



# **RASTRIYA BANIJYA BANK LIMITED**

## **INTERIM FINANCIAL STATEMENTS**

### **SECOND QUARTER**

### **OF**

### **FINANCIAL YEAR 2076/77**



# Rastriya Banijya Bank Limited

## Condensed Consolidated Statement of Financial Position

### As on 2076 Poush End (14 January 2020)

Amount is Rs.

Particulars	Group		Bank	
	This Quarter Ending	Immediate Previous Year Ending	This Quarter Ending	Immediate Previous Year Ending
<b>Assets</b>				
Cash and cash equivalent	9,941,865,090	8,202,478,030	9,933,567,602	8,194,978,236
Due from Nepal Rastra Bank	11,788,441,665	12,359,997,257	11,788,441,665	12,359,997,257
Placement with Bank and Financial Institutions	272,160,000	373,490,000	272,160,000	373,490,000
Derivative financial instruments.	-	-	-	-
Other trading assets	-	-	-	-
Loan and advances to B/FIs	4,300,955,200	4,537,605,600	4,300,955,200	4,537,605,600
Loans and advances to customers	147,897,991,689	142,022,875,931	147,897,991,689	142,022,875,931
Investment securities	44,240,177,046	40,260,548,334	44,171,277,683	40,181,642,944
Current tax assets	2,063,326,522	2,428,488,970	2,063,326,522	2,425,828,777
Investment in subsidiaries	-	-	200,000,000	200,000,000
Investment in associates	97,858,000	131,441,537	97,858,000	97,858,000
Investment property	114,812,504	114,812,504	114,812,504	114,812,504
Property and equipment	1,258,522,464	1,128,281,073	1,251,594,821	1,124,034,040
Goodwill and Intangible assets	58,419,655	44,782,227	58,419,655	44,603,617
Deferred tax assets	310,881,658	500,436,244	310,881,658	389,021,830
Other assets	2,627,971,551	14,343,155,238	2,623,925,389	14,343,429,145
<b>Total Assets</b>	<b>224,973,383,044</b>	<b>226,448,392,946</b>	<b>225,085,212,388</b>	<b>226,410,177,881</b>
<b>Liabilities</b>				
Due to Bank and Financial Institutions	1,761,974,271	7,860,034,385	1,761,974,271	7,860,034,385
Due to Nepal Rastra Bank	287,067,423	352,044,206	287,067,423	352,044,206
Derivative financial instruments	-	-	-	-
Deposits from customers	194,780,168,107	189,140,853,862	194,901,927,399	189,255,335,577
Borrowing	60,338,621	60,687,258	60,338,621	60,687,258
Current Tax Liabilities	-	-	-	-
Provisions	292,493,506	355,873,853	292,493,506	355,873,853
Deferred tax liabilities	-	-	-	-
Other liabilities	4,889,183,639	6,941,468,574	4,887,414,036	6,940,399,014
Debt securities issued	-	-	-	-
Subordinated Liabilities	-	-	-	-
<b>Total liabilities</b>	<b>202,071,225,567</b>	<b>204,710,962,138</b>	<b>202,191,215,256</b>	<b>204,824,374,293</b>
<b>Equity</b>				
Share capital	9,004,795,700	9,004,795,700	9,004,795,700	9,004,795,700
Share premium	-	-	-	-
Retained earnings	1,415,172,635	1,806,085,133	1,407,012,290	1,394,490,944
Reserves	12,482,189,142	10,926,549,975	12,482,189,142	11,186,516,944
<b>Total equity attributable to equity holders</b>	<b>22,902,157,477</b>	<b>21,737,430,808</b>	<b>22,893,997,132</b>	<b>21,585,803,588</b>
<b>Non-controlling interest</b>	-	-	-	-
<b>Total equity</b>	<b>22,902,157,477</b>	<b>21,737,430,808</b>	<b>22,893,997,132</b>	<b>21,585,803,588</b>
<b>Total liabilities and equity</b>	<b>224,973,383,044</b>	<b>226,448,392,946</b>	<b>225,085,212,388</b>	<b>226,410,177,881</b>
<b>Contingent liabilities and commitment</b>	<b>16,687,947,874</b>	<b>12,079,154,596</b>	<b>16,687,947,874</b>	<b>12,079,154,596</b>
<b>Net assets value per share</b>	<b>254.33</b>	<b>241.40</b>	<b>254.24</b>	<b>239.71</b>



# Rastriya Banijya Bank Limited

## Condensed Consolidated Statement of Profit or Loss

For the Second Quarter of FY 2076/77 ended on 2076 Poush End (14 January 2020)

Amount is Rs.

