

Manjushree Finance Limited
Condensed Statement of Financial Position
As on Quarter ended 30th Chaitra 2080

(Full Figures)

Assets	This Quarter Ending	Immediate Previous Year Ending
Cash and cash equivalent	1,306,668,864	1,007,858,504
Due from Nepal Rastra Bank	639,730,320	655,465,614
Placement with Bank and Financial Institutions	-	-
Derivative financial instruments	-	-
Other trading assets	-	-
Loan and Advances to B/FIs	1,011,034,784	959,036,391
Loans and advances to customers	13,259,597,486	11,291,008,274
Investment in securities	2,854,513,868	2,597,152,379
Current Tax Assets	26,913,195	15,510,315
Investment in subsidiaries	-	-
Investment in Associates	-	-
Investment property	13,405,999	25,905,880
Property and equipment	192,687,160	192,860,086
Goodwill and Intangible Assets	2,790,559	1,635,977
Deferred tax assets	9,870,307	17,020,033
Other assets	138,895,286	99,131,097
Total Assets	19,456,107,827	16,862,584,550
Liabilities		
Due to Bank and Financial Institutions	862,685,880	1,124,170,620
Due to Nepal Rastra Bank	287,311,003	195,678,864
Derivative Financial instruments	-	-
Deposit from customers	15,436,258,385	12,741,295,612
Borrowings	-	-
Current Tax Liabilities	-	-
Provisions	-	-
Deferred tax liabilities	-	-
Other liabilities	210,692,673	237,472,974
Debt securities issued	500,000,000	500,000,000
Subordinated Liabilities	-	-
Total liabilities	17,296,947,941	14,798,618,071
Equity		
Share Capital	1,351,552,848	1,351,552,848
Share Premium	-	-
Retained Earning	20,844,870	79,438,885
Reserves	786,762,168	632,974,746
Total equity attributable to equity holders	2,159,159,886	2,063,966,479
Non-controlling interests	-	-
Total equity	2,159,159,886	2,063,966,479
Total liabilities and equity	19,456,107,827	16,862,584,550

Manjushree Finance Limited
Condensed Statement of Profit or Loss
For the Period Ended from 1st Shrawan 2080 to Chaitra End 2080

(Full Figures)

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Interest Income	545,537,059	1,684,340,706	555,697,492	1,544,419,446
Interest Expense	(373,344,673)	(1,138,763,002)	(371,635,096)	(1,035,649,998)
Net interest income	172,192,386	545,577,704	184,062,396	508,769,448
Fees and Commission Income	22,015,973	59,447,398	14,432,783	44,199,188
Fees and Commission Expense	-	-	-	-
Net fee and Commission income	22,015,973	59,447,398	14,432,783	44,199,188
Net interest fee and commission income	194,208,359	605,025,102	198,495,179	552,968,636
Net Trading Income	-	-	-	-
Other Operating Income	215,700	6,686,550	1,317	44,842
Total operating income	194,424,058	611,711,652	198,496,496	553,013,478
Impairment charge/(reversal) for loans and other	47,840,568	146,154,850	94,389,414	96,782,436
Net Operating income	146,583,490	465,556,802	104,107,081	456,231,042
Operating expenses				
Personal Expense	53,839,065	157,469,667	22,566,768	127,621,365
Other Operating Expenses	22,935,730	68,412,379	19,951,389	64,877,361
Depreciation and amortisation	6,638,776	19,395,754	6,231,021	18,417,050
Operating Profit	63,169,919	220,279,002	55,357,904	245,315,266
Non operating income	-	-	-	-
Non operating expense	-	-	-	-
Profit before income tax	63,169,919	220,279,002	55,357,904	245,315,266
Income tax expense	17,653,834	69,292,141	20,165,939	73,594,580
Current tax	20,757,415	68,717,808	20,165,939	73,594,580
Deferred tax expenses/ (income)	(3,103,581)	574,333	-	-
Profit/(loss) for the period	45,516,085	150,986,860	35,191,965	171,720,686

