) on revaluation | - | - | - | - | - | - | - | - | - | - | - |
| Actuarial gains(losses) on defined benefit plans | - | - | - | - | - | - | - | - | - | - | - |
| Gains(losses) on cash flow hedge | - | - | - | - | - | - | - | - | - | - | - |
| Exchange gains(losses) (arising from translating financial assets of foreign operations) | - | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | - | - | - | - | 480,582,301 | - | 480,582,301 |
| Transfer to reserve during the year | - | - | 96,116,460 | - | - | - | - | - | - | 9,611,646 | 105,728,106 |
| Transfer from reserve during the year | - | - | - | - | - | - | - | - | (105,728,106) | (2,236,133) | (107,964,239) |
| Transactions with owners, directly recognised in equity | - | - | - | - | - | - | - | - | - | - | - |
| Share issued | - | - | - | - | - | - | - | - | - | - | - |
| Share based payments | - | - | - | - | - | - | - | - | - | - | - |
| Dividends to equity holders | - | - | - | - | - | - | - | - | - | - | - |
| > Bonus shares issued | - | - | - | - | - | - | - | - | - | - | - |
| > Cash dividend paid | - | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - | - |
| Total contributions by and distributions | - | - | - | - | - | - | - | - | - | - | - |
| Balance at 31st Chaitra 2081 | 2,612,079,750 | 510,111 | 1,320,556,483 | 709,566 | 660,150,791 | - | - | 288,569,278 | 238,281,045 | 313,100,995 | 5,433,958,020 |

Nirdhan Utthan Laghubitta Bittiya Sanstha Limited

Statement of Cash Flows

For the Period ended 31st Chaitra 2081

| Particulars | Upto This Quarter | Corresponding Previous Upto This Quarter |
|--|----------------------|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Interest received | 2,553,488,045 | 2,764,559,977 |
| Fees and other income received | 180,112,494 | 362,923,418 |
| Divided received | - | - |
| Receipts from other operating activities | 725,847,927 | 802,204 |
| Interest paid | (1,356,492,452) | (1,400,819,379) |
| Commission and fees paid | (312,776) | (1,789,223) |
| Cash payment to employees | (712,445,945) | (685,492,381) |
| Other expense paid | (87,286,906) | (85,369,146) |
| Operating cash flows before changes in operating assets and liabilities | 1,302,910,386 | 954,815,470 |
| (Increase)/Decrease in operating assets | | |
| Due from Nepal Rastra Bank | 99,958,000 | (19,596,518) |
| Placement with bank and financial institutions | 450,000,000 | - |
| Other trading assets | - | - |
| Loan and advances to bank and financial institutions | - | - |
| Loans and advances to customers | (374,374,797) | (548,219,623) |
| Other assets | (30,740,176) | 1,878,942 |
| Increase/(Decrease) in operating liabilities | | |
| Due to bank and financial institutions | - | - |
| Due to Nepal Rastra Bank | - | - |
| Deposit from customers | 290,238,896 | 663,649,458 |
| Borrowings | (1,893,977,054) | (54,985,504) |
| Other liabilities | (101,868,450) | 38,106,166 |
| Net cash flow from operating activities before tax paid | (257,853,196) | 1,035,648,391 |
| Income taxes paid | (385,079,680) | (256,944,615) |
| Net cash flow from operating activities | (642,932,876) | 778,703,776 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investment securities | (164,361,532) | (8,225,000) |
| Receipts from sale of investment securities | - | - |
| Purchase of property and equipment | (8,606,121) | (7,335,822) |
| Receipt from the sale of property and equipment | - | - |
| Purchase of intangible assets | (791,000) | - |
| Receipt from the sale of intangible assets | - | - |
| Purchase of investment properties | - | - |
| Receipt from the sale of investment properties | - | - |
| Interest received | - | - |
| Dividend received | - | - |
| Net cash used in investing activities | (173,758,654) | (15,560,822) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Receipt from issue of debt securities | - | - |
| Repayment of debt securities | - | - |
| Receipt from issue of subordinated liabilities | - | - |
| Repayment of subordinated liabilities | - | - |
| Receipt from issue of shares | - | - |
| Dividends paid | - | - |
| Interest paid | - | - |
| Other receipt/payment | (8,890,853) | (6,552,863) |
| Net cash from financing activities | (8,890,853) | (6,552,863) |
| Net increase (decrease) in cash and cash equivalents | (825,582,382) | 756,590,091 |
| Cash and cash equivalents at 1st Shrawan 2081 | 2,076,026,449 | 1,822,432,593 |
| Effect of exchange rate fluctuations on cash and cash equivalents held | - | - |
| Cash and cash equivalents at 31st Chaitra 2081 | 1,250,444,067 | 2,579,022,685 |