Particulars	Group				Bank			
	Current Year		Previous Year		Current Year		Previous Year	
	This Quarter	Upto this Quarter(YTD)	This Quarter	Upto this Quarter(YTD)	This Quarter	Upto this Quarter(YTD)	This Quarter	Upto this Quarter(YTD)
Interest income	4,680,011,397	8,728,155,427	3,516,019,528	7,235,530,528	4,679,042,020	8,726,427,384	3,515,266,853	7,234,385,853
Interest expense	1,883,685,061	3,660,516,896	1,164,768,434	2,274,191,434	1,886,306,873	3,665,801,311	1,168,023,311	2,280,694,311
<b>Net interest income</b>	<b>2,796,326,336</b>	<b>5,067,638,532</b>	<b>2,351,251,094</b>	<b>4,961,339,094</b>	<b>2,792,735,147</b>	<b>5,060,626,074</b>	<b>2,347,243,542</b>	<b>4,953,691,542</b>
Fees and commission income	32,649,303	359,990,546	12,804,361	365,903,361	32,328,328	358,756,901	11,865,692	364,317,692
Fees and commission expense	35,797,726	69,788,531	23,974,074	85,365,074	35,797,726	69,788,531	23,974,074	85,365,074
<b>Net fee and commission income</b>	<b>(3,148,424)</b>	<b>290,202,015</b>	<b>(11,169,713)</b>	<b>280,538,287</b>	<b>(3,469,399)</b>	<b>288,968,370</b>	<b>(12,108,382)</b>	<b>278,952,618</b>
<b>Net interest, fee and commission income</b>	<b>2,793,177,912</b>	<b>5,357,840,546</b>	<b>2,340,081,381</b>	<b>5,241,877,381</b>	<b>2,789,265,748</b>	<b>5,349,594,443</b>	<b>2,335,135,160</b>	<b>5,232,644,160</b>
Net trading income	18,061,148	33,832,060	13,801,051	27,602,101	18,061,148	33,832,060	13,801,051	27,602,101
Other operating income	316,050,138	379,743,373	266,207,556	262,945,506	313,238,665	377,261,900	266,325,566	263,173,516
<b>Total operating income</b>	<b>3,127,289,198</b>	<b>5,771,415,980</b>	<b>2,620,089,988</b>	<b>5,532,424,988</b>	<b>3,120,565,561</b>	<b>5,760,688,404</b>	<b>2,615,261,777</b>	<b>5,523,419,777</b>
Impairment charge/(reversal) for loans and other losses	360,539,914	201,308,782	(387,300,055)	(135,603,055)	360,539,914	201,308,782	(388,145,482)	(136,448,482)
<b>Net operating income</b>	<b>2,766,749,283</b>	<b>5,570,107,197</b>	<b>3,007,390,043</b>	<b>5,668,028,043</b>	<b>2,760,025,646</b>	<b>5,559,379,621</b>	<b>3,003,407,259</b>	<b>5,659,868,259</b>
<b>Operating expense</b>								
Personnel expenses	943,432,859	1,793,344,050	866,362,158	1,718,366,158	941,613,495	1,789,750,465	864,976,274	1,715,139,274
Other operating expense	295,914,097	588,875,056	185,824,030	407,787,030	291,343,579	583,272,140	185,841,087	406,572,087
Depreciation & Amortisation	70,093,512	120,945,235	101,723,209	101,723,209	70,093,512	120,945,235	100,608,571	100,608,571
<b>Operating Profit</b>	<b>1,457,308,815</b>	<b>3,066,942,858</b>	<b>1,853,480,646</b>	<b>3,440,151,646</b>	<b>1,456,975,061</b>	<b>3,065,411,783</b>	<b>1,851,981,327</b>	<b>3,437,548,327</b>
Non operating income	91,885,243	90,991,596	(6,741,928)	11,362,072	88,660,968	90,991,596	(6,741,928)	11,362,072
Non operating expense	-	-	-	-	-	-	-	-
Share of profit of associates	-	-	-	-	-	-	-	-
<b>Profit before income tax</b>	<b>1,549,194,058</b>	<b>3,157,934,453</b>	<b>1,846,738,718</b>	<b>3,451,513,718</b>	<b>1,545,636,029</b>	<b>3,156,403,378</b>	<b>1,845,239,399</b>	<b>3,448,910,399</b>
<b>Income tax expense</b>	<b>463,690,808</b>	<b>946,921,013</b>	<b>554,353,408</b>	<b>1,038,948,408</b>	<b>463,690,808</b>	<b>946,921,013</b>	<b>554,353,408</b>	<b>1,038,948,408</b>
Current Tax	463,690,808	946,921,013	554,353,408	1,038,948,408	463,690,808	946,921,013	554,353,408	1,038,948,408
Deferred Tax	-	-	-	-	-	-	-	-
<b>Profit for the period</b>	<b>1,085,503,250</b>	<b>2,211,013,440</b>	<b>1,292,385,310</b>	<b>2,412,565,310</b>	<b>1,081,945,221</b>	<b>2,209,482,365</b>	<b>1,290,885,991</b>	<b>2,409,961,991</b>



# Rastriya Banijya Bank Limited

## Condensed Consolidated Statement of Comprehensive Income

For the Second Quarter of FY 2076/77 ended on 2076 Poush End (14 January 2020)

Particulars	Amount is Rs.							
	Group				Bank			
	Current Year		Previous Year		Current Year		Previous Year	
	This Quarter	Upto this Quarter(YTD)	This Quarter	Upto this Quarter(YTD)	This Quarter	Upto this Quarter(YTD)	This Quarter	Upto this Quarter(YTD)
<b>Profit/Loss for the period</b>	<b>1,085,503,250</b>	<b>2,211,013,440</b>	<b>1,292,385,310</b>	<b>2,412,565,310</b>	<b>1,081,945,221</b>	<b>2,209,482,365</b>	<b>1,290,885,991</b>	<b>2,409,961,991</b>
<b>Other comprehensive income, net of income tax</b>								
<b>a) Items that will not be reclassified to profit or loss</b>								
- Gains/(losses) from investments in equity instruments measured at fair value	256,123,805	256,123,805	-	-	256,123,805	256,123,805	-	-
- Gains/(losses) on revaluation	-	-	-	-	-	-	-	-
- Actuarial gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-
- Income tax relating to above items	(76,837,141)	(76,837,141)	-	-	(76,837,141)	(76,837,141)	-	-
<b>Net Other Comprehensive Income that will not be reclassified to profit or loss</b>	<b>179,286,663</b>	<b>179,286,663</b>	<b>-</b>	<b>-</b>	<b>179,286,663</b>	<b>179,286,663</b>	<b>-</b>	<b>-</b>
<b>b) Items that are or may be reclassified to profit or loss</b>								
- Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-
- Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-
- Income tax relating to above items	-	-	-	-	-	-	-	-
- Reclassify to profit or loss	-	-	-	-	-	-	-	-
<b>Net Other Comprehensive Income that are or may be reclassified to profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>c) Share of other comprehensive income of associate accounted as per equity method</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income for the period, net of income tax</b>	<b>179,286,663</b>	<b>179,286,663</b>	<b>-</b>	<b>-</b>	<b>179,286,663</b>	<b>179,286,663</b>	<b>-</b>	<b>-</b>
<b>Total Comprehensive Income</b>	<b>1,264,789,913</b>	<b>2,390,300,103</b>	<b>1,292,385,310</b>	<b>2,412,565,310</b>	<b>1,261,231,884</b>	<b>2,388,769,028</b>	<b>1,290,885,991</b>	<b>2,409,961,991</b>
Basic earnings per share	56.18	53.09	57.41	53.58	56.02	53.06	57.34	53.53
Diluted earnings per share	56.18	53.09	57.41	53.58	56.02	53.06	57.34	53.53
<b>Profit attributable to:</b>								
Equity holders of the Bank	1,264,789,913	2,390,300,103	1,292,385,310	2,412,565,310	1,261,231,884	2,388,769,028	1,290,885,991	2,409,961,991
Non-controlling interest	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,264,789,913</b>	<b>2,390,300,103</b>	<b>1,292,385,310</b>	<b>2,412,565,310</b>	<b>1,261,231,884</b>	<b>2,388,769,028</b>	<b>1,290,885,991</b>	<b>2,409,961,991</b>



# Rastriya Banijya Bank Limited

## Significant Ratios

up to the Second Quarter ended on 2076 Poush End (14 January 2020) as per NRB Directives

Particulars	Group				Bank			
	Current Year		Previous Year Corresponding		Current Year		Previous Year Corresponding	
	This Quarter	Upto this quarter(YTD)	This Quarter	Upto this quarter(YTD)	This Quarter	Upto this quarter(YTD)	This Quarter	Upto this quarter(YTD)
Capital Fund to RWA		13.15%		11.73%		13.15%		11.73%
Non-performing loan(NPL) to total loan		4.77%		3.40%		4.77%		3.40%
Total loan loss provision to Total NPL		95.45%		99.79%		95.45%		99.79%
Cost of Funds		4.05%		3.01%		4.05%		3.01%
Credit to Deposit Ratio (Calculated as per NRB Directives)		72.66%		69.24%		72.66%		69.24%
Base Rate		6.60%		5.60%		6.60%		5.60%
Interest Rate Spread		5.53%		4.78%		5.53%		4.78%