Manjushree Finance Limited
Statement of Other Comprehensive Income
As on Quarter ended 30th Chaitra 2080

(Full Figures)

Particulars	Current Year		Previous Year Corresponding	
	This Quarter	Up to This Quarter (YTD)	This Quarter	Up to This Quarter (YTD)
Profit for the period	45,516,085	150,986,860	35,191,965	171,720,686
Other comprehensive income, net of income tax				
a) Items that will not be reclassified to profit or loss				
• Gains/(losses) from investment in equity instruments measured at fair value	21,917,976	21,917,976		
• Gains/(losses) on revaluation				
• Actuarial gain/(losses) on defined benefit plans		-		
• Income tax relating to above items	(6,575,393)	(6,575,393)		
Net other comprehensive income that will not be reclassified to profit or loss	15,342,583	15,342,583		
b) Items that are or may be reclassified to profit or loss				
• Gains/(losses) on cash flow hedge				
• Exchange gains/(losses)(arising from translating financial assets of foreign operation)				
• Income tax relating to above items				
• Reclassify to profit or loss				
Net other comprehensive income that are or may be reclassified to profit or loss		-		-
c) Share of other comprehensive income of associate accounted as per equity method				
Other comprehensive income for the period, net of Income Tax	15,342,583	15,342,583		-
Total comprehensive income for the period	60,858,668	166,329,444	35,191,965	171,720,686
Profit attributable to :				
Equity holders of the Bank				-
Non-controlling interest	60,858,668	166,329,444	35,191,965	171,720,686
Total		166,329,444		171,720,686

Earnings Per Share

Basic Earning Per Share	11.17	12.71
Annualized Basic Earning Per Share	14.90	16.94
Diluted Earning Per Share	14.90	16.94

Manjushree Finance Limited
Statement of Changes in Equity
As on Quarter ended 30th Chaitra 2080

Particulars	Attributable to Equity-Holders of the Bank											(Full Figures)	
	Share Capital	Share Advance	Share Premium	General Reserve	Exchange Equalisation Reserve	Regulatory Reserve	Fair Value Reserve	Revaluation Reserve	Retained Earning	Other Reserve	Total	Non-Controlling Interest	Total Equity
Balance at Shrawan 01, 2080	1,351,552,848	-	-	314,557,517	-	140,511,831	1,166,408	-	79,438,885	176,735,180	2,063,962,669	-	2,063,962,669
Adjustment/Restatement	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment/Restated Balances at Shrawan 01, 2080	1,351,552,848	-	-	314,557,517	-	140,511,831	1,166,408	-	79,438,885	176,735,180	2,063,962,669	-	2,063,962,669
Comprehensive Income for the year	-	-	-	-	-	-	-	-	150,986,860	-	150,986,860	-	150,986,860
Profit for the year	-	-	-	-	-	-	-	-	150,986,860	-	150,986,860	-	150,986,860
Other Comprehensive Income, Net of Tax	-	-	-	-	-	-	15,342,583	-	-	-	15,342,583	-	15,342,583
Gains/(losses) from investment in equity instruments measured at fair value	-	-	-	-	-	-	15,342,583	-	-	-	15,342,583	-	15,342,583
Gains/(losses) on revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-
Actuarial gain/(losses) on defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-	-
Gains/(losses) on cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange gains/(losses)(arising from translating financial assets of foreign operation)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income for the year	-	-	-	-	-	-	15,342,583	-	150,986,860	-	166,329,444	-	166,329,444
Transfer to Reserves during the year	-	-	-	30,197,372	-	-	-	-	(30,197,372)	-	-	-	-
Transfer Deferred Tax Reserve to Retained Earnings during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Creation of CSR Fund	-	-	-	-	-	-	-	-	(1,509,869)	1,509,869	-	-	-
Creation of Training Fund	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilization of Training Fund	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilization of CSR Fund	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to Debenture Redemption Reserve	-	-	-	-	-	-	-	-	(62,500,000)	62,500,000	-	-	-
Transfer from Reserves during the year due to AIR	-	-	-	-	-	59,266,060	-	-	(59,266,060)	-	-	-	-
Transfer from Reserves during the year due to NBA	-	-	-	-	-	(7,874,925)	-	-	7,874,925	-	-	-	-
Transfer from Reserves during the year due to deferred Tax assets	-	-	-	-	-	(7,149,726)	-	-	7,149,726	-	-	-	-
Transactions with Owners, directly recognized in Equity	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount transferred from premium to share capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Share Issued	-	-	-	-	-	-	-	-	-	-	-	-	-
Share Based Payments	-	-	-	-	-	-	-	-	-	-	-	-	-
Share Issued Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Share Issued Expenses-Tax Impact	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend to Equity-Holders	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonus Shares Issued	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Dividend Paid	-	-	-	-	-	-	-	-	(71,132,226)	-	(71,132,226)	-	(71,132,226)
Gain on Disposal of Share Classified into OCI	-	-	-	-	-	-	-	-	-	-	-	-	-
Current Tax on Gain on Disposal of Share Classified into OCI	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Contributions by and Distributions	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as on Chaitra end, 2080	1,351,552,848	-	-	344,754,889	-	184,753,239	16,508,991	-	20,844,870	240,745,049	2,159,159,886	-	2,159,159,886

