Mahalaxmi Bikas Bank Ltd.

Condensed Consolidated Statement of Financial Position
As on Quarter ended 32nd Ashad 2083

Amount in NPR

Assets	Bank	
	This Quarter Ending	Immediate Previous Year Ending
Cash and cash equivalent	1,540,468,558	2,952,870,738
Due from Nepal Rastra Bank	2,038,085,775	2,215,803,424
Placement with Bank and Financial Institutions	-	-
Derivative financial instruments	-	-
Other trading assets	-	-
Loan and advances to B/FIs	2,792,871,923	3,833,409,822
Loans and advances to customers	43,341,360,666	41,510,404,522
Investment securities	13,152,928,333	12,462,462,782
Current tax assets	68,278,220	60,465,953
Investment in subsidiaries	-	-
Investment in associates	6,466,400	6,466,400
Investment property	520,838,524	547,660,001
Property and equipment	602,336,552	537,693,098
Goodwill and Intangible assets	10,985,185	5,366,926
Deferred tax assets	120,104,504	111,346,829
Other assets	862,290,782	885,253,225
Total Assets	65,057,015,421	65,129,203,720
Liabilities		
Due to Bank and Financial Institutions	641,403,520	1,101,615,285
Due to Nepal Rastra Bank	-	-
Derivative financial instruments	-	-
Deposits from customers	55,009,924,544	55,115,470,657
Borrowing	-	-
Current Tax Liabilities	-	-
Provisions	-	-
Deferred tax liabilities	-	-
Other liabilities	947,200,180	832,827,862
Debt securities issued	995,843,833	995,443,823
Subordinated Liabilities	-	-
Total liabilities	**57,594,372,078**	**58,045,357,627**
Equity		
Share capital	4,511,281,066	4,296,458,158
Share premium	-	-
Retained earnings	465,198,925	445,596,833
Reserves	2,486,163,352	2,341,791,102
Total equity attributable to equity holders	**7,462,643,343**	**7,083,846,093**
Non-controlling interest	-	-
Total equity	**7,462,643,343**	**7,083,846,093**
Total liabilities and equity	**65,057,015,421**	**65,129,203,720**

Mahalaxmi Bikas Bank Ltd.

Condensed Consolidated Statement of Profit or Loss
As on Quarter ended 32nd Ashad 2083

Amount in NPR

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Interest income	1,033,976,175	4,337,979,317	1,090,559,948	4,877,104,524
Interest expense	517,628,216	2,189,228,561	685,767,185	2,935,887,676
Net interest income	**516,347,958**	**2,148,750,757**	**404,792,763**	**1,941,216,848**
Fee and commission income	62,549,689	252,896,320	76,303,512	234,846,574
Fee and commission expense	7,818,587	22,418,383	12,298,171	28,282,592
Net fee and commission income	**54,731,102**	**230,477,937**	**64,005,340**	**206,563,982**
Net interest, fee and commission income	**571,079,060**	**2,379,228,693**	**468,798,103**	**2,147,780,830**
Net trading income	(168,112)	22,762	(323,324)	231,137
Other operating income	4,363,588	109,373,518	45,477,694	123,810,259
Total operating income	**575,274,536**	**2,488,624,973**	**513,952,473**	**2,271,822,226**
Impairment charge/(reversal) for loans and other losses	(17,399,827)	315,680,916	258,567,248	517,372,903
Net operating income	**592,674,363**	**2,172,944,057**	**255,385,225**	**1,754,449,323**
Operating expense	**348,415,868**	**1,235,007,026**	**272,158,195**	**1,143,042,430**
Personnel expenses	233,143,433	799,060,835	141,713,025	689,169,995
Other operating expenses	96,805,579	362,247,092	111,811,262	382,674,799
Depreciation & Amortization	18,466,856	73,699,098	18,633,907	71,197,637
Operating Profit	**244,258,495**	**937,937,031**	**(16,772,969)**	**611,406,893**
Non-operating income	169,480	2,601,987	413,350	744,690
Non-operating expense	1,588,724	40,608,121	11,981,498	16,836,355
Profit before income tax	**242,839,252**	**899,930,897**	**(28,341,117)**	**595,315,229**
Income tax expense	**72,851,775**	**269,979,269**	**(16,100,151)**	**170,996,753**
Current Tax	72,851,775	269,979,269	72,947,228	260,044,132
Deferred Tax Income / Expenses	-	-	(89,047,379)	(89,047,379)
Profit for the year	**169,987,476**	**629,951,628**	**(12,240,966)**	**424,318,476**