# Rastriya Banijya Bank Limited

## Statement of Distributable Profit or Loss

up to Second Quarter of FY 2076/77 ended on 2076 Poush End (14 January 2020)

Particulars	Amount (Rs.)
<b>Net profit or (loss) upto Second Quarter of F/Y 2076/77</b>	<b>2,209,482,365</b>
<b>1. Appropriations:</b>	
<b>1.1 Profit required to be appropriated to statutory reserve</b>	<b>474,185,417</b>
a. General reserve	441,896,473
b. Capital redemption reserve	-
c. Foreign exchange fluctuation fund	-
d. Corporate social responsibility fund	11,247,594
e. Employees' training fund	21,041,350
f. Other	-
<b>1.2 Profit required to be transferred to Regulatory Reserve</b>	<b>642,200,118</b>
a. Transferred to Regulatory Reserve	720,340,290
b. Transferred from Regulatory reserve	(78,140,172)
<b>Distributable Profit or (Loss)</b>	<b>1,093,096,830</b>



**Rastriya Banijya Bank Limited**  
**Condensed Consolidated Statement of Changes in Equity**  
**For the Second Quarter of FY 2076/77 ended on 2076 Poush End (14 January 2020)**

Particulars	Group Attributable to equity holders of the Bank											Amount in Rs.	
	Share Capital	Share Premium	General Reserve	Exchange Equalisation	Regulatory Reserve	Capital Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total	Non-controlling Interest	Total Equity
Balance as at Shrawan 1, 2076	9,004,795,700	-	8,178,908,597	97,319,666	6,726,597,250	481,195,653	860,893,657	77,183,784	1,806,085,133.00	(5,495,548,631)	21,737,430,809	-	21,737,430,809
Adjustment/Restatement	-	-	-	-	-	-	-	-	(404,964,919.12)	-	(404,964,919)	-	(404,964,919)
<b>Adjusted Restated Balance at Shrawan 1, 2076</b>	<b>9,004,795,700</b>	<b>-</b>	<b>8,178,908,597</b>	<b>97,319,666</b>	<b>6,726,597,250</b>	<b>481,195,653</b>	<b>860,893,657</b>	<b>77,183,784</b>	<b>1,401,120,213.88</b>	<b>(5,495,548,631)</b>	<b>21,332,465,889</b>	<b>-</b>	<b>21,332,465,889</b>
<u>Comprehensive Income for the year</u>													
Profit for the year	-	-	-	-	-	-	-	-	2,211,013,439.77	-	2,211,013,440	-	2,211,013,440
Other Comprehensive income, net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-
- Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	-	-	439,253,631	-	-	-	439,253,631	-	439,253,631
- Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-
- Actuarial Gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-	-
- Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-
- Exchange gains/(losses) arising from translating financial assets of foreign operation	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transfer to reserve during the year	-	-	441,896,473	-	720,340,290	-	-	-	(1,194,525,706.65)	32,288,944	(0)	-	(0)
Transfer from the reserve during the year	-	-	-	-	(78,140,172)	-	-	-	78,140,172.00	-	-	-	-
<u>Transactions with owners, directly recognized in equity</u>													
Right share issued	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders:													
Bonus Shares issued	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Dividend Paid	-	-	-	-	-	-	-	-	(1,080,575,484.00)	-	(1,080,575,484)	-	(1,080,575,484)
<b>Total contributions by and distributions:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance as at Poush End, 2076</b>	<b>9,004,795,700</b>	<b>-</b>	<b>8,620,805,070</b>	<b>97,319,666</b>	<b>7,368,797,368</b>	<b>481,195,653</b>	<b>1,300,147,288</b>	<b>77,183,784</b>	<b>1,415,172,635</b>	<b>(5,463,259,687)</b>	<b>22,902,157,477</b>	<b>-</b>	<b>22,902,157,477</b>



# Rastriya Banijya Bank Limited

## Statement of Changes in Equity For the period ended 2076 Poush End (FY 2076/77)

Particulars	Bank Attributable to equity holders of the Bank										Amount in NPR		
	Share Capital	Share Premium	General Reserve	Exchange Equalisation	Regulatory Reserve	Capital Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total	Non-controlling Interest	Total Equity
Balance as at Shrawan 1, 2076	9,004,795,700	-	8,178,908,597	97,319,666	6,726,597,250	481,195,653	1,120,860,625	77,183,784	1,394,490,944	(5,495,548,631)	21,585,803,588	-	21,585,803,588
Adjustment/Restatement	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Adjusted Restated Balance at Shrawan 1, 2076</b>	<b>9,004,795,700</b>	<b>-</b>	<b>8,178,908,597</b>	<b>97,319,666</b>	<b>6,726,597,250</b>	<b>481,195,653</b>	<b>1,120,860,625</b>	<b>77,183,784</b>	<b>1,394,490,944</b>	<b>(5,495,548,631)</b>	<b>21,585,803,588</b>	<b>-</b>	<b>21,585,803,588</b>
<u>Comprehensive Income for the year</u>													
Profit for the year	-	-	-	-	-	-	-	-	2,209,482,365	-	2,209,482,365	-	2,209,482,365
Other Comprehensive income, net of tax													
- Gains/(losses) from investments in equity instruments measured at fair value	-	-	-	-	-	-	179,286,663	-	-	-	179,286,663	-	179,286,663
- Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-
- Actuarial Gains/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-	-
- Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-
- Exchange gains/(losses) arising from translating financial assets of foreign operation	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transfer to reserve during the year	-	-	441,896,473	-	720,340,290	-	-	-	(1,194,525,707)	32,288,944	-	-	-
Transfer from the reserve during the year	-	-	-	-	(78,140,172)	-	-	-	78,140,172	-	-	-	-
<u>Transactions with owners, directly recognized in equity</u>													
Right share issued	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends to equity holders:	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonus Shares issued	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Dividend Paid	-	-	-	-	-	-	-	-	(1,080,575,484)	-	(1,080,575,484)	-	(1,080,575,484)
<b>Total contributions by and distributions:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance as at Poush End, 2076</b>	<b>9,004,795,700</b>	<b>-</b>	<b>8,620,805,070</b>	<b>97,319,666</b>	<b>7,368,797,368</b>	<b>481,195,653</b>	<b>1,300,147,288</b>	<b>77,183,784</b>	<b>1,407,012,290</b>	<b>(5,463,259,687)</b>	<b>22,893,997,132</b>	<b>-</b>	<b>22,893,997,132</b>