Statement of distributable profit and loss
For the Period Ended from 1st Shrawan 2080 to Chaitra End 2080
(As per NRB Regulation)

(Full Figures)

Particulars	Current Year	Corresponding Previous Year
	Up to This Quarter (YTD)	Up to This Quarter (YTD)
Net profit or (loss) as per statement of profit or loss	150,986,860	171,720,686
<u>Appropriations:</u>	-	-
<i>a. General reserve</i>	(30,197,372)	(34,344,137)
<i>b. Foreign exchange fluctuation fund</i>	-	-
<i>c. Capital redemption reserve</i>	(62,500,000)	(62,500,000)
<i>d. Corporate social responsibility fund</i>	(1,509,869)	(1,717,207)
<i>e. Employees training fund</i>	-	-
<i>f. Dividend Distribution of Previous Year</i>	-	-
<i>g. Other</i>	-	-
Profit or (loss) before regulatory adjustment	56,779,620	73,159,342
<u>Regulatory adjustment:</u>	-	-
<i>a. Interest receivable(-)/previous accrued interest received(+)</i>	(59,266,060)	(72,475,500)
<i>b. Short loan loss provision in accounts(-)/reversal(+)</i>	-	-
<i>c. Short provision for losses on investment(-)/reversal(+)</i>	-	-
<i>d. Short loan loss provision on Non Banking Assets (-)/reversal(+)</i>	7,874,925	-
<i>e. Deferred tax assets recognized (-)/reversal(+)</i>	7,149,726	-
<i>f. Goodwill recognized (-)/impairment of Goodwill(+)</i>	-	-
<i>g. Bargain purchase gain recognized(-)/reversal(+)</i>	-	-
<i>h. Actuarial loss recognized(-)/reversal(+)</i>	-	-
<i>i. Other(+)/(-)</i>	-	-
Net profit for quarter end Chaitra 2080 available for distribution	12,538,211	683,842
Opening retained earning as on Shrawan 1st 2080	79,438,885	1,519,368
<u>Distribution:</u>		
<i>Bonus shares issued</i>	-	-
<i>Cash dividend paid</i>	(71,132,226)	-
Total distributable profit or (loss) as on Chaitra 2080	20,844,870	2,203,210
<i>Annualised distributable profit/loss per share</i>	<i>2.06</i>	<i>0.22</i>

Manjushree Finance Limited
Condensed Statement of Cash Flows
For the Period Ended from 1st Shrawan 2080 to Chaitra End 2080