Statement of Comprehensive Income

Amount in NPR

Particulars	Current Year		Previous Year Corresponding (Audited)	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Profit / (Loss) for the Period	**169,987,476**	**629,951,628**	**(12,240,966)**	**424,318,476**
Other comprehensive income	-	-	-	-
a) Items that will not be reclassified to profit or loss	-	-	-	-
Gains/(losses) from investments in equity instruments measured at fair value	(22,782,072)	(29,192,250)	46,807,137	75,799,099
Gain/(loss) on revaluation	-	-	-	-
Actuarial gain/loss on defined benefit plans	-	-	41,701,868	41,701,868
Income tax relating to above items	6,834,622	8,757,675	(26,552,701)	(35,250,290)
Net other comprehensive income that will not be reclassified to profit or loss	**(15,947,451)**	**(20,434,575)**	**61,956,303**	**82,250,677**
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 equated method	-	-	-	-
Other comprehensive income for the period, net of income tax	(15,947,451)	**(20,434,575)**	**61,956,303**	**82,250,677**
Total comprehensive income	**154,040,025**	**609,517,053**	**49,715,337**	**506,569,153**
Profit attributable to:				
Equity holders of the Bank	154,040,025	609,517,053	49,715,337	506,569,153
Non-controlling interest	-	-	-	-
Total comprehensive income	**154,040,025**	**609,517,053**	**49,715,337**	**506,569,153**
Earnings per Share				
Basic earnings per share		13.96		9.88
Annualized Basic Earnings Per Share		13.96		9.88
Diluted earnings per share		13.96		9.88

Ratios as per NRB Directive

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Capital fund to RWA		17.57%		17.06%
Tier 1 Capital to RWA		14.04%		13.53%
CET 1 Capital to RWA		14.04%		13.53%
Non-performing loan (NPL) to total loan		6.32%		4.98%
Total loan loss provision to Total NPL		97.28%		113.00%
Cost of Funds		3.62%		4.56%
Credit to Deposit Ratio		86.82%		83.98%
Base Rate		5.66%		6.94%
Interest Rate Spread		4.19%		4.48%
Return on Equity		8.66%		6.14%
Return on Asset		0.97%		0.65%

Mahalaxmi Bikas Bank Ltd.