# Rastriya Banijya Bank Limited

## Consolidated Statement of Cash Flow Statement

For the Period ended on 2076 Poush End (From 2076 Shrawan 01 to 2076 Poush End)

Particulars	Note	Group		Bank	
		Up to This Quarter	Corresponding Previous Year up to This Quarter	Up to This Quarter	Corresponding Previous Year up to This Quarter
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Interest received		9,763,927,269	6,344,046,361	9,762,199,226	6,375,848,417
Fees and other income received		359,990,546	648,841,138	358,756,901	647,255,469
Dividend received		-	-	-	-
Receipts from other operating activities		399,711,843	20,018,026	398,829,508	20,611,976
Interest paid		(3,660,516,896)	(2,274,191,434)	(3,665,801,311)	(2,280,694,311)
Commission and fees paid		(69,788,531)	(85,365,074)	(69,788,531)	(183,708,373)
Cash payment to employees		-	-	-	-
Other expense paid		(1,977,254,185)	(2,127,754,016)	(2,373,022,604)	(2,122,197,551)
<b>Operating cash flows before changes in operating assets and liabilities</b>		<b>4,816,070,046</b>	<b>2,525,595,000</b>	<b>4,411,173,189</b>	<b>2,457,115,627</b>
<b>(Increase)/Decrease in Operating Assets</b>		<b>3,542,765,522</b>	<b>(7,917,586,764)</b>	<b>3,952,050,510</b>	<b>(7,924,235,369)</b>
Due from Nepal Rastra Bank			989,853,719		989,853,719
Placement with bank and financial institutions			-		-
Other trading assets			-		-
Loan and advances to bank and financial institutions		286,050,000	657,939,025	286,050,000	660,868,028
Loans and advances to customers		(8,112,259,304)	(13,915,833,939)	(8,112,259,304)	(13,945,833,939)
Other assets		11,368,974,826	4,350,454,431	11,778,259,814	4,370,876,823
<b>Increase/(Decrease) in operating liabilities</b>		<b>(2,565,206,519)</b>	<b>10,836,584,831</b>	<b>(2,527,780,895)</b>	<b>10,924,275,830</b>
Due to bank and financial institutions		(6,098,060,114)	(1,450,105,246)	(6,098,060,114)	(1,450,105,246)
Due to Nepal Rastra Bank			-		-
Deposit from customers		5,639,314,245	13,584,905,940	5,646,591,822	13,544,903,164
Borrowings			-		-
Other liabilities		(2,106,460,650)	(1,298,215,863)	(2,076,312,603)	(1,170,522,088)
<b>Net cash flow from operating activities before tax paid</b>		<b>5,793,629,049</b>	<b>5,444,593,066</b>	<b>5,835,442,805</b>	<b>5,457,156,089</b>
Income taxes paid		(584,418,758)	(760,480,018)	(584,418,758)	(762,761,490)
<b>Net cash flow from operating activities</b>		<b>5,209,210,291</b>	<b>4,684,113,048</b>	<b>5,251,024,046</b>	<b>4,694,394,598</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of investment securities		(3,470,544,306)	(4,308,410,407)	(3,514,957,878)	(4,267,111,290)
Receipts from sale of investment securities		-	-	-	-
Purchase of property and equipment		(225,316,647)	(73,493,014)	(222,636,037)	(87,238,857)
Receipt from the sale of property and equipment		(3,088,043)	-	(3,088,043)	-
Purchase of intangible assets		(14,321,519)	(19,408,543)	-	(47,458,252)
Receipt from the sale of intangible assets		-	-	(14,424,878)	-
Purchase of investment properties		-	-	-	-
Receipt from the sale of investment properties		-	-	-	-
Interest received		1,404,268,004	485,037,597	1,404,268,004	474,560,867
Dividend received		45,418,806	-	44,643,675	-
<b>Net cash used in investing activities</b>		<b>(2,263,583,705)</b>	<b>(3,916,274,366)</b>	<b>(2,306,195,156)</b>	<b>(3,927,247,533)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
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		(1,080,575,484)	-	(1,080,575,484)	-
Interest paid		(111,157,520)	11,230,068	(111,157,520)	11,230,068
Other receipt/payment		(14,506,521)	(58,646,170)	(14,506,521)	(58,646,170)
<b>Net cash from financing activities</b>		<b>(1,206,239,525)</b>	<b>(47,416,102)</b>	<b>(1,206,239,525)</b>	<b>(47,416,102)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>1,739,387,060</b>	<b>720,422,579</b>	<b>1,738,589,365</b>	<b>719,730,963</b>
Cash and cash equivalents at Shrawan 1		8,202,478,030	28,352,742,315	8,194,978,237	28,333,121,095
Cash and cash equivalent acquired from merger		-	-	-	-
Effect of exchange rate fluctuations on cash and cash equivalents held		-	-	-	-
<b>Cash and cash equivalents at Ashadh end 2076</b>		<b>9,941,865,090</b>	<b>29,073,164,894</b>	<b>9,933,567,602</b>	<b>29,052,852,058</b>



## **G. Notes to Interim Financial Statements**

### **1. Basis of preparation**

The interim financial statements of the Bank have been prepared in accordance with the Nepal Financial Reporting Standards (NFRS) adopted by Accounting Standard Board of Nepal.

### **2. Statement of Compliance**

The financial statements were prepared in accordance with Nepal Financial Reporting Standards (NFRS) read along with the approved carve-outs and in the format as per Directive No. 4 of NRB Directives, 2076. Historical cost convention was used for financial statement recognition and measurement except otherwise required by NFRS. Where, other method(s), other than historical costs, such as fair value has been applied, these have been disclosed in accordance with the applicable reporting framework. The adoption of NFRS for preparation of financial statements was brought in effect from fiscal year 2074/75.

The amounts of financial statements were presented in Nepalese Rupees (NPR) being the functional currency of the Bank. The figures were rounded to the nearest rupee except where indicated otherwise.

The financial statements comprise the Statement of Financial Position, Statement of Profit or Loss, Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes to the Accounts.

The financial statements have been prepared on accrual basis of accounting in accordance with Nepal Financial Reporting Standards (NFRS) and as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN). The interim financial statements have been prepared based on the circular no.19/075/076 issued by NRB on 2075/11/14 and are NFRS compliant. The Bank has opted carve-outs on NFRSs as issued by The Institute of Chartered Accountants of Nepal on 2018 September 20.