	(Full Figures)	
	Up to This Quarter	Corresponding Previous Year Up to This Quarter
Cash flows from operating activities		
Interest Received	1,615,456,459	1,429,378,970
Fee and other income received	59,447,397.53	44,199,188
Dividend Received	-	-
Receipts from other operating activities	6,686,550	44,842
Interest paid	(1,111,834,803)	(1,029,352,134)
Commission and fee paid	-	-
Cash payments to employee	(125,883,111)	(101,188,109)
Other expense paid	(86,358,134)	(56,889,545)
Operating cash flows before change in operating assets and liabilities	357,514,359	286,193,211
(Increase)/Decrease in operating assets	(2,124,452,218)	(1,746,974,182)
Due from Nepal Rastra Bank	15,735,295	(259,187,023)
Placement with bank and financial institutions	-	-
Other Trading assets	-	-
Loan and advances to bank and financial institutions	(31,031,703)	142,653,216
Loan and advances to customer	(2,066,826,506)	(1,195,020,730)
Other Assets	(42,329,304)	(435,419,644)
Increase/(Decrease) in operating liabilities	2,502,725,425	390,571,871
Due to bank and financial institutions	(261,484,740)	(773,756,903)
Due to Nepal Rastra Bank	91,632,139	(924,947,621)
Deposits from customers	2,694,962,773	2,112,753,174
Borrowings	-	-
Other Liabilities	(22,384,746)	(23,476,779)
Net Cash flow from operating activities before tax paid	735,787,566	(1,070,209,099)
Income taxes paid	(107,460,749)	(87,592,917)
Net Cash flow from operating activities	628,326,817	(1,157,802,016)
Cash flows from investing activities	-	-
Purchase of investment securities	(235,943,402)	(628,361,260)
Receipts from sale of investment securities	-	-
Purchase of plant and equipment	(15,870,056)	(11,547,608)
Receipt from sale of property and equipment	90,000	-
Purchase of intangible assets	(581,325)	-
Receipt from sale of intangible assets	-	-
(Purchase)/Sale of investment properties	(12,499,881)	-
Receipt from the sale of investment properties	-	-
Interest received	-	-
Dividend received	6,420,434	-
Net cash used in investing activities	(258,384,230)	(639,908,868)
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	-	-
Dividend paid	(71,132,226)	-
Interest paid	-	-
Other receipt/payment	-	-
Net cash from financing activities	(71,132,226)	-
Net increase/(decrease) in cash and cash equivalents	298,810,360	(1,797,710,885)
Cash and Cash Equivalents at Shrawan 01, 2080	1,007,858,504	2,743,682,933
Effect of exchange rate fluctuations on cash and cash equivalents held	-	-
Closing Cash and Cash Equivalents	1,306,668,864	945,972,048

Ratios as per NRB Directive

Particulars	Current Year	Previous Year
	Up to this Quarter (YTD)	Up to This Quarter (YTD)
Capital fund to RWA	16.31%	17.67%
Non-performing loan (NPL) to total loan	3.95%	3.36%
Total loan loss provision to Total NPL	106.00%	112.48%
Cost of Funds	8.85%	10.79%
Credit to Deposit Ratio	84.74%	86.73%
Base Rate	11.55%	12.98%
Interest Rate Spread	4.59%	4.76%

Note

1. Above financials have been prepared in accordance with NRB Directive No. 4 and applicable Nepal Financial Reporting Standards (NFRS) issued by The Institute of Chartered Accountants of Nepal (ICAN).
2. Loans and advances are presented net of loan impairments. Loans and advance include interest receivable on loan and staff loan amortization.
3. Figures have been regrouped and rearranged wherever necessary.
4. The above figures are subject to change if directed by the Regulators and/or External Auditor.
5. The detailed interim financial report has been published in the Finance's website : www.manjushreefinance.com.np