Condensed Consolidated Statement of changes in equity

As on Quarter ended Ashad, 2083

Attributable to equity holders of the Bank

	Share Capital	Share Premium	General Reserve	Exchange Equalization Reserve	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total equity
Balance at Shrawan 1, 2081	**4,171,318,600**	**-**	**1,494,426,385**	**2,786,322**	**756,252,225**	**14,389,480**	**-**	**292,319,290**	**12,637,381**	**6,744,129,684**
Adjustment/Restatement	-	-	-	-	-	-		-	-	-
Adjusted/Restated balance at Shrawan 1, 2081	**4,171,318,600**	**-**	**1,494,426,385**	**2,786,322**	**756,252,225**	**14,389,480**	**-**	**292,319,290**	**12,637,381**	**6,744,129,684**
Profit for the period	-	-	-	-	-	-	-	**424,318,476**		**424,318,476**
Other comprehensive income, net of tax	-	-	-	-	-		-	-		**52,636,873**
Gains/(losses) from investments in equity instruments measured at fair value	-	-	105,624	-	-	52,531,249	-	-		
Gain/(loss) on revaluation	-	-	-	-	-	-	-	-		-
Atuarial gain/loss on defined benefit plans	-	-	-	-	-	-	-			
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-		-
Exchange gains/(losses) (arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-		-
Total Comprehensive Income								**422,496**		**422,496**
Transfer to reserve during the year										
Transfer to General Reserve	-	-	84,863,695					(84,863,695)	-	-
Provision on Non-Banking Assets	-	-			95,007,117			(95,007,117)	-	-
Interest Receivable	-	-			253,834,844			(253,834,844)	-	-
Exchange Fluctuation Fund	-	-		526,994				(526,994)	-	-
Fair Value Reserve	-	-								
Corporate Social Responsibility Fund	-	-						(4,243,185)	4,243,185	-
Employee Capability Enhancement Fund	-	-						4,126,693	(4,126,693)	-
Interest Capitalized Reserve					1,068,388			(1,068,388)	-	
Deffered Tax Reserve					68,292,459			(68,292,459)	-	
Transfer from reserve during the year								-	-	
Provision on Non-Banking Assets					(87,439,305)			87,439,305	-	
Interest Receivable	-	-			(431,430,446)			(431,430,446)	-	-
Fair Value Reserve	-	-			-	-			-	-
Actuarial Loss Reserve	-	-			(2,269,468)			2,269,468	29,191,308	**29,191,308**
Deferred Tax Reserve	-	-						(1,732,500)	1,732,500	
Investment Adjustment Reserve	-	-								-
Utilization of Institution CSR Fund	-	-						4,832,143	4,832,143	
Transactions with owners, directly recognized in equity									-	
Share issued	125,139,558	-							-	125,139,558
Share based payments	-	-							-	-
Dividends to equity holders									-	
Bonus shares issued	-	-	-	-	-	-	-	(125,139,558)	-	**(125,139,558**)
Cash dividend paid	-	-	-	-	-	-	-	(166,852,744)	-	**(166,852,744)**
Balance at 32nd Ashadh 208	**4,296,458,158**	**-**	**1,579,395,704**	**3,313,315**	**653,315,815**	**66,920,729**	**-**	**445,596,833**	**38,845,538**	**7,083,846,093**

	Share Capital	Share Premium	General Reserve	Exchange Equalization Reserve	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total equity
Balance at Shrawan 1, 2082	**4,296,458,158**	-	**1,579,395,704**	**3,313,315**	**653,315,815**	**66,920,729**	-	**445,596,833**	**38,845,538**	**7,083,846,093**
Adjustment/Restatement	-	-	-	-	-	-		-	-	-
Adjusted/Restated balance at Shawan 1, 2082	**4,296,458,158**	-	**1,579,395,704**	**3,313,315**	**653,315,815**	**66,920,729**	-	**445,596,833**	**38,845,538**	**7,083,846,093**
Profit for the period	-	-	-	-	-	-	-	629,951,628	-	**629,951,628**
Other Comprehensive Income	-	-				(23,490,327)		2,444,602	-	**(21,045,726)**
Total Comprehensive Income	-	-						-	-	
Transfer to reserve during the year	-	-							-	
Transfer to General Reserve	-	-	126,601,476					(125,990,326)	-	**611,150**
Provision on Non-Banking Assets	-	-			19,114,666			(19,114,666)	-	-
Interest Receivable	-	-			276,437,691			(276,437,691)	-	-
Exchange Fluctuation Fund	-	-		1,202,114				(1,202,114)	-	-
Corporate Social Responsibility Fund	-	-						(6,299,516)	**6,299,516**	-
Employee Capability Enhancement Fund	-	-						3,264,555	**(3,264,555)**	-
Debenture Redemption Reserve		-								
Interest Capitalized Reserve					5,183,402.202			-		
Deferred Tax Reserve					26,921,839.7			-		
Investment Adjustment Reserve	-	-	-	-	-			(5,183,402)	-	-
Transfer from reserve during the year	-	-						(26,921,840)	-	
Provision on Non-Banking Assets	-	-			(32,463,715)			-	-	
Interest Receivable	-	-			(253,834,844)			32,463,715	-	-
Actuarial Loss Reserve	-	-						253,834,844		
Deferred Tax Reserve	-	-						-	-	-
Investment Adjustment Reserve	-	-						-	-	-
Utilization of Institution CSR Fund	-	-						4,335,015	**(4,335,015)**	-
Transactions with owners, directly recognized in equity	-	-							-	
Share issued	-	-							-	-
Share based payments	-	-						-	-	-
Dividends to equity holders	-	-						-	-	
Bonus shares issued	214,822,908	-	-	-	-	-	-	(214,822,908)	-	-
Cash dividend paid	-	-	-	-	-	-	-	(230,719,803)	-	(230,719,803)
Balance at 23nd Ashad 2083	**4,511,281,066**	-	**1,705,997,180**	**4,515,429**	**694,674,855**	**43,430,402**	-	**465,198,925**	**37,545,485.00**	**7,462,643,343**

Mahalaxmi Bikas Bank Ltd.