Ratios as per NRB Directive

| Particulars | Current Year | | Previous Year Corresponding | |
|---|--------------|-------------------|-----------------------------|-------------------|
| | This Quarter | Upto This Quarter | This Quarter | Upto This Quarter |
| Capital fund to RWA | | 14.62% | | 11.72% |
| Non-performing loan (NPL) to total loan | | 9.09% | | 10.77% |
| Total loan loss provision to Total NPL | | 127.81% | | 95.19% |
| Cost of Funds | | 8.27% | | 8.24% |
| Credit to Deposit and borrowing Ratio | | 122.03% | | 111.18% |
| Base Rate | | 11.94% | | 12.94% |
| Interest Rate Spread | | 6.68% | | 5.44% |

Nirdhan Utthan Laghubitta Bittiya Sanstha Limited
Notes to the Interim Financial Statements
For the Period Ended Chaitra, 2081

1 Basis of Preparation

The Interim Financial Statements have been prepared on going concern basis and under the accrual basis of accounting as prescribed by Nepal Financial Reporting Standards (NFRSs), as published by the Accounting Standards Board (ASB). The preparation and presentation of the Interim Financial Statements comply with the requirements of format issued by Nepal Rastra Bank via Unified Directives to Microfinance FIs, 2079.

2 Statement of Compliance with NFRS

The Interim financial statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRSs) to the extent applicable with allowed carve-outs as issued by the Accounting Standards Board (ASB) Nepal.

3 Use of Estimates, Assumptions, and Judgements

The Financial Institution, while complying with reporting standards, makes critical accounting judgments based on the latest available, reliable information. An estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience. During the preparation of the Interim financial statements, NFRS requires the management to make critical accounting judgments, estimates, and assumptions in applying the accounting policies that have a material impact on the financial statements. The underlying assumption made while making accounting estimates are periodically reviewed and such revision is recognized in the period in which the estimates are revised and are applied prospectively.

4 Changes in Accounting policies

The Financial Institution applies its accounting policies consistently from year to year except where deviations have been explicitly mentioned.

5 Significant Accounting Policies

5.1 Basis of Measurement

The Interim financial statements are prepared on the historical-cost basis except for the following material items in the statement of financial position:

- Defined benefit schemes, surpluses and deficits are measured at fair value.
- Liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation less the fair value of the plan assets.
- Investment securities has been measured at fair value under NFRS 9 "Financial Instruments".
- Financial assets and liabilities at fair value through profit or loss or other comprehensive income are measured at fair value.
- Financial assets and financial liabilities held at amortized cost at measured using a rate that is a close approximation of effective interest rate.

The Interim financial statements have been presented in nearest Nepalese Rupee (NPR), which is the functional and presentation currency of the Financial Institution. The Profit and loss has been prepared using classification 'by nature' method and Cash Flows prepared using direct method.

5.2 Cash and cash equivalent

Cash and cash equivalent comprise of the total amount of cash-in-hand, balances with other bank and financial institutions, money at call, short notice and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the management of its short-term commitments.

5.3 Financial assets and financial liabilities

Financial assets refer to assets that arise from contractual agreements that result in future cash inflows or from owning equity instruments of another entity. Since financial assets derive their value from a contractual claim.

Financial liabilities are obligations that arise from contractual agreements and that require settlement by way of delivering cash or another financial asset. Settlement could also require exchanging other financial assets or financial liabilities under potentially unfavorable conditions.

Recognition

The Financial Institution initially recognizes a financial asset or a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. The Financial Institution initially recognize loans and advances, deposits, and debt securities/subordinated liabilities issued on the date that they are originated which is the date that the Financial Institution becomes party to the contractual provisions of the instruments. Investments in equity instruments, bonds, debentures, Government securities, NRB bond or deposit auction, reverse repos, outright purchase are recognized on trade date at which the Financial Institution commits to purchase/acquire the financial assets. Regular purchase and sale of financial assets are recognized on trade date. All financial assets and liabilities are initially recognized at their cost value and are subsequently presented as per NFRS based on the respective classification.

Classification and Measurement

i. Financial Assets

The Financial Institution classifies the financial assets as subsequently measured at amortized cost or fair value on the basis of the Financial Institution's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

ii. Financial Liabilities

The Financial Institution classifies the financial liabilities as follows:

- a) *Financial liabilities at fair value through profit or loss*
Financial liabilities are classified as fair value through profit or loss (FVTPL) if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost is directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. Subsequent changes in fair value are recognized at profit or loss.
- b) *Financial liabilities measured at amortized cost*
All financial liabilities other than measured at fair value though profit or loss are classified as subsequently measured at amortized cost using effective interest method.