### **3. Use of Estimates, assumptions and judgments**

The Bank, under NFRS, is required to apply accounting policies to most appropriately suit its circumstances and operating environment. Further, the Bank is required to make judgments in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the financial statements. This may later be determined that a different choice could have been more appropriate. It is also required to make estimates and assumptions that will affect the assets, liabilities, disclosure of contingent assets and liabilities, and profit or loss as reported in the financial statements. The Bank applies estimates in preparing and presenting the financial statements and such estimates and underlying assumptions are reviewed periodically. The revision to accounting estimates are recognized in the period in which the estimates are revised, and are applied prospectively.

The accounting policies as explained in Section 3 herein were consistently applied to all the years presented except otherwise stated. They were further included in the relevant notes for each item of the financial statements, and the effect and nature of the changes, if any, were

disclosed. The accounting estimates were appropriately disclosed in the relevant sections of the Notes wherever the estimates have been applied along with the nature and effect of changes of accounting estimates, if any.

The accounting policies are to be applied consistently. Changes in accounting policies, if any, are to be disclosed with the financial impact to the extent possible. When policies are not guided by the reporting framework, NFRS, other reporting standards and generally accepted accounting principles are to be followed.

#### **4. Changes in Accounting policies**

There is no any significant changes in accounting policies during the period.

#### **5. Significant Accounting Policies**

##### **5.1 Basis of Measurement**

The financial statements are prepared on a historical cost basis except for the following items which were measured or recognized as stated:

- 1) financial assets and liabilities are measured at fair value at it's initial recognition. Subsequent recognition of FVTOCI and FVTPL financial instruments are measured at fair value.
- 2) liabilities for defined benefit obligations are recognized at the present value of the defined benefit obligation after deducting the net of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.

##### **5.2 Basis of Consolidation**

###### **a. Business Combination**

The assets and liabilities from business combination with the acquisition of NIDC during the FY 2074/75 were accounted for using the pooling of interest method as at the acquisition date when control was transferred to the Bank.

As both the erstwhile entities of RBB and NIDC were under common control of the government, the assets and liabilities of the combined entity were accounted using the existing book values of pre merged entities. No bargain purchase gain / goodwill was recognised as a result of the merger. Any difference between the book values was reflected within equity.

There is no business combination up to Second Quarter of the fiscal year 2076-77.

###### **b. Non-Controlling Interest (NCI)**

For each business combination, the Bank elects to measure any non-controlling interests in the acquiree either at fair value; or at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Bank's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling

interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

The Bank does not have any NCI as on reporting date.

### **c. Subsidiaries**

Subsidiaries are the entities controlled by the Bank. The Bank controls an entity if 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. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

The Bank reassesses whether it has control if there are changes to one or more of the elements of control. In preparing the consolidated financial statements, the financial statements are combined line by line by adding the like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiary. The carrying amount of the parent's investment in subsidiary and the parent's portion of equity of subsidiary are eliminated in full. All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (such as interest income and technical fee) are eliminated in full while preparing the consolidated financial statements.

### **d. Loss of Control**

Upon the loss of control, the Bank derecognizes the assets and liabilities of the subsidiary, carrying amount of non-controlling interests and the cumulative translation differences recorded in equity related to the subsidiary. Further parent's share of components previously recognized in Other Comprehensive Income (OCI) is reclassified to profit or loss or retained earnings as appropriate. Any surplus or deficit arising on the loss of control is recognized in the profit or loss. If the Group 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 an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained

### **e. Transaction Elimination on Consolidation**

All intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment

## **5.3 Cash and Cash equivalent**

Cash and cash equivalents include notes and coins on hand 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 Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

## **5.4 Financial Assets and Financial Liabilities**

### **a. Recognition**

The Bank initially recognizes a financial asset or a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. The Bank initially recognize loans and advances, deposits and debt securities/ subordinated liabilities issued on the date that they are originated which is the date that the Bank becomes party to the contractual provisions of the instruments. Investments in equity instruments, bonds, debenture, Government securities, NRB bond or deposit auction, reverse repos, outright purchase are recognized on trade date at which the Bank commits to purchase/ acquire the financial assets. Regular way purchase and sale of financial assets are recognized on trade date at which the Bank commits to purchase or sell the asset.

### **b. Classification**

#### *Financial Assets*

The Bank classifies the financial assets as subsequently measured at amortized cost or fair value on the basis of the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The two classes of financial assets are as follows;

1. Financial assets measured at amortized cost: a financial asset is measured at amortized cost if the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
2. Financial assets measured at fair value: a financial asset other than those measured at amortized cost are measured at fair value. They are further classified into two categories as below:
  - a. Financial assets are measured at fair value through profit or loss if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost are directly attributable to the acquisition are recognized in profit or loss as incurred. Such assets are subsequently measured at fair value and changes in fair value are recognized in Statement of Profit or Loss.
  - b. Financial assets are measured at fair value through other comprehensive income if the Investment in an equity instrument that is not held for trading and at the initial recognition, the Bank makes an irrevocable election that the subsequent changes in fair value of the instrument is to be recognized in other comprehensive income are classified as financial assets at fair value though other comprehensive income. Such assets are subsequently measured at fair value and changes in fair value are recognized in other comprehensive income.

## ***Financial Liabilities***

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as follows:

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

### **c. Measurement**

#### ***Initial Measurement***

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are recognized in Statement of Profit or Loss.

#### ***Subsequent Measurement***

A financial asset or financial liability is subsequently measured either at fair value or at amortized cost based on the classification of the financial asset or liability. Financial asset or liability classified as measured at amortized cost is subsequently measured at amortized cost using effective interest rate method.

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

Financial assets classified at fair value are subsequently measured at fair value. The subsequent changes in fair value of financial assets at fair value through profit or loss are recognized in Statement of Profit or Loss whereas of financial assets at fair value through other comprehensive income are recognized in other comprehensive income.

### **d. De-recognition**

#### ***De-recognition of Financial Assets***

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

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred) and the consideration received (including any new asset obtained less any new liability assumed) shall be recognized in profit and loss account.

In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

### ***De-recognition of Financial Liabilities***

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a 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 Statement of Profit or Loss.

### **e. Determination of Fair Value**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of a liability reflects its non-performance risk. The fair values are determined according to the following hierarchy:

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

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

**Level 3** portfolios are those where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification) or based on a valuation

technique whose variables include only data from observable markets, then the difference is recognized in profit or loss on initial recognition of the instrument. In other cases the difference is not recognized in profit or loss immediately but is recognized over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

All unquoted equity instruments are recorded at average of price determined as per Capitalised Earning Method and Net Assets Value per share. Entities of which no data is whatsoever available, valuation has been done at cost net of impairment if any.

## **f. Impairment**

At each reporting date the Bank assesses whether there is any indication that an asset may have been impaired. If such indication exists, the recoverable amount is determined. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset (a 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.