Condensed Statement of cash flows

As on Quarter ended Ashad 2083

	Up to This Quarter	Corresponding Previous Year Quarter
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	3,913,729,211	4,426,712,198
Fees and other income received	252,896,320	234,846,574
Dividend received	-	-
Receipts from other operating activities	20,425,582	30,135,098
Interest paid	(2,078,828,550)	-2,825,167,523
Commission and fees paid	(22,418,383)	-28,282,592
Cash payment to employees	(795,252,562)	-650,612,789
Other expense paid	(718,536,129)	-810,172,028
Operating cash flows before changes in operating assets and liabilities	**572,015,489**	**377,458,937**
(Increase)/Decrease in operating assets		
Due from Nepal Rastra Bank	177,717,649	-211,121,212
Placement with bank and financial institutions	-	-
Other trading assets	-	-
Loan and advances to bank and financial institutions	1,040,537,899	-120,845,310
Loans and advances to customers	(1,830,956,143)	-960,317,391
Other assets	15,150,176	-706,201,696
	(597,550,419)	**(1,998,485,609)**
Increase/(Decrease) in operating liabilities		
Due to bank and financial institutions	(460,211,765)	187,468,532
Due to Nepal Rastra Bank		-
Deposit from customers	(105,546,113)	-94,812,085
Borrowings		-
Other liabilities	114,372,318	-15,485,388
	(451,385,559)	**77,171,059**
Net cash flow from operating activities before tax paid	**(476,920,490)**	**(1,543,855,613)**
Income taxes paid	(269,979,269)	-170,996,753
Net cash flow from operating activities	**(746,899,759)**	**(1,714,852,365)**

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investment securities	(690,465,551)	-
Receipts from sale of investment securities	(28,365,523)	2,275,093,299
Purchase of property and equipment	(135,694,513)	-261,947,847
Receipt from the sale of property and equipment	-	
Purchase of intangible assets	(7,938,248)	-
Receipt from the sale of intangible assets	-	(938,000)
Purchase of investment properties	29,075,392	(10,471,325)
Receipt from the sale of investment properties	-	-
Interest received	420,441,833	448,942,164
Dividend received	83,355,536	48,719,204
Net cash used in investing activities	**(329,591,074)**	**2,499,397,495**
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	(230,719,803)	(166,852,744)
Interest paid	(110,000,000)	(110,360,076)
Other receipt/payment	-	(35,250,290)
Net cash from financing activities	**(340,719,803)**	**(312,463,110)**
Net increase (decrease) in cash and cash equivalents	(1,417,210,637)	472,082,020
Cash and cash equivalents at Ashad 2082	2,952,870,738	2,478,680,743
Effect of exchange rate fluctuations on cash and cash equivalents held	4,808,456	2,107,975
Cash and cash equivalents at 32nd Ashad End 2083	**1,540,468,557**	**2,952,870,738**

Statement of Distributable Profit or Loss

As on Quarter ended 32nd Ashad 2083

(As per NRB Regulation)