Disclosure as prescribed by Securities Registration and Issue Regulation, 2073

(Related to Sub rule (1) of Rule 26, for the Third Quarter of F.Y. 2080/81)

1. Financial Statements (as per un-audited figures of 2080.12.30)

i. Financial detail as at the end of Third Quarter (2080.12.30) of F.Y. 2080/81 has been published along with this disclosure.

ii. Major Financial Indicators

a) Earnings Per Share (Annualized)	NPR 14.90
b) Market Value Per Share	NPR 505
c) Price Earnings Ratio	33.89
d) Net Worth Per Share	NPR 159.75
e) Total Assets / No. of Share	1439.54
f) Liquidity Ratio	27.62

2. Management Analysis

a) Details relating to the change in the FI's reserve, income, and liquidity in the quarter (if any) and its main reason.

FI's reserve and liquidity position remained strong throughout the quarter.

b) Management's analytical details regarding future business plan.

FI seeks to achieve sustainable growth in business and profitability as per its strategic management plan.

c) Analytical details of the incidents that may have major impact on reserve, profit, or cash flow (if any) based on previous experience.

No specific incident occurred during the period that could have impact on reserve, profit, or cash flow.

3. Legal Proceedings

a) Case filed by or against the FI in this quarter.

Except in the regular course of business, there is no lawsuits filed against the FI in this quarter.

b) Case relating to disobedience of prevailing law or commission of criminal offence filed by or against the promoter or Director of the FI.

No such information has been received.

c) Case relating to commission of financial crime filed against any Promoter or Director of the FI.

No such information has been received.

4. Analysis of Stock Performance of the FI

a) Management view on the transaction of the shares of the FI in the Share Market.

Transaction of Shares and share price are determined by open market at Nepal Stock Exchange Ltd.

b) Maximum, minimum, and last share price, total transaction days and total transacted number of shares in the quarter (as per nepalstock.com)

Maximum Share price	Minimum Share Price	Closing Share Price	Total No. of Transaction	No. of days of transaction	Total Traded no. of share
527.00	505.00	505.00	9,973	58	1,435,503

5. Problems and Challenges

Internal

- 1) To maintain the level of interest spread.
- 2) Managing overheads.
- 3) Recruitment, retention, and development of quality manpower.

External

- 1) COVID-19 Novel Coronavirus Pandemic is expected to have severe negative impacts on the global economy along with national economy.
- 2) Tough competition in banking industry.
- 3) Unstable socio-political situation of the country.
- 4) Lack of favorable environment for the investment.
- 5) Slow-down in remittance growth
- 6) Competitive deposit market due to lack of liquidity

Strategy to overcome the problems and challenges.

- 1) Development and Introduction of customer-oriented products / services.
- 2) Strict portfolio management with emphasis on quality rather than quantity.
- 3) Identification of new business avenues.
- 4) Focus on development of staffs by training, counseling, and monitoring them.

6. Corporate Governance

Clear separation of roles and responsibilities of Board of Directors and Management has ensured high standard of corporate Governance. Audit Committee has been functioning independently and actively.

Manjushree is committed for transparency, high standard of professionalism and data integrity.

7. Declaration

I, CEO of the FI, am accountable individually on the factual accuracy of the information submitted as of the date in this report. I also declare that to the best of my knowledge, no material information for investors has been concealed.

Notes to the Interim Financial Statements

1. Basis of preparation

The Interim Financial Statements of the Finance for Second quarter of current FY 2080-2081 ending 12th April 2024 (30th Chaitra 2080) have been prepared in accordance with the requirement of Nepal Financial Reporting Standards (NFRS) - NAS 34 “Interim Financial Reporting” as published by the Accounting Standards Board (ASB) Nepal and pronounced by The Institute of Chartered Accountants of Nepal (ICAN).

The Formats used in the preparation of the Financial Statements and the disclosures made therein comply with the specified formats prescribed by the Nepal Rastra Bank for the preparation, presentation and publication of the Interim Financial Statements.