De-recognition

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

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 in the principal or, in its absence, the most advantageous market to which the Financial Institution has access at that date. The fair value of a liability reflects its non-performance risk.

The fair value measurement hierarchy is as follows:

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

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

Level 3 portfolios are those where there are unobservable inputs of the instruments. The inputs are not based on observable market data.

5.4 Property and Equipment

a) Recognition and Measurement

Property and Equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Financial Institution and the cost of the asset can be reliably measured.

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss if any. Neither class of the property and equipment are measured at revaluation model nor is their fair value measured at the reporting date. Any gain or losses on de-recognition of an item of property and equipment is recognized in profit or loss.

c) Depreciation

Property and Equipment's are depreciated from the date they are available for use on Straight Line method over the estimated useful life as determined by the Management. Depreciation is charged to profit or loss. Land is not depreciated. Charging of depreciation is ceased from earlier of: the date from which the asset is classified as held for sale or from the date of de recognition. The estimated useful life of significant items of property and equipment for current year and comparative period are as follows:

| Class of Assets | Useful Life |
|------------------------------------|-------------|
| Building | 30 Years |
| Computer and Accessories | 5 Years |
| Vehicles | 5 years |
| Furniture, Fixture and Equipment's | 10 Years |

Assets costing less than NPR 3,000 are fully expensed in the year of purchase.

5.5 Income tax

Tax expense is the aggregate amount included in the determination of profit or loss for the period in respect of current and deferred taxes. The Financial Institution applies NAS 12 – "Income Taxes" for the accounting of Income Tax. Income tax expense is recognized in profit or loss, except to the extent it relates to items recognized directly in equity or directly in other comprehensive income. Tax expense relating to items recognized directly in other comprehensive income is recognized in the Statement of Other Comprehensive Income.

Current Tax

Current tax comprises the amount of income taxes payable (or recoverable) in respect of the taxable profit (or tax loss) for the reporting period, and any amount adjusted to the tax payable (or receivable) in respect of previous years. It is measured using tax rates enacted, or substantively enacted, at the reporting date. The Financial Institution has determined tax provision for the reported period based on its accounting profit for that period, and incorporating the effects of adjustments for taxation purpose as required under the Income Tax Act, 2058 and amendments thereto, using a corporate tax rate of 30%.

Deferred Tax

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences.

Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of:

- (a) deductible temporary differences;
- (b) the carry forward of unused tax losses; and
- (c) the carry forward of unused tax credits.

Deferred tax is recognized at the reporting date in respect of temporary differences between the carrying amounts of assets or liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes.

5.6 Deposits liabilities

The Financial Institution's deposits consist of money placed into the Financial Institution by its customers and members. These deposits are made to deposit accounts such as term deposit accounts, savings deposit accounts.

5.7 Provisions

Provisions are recognized when the Financial Institution has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. A provision is a recognized obligation, which is relatively imminent, and is a reasonable estimate of that obligation at that time. The distinction between an accrual and a provision is that an accrual can be calculated exactly, whereas a provision is the best estimate of the obligation.

A commitment or contingency is a liability for which it is uncertain as to whether it will become an obligation as it depends on the occurrence of an uncertain future event. These amounts are recorded off-balance sheet.

5.8 Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Financial Institution and can be measured reliably.

Interest income

Interest income is recognized under an accrual basis in the profit or loss for all interest-bearing financial assets except loans categorized as bad loans measured at amortized cost. Effective Interest Rate is the rate that exactly discounts estimated future cash receipts or cash payments through the expected life of a financial asset to the net carrying amount of the financial asset.

Fee and commission income

Fees and commission income that is integral to the effective interest rate on a financial asset is included in the measurement of effective interest rate. Other fees and commission income including management fees, service charges are recognized as and when the related services are performed.

Dividend income

A dividend on investment in a resident company is recognized when the right to receive payment is established.

Net income from other financial instruments at fair value through profit or loss

The Financial Institution presents income other than those presented under interest income, fees and commission income under this heading. Income recognized here includes items such as foreign exchange revaluation gain or loss; dividend on equity investments that are measured at FVTOCI; gain or loss on disposal of property and equipment; gain and loss on disposal of investment property; and gain or loss on disposal of investment securities except for equity investments measured at FVTOCI.