The Bank considers the following factors in assessing objective evidence of impairment:

- Whether the counterparty is in default of principal or interest payments.
- When a counterparty files for bankruptcy and this would avoid or delay discharge of its obligation.
- Where the Bank initiates legal recourse of recovery in respect of a credit obligation of the counterpart.
- Where the Bank consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments.
- Where there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

The Bank considers evidence of impairment for loans and advances and amortised cost investment securities at both a specific asset and collective level. All individually significant loans and advances and amortised cost investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Loans and advances and amortised cost investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and amortised cost investment securities with similar risk characteristics. Impairment test is done on annual basis for trade receivables and other financial assets based on the internal and external indication observed.

In assessing collective impairment, the Bank uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for

management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

### ***Impairment losses on assets measured at amortized cost***

#### ***As per NAS 39***

Financial assets carried at amortized cost (such as amounts due from Banks, loans and advances to customers as well as held-to-maturity investments) is impaired, and impairment losses are recognized, only if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset. The amount of the loss is measured as the difference between the asset's carrying amount and the deemed recoverable value of loan.

Loans and advances to customers with significant value (Principal outstanding Rs 100 million or more) and borrowers classified as Non Performing as per Nepal Rastra Bank Directives are assessed for individual impairment test. The recoverable value of loan is estimated on the basis of realizable value of collateral and the conduct of the borrower/past experience of the bank. Assets that are individually assessed and for which no impairment exists are grouped with financial assets with similar credit risk characteristics and collectively assessed for impairment. The credit risk statistics for each group of the loan and advances are determined by management prudently based on the past experience. For the purpose of collective assessment of impairment, the assets are categorized into the following nine broad product as follows:

- a. Term Loan
- b. Auto Loan
- c. Home Loan
- d. Personal Loan
- e. Overdraft
- f. Other Working Capital Loan
- g. Gold Loan
- h. Deprived & Priority Sector Loan
- i. Other Loan

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the income statement. If a future write-off is later recovered, the recovery is credited to the 'Income Statement'.

#### **As per Loan Loss Provision of Nepal Rastra Bank**

Loan loss provisions in respect of non-performing loans and advances are based on management's assessment of the degree of impairment of the loans and advances, subject to the minimum provisioning level prescribed in relevant NRB guidelines. Provision is made for possible losses on loans and advances including bills purchased at 1% to 100% on the basis of classification of loans and advances, overdraft and bills purchased in accordance with NRB directives.



## **Policies Adopted**

As per the NFRS Carve out, the Bank measured impairment loss on loan and advances as the higher of amount derived as per norms prescribed by Nepal Rastra Bank for loan loss provision and amount determined as per paragraph 63 of NAS 39.

### **5.5 Trading Assets and Liabilities**

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking. They are initially recognized at fair value and subsequently measured at fair value in the statement of financial position, with transaction costs recognized in profit or loss. All changes in fair value are recognized as part of net trading income in profit or loss as regarded as fair value through profit & loss account.

### **5.6 Derivatives Assets and Derivative Liabilities**

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position. Hedge accounting is not adopted for certain derivatives held for risk management such as Forward Exchange Contracts.

### **5.7 Property and Equipment**

#### **a. Recognition and Measurement**

The cost of an item of property and equipment shall be recognized as an asset, initially recognized at cost, if, and only if it is probable that future economic benefits associated with the item will flow to the entity; and if the cost of the item can be measured reliably.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Bank has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- Capitalized borrowing costs.

The Bank adopts cost model for entire class of property and equipment. Neither, class of the property and equipment are measured at revaluation model nor is their fair value measured at the reporting date. Any revaluation reserve acquired from the merger accounted for using pooling of interest method are shown at the carrying amount. The items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Subsequent expenditure is capitalized if it is probable that the future economic benefits from the expenditure will flow to the Bank. Ongoing repairs and maintenance to keep the assets in working condition are expensed as incurred. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized within other income in profit or loss.

#### **b. Capital Work in Progress**

Fixed assets under construction and cost of assets not ready for use are shown as capital work in progress.

#### **c. Depreciation**

Straight line method of depreciation on fixed assets is applied to allocate their cost to their residual values over their estimated useful life as per management judgment, as follows:

<b>Class of assets</b>	<b>Revised useful life</b>	<b>Residual Value</b>
Computer	up to 5 Years	1%
Furniture and Fixtures	up to 5 Years	2%
Office Equipment	up to 5 years	1%
Vehicle	up to 7 Years	5%
Building	up to 50 Years	10%
Leasehold	Lower of 15 Years or Lease Period	0
Software	5 years or expiry period whichever is lower	0

Assets costing less than Rs 2,000 are fully charged to profit loss account in the year of purchase.

#### **d. De-recognition**

The carrying amount of Property and Equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property and equipment is included in profit or loss when the item is derecognized (unless on a sale & lease back). The gain shall is classified as revenue.

### **5.8 Intangible Assets**

### ***Acquired Intangible Assets***

Intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the Bank, and are amortized on the basis of their expected useful lives.

#### ***Computer software***

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with the development of software are capitalized where it is probable that it will generate future economic benefits in excess of its cost. Computer software costs are amortized on the basis of expected useful life. Costs associated with maintaining software are recognized as an expense as incurred.

At each reporting date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## **5.9 Investment Property/Non-Current Assets Held for Sale**

### ***Investment Property***

Investment properties includes land or land and buildings other than those classified as property and equipment and non-current assets held for sale. Generally, it includes land, land and building acquired by the Bank as non-banking assets but not sold as on the reporting date.

The Bank holds investment property that has been acquired through enforcement of security over the loans and advances.

### ***Non-Current Assets Held for Sale***

Non-current assets (such as property) and disposal groups (including both the assets and liabilities of the disposal groups) are classified as held for sale and measured at the lower of their carrying amount and fair value less cost to sell when: (i) their carrying amounts will be recovered principally through sale; (ii) they are FVTOCI in their present condition; and (iii) their sale is highly probable.

Immediately before the initial classification as held for sale, the carrying amounts of the assets (or assets and liabilities in a disposal group) are measured in accordance with the applicable accounting policies described above.

## **5.10 Income Tax**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

### ***Current Tax***

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

### ***Deferred Tax***

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is determined using tax rate applicable to the Bank as at the reporting date which is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized.

## **5.11 Deposits, debts securities issued and subordinated liabilities**

### ***a. Deposits***

The Bank accepts deposits from its customers under savings account, current account, term deposits and margin accounts which allows money to be deposited and withdrawn by the account holder. These transactions are recorded on the bank's books, and the resulting balance is recorded as a liability for the Bank and represents the amount owed by the Bank to the customer.

### ***b. Debt Securities Issued***

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group designates liabilities at fair value through profit or loss.

### ***c. Subordinated Liabilities***

Subordinated liabilities are those liabilities which at the event of winding up are subordinate to the claims of depositors, debt securities issued and other creditors. The bank does not have any of such subordinated liabilities.