The Condensed Consolidated Interim Financial Statement comprise of:

- Condensed Consolidated Statement of Financial Position,
- Condensed Consolidated Statement of Profit or Loss,
- Condensed Consolidated Statement of Comprehensive Income,
- Condensed Consolidated Statement of Changes in Equity,
- Condensed Consolidated Statement of Cash Flows,
- Ratios as per NRB Directive

1.1 Reporting Period

The Finance follows the Nepalese financial year based on the Nepalese calendar. The corresponding dates for the English calendar are as follows:

Relevant Financial Statement	Nepalese Calendar Date/Period	English Calendar Date/Period
Statement of Financial Position	30 th Chaitra 2080	12 th April 2024
Statement of Profit/Loss	1 st Shrawan 2080 to 30 th Chaitra 2080	17 th July 2023 to 12 th April 2024

1.2 Functional and Presentation Currency

The Nepalese Rupees (NRs), being the currency of primary economic environment under which finance operates, has been used as the functional currency. The Interim Financial information has been presented in Nepalese Rupees and has been shown in actual figure, unless indicated otherwise.

1.3 New standards in issue but not yet effective

The interim financial statement of the Finance have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) to the extent applicable and as issued by Accounting Standard Board-Nepal.

1.4 Comparative Information

Comparative information is provided in narrative and descriptive nature, if it is relevant to understand the current period's interim financial statement and reclassified whenever necessary to conform to current period presentation.

2. Statement of Compliance with NFRSs

The interim financial statement of group which comprise of Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Profit or Loss, Condensed Consolidated Statement of Comprehensive Income, Ratios, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and Notes to the consolidated Interim Financial Statements have been prepared in accordance with Nepal Financial Reporting Standards (NFRS) as issued by Accounting Standards Board and carve out issued by the Institute of Chartered Accountants of Nepal and in compliance with BAFIA 2073 and Unified Directive 2078 issued by Nepal Rastra Bank and all other applicable laws and regulations.

3. Use of Estimates, Assumptions and Judgments

The Management of the Finance has made judgments, estimations and assumptions which affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses that is required for the preparation of interim condensed financial statements in conformity with Nepal Financial Reporting Standards (NFRS). The Management believes that the estimated used in preparation of financial statements are prudent and reasonable. Estimates and underlying assumptions are reviewed on an ongoing basis. Necessary revisions to accounting estimates are recognized in the period in which such estimates are revised and in any future periods affected. Actual results may differ from these estimates. Any revision in accounting estimate is recognized prospectively in present and future periods as required under NAS 08 Accounting Policies, Changes in Accounting Estimates and Error.

Significant estimates, assumptions and judgments used in applying accounting policies which have material effect in financial statements are:

- Impairment on loans and advances (Provision for loan calculated as per NRB)
- Determination of fair value of financial instruments
- Assessment of Finance's ability to continue as going concern.

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 ended Poush 2076.

5. Significant Accounting Policies

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

5.1 Basis of Measurement

The financial statements have been prepared on historical cost basis except for the following material items in the statement of financial position:

- Financial instruments at fair value through profit or loss are measured at fair value.
- Investment Property measured at Fair Value.

5.2 Cash and Cash equivalent

Cash and cash equivalents include cash in hand, unrestricted balances with finances and money at call and at short notice and highly liquid financial assets with original maturities of three month or less from the date of acquisition that are subject to insignificant risk of changes in their fair value and are used by the finance in the management of short-term commitments.

5.3 Financial Instruments- Initial recognition and subsequent measurement

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 costs 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.

5.4 Loans and advances to customers and BFIs

Loans and advances to customers and BFIs comprises of non-derivative financial assets with fixed or determinable payments that are not quoted in an active market which includes short term lending, term-based lending, mortgage lending, personal lending loans to employees and others. Loans and advances are presented on net of the total loan loss provision on the basis of directive number 2 issued by Nepal Rastra Bank. These loans are categorized under pass, watch list, sub-standard, doubtful and loss category. Loan loss provisions are provided on the basis of percentage of total loan outstanding on the basis of their overdue days and other criteria set out in the directive.