Particulars	Current Year	Previous Year Corresponding
	Up to This Quarter	Up to This Quarter
Net profit or (loss) for the period end Ashad 83	**629,951,628**	**424,318,476**
Appropriations:		
a. General reserve	(125,990,326)	(84,863,695)
b. Capital redemption reserve	-	
c. Exchange fluctuation fund	(1,202,114)	(526,994)
d. Corporate social responsibility fund	(6,299,516)	(4,243,185)
e. Employees' training fund	3,264,555	4,126,693
f. Other-		
Investment Adjustment Reserve	-	(1,732,500)
Fair value reserve	-	-
CSR expense reversal	4,335,015	4,832,143
Profit or (loss) before regulatory adjustment	**504,059,242**	**341,910,938**
Regulatory adjustment :		
a. Interest receivable (-)/previous accrued interest received (+)	(22,602,847)	177,595,602
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 (+)	13,349,049	(7,567,812)
e. Deferred tax assets recognized (-)/ reversal (+)	(26,921,840)	(68,292,459)
f. Goodwill recognized (-)/ impairment of Goodwill (+)	-	-
g. Bargain purchase gain recognized (-)/reversal (+)	-	-
h. Actuarial loss recognized (-)/reversal (+)	-	2,269,468
i. Other (+/-)		-
Fair Value Gain on Investment	2,444,602	-
Interest Capitalized Reserve	(5,183,402)	(1,068,388)
Net profit for the period end Ashad 2083 available for distribution	**465,198,925**	**444,847,348**
Opening Retained Earning	445,596,833	292,319,290
Adjustment(+/-)		422,496
Distribution:		
Bonus Share issued	(214,822,908)	(125,139,558)
Cash Dividend Paid	(230,719,803)	(166,852,744)
Total Distributable Profit or (Loss) as on Ashwin Quarter End, 2083	**465,198,925.00**	**445,596,833.00**
Annualized Distributable Profit/Loss per Share	10.31	10.37

MAHALAXMI BIKAS BANK LTD.

Notes to the Interim Financial Statements

For the quarter ended Ashad 2083

1. Basis of Preparation

The interim financial statements of the Bank have been prepared in accordance with Nepal Financial Reporting Standards (NFRS), including the carve-outs issued by the Institute of Chartered Accountants of Nepal on 20th September 2018. The disclosures made in the condensed interim financial information have been limited based on the format prescribed by Nepal Rastra Bank through NRB Directive 2081 and circulars issued thereon. The corresponding previous year figures are audited.

2. Statement of Compliance

The interim financial statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) and carve-outs issued by the Institute of Chartered Accountants of Nepal on 20th September 2018 on NFRS requirement, which allowed alternative treatments and the bank adopted following carve outs:

NAS 39: Financial Instruments: Recognition and measurement,

- Impairment accounting,
- Calculation of interest income on amortized cost

Financial information has been recorded in compliance with directives of Nepal Rastra Bank and relevant business practices followed by the bank unless as adjusted for compliance with NFRS.

3. Use of Estimates, Assumptions and Judgments

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

4. Changes in Accounting Policies

There are no changes in accounting policies and methods of computation since the publication of annual accounts for the year end Ashad 2078.

5. Significant Accounting Policies

The accounting policies applied, and method of computation followed in the preparation of the interim financial statement is in consistent with the accounting policies applied and method of computation followed in preparation of the annual financial statement.

5.1 Basis of Measurement

The interim financial statements have been prepared on a historical cost basis, except for available for sale investments, assets held for sale and discontinued operations, other financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss (FVTPL), all of which have been measured at fair value.

5.2 Basis of Consolidation

The Bank does not have control over any other entity for consolidation of Financial Statements.

5.3 Cash and Cash equivalent

Cash and cash equivalents include cash in hand, balances with B/FIs, money at call and short

notice and highly liquid financial assets with original maturities of three months or less from the acquisition dates 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 presented in the carrying value 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 settlement date.

B. Classification

I. Financial Assets

The Bank classifies the financial assets 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:

i. Financial assets measured at amortized cost

The Bank classifies a financial asset measured at amortized cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- 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.

ii. Financial asset measured at fair value

Financial assets other than those measured at amortized cost are measured at fair value. Financial assets measured at fair value are further classified into two categories as below:

✓ **Financial assets at fair value through profit or loss**

Financial assets 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 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.

✓ **Financial assets at fair value through other comprehensive income**

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.

II. **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 as 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 costs are directly attributable to the acquisition are recognized in Statement of Profit or Loss as incurred. Except for particular liabilities designated as at FVTPL, the amount of the change in the fair value that is attributable to changes in the liability's credit risk is recognized in Other Comprehensive Income.

✓ **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 rate method.

C. **Measurement**

i. **Initial Measurement**

A financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue except on the case of financial assets and liabilities recorded at fair value through profit or loss. Transaction cost in relation to financial assets and liabilities at fair value through profit or loss are recognized in Statement of Profit or Loss.

ii. **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.

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.

5.4.1 **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.