## **5.12 Provisions**

The Bank recognizes a provision if, as a result of past event, the Bank has a present constructive or legal obligation that can be reliability measured and it is probable that an outflow of economic benefit will be required to settle the obligation.

A disclosure for contingent liability is made when there is a possible obligation or a present obligation that may but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

A provision for onerous contract is recognized when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligation under the contract.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed. Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

### **5.13 Revenue Recognition**

Revenue is the gross inflow of economic benefits during the period arising from the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Revenue is recognized to the extent it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Revenue is not recognized during the period in which its recoverability of income is not probable. The Bank's revenue comprises of interest income, fees and commission, foreign exchange income, cards income, remittance income, bancassurance commission, etc. and the bases of incomes recognition are as follows:

#### **a. Interest Income**

Interest income on FVTOCI assets and financial assets held at amortised cost shall be recognized using the bank's normal interest rate which is very close to effective interest rate using effective interest rate method.

For income from loans and advances to customers, initial charges are not amortised over the life of the loan and advances as the income so recognized closely approximates the income that would have been derived under effective interest rate method. The difference is not considered material. The Bank considers that the cost of exact calculation of effective interest rate method exceeds the benefit that would be derived from such compliance.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

The Bank recognizes the interest income on loans and advances as per Guideline on Recognition of Interest Income, 2019 issued by Nepal Rastra Bank. The guideline requires bank to cease to accrue interest in case of loan where contractual payments of principal and/or interest are more than 12 months in arrears, irrespective of the net realizable value of collateral. Further, it also requires the bank to cease accrual of interest income in case of loans where contractual payments

of principal and/or interest are more than 3 months in arrears and where the “net realizable value” of security is insufficient to cover payment of principal and accrued interest.

Gains and losses arising from changes in the fair value of financial instruments held at fair value through profit or loss are included in the statement of profit or loss in the period in which they arise. Contractual interest income and expense on financial instruments held at fair value through profit or loss is recognized within net interest income.

#### **b. Fees & Commission**

Fees and commissions are recognized on an accrual basis when the service has been provided or significant act performed whenever the benefit exceeds cost in determining such value. Whenever, the cost of recognizing fees and commissions on an accrual basis exceeds the benefit in determining such value, the fees and commissions are charged off during the year.

#### **c. Dividend Income**

Dividend income are recognized when right to receive such dividend is established. Usually this is the ex-dividend date for equity securities. Dividends are presented in net trading income, net income from other financial instruments at fair value through profit or loss or other revenue based on the underlying classification of the equity investment.

#### **d. Net Trading Income**

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

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

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through profit or loss. It includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

### **5.14 Interest expense**

Interest expense on all financial liabilities including deposits are recognized in profit or loss using effective interest rate method. Interest expense on all trading liabilities are considered to be incidental to the Bank’s trading operations and are presented together with all other changes in fair value of trading assets and liabilities in net trading income.

### **5.15 Employees Benefits**

#### **a. Short Term Employee Benefits**

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is also recognized for the amount expected to be paid under bonus required by the Bonus Act, 2030 to pay the amount as a result of past

service provided by the employee and the obligation can be estimated reliably under short term employee benefits. The Bank provides bonus at 5% of Net Profit before tax. The Bank is a wholly owned enterprise of Government of Nepal. The percentage of bonus which is to be distributed by the Government owned enterprises has been determined by the Government of Nepal at 5%.

Short-term employee benefits include all the following items (if payable within 12 months after the end of the reporting period):

wages, salaries and social security contributions,

paid annual leave and paid sick leave,

profit-sharing and bonuses and

non-monetary benefits

#### **b. Post-Employment Benefits**

Post-employment benefit plan includes the followings;

##### *i) Defined Contribution Plan*

A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as personnel expenses in profit or loss in the periods during which related services are rendered.

Contributions to a defined contribution plan that are due more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value.

All permanent employees of the Bank are entitled to receive benefits under the provident fund, a defined contribution plan, in which both the employee and the Bank contribute monthly at a pre-determined rate of 10% of the basic salary. The Bank does not assume any future liability for provident fund benefits other than its annual contribution.

All permanent employees of the Bank are entitled to receive benefits under welfare provident fund, a defined contribution plan, in which both the Bank contribute two months basic salary and such amount is transferred to separate retirement fund. The Bank does not assume any future liability for provident fund benefits other than its annual contribution.

All permanent employees of the Bank are entitled to receive benefits under medical fund, a defined contribution plan, in which both the Bank contribute certain percentage of annual basic salary based on level of employees and such amount is transferred to separate retirement fund. The Bank does not assume any future liability for provident fund benefits other than its annual contribution.

**ii) *Defined Benefit plan***

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted.

The Bank recognises all actuarial gains and losses net of deferred tax arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefit expense in profit or loss.

The Bank recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and any past service cost that had not previously been recognised.

The bank has pension plan to the permanent employees hired before 2050 B.S and gratuity plan to employees enrolled after 2050 B.S. Employees are also entitled to receive retirement benefit on endowment life insurance scheme and leave as per human resource by-laws of the Bank.

**iii) *Termination Benefits***

Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Bank has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

**5.16 Leases**

Lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term unless either:

- (a) Another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis; or
- (b) 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. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.

Majority of lease agreements entered by the bank are with the clause of normal increment of 5%-10% every two years which the management assumes are in line with the lessor's expected inflationary cost increases.



### **5.17 Foreign Currency Translation**

The financial statements are presented in Nepalese Rupees (NPR).

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the statement of financial position date.

Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

Non-monetary assets and liabilities are translated at historical exchange rates if held at historical cost, or year-end exchange rates if held at fair value, and the resulting foreign exchange gains and losses are recognized in either the statement of profit or loss or shareholders' equity depending on the treatment of the gain or loss on the asset or liability.

### **5.18 Financial guarantee and loan commitment**

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of agreement.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. Loan commitment is the commitment where the Bank has confirmed its intention to provide funds to a customer or on behalf of a customer in the form of loans, overdrafts, future guarantees, whether cancellable or not, or letters of credit and the Bank has not made payments at the reporting date, those instruments are included in these financial statement as commitments.

### **5.19 Share Capital and Reserves**

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Equity is defined as residual interest in total assets of the Bank after deducting all its liabilities. Common shares are classified as equity of the Bank and distributions thereon are presented in statement of changes in equity.

Dividends on ordinary shares and preference shares classified as equity are recognized in equity in the period in which they are declared.

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments considering the tax benefits achieved thereon.

The reserves include retained earnings and other statutory reserves such as general reserve, bond redemption reserve, foreign exchange equalization reserve, regulatory reserve etc.

Regulatory reserve includes any amount derived as result of NFRS convergence with effect in retained earning computed as per NRB Directive No. 4.