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 & loss account.

5.6 Property and Equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or methodology, as appropriate, and treated as changes in accounting estimates. Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the finance and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance costs are charged to other operating expenses during the financial period in which they are incurred.

5.7 Goodwill and Intangible Assets

An intangible asset is recognized only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the finance. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

5.8 Investment Property

Non-Banking Assets which are acquired as part of recovery of loans are classified as investment property and are carried at cost. The Finance's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the repossessed value. Land and building of repossessed collateral are classified as investment property.

5.9 Income Tax

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

a) Current Tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to Inland Revenue Department in respect of the current year, using the tax rates

and tax laws enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of prior years.

b) Deferred Tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carried forward unused tax credits and unused tax losses (if any), to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences, carried forward unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in Subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference will be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is probable that sufficient profit will be available to allow the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority.

5.10 Deposits

The Finance 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 Finance and represents the amount owed by the Finance to the customer.

5.11 Provisions

Provisions are recognized when the Finance has a present obligation (legal or constructive) as a result of past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Finance determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses.

5.12 Share capital and Reserves

Ordinary share capital represents the par value of ordinary shares issued. Share issuance cost which were incurred for raising the capital has not been shown as deduction from share capital but are charged to statement of profit or loss. Share premium represents the excess consideration received by the bank over the par value of ordinary shares issued and is classified as equity.

Statutory reserves represent the mandatory reserves maintained by the bank as per Nepal Rastra Bank Directives. This includes general reserve, exchange equalization reserve, capital redemption reserve, investment adjustment reserve, interest capitalized reserves, corporate social responsibility reserve, training and development reserve and other reserves as notified by Nepal Rastra Bank. These reserves are not available for distribution of dividend to the shareholders. Retained earnings represents the cumulative net earnings or profit after accounting for dividends to shareholders and mandatory reserves required as per directives issued by Nepal Rastra Bank before distributing dividend. Retained earnings represents the cumulative net earnings or profit after accounting for dividends to shareholders and mandatory reserves required as per directives issued by Nepal Rastra Bank.

5.13 Financial guarantee and loan commitment

Financial guarantees are contracts that require the Finance 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.

5.14 Revenue Recognition

Interest income includes interest income on the basis of accrual basis from loan and advance to borrowers, loans, investment in government securities, and investment in development bond.

Interest income is recorded using the effective interest rate (EIR) method. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Fees and commission income earned from services that are provided over a certain period of time which includes fees and commission collected from issuance of, guarantees are recognized on time proportion basis. And net trading income comprises gains less losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes, interest, dividends.

5.15 Interest Expenses

Interest expense is recorded using the effective interest rate (EIR) method. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability. Expenses for promotion and incentives provided to bring the deposits are not included in the calculation of effective interest rate because of the immaterial nature and allocation of the cost to individual deposit is not feasible.

5.16 Personnel Expenses

The cost of all short-term employee benefits is recognized as an expense during the period in which the employee renders the related service. Accruals for employee entitlements to salaries, bonus and annual leave represent the amount which the finance has a present obligation to pay as a result of employees' services provided up to the reporting date. The accruals have been calculated at undiscounted amounts based on current salary rates. Annual staff bonus of 10% have been computed as per Bonus Act on the profit for the period before tax.

Defined Benefit Plans- Gratuity and unutilized accumulated leave

Gratuity has been calculated on the basis of HR Byelaws of the company which may be differs from Actuarial Valuation.

5.17 Other Operating Expenses

Other Operating expenses are incurred and accounted on an accrual basis and are charged to income statement unless those expenses form the capital nature.