De-recognition of Financial Liabilities

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 de-recognition 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.

5.4.2 Determination of Fair Value

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the observability of the significant inputs used to determine the fair values. Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Bank recognizes transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

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 investments are recorded at cost, considering the non-trading of promoter shares up to the date of balance sheet, the market price of such shares could not be ascertained with certainty. Hence, these investments are recognized at cost net of impairment, if any.

5.4.3 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 held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and investment securities measured at amortized cost are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Loans and advances and investment securities measured at amortized cost that are not individually significant are collectively assessed for impairment by grouping together loans and advances and investment securities measured at amortized cost 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.

a) 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 are 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 i.e. NPR 25 million individually 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 being based on the past experience. For the purpose of collective assessment of impairment Bank has categorized assets in twelve broad products as follows:

a. Agriculture Loan
b. Business Overdraft Loan
c. Business Term Loan
d. Deprive Sector Individual Loan
e. Education Loan (Term)

f. Gold & Silver Loan
g. Hire Purchase Loan
h. Housing Loan (Term)
i. Loan against Fixed deposit
j. Margin Lending Loan
k. Personal Loan (Overdraft)
l. Personal Loan (Term)

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 other reserves and funds (impairment reserve) in statement of other comprehensive income and statement of changes in equity. If a write–off is later recovered, the recovery is credited to the 'Statement of Profit or Loss.

Loan Loss Provision as per Nepal Rastra Bank Directive

Loan loss provisions in respect of loans and advances are based on minimum provisioning level prescribed in relevant NRB guidelines and amount determined as per ECL provision of NFRS 9 and NFRS 9- Expected Credit Loss Related Guidelines, 2024 issued by NRB.

5.5 Trading Assets

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.

Trading assets and liabilities 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 and loss account.

5.6 Derivatives Assets and Derivative Liabilities

The Bank does not deal with any derivative financial instruments.

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

✓ The cost of the item can be measured reliably.

Cost includes purchase price including any non-refundable taxes after deducting volume rebates and trade discounts and such other costs that are incurred to bring asset to location and condition to be operating in a manner intended by management.

The cost of self-constructed assets includes the following:

✓ the cost of materials and direct labor.

✓ 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 for qualifying assets
- ✓ 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. 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.

Assets with a value of less than NPR 5,000 are charged off to revenue irrespective of their useful life in the year of purchase.

b. Capital Work in Progress (CWIP)

The Bank does not have any CWIP as on the reporting date.

c. Depreciation

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful life as per management judgment as follows:

S. No.	Asset	Estimated Useful Life
1.	Building	50 Years
2.	Vehicle Office	7 Years
3.	Machinery	8 Years
4.	Furniture	8 Years
6.	Office Equipment	7 Years
7.	Computer Hardware	5 Years
8.	Leasehold Expenditure	Over the leasehold period
9.	Computer Software	5 Years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. The value of the assets fully depreciated but continued to being use is considered not material.

At each reporting date, assets are also 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 to the recoverable amount.

d. De-recognition

The carrying amount of Property and Equipment shall be 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 shall be included in profit or loss when the

item is derecognized except for sales & lease back transaction. The gain shall not be classified as revenue.
Depreciation method, useful lives and residual value are reviewed at each reporting date and adjusted, if any.

5.8 Intangible Assets/ Goodwill 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.

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

Investment properties include 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 remains unsold at the reporting date. Impairment test has not been conducted on investment property as it has been considered that the value of land appreciates over the period.

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 available-for-sale 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 expense. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

a. 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.

b. 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 account, current, 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

The Bank has issued 10 Years, 11% Mahalaxmi Debenture 2089 amount NPR 1 Arba.

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 as a result of past event 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 interim financial statements if it is not probable that the amount will be received. If it is probable, then disclosure is given for the contingent asset. 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, etc. and the bases of incomes recognition are as follows:

a. Interest Income

Interest income on available-for-sale assets and financial assets held at amortized 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 amortized 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 amortized 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.

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. Generally, income less than five thousand is recognized under cash basis.

c. Dividend Income

Dividend incomes 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 realized and unrealized fair value changes, interest, dividends and foreign exchange differences.

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

Gains and losses arising from changes in the fair value of financial instruments designated 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.