5.9 Interest expense

Interest expenses on all financial liabilities including deposits are recognized in profit or loss using the effective interest rate method.

5.10 Employees Benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. The Financial Institution's remuneration package includes both short term and long-term benefits and comprises of: salary, allowances, paid leave, accumulated leave, gratuity, provident fund and annual statutory bonus. The Financial Institution applies NAS 19 – "Employee Benefits" in accounting of all employee benefits and recognizes the followings in its financial statements:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the Financial Institution consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

5.11 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. Lease payments under an operating lease to be recognized as an expense when accrued as the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

5.12 Share capital and reserves

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue available number of own equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as deduction net of taxes from the proceeds. Dividends and other returns to equity holders are recognized when the owner's right to receive payment is established.

5.13 Earnings per share including diluted

Basic earnings per equity share are computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year. The entity does not hold any dilutive potential ordinary shares, and hence the Basic EPS itself is the Diluted EPS.

6 Segmental Information

A Information about profit or loss, assets, and liabilities ('000)

| Particulars | Kedah Province | | Maulabsh Province | | Bajau Province | | Gandaki Province | | Lambis Province | | Karnali Province | | Sudurpachhim Province | | All Other | | 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 | 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 Customer | 360,671 | 326,793 | 1,080,750 | 903,324 | 457,065 | 401,193 | 177,717 | 153,019 | 943,080 | 831,983 | 207,039 | 170,252 | 329,046 | 287,705 | 503,105 | 761,278 | 4,059,373 | 3,836,047 |
| Intersegment Revenues | 86,485 | 75,922 | 213,016 | 225,708 | 6,285 | 59,525 | 28,566 | 18,874 | 59,368 | 19,414 | 9,113 | 9,091 | 17,603 | 30,304 | 244,568 | 401,180 | 0 | - |
| Segment Profit (Loss) before tax | 53,287 | 73,804 | 214,107 | 64,949 | 114,561 | 22,427 | 54,260 | 35,821 | 262,334 | 124,242 | 56,170 | 26,373 | 74,528 | 41,382 | 132,601 | 71,721 | 961,847 | 460,719 |
| Segment Assets | 1,832,198 | 1,875,283 | 4,867,252 | 4,923,406 | 2,916,898 | 2,630,742 | 1,327,082 | 1,223,937 | 6,874,238 | 6,268,033 | 1,327,119 | 1,254,364 | 2,168,007 | 2,019,373 | 6,921,204 | 9,452,270 | 28,233,999 | 29,647,409 |
| Segment Liabilities | 1,778,911 | 1,801,480 | 4,653,145 | 4,858,457 | 2,802,337 | 2,608,315 | 1,272,822 | 1,188,116 | 6,611,905 | 6,143,791 | 1,270,949 | 1,227,991 | 2,093,479 | 1,977,991 | 7,269,868 | 9,665,408 | 27,753,417 | 29,471,549 |

B Reconciliation of Reportable Segment profit or loss ('000)

| Particulars | Current Quarter | Corresponding Previous Year Quarter |
|---|-----------------|-------------------------------------|
| Total Profit before tax for Reportable Segments | 829,246 | 388,998 |
| Profit before tax for Other Segments | 132,601 | 71,721 |
| Elimination of Inter-Segment Profit | - | - |
| Elimination of Discontinued Operation | - | - |
| Unallocated amounts: | | |
| - Other corporate expenses | 96,185 | 27,914 |
| Profit Before Tax | 865,662 | 432,805 |

7 Related Party Disclosure

In the Ordinary course of its business operations the Financial Institution has conducted commercial transactions with parties who are defined as related parties in NAS 24 "Related Party Disclosure". All those transactions were conducted on an arm's length price basis.

Compensation of Board of Directors

| Particulars | Amount |
|---------------------|----------------|
| Meeting Fees | 625,000 |
| Telephone Allowance | 92,350 |
| Other Meeting Fees | 274,001 |
| Total | 991,351 |

Compensation of Chief Executive Officer

| Particulars | Amount |
|------------------------------|------------------|
| Short Term Employee Benefits | 2,157,452 |
| Bonus | 318,572 |
| Post Employee Benefits | - |
| Other Long-Term Benefits | 120,000 |
| Total | 2,596,024 |

8 Dividend Paid

None

9 Issue, Purchase, and Repayment of Debt and equity securities

None.

10 Events after Interim Period

All adjusting events are adjusted in the books with additional disclosures and non-adjusting material events are disclosed in the notes with possible financial impact, to the extent ascertainable.

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

There is no any change in the composition of the Financial Institution during the interim period including merger and acquisitions deals.