5.18 Depreciation and Amortization

Depreciation is calculated by using the straight-line method on cost or carrying value of property, plant & equipment other than freehold land. Fixed Assets are depreciated on the basis of expected useful life on Straight Line Method (SLM) basis. Land is not depreciated. Management has determined the expected life of the fixed assets for depreciation purpose as follows:

S.N.	Asset Types	Depreciation Rate
1.	Leasehold	5 years
2.	Vehicle	7 years
3.	Furniture & Fixture	5 years
4.	Office Equipment	5 years
5.	Computer	5 years
6.	Computer Software	5 years

5.19 Earnings per Share

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

6. Segment Reporting:

The bank's operation are managed centrally through head office. All strategic, financial and operational policies and operations are controlled and directed from head office. The bank operates in 6 provinces. The management of the bank is on the basis of various types of operations supported by ancillary support services.

Information about profit or loss, assets and liabilities

	Particulars	Province no 1	Province no 2	Bagmati	Lumbini	Sudur Paschim	Ganadaki	Total
a	Revenues from external customers	315,741,940.75	54,861,162.43	884,437,578.57	304,629,900.48	105,913,562.75	84,890,508.42	1,750,474,653.40
b	Intersegment revenues	-	-	-	-	-	-	-
c	Net Revenue	315,741,940.75	54,861,162.43	884,437,578.57	304,629,900.48	105,913,562.75	84,890,508.42	1,750,474,653.40
d	Interest revenue	303,813,027.11	52,788,475.90	851,023,013.92	293,120,806.17	101,912,086.92	81,683,295.78	1,684,340,705.81
e	Interest expense	(114,742,058.68)	(35,629,868.74)	(789,580,799.23)	(128,221,297.47)	(26,699,347.62)	(43,889,630.01)	(1,138,763,001.75)
f	Net interest revenue	200,999,882.07	19,231,293.69	94,856,779.34	176,408,603.01	79,214,215.13	41,000,878.41	611,711,651.65
g	Depreciation and amortization	3,498,510.04	607,877.20	9,799,818.61	3,375,385.49	1,173,552.24	940,610.85	19,395,754.43
h	Segment profit /(loss)	197,501,372.03	18,623,416.49	85,056,960.73	173,033,217.52	78,040,662.88	40,060,267.56	592,315,897.22
i	Entity's interest in the profit or loss of associates accounted for using equity method	-	-	-	-	-	-	-
j	Other material non-cash items:	-	-	-	-	-	-	-
	Provision for loan loss	26,362,687.33	4,580,600.44	73,845,594.58	25,434,894.08	8,843,190.53	7,087,882.99	146,154,849.95
k	Impairment of assets	-	-	-	-	-	-	-
l	Segment assets	3,509,396,284.52	609,768,721.74	9,830,312,516.44	3,385,888,610.01	1,177,203,961.88	943,537,732.56	19,456,107,827.15
m	Segment liabilities	1,742,845,010.41	541,190,733.97	11,993,134,619.46	1,947,584,443.67	405,542,878.69	666,650,254.95	17,296,947,941.15

3.Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

(a) Revenue

Total revenues for reportable segment	1,750,474,653
Other revenues	-
Elimination of intersegment revenues	-
Entity's revenues	1,750,474,653

(b) Profit or loss

Total profit or loss for reportable segments	592,315,897
Other profit or loss	-
Elimination of intersegment profits	-
Unallocated amounts:	-
Profit before income tax	592,315,897

(c) Assets

Total assets for reportable segments	19,456,107,827
Other assets	-
Unallocated amounts	-
Entity's assets	19,456,107,827

(d) Liabilities

Total liabilities for reportable segments	17,296,947,941
Other liabilities	-
Unallocated liabilities	-
Entity's liabilities	17,296,947,941

4.Information about geographical areas

Revenue from following geographical areas

(a) Domestic	1,750,474,653
Koshi	315,741,941
Madhesh	54,861,162
Bagmati	884,437,579
Lumbini	304,629,900
Sudurpaschim	84,890,508
Gandaki	105,913,563
(b) Foreign	-
Total	1,750,474,653