5.14 Interest expense

Interest expense on all financial liabilities including deposits is recognized in profit or loss using effective interest rate method. Interest expense on all trading liabilities is 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

The Bank has schemes of retirement benefits namely Gratuity, Provident Fund and Medical Allowance.

a. Retirement benefit obligations

The Bank operates a defined contribution plans as provident fund contribution, Gratuity (compliance with Labour Act, 2074) and medical Allowance of its employees and defined benefit

plans for the Gratuity payment.

For Provident Fund, the Bank pays contributions to the publicly administered provident fund plans (named Employee Provident Fund) on a mandatory basis, and such amounts are charged to operating expenses. The Bank has no further payment obligations once the contributions have been paid.

For medical allowance, the Bank creates fund within the bank every year as one-month salary of all permanent staff on a mandatory basis, and such amounts are charged to operating expenses. The Bank has obligations up to the amount contributed per month.

The gratuity provision has been provided with compliance of New Labor Act, 2074. These benefits are treated as defined contribution plan and provided accordingly.

As these gratuities are defined benefit plans, the liability recognized in the statement of financial position is the present value of the defined benefit obligation less the fair value of plan assets. Such obligations are estimated on the basis of actuarial Valuation. However, the interim actuary valuation has not been conducted.

b. Long Term Benefit Liability (Accumulated Leave) Long Term Benefit Liability

The Bank provides accumulated leave benefit under its staff byelaw. The Home Leave is accumulated up to 60 days and there is no limit for the accumulation of Sick Leave.

Accumulated leave benefits are treated as long term benefit liability. Accumulated leave obligations are estimated on the basis of actuarial valuation. Long term benefit liability is not subject to same degree of uncertainty as defined benefit plan. Therefore, re-measurement gain/ (loss) on accumulated leave is charged to Statement of Profit or Loss. However, the interim actuary valuation has not been conducted.

The Bank has no further payment obligations once the contributions have been paid.

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 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.

5.17 Foreign Currency Translation

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

Transactions in foreign currencies are initially recorded at the functional currency using 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 recognized 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 other comprehensive income 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 a debt instrument. 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 interim financial statements 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. 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.

Dividends on ordinary shares classified as equity are recognized in equity in the period in which they are declared. The proposed bonus shares after the reporting period approved by AGM before the publication of unaudited financial statements has been considered as adjusting event and added over the share capital.

The reserves include retained earnings and other statutory reserves such as general reserve, foreign exchange equalization reserve, regulatory reserve, staff training and development fund, CSR reserve etc.

5.20 Earnings per share

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.

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization due to right share, bonus issue, the calculation of basic and diluted earnings per share for all periods presented are adjusted retrospectively. The earning per share has been calculated considering the bonus share which has been approved by AGM after the reporting period before the unaudited publication.

6. Segmental Information

The Bank is organized for management and reporting purposes into segments such as Business Banking, Treasury, Card, remittance and others. The segment results that are reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis The personal expense, other operating expense, depreciation and assets and liabilities have been allocated on the basis of net revenue of the segments.

7. Related Party Disclosures

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

Name	Relationship
Mr. Rajesh Upadhyay	Chairman
Mr. Ashwini Kumar Thakur	Director
Mr. Sanjay Giri	Director
Mr. Sagar Malla	Director
Mr. Shyam Sundar Rungta	Director
Mr. Rahul Agrawal	Director
Mr. Salik Ram Aryal	Director
Mr. Dipesh Lamsal	CEO
Mr. Amit Bahadur Chand	ACEO
Mr. Anuj Acharya	ACEO
Mr. Subash Joshi	Acting ACEO

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

No such transaction took place during the fourth Quarter end Ashad 2083.

9. Events after interim period

There were no material events subsequent to the date of the condensed statement of financial position that require disclosure or adjustments to the unaudited interim financial statements.

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

There are no merger or acquisitions transaction during the interim reporting period ended Ashad 2083.