## **5.20 Earnings per share including diluted**

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. The basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

## **6. Segment Reporting**

The Bank's segmental reporting is in accordance with NFRS 8 *Operating Segments*. Operating segments are reported in a manner consistent with the internal reporting provided to the bank's management committee, which is responsible for allocating resources and assessing performance of the operating segments. Bank has no practice of accounting intra segment revenue or expenses. Income and expenses directly associated with each segment are included in determining business segment performance.

**A. Information about Reportable Segments:**

Particulars	Central Office		Bagmati Province		1 No. Province		2 No. Province	
	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter
Revenue from external customers	1,118,335,374	1,182,521,221	3,789,558,480	2,364,863,048	1,404,419,599	1,050,068,616	1,123,782,312	1,022,654,892
Inter-segment revenues	-	-	-	-	-	-	-	-
Net revenue	1,118,335,374	1,182,521,221	3,789,558,480	2,364,863,048	1,404,419,599	1,050,068,616	1,123,782,312	1,022,654,892
Add: Tax Expenses	1,759,676,426							
Segment profit/(loss) before Tax	(543,715,920)	323,716,302	1,225,086,007	475,614,372	653,459,058	579,488,650	483,125,774	722,778,217
Segment assets	56,438,327,484	19,001,853,007	99,847,194,124	85,239,677,989	29,258,046,319	34,133,003,482	24,995,972,237	22,041,393,717
Segment liabilities	36,890,433,475	4,485,178,188	98,622,108,117	80,958,970,355	28,604,587,261	34,133,003,482	24,512,846,463	21,318,615,500

Particulars	5 No. Province		Gandaki Province		All other Segments		Total	
	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter	Current Quarter	Corresponding Previous Year Quarter
Revenue from external customers	1,113,377,581	994,499,528	961,740,838	1,132,811,798	789,127,844	-	<b>10,300,342,027</b>	<b>7,747,419,104</b>
Inter-segment revenues	-	-	-	-	-	-	-	-
Net revenue	1,113,377,581	994,499,528	961,740,838	1,132,811,798	789,127,844	-	<b>10,300,342,027</b>	7,747,419,104
Add: Tax Expenses							<b>1,759,676,426</b>	-
Segment profit/(loss) before Tax	564,085,423	637,277,278	600,840,689	712,638,898	339,648,840	-	<b>3,322,529,872</b>	<b>3,451,513,717</b>
Segment assets	22,911,331,135	24,056,516,959	10,966,034,664	24,056,516,959	19,069,774,410	-	<b>263,486,680,373</b>	<b>208,528,962,112</b>
Segment liabilities	22,347,245,711	23,343,881,061	10,365,193,975	23,343,881,061	18,730,125,570	-	<b>240,072,540,572</b>	<b>187,583,529,647</b>

## B. Information about Reportable Segments:

Particulars	Current Quarter	Corresponding previous year Quarter
Profit Before tax for reportable segment	3,322,529,872	3,451,513,717
Profit before tax for other segment	-	-
Elimination of intersegment Revenue	-	-
Elimination of discontinued operation	-	-
Unallocated amount	-	-
Other corporate expenses	-	-
<b>Profit before Tax</b>	<b>3,322,529,872</b>	<b>3,451,513,717</b>

## 7. Related party disclosures

The Bank identifies the following as the related parties under the requirements of NAS 24.

<u>Name</u>	<u>Relationship</u>	<u>Remarks</u>
RBB Merchant Banking Company Limited	Subsidiary	
Everest Foods Limited (w.e.f 1 May 2018)	Subsidiary	Defunct company
Himal Cement Company (w.e.f 1 May 2018)	Associates	Defunct company
Sunrise Capital Limited	Associates	
Rastra Utthan Laghubitta Bittiya Sanstha Ltd.	Associates	
Butwal Suti Dhago Udhyog	Associates	
Kiran Kumar Shrestha, Chief Executive Officer	Member, Management Committee	
Kabi Raj Adhikari, Deputy Chief Executive Officer	Member, Management Committee	
Keshav Prasad Lamsal, Deputy Chief Executive Officer	Member, Management Committee	
Tek Raj Joshi, Deputy Executive Officer	Member, Management Committee	
Mahendra Prasad Awasthi, Deputy Executive Officer	Member, Management Committee	
Sarswati Adhikari, Deputy Executive Officer	Member, Management Committee	
Debesh Prasad Lohani, Deputy Executive Officer	Member, Management Committee	

Devendra Raman Khanal, Deputy Executive Officer

Member, Management Committee  
Member Secretary, Management Committee

Bhola Nath Poudel, Senior Manager

**a. Board Member Allowances and Facilities**

The Chairperson and other members of the Board are paid NPR 4,000 per meeting respectively for Board and Board Level Committees meeting.

In addition to the above meeting allowances, the Board Members have been provided with a monthly allowance of NPR 2,000 for newspapers, NPR 2,500 for telephone and for those directors who are not using transportation facility from the Bank are provided with amount equivalent to 20 litre of fuel.

**b. Amount paid to Chief Executive Officer**

The Board of Directors have appointed Mr. Kiran Kumar Shrestha as Chief Executive Officer of the Bank with effect from 2072/12/29 for the period of 4 years.

**c. Compensation Details for Key Management Personnel**

Key Management Personnel includes members of Management Committee of the Bank and includes the following members;

<b>Name</b>	<b>Designation</b>
Kiran Kumar Shrestha, Chief Executive Officer	Key Managerial Personnel
Kabi Raj Adhikari, Deputy Chief Executive Officer	Key Managerial Personnel
Keshav Prasad Lamsal, Deputy Chief Executive Officer	Key Managerial Personnel
Tek Raj Joshi, Deputy Executive Officer	Key Managerial Personnel
Mahendra Prasad Awasthi, Deputy Executive Officer	Key Managerial Personnel
Sarswati Adhikari, Deputy Executive Officer	Key Managerial Personnel
Debesh Prasad Lohani, Deputy Executive Officer	Key Managerial Personnel
Devendra Raman Khanal, Deputy Executive Officer Bholanath Poudel, Senior Manager	Key Managerial Personnel Member Secretary

**d. Transaction with Subsidiaries and Associates:**

All transactions between the Bank and Subsidiary are executed on arm's length principle. Effects of all inter-company transactions and outstanding balances are excluded in group statements.

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

The bank has paid 12% cash dividend from distributable profit up to FY 2075/76 during the year.

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

There is no issue, repurchases and repayments of debt and securities.

**10. Events after reporting period.**

Events after the reporting date are those events, favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue. There are no material events after reporting period affecting financial status of the bank as on 2076 Poush End.

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

There are no merger and acquisition affecting changes in the composition of the entity during the interim period as on 2076 Poush End.