11. Segmental Information

Concentration of Credits, Deposits and Borrowings

A. Concentration of Borrowings-N/A

B. Concentration of Credit exposures

Particulars	Current Year	Previous Year
Total exposures to twenty largest borrowers		
a. As per group (related party)	4,565,939,772.15	3,957,937,921.28
b. As per individual customer	3,223,242,471.42	2,802,141,824.32
Percentage of exposures to twenty largest borrowers to Total Loans and Advances		
a. As per group (related party)	9.45%	8.47%
b. As per individual customer	6.67%	5.99%

C. Concentration of Deposits

Particulars	Current Year	Previous Year
Total deposits from twenty largest depositors		
a. Group-wise (Institutional)	6,179,372,447.73	5,825,211,641.80
b. As per individual customer	1,821,143,470.00	2,208,761,937.58
Percentage of deposits from twenty largest depositors to Total Deposits		
a. Group-wise	11.10%	10.77%
b. As per individual customer	3.27%	4.08%

Disclosure as prescribed by Securities Registration and Issuance Regulation, 2073

(Related to Sub rule (1) of Rule 26), for the Fourth Quarter of Fiscal Year 2082/83

1. Financial Detail

a) Quarterly statement of financial position and statement of profit or loss has been published along with this detail.

b) Major Financial Indicators

1	Earnings per Share (Annualized)	**13.96**
2	Price Earnings ratio	**24.78**
3	Net Worth per Share	**165.42**
4	Return on Total Asset (Annualized)	**0.97%**
5	Return on Equity (Annualized)	**8.66%**
6	Liquidity Ratio	**27.35%**

2. Management Analysis:

The bank has posted a net profit of NPR 62,9951,628 /- up to the fourth quarter of FY 2082/83, with a growth **48.46 percentage** corresponding to the previous year's quarter-end results. The bank remains strong in terms of capital adequacy and liquidity. However, due to challenges in loan recovery amidst a difficult economic situation, the non-performing assets (NPA) have **increased to 6.32 %.** Despite reduced interest rates, adequate liquidity, and a sound credit-to-deposit (CD) position, stagnant credit demand has affected overall business performance. Nevertheless, the bank remains committed to achieving its business targets, maximizing returns, and delivering excellent customer service.

3. Details relating to legal action

a) Case filed by or against the Bank in this year: No such information has been received.

b) Case relating to disobedience of prevailing law or commission of criminal offence filed by or against the Promoter or Director of the Bank: No such information has been received.

c) Case relating to financial crime filed against any Promoter or Director: No such information has been received.

4. Analysis of stock performance of the Bank

The Bank's share price and transaction are determined according to the demand and supply of shares in the market. Maximum, minimum and last share price of the Bank including total share transaction number, volume and days of transaction during the quarter are:

Maximum Share Price	NPR. 426.00
Minimum Share Price	NPR. 340.10
Last Share Price	NPR. 346.00
Transaction volume (No. of shares)	1,350,211.00
Transaction volume (Amount In NPR)	493,064,267.90
Transaction Days	64.00

5. Problems and Challenges

Internal:

i) Increased cost of operation
ii) Sourcing and retention of quality workforce in the increased competitive banking industry.
iii) Challenge to manage operational risk and minimize risk relating to information technology

External:

i) Increased level of operational risk in the industry
ii) Challenge to recover the interest as a result of overall economic downturn and political instability.
iii) Subdued credit demand

6. Strategy to overcome Problems and Changes

i) To revise strategy and planning according to the ongoing market scenario.
ii) Effective management of cost of deposit and total operating expense.
iii) Provide banking service to population still not within the Bank reach and mobilize deposit.
iv) Provide uninterrupted service through the use of information technology
v) Introduction of customer-oriented & innovative products and services focusing on digital banking.
vi) Strengthening human resource capabilities to minimize various risk.
vii) Proper portfolio management targeting good quality loan customers.
viii) Focus on strengthening internal control and monitoring system and policy to cope with various risks

7. Corporate Governance

The Bank is committed towards high standard of corporate governance, professionalism, ethical standard and compliance with superior standard in business practice. In order to maintain the superior standard of corporate governance, various committees are effectively functioning in the Bank. Further, Internal Audit Department of the Bank is also outsourced, and it is functioning effectively. The Bank has been fully complying with the directives and guidelines issued by NRB.

8. Declaration of CEO

To the best of my knowledge, the information published in this report is true and fair. No material information for investors has been concealed. I personally take the responsibility for fair presentation